ROYAL ECONOMIC SOCIETY

NEWSLETTER

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ROYAL ECONOMIC SOCIETY

What can economists learn from the crisis?

When we called the April *Newsletter* '*The* recession issue' we wondered whether this was creating a hostage to fortune. Happily not, since the situation seems to have stabilised with prospects for some sort of recovery beginning before the end of the year.

What we did not foresee, however, was that the impact of the recession amongst economists might last much longer than the recession itself. Websites, blogs and even letters to the Queen have taken up the question of where were the economists when the storm clouds were gathering? Bashing economists has almost taken over from bashing bankers as national entertainment. We've highlighted some of the contributions to this debate in this issue of the *Newsletter* but we can only touch on a very small fraction. What is apparent, however, is that many of the explanations for economists failure (and in some cases success) in anticipating the crisis involve views about the fundamental nature of economics itself. or at least of what constitutes 'good economics'. Hence we've prefaced the debate, which stretches over pages 7 to 15, with an article from the Government Economic Service which raises serious questions about the skills with which economics graduates seem to be equipped when they make their applications. Could it be that the training that appears to produce graduates ill-fitted to the demands of the GES also limits their ability to understand unstable financial markets? There must be views about this, and we'd be happy to receive them.

Another issue in the news over the summer has been President Obama's efforts to make changes to the US healthcare system and (for UK readers) the colourful misrepresentation of the UK's National Health Service in the US media. Angus Deaton's commentary is (as always) a must-read.

In this issue —

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Next issue

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16 December 2009

Contributions from readers

The *Newsletter* is first and foremost a vehicle for the dissemination of news and comment of interest to its readers. Contributions from readers are always warmly welcomed. We are particularly interested to receive letters for our correspondence page, reports of conferences and meetings, and news of major research projects as well as comment on recent events.

Readers might also consider the *Newsletter* a timely outlet for comments upon issues raised in the *Features* section of *The Economic Journal*. We can normally get them into print within three months of receipt.

Visit our website at:

www.res.org.uk

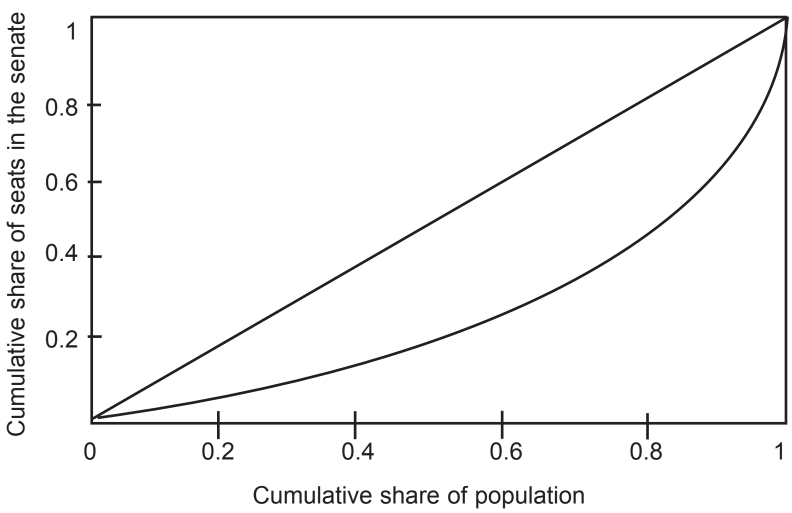
Letter from America

Reforming US Healthcare

In this timely letter, Angus Deaton reviews the prospects for reform to the US health care system — and warns us not to expect too much too soon.

Anne Case and I spend August in southwest Montana, one of America's most remote states. We rent a small house on a bluff overlooking the Madison River rightly famed for its abundance of wild trout, and where the loudest noise is the trumpeting of the two sandhill cranes whose annual visit is synchronized with our own.

Two weeks ago, both we and the cranes were mightily surprised when a fighter jet screamed down the valley, at about the level of our deck, followed by a flight of three identical helicopters that slowly made its way down the valley. Having cleared the Madison, Gravelly, and Tobacco Root ranges of mountain men and militias, the local counterparts of the Taliban, the Madison River was deemed safe for President Obama's fly-fishing lesson. As dedicated aficionados, we had no trouble understanding why the President should want to be a fly-fisherman, although if we had even one helicopter at our disposal, we should have been high in the mountains fishing virgin lakes for giant cutthroat trout.



But although Obama did indeed go fishing, trout were perhaps less on his mind than healthcare reform, courtesy of America's wildly unequal system of political representation. If we assign to each person a senate vote equal to the number of his or her senators divided by the number of people who share them, we can draw a Lorenz curve for senate votes. I exclude the District of Columbia which has no senators, though its population is larger than Wyoming which, like the other forty-nine states, has two. The horizontal axis shows the cumulative share of population, and the vertical axis the cumulative share of seats in the senate. The Gini coefficient is 0.48, which is not very different from the coefficient for income in the US. The big states — California, Texas, New York and Florida — are the 'poorest' in senate seats per head; they have eight percent of the votes but contain just under a third of the national population. Montana, with less than one third of one percent of the population, has two percent of the votes, and is thus over-represented by a factor of six. Alaska and Wyoming do even better in their senate shares — and the fly-fishing is outstanding in both — but neither would have been so welcoming to the President (think Sarah Palin and Dick Cheney). More importantly still, the senior senator for Montana is Max Baucus, a Democrat who chairs the senate finance committee, as well as the 'gang of six' senators who have emerged as the likely 'deciders' on healthcare reform. These senators, three Republicans and three Democrats, all declared moderates, are all members of the Senate Finance Committee. Between them, they represent 2.8 per cent of the American population, and a very much smaller percentage of African Americans and Hispanics.

The structure of the current round of healthcare reform owes much to the failure of the attempt by the Clintons. Academics and healthcare experts — including several economists — were well represented on Hillary Clinton's task force, which presented a plan to a Congress that had little role in shaping it and little interest in passing it. This time, the White House is presenting only loose guidelines, and is letting the politicians work it out for themselves. Because financing reform is the hardest issue, and because the senate is historically the place where reform is made or unmade, the senate finance committee is the key. All this undoubtedly increases the likelihood of something being accomplished, but it has also had the effect of minimizing the role of the extensive research and thought that has gone into healthcare reform by academics and others over the long years in the Bush. Of course, the many economists in DC who are working for the administration are involved in the negotiations, although their work is not public. An exception is Doug Elmendorf, a fine economist who is currently head of the non-partisan Congressional Budget Office, which is charged with costing legislative proposals. The Princeton economics department is having difficulty covering its applied teaching this year in the face of five defections to Washington, and as we teach their courses, we trust they are bringing good economics to the debate.

“All this undoubtedly increases the likelihood of something being accomplished, but it has also had the effect of minimizing the role of the extensive research and thought that has gone into healthcare reform by academics and others over the long years in the Bush.”

Even so, the dominant role of the senate has meant that the single-payer system which has the best chance of reining in costs, and which would eliminate most of the current administrative expenses of the insurance companies, was never allowed on the table. (According to the Center for Responsive Politics, Baucus received more than $750,000 in 2008 from health insurers, and another $2.7 million from the rest of the industry, although he is certainly not the only senator to be so funded, and both presidential candidates accepted much more. Polls also show Montana democrats are broadly in favor of public health care.) Also not on the table is the voucher scheme developed in recent years by Vic Fuchs, America's most prominent health economist, which would break the stranglehold of employer-provided care as well as providing incentives for cost control. And although proposals to end tax breaks for employer-provided healthcare have been debated, they have little chance of implementation in a reform designed by politicians, whose constituents believe that employer provided healthcare is a free good, even in the face of evidence that healthcare costs have been a major limitation on the growth in median wages. The fact that the insurers, the doctors, and the pharmaceutical companies all favor the current plans surely bodes ill for hopes of reducing costs. It is ironic that the Fuchs plan was developed jointly with Zeke Emanuel, an oncologist and bioethicist, with doctorates in both medicine and philosophy, who is uniquely well placed to influence the reform. He is currently Special Advisor for Health Policy to Peter Orzag, Director of the Administration's Office of Management and Budget, and is a brother of President Obama's Chief of Staff, Rahm Emanuel, two of the central players in the current negotiations. (According to the *New York Times*, Rahm Emanuel has also recently been fly-fishing in Montana but presumably without the fighter jet or the helicopters.)

And what of the President's fishing trip? The weather was so bad that he had to abandon the Madison River and go instead to the East Gallatin. His guide for the afternoon, Dan Vermillion of the Sweetwater Fly Shop of Livingston, reported that Obama, a talented neophyte who made contact with several fish, brought none to the net. He reported that ‘You could say he pardoned all the fish but, honestly, Obama couldn't set the hook.’. On health reform, one can only hope he does better, though if he brings a fish to the net it seems likely to be a most unappetizing creature. Perhaps the best that can be hoped for is that the current round will set the stage for real reform the next time, either by establishing a public plan as a Trojan horse for a single payer system, or because, as argued by my colleague Uwe Reinhardt, covering the uninsured will eliminate the cross-subsidization in the current system that makes it impossible for government to control costs. Otherwise, we shall have to wait until even more people are unhappy than is currently the case. Even then, reform will still have to battle the deep inequality that so many people count for so little while so (amazingly) few dollars from the industry count for so much. American healthcare may be the most expensive in the world, but political influence still comes dirt cheap.

GES creates new link with economics profession

The UK's Government Economic Service has created a Board of Professional Development. The Board is hosted by the National School of Government. It consists of economists from across government and academics who have substantial experience of working with the GES, including the Chair of CHUDE. It is a delegated sub-Board of the GES Main Board and is Chaired by a GES economist or an academic in alternation. Its remit is to be a bridge between academia and professional practitioner economists in government and to advise on all matters pertaining to the supply and development of economists in government. A list of its GES members will be issued for academics to use as government departmental contacts for research enquiries.

Editor's note:
A statement from the Board appears below on p.7

The Higher Education Academy Economics Network

launches two new websites with RES support

The Economics Network has recently launched two new websites in a project that is supported by the Royal Economic Society. The first, StudyingEconomics.ac.uk, provides support for existing students while WhyStudyEconomics.ac.uk, helps potential students to decide whether economics is for them. Both sites are extremely well-designed, imaginative and attractive in layout and contain a wealth of useful information. Anyone teaching undergraduate economics should check them out. More information is provided below by Ryan Hoare, the newest student placement officer at the Economics Network of the Higher Education Academy.

Hi there! My name's Ryan and I'm the newest addition to the Economics Network. Hailing from the hilly south-west, I am currently two-thirds of the way through an undergraduate degree in Economics and International relations at Bristol Business School and have just started a placement year at the Economics Network, based at the University of Bristol.

As the student placement officer at the Economics Network, I am responsible for maintaining and developing two student-focused websites. The transition from school to university can be daunting and overwhelming for many students. It involves many changes: probably a new place to live, new friends, new-found freedom and, of course, a new way of learning. The 'Facebook' generation, used to instant searches, often demand instant results and often place unrealistic expectations on their lecturers' already busy schedules.

That's where **Studying Economics** comes in. Launched at the Economics Network's *Developments in Economics Education 2009* conference, it provides a wealth of information for economics undergraduates. While researching the available support for undergraduates, we discovered a lot of generic advice but saw a need for help with the issues specific to economics. This site advises students on study skills, careers and post-degree options. It takes them through the steps involved in doing a dissertation, writing an essay or preparing for an exam. Lecturers from around the country have contributed articles promoting their respective specialist options. It's our hope that the instruction to 'Studying Economics it' will become as routine in the near future as the more familiar 'Google it' is now, and that economics students will find that it provides them with useful and timely advice on all aspects of being an economics student, taking some of the pressure off economics lecturers.

We think the site will benefit students in all institutions, at any stage of their course. What we'd like teachers to do is:

- highlight **StudyingEconomics.ac.uk** during induction activities
- hand out some flyers (downloadable from the site)
- link the site to their own module website / module handbook

I will continue to work on the site over the coming year, and greatly appreciate any feedback!

I am also working on redesigning and updating **Why Study Economics**? which aims to persuade school-leavers of the value of an economics degree. One effect of the financial crisis is that there has been a growing interest in economics. Acceptances were 20 per cent up last year on the previous year and applications to study economics have risen 20 per cent this year. Because of this there is more demand for information about economics than ever before. At the same time, there has never been so much need to prove that economics is a subject worthy of study.

WhyStudyEconomics.ac.uk answers basic questions about applying for and studying single or joint honours economics. It uses diaries and films to share the experiences of current students. We think it will complement and support your open days and sites aimed at prospective students and their teachers.

Both websites are sponsored by the RES and we are very grateful for the Society's continuing support.

Readers can contact me, Ryan Hoare, at The Economics Network. Email: Ryan.Hoare@bristol.ac.uk

RES
2010 Easter School

The twentieth Easter School organised by the Royal Economic Society, with financial support from the Economic and Social Research Council, will be held at The University of Birmingham from **Sunday 18th April 2010 - Thursday 22nd April 2010.** The School is intended primarily for **advanced postgraduate students doing doctoral research** but is also open to members of the teaching and research staff. The purpose is to enable participants to become acquainted with the latest developments in the selected fields of economics, to have the opportunity for study and discussion with two internationally renowned experts in the topics covered, and to meet other young researchers.

In 2010, the subjects of the school will be

Credit, Business Cycles and Finance.

The lecturers will be
Professor Nobuhiro Kiyotaki and
Professor Hyun Song Shin
(both Princeton University)

Places are available for 25 resident participants. Accommodation and meals will be provided for the duration of the course. Nominations must be made through the applicant's Head of Department and should be supported by a short CV, a reference, and a note on the applicant's research interests.

Applications should be submitted no later than **Friday, 8th January 2010** by post to the Royal Economic Society Easter School Secretary, Department of Economics, The University of Birmingham, Edgbaston, Birmingham, B15 2TT or by email:

easterschool@contacts.bham.ac.uk.

Successful applicants will be informed in February 2010.

ESRC launches new Strategic Plan

During the summer, the ESRC launched its latest Strategic Plan, setting out what it sees as the major research challenges for the next five years.

As regards research areas, these include:

Environment, energy and resilience
Global economic performance, policy and management
Health and wellbeing
Understanding individual behaviour
Social diversity and population dynamics
New technology, innovation and skills
Security conflict and justice

But the Plan also stresses the importance of being able to measure the impact of funded research.

'We measure success by pursuing five impact objectives in each area. They are:

Impact through world-class social science research
Impact through skilled people
Impact through world-class infrastructure
Impact through international leadership
Impact through partnerships'

The Plan (and other ESRC publications) can be downloaded from:

www.esrcsocietytoday.ac.uk/ESRCInfoCentre/strategicplan/

The Rybzcynski Prize
for Business Economics

Since 2000, the Society of Business Economists has awarded an annual prize for the year's best piece of writing on an issue of importance to business economists. The Rybczynski Prize — worth £3000, thanks to the generous sponsorship of KPMG — is awarded in memory of the late Tad Rybczynski, an eminent economist and long-serving former Chairman of the Society.

Essays can be written especially for the competition, or may be work published in the course of 2009. The judges will be looking for around 3000 — but not more than 4000 — well-written and thought-provoking words. Could you write them? To enter, please contact the SBE secretariat at:

admin@sbe.co.uk

or follow the link to the SBE website, for an entry form.

The closing date for entries is **7 December 2009**.

The knowledge and skills required by the GES

As a major user of the outputs of universities the Government Economic Service (GES) celebrates advances in scientific economics but observes that academic research is typically different in nature from the work of the 'professional practitioner' economist in government. This statement of those skills was drawn up by Andy Ross, the Deputy Director and Head of Professional Development at the Government Economic Service. Comments from readers are invited.

The GES recognises the strength of economics as an academic discipline but observes that the knowledge and skills needed by academic researchers and government economists are not identical, and are often quite different. Some economists are academic researcher, professional practitioner and policy maker, but this is not a realistic aspiration for the majority of economists. Most GES economists do not develop the level of technical expertise currently required for articles published in the most prestigious academic journals, but they do make important contributions towards better government.

> “...the salient statistic is that half of these seemingly well-qualified candidates fail our entry assessment on economic knowledge and skills alone. This assessment involves little more than applying the contents of a good introductory textbook...”

The competencies needed by academic researchers and professional practitioners are not mutually exclusive, they greatly overlap, but the GES seeks to clarify the distinctions. One important aspect is that the professional practitioner must make judgements that attempt to balance a wide range of considerations, including unknowns, using incomplete information today to prepare for an uncertain tomorrow. The academic researcher seeking publication in academic journals is attempting to add to the stock of scientific knowledge. The approach of the academic and the practitioner therefore often differs. Policy requires going beyond what can be demonstrated with formal rigour: it is about dilemmas rather than lemmas.

Professional practitioners must be well rounded for a critical and discerning use of economic analysis and evidence; they do not always need to be equipped for the scientific pursuit of formalised new knowledge, though such skills are valued as part of the overall GES mix. There are many important jobs in the GES, such as forecasting, that do require sophisticated technique, but, compared to academic researchers, the level of technical skills required by professional practitioners is typically lower. However, their need for effective communication, good judgement in drawing eclectically from a plurality of influences, quantitative awareness and a deep rounded grasp of the fundamentals, is higher. It is about different skill sets, not about ‘dumbing down’.

Entry to the GES requires only the meeting of pre-set competencies. As the GES has not met its demand for entry-level economists for many years there has effectively been no cap on recruitment numbers; we would have recruited more if had they met our standard. Although applicants must have a 2.1 or better, e.g. a Masters, in degrees with at least 50 per cent economics, the salient statistic is that half of these seemingly well-qualified candidates fail our entry assessment on economic knowledge and skills alone. This assessment involves little more than applying the contents of a good introductory textbook such as Sloman.

Success is correlated with candidate’s university, but our provisional analysis of evidence suggests that university *per se* is far from being a complete explanation. There are of course many complex reasons why candidates fail, but GES assessors (each candidate is assessed by a panel consisting of one academic and one GES member) most commonly report that the major reason is a lack of a deep understanding of fundamental threshold economic concepts. This understanding is even more important than good communication skills, as a lack of understanding makes it difficult to remember, select and apply economic principles, particularly to unfamiliar contexts as is often required in government.

The Economics Network (www.economicsnetwork.ac.uk) conducts an annual and broader survey of employers’ perception of economics, and our conclusion here relates only to that part of the GES recruitment process that assesses knowledge, application and communication in economics. The broader ‘graduateness’ skills of candidates are tested separately, and only after the candidate has passed the economic assessment and successfully completed a detailed pre-interview questionnaire.

Also, for balance, it is important to report that candidates who do pass the GES recruitment process can do what is 'promised' by the QAA subject benchmarks:

> First there is the ability to abstract and simplify in order to identify and model the essence of a problem. Second is the ability to analyse and reason — both deductively and inductively. Third is the ability to marshal evidence and to assimilate, structure, analyse and evaluate qualitative and quantitative data. Fourth is the ability to communicate results concisely to a wide audience, including those with no training in economics. Fifth is the ability to think critically about the limits of one's analysis in a broader socio-economic context. Sixth is the ability to draw economic policy inferences, to recognise the potential constraints in their implementation and to evaluate the efficacy of policy outcomes in the light of stated policy objectives.

The GES values this paragraph as a concise summary of what makes a good economist in government. That said, we would like to see more emphasis in the benchmarks on: 'threshold concepts' and their transferable application; decision metrics for resource allocation, i.e. appraisal, CBA and net welfare analysis; markets and non-market allocation mechanisms; money and finance, banking and monetary transmission mechanisms; economic policy history and the underlying paradigms; risk and uncertainty; complementary disciplines; quantitative awareness, including sources of economic data, descriptive statistics and the use of spreadsheets; moral issues and ethical frameworks; and even more emphasis on communicating to non-economists.

Academics and professional practitioners in government should keep in closer sight of each other than has been the case in recent years, as ultimately they are complements not substitutes. The GES has an important role in this respect as a bridge between academics and government policy makers. To perform this role the GES needs to be an intelligent consumer of academic economics but not necessarily a producer of new knowledge, other than as an incubator for new policy applications. It follows that the GES believes many more people could benefit from a degree in economics. So while welcoming the recent increase in economics applications to universities, the GES believes that the world would also benefit from a broader range of economists with better links to complementary disciplines.

In short, the GES, as the public sector professional body for economics, is not arguing against highly formalised economics. Rounded economists trained as scientists are welcomed as members of the GES, but there is more to economics than science and there are other ways to serve. The GES also wishes to encourage more educational provision for potential professional practitioners. The new GES Board of Professional Development, comprising academics and practitioners, would be pleased to receive your views on this at andrew.ross@hmtreasury.gsi.gov.uk

Why did no one foresee the credit crunch?[1]

At the same time that we received the statement from the GES, an open letter to HM The Queen was published responding to her question of why the world's economists had been unable to anticipate the crisis and its consequences. The letter itself does not dwell on methodological issues, though responses to it (as in the next item) certainly did. And so, with the kind permission of the British Academy, we reproduce it here.

When Your Majesty visited the London School of Economics last November, you quite rightly asked: why had nobody noticed that the credit crunch was on its way? The British Academy convened a forum on 17 June 2009 to debate your question, with contributions from a range of experts from business, the City, its regulators, academia, and government. This letter summarises the views of the participants and the factors that they cited in our discussion, and we hope that it offers an answer to your question.

Many people did foresee the crisis. However, the exact form that it would take and the timing of its onset and ferocity were foreseen by nobody. What matters in such circumstances is not just to predict the nature of the problem but also its timing. And there is also finding the will to act and being sure that authorities have as part of their powers the right instruments to bring to bear on the problem.

There were many warnings about imbalances in financial markets and in the global economy. For example, the Bank for International Settlements expressed repeated concerns that risks did not seem to be properly reflected in financial markets. Our own Bank of England issued many warnings about this in their bi-annual *Financial Stability Reports*. Risk management was considered an important part of financial markets. One of our major banks, now mainly in public ownership, reputedly had 4000 risk managers. But the difficulty was seeing the risk to the system as a whole rather than to any specific financial instrument or loan. Risk calculations were most often confined to slices of financial activity, using some of the best mathematical minds in our country and abroad. But they frequently lost sight of the bigger picture.

Many were also concerned about imbalances in the global economy. We had enjoyed a period of unprecedented global expansion which had seen many people in poor countries, particularly China and India, improving their living standards. But this prosperity had led to what is now known as the 'global savings glut'. This led to very low returns on safer long-term investments which, in turn, led many investors to seek higher returns at the expense of greater risk. Countries like the UK and the USA benefited from the rise of China which lowered the cost of many goods that we buy, and through ready access to capital in the financial system it was easy for UK households and businesses to borrow. This in turn fuelled the increase in house prices both here and in the USA. There were many who warned of the dangers of this.

But against those who warned, most were convinced that banks knew what they were doing. They believed that the financial wizards had found new and clever ways of managing risks. Indeed, some claimed to have so dispersed them through an array of novel financial instruments that they had virtually removed them. It is difficult to recall a greater example of wishful thinking combined with hubris. There was a firm belief, too, that financial markets had changed. And politicians of all types were charmed by the market. These views were abetted by financial and economic models that were good at predicting the short-term and small risks, but few were equipped to say what would happen when things went wrong as they have. People trusted the banks whose boards and senior executives were packed with globally recruited talent and their non-executive directors included those with proven track records in public life. Nobody wanted to believe that their judgement could be faulty or that they were unable competently to scrutinise the risks in the organisations that they managed. A generation of bankers and financiers deceived themselves and those who thought that they were the pace-making engineers of advanced economies.

> “But against those who warned, most were convinced that banks knew what they were doing. They believed that the financial wizards had found new and clever ways of managing risks. Indeed, some claimed to have so dispersed them through an array of novel financial instruments that they had virtually removed them.”

All this exposed the difficulties of slowing the progression of such developments in the presence of a general 'feel-good' factor. Households benefited from low unemployment, cheap consumer goods and ready credit. Businesses benefited from lower borrowing costs. Bankers were earning bumper bonuses and expanding their business around the world. The government benefited from high tax revenues enabling them to increase public spending on schools and hospitals. This was bound to create a psychology of denial. It was a cycle fuelled, in significant measure, not by virtue but by delusion.

Among the authorities charged with managing these risks, there were difficulties too. Some say that their job should have been 'to take away the punch bowl when the party was in full swing'. But that assumes that they had the instruments needed to do this. General pressure was for more lax regulation — a light touch. The City of London (and the Financial Services Authority) was praised as a paragon of global financial regulation for this reason.

There was a broad consensus that it was better to deal with the aftermath of bubbles in stock markets and housing markets than to try to head them off in advance. Credence was given to this view by the experience, especially in the USA, after the turn of the millennium when a recession was more or less avoided after the 'dot com' bubble burst. This fuelled the view that we could bail out the economy after the event.

Inflation remained low and created no warning sign of an economy that was overheating. The Bank of England Monetary Policy Committee had helped to deliver an unprecedented period of low and stable inflation in line with its mandate. But this meant that interest rates were low by historical standards. And some said that policy was therefore not sufficiently geared towards heading off the risks. Some countries did raise interest rates to 'lean against the wind'. But on the whole, the prevailing view was that monetary policy was best used to prevent inflation and not to control wider imbalances in the economy.

So where was the problem? Everyone seemed to be doing their own job properly on its own merit. And according to standard measures of success, they were often doing it well. The failure was to see how collectively this added up to a series of interconnected imbalances over which no single authority had jurisdiction. This, combined with the psychology of herding and the mantra of financial and policy gurus, lead to a dangerous recipe. Individual risks may rightly have been viewed as small, but the risk to the system as a whole was vast.

So in summary, Your Majesty, the failure to foresee the timing, extent and severity of the crisis and to head it off, while it had many causes, was principally a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole.

Given the forecasting failure at the heart of your enquiry, the British Academy is giving some thought to how your Crown servants in the Treasury, the Cabinet Office and the Department for Business, Innovation & Skills, as well as the Bank of England and the Financial Services Authority might develop a new, shared horizon-scanning capability so that you never need to ask your question again. The Academy will be hosting another seminar to examine the 'never again' question more widely. We will report the findings to Your Majesty. The events of the past year have delivered a salutary shock. Whether it will turn out to have been a beneficial one will depend on the candour with which we dissect the lessons and apply them in future.

We have the honour to remain, Madam, Your Majesty's most humble and obedient servants

Professor Tim Besley, FBA   Professor Peter Hennessy, FBA — and other members of the FBA forum.

Editor's note:
1. The question of who saw what and when has predictably spawned a substantial literature. Interested readers will find further contributions under the CEPR item on p.14.

Following the FBA letter, HM The Queen received an alternative explanation which we print below. While accepting part of the FBA's account this alternative touches quite explicitly on the training of economists and the skills with which they are eventually equipped. Some of the concerns here are echoes of those raised in the GES statement. How many, and how closely, are of course for readers to judge.

Madam.

We are writing both in response to the question you posed at the London School of Economics last November — concerning why few economists had foreseen the credit crunch — and the answer to you from Professors Tim Besley and Peter Hennessy dated 22 July.

We agree with many of the points made by Professors Besley and Hennessy, principally those summarized in the next paragraph, but we regard their overall analysis as inadequate because it fails to acknowledge any deficiency in the training or culture of economists themselves.

> "There is a species of judgment, attainable through immersion in a literature or a history, that cannot be adequately expressed in formal mathematical models. It is an essential part of a serious education in economics, but it has been stripped out of most leading graduate programmes in economics in the world."

Their letter rightly mentions that 'some of the best mathematical minds' were involved in risk management but 'they frequently lost sight of the bigger picture'. Many believed that risks had been safely dispersed and 'virtually removed' through 'an array of novel financial instruments ... It is difficult to recall a greater example of wishful thinking combined with hubris. ... And politicians of all types were charmed by the market.' In summary, they conclude, 'the failure to foresee the timing, extent and severity of the crisis and to head it off, while it had many causes, was principally a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole.'

In addition to the factors mentioned in their letter, we suggest that part of this responsibility lies at the door of leading and influential economists in the United Kingdom and elsewhere. Some leading economists — including Nobel Laureates Ronald Coase, Milton Friedman and Wassily Leontief — have complained that in recent years economics has turned virtually into a branch of applied mathematics, and has been become detached from real-world institutions and events. (We can document these and other complaints fully on request.)[1]

In 1988 the American Economic Association set up a Commission on the state of graduate education in economics in the US. In a crushing indictment published in the *Journal of Economic Literature* in 1991, the Commission expressed its fear that 'graduate programs may be turning out a generation with too many idiot savants skilled in technique but innocent of real economic issues.'

Far too little has since been done to rectify this problem. Consequently a preoccupation with a narrow range of formal techniques is now prevalent in most leading departments of economics throughout the world, and notably in the United Kingdom.

The letter by Professors Besley and Hennessy does not consider how the preference for mathematical technique over real-world substance diverted many economists from looking at the vital whole. It fails to reflect upon the drive to specialise in narrow areas of enquiry, to the detriment of any synthetic vision. For example, it does not consider the typical omission of psychology, philosophy or economic history from the current education of economists in prestigious institutions. It mentions neither the highly questionable belief in universal 'rationality' nor the 'efficient markets hypothesis' — both widely promoted by mainstream economists. It also fails to consider how economists have also been 'charmed by the market' and how simplistic and reckless market solutions have been widely and vigorously promoted by many economists.

What has been scarce is a professional wisdom informed by a rich knowledge of psychology, institutional structures and historical precedents. This insufficiency has been apparent among those economists giving advice to governments, banks, businesses and policy institutes. Non-quantified warnings about the potential instability of the global financial system should have been given much more attention.

We believe that the narrow training of economists — which concentrates on mathematical techniques and the building of empirically uncontrolled formal models — has been a major reason for this failure in our profession.

This defect is enhanced by the pursuit of mathematical technique for its own sake in many leading academic journals and departments of economics.
There is a species of judgment, attainable through immersion in a literature or a history, that cannot be adequately expressed in formal mathematical models. It is an essential part of a serious education in economics, but it has been stripped out of most leading graduate programmes in economics in the world, including in the leading economics departments in the United Kingdom.

Models and techniques are important. But given the complexity of the global economy, what is needed is a broader range of models and techniques governed by a far greater respect for substance, and much more attention to historical, institutional, psychological and other highly relevant factors.

In summary, the letter by Professors Tim Besley and Peter Hennessy overlooks the part that many leading economists have had in turning economics into a discipline that is detached from the real world, and in promoting unrealistic assumptions that have helped to sustain an uncritical view of how markets operate.

We respectfully submit that part of the problem lies in the additional factors that we have outlined above. As trained economists and United Kingdom citizens we have warned of these problems that beset our profession. Unfortunately, at present, we find ourselves in a minority. We would welcome any further observations that Your Majesty may have on these problems and their causes.

We remain your most humble and obedient servants,

Sheila C. Dow, University of Stirling
Peter E. Earl, University of Queensland
John Foster, University of Queensland
Geoffrey C. Harcourt, University of Cambridg,
Geoffrey M. Hodgson, University of Hertfordshire
J. Stanley Metcalfe, University of Manchester
Paul Ormerod, Academy of Social Sciences
Bridget Rosewell, Chairman of Volterra Consulting
Malcolm C. Sawyer, University of Leeds
Andrew Tylecote, University of Sheffield

Editor's note:

1. The authors would probably now add Paul Krugman, *New York Times*, 2 September 2009

A controversial correspondence

In the July Newsletter *Ray Rees's 'Letter from Germany' reported and commented on a recent debate in Germany about the appropriate training for economic policy-makers. As he explains below, these comments sparked further controversy. Ray asks: 'Does this debate have a resonance outside Germany?'*

In my last 'Letter from Germany' I reported on a debate among German economists conducted by means of letters to two of Germany's leading newspapers. I have received quite a lot of comment, not least from economists in Germany itself, and so I thought readers of this *Newsletter* might be interested in full translations of the letters with some brief comments. Does this debate have a resonance outside Germany?

Rescue Economic Policy in the Universities!

The undersigned 83 professors of economics follow with concern the increasing efforts to suppress the teaching of Economic Policy at the universities. Professorships in Economic Policy are to be diverted from their original purpose or re-designated, and undergraduate programmes in business economics will no longer include lectures on economic policy.

The teaching of Economic Policy deals both normatively and positively with important questions: What should be the goals of economic policy (for example with respect to the share of the public sector, public finances, distribution, stability and suchlike)? What economic policy institutions and economic policy instruments are appropriate to achieve specific economic policy goals? How can it be explained in political economy terms why institutions of economic policy can fail? How can changes in economic policy goals and in the efficiency of economic policy instruments be explained? The systematic analysis of such issues of economic policy without a normative foundation is not possible.

In economic theory the dominant tendency is to derive logical consequences from specified assumptions. The result is already contained in the assumptions. This methodology guarantees formal rigour, but is less than suitable for the analysis of real world economic policy. A good scientific analysis of economic policy is always based on economic theory. However it goes further, in that it pursues the question of the extent to which the theoretically derived conclusions are in reality applicable and implementable. For that it is among other things necessary to have knowledge of the real institutions and of their (incentive-) effects. In the end, only in this way can scientifically well-founded recommendations be made to the decision takers on economic policy.

As a rule, there is a failure of real economic policy not because a decision taker makes a mistake in logic, but rather because they have wrongly estimated the effects of their instruments, or because the wrong incentives have been provided by their economic institutions, or because behaviour patterns of economic subjects prevail that are not consistent with the pure theory. It is the job of Economic Policy to inform us about these connections. Accomplishment in the derivation of logical consequences is sometimes of only limited utility when the task is to understand and judge reality.

In other countries also, increasingly many economists sacrifice the realism of their analysis to the goal of formal logical rigour, and this tendency is also subject to keen public criticism. The United States is no exception. The economists [there] withdraw from reality because the career incentives in their subject are distorted. The prevailing alignment of university teaching and research hardly offers any incentive for young academics to busy themselves with questions of economic policy. For the results of economic policy analysis are frequently controversial and, since they are of an empirical nature, are never capable of being proven with complete certainty. There is no room for public performances of logical virtuosity.

Because the incentives are not right, the economics discipline neglects to make the contribution that it could — and should! -— make to the solution of practical problems of economic policy. But science has a social responsibility. It is kept in being to produce applicable results. Professorships in Economic Policy must therefore remain an indispensable component of economic research and teaching.

Published in the *Frankfurter Allgemeine Zeitung*, Tuesday 5 May 2009. (Trans. Ray Rees)

Reconstruct German Economics In Line With International Standards!

A call from 188 Professors and Researchers in Economics: The uncompetitive structures in German economics faculties must not be set in stone.

The undersigned 188 professors and researchers in economics follow with concern the efforts of some of our colleagues to argue for a cementing of internationally uncompetitive structures in German economics faculties, and to misdirect the attention of the general public away from the contribution that it is necessary for our discipline to make to the solution of currently pressing problems. In the process of doing so a distorted picture of modern economic research has been presented.

In the appeal 'Rescue Economic Policy at the Universities' that appeared in the *Frankfurter Allgemeine Zeitung* on May 5 of this year, the criticism is expressed that 'the dominant tendency in economic theory is to derive logical conclusions from selected assumptions [that] are less than appropriate for the analysis of real-world economic policy'. It is further maintained that 'in other countries economists increasingly sacrifice the realism of their analysis to the goal of formal logical rigour, and withdraw from reality'.

A Distorted Picture of Modern Economics

The conclusion is drawn from this that the subject of economics is 'increasingly neglecting the contribution that it could make to the solution of practical problems of economic policy'. Therefore, according to the appeal, 'Chairs in Economic Policy must remain an indispensable part of economic teaching and research'.

With this appeal we oppose this distorted picture of modern economics as pure economic logic. With this appeal we also oppose the further cementing of the unfruitful separation between 'economic theory' and 'economic policy', which is uncommon internationally.

Instead, we call for a reconstruction and extension of the economics faculties in line with international standards, in order to make it possible for German universities to attain the high quality and comprehensive breadth that would give them a leading position in international research.

[In faculties] where this reconstruction and extension has already begun, it should be strengthened and carried further, and should be supported by academic policymakers as well as by the university administrations.

A clear majority of the fields of specialization in modern economics are in areas of application, concerned both with the theoretical and with the empirical analysis of economic problems and their implications for economic policy. Specialists in theory or in econometrics are just as welcome in these areas as those who combine the two.

The dividing line is not between theory on the one side and policy on the other, but between the main points of emphasis of the respective concrete subject areas. For this reason internationally leading [economics] faculties typically have around three quarters of their professorships in applied areas such as microeconomics, macroeconomics, labour economics, development economics, international trade, industrial economics, experimental economics and public economics.

An important role in these subjects is played by the scientific analysis and understanding of the incentive properties of the instruments and institutions of economic policy, exactly as called for in the May 5 appeal.

By far the largest part of the work published in the leading international journals, such as the *American Economic Review, Econometrica*, the *Journal of Political Economy*, the *Quarterly Journal of Economics* or the *Review of Economic Studies* is of an applied or empirical nature. Economic policy and the teaching of it are as a result a consistently integrated component of the teaching and research programme in economics. In this way insights into economic policy are methodologically, theoretically and empirically well-founded and their implications can be tested and replicated by others.

Leading Economists as Political Advisors

Economic policy advice is increasingly in the hands of leading academic economists, who have earlier made path-breaking contributions to our subject. Ben Bernanke, Lawrence Summers, Christina Romer and Olivier Blanchard for example have as academics published model-theoretic and quantitative research on economic policy in leading journals and are now key decision takers in American and international economic policy.

In contrast to that, one can scarcely find comparable leading practitioners of our subject in the German government. It is in our view a complete mistake to draw from that the conclusion that the traditional separation of economic policy from economic theory in Germany has paved the way for a central role for economics in the solution of practical problems of economic policy.

Economics is an active, developing subject. The present financial and economic crisis presents new challenges. Building on the leading insights of [economic] science, current research is seeking a deeper understanding of the interactions of the finance, banking and real sectors and the effects of the relevant economic instruments, not least in order to be able to better inform and advise, on a solid scientific basis, practical economic policymakers as well as the general public.

In this, good theory and good empirical work will play an important role, old dogmas on the other hand will not. Those responsible for academic policy decision taking should put economic research in Germany in the state in which it is able to make an internationally significant contribution.

Published in *Handelsblatt*, Monday 8 June 2009. (Trans. Ray Rees)

Some comments from Ray Rees:

Though the first paragraph of the first letter is formulated in general terms, it is really directed specifically at the economics faculty of the University of Cologne. Faced with a large wave of retirements, the members of this faculty have decided to build up a strong macroeconomics group, by filling six vacant chairs with good, young, internationally-oriented macroeconomists. This involves a break with tradition, since Cologne was for a long time a bastion of so-called 'ordoliberal economics', on which more below. A characteristic of this tradition, though not an essential element of the philosophical basis of ordoliberalism, was hostility to mathematical — equated with 'theoretical' — economics and an emphasis on policy-advising rather than academic publication as the main activity of professors. This is perhaps why, of the 83 signatories of the letter, an economist outside Germany would recognize probably fewer than a half-dozen of the names. My question: what would be the view taken in the English-speaking countries of a situation in which a group of retired professors, their ex-students, and like-minded professors in other universities make an overt attempt to prevent an economics department reconstructing itself in line with internationally-accepted standards in its discipline?

> "My question: what would be the view taken in the English-speaking countries of a situation in which a group of retired professors, their ex-students, and like-minded professors in other universities make an overt attempt to prevent an economics department reconstructing itself in line with internationally-accepted standards in its discipline?"

Ordoliberalism takes its name from the journal *ORDO* (derived from the word Ordnung, meaning 'order', in the sense of a social or economic order) and is a form of economic liberalism developed to provide policy recommendations for Germany, particularly in the period of postwar reconstruction of the German economy. It was espoused by Ludwig Erhard, who presided over the Wirtschaftswunder of the 1950's and 60's, and provides the intellectual basis for the idea of the 'social market economy', an economy that is fundamentally driven by market forces and private ownership, but in which policymakers also care about social outcomes. It holds that the goal of state economic policy is to create a legal and institutional framework (order) in which competitive markets can achieve prosperity, full employment and growth. It emphasizes the use of strong competition policy to prevent the development of oligopoly and monopoly power, which not only undermines economic performance but also threatens the liberal political order. It also emphasizes that the conduct of monetary policy should be the responsibility of an independent central bank committed to price stability. Other aspects of economic policy should be carried out by similarly specialized institutions with specific, clearly defined responsibilities. The role of the state is to ensure the appropriate institutional framework of law and regulation, but it should not intervene directly in trying to control economic processes. To economists outside Germany, the fact that contributors to the journal *ORDO* have included Friedrich Hayek, Karl Popper, Peter Bauer, Milton Friedman and James Buchanan should give a clear idea of its intellectual orientation. It also suggests that as an economic philosophy it would find wide acceptance outside Germany. The problem with the intellectual content of the letter, as I see it, is that it fails to understand the methodology of modern economics.

The strength of modern economics, particularly in relation to the other social sciences, is that it proceeds by building, testing and applying models. We perceive the world in terms of models, and progress in economics comes about through the extension of our modelling capability (for example to handle strategic interaction or asymmetric information) and improvements in the relevance of the models to real economic phenomena. This methodology does not strictly require mathematical methods, but of course is hugely facilitated by their use. The authors of the letter, and (older) ordoliberals generally, confuse this methodology with the pure logic of the axiomatic method, to which of course it is closely related, failing to see that the emphasis is on economic content rather than mathematical formalism. They also have no understanding of the role econometrics plays in this process.

Although the first four paragraphs of the letter have these basic weaknesses, I think the letter itself would not have stimulated the responses contained in the second letter if it had stopped there. The last two paragraphs present such a distorted picture of what gets done elsewhere (as a warning to German policy makers — see what will happen here if we don't preserve our (ordoliberal) chairs in Economic Policy) that such a response was necessary. This isn't to say that 'mainstream economics' is beyond criticism. In particular, my colleague Hans-Werner Sinn, who has probably done more than anyone to bring German economics into the international mainstream, is critical of the neglect of real institutional detail in much of the mainstream work on economic policy, and in this finds a point of agreement with the first letter. Overall, however, I think the second letter makes the correct response and I am happy to be one of the 188 economists who signed it.

CEPR report argues for major shift in the focus of monetary policy

The latest CEPR/ICMB Geneva Report on the World Economy *Is the Golden Age of central banking over?*' argues that central banks face two key challenges in the aftermath of the present crisis. The first is to exit from the present very substantial monetary stimulus in a way that is consistent with both the maintenance of low inflation. The second is how to enhance their monetary policy frameworks on the basis of the lessons learned during the crisis.

The authors, Stefan Gerlach, Alberto Giovannini, Cédric Tille, and José Viñals, argue that the second of these requires much closer co-operation between central banks and supervisory authorities when setting interest rates. In practice, this means that monetary policy should be more willing to lean against large increases in credit and indebtedness, particularly where accompanied by rapid increases in asset prices.

These themes are taken up in another CEPR report:
The Fundamental Principles of Financial Regulation

Both are available from: www.cepr.org/pubs/pubs2.htm

The CEPR website also has a link to VoxEU (www.voxeu.org) — a site for research based policy analysis and commentary. As this *Newsletter* went to press the most recent contribution to Vox was a column by Dirk Bezemer entitled, 'No one saw this coming – or did they?' which shows that analysts who used models featuring a distinct financial sector issued fairly detailed, well reasoned, and public warnings of imminent financial turmoil.

Readers who are interested in this theme might also like to see 'Economists and economics: What does the crisis tell us?' by Luigi Spaventa, also available from CEPR.

Commemorating Adam Smith

The Adam Smith Institute has arranged for the production of a limited, special edition of a desk and pocket diary to commemorate the life and work of Adam Smith. The Royal Economic Society has negotiated a special deal for members.

Limited edition **Adam Smith Economist Diaries** are crafted in Scotland from the finest materials, featuring a week-to-view layout and a tribute page to the pioneer of market economics, Adam Smith, who wrote *The Wealth of Nations* and coined the phrase 'The Invisible Hand'. Adam Smith's profile and signature are gold blocked on the real leather cover, giving a distinctive finish. Additionally, the desk diary contains a profusion of international statistical, political, business and travel information.

The ASI has arranged free worldwide delivery for members who order before the end of December. In addition, members can have their name or initials gold blocked on the cover, for no charge. Simply visit:

www.economistdiaries.com/economist and enter the special promotion code E10/AS .

News from ISER....

Training Course:
Introduction to BHPS using Stata

This course is aimed at new users of the BHPS or those who have so far made use only of simpler aspects of the data. Thursday-Friday, 12-13 November 2009.

Further information at: http://iser.essex.ac.uk/r/stata-course

Two new working papers

Patterns of non-employment, and of disadvantage, in a recession by Richard Berthoud.
This paper analyses the impact of the recessions of the early 1980s and 1990s on non-employment patterns among people in the main range of working ages. The results suggest that the substantial increase in the numbers of people out of work during the current recession will hit ethnic minority groups, young adults and those with poor educational qualifications hardest.
Full paper: http://iser.essex.ac.uk/r/wp-2009-23

Generalized measures of wage differentials by Philippe Van Kerm
This paper considers new 'distributionally sensitive' summary measures of wage differentials, not solely determined by 'the average wage of the average person' but by differences across complete wage distributions. Considerations of risk or inequality aversion in the assessment of wage differentials are explicitly included, transplanting expected utility concepts familiar to income distribution analysts. In an application to the gender pay gap in Luxembourg the disadvantage of women persists with the new generalized measures of wage differentials. This suggests that lower average wages for women are not compensated by less dispersed distributions.
Full paper: http://iser.essex.ac.uk/r/wp-2009-26

For more information about ISER go to:
www.iser.essex.ac.uk

...and the Research Information Network

The Research Information Network was set up by the higher education funding councils, the research councils, and the national libraries in the UK. It investigates how efficient and effective the information services provided for the UK research community are, how they are changing, and how they might be improved for the future.

National student survey published

The Higher Education Funding Council for England (HEFCE) has published its annual higher education National Student Survey (NSS). A total of 155 higher education institutions across the UK and 117 further education colleges in England took part. The survey shows that the overall satisfaction rate for students in England remains high, with 81 per cent said that they were satisfied with their course.
Full results: www.hefce.ac.uk/news/hefce/2009/nss.htm

Training course:
Data management for ESRC Research Centres and Programmes

The Economic and Social Data Service (ESDS) is holding this event on managing and sharing research data on 3 November 2009 in London. It is aimed at researchers and data managers who are working as part of an ESRC Research Centre or Programme. The day provides an opportunity for Principal Investigators, managers, administrators and technical staff from Research Centres and Programmes to learn about data management matters essential to enable data sharing, such as consent, confidentiality and anonymisation; data description; data storage and rights management.
Further information at: www.esds.ac.uk/news/eventdetail.asp?id=2294

For more information about RIN go to:
www.rin.ac.uk

International Growth Centre
— a new initiative for developing countries

The IGC is a new project to help developing countries find their own solutions to economic growth problems by providing demand-led policy advice based on frontier research.

The IGC is directed and organised from hubs at the LSE and the University of Oxford and comprises country offices across the developing world and a global network of partners. The IGC was initiated by and is funded by the UK Department for International Development. It represents a collaborative venture between policy stakeholders in the developing world, a range of public, civil society and private sector partners, and researchers from around the world.

The IGC is directed by an Executive Group consisting of an Executive Director with extensive experience in the global development policy community (Gobind Nankani) in collaboration with two co-directors, one from the LSE (Robin Burgess) and one from Oxford University (Paul Collier). The Executive Group will also contain three other members: an external member (Chang-Tai Hsieh from the University of Chicago), one from the LSE (Timothy Besley), and one from Oxford (Stefan Dercon).

IGC teams are active in Ethiopia, Ghana, Tanzania. Full details of the IGC and its activities are available at:
http://www.theigc.org/index.php

Correspondence

Sir,

Angus Deaton's valuable 'Letter from America' (*Newsletter* no.145, April 2009) might prompt many short essays. My formal study of economics began as a sophomore at Harvard in 1931. I'm still learning.

Though not uncritical, I've been a supporter of CATO since its founding but I was not invited to sign the statement expressing scepticism regarding the government's spending stimulus. (Rules forced me to retire in 1981). I would probably not have signed since stimulus seems desirable.[1]

I'm almost ashamed at being as skeptical of our political processes as I have become. *Vide,* rising unemployment plagues us and a statutory increase in the legal minimum wage goes into effect.

The CATO statement invoking memory of the Great Depression says, does it now 'We've learned nothing'? The statement refers to expenditures without the (more) vital aspect 'Where does the money come from?' Money creation, seems to me essential, albeit insufficient on its own.

Inflation relates to money creation, of course. But when an economy has large underutilized resources fear of near-term damage can be (safely) ignored. Yet members of Congress in key positions cite inflation as a deterrent.

And as we learned in 1931, and I taught for decades, price and quantity are related. Keynes wrote of the downward inflexibility of labour costs. But are they to be ignored by a responsible examination as a possible approach to the quantity of employment?

Prof Deaton refers to pensions. The largest portion of mine is CREF. It went down over 40 per cent this year. Even Harvard's massive endowment losses were not the only fruits of bad judgement — by people paid handsomely!

The need for both better evidence and better analysis continues!

Respectfully,

C Lowell Harris
Professor Emeritus of Economics
Columbia University

Editor's note:
1. The text of the Cato Institute's 'Letter' can be read at: www.cato.org/fiscalreality

Pro Bono Economics launched at HM Treasury

Pro Bono Economics, a charity established to broker economists into the charitable sector (see *Newsletter* no. 146), received its official launch at HM Treasury as we went to press. PBE was founded by Andy Haldane (Executive Director for Financial Stability at the Bank of England) and Martin Brookes (Chief Executive of the charity New Philanthropy Capital) and Trustees include Sir John Vickers (President of the RES) , Robert Peston, Sir Alan Budd, Sir Howard Davies, Sir Gus O'Donnell and others.

Speaking to an audience of nearly 200, Gus O'Donnell, Cabinet Secretary and Head of the UK's Home Civil Service, spoke enthusiastically of the benefits that PBE hoped to bring to the charitable sector, particularly in helping them measure the effectiveness of their actions and thereby strengthening their ability to attract funding. He also emphasised the benefits that economists can gain from engaging with the 'real world' where data was poor (or non-existent) and formal models were unlikely to be of much help.

Speaking in terms that echoed some of the recent concerns of he UK's Government Economic Service (see p. 7) Sir Gus pledged the support of the GES for the initiative stressing its value as a source of professional development for economists within the service.

Since we reported on the creation of PBE in our July issue, it has seen an encouraging growth in the number of charities drawing on economists' skills. These now include:

- Barnardo's (on which we reported in July)
- Chance UK (mentoring young children)
- The Brandon Centre (sexual and mental health for young people)
- Place2Be (counselling for children in primary school)
- St Giles Trust (working with offenders)
- HALT (combating domestic violence)
- BEAT (eating disorders)
- St Basil's (youth homelessness)
- Edinburgh Cyrenians (homelessness)

Economists who may be interested in putting their skills to work for a charity should get in touch with PBE via email:

info@probonoeconomics>com

There is also a website:

www.probonoeconomics.com

Obituaries

Paul Lamartine Yates

Paul was a brilliant applied economic analyst, with literary and musical talent and a very wide range of interests. His father (1848-1929) was a very successful solicitor, and his mother (1875-1954) a prominent suffragette. He was educated in coed Quaker schools. In 1926, he won the top three-year scholarship to St John's College Cambridge, and got a first in both history and economics. In 1929, he won a scholarship for graduate study. His tutors Piero Sraffa and Morris Dobb invited him to go on a long tour of Russia, Siberia and Samarkand. Instead he went to Berlin for four years, where he dabbled briefly with economics as taught by Bortkiewitz and Schumacher, switched to studying musical composition with Paul Hindemith and participated in two exploratory arctic expeditions to Spitzbergen. His stay in Berlin was financed to a large extent by family funds.

On returning to London in 1934, he switched to agricultural economics, working first on a project of Lord Astor, and editing *The Agriculture Dilemma*, published in 1935. He was active in Labour and Fabian politics. In 1937, Seebohm Rowntree asked him to write a comparative study of *Food Production in Western Europe*. This involved visits and detailed study of the situation in Belgium, Denmark, France, Germany, the Netherlands and Switzerland, published in 1940. In that year Noel Hall asked him to join the Ministry of Economic Warfare in London, as an analyst of the development of food production in Germany and occupied Europe. In 1944 he was attached to the British Embassy in Washington. In 1946, Sir John Boyd Orr, head of the newly formed Food and Agriculture Organisation of the UN appointed him to a grade II post in Washington, where FAO was initially seated. This involved work in Latin America, particularly in Mexico and Havana. When FAO moved to Rome in 1951, he resigned and returned to London to work with Lord Reith the head of the Colonial Development Corporation. This involved a good deal of travel in Africa.

In 1955 he resigned and spent a couple of years doing consulting work for the UN in Mexico. In 1957, with support from Devons, Cairncross and Arthur Lewis, he got a one-year research position in Manchester University to write *Forty Years of Foreign Trade*, published by Allen and Unwin in 1959. This was a detailed surrvey of world commodity trade and changes in its structure from 1913 to 1953. It covered 93 countries and 57 commodities. This was followed in 1969 by a two year assignment with the Twentieth Century Fund to survey post-war experience of the West european economies and their prospects to 1970. It was a large-scale multi-author project under the direction of Fred Dewhurst. It surveyed macroeconomic sources of growth, social progress, and development in major production sectors. *Europe's Needs and Resources*, published in 1961, was a companion study to a similar work by Dewhurst on the USA. Yates had a key role, as he was a successful comparativist, had editorial talent, and could be trusted to keep to deadlines. He wrote five of the chapters and did an impressive job of editing most of the other twenty.

In 1960, Yates was appointed to be assistant director general of FAO, stationed in Geneva as regional representative to West and Eastern Europe, and handling relations with the UN Economic Commission for Europe. He stayed there until 1971 having enjoyed three years of FAO assignments after his retirement in 1968. A lot of his work was diplomatic, and he had a good deal of liberty in Geneva as the FAO headquarters was in Rome. He could also indulge in his hobby of mountain climbing. His secretary, Sheila, became his fourth wife.

In 1971, he went to live in Mexico and work on its agricultural problems. He wrote several works on Mexican agriculture. The main one was a two volume study *El Campo Mexicano* (1978), examining conditions in 31 of the 32 states. He worked for the Banco Nacional and the Centro Nacional de Productividad. In 1985, he returned to Switzerland, and bought a house in neighbouring Annecy. His main activities were mountain climbing and holidays in foreign parts. From the age of 95 to 97, he was busy writing a very large two-volume autobiography in 1,250 closely typed pages. This is a fascinating book, dealing frankly with every aspect of his life and work, including his *vie sentimentale*. It has not, as yet, found a publisher.

Angus Maddison,
Emeritus Professor, University of Groningen,
Visiting Professor, United Nations University at Maastricht.

Bank of England

Houblon-Norman/George Fellowships

Applications are invited for Houblon-Norman/George Research Fellowships tenable at the Bank of England during the academic year 2010/2011. Appointments will be for full-time research on an economic or financial topic of the candidate's choice, preferably one that could be studied with particular advantage at the Bank of England. The length of any appointment will be by agreement with successful applicants, but will not normally be less than one month, nor longer than one year. Senior Fellowships will be awarded to distinguished research workers who have established a reputation in their field.

Fellowships will also be available for younger post-doctoral or equivalent applicants, and for these, preference will be shown to British and other EU Nationals. The award will normally be related to academic salary scales.

Application forms, to be returned no later than
27 November 2009
and details are available from:

http://www.bankofengland.co.uk/about/fellowships/index.htm

or by emailing the Houblon-Norman/George Fund account:

MA-HNGFund@bankofengland.co.uk

Postal applications should be addressed to the Secretary to the Houblon-Norman/George Fund, Bank of England, Threadneedle Street, London EC2R 8AH.

Subject Repositories

European collaboration in the international context

Economists Online to launch at Subject Repositories conference in London, 28-29 January 2010

Nereus — the international consortium of academic research libraries with strengths in economics www.nereus4economics.info — is driving the Network of European Economists Online (NEEO), a subject repository project co-funded by the EC. NEEO is developing a networked service providing open or free access to economics publications from twenty-one leading economics institutions spread across ten countries. The project takes an international, subject-orientated approach which is setting standards, guarantees the quality of information, and provides strong branding which can act as a model for others to follow www.neeoproject.eu.

Economists in participating institutions are encouraged to deposit copies of their publications and datasets in their local institutional repositories and Economists Online — a cross-searchable, multi-lingual portal — will then pick up or 'harvest' this material. This service will launch at a new, innovative conference:

Subject Repositories: European collaboration in the international context

The conference, which is the first of its kind, will be held at the British Library Conference Centre on 28-29 January 2010. Nereus members will showcase the subject repository in both plenary and parallel sessions, sharing lessons learned and engaging delegates in discussions in core themes, for example, infrastructure and interoperability, content recruitment and intellectual property rights. The two-day programme will also place subject repositories in the wider context and will allow delegates to hear about repository trends across three continents.

Speakers include:

Dr. Paul Ayris, Vice-President of LIBER, Director of UCL Library Services

Prof. Nicholas Barr, Professor of Public Economics, LSE

François Cavalier, Library Director, Sciences Po

Hans Geleijnse, NEEO Project Director, Tilburg
and others

The delegate fee is £155 and includes attendance at plenary and parallel sessions, refreshments during breaks, two lunches and VAT. For information about how to book your place, the programme, speakers, hotels and travel arrangements, please visit: www.neeoconference.eu

BSA Festival of Science

The BSA Festival of Science took place this year at the University of Surrey, Guildford. The President of the Economics Section, John Williamson (Peterson Institute), organised a half-day conference on 'Understanding the Financial Crisis' on Thursday 10 September. The distinguished group of speakers were John, Avinash Persaud, Marcus Miller and Charles Goodhart. This report comes from John Williamson and David Dickinson

The leverage effect of the Lehman collapse

John Williamson started proceedings with an overview of events which led to the financial crisis. He pointed out that, in monetary terms, the collapse of the US sub-prime market was a small event. So the challenge for analysts is to explain how such a small event generated large consequences. Initially the impact on the real economy seemed mild, and there was much talk of how other economies were decoupling from the United States. He identified the collapse of Lehman Brothers as a key event, which precipitated widespread economic collapse, and recognised that many policy-makers and economists (including himself) had misjudged the situation and Lehmans should have been rescued. He argued that the subsequent policy response was appropriate and indicates that lessons have been learned in handling such a potentially cataclysmic process. He briefly reviewed the future recovery and recognised that, whilst signs were that it would be V-shaped, there would be a legacy of very high fiscal deficits which would imply that public sector debt would be a problem into the medium and longer term. He concluded with noting that financial crises happened because people made money during their creation. This observation led naturally to the analysis of the later speakers.

The underpricing of risk

The second speaker was Avinash Persaud. He began by pointing out that the Lehman's collapse was three times the magnitude of any previous banking failure. The reaction of the markets to such a large failure was to remove support for other banking institutions leading to collapse of the inter-bank market. He considered the underlying failure for the crisis as the market's faulty view of risk. He made three key points: firstly that market prices are not always correct — hence any regulatory system based on the role of self-discipline of the markets was inherently subject to the application of incorrect pricing of risk. This implies that crises will occur since the market will inevitably under-price risk. The second point he raised was that market behaviour is not correctly modelled by the framework of rational portfolio selection. Markets are subject to herding and other psychological biases. Hence risk is based not only on the variance and covariance of returns but also on the behaviour of investors which is influenced by various psychological factors. The third area he explored concerned how risk is managed. There are various categories of risk such as credit, market and liquidity, and each of these risks needs to be handled in different ways. In particular, Persaud highlighted that it was necessary to consider the level of risk in the context of the institution's capacity to manage such risk. This was critical when determining appropriate regulation. Thus where the capacity to manage risks was sufficient, regulations could be relatively relaxed, whereas in cases where capacity to manage risks was severely limited, regulation would be extensive and capital requirements high. However he recognised that such an approach would generate incentives for risk to be moved to places where it would not be seen. Thus regulators face challenges to ensure that there is capacity to handle risk and that risks are not hidden. Persaud identified liquidity risk as particularly problematic in that the maturity structure of funding can create reduction in risk capacity under situations where markets fail to roll-over financing as a result of extreme market conditions.

Modelling credit cycles

Marcus Miller (Warwick) was the third speaker. He used, as the basis for his contribution, joint work with Joseph Stiglitz. This paper developed a model which could be used to explain the reasons for, and impact of, a catastrophic failure of the financial markets. The main factor in the model is that small firms require collateral in order to acquire funds for capital investment. The model is based on that introduced by Kiyotaki and Moore in 1997 which was designed to explain the existence of credit cycles. When there is an asset bubble then collateral is on a rising price trend and access to finance is relatively easy. However, when the bubble bursts, firms will need to sell assets in order to meet obligations from external finance providers. This has the effect of depressing asset prices further and pushing small firms into insolvency, a large scale reduction in economic activity being the result. Miller went on to consider the ways of avoiding these disastrous consequences. He identified the case of Japan in the 1990s as one of collusive concealment (between banks and their borrowers). An asset purchase along the lines of the Paulson plan and a capital injection favoured by the UK and later copied elsewhere (including the US) would also have prevented the negative effects. Central Bank lending against the assets which cannot be sold (quantitative easing) can also help to prevent the slide of the economy into a severe recession. As a final passing shot Miller argued that the current crisis has significant consequences for macroeconomics. Specifically, representative agent DSGE models have been found to be unable to explain the events and hence macroeconomics needs to review the models it uses to understand aggregate economic behaviour.

Reforming regulation

Charles Goodhart (LSE) provided a review of the Anglo-Saxon method of financial regulation and found it wanting. He began by supporting Miller's contention about the use of the representative agent DSGE model in macroeconomics. He viewed it as inappropriate since it ignored bankruptcy, insolvency, default risk and the associated costs. Returning to his main theme, he reviewed the operation of monetary policy which has ignored asset prices and focussed on setting interest rates to hit inflation targets. This reflected the impossibility of recognising the existence of an asset price bubble until after it had burst. The second issue was that of executive pay and, in particular, the mistake of aligning pay with shareholder's interests since it encouraged excessive risk-taking under limited liability. As long as capital requirements were high enough then it would be possible to prevent the risk-taking incentive but under the Anglo-Saxon model there had been a shift to a 'light touch' approach. Such a method was devised for normal times but was not able to cope with the events observed over the last few years. Particular features that Goodhart emphasised were the difficulties in predicting the probability of extreme events, the pro-cyclical nature of risk and value and the importance of short-term incentives in times of crisis. He went on to consider the anatomy of the crisis: that there were macroeconomic imbalances, as Minsky has flagged, 'stability engenders instability', that the crisis evolved through self-amplifying processes, that mark-to-market valuation made the problem worse. He observed that relationship banking has disappeared and that Governments have not recognised the implications of the effective nationalisation of parts of the banking sector that has taken place, for example in requiring banks to become profitable while also pushing them to lend, in intervening on executive remuneration. The Anglo-Saxon model needs a make-over and Goodhart argued that public insurance of the banking system needs to be recognised and properly implemented, that regulatory instruments need to be used actively to prevent similar crises occurring in the future, that focus should be on the instruments to use rather than on the institutional structures.

The sessions benefited from lively discussion with the audience. Overall the event demonstrated that economists' response to the current financial crisis ranges not only over understanding why it happened and of devising ways to prevent such cataclysmic events in the future but also that the profession regards its models as being insufficient to explain what happened. Hence there is much work to be done to build new models of the macroeconomy, which provide a better description of the real economy and its interaction with the financial sector, which can properly handle the evolution of new policy instruments that have been used to mitigate the real effects of the financial sector collapse.

RES news items

Changing your address?

Newsletters and the *Economic Journal* continue to be returned by the postal authorities marked 'Gone away', 'not known at this address' etc. If you are going to change your address shortly, please remember to advise the Society.

The information should be sent to the Membership Secretary, Katherine Crocker, Department of Economics and Related Studies, University of York, Heslington, York YO1 5DD. E-mail: kc6@york.ac.uk

RES Junior Fellowship Scheme 2009-10 Award Winners

The Society would like to thank all those who entered this year's RES Junior Fellowship Scheme and offer its congratulations to the following candidates who have been awarded a one-year Junior Fellowship for the period 2009-10:

Konrad Burchardi, London School of Economics

Daniel Marszalec, Nuffield College, University of Oxford

Asako Ohinata, University of Warwick

Andrew Rhodes, Nuffield College, University of Oxford

Royal Economic Society 2010 Annual Conference

The 2010 Annual Conference of the Royal Economic Society will be held at the University of Surrey from

Monday March 29 to Wednesday March 31, 2010.

Keynote lectures will be given by:

Robert E. Hall (Stanford)
Carmen Reinhart (Maryland)
Jean-Marc Robin (University College London)

The deadline for submission of papers has now passed.
Authors of papers submitted for presentation should be notified by
mid-December 2009.

Authors of papers accepted for presentation at the RES Conference will be entitled to submit their papers for possible publication in the Conference issue of the *Economic Journal*. The Conference issue is edited to the same standards as regular issues of the *Economic Journal* and is published as part of the regular May issue in 2011. Promising papers not ready for publication in the Conference issue may be invited to resubmit for a later *Economic Journal* issue using the same referees and reports from the Conference issue.

The Programme Chair is Morten O. Ravn (UCL) and the Deputy Programme Chair is Jeremy Lise (UCL): both are contactable at res2010papers@ucl.ac.uk.

The Local Organiser is Jo Evans (Surrey): res2010@surrey.ac.uk.

Online Registration will be open from January 2010. Further details on registration, accommodation and other matters — including information on financial support for postgraduate students attending Conference — will be made available via the Conference web-site: http://www.resconference.org.uk/

RES Council

The Annual General Meeting earlier this year agreed that the former Secretary-General and Treasurer of the Society, Richard Portes and Penelope Rowlatt should be invited to join the Council as Vice-Presidents and Trustees of the Society, which both have agreed to do.

Young Economist of the Year 2009

The Royal Economic Society and Tutor2u have announced that the winner of the Young Economist of the Year competition 2009 is

Tiffany Young of St Catherine's School, Bramley

First runner up is Doug Swift of Eton College with a joint third place awarded to Philip Edmondson-Jones of Berkhamsted School and Leander McCormick-Goodhart of Eton College. The judges' final report can be read at:

www.res.org.uk/society/youngeconomist.asp

Our congratulations go to all four students who will be awarded their cheques at the Society's Public Lecture in London on Wednesday 25th November. Thank you to all those who entered, from more than 200 schools and colleges in the UK and worldwide. 38 entries were identified as Highly Commended and from these 13 made it to the final round of judging.

RES Diary Dates

The Society Annual Public Lecture 2009

25 November 2009, Royal Institution, London

26 November 2009, Bristol Grammar School, Bristol

This initiative by the RES aims to bring the best communicators in the economics profession into contact with a wide public and to show the importance of top-quality economic research to questions that matter to all citizens.

Sir Partha Dasgupta, Frank Ramsey Professor of Economics at the University of Cambridge will deliver the Society's 2009 Annual Public Lecture on

Law and Morality in Economic Life

at The Royal Institution, London on 25 November 2009 and The Great Hall, Bristol Grammar School, Bristol on 26 November 2009. Lectures will begin at 4pm and last until approximately 6pm including a question session and reception.

Admission will be free but by ticket only with priority to school groups. For tickets please contact the RES Administrator, Amanda Wilman at royaleconsoc@st-andrews.ac.uk or use the form on the website, www.res.org.uk

Fifth PhD Presentation Meeting

City University, London, 16th and 17th January 2010

The Royal Economic Society is pleased to announce the Fifth PhD Presentation Meeting (Job Market). This event will be held on Saturday 16th and Sunday 17th January 2010 at City University, London. The event will be organised by Gabriel Montes-Rojas and Saqib Jafarey.

The aim of the event is to provide a service both for UK economics university departments and other European economics departments wishing to recruit lecturers, and for PhD students seeking academic jobs either in the UK or elsewhere in Europe. This annual meeting has grown to be an extremely successful event, well supported by both students and potential employers.

Participants are expected to use the event as a way of identifying potential candidates for forthcoming positions and participating students will have the opportunity to meet potential employers and learn about forthcoming positions.

The event consists of two days of students' presentations and poster sessions. Participating institutions attend these presentations and are also allocated a booth at the conference site in order to arrange individual appointments with participating students during the course of the conference.

The deadline for submissions is November 15th 2009

RES Annual Conference 2010 (see p.21)

Conference grant fund

Please note change of address for applications, see below.

The Society's Conference Grant Fund is available to members who are presenting a paper, or acting as a principal discussant at a conference; support of up to £500 is available. Awards are made three times a year. The closing dates for applications are **31 January, 31 May, and 30 September** each year in respect of conferences which take place in the ensuing four months.

Please note that the awards under the conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed by the Head of Department in his/her supporting statement on the application form.

Preference will be given:

- to applicants who are new entrants to the profession;
- for attendance at high-impact international conferences;
- to applicants whose attendance cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

Application forms and further particulars may be obtained from either:

www.res.org.uk/society/grants_fellowships.asp

or Professor Anton Muscatelli, Principal and Vice Chancellor, University of Glasgow, University Avenue, Glasgow, G12 8QQ

E-mail: p.pollard@admin.gla.ac.uk"

Support for small academic expenses

Please note change of address for applications, see below.

The Society is able to offer financial support to members who require small sums for unexpected expenditures. The type of expenditures which could qualify for support under this scheme include travel expenses in connection with independent research work, the purchase of a piece of software, expenses for a speaker at a conference being organised by the applicant's University or Institute, etc.

Please note that the awards under the conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed in the letter of application:

Preference will be given:

- for initiatives which are for the benefit of new entrants to the profession;
- to initiatives which cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

The closing dates for applications are **31 January, 31 May, and 30 September** each year and applications will only be considered at these times.

Applications, in the form of a letter and stating the purpose for which a small grant (maximum £600) is required, should be sent to:

Anton Muscatelli, Principal and Vice Chancellor, University of Glasgow, University Avenue, Glasgow, G12 8QQ

E-mail: p.pollard@admin.gla.ac.uk "

Publications

Members Discounts

Members of the Royal Economic Society may order one of each of the Society's publications for their personal use at the special price to members. A full list is provided on the Society website, www.res.org.uk but members should be aware that the special RES Memorial set of The Collected Writings of John Maynard Keynes is no longer available although individual volumes may still be in stock. Please apply to the Royal Economic Society offices at the following address, quoting your membership number, where current prices and stock levels will be advised:

Amanda Wilman, RES Administrator,
The Royal Economic Society,
School of Economics & Finance,
University of St Andrews, Fife, KY16 9AL, UK.

Email: royaleconsoc@st-andrews.ac.uk.

Rights, Permissions and Initiatives

For enquiries about rights, permissions and initiatives relating to editions and other scholarly works sponsored by the Society, please contact The Publications Secretary Professor Donald Winch, Arts B, University of Sussex, Brighton, BN1 9QN, email:d.winch@sussex.ac.uk

Conference Diary

2009

october

October 7 *Sheffield, UK*

Economics Postgraduate Teaching Assistants/Tutors One-Day Workshop. A one-day workshop specifically designed to meet the needs of Economics Postgraduate Teaching Assistants/Tutors with a focus on small-group classes, tutorials, seminars and workshops. Free of charge. Sponsored by the Royal Economic Society.

Further information (including booking form) from:
www.economicsnetwork.ac.uk/news/

October 9-10 *Edinburgh, Scotland*

Economics New Lecturers Residential Workshop. A residential two-day Economics Network workshop specifically designed to meet the needs of new and aspiring lecturers of economics. The workshop will complement any generic-based institutional courses that delegates are attending or have attended. Free of charge. Sponsored by the Scottish Economic Society.

Further information (including booking form) from:
www.economicsnetwork.ac.uk/news/

October 10 *Edinburgh, Scotland*

Economics Postgraduate Teaching Assistants/Tutors One-Day Workshop. A one-day workshop specifically designed to meet the needs of Economics Postgraduate Teaching Assistants/Tutors with a focus on small-group classes, tutorials, seminars and workshops. Free of charge. Sponsored by the Scottish Economic Society.

Further information (including booking form) from:
www.economicsnetwork.ac.uk/news/

October 16-17 *Bristol, UK*

Economics New Lecturers Residential Workshop. A residential two-day Economics Network workshop specifically designed to meet the needs of new and aspiring lecturers of economics. The workshop will complement any generic-based institutional courses that delegates are attending or have attended. Free of charge. Sponsored by the Royal Economic Society.

Further information (including booking form) from:
www.economicsnetwork.ac.uk/news/

november

November 1-4 *Riyadh, Saudi Arabia*

International Conference On Administrative Development: Towards Excellence In Public Sector Performance. Deadline for paper submissions: **July 13, 2009**. JEL classification(s): Z

Further information at:
www.fifty.ipa.edu.sa/conf

November 3 *London*

Workshop on managing and sharing research data. Hosted by Economic and Social Data Service (ESDS), this is aimed at those who are working as part of an ESRC Research Centre or Programme. The event is free but places are limited and priority will be given to researchers and staff working in current or past ESRC Research Centres and Programmes or new large-scale grant applicants.

Further information from:
www.esds.ac.uk/news/eventdetail.asp?id=2294

November 10-11 *Izmir, Turkey*

Second International Conference on Social Sciences. JEL classification(s): A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, Z

Further information at: www.icssconference.net/

November 11-13 *Cardiff*

Conference on the measurement of public services. Hosted by ONS UK Centre for the Measurement of Government Activity (UKCeMGA), in partnership with National Institute for Economic and Social Research (NIESR). Speakers will include, Erwin Diewert, University of British Columbia; Paul Schreyer, OECD; Martin Weale, NIESR; Jack Triplett, Brookings Institution; Joe Grice, ONS.

Further information from:
www.ons.gov.uk/about/newsroom/events/ukcemga-and-niesr-conference/index.html

November 13-14 *Munich, Germany*

6th Norwegian-German Seminar on Public Economics
JEL classification(s): H

Further information at: www.cesifo.org

November 14-15 *Leicester*

Conference on Efficiency and Risk Management of Financial Services and the Financial Crisis. Hosted by the Efficiency and Productivity Research Unit, University of Leicester School of Management.

Further information from:
www.le.ac.uk/ulsm/research/epru/conference2009

November 18 *Norwich*

Economics Postgraduate Teaching Assistants/Tutors One-Day Workshop. A one-day workshop specifically designed to meet the needs of Economics Postgraduate Teaching Assistants/Tutors with a focus on small-group classes, tutorials, seminars and workshops. Free of charge. Sponsored by the Royal Economic Society.

Further information (including booking form) from:
www.economicsnetwork.ac.uk/news/

November 19-21 *Bangalore, Pakistan*

Conference on Emergent Business Models and Strategies for the Knowledge Economy: Impact on Business, Government and Society

Further information at: www.ibainternational.org

November 19-21 *Szeged, Hungary*

International Scientific Conference: Challenges for Analysis of the Economy, the Businesses, and Social Progress. Organized by the University of Szeged, Faculty of Economics and the Hungarian Central Statistical Office. Papers from all areas of statistics, social sciences, and economic sciences.

Further information at:
http://www.eco.u-szeged.hu/conference.

November 20-21 *Paris, France*

The first conference on Recent Developments in Post-Keynesian modelling.

Further information from:
www.univ-paris13.fr/CEPN/spip.php?rubrique76

december

December 3-5 *Shkodra, Albania*

Conference on Economies in Transition - during and after. JEL classification(s): D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, Z

Further information at:
http://www.kaechelein.de/Shkodra2009.pdf

December 2-4 *Pointe-A-Pitre, France*

Conference on Markets and Firms Dynamics: from micro patterns to aggregate behaviors. JEL classification(s): D, F, J, L, O, P

Further information at: www.lem.sssup.it/call.pdf

December 10-12 *Dijon, France*

International conference on the Monetary and Financial Crisis, hosted by the Centre d'Etudes Monétaires et Financières (CEMF).

Further information from: www.u-bourgogne.fr/CEMF/

December 9-12 *Miami, USA*

The Economics & International Business Research Conference. JEL classification(s): A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, Z

Further information FROM: www.jaabc.com

December 10-11 *Melbourne, Australia*

Conference on Australasian Public Choice. JEL classification(s): H, I, J, K, O

Further information from:
chris.doucouliagos@deakin.edu.au

December 11 *Vienna, Austria*

3rd FIW Research Conference on International Economics. JEL classification(s): F, O

Further information from: www.fiw.ac.at
http://www.fiw.ac.at

December 17-19 *Thessaloniki, Greece*

CALL FOR PAPERS

Conference on Global Crisis and Economic Policies
Deadline for paper submissions: **November 30, 2009**
JEL classification(s): D, E, F, G, H, L, M, O, P, R, Z

Further information at: web.auth.gr/leap

2010

january

January 7-8 *Kolkata, India*

CALL FOR PAPERS

Conference on the Recent Economic Crisis and its Impact on India. Deadline for paper submissions: **October 30, 2009**. JEL classification(s): C, D, E, F, G, H, I, J, L, O, Q, R

Further information from:
http://jadavpur.edu/conference/conference.html

January 7-10 *New York, USA*

The Global Management Accounting and Finance Research Conference. JEL classification(s): A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, Z

Further information from: www.jaabc.com

January 7-8 *Bangalore, India*

CALL FOR PAPERS

International Conference on Economics & Finance. Deadline for paper submissions: **November 1, 2009**
JEL classification(s): A, E, F, G, M, O, P

Further information from: http://ibsindia.org/economics_finance.asp

January 14-15 *Toulouse, France*

International Conference on Infrastructure Economics and Development. JEL classification(s): A, C, D, E, F, G, H, I, K, L, N, O, Q, R

Further information from: http://www.tse-fr.eu/images/TSE/ResearchGroups/developpement/icied_june09-final.pdf

January 21-22 2010 *Manchester, UK*

Second Annual ESRC Development Economics Conference on 'The Effects of the Financial Crisis on Developing Countries'.
Further information from:
financial.crisis @manchester.ac.uk

28-29 January *London*

Subject Repositories: European collaboration in the international context a conference to launch a new service called 'Economists Online' - an electronic subject repository co-funded by the EU. Speakers include Nicholas Barr (LSE).

Further information from: www.neeoconference.eu

march

March 12 *Cambridge*

CALL FOR PAPERS

Conference on New Instruments of Monetary Policy: The Challenges. The Cambridge Centre for International Money and Finance and the MMFRG is sponsoring a conference to consider recent and likely future developments in the design and use of tools of monetary policy. A volume of papers will be prepared as a result of this conference as part of a new Cambridge University Press series on Monetary Policy. Full papers only should be submitted by **15th December 2009** to Sharon Swann ss243@cam.ac.uk with a subject heading of 'New Instruments of Monetary Policy'.

Further information from: Contact Jagjit Chadha (jsc@kent.ac.uk) or Sean Holly (sh247@cam.ac.uk)

april

April 15-16 *Grenoble, France*

CALL FOR PAPERS

International colloquium on Monetary analysis 20 minute-length papers will be followed by a 10 minute-length comment, then by a discussion. A round-table with Carlo Benetti and Jean Cartelier, attending the colloquium, is also planned. Conference language is French. Interventions in English and Spanish are also allowed.

Selected papers will be published within an economic review. Please send an abstract (500 words) to: remi.stellian@fernuni.ch by **October 15 2009.**

Further information from: remi.stellian@fernuni.ch

may

May 3-4, *Cape Town, South Africa*

CALL FOR PAPERS

5th IZA/World Bank Conference: Employment and Development. Deadline for papers: **November 15 2009**.
JEL classification(s): O, Q, R

Further information from: http://www.iza.org/conference_files/worldb2010/call_for_papers.

For enquiries, please contact Aslan Akay or Markus Frölich at development@iza.org or www.iza.org/development

june

June 3-4 *Tilburg, Netherlands*

CALL FOR PAPERS

2nd Financial Stability Conference. Deadline for paper submissions: **January 15, 2010**
JEL classification(s): D, E, F, G, K, M, O, P

Further information from:
www.tilburguniversity.nl/ebc/events/2ndfsc/

June 28-July 2 *Montreal, Canada*

Fourth World Congress of Environmental and Resource Economists. Deadline for paper submissions: **January 31, 2010**
JEL classification(s): H, O, Q

Further information at: www.wcere2010.org/

Membership of the

Royal Economic Society

Membership is open to anyone with an active interest in economic matters. The benefits of membership include:

• Copies of the *Economic Journal*, the journal of the society, eight times a year.

The *Economic Journal* is one of the oldest and most distinguished of the economic journals and a key source for professional economists in higher education, business, government service and the financial sector. It represents unbeatable value for those who want to keep abreast of current thinking in economics. Issues are divided into those containing 'Articles' — the best new refereed work in the discipline — and 'Features' including symposia and regular features on data, policy and technology.

• On-line access to *The Econometrics Journal*, a new electronic journal published by the Royal Economic Society and Blackwell Publishers. The journal seeks particularly to encourage reporting of new developments in the context of important applied problems and to promote a focus for debate about alternative approaches.

• Copies of the Society's *Newsletter*. This is published four times a year and offers an invaluable information service on conferences, visiting scholars, and other professional news as well as feature articles, letters and reports.

• The right to submit articles to the *Economic Journal* without payment of a submission fee.

• Discounts on registration fees for the Society's annual conference.

• Discounted prices for copies (for personal use only) of scholarly publications.

• The opportunity to take advantage of the grants, bursaries and scholarships offered to members of the Society.

Details and application form are available from:
The Membership Secretary, Royal Economic Society, University of York, Heslington, York, YO10 5DD.

Membership rates for 2009 are £48 ($77, €68)*

There is a reduced rate of £24 ($39, €34) for members who reside in developing countries (with *per capita* incomes below US$500) and for retired members. A special offer of three years membership for the price of one at this reduced rate is available to full-time students who join the Society for the first time between 2009 and 2011.

* All customers in the UK should add 7.5 per cent VAT to these prices or provide a VAT registration number or evidence of entitlement to exemption. Canadian customers please add 5 per cent GST or provide evidence of exemption. For EU mem,bers, please add VAT at the appropriate rate.

Ordinary UK member: £48 + £3.60 = £51.60
Ordinary EU member: €72 + appropriate rate
Ordinary Canadian member $77 + $3.85 = $80.85
Reduced rate members: $40.95/£25.80

If you would like to join the Society, complete the adjacent application form and return it to the Membership Secretary at the address above.

Please enter my name as an applicant for membership of the Royal Economic Society. I enclose a cheque for

.... in payment of my subscription for 2009.

Name:

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Address:

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Occupation...

Date............