Economists and the environment

In the weeks leading up to the publication of this Newsletter, climate change, and the alleged reluctance of politicians to take it seriously, were big news. Extinction Rebellion activists were in court facing charges relating to protests in April, children skipped school to protest at the potential damage to their futures and Greta Thunberg crossed the Atlantic in a small boat on her way to address the UN climate summit. And yet economists have so far shown little interest in the subject. As Andrew Oswald and Nicholas Stern point out in their article here, the Quarterly Journal of Economics has yet to publish a single paper on the economics of climate change. Substantially the same point is made in the INOMICS handbook for 2019 (we report on new departures for the handbook on p.21). We’d be very interested to hear members views on why such a high-profile topic has suffered such low priority at the hands of economists and, even more so, we’d be pleased to report on climate-based research currently being undertaken by economists.

Regular readers will have enjoyed Sir Angus Deaton’s ‘Letters from America’ for many years. Sir Angus has recently taken on the daunting task of chairing a wide-ranging enquiry into ‘inequalities’ undertaken by the Institute for Fiscal Studies and funded by the Nuffield Foundation. Its scope and approach are outlined here and we shall report on progress in due course.

When George Akerlof showed how quality uncertainty could threaten the market mechanism he famously used the term ‘lemons’ to describe sub-standard used cars. Here, Pierre Mérel and his colleagues turn their attention to ‘grapes’ or more precisely to wine to show how the introduction of a quality certification in the well-known form of the ‘AOC’ in 1935 successfully mitigated the asymmetric information problem in French vineyards.
The Royal Economic Society is one of the oldest and most prestigious economic associations in the world. It is a learned society, founded in 1890 with the aim ‘to promote the study of economic science.’ Initially called the British Economic Association, it became the Royal Economic Society on receiving its Royal Charter in 1902. The current officers of the Executive Committee are listed above.

The Society’s bee logo
The Society’s logo, shown below, has been used from its earliest days. The story behind the use of the bee refers to the ‘Fable of the Bees’ by Bernard Mandeville, an 18th Century essayist which alludes to the benefits of decentralisation by looking at co-operation amongst bees and showing how the pursuit of self-interest can be beneficial to society.

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, reports of conferences and meetings, and news of major research projects as well as comment on recent events.

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In his latest Letter, Sir Angus shows how the benefits of meritocratic educational systems can be abused, leaving the beneficiaries with privileges reminiscent of those accruing to the inheritors of wealth of previous generations. Furthermore, a particularly insidious feature of the system is that those who fail are now blamed for lack of merit, where previously their ‘accident of birth’ elicited compassion.

For my generation in Britain, passing exams was our route to opportunity, and meritocracy was the system that distinguished our age from earlier ages of unearned privilege. It made sense ethically, that everyone should have a chance, and it made sense economically, that the people who had good jobs were qualified to do them. I have no nostalgia for the old system, but on meritocracy itself, it is no longer easy to be so enthusiastic.

In Britain, the Butler Education Act of 1944 made it possible to go to university without money. Education helped us develop skills and reach positions closed to our parents. My father started life in the Yorkshire coal mines, with only a primary education. He somehow managed to help me win a scholarship to Fettes in Edinburgh, exam number one, so that by the time I went to Cambridge, exam number two, it was expected of me, the normal thing to do. Others came directly from state schools, though only about seven percent of my birth cohort went to university. The culture of the old Cambridge was often difficult. The historian, Tony Judt, who came to King’s in the mid-1960s from a state school in south London, tells how the mother of the first comprehensive schoolboy at the college could not explain to people on her street where her boy had gone; Borstal was the only convincing and respectable answer.

In the US, as in Britain, universities worked to broaden their intake, including women, Jews, blacks, and smart kids of all backgrounds, using their endowments to support need-blind admission, and emphasizing academic merit at the expense of other characteristics such as sports and, particularly, family background. Kingman Brewster, President of Yale from 1963 to 1977, was a key figure in the American transition. He faced down the fury of the alumni, who saw their children being excluded to make room for people who looked very different from them (though they liked the fact that their daughters could go). In the decades since, as other universities followed suit, and as time passed, the composition of the professions changed, with privilege replaced by talent in medicine, in law, in banking, and in commerce. The replacements were cleverer than those whom they replaced, which seemed like a good idea, as in many ways it was, and still is.

...does not eliminate elitism

The newly empowered talent set about making money, at which they were extremely successful, especially in a globalizing and technically changing world, and they opened up a larger and larger gap between themselves and those who had not passed the exams. The philoso-
Correspondence

Michael Sandel notes that the winners attribute their success to their own merit — it’s a meritocracy after all — and have little sympathy for those who have not succeeded. They can come to believe that they know what is good for the less talented, that their technocratic skills replace any need for democracy. Those who make the most money — legitimately or no — get to start philanthropic foundations that try to shape others’ behavior. Those who failed the exams, the ‘demeritocracy’, may come to doubt their own merit, or may believe that the system is rigged against them. Those who missed out on being bankers or corporate executives may have been persuaded for a while that the huge salaries of others were in the public interest, helping everyone by creating jobs, paying taxes, and inventing marvellous and sometimes life-changing goods and services. But then came the Great Recession which took away their jobs and their homes and revealed the depth of the scam.

With high inequality, every test becomes a high-stakes test, whether making tenure, becoming partner, placing at a top hospital or, most of all, getting your kids into a top university. Cheating is almost irresistible when everyone seems to be doing it. We recently saw the exposure of the college cheating scandal, where parents paid sums ranging from tens to hundreds of thousands of dollars to gain admission for their children to desirable colleges, by faking exam results, or bribing sports’ coaches who are allowed to admit a few students every year. Yale (ironically) was one of the universities involved, as was the University of Southern California where (full disclosure) I have a part time position (but not on the sports coaching staff.) Top American schools still make ‘legacy’ admissions, kids whose parents are alumni, and the system plays an important part in their financing. But many outsiders have difficulty drawing an ethical distinction between the alumni parents and the parents who bribed the coaches, though the latter now face time in jail. Only half of American adults think that colleges are having a positive effect on the country; fifty-nine percent of Republicans — the party that Donald Trump has made his own — think they are having a negative effect.

When experts overreach, we get what Bill Easterly has aptly called the The Tyranny of Experts, and expertise gets devalued along with the experts. To the angry underclass, science is spurious and lies and facts have equal credibility. What is true is that an elite based on talent is no more ethically meritorious than one based on hereditary privilege; opportunity restricted to talent is no more equal than opportunity restricted by class or by wealth. But the clever ones know how to turn themselves into a permanent elite that functions much like the old one, although, in the new dispensation, those excluded are led to blame, not the accident of their birth nor their parents’ failure to get rich, but what they are told is their own lack of talent.

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Why does the economics of climate change matter so much — and why has the engagement of economists been so weak?

In this article, Andrew Oswald and Nicholas Stern argue that academic economists have contributed disturbingly little to discussions about climate change and are failing the world and their own grandchildren. As one example, the Quarterly Journal of Economics, the most-cited journal in the field of economics, has never published an article on climate change. Some form of intervention is now urgently required — by editors and senior professors — to break out of the dismal prevailing Nash equilibrium. Otherwise, the authors argue, history will judge our profession harshly.

We hope it is obvious, but we will set out the case that action on climate change is one of the greatest, arguably the greatest, challenges for public action of our times. Economics must be at the heart of serious analysis of the issues and of the public policy necessary to tackle them. Yet, currently, our discipline is hardly visible. As we shall show, the published articles in our leading journals are disturbingly few and far between, and nowhere near commensurate with the magnitude of the problem and the potential and necessary contribution of economics. We are sorry to say that we believe economists are failing the world, including their own grandchildren and great-grandchildren.

If the public, or incoming social science students at universities, are asked about the most important issues facing the world, climate and environment are near the top of their list. Yet our economics students see very little of those subjects in their course work, and they observe that few of their teachers are engaged upon research on these issues. This must surely change. We hope the Royal Economic Society can play a strong role in creating that change.

This is a moment for our discipline to engage in a careful discussion of priorities and what it can contribute. Of course, there is some information in the revealed preferences of research choices taken, but at the same time, as economists, we should also recognise both that we can benefit from sharing ideas about what really are the crucial issues and what we can contribute, and that there is a possibility that incentive structures within the profession may be way short of perfection. We believe that action is now needed by research economists, economics-journal editors, and bodies such as the Royal Economic Society.

Why is climate change so important? Urgency and scale

Atmospheric concentrations of carbon dioxide are now over 400 parts per million (ppm), and the last time that occurred the average global surface temperature was around 3°C above the late 19th century (the usual benchmark). Sea levels were then 10-20 metres higher than now. That was roughly three million years ago; homo sapiens has been here for around 250,000 years. Our basic civilisations, with the cultivation of grains and associated human settlements and surpluses, rose during the Holocene period, since the warming after the last ice age, covering roughly the last 10,000 years. That benign period saw, approximately, plus or minus 1°C. We are now, at 1°C, on the edge of that experience. Further, we are adding 2ppm CO₂ per year and thus likely heading for 3°C or more in the next century or so, unless we make radical and rapid change to our processes of production and consumption.

The stakes are immense. Lives and livelihoods across many parts of the world would become undermined or destroyed at 2 or 3°C. Hundreds of millions, perhaps billions, would have to move, with likely intense, widespread and extended conflict. The effects we are now experiencing at 1°C are already severe. The report of the Intergovernmental Panel on Climate Change of October 2018 showed that the difference in impact between 1.5 and 2°C was very large. That 0.5°C increase would imply that, for example, the length of droughts would double, the occurrence of extreme weather events would more than double and all the coral would be gone. That is why the UNFCCC Paris Agreement (COP21) of December 2015 (to which more than 190 countries have subscribed) wisely set the target of holding temperature increases to ‘well below 2°C’ with efforts to hold to 1.5°C.²

To have a reasonable chance of holding below 2°C we have to cut emissions by around 40 per cent absolutely in the next two decades. Much bigger cuts are necessary for 1.5°C. In those two decades, at a world growth rate of output of around 3 per cent, total product will double. Infrastructure will more than double. Thus in two decades we have to cut, globally, emissions per unit of output by at least 80 per cent. If the new economy we added in the course of the doubling had zero emissions that would, by itself, be nowhere near enough; that...
would leave emissions unchanged. We must also radically change existing structures. If we build new infrastructure anything like the old, we will lock-in high-carbon emissions for decades and 3°C and above would likely be unavoidable.

These simple numbers indicate very clearly the scale and urgency of the necessary change. The investments of the next two decades are decisive for the planet and the future of our children and their children. These investments will be settled by decisions taken in the coming few years. Good economics can and should play a fundamental role in guiding the policy framework that will influence those decisions. That is why it is so important that our profession accelerates its work now.

At this point, it makes sense to remind ourselves of the science that underlies all this. It is not the outcome of some impenetrable fancy modelling — it is basic and began nearly two centuries ago. Ultra-violet energy comes in from the sun and much is reflected back from the earth’s surface as infrared. The molecules of greenhouse gases (this defines such gases) oscillate at a frequency that interferes with infrared and stops it escaping, thus warming the atmosphere and the world. The French mathematician, Fourier, recognised that something was trapping energy (by looking at heat balance and temperature) in the early 19th century; the Irish scientist Tyndall, identified the gases at work experimentally in the mid-19th century; and the Swedish scientist Arrhenius calculated likely quantitative effects around the turn of the 19th/20th century. Quantum mechanisms identified the frequency-interference mechanisms by the 1930s. That established the basic science. As concentrations of GHGs (CO₂ being the main one) rose rapidly with fossil-fuelled growth from the end of the second world war, the data in support of the basic science, via temperature increases, and other climate changes came pouring in and has become stronger and stronger. The stupidity of the denial of the climate science has long been obvious.

This routine logic tells us (roughly speaking) that concentrations, and thus temperatures, rise whilst emissions are net positive. To stabilise temperatures, emissions must be net zero. The sooner we go to net zero, the lower the temperature at which we stabilise. To stabilise at 1.5°C, we have to get CO₂ net zero by, roughly, 2050 and at 2°C by, roughly, 2070. It is with this logic in mind that the UK government, in June 2019, set a target for zero overall emissions (CO₂ plus other GHGs) by 2050.

How do we respond?

The great opportunity

We can surely see clearly why we must tackle the problem, and the required scale of action. Thus we turn to the question of how we do it. Here a very positive story is emerging. The change must be radical but it can deliver, over the next few decades, strong and inclusive growth and poverty reduction. It can boost output (in a demand-constrained world) and sharpen supply in the short to medium term. It is already setting off a wave of Schumpeterian technical progress, which will be powerful over the coming decades. And we know there is no long-run high-carbon growth story. It would self-destruct on the very hostile environment it would create. This is an alternative and attractive story of growth. It could help deliver on the Sustainable Development Goals agreed at the UN in September 2015. This is not about growth forever. That is a different issue. It is about fundamental structural change over the next two or three decades.

Change would indeed have to be radical; it requires real resources for investment and innovation. And the management of some major sectoral and technological changes and dislocations. But the benefits are not just narrowly economic. We can have cities where we can move and breathe and be productive; ecosystems that are robust and fruitful, and a sustained and reinvigorated biodiversity. This is a different way of producing, consuming and living, which is both feasible and attractive (see discussions such as those in Claborn and Brooks 2019). And, fundamentally, it dramatically reduces the immense risks of climate change.

The potential and fascination of economics

None of this can happen without good policy. That is where economics must play its role. In addition, it should be clear that we need analytical contributions

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from right across our subject. Public economics should be central to the analysis of policy. And it must be public economics as if time matters (see, Stern 2018). We are not comparing alternative long-run equilibria or steady states, but are examining how to foster and manage rapid transitions over the next two decades. We need a new approach to theories of growth and technical change which recognises the importance of economies of scale in production (look at solar panels), which re-examines processes of technical change (look at electric vehicles, lighting and heating, air and sea transport), and which puts the management of systems (look at cities, land-use, forests etc.) at centre-stage.

Economic history has much to tell us about waves of technical change and industrial revolutions. Industrial and regulatory economics is crucial here. Legal and financial aspects of economics will be of central importance. Action must be global and international economics, trade and investment will be at the heart of the story. The big growth will be outside the rich countries; this is about development. Much of this will be about political will and institutions — political economy is central. And behavioural change is fundamental.

This must be an economics of the understanding of profound and existential risks. It is not about the management of small perturbations due to climate risks around some largely exogenous growth path. Sadly, far too much of the economic modelling has treated the problem in this way. We should not shoehorn the problem into familiar structures just because they are familiar. That approach simply fails to capture the issues at stake.

Further, we have to take the ethics and moral philosophy seriously. We will be making the change in large measure for the life chances of future generations. We are also making the changes for the health and well-being of this generation in our own communities and beyond; we should note here that air pollution from burning fossil fuels is a major source of death and illness across the world, including our own country, and is particularly threatening for the young and for poor people. The management of change will require careful attention to social justice and the cohesiveness of societies. We have to examine the moral issues directly. That includes discounting, of course. And we must remember that the social weight we attach to an increment of resources to future generations will depend on how well-off we expect them to be. Badly-managed climate change could undermine the lives and livelihoods of the big majority and kill many of them. It is surely clear that discount factors (and their proportional time derivatives, discount rates) cannot be seen as exogenous to our own actions on climate change. Neither can they be hooked over from some imperfect capital market (and such markets do not, in any case, reflect moral preferences). See Stern (2015), chapter 4 and 5, for further discussion of some of the ethical issues.

Without good economics from across our whole subject, we risk unsound and bad policy. We surely have a duty to get involved. At the same time, the issues and analyses are fascinating. It is not just their importance that makes them exciting but also their analytical content. Persuasive evidence on the causal implications of the natural environment for human wellbeing has begun to emerge (such as Luechinger 2009 and Levinson 2012). There are new ways to put an explicit value on environmental influences (see, for example, Atkinson et al. 2012 and Maddison et al. 2019).

That is why it is so disappointing that we are, as a profession, moving so slowly, as the following evidence demonstrates.

**Evidence that economists are failing our children and grandchildren**

If one looks at the main academic journals of economics, it is hard to avoid the view that economists are letting down the world.

Perhaps the most striking example is the case of the *Quarterly Journal of Economics*. This is, according to the 2019 Web of Science impact-factor ranking, the top-ranked journal in the field of economics. It has been edited from Harvard since the late 1800s, and has published approximately 4700 articles since it began. The *QJE* is justifiably a famous and in many ways admirable journal. Countless young economists in UK departments might view it as the single most desirable place in which they could publish an article.

It is therefore natural to ask (see Table 1) the following question. *How many articles has the famous QJE published on climate change? We are sorry to report that the answer is zero.* This is fewer than the *QJE* has published on either baseball or basketball. If there is a gloomier reflection on our discipline than Table 1’s zero for the *QJE*, we are not sure what it might be.

It would be fair to point out that some economics journals have done marginally better. Table 1 gives the numbers for a well-known set of European and US general economics journals, namely, journals that publish broadly across the field of economics (as opposed to being specialist journals like the *Journal of International Economics* or *Journal of Labour Economics*). There we also provide numbers for the *Economic Journal*, the *Journal of Political Economy*, the *Review of Economic Studies*, the *American Economic Review, Economica, Econometrica, American Economic Journal - Applied Economics*, and the *Journal of the European Economic Association*.

For the technical record, we did our search on the Web of Science, beginning with the composite search term ‘Climate OR Carbon OR Warming’, because that is a way to pick up multiple combinations of the key words
that might be relevant. Then we went through the list by hand, and thus could excise articles about the climate of industrial relations, warm-glow altruism, and so on. We neglected Presidential Addresses, the *AER Papers-and-Proceedings* volumes, Book Reviews, Comments, Replies, and Special Issues. It should be emphasized that we did not make these deletions because we view such contributions as of little value. Rather, our aim was to provide a picture of what might be thought of as standard, representative economics as portrayed in the leading journals of our profession.

<table>
<thead>
<tr>
<th>Journal name</th>
<th>Number of articles ever published on climate change</th>
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<tbody>
<tr>
<td>QJE</td>
<td>0</td>
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<tr>
<td>EJ</td>
<td>9</td>
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<tr>
<td>REStud</td>
<td>3</td>
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<tr>
<td>Econometrica</td>
<td>2</td>
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<td>AER</td>
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<td>Economica</td>
<td>4</td>
</tr>
<tr>
<td>JPE</td>
<td>9</td>
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<tr>
<td>AEJ-Applied</td>
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These are chosen as ‘general’ economics journals.

Total articles by these journals (all topics) = 77,000 approx.
Source: Own calculations using the Web of Science (Clarivate Analytics). Search done in August 2019.

We would accept that there are likely to be small errors, and occasional debatable aspects, in our classification system. But we hope readers might agree that these are unlikely to matter for the thrust of our current argument. Academic economics — at least as represented in mainstream general journals of the kind listed in Table 1 — has contributed remarkably few articles on some of the greatest scientific, economic and policy issues of our era.

Some readers may view Table 1’s numbers as shocking.

This lack of research on climate-change issues by economists and social scientists was pointed out in a more general way a decade ago in an article by Goodall (2008). She collected bibliometric data on 60 journals across a wide range of social sciences, including the subject of economics. She reached gloomy conclusions. Goodall and Oswald (2019) make the related point that since the year 2000 the 50 journals in the elite so-called *FT Journals* list have published only 11 articles on species decline and bioversity (out of 47,000 articles).

Why are economists, in particular, so close to being terribly neglectful of their scientific duty? First, some economists may object to the evidence that global warming is human-made. Yet, partly because the evidence base is now so strong, we are doubtful that this is the reason for the paucity of publishing. Second, some non-economists might argue that the subject of economics is run by individuals who do not care about the real world and are obsessed with theoretical models. We do not believe that. In our lifetime, we have seen economics as a discipline become demonstrably more empirical, and we both view the subject of economics, and many of our scholarly colleagues themselves, as intensely practical and genuinely concerned with matters of importance. Third, we think the real and underlying reason is different. We are of the opinion that the lack of climate-change research in economics stems, in large measure, from risk-aversion among younger (and some older) economists who are focused principally, for career reasons, primarily on how *per se* to produce published articles in prestigious journals. Many economists appear to believe that the way to do that is to send to mainstream journals the kind of article that the journals’ referees will view as performing well relative to conventional and standard perspectives of mainstream analyses — and perhaps supportive of those referees’ own previous style of work. Such conservatism may be natural, especially among the young, and perhaps has even been fostered in the UK’s universities by the Research Excellence Framework, but it has obvious scientific disadvantages.

To put all this in different language, we suspect that modern economics is stuck in a kind of Nash equilibrium where the reason there are few economists who write climate-change articles is because other economists do not write climate-change articles.

This suggests that some form of statement of priorities is now required to break out of the bad equilibrium. Research counts sometimes help that. So, too, could editorial boards. This idea might be for mainstream journals to deliberately favour, and be seen publicly to favour, climate-change research. Lip service will not be sufficient. Editors will have to act.

**In conclusion**

One day, our grandchildren and great-grandchildren will look back on this generation — our generation — of economists. They will judge us. They may conclude that climate change was driven to a considerable extent by economic forces operating in an environment where public policy and its analysis failed to recognise that profound challenges and market failures were emerging. We are concerned that our grandchildren and great-grandchildren may see that economists, in large measure, stood silently by and continued in a narrow way to ignore climate-change issues and to write journal articles on topics of less importance. They may also note that half a century before our time it was already firmly understood that global warming was anthropogenic in nature (Benton 1970; Madden and Ramanathan 1980). If we do not move quickly, we think our profession is likely be judged harshly by those humans of the future — including by our own offspring.
Natural scientists are doing their job; it is time for economists and other social scientists to do theirs. Action, by us all, including especially by the editors of journals and senior professors in our universities, is now urgently required.

Notes:
1. University of Warwick (andrew.oswald@warwick.ac.uk) and London School of Economics (n.stern@lse.ac.uk) respectively. The authors write in a personal capacity. They are grateful to Amanda Goodall of Cass Business School for helpful discussions.
2. We focus on climate change here but it should be clear that these changes will have, and we already see, profound change in biodiversity. Further, and see below, air pollution from burning fossil fuels is deeply damaging to health now.

References:
Goodall A H, ‘Why have the leading journals in management (and other social sciences) failed to respond to climate change?’, Journal of Management Inquiry, 17, 408-420, 2008.
Goodall A H, Oswald A J, ‘Researchers obsessed with FT Journals list are failing to tackle today’s problems’, Financial Times, 8 May, 2019.
Stern N, Why are we waiting? The logic, urgency, and promise of tackling climate change, MIT Press, 2015.

EEA meets in Manchester
The 34th Annual Congress of the European Economic Association and the 72nd European Meeting of the Econometric Society took place on the campus of the University of Manchester from 26th to 30th August 2019.

More than 1500 economists gathered in Manchester in August for ‘EEAESEM19’. The programme and details of plenary lectures can be seen at:

Oswald and Stern will not be surprised to learn that issues of climate change were almost invisible in the programme.

One exception, however, was a paper:
‘Management Quality and Energy Intensity: well-run firms cut their greenhouse gas emissions only when fossil fuel prices aren’t distorted by subsidies’ by Helena Schweiger and Alexander Stepanov.

According to the authors, the data, from 2,250 manufacturing firms in 39 economies, show that better managed firms reduce their fuel intensity (fuel costs as a percentage of sales) when fossil fuel prices are not distorted by subsidies, and reduce it by less or increase it when fossil fuel prices are distorted by subsidies. The impact is substantial: an improvement in management practices quality from the 25th to the 75th percentile of management practices quality distribution is associated with a 21-22 per cent fuel intensity reduction when fossil fuel subsidies are low (or negative) and with a 1-3 per cent fuel intensity reduction when fossil fuel subsidies are high. The relationship is stronger in high energy-intensive sectors, where the same improvement in management practices when fossil fuel subsidies are high is associated with more than a third increase in fuel intensity.

The relationship is stronger in high energy-intensive sectors, where the same improvement in management practices when fossil fuel subsidies are high is associated with more than a third increase in fuel intensity.

The findings suggest that firms where individual performance is the basis for managers’ bonuses and non-managers’ promotion are more likely to respond to incentives provided by fossil fuel prices.

A fuller report of this paper and other papers presented at the meeting, prepared by Romesh Vaitilingam, are available at:
In a video2 introducing the review, Sir Angus argue that it will be unique in a number of ways. Firstly, there is its scale. It is planned to take up to five years and to draw on evidence from a wide range of contributors and disciplines. Secondly, there is its breadth. Sir Angus professes to dislike the term ‘inequality’ since this encourages people to focus on income (or sometimes wealth) while there are many inequalities. Of those we should be concerned about, there are inequalities of opportunity, of health, of education, of political access and of gender, ethnicity and even geography. Furthermore, the questions it will pose are not limited to the evidence of and policies to tackle inequalities, but include also the ‘why’ of inequality and the fundamental question of whether some inequalities may be inevitable and/or acceptable. What is more, the review will cover inequalities as they affect the full breadth of the population — not just those at the very top and very bottom.

Thirdly, the review comes at a time when, Sir Angus says, people in general are more concerned about inequality than they have ever been, or at least for a long time.

The panel and its approach
The review panel comprises leaders in economics, sociology, demography, philosophy, political science and epidemiology. [See box].

The first step will involve assembling evidence on inequalities from a wide range of sources including individual experiences but also the analysis of large data sets that will show, inter alia, how the impact of inequalities on households varies over time. No source of evidence is ruled out provided that it is ‘…of the highest quality and relevant to inequalities in the developed world’. This assembly of evidence is scheduled for 2019 and 2020. The plan is to publish new data and analysis as it becomes available (and provide opportunities for its discussion with interested parties) before bringing it together for publication in a single volume (the first of two that the project will produce).

The second phase (2002-2004) will see an examination of this evidence by the panel in order to provide answers to the key questions:

• which inequalities matter;
• why do they matter;
• how are they related;
• what causes them;
• what can be done about them.

The last, of course, is the key question and the review aims to pay particular attention to the policy mix, rather than the question of how individual inequalities can be met by individual measures. We want to know how these policies interact and can be made to work effectively together. The results of this second phase will form the basis of the second volume.

Launch materials
As part of the launch materials for the review, the IFS and Nuffield Foundation have published a report Inequalities in the twenty-first century: Introducing the IFS Deaton Review3 by Robert Joyce and Xiaowei Xu. Focusing on the UK (where the review will take evidence from a number of countries) it serves as an introduction to some of the topics to be covered by the review and to illustrate the breadth of the review and the importance of the questions it will address.

For example, section 2 stresses Sir Angus’s point about the plurality of inequalities by looking at patterns and trends in incomes, health and family structures, as well as inequalities between men and women, young and old and between geographic areas.

Beginning with income, Joyce and Xu show that the UK had a Gini coefficient in 2016 of about 0.35, suggesting the the UK has one of the most unequal distributions of income by international standards. Contrary to what many might expect, it has been broadly unchanged since the early 1990s. However, it increased sharply in the 1980s following another period of stability in the 1960s and ‘70s.
Family life is also important to wellbeing. But here too there are significant differences in experience. ‘At the top of the wage distribution, the proportion of people who were either married or cohabiting increased between 1994 and 2015, but it declined by up to 20 per cent among people in the bottom fifth of wages. Differences by education are also stark. In 1993, graduates were no more likely to live in a couple at age 40-45 than those without degrees; the gap now stands at around 10 percentage points.’ (Joyce and Xu, p.9).

In recent years, Anne Case and Angus Deaton have taken the lead in showing that average life expectancy, in the US, has begun to decline after generations of steady increase. Statistically, this is closely associated with a sharp rise in ‘deaths of despair’ (caused by suicide and/ varieties of substance abuse). A similar, though slightly less dramatic, picture has emerged in the UK. At the recent European Economic Association conference in Manchester, members of the Deaton panel lead a a session on inequalities.4 Amongst the presentations, Orazio Attanasio, showed how a long-established decline in middle-age mortality levelled off in 2012 and now shows signs of reversing, again it seems because of a rising incidence of self-harm. Furthermore, he showed, that in the UK the highest ‘deaths of despair’ mortality rates tend to be concentrated in ex-industrial areas — just one illustration of the geographical dimension of inequalities.

Having looked at other inequalities — in mental and physical health, intergeneration, gender, ethnicity etc. — Joyce and Xu conclude that inequalities of different kinds are likely to reinforce one another.

Section 3 raises the interesting point that the way in which inequalities are perceived depends to some extent on the way in which they are generated. It also highlights some of the hypotheses concerning origins of inequalities that the review will want to discuss.

In the light of recent political events, it is easy to see that deepening economic divides potentially pose a threat both to the market system and to even perhaps to democracy. But this may not depend simply upon the degree of inequality. It may have more to do with notions of ‘fairness’ — the way in which inequalities arise. In surveys, the public seems generally to support the idea that people should earn rewards based upon effort and talent. The resulting inequalities are seen as fair and acceptable. The same surveys are less supportive of the idea that ‘fairness’ resides in equality of outcome.

The review panel —

Chairman
Sir Angus Deaton (Princeton University)
Orazio Attanasio (IFS and University College London)
James Banks (IFS and University of Manchester)
Lisa Berkman (Harvard University)
Sir Tim Besley (London School of Economics)
Sir Richard Blundell (IFS and University College London)
Paul Johnson (IFS)
Robert Joyce (IFS)
Kathleen Kiernan (University of York)
Pineopli Koujianou Goldberg (Yale University and World Bank)
Lucinda Platt (London School of Economics)
Imran Rasul (IFS and University College London)
Debra Satz (Stanford University)
Jean Tirole (Toulouse School of Economics)

Taking earnings as an example, it is easy to show (and is generally accepted) that technology and globalisation together have combined to ‘hollow out’ the labour market in many countries by reducing the availability of semi-skilled work, especially for males. Many such jobs have been automated or ‘offshored’. At the same time, technology has increased the demand for skilled workers, raising wages at the top and facilitating casual methods of working for less-skilled workers (the ‘gig’ economy). If that were the whole story, then the process might be seen as tough but not unfair and the answer would be to support disadvantaged groups with offers of retraining and similar. But what if labour market institutions have changed in such a way that those at the top find it easier to turn their advantage into high rewards (bonuses, stock options, ineffective remuneration committees) while low-skilled workers find their power eroded (through declining union membership, more individualistic and isolated ways of working)? If ‘fairness’ is the key and this is linked to ‘merit’, the situation looks less satisfactory. In these circumstances, it becomes critical to understand how inequalities are generated and the Deaton review will need to look carefully at this.
Migration and inequality

A feature of the Deaton Review is the breadth of its approach to the identification and analysis of inequalities. Here, panel member Lucinda Platt explores the relationship between inequality and the politically sensitive process of migration.

The relationship between migration and inequality has many aspects to it. In popular and political discourse, the issue discussed most frequently is whether an inflow of migrants affects the resident population — through impacts on the public finances, wage levels, employment prospects, demands on public services or community cohesion. We will be examining the evidence on all that in the Deaton Review. But if we think about the relationship between inequality and migration, the issues are much broader.

First there is the question: are immigrants disadvantaged in relation to non-migrant populations in destination countries? The employment and pay gaps faced by migrant groups have been highlighted in a wide range of studies and the Review will be bringing this evidence on immigrant inequality together. But the full story is more complicated. International migrants tend to be ‘positively selected’ relative to their peers in their country of origin (Figure 1). That is, they tend to have higher-than-average education, be healthier, and so on. They are also affected by opportunities for mobility in the country of origin — migration may enable a form of upward mobility that is unattainable in the sending country. This means that when looking for opportunities, highly selected migrants may seek out countries with higher inequality, where they envisage greater rewards for success. This has implications for inequalities in the sending country as well as in destination countries.

Notes:
1. See, for example, Newsletters nos. 183 (October 2018) and 185 (April 2019).
2. https://www.ifs.org.uk/inequality/
3. Available to download at: https://www.ifs.org.uk/inequality/launch-materials/
Migrants do not only cluster among the more disadvantaged in terms of pay and employment. They are also among the top earners, though there are clear differences according to time of arrival and country of origin. For example, immigrants from Western European countries and North America tend to have higher-than-average earnings while those from Eastern European and African countries have lower earnings on average.

Migrants may themselves thus contribute to overall earnings inequalities in the countries in which they settle, even if the impact is not generally large. There are also large inequalities between migrants.

Nevertheless, migrants often face a gap between their skills and the returns they get to these skills. In the UK, migrants (particularly more recent migrants) tend to have high levels of qualifications (see Figure 2), but many with high qualification levels are working in jobs that require much lower levels of skills (Figure 3).

This presents a conundrum if ‘skill’ is evaluated in policy terms by the pay it attracts rather than by the qualifications or ‘skills’ that people have.

The issues for social policy and inequality reduction are, therefore, how to retain positively selected populations, while not increasing inequalities among settled populations, and how to ensure that skills are appropriately used.

It should be clear from this discussion that the relationship between migration and inequality can be approached from a number of different angles and above the much-studied issue of whether migration has effects on inequality of populations in destination countries — for example, by affecting their own wages and employment. We will be grappling with all of these issues, and more, in the study of migration as part of the Deaton Review.
Mentoring at the RES

At the 2019 Annual Conference at Warwick, the RES Women’s Committee revived the ‘Mentoring Retreat’ for UK-based female early career female lecturers and senior PhD students, previously held in 2012 and 2015. The event was a great success as Almudena Sevilla¹ and Valentina Tonei² report.

The RES Women’s Committee was very excited to hold the 2019 RES Mentoring retreat for UK-based early career female lecturers and senior PhD students. The aim of the retreat, which was in conjunction with the 2019 RES conference, was to improve mentees’ chances of academic success and to foster their careers more generally. The RES had run a couple of mentoring events in the past (in 2012 and 2015) and the feedback had been very positive. The aim of the 2019 RES Mentoring Retreat was to get this valuable event up and running again, and to provide the foundations for its continuity in years to come.

We were very pleased to have had an overwhelming enthusiastic response from junior female faculty, and particularly thrilled at the overwhelming positive response from senior faculty interested in helping redress the gender imbalance in the profession. Even more encouraging were the positive feedback we received after the retreat from both, mentors and mentees, highlighting the useful information and networking opportunities shared during the retreat.

The retreat consisted of a one and a half day’s program, beginning directly the Sunday before the RES conference and finishing in time to attend the first session of the conference on Monday. Participants were arranged into small groups of four or five mentees and assigned to two mentors based on their research area. The role of group members and mentors was to discuss and offer detailed feedback on the participants’ research, as well as discuss different career paths. In addition, the workshop included a number of larger ‘how-to’ sessions on getting published, getting grants, and career management. To show its commitment to helping junior women up the academic career ladder, the RES kindly paid for participants’ lodging and food during the retreat, and childcare provision was also offered.

The mentoring retreat was well over subscribed, with more than 100 applicants, and we had to make the difficult decision to randomly allocate participants and select about half of the applicant pool. Those applicants who were not selected last year will be given priority this year, and we strongly encourage them to apply again. Our next 2020 RES Mentoring Retreat will be held at Queen’s University Belfast from 5-6 April, and all the information can be found here https://www.res.org.uk/about/our-structure/women-s-committee/mentoring-retreat.html.

To encourage further anyone who is thinking about participating, I thought it would be very useful to share a brief account of the information and advice one might get out of the retreat from one of the 2019 RES Mentoring Retreat’s participants.

Valentina Tonei’s experience of the workshop

When I submitted my application for securing a place in the RES women’s committee mentoring workshop, I was not sure what to expect from this event. Differently from most of the researchers who attended the workshop at the University of Warwick, I had already completed my PhD and I had some experience in grant applications. In addition, during my PhD studies I had been lucky enough to have supervisors who have guided me through the jungle of academia, supporting my personal and professional growth. However, the event went well beyond my expectations.

The two-day workshop was a great experience which contributed to increase my knowledge of the do’s and don’ts of this profession. I found the event very well organised, with a good balance between plenary sessions and informal meetings. In the first plenary session we discussed best practice in publishing in economics journals and in writing grants applications. I felt privileged to have the chance to hear from editors of important journals about how the full publishing process works, especially because this is not the type of information you can find in books or papers.

As economists, we know time is a scarce resource, especially when it comes to the time we can spend on our own research (even worse if you are a professor). So I have really appreciated how much time and effort mentors dedicated to the event, spending one hour (yes, one hour!) to discuss each of the participant’s research during small groups sessions as well as giving career advice during informal events, such as the workshop dinner. Talking about mentors, I believe that the key of the success of this event was the presence of a large number of senior researchers from different institutions and research backgrounds, all very keen to share their own experience, and to give career and personal advice. It was evident the effort made by the members of the RES women committee to make sure this was a mentoring workshop rather than just a workshop among female researchers.

...continued on p.18
The USS deficit - someone sees it, the Regulator, and it wants something done about it, too

In the July 2019 issue, Bernard Casey¹ and John Ralfe² [respectively, a retired academic and one-time senior economist at the OECD, and an independent pension consultant] took issue with an article ‘Now you see it, now you don’t! — Is the university pension fund really in deficit?’. The author of the original article added a response questioning some of the points that had been made. Here, Casey and Ralfe exercise their right to reply. They explain how the Pensions Regulator is demanding action. They also point out how the deficit has potentially severe consequences for higher education in the UK.

In July, we argued that the underlying economics of defined benefit (DB) pensions — including USS — were quite straightforward. The payment of a DB pension —- based on salary and years of service — is an unconditional obligation and is to be treated in the same way as any other unconditional payment obligation. Examples such as a bonds or private placement were given. DB pension promises are bond-like. They promise a series of payments at regular intervals, and the pension issuer is subject to a credit rating like other bond issuers. As with other bonds, future payments are discounted according to the appropriate discount rate.

We also pointed out that the underlying economics of a DB pension apply to all countries — whatever their national pension regulations. So, now, we want to look at UK regulation and how it applies to USS.

The figures for USS

The Pensions Act 2004 requires all UK pension schemes to have an actuarial valuation every three years that fixes the size of the actuarial deficit and deficit payments. The results are submitted to the Pensions Regulator (tPR). The most recent USS ‘funding update’ — for 2019 — showed a deficit of £5.7bn. However, the underlying assumptions are chosen by USS and its actuary, and they can be massaged to give an answer that is appropriately low.³

If one uses the internationally recognised FRS102 standard for pension accounting, which calculates discounts using AA corporate bond rates, the deficit for 2019 was £11.8bn.⁴

As well as the triennial valuation, USS is required by law to produce a valuation that shows the obligations the Pension Protection Fund (PPF) lifeboat would have to take on if USS were to default. The assumptions set by the PPF for USS are the same as those it sets for all 6,000 pension schemes, and, unlike those actuaries can employ, they cannot be chosen to produce more attractive outcomes. The PPF liability for March 2017 was £23bn — three times that given in the full actuarial valuation and one third higher than the FRS102 valuation.

Whatever the claims some make about how ‘well-funded’ it is, USS has one of the lowest PPF funding levels of any large UK pension scheme. A third of large pension schemes — over 10,000 members — are more than 100 per cent funded, but USS is in the bottom fifth of the large funds table⁵. Back in 2008, USS had a PPF surplus. In a mere nine years, it has managed to lose some £25bn.

Moreover, unlike the average scheme, USS’s actuarial funding target is lower than that required by the PPF. Even if USS were ‘fully funded’ on an actuarial basis, it would still have a huge deficit on a PPF basis.

The proposed solutions

USS has proposed to make deficit contributions, starting at around £300m per year. These are nowhere near enough to pay down the PPF deficit of £23bn.

Worse still, the UCU, which represents the academics, UUK, which represents the employers, and USS, itself, have all been busy creating a smokescreen that disguises how bad things really are. The UCU wants its members to continue receiving a defined benefit pension. But these are now rare as hens’ teeth in the private sector, and this is where the universities are. The universities want a quiet life, with no strikes. They also want to avoid...
making big deficit contributions — after all, there are suggestions the current fee rates be reduced downward (see the Auger Report), that student numbers may well fall below those projected, and that European funding is in retreat. The USS does not want to own up to the fact that its problems have been largely self-inflicted. For years it has been betting that investing in equities would somehow save the situation.

What the Regulator wants

Clearly unmoved by all drama of the last two years, tPR has now sent a third strong letter to USS. The regulator classifies pension providers according to the strength of the covenant they put behind their pension plans. It categorises USS not as ‘strong’ (the top category) — only as ‘tending to be strong’ (the second category). It said that the 2017 and 2018 actuarial valuations were ‘at the limit of what we consider to be compliant with legislative requirements for prudence’.

The regulator wants to see more money from universities, and to see it more quickly. However, even to pay down the PPF deficit over 10 years — longer than the average deficit recovery period — universities would have to make annual deficit contributions of over £2bn. This is more than their current cash contributions for new pension promises and deficit contributions combined.

What is to be done?

How can universities possibly find this money? If they were to find it, core teaching and research would be devastated, and some universities may well go bankrupt. USS is not a mere footnote for the concern of a handful of pension accountants and pension economists. The scheme’s deficit is so large that it threatens to undermine the whole UK higher education sector. University teachers are planning more strike action. Strikes were called off last year only when plans to move from a defined benefit to a defined contribution pension were scrapped. This solved nothing.

But it is not bad news for everyone. Those ploughing through the small print in the USS’s annual report will see that two of the schemes’ in-house investment teams were each paid an eye-watering £1.75 million. This is surprising, given how the scheme’s deficit is so large that it threatens to undermine the whole UK higher education sector. University teachers are planning more strike action. Strikes were called off last year only when plans to move from a defined benefit to a defined contribution pension were scrapped. This solved nothing.

Notes:
1. Bernard H Casey, SOCiaLECONomicRESearch, London and Frankfurt (b.casey@socoeconres.eu).
3. The actuary, in consultation with the scheme, can choose assumptions about the discount rate used, the expected growth of salaries and the mortality rate of scheme members. A higher discount rate, higher mortality rate and lower salary growth rate all result in lower liabilities.
4. As we outlined last time, some say the discount rate for USS could be AAA, not AA — reflecting the AAA status of some universities. This would increase liabilities further.
5. See https://www.ppf.co.uk/news/purple-book-2018

Houblon-Norman/George Fellowships at the Bank of England

Applications are invited for Houblon-Norman/George Research Fellowships tenable at the Bank of England during the academic year 2020/2021. Appointments will be for research on an economic or financial topic of the candidate's choice, preferably one that it would be particular beneficial to study 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. The award will normally be related to academic salary scales.

Application forms (to be returned no later than 28 October 2019) and details are available from: https://www.bankofengland.co.uk/research/research-funding-and-fellowships or by emailing the Houblon-Norman Fund account MA-HNGFund@bankofengland.co.uk, postal applications should be addressed to the Secretary to the Houblon-Norman Fund, Bank of England, Threadneedle Street, London EC2R 8AH.
Money, Macro, Finance Society, 50th Anniversary Conference — Report

As the title reveals, 2019 was the 50th anniversary of the founding of the Money Macro and Finance Research Group. Its origins lie in the Money Study Group, founded by Harry Johnson at the LSE in 1969, and so 50 years later it was appropriate to convene the anniversary conference at the LSE. We received a warm welcome from LSE Director Minouche Shafik, a former Deputy Governor of the Bank of England. In keeping with the occasion, this conference was longer and larger than previous conferences, running over three days with six keynote speakers and 200 delegates drawn from academic and policy institutions across the world. The local organisers Ricardo Reis and Gianluca Benigno deserve special thanks for their hard work in drawing the event together. With financial support from the ESRC, the MMF was able to make the conference accessible to non-academic researchers from the Bank of England, HM Treasury, the Office for National Statistics, the Office for Budget Responsibility and from NIESR.

The keynotes

Amid so many papers being presented it is difficult to select the highlights, but the keynotes and a special history session deserve mention among many high quality papers. The first keynote by Philip Lane, ECB Chief Economist, focused appropriately enough on the Phillips Curve. Philip provided a review of the ECB’s policy actions since 2013 — discussing the effects of unconventional policies such as forward guidance, asset purchase programmes, targeted liquidity programmes and negative interest rate policies. He concluded that these schemes had all proven their effectiveness by bringing about a decline in unemployment and an increase in inflation, which had previously been well below target. The Phillips Curve is a much used relationship in structural models, used for analysis of policy scenarios, and reduced form models, which quantify the effects of slack on price and wage inflation. Despite flattening in recent years, the Phillips Curve is alive and well, and still critically important to understand trade-offs in policymaking decisions.

The second keynote of the day — the Charles Goodhart lecture — was given by Don Kohn from the Brookings Institution, who is a current member of the Bank of England Financial Policy Committee (FPC). His focus was on stress tests as an instrument of financial policy. By requiring banks to meet minimum criteria to continue in business even under stress conditions, the FPC ensures that our banking system is robust. Don showed that stress tests countered the tendency for banks’ risk calculations to fail to keep up with rising risks in good times and to draw heavily on capital in bad times, improved risk management (capital planning) and influenced the availability and cost of credit. While the FPC doesn’t have the same historical academic support from models and policy rules as monetary policy does (and here lies a challenge to academics to provide this support), it has made our financial system stronger since the 2008 crisis. It anticipates the effects of large shocks such as Brexit and trade wars that could shock the financial system, but it has still to face it’s biggest challenge — a full real economy recession — before we can conclude stress tests and counter cyclical capital buffers fully protect the financial system from shocks in bad times as well as good.

From crisis to recession

Mark Gertler from NYU took up a macroeconomic theme, also connected with events since the financial crisis. His objective was to explain the channels of financial distress in the Great Recession. He identified two channels: the household balance sheet shock as borrowers entered negative equity and faced rising debt-to-income ratios; and bank distress compounded by rising credit spreads and high leverage, which led them to pull back on lending. Both channels were linked through the mortgage market. Using a new set of techniques, Mark showed that time series dimensions of the crisis allow identification of shocks to the financial system and house prices through timing restrictions, and these explain a lot of the dynamics of the Great Recession. While cross sectional differences in house prices identify the regional variations that reinforce the dynamics at the local level. Taken together they provide a powerful explanation of the effects of the crisis leading to the Great Recession.

Alan Blinder of Princeton University asked what has changed for policy makers in 50 years, comparing the viewpoint of the chairman of the US Federal Reserve in...
1969 with the views of Jerome Powell today. He showed that goals of policy have changed from Friedman money growth rules to inflation targets, but they are more similar than different, and academics have taken a significant role in shaping the development of central bank goals. Similarly, the instruments have changed a great deal as operations using the short-term interest rate have given way to unconventional policies in recent years. Again, academics have had a huge influence on the debate. On modelling approaches to the economy, there has been a divergence of paths taken, as academics abandoned the structural models of the late 1960s and 1970s in the light of the Lucas critique, while central banks continued to use these models for policy purposes. In communication policy, central banks have evolved from not seeking to explain policy to using communication to influence the expectations of inflation in particular, especially in the light of academic research since the mid-1990s. It is probably fair to say that there is a symbiotic relationship between academics and central bankers that has been reflected in the MMF over the last 50 years.

Incorporating the financial sector
Monika Piazzesi from Stanford, sought to explain a New Keynesian (NK) model with a new twist that reflects some of the lessons we have learned since the financial crisis. The absence of a financial sector in these models prior to the crisis led some central bankers to say they were abandoned by the models at their time of need. Monika’s model introduces banking and current central bank operating systems such as the corridor system or the floor system to ensure these models more accurately reflect the interaction between the policy and the financial sector and especially the disconnect between policy rates and lending rates. Far from money being irrelevant (as it was in the NK models) it now takes centre stage. The connections between policy makers and the economy now operate through a linkage that reflects interest rate pass through by the banking system, and short term interest rates on loans/deposits combine the influence of policy rates and a convenience yield. Central banks have a lever on short rates through their actions that affect the convenience yield as well as the policy rate.

Looking back — and forward
The final keynote — the Harry Johnson Lecture — was given by Maurice Obstfeld from UC Berkeley. He provided a masterful review of the case for flexible exchanges rates starting with Harry Johnson’s perspective and working through ten different perspectives proposed by many distinguished international economists in the fifty years since 1969. While Harry Johnson was correct in many respects about the importance of flexible exchange rates, conditions have evolved in ways that he could hardly have imagined. The changes reflect the degree of wage rigidity, pricing to market, the global financial cycle and changes to conditions in international trade among many others. Maury was able to show that the flexible exchange rate, while not a panacea, gives an extra degree of freedom in international economics, and on this point Harry Johnson was right.

We were given a fascinating tour of the 50 years of the Money Study Group and the MMF by Alec Chrystal and Forrest Capie, with reminiscences by Michael Parkin, Marcus Miller and Charles Goodhart all of whom were present at the start. This archive will be available on the MMF website in due course. The year 2019 marks the 50th Anniversary, and the handover of the Presidency of the MMF from Charles Goodhart to Sir Dave Ramsden, and it is appropriate to thank Charles and Dave for their inputs (past, present and future). It also marks the start of a new chapter of the MMF as a Society that is working towards charitable status. Few of us will be around in 2069, but we hope that this will lay the foundations for the MMF to continue its work as the largest dedicated money-macro network in the UK for years to come.

Slides from many of the presentations will appear on the MMF website (https://www.mmf.ac.uk/) in due course. Next year’s conference will be held in Cambridge, 1-3 September.

Note:
1. Professor of Monetary Economics, University of Nottingham

Experience of mentoring
I hope this event will inspire the creation of a network grouping female PhD students and early career researchers based in UK, so that we can keep sharing concerns and experiences.

Notes:
1. Almudena Sevilla, Professor of Economics and Public Policy, Department of Social Sciences, UCL London
2. Valentina Tonei, Post-doctoral Researcher, University of York and UCL
Improving the quality of French wine

It is well-known that the markets for wine, at many times and in many places, have been subject to fraudulent behaviour, providing a practical example of George Akerlof’s ‘lemons’ mechanism at work. In this article, Pierre Mérel and his colleagues1 show how the adoption of a law introducing the concept of appellation d’origine contrôlée (AOC) led to an increase in the price and quality of French wine in the areas so designated.

An immense proportion of the Wine sold in England as Claret has nothing to do with the banks of the Garonne, save that harsh heavy vintages have been brought from Spain and Italy, and dried currants from Greece, there to be manipulated and re-shipped to England and the rest of the World, as Lafite, Larose, St Julien, and S. Estephe.

(The Telegraph, cited in the British monthly journal Ridley & Co’s Wine and Spirit Trade Circular, July 1887)

In the words of British wine critic John Michael Broadbent, pronounced in 1985 in front of an audience of wine connoisseurs gathered to celebrate the 50th anniversary of pioneering French legislation on the use of wine designations, ‘Fraud and wine have gone hand in hand for centuries.’ And not exclusively on the British market. Broadbent went on to quote 19th century British wine merchant and writer T G Shaw: ‘From time immemorial, all sorts of fraud have been committed, and this situation will endure as long as greed is allowed to prevail; cunning and disregard for truth will, time and again, thwart the most vigilant of governments.’2

The welfare consequences of fraud are, at least in theory, well understood by economists. Whenever quality is unknown to consumers at the time of purchase, heterogeneous goods may sell at the same price. If quality is costly to supply, unscrupulous producers may free ride on the quality signal sent by competitors by lowering the quality of their own product. This behavior lowers average quality and, to the extent that consumers experience quality after purchase, drives down price. The price decrease further deters production of high-quality goods. This vicious circle results in suboptimal quality being supplied in equilibrium and, in extreme cases, in a complete unraveling of the market. A simple variant of this phenomenon (whereby high-quality producers simply exit the market instead of lowering quality) was described by George Akerlof in a seminal contribution published in 1970 titled ‘The Markets for Lemons: Quality Uncertainty and the Market Mechanism’ Akerlof’s piece went on to become one of the most cited articles in the economic literature. Although the ‘lemons’ mechanism is well-recognized as a textbook case of market failure, empirical evidence of its economic harm remains scarce. Indeed, it is difficult to show that higher quality does not exist in a market because of imperfect information. Welfare impact estimates have recently been published in the context of insurance markets. They typically amount to a couple of percentage points of total market value.3

In a new working paper,4 we show evidence of large welfare effects of the lemons mechanism using historical data for a highly differentiated market: the French wine market. We exploit a change in the informational setting caused by the adoption of a 1935 law that introduced the concept of appellation d’origine contrôlée (AOC) to designate wines produced in a particular geographical region, according to specific practices, and in verifiable ways. Prior to that pioneering piece of legislation, which later became the template for the European concept of ‘protected designation of origin’, the French system of geographical appellations (dating back to 1905) merely required wine grapes to originate in broadly defined administrative areas, with usually no further requirements regarding grape varietal, the type of terrain, or the appropriate winemaking practices.

A newly assembled historical dataset of wine prices and AOC eligibility

We pair longitudinal administrative data on wine prices received by producers and measured at the level of 76 French départements (hereafter departments) with a newly constructed and geographically detailed dataset on vineyard eligibility for AOC recognition. Our dataset covers the years from 1907 (after the concept of appellation was first codified in French law) to 1969 (before the European common market for wine), providing a 30 year-span before and after the 1935 reform. Our analysis includes 277 different AOCs whose production requirements were codified between 1935 and 1969 through administrative decrees pursuant to the 1935 law.

A critical challenge is to determine the historical eligibility of French vineyards for AOC designation in order to construct a measure of each department’s ‘exposure’ to the new policy at any given point in time. In our study, vineyard eligibility is proxied by crossing information from three main sources. First, we exploit recent cartographic data produced by INAO,5 the French institute in charge of the AOC system, which map current AOC delimitations. Second, we intersect these maps with remote sensing data indicating parcels in vineyards in order to exclude areas unsuitable for vine cultivation,
looking at the 30-year period leading to the reform. That prices. Yet we find no evidence of this possibility when mentions in ways that could correlate with trends in wine recognition may have differed from non-AOC depart-
tments in the back-of-the-envelope calculation using supplemental information on AOC production indicates a staggering larger markup for wines actually sold under AOC. A an AOC, this average price increase masks a much wine, and not all eligible vineyards ended up claiming AOC eligibility to be associated with a marked increase in the average departmental wine price (calculated as an average across all wine sales). Our preferred estimates of the effect hover around 40 per cent, meaning that a shift from non-eligibility to full eligibility (as was the case, for instance, in appellation-rich departments like Gironde (bordeaux) or Marne (champagne)) caused a 40 per cent increase in the average wine price. Across a large series of model specifications, we find AOC eligibility to be associated with a marked increase in the average departmental wine price (calculated as an average across all wine sales). Our preferred estimates of the effect hover around 40 per cent, meaning that a shift from non-eligibility to full eligibility (as was the case, for instance, in appellation-rich departments like Gironde (bordeaux) or Marne (champagne)) caused a 40 per cent increase in the average wine price. Since our measure of price includes all wines produced in a department, including ordinary wine, and not all eligible vineyards ended up claiming an AOC, this average price increase masks a much larger markup for wines actually sold under AOC. A back-of-the-envelope calculation using supplemental information on AOC production indicates a staggering two-fold price increase for appellation wines claiming an AOC after the reform. Of course, departments that became eligible for AOC recognition may have differed from non-AOC depart-
ments in ways that could correlate with trends in wine prices. Yet we find no evidence of this possibility when looking at the 30-year period leading to the reform. That is, eventual AOC eligibility pursuant to the 1935 reform does not explain price patterns during the pre-reform period. Our main effect also holds when we exclude departments with no AOC eligibility, that is, when we use the intensive margin of eligibility as the sole source of identifying variation.

The welfare interpretation of the results Interpreting the observed relative price increase in eligi-
ble departments as having been caused by wine quality improvements — which the 1935 reform explicitly intended to incentivize — requires caution. First, the increase in wine price could have resulted from a reduction in supply. However, we show that neither acreage in vineyards nor yield declined in eligible departments relative to non-AOC departments. Therefore, the observed price movement did not occur along the demand curve, but rather as the result of a demand shift. Second, we rule out an alternative explanation according to which the price increase could have been caused by the denial of the AOC designation to certain wines sold under appellation prior to the reform, essentially forcing them into the ordinary wine market — an effect known as déclassement (demotion). This is an important point, as the reshuffling of wine quantities across market segments could, at least in principle, cause increases in the average wine price without any improvement in the objective quality of appellation (or ordinary) wine. To rule out reshuffling as the cause of the observed price increase, we use ancillary data to identify departments in which there was a decrease in the share of wine sold under appellation between the pre- and post-reform periods. When we exclude these departments from our analysis, the price effect stands. Having ruled out quantity decreases and mere wine reshuffling as plausible causes of the observed price increase, we conclude that the reform provided wine producers with incentives to supply quality ultimately valued by consumers.

To the extent that they are driven by quality improve-
ments, what do these price changes tell us about eco-


www.res.org.uk/view/resNewsletter.html 20
The new INOMICS handbook

The 2019 INOMICS Handbook¹ was published as we went to press in July. Retaining the aim of the earlier (2017 and 2018) editions of ‘helping readers develop their careers as economists’, the latest handbook has added reflections on a selection of key topics within economics that have exercised readers of this Newsletter in recent years and, indeed, in this issue.

Two issue that readers of this Newsletter will recognise immediately concern gender in the economics profession and the economics of the environment.

Women in the economics profession

Since it was established in 1996 the RES’s Committee on Women in the Economics Profession (RESWC) has used its regular surveys to show that women are under-represented in senior academic positions and that while the situation in the UK has improved rather than deteriorated, there is still a long way to go.²

Sadly, according to the Handbook, the situation outside the UK may be getting worse rather than better. The article ‘Does Economics Have a Problem with Women?’ by William Pearse,³ is not always clear on its sources of data but it cites reports from both the Australian Department of Education and the American Economic Association as indicating that progress may actually have gone into reverse. Most alarmingly (in Australia) the lack of progress in economics contrasts starkly with developments in the STEM (science, technology, engineering, mathematics) disciplines which were once notorious for their underrepresentation of women. The problem begins early. In most disciplines in the USA (according to the New York Times) women make up the majority of undergraduates who complete their degrees. But in economics it is just 35 per cent. These numbers dwindle as we proceed through higher degrees. One fifth of incoming students to doctoral programmes at top US universities (NYT again) are women.

When it comes to careers (as repeated RESWC surveys have shown here) underrepresentation increases with seniority. This is part of the ‘leaky pipeline’ analogy, whereby a quantity of female talent is lost at each of a series of stages. ‘The more senior the economist, the less likely it is to be a woman’ (Pearse, p.4). In the US it seems, female economists are twice as likely to be denied tenure as their male counterparts and of the women who jump this hurdle only 29 per cent achieve a full professorship after seven years, compared with 59 per cent for men.

Needless to say (and the RESWC has also reported on this for the UK), this underrepresentation is reflected in a noticeable gender pay gap. What is particularly interesting in the AEA survey, however, is the split between men and women in their explanation of these differences. That some economists should find the explanation merely reflects rational choice is hardly surprising. 54 per cent of men surveyed (beneficiaries of the pay gap, of course) thought it was explained by occupational choice and level of educational qualification. By contrast, only 14 per cent of women thought this was the case.

Disparities in remuneration are not the only reason for concern. Pearse raises the possibility that the gender composition of the profession influences (distorts?) its intellectual and eventually its policy content.

Simply put, academics research areas in (sic) which they are already familiar and/or have personal connection/stand to gain from. The underrepresentation of women, therefore, inherently limits the variety of questions economists look at (a shortcoming that applies, even more strikingly, to people of colour) and allows white male opinion to remain the governing opinion. This lack of diversity is unquestionably constraining the field’s intellectual development and stymieing its ability to bring about transformative change. (Pearse p.4)

Emmanuelle Auriol’s⁴ evidence is cited as showing that this results in something like a ‘gendered division of labour’. After graduation, women tend to gravitate towards ‘more people-oriented sub-fields like “labour, health and education” while men are drawn to macroeconomics’. (Pearse, p.6). The result is that women are, to some degree, focusing their efforts (to publish, for example) in sub-fields in which publishers and editors (predominantly men of course) have less experience and, maybe, interest. This reduces their chances of publication which, in a publish or perish culture, helps to complete a vicious circle. When it comes to publishing, The Economist⁵ published evidence in 2019 that female economists are often held to a higher standard than their male counterparts. This is demonstrated by the higher number of rewrites requested and the higher demands for originality and rigour. There may also be evidence that where work has joint male-female authorship (and joint authorship is a growing trend) the male author tends to get the greater credit.

What is to be done? The Handbook’s recommendations are neither very radical nor original. ‘Candid discussion of implicit biases must take place; high female dropout
rates need thorough investigation; and clear descriptions of female contribution to co-authored pieces have to be guaranteed.’ (Pearse p.6) But Pearse is surely right in saying that the need is urgent.

The case for ecological economics

Another issue covered in the 2019 INOMICS Handbook is climate change where economics is accused by the author, James Matthew Alston, of apathy and lack of interest. It may be true that economics has been a bit slow to recognise the urgency of the situation and that traditional notions like ‘equilibrium’ are unhelpful in potentially explosive situations characterised by ‘positive feedback’, but the RES can at least claim to have appointed, in Lord Nicholas Stern, a leading environmental economist and author of the Stern Review on the Economics of Climate Change (2006) as its President (2018-19). 7

Alston’s starting point is a number of recent reports on changing atmospheric conditions have already established that climate change is extremely costly and thus that any steps taken to mitigate these effects have the potential to yield a monetary reward. ‘But economics hasn’t cottoned on’. Nor it seems, has the general public. A 2018 Gallup Poll showed that between a quarter and a half of populations sampled in the US, Asia and the Middle East believed that climate change would affect them in their lifetime, even though the effects are being felt already. According to Alston, economics has traditionally assumed that technological innovation can overcome any biophysical limitations the earth may have, even though Kenneth Boulding warned, as long ago as 1966, that we would one day find that resources were finite.

How do we change attitudes like this? One obvious approach is to stress the connection between, for example, air pollution and ill-health or drought and forest fires. Focusing on negative events that people can see for themselves ought to change minds. But it seems that people are surprisingly resistant - often accepting the connection but failing (resisting?) to see what they can do as individuals. Alston’s hope appears to lie with ‘ecological economics’ which he describes as a discipline aiming to make economics more cognisant of ecological impacts while making ecology ‘...more sensitive to economic forces, incentives, and constraints’ (Alston, p.17). One way of doing this is to stress that technology cannot endlessly circumvent environmental constraints. There are limits and when we seek to exceed those limits (as now) then there are costs. From this realisation, it is then important to put a monetary value on the costs of environmental depletion. Dealing in monetary values will attract people’s attention.

To this end, the International Society for Ecological Economics encourages research towards ‘...developing a sustainable world’. Much of this research is policy-focused, including the potential tax reform and the effectiveness of environmental protection measures. Much of this research is published in its own journal, Ecological Economics,8 The International Journal of Ecological Economics and Statistics9 has a particular interest in the development of ecological and statistics and the application of mathematical modelling to ecological processes.

The 2019 issue of the Handbook also includes more traditional features including ‘The Soft Skills You Need to Succeed’; ‘What Makes a Successful Economist’; ‘Recommended Study and Career Opportunities’; an interview with Professor Esteban Rossi-Hansberg (Princeton) and details of prize awards.

Notes:
3. William Pearse is a senior editor at INOMICS and a graduate of Sussex University and the Freie and Humboldt Universities in Berlin.
4. Emmanuelle Auriol is a Professor in the School of Economics at the University of Toulouse.
6. James Matthew Alston is the Content Marketing Manager at INOMICS and a graduate of Cardiff and Freie University Berlin.
7. And see above pp.5-9
8. https://www.journals.elsevier.com/ecological-economics
International Review of Economics Education - Call for Papers

The International Review of Economics Education will publish a special issue on the theme of online teaching, learning and assessment in economics in 2020. The special issue will focus on innovation in teaching, learning and assessment in the blended and online learning space. We would particularly encourage you to apply if you will be presenting a paper related to online teaching and learning at the DEE conference. Find out more, or submit a proposal, on the IREE website:
https://www.journals.elsevier.com/international-review-of-economics-education/call-for-papers/

Women in Economics: Students’ Workshop

The University of Warwick will host the first workshop on ‘Women in Economics’ for students on 18-19 January 2020. The workshop is open to students from UK economics departments, who can express their interest by sending their ideas on how to make the discipline more attractive to female students of all backgrounds. Some of the areas of interest may include economics curriculum, assessment and feedback, role models in economics, etc. The best ideas/proposals will be selected and presented at the workshop. Students will also have the opportunity to hear about current projects and interact with a number of well-known economists. Applications are now open, please see details on the website. For more information you can contact: s.paredes-fuentes@warwick.ac.uk or economics.femaleconf@warwick.ac.uk.

Expressions of interest invited for the RES’s Education and Training Committee Chair

The Royal Economic Society has agreed to establish an Education and Training Committee and are seeking expressions of interest for the position of chair. The chair will be a senior UK-based economist with extensive experience of economics education. They will be appointed as soon as practical and the appointee will assist the Executive Committee in filling other positions on this new committee. For further information or to express your interest, please visit the RES website.

Society of Professional Economist Courses

The SPE has an upcoming course on ‘Presenting data for economists — how to communicate your message effectively’. The course will take place on 9th September at the University of Westminster in London. Further information and registration details are available on the SPE website:
http://www.specourses.co.uk/coursedetails11.html#1/~

Moral Political Economy Project, Centre for Advanced Study in the Behavioral Sciences, Stanford University

The Centre for Advanced Study in the Behavioral Sciences at Stanford University has recently established a project on ‘Creating a New Moral Political Economy’. The project’s focus is on identifying how topics related to moral and political economy are currently taught at colleges and universities, and generating ideas and resources for future cross-disciplinary teaching initiatives. The pedagogy working group would be grateful if you could spare five minutes to complete a very brief survey focused on identifying syllabi, reading lists, and digital tools that we can make accessible to scholars with research and teaching interests in this area. Please contact Sean Chen at kxsean@stanford.edu if you have any queries.

Next Early Careers Workshop

The next Early Careers Workshop will be held on 23 and 24 April 2020 at Swansea University. This is an interactive two-day event for early careers staff focused on effective and innovative economics teaching.

New Economics Network reports


This is the Economics Network’s fifth survey of employers of economics graduates. These surveys aim to improve understanding of the skills economics graduates need in the workplace, establish whether employers think current economics graduates generally possess the required skills and knowledge and to reveal any clear shortfalls in order to inform the UK economics academic community.

2019 National Student Survey (https://www.economicsnetwork.ac.uk/research/nss/2019)

The National Student Survey (NSS) is an annual survey conducted by the National Union of Students (NUS) aimed at final-year undergraduates in the UK. As part of our wider research into the employability of economics graduates, we look at the past 12 years of NSS data up to 2019. To help gain perspective, we compare the results for economics to similar subjects (mathematics, politics, finance and business studies) and also break the results down by university type (‘Russell Group’, ‘Post-1992’ and ‘Other’).
Improving the quality of wine

By multiplying the estimated relative price increase by the overall share of vineyards eligible for AOC at the end of the study period, we estimate a gross welfare increase of nearly 15 per cent across the entire French wine market. Of course, these consumption-related gains could have been entirely offset by increases in supply costs, so the size of effect of the reform on net welfare remains an open question (though it seems clear that the reform did not reduce welfare). Considering that, at the national level, more than half of AOC eligible acreage ended up being cultivated for AOC wine, it seems clear to us that the reform led to net welfare improvements.

Indeed, reflecting on ten years of recognition of French AOCs in the UK following its entry into the European Common Market, John Michael Broadbent concluded his speech in recognition of the 1935 French law as follows:

But I am glad overall to convey to you Great Britain’s sentiment that we are, at last, conscious and hopefully respectful of the laws governing AOCs.

Notes:

1. P Mérel, Dept of Agricultural and Resource Economics, University of California, Davis, Davis CA. Email: merel@primal.ucdavis.edu; A Ortiz-Bobea, Charles H Dyson School of Applied Economics and Management, Cornell University, Ithaca, NY. Email: ao332@cornell.edu; E Paroissien,INRA, Rennes, France. Email: Emmanuel.Paroissien@inra.fr

2. Translated from French by the authors.


5. Institut National de l’Origine et de la Qualité.

Diversity Campaign

The Royal Economic Society will launch a campaign this autumn in partnership with some of the UK’s leading economic organisations to address the serious lack of diversity in undergraduate economics.

Promoting diversity in economics is a key strategic objective for the Royal Economic Society. Currently, students from state schools are under-represented and fewer than 30% of economics undergraduates are women.

If you are interested in hearing more please do get in touch by emailing campaign@res.org.uk.

European Job Market 2019

The 2019 European Job Market for economists will be held in Rotterdam, Netherlands on 18-19 December 2019 and will be co-sponsored by the RES alongside the European Economic Association (EEA) and the Asociación Española de Economía (AEE).

The event will take place immediately after the Econometric Society Winter Meetings and features, alongside job interviews, an educational session and an invited lecture by Thomas Piketty.

If you are a PhD candidate or junior researcher looking for a job, don’t miss the opportunity to be interviewed at the European Job Market. A number of travel grants are available to candidates whose departments cannot offer any resources for travel and accommodation.

Registration information and further details are available via https://www.res.org.uk/event-listing/phd-job-market.html

Discover Economics campaign launches

There is increasing awareness of the lack of diversity in economics and the need to do more to attract women, minority students and students from state schools and colleges. The RES is therefore launching a three-year campaign aimed at changing perceptions of economics among young people and attracting students from under-represented groups.

The campaign is a partnership between the RES and leading economic organisations. To find out more about the campaign and how to get involved, visit https://www.res.org.uk/education/discover-economics.html

A campaign launch will be held at the Resolution Foundation on 15th October and limited tickets are available. Details on how to register are available at the webpage above.
2019 Annual Public Lecture
This year’s Annual Public Lecture will be delivered by Prof. Tony Venables on ‘The Urban Challenge: Making Cities That Work’. The lecture is directed at A-level students and will be given at the Royal Institution on 26 November and the University of York on 4 December. As in previous years, the lecture will be filmed and subsequently posted on the RES website.

Annual Public Lecture - invitation to tender
The RES invites proposals from institutions who wish to host the Royal Economic Society’s Annual Public Lecture for the periods 2020-2022 or 2021-2023. A document, available at:
sets out the expected division of labour between the RES and the host institution; the RES’s process for making a decision; and the timeline in which it expects to make and communicate this decision. Deadline for submissions is 5pm, Friday 29 November 2019.

Renewing your membership
Members whose membership expires at the end of the calendar year will receive their renewal notice in the coming weeks. The Society is very grateful to members choosing to renew. The income the Society receives from membership fees is vital to supporting our work, and to delivering the strategic priorities you helped us to define in the membership consultation last year.

2020 Annual Conference, Belfast
The Society’s 2020 conference will be held at Queen's University Belfast from 6-8 April 2020. Please note that the Call for Papers has now closed. Information on the programme, registration, travel and financial assistance can be found at https://www.res.org.uk/events-page/2020-annual-conference-.html

Call for papers: Masterclass and Conference on Measuring Prices and Quantities
This masterclass and conference is an initiative of the Economic Statistics Working Group (ESWG) and the Centre for Microdata Methods and Practice (CeMMAP). The masterclass and conference will take place on 17th and 18th March 2020 respectively at CILIP, 7, Ridgmount St, London WC1E 7AE.

The masterclass will be taken by Prof. Erwin Diewert and will provide advanced level instruction on price indices and the measurement of price movements.

This will be followed by the conference. Submissions to martin.weale@kcl.ac.uk marked ‘ESWG Conference Submission’ are requested on issues associated with problems of measuring prices and quantities including: Use of Hedonic Methods, Utility-based Indicators and Measuring Goods and Services Free at the Point of Use. Only complete papers will be considered, with early versions welcome. Participants are expected to cover their own travel and accommodation costs. The submission deadline is 1st December 2019 with notifications expected by 20th December.

Prices: £50 for the masterclass and £100 for the conference. For students the charge for each is £25. Registration is now open. The programme for the conference will be announced on 6th January 2020.

For further details and to register please see https://www.cemmap.ac.uk/.

New RES staff member
The Society welcomes Rina Patel, who joined the Society in September 2019. Rina joined the RES as the Conference and Events Co-ordinator September 2019. Working within the events sector for over four years she has previous experience working on academic events with the Canadian Fertility and Andrology Society. Passionate about the environment and supporting local communities she is always looking for a sustainable angle.

Rina is based in our central office in Westminster and can be contacted via email at: events@res.org.uk.

Conference diary

17-20 October Miami
The 88th International Atlantic Economic Conference. The mission of the conference is to create a platform where economists and finance experts from academe, government, and the private sector can present their research results, exchange ideas and network in a collegial environment. Distinguished delegates from around the world gather to present, discuss, and exchange valuable information in the fields of economics, business and finance. Participants share drafts of their research with their session colleagues 30 days in advance of the meeting to facilitate dialogue at the conference.

Further information:

28-29 October London
Understanding Data and Basic Statistics. This practical, two-day workshop at Birkbeck College will present an overview of the manipulations of data that are often required prior to statistical analysis. Topics will include dealing with outliers, combining data from
different sources, calculating annual average growth rates, weighting and smoothing data and constructing indexes. It also covers basic statistical methods used in describing data such as measures of central tendency and dispersion, correlation and the use of dummy variables in regression analysis. Registration closes 24 October 2019.

Further information: https://events.rss.org.uk/rss/frontend/reg/thome.csp?pageID=119191&eventID=384&traceRedir=2

november

4-5 November  London

Modelling with Big Data and Machine Learning. The confluence of access to large granular data sources (‘Big Data’) and the rapid advance of modelling techniques like those from machine learning (ML) promises new insights into the economy and a larger information set for policymakers. The Bank of England (BoE) and the Data Analytics for Finance and Macro (DAFM) Research Centre at King’s College London have recently initiated a series of annual scientific conferences to discuss these advances.

These events aim both to discuss recent developments and, crucially, focus on particular aspects of Big Data and ML approaches which are of increased interest to applied researchers. Two such aspects form the focus of this two-day conference. The first relates to a commonly cited weakness of ML methods when applied to economic problems and data, which is lack of interpretability of ML model outputs. The second, and related, focus is on the estimation and/or calibration of the uncertainty associated with model outputs. Both these matters have not received as much attention in the mainstream ML literature as economists would like them to.


7-8 November  Stockholm

CALL FOR PAPERS

15th Annual Central Bank Conference on the Microstructure of Financial Markets, sponsored by the Sveriges Riksbank. This annual central bank workshop invites researchers, policy-makers and practitioners to discuss theoretical work, empirical findings and policy implications related to the microstructure of financial markets. Drafts of completed papers should be submitted in PDF format by May 1, 2019 to research@riksbank.se. Authors will be notified by June 19, 2019.

Further information: www.riksbank.se/en/research/conferences

8-9 November  London

A two-day workshop taking place at King’s College London on the emerging field of cognitive economics. Cognitive economics is a relatively new field linked to behavioural economics and focused on the value that people place on their mental states and beliefs. This phenomenon is important for a variety of topics including marketing, culture, identity economics, citizens’ participation in symbolic narratives such as politics, and the information economy.

As well as submitting papers, we are interested in finding ideas for interactive sessions such as roundtable discussion(s), panel debate(s) and idea generation session(s) etc.

Further information: www.cognitiveeconomics.org/events

15-16 November  Tbilisi, Georgia

The FREE Network — the Forum for Research On Eastern Europe and Emerging Economies — and the International School of Economics at Tbilisi State University (ISET) and its Policy Institute, are delighted to extend a warm invitation to participate in an international conference on gender economics entitled: Removing Obstacles to Gender Equality and Women’s Economic Empowerment. The conference is organized as part of the FROGEE initiative — the Forum for Research on Gender Economics — supported by the Swedish International Development Agency (Sida) and coordinated by the Stockholm Institute of Transition Economics (SITE). The objective of the conference is bringing together researchers, policy-makers, and the broader development community to discuss the obstacles to gender equality and women’s economic empowerment, and policies to remove existing constraints, with a focus on Eastern Europe and Emerging Economies.

Further information: https://inomics.com/conference/international-conference-on-gender-economics-1387565

20 November  Bristol

An RES-sponsored event at the Bristol Festival of Ideas

Fact and fiction in Economics: The Role of Media and Social Media. Nine out of ten economists were opposed to Brexit. Economists support inheritance tax but opinion polls show most people think it is an unfair tax. Most people get their economics from the media, and increasingly from social media, where technical debates become highly polarised. How should economists try to communicate, and what should we expect from reporting of economics?

With Roger Farmer (Warwick University), Marina Della
Giusta (University of Reading), Vicky Pryce (Centre for Economics and Business Research), Romesh Vaitilingam (writer and media consultant) and chair, Margaret Heffernan.

Further information: https://www.ideasfestival.co.uk/events/fact-and-fiction/

december

16-17 December Oxford

3rd Annual NuCamp Conference, hosted by the Nuffield College Centre for Applied Macro Policy, invites submissions and participation by academics and policymakers working on any aspect of empirical or theoretical macroeconomics. The deadline for submissions is Friday 15th November. Please send submissions and expressions of interest in attending to nucamp@nuffield.ox.ac.uk. There is no registration fee and we will cover the cost of meals and accommodation for participants. We ask that people pay their own travel expenses.

Further information: https://www.nuffield.ox.ac.uk/our-research/research-centres/nucamp/

2020

february

1-2 February Oxford

The 8th Annual Conference of Economic Forum of Entrepreneurship & International Business. Papers for the conference should be submitted to: research_forum@eco-ena.ca

Further information: https://www.eco-ena.ca/8th-annual-oxford.html

5-6 February Frankfurt am Main

European Central Bank Macropuadrual Stress Testing Conference. Registration will be free of charge. Financial assistance with travel expenses will be available on request for those presenting papers and discussants (though participants from national central banks and EU institutions will be expected to cover their own expenses).


march

13 March 2020 London

Applied Environmental Economics Conference. The UK’s Network of Environmental Economists (UKNEE) is proud to release the call for envecon 2020. This is a call for papers and posters. envecon 2020 will feature a dedicated poster session within the agenda, and we are pleased to invite your submissions. The following topics are some areas of interest for papers and posters, but the conference is open to all topics so long as they focus on the application in practice. Please submit your 2-page abstract by Monday 16th December 2019 to uknee@uknee.org.uk

Further information: uknee@uknee.org.uk

25-28 March Rome

The 89th International Atlantic Economic Conference. Submission (of abstracts) is required by 15 November 2019. A submission fee applies.


april

6-8 April Belfast

Royal Economic Society 2020 Annual Conference will be held at Queen’s University Belfast. Keynote speakers:

Economic Journal Lecture - Ulrike Malmendier (California)
Sargan Lecture - Serena Ng (Columbia)
Hahn Lecture - Leah Boustan (Princeton)
Past President’s Address - Lord Nicholas Stern (LSE)

Membership of the Royal Economic Society 2020

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

• Access to *The Economic Journal* and *The Econometrics Journal* including back issues and previews of papers before their publication.

• Savings of up to a 1/3 on the ticket price for the annual conference and the opportunity to apply for the Society’s grants and financial support.

• Our quarterly *Newsletter* which includes topical articles, comments and letters.

Membership subscriptions 2020

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VAT applicable to those residing in the UK and EU, in addition to the prices listed above.

For questions about joining and renewing your membership please contact the RES office on resoffice@res.org.uk or +44(0)20 3137 6301