Crowded and late

Members will receive this particular April issue a few days late since it went to press immediately after (a bitterly cold but otherwise very successful) Annual Conference at Royal Holloway University of London. This allows us to maintain the recent tradition of including the Secretary-General’s Annual Report only days after its presentation. The heroic task of reporting on the Conference itself inevitably takes much longer and will follow in July.

While one tradition continues others change. The principal innovation starting with this issue, is that ‘routine’ items of Society news (grants, publications etc.) will appear only on the website. The ‘news’ section here will be used only for special announcements. That said, pressure of space has been acute in this issue and the only item that we have been able to squeeze in is the list of prizewinners announced at the Conference. Two other items that should have featured are firstly the recent decision by Council to set up a working party under the chairmanship of the incoming President to consider the future strategic direction that the Society might take. We shall be sure to follow and report on this in future. The second item, one that will appeal to many, is that they can now receive twitter feeds from the *EJ*. For members who do not tweet, the necessary links and instructions are available in the *EJ* section of the website. Large-screen projections of current tweets caused quite a stir at the Conference.

As regards content in this issue, we have Angus Deaton’s slightly unsettling Letter from America, a substantial obituary of one illustrious past President by another and an unusual number of features. Regular readers will spot the various devices to which we have resorted to fit it all in. We apologise to those contributors whose articles have had to suffer their continuation on non-adjacent pages.
ROYAL ECONOMIC SOCIETY
NEWSLETTER

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

Readers might also consider the Newsletter a timely outlet
for comments upon issues raised in the Features section of
The Economic Journal. We can normally get them into
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Letter from America —
A Harvard graduate student is playing dice with your future

In his latest letter, Angus Deaton stresses the advantages of assessment by publication-related metrics, but warns of the dangers to diversity when the highest ratings come from a highly concentrated group of journals.

When I talk to British or European economists, one of the complaints that I hear most often is about the role that the top journals are playing in our profession. Whether in Cambridge, Edinburgh, or Paris, promotion is now conditioned on publishing in top journals, many of which are seen as essentially inaccessible to authors outside the United States. Strangely, these complaints come, not only from anxious and frustrated young scholars, but also from their department chairs and directors, whose freedom of action is limited by the demands of external evaluation.

The advantage of public metrics

While I do think we have a problem — on which more below — I am also old enough to remember the days before metrics and assessments, when professors of no great academic distinction had great power over their departments, and over the profession more generally. I recall an elderly Italian professor in the early 70s, well oiled with brunello, spluttering with rage over a rejection from a new-style journal (I think the European Economic Review) whose editor had dared to cite the comments of an unknown referee. I am not sure the world of those days is entirely gone, and it may even now survive in (not so remote) parts of continental Europe, but the metrics and the top journals have helped diminish its power.

I should also say that the journals have always been kind to me. When I was a very young research assistant in Cambridge, I wrote up some results, and a friend suggested I send the paper to a journal. I had no idea that that was even possible, and didn’t know enough to be surprised when Econometrica accepted it. Though I was surprised when the paper took four years to appear; the society was then tottering on the verge of bankruptcy, and in the end, could only print on paper that had apparently failed East Germany’s quality controls even for sanitary purposes. More seriously, Econometrica, and the Econometric Society’s summer meetings provided a route to professional recognition for me and for others who were just starting out. The professional societies provided an open ladder of advancement. It would be ironic indeed if the top journals today were to become a barrier to young unknown Europeans who do not have the advantages of graduating from the handful of top schools.

So what is there to worry about?

The top five journals today are usually taken to be the American Economic Review, the Quarterly Journal of Economics, the Journal of Political Economy, Econometrica, and the Review of Economic Studies, though if you are a finance economist or a theorist, there might be some substitutions. Notably, these are not necessarily the journals with the highest impact factors, which are also sometimes used in evaluations. The QJE does well on impact factors too, but the AER falls a long way (essentially because it ‘wastes’ pages on papers from its annual conference and on shorter papers and comments — an essential professional function that is not counted in the metrics), and is replaced by its sister journals, the Journal of Economic Literature, and the Journal of Economic Perspectives, where citation counts are not a reliable mark of original research. As noted by David Card and Stefano DellaVigna in a recent paper in the JEL, the top five journals publish only around 300 papers a year, fewer than twenty years ago, and even if the number of co-authors is rising, the fraction of active authors who can publish in these journals has fallen over time. So the bar is very high and rising all the time. For those outside of North America, it seems impossibly so. Only one of the journals is under European control, and two out of five are not under the control of a professional society. All of the AEA journals have term-limits on editors and, while editors are encouraged to pursue their likes and dislikes, they would not do so for long if they routinely excluded other approaches. This can be bitterly contested territory, but professional associations are capable of dealing with it. The editors of the two ‘other’ journals have published many important and game-changing papers over the years, and papers in the QJE attract the highest citation counts of the five — but they face few constraints on pursuing their personal
agendas. That is a very good thing for the diversity of all economics journals, but it is unclear why they — or their graduate students, who referee many of the papers (you are expecting Elvis, but you get the Elvis impersonator) — should play quite such a large part in shaping the profession, not only in North America, but in the rest of the world.

The threat to diversity

One of the most striking changes in American economics has been the increasing prevalence of foreign-born economists. Two-dozen countries are so represented in my department (including non-traditional economics powerhouses such as Korea, Algeria, Mexico, and Belarus), and the third of the faculty who are American-born are on average a good deal older. Many of the public intellectuals of American economics are also foreign-born: from Bengal to Jamaica, think of Amartya Sen, Danny Kahneman, Daron Acemoglu, Luigi Zingales, Raghuburam Rajan, Abhijit Banerjee, Esther Duflo, Simon Johnson, Enrico Moretti, and Peter Blair Henry, who are not only fine academics, but are explaining their ideas to a broad audience interested in popular social science. These people came to the US with a very different backgrounds and presumptions than did the ex-farm boys from the western United States who used to be so prominent in economics. I remember being astonished in the Cambridge of the 1960s by George Stigler’s (1959) claim that ‘the professional study of economics makes one politically conservative,’ and wondering if the last word could possibly be a typo? American economics is immensely richer for the inflow of these immigrants, but it is hard not to wonder what might have happened had they stayed put. Economics, like a species, needs diversity as the material for change in times of crisis, and diversity is perhaps limited when so many go through almost identical training programs in a small number of universities. Exporting the standards of those schools and the top five journals to British and European programs, while protecting against the excesses of the old world, risks a uniformity that would diminish the local approaches that might contain the future of economics. Heterodox economics is endangered as it is — George Stigler, in the same article, wrote that a believer in the labor theory of value could not get a desirable job, not because of his radicalism, but because the hiring committee could not bring themselves to believe that such a person could be both intelligent and honest. A modern American hiring committee might think that there was something to be learned from studying the labor theory of value, and would be unlikely to endorse such a monolithic view of economics, but perhaps a committee of external evaluators in France, Germany, or Britain, armed with its metrics, impact factors, and citation counts, might unwittingly do so.

Secretary-General’s 2013 Annual Report

The Secretary General, John Beath, presented this report to the Society’s AGM at Royal Holloway, University of London, on 4th April.

I would like to start my report this year by paying tribute to Frank Hahn who died on January 29 at the age of 87. An economist of international stature, Frank was a former President of the Society. I think it is particularly appropriate that I am able to pay this tribute at our Annual Conference because, as President, Frank played the key role in bringing together the Royal Economic Society and the Association of University Teachers of Economics (AUTE). Before the ‘union’, the annual conference, then as now in the spring, was run by the AUTE while the Society followed its AGM, usually in June, with a lecture, typically by the President. It was through Frank’s efforts that we are now a unified learned society and professional body and of course we have the AGM and the President’s lecture as an integral part of the conference, and Frank’s memory is there in the annual Hahn Lecture. His obituary, by a previous president of the Society, appears on p. 15 below.

Our Society’s emblem is the honey bee. Now 2012 was a bad year for actual bees and were this to be a talk about beekeeping, the would have a sad face. However, a smiley face is appropriate in our case since I can report that the hive I identified as healthy in my 2012 report continues to be so in 2013. I will now explain why.

www.res.org.uk/view/resNewsletter.html
our charitable expenditure on projects and grants from £240K to £370K. Significant elements in that were the increased funding for Junior Fellowships, support for a larger number of special projects, increased expenditure on the Young Economist competition and our commitment to provide a significant level of support to the Economics Network.

Governance
On governance, I will mention three things. Firstly, Sarah Smith and Paul Johnson have joined the Executive Committee this year. Members will recall that 2012 was the first year in which we operated under our revised Royal Charter with the Executive Committee comprising the set of trustees.

Secondly, I would like to express my thanks and also the Society’s, to those members of Council whose terms of office come to an end at this meeting: Chris Giles, Paul Grout, Guy Laroque, Hélène Rey, David Webb and Peyton Young. They have all contributed in a variety of ways and I would like to use this occasion to thank them publicly. However I would like to make special mention of Paul Grout and David Webb. David and Paul have both put in some hard work as assessors in the Junior Fellowship scheme, and Paul has been a much valued member of the Executive Committee.

The third thing is that, at its meeting in November, Council agreed to set up a working party under the chairmanship of the incoming President to consider the future strategic direction that the Society might take. The group has recently had its first meeting and intends to bring a report to the meeting of Council in November for discussion.

Communication and Engagement
I hope that members will be familiar now with our new website with a whole range of valuable features. When he became President, Richard Blundell set it as his aim to develop significantly the Society’s communication activities. This strategic development, which was initiated in 2011, has continued to develop strongly in 2012. Robin Naylor, the Second Secretary, has been instrumental in this development and working in tandem with colleagues in the Society and with the web development team at Wiley-Blackwell, has greatly enhanced the appearance and navigability of the RES website.

Here are just a few examples:
• Because the Society now actively manages the content on the site, we are able to keep members up-to-date with the latest RES news and media briefings.
• The new site identifies the specific types of educational and career support and engagement that are available by category of individual — from school students, through undergraduate and postgraduate students to academic and professional economist.
• This year’s Annual Conference has been integrated into the RES website with online access to the Conference programme.
• Easier access to membership information allowed the Society to run the 2012 Council elections online in 2012, with postal backup for the few members who do not have e-mail. This led to a doubling of the numbers of ballots cast. We will use this format for the forthcoming 2013 election.
• As part of his future development strategy Robin has been working with Romesh Vaitilingam, our media consultant and the Editors of the EJ on two projects: The provision of enhanced journal section features and functionality and a test project using social media.

Review of the Society’s Activities
Let me now turn to a review of the activities of the Society in pursuit of its charitable objectives. The Royal Charter of 1902 established the Society to promote and foster the study of economic science and its application. To help to achieve its charitable objectives, the Society has established a number of vehicles: publications, conferences, lectures, workshops, and a variety of grants and projects.

Annual Conference
Our 2012 Conference, held at Robinson College Cambridge at the end of March, was a great success with record numbers of attendees who enjoyed excellent weather. The programme was put together by a strong committee ably led by Francesco Caselli and Chryssi Giannitsarou and the local organisers were Pramila Krishnan and Solomos Solomou. I am grateful to all of them for the hard work that they put in. This year has seen Neil Rickman take over as Conference Secretary from Gareth Myles. Gareth had to relinquish the post in the summer because of increased work commitments and the Society is particularly grateful to Neil for taking on the responsibility of overseeing the organisation of this year’s conference, while at the same time combining it until the end of December with his chairmanship of CHUDE. The local organisation of the 2013 Conference has been in the very capable hands of Philip Neary and his colleagues at Royal Holloway and the Programme Committee under Imran Rasul has put together a wide-ranging and intriguing agenda.

Journals
A key point of note this year is that the current contract with Wiley-Blackwell to publish our journals ends in December 2013. A clause in the contract requires us to give 12-months’ notice if we intend to terminate, otherwise the contract rolls over for a further five-year period. The Executive Committee decided that it wished to put the journal publishing contract out to tender and so due notice was given to Wiley-Blackwell in December 2011. Three publishers, including Wiley-Blackwell, were invited to tender and a sub-committee was formed to evaluate these tenders when they were submitted in June. This review identified two publishers who were then invited to make formal presentations to and answer questions from the sub-committee in September. On the basis of these the Executive Committee accepted the sub-committee’s recommendation that Wiley-Blackwell be offered the contract. Since then we have been busy, with the help of
our lawyer, drawing up a new contract to start in January 2014. Progress on that has been good and I hope to be able by the end of this month to sign on behalf of the Society. While there are a number of changes in the new contract, a key element is recognition of the increased importance that we attach to the RES website.

The journals themselves continue to be acknowledged as leading international journals in economics and this was reflected in the interest received from quite a number of publishers when it was learned that we were to go out to tender. Indeed, we know from the data provided in the annual Publisher’s Report that they are among the most accessed journals they publish. While the editorial office of The Econometrics Journal remains in Cambridge, the EJ editorial office has moved from the London Business School to The Institute for Fiscal Studies and Stephanie Seavers has taken over from Heather Daly as the Publishing Editor. I would like to thank Heather for her many years of excellent service and for her assistance in what has been a pretty seamless transfer of the office from Regent’s Park to Bloomsbury.

Both of our journals award prizes for the best papers published each year. The EJ has two: the RES Prize and the Austin Robinson Prize. The RES Prize is awarded to the best paper published in the EJ in a year. In 2012 this went to Michael A Clemens, Steven Radelet, Rikhil R Bharvani and Samuel Bazzi for their paper, ‘Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth’. The Austin Robinson Prize is awarded to the best non-solicited paper by an author or team of authors within five years of receiving their PhD. The winner this year was Wen-Tai Hsu (NUS) for his paper, ‘Central Place Theory and City Size Distribution’. In addition, 10 prizes of £500 each are awarded to those whom the Editors consider to have made an outstanding contribution in this field. Details of the winners are provided on the website.

The Econometrics Journal has instituted the Dennis Sargan prize of £1000 for the best (unsolicited) article published in the journal in the previous year by anyone who is within five years of being awarded their doctorate. The 2012 winner will be announced shortly.

Publications

The Society has always had a commitment to publishing scholarly editions of classic works in Economics: Ricardo, Malthus, Marshall and Keynes. In my last report I announced that a contract to publish a digital edition of the 30-volume Keynes writings had been signed with CUP. That was formally launched at an event in King’s College and is available at special discount rates to members. As an added benefit, the Society has agreed with CUP that Society members can have free online access to the digital edition.

Events

Public Lectures

This year’s lecture was again a great success with a buoyant demand for tickets. As always, it was held in two venues and this year these were in London (at The Royal Institution) and in York (at the university). The 2012 speaker was Chris Pissarides, the 2010 Nobel Prize Winner, whose topic was ‘Unemployment and Recession’. I am delighted that the 2013 lecture will be given by Tim Harford in late November. Again there will be two locations: London and Sheffield. The public policy lecture series, started last year, has continued, with Nick Crafts speaking on ‘Returning to Growth: Lessons from History.’

Young Economist Essay Competition

This annual competition has seen a rise in the number of applications every year. This year the number was 750. It was won by Calum You whose essay titled ‘Lamentations of a Chancellor: Is there a better way out of the debt crisis than austerity?’ was considered by the judges to be a brilliantly crafted essay that paid close attention to recent debates over austerity and growth. He received an engraved trophy and a winner’s cheque (for £1000) at the annual public lecture. The three runners-up received £1000 between them.

The 2013 competition is already under way. Competitors have been asked to submit their essay on one of six topics by the end of June. As ever, the Society wishes to acknowledge the help of Tutor2U in the organisation of this competition and, in particular, the assistance they provide in drawing up the shortlist from which the judging panel chaired by the President will choose a winner.

Postgraduate Conference

Started in 2006, the postgraduate conference has been held annually in January at a London university. In 2012 and 2013 Queen Mary hosted this and the Society is grateful to them for doing so. In 2012, 257 participants attended and 195 made presentations, either formally or as posters. A review of the conference is currently being undertaken by Sarah Smith in order to ensure that we are doing all we can to engage with this vital group.

Funding

RES Training Schools

The RES Training Schools at Birmingham are one of our most valuable investments over the last two decades and in mounting these we have benefited from the partnership of the Government Economic Service, the Bank of England and the ESRC (through its Researcher Development Initiative). Two schools were held in 2012. In Spring there was one on ‘New Developments in International Trade and Macroeconomics’ led by Francesco Caselli and Peter Neary. The Autumn School was on ‘The Economics and Econometrics of Forecasting’ and was led by Mike Clements, Jennifer Castle and Jim Stock. Feedback from participants on both was highly favourable and indicates how well organised these are. So, once again, thanks are due to the organising team at Birmingham: Peter Sinclair, Nick Horsewood and Lisa Docker — and to all the course leaders. The next School will be held in April. The topic for this is ‘DSGE Modelling and Financial Frictions’ and there are four course leaders: Mike Wicksens, Paul Levine, Cristiano Cantore and Joe Pearlman.
Costing climate change and its mitigation

From the early 1990s onward, economists have engaged with the issue of climate change, in order to brief governments on some of the likely costs of prevention and increasingly of mitigation of the worst effects. In this article, Aart and Wiebina Heesterman distinguish three distinct phases of engagement.

To begin with, the emphasis was on the cost of using less energy. The scientific reality that the continuing use of fossil fuels cannot fail to worsen the greenhouse count of the atmosphere with the concomitant alteration of the planet’s climate had not yet entered public consciousness. The main implication was the fact that deep carbon cuts would become increasingly costly. Avoiding the next tonne would always be more expensive than the previous (Boero et al. 1991). At this juncture the question of whether a sustainable level of emissions is possible and what that might be is not asked.

Subsequently the attention shifted toward the redirection of marketable resources from the manufacture of consumer goods to the creation of renewable energy systems. The early 2000s saw the publication of the landmark The Economics of Climate Change (Stern 2006) as well as Nordhaus’s A Question of Balance (2008). Both assume that the cost could conceivably be met by a modest level of carbon pricing. It would stimulate more commercially cost-effective renewable energy technologies. The moot point is to whom or to what should the proceeds be disbursed? There is no known body responsible for the atmosphere.

We are used to a deep-seated assumption of a natural tendency for growth. Therefore our descendants will be more affluent and hence can more readily afford additional burdens. However, Stern questioned the morality of bequeathing the next generations with a degraded earth, arguing that the cost of building the necessary capacity of renewable energy installations to prevent climate change would be relatively modest. According to his estimate one percent of annual GDP growth for a transitional period of perhaps half a century would be sufficient, provided it was done promptly. Now in an interview with correspondents of the Observer in Davos (2013), Stern calls for increased investment in greening the economy, saying: ‘It’s a very exciting growth story’ In our view this had best be implemented opting for greater pan-European cooperation. Nordhaus considered Stern’s figure unnecessarily costly. His model did not apply the traditional version of cost benefit analysis, which generally discounts the value of the future at a set rate. He conceded that environmental degradation could invalidate the assumption of economic growth continuing at a known rate and that a more affluent future generation could therefore afford more. However, his optimistic perception of the impact of climate change on human society reduces the relevance of this caveat. His DICE (Dynamic Integrated model of Climate and Economics) model took the 2007 IPCC predictions as the last word. This did not leave any room to take account of as yet little discussed climate feedback mechanisms. We mention two examples. The first is the diminishing capacity of tropical rainforests to sequester carbon, because of logging and wild fires. The second is the melting of Arctic summer ice. During the summer the widening expanse of dark open water constantly absorbs the sun’s heat instead of reflecting it back into space as did the former white ice cover. If Nordhaus’s version of CBA had taken account of the possibility that adverse climate events might make the world poorer by 1.5 percent or more, it might have resulted in an upcount instead of the usual discount.

Then there is the issue that the consequences of climate change will have to be borne by the whole of society, undoubtedly with income distribution implications (Jackson 2011). For instance, should tropical forests capable of soaking up carbon be left standing without compensation for those who live near them? Also the importation of goods from low labour countries conceals the way emissions are counted away from the user economies towards the manufacturing countries, creating ‘virtual emission’. Which nation should be responsible? The definition of a framework for a fairer world would imply a strong case to pay to take these concerns into account. According to a German energy specialist (Czicsch 2011) renewable energy is becoming cheaper than the use of fossil fuel, but necessitates increased international cooperation. As yet few governments apart from Germany seriously embrace a policy of renewable energy stimulation.

More recent economic thinking turns increasingly to the adaptation and mitigation of the already noticeable consequences of climate change. Edenhofer et al. conclude that, for reasons of social and political inertia, the target of less than 2 degrees warming cannot be met (2012). Adaptation to a world of four degrees may be the only option. In the States, Wagner and Weitzman (2011) discuss ‘the high cost of doing nothing’, wondering whether climate engineering might be the only way out, despite its risks. Even before the bill for Hurricane Sandy, they estimated the cost of each tonne of CO2 at $20 worth of damage, rising to $50 by 2050.

....continued on p.23
Changing Expectations: Implications of the new funding era for the teaching of economics

On Friday 1st March, the Economics Network held its Spring Symposium at HM Treasury, London. The event was attended by around 50 delegates, which included university lecturers, recent graduates and practitioners. This report was prepared by Ashley Lait of the Economics Network.

This event was closely tied to a research project, which the Network has launched to explore how recent changes in higher education — such as the increase in tuition fees — and the impacts of the financial crisis may be affecting student expectations and behaviour. Around 20 UK HE economics departments will contribute to this project. Within this overarching theme, the symposium’s main aim was to promote discussion and offer practical steps on how universities and economics departments in particular can manage these expectations.

In the first session, Alison Wride (Greenwich Management School), Margaret Bray (LSE) and Chris Thomas (GES) focused on some of the key questions around expectations and undoubtedly triggered much of the discussion that continued throughout the day. Some of the questions raised included: have students’ expectations actually changed? Are things really very different now from when fees have increased in the past? Do students really know what they want or what is good for them, or does this come with hindsight? The panel and many of the audience members agreed that continuous and clear dialogue with the students throughout their university career was essential. This would allow the students to give feedback to the university/department, strengthen the relationship between the student body and the department and allow teaching staff to inform the students of what is expected of them. This last point is seen as essential: the learning process and its success depends on students putting in effort beyond just turning up to lectures.

At the beginning of the second panel, Guglielmo Volpe from Queen Mary University of London presented some practical steps that lecturers or graduate teaching assistants can take to bring skills development into the classroom by introducing some of the problem-based learning tasks he has used with his students. This teaching method allows students to deal with ‘real world’ issues and data, apply what they have learnt practically and to think independently. While some teaching staff are concerned that this method uses time that could be dedicated to covering more theory, Guglielmo and the other panelists — John Sloman (Economics Network), Jon Guest (Coventry University) and Andrew Gurney (GES) — felt that its effective integration into the curriculum would help graduates to be more prepared for the workplace.

The final panel, entitled ‘Doing more for less: implementation and efficiency’, was led by Carlos Cortinhas and Juliette Stephenson from the University of Exeter Business School. Carlos and Juliette have run a number of workshops for the Economics Network in the past, and along with Martin Poulter (Economics Network) and Caroline Elliott (Lancaster University), they discussed how effective use of technology can not only save lecturers time but can also help to engage and motivate students. The speakers gave demonstrations of how technologies such as clickers and digital notepads can be integrated into lectures and seminars. The panel also focused on free online resources and courses, which rather than being competition for university degrees, can actually be useful additional resources.

Overall, the EN Spring Symposium promoted interesting discussion on the topic, but more importantly, gave attendees clear and practical steps on how to manage student expectations and ensure that their learning experience is positive. Full notes from the panels will be made available on the Economics Network website shortly.

Note: Readers are reminded that The Economics Network is currently accepting papers for its biennial Developments in Economics Education conference, which will be held at the University of Exeter on Thursday 5th and Friday 6th September. For further information, please visit www.economicsnetwork.ac.uk/dee2013.

Most downloaded articles from the Economic Journal in 2012

The three most frequently downloaded articles published in the EJ in 2012 were:

Alison L Booth and Patrick Nolen, ‘Gender differences in risk behaviour: does nurture matter?’ (2918)

Michael Joyce, David Miles, Andrew Scott and Dimitri Vayanos, ‘Quantitative Easing and Unconventional Monetary Policy: an Introduction’. (1511)

J Gibson and D McKenzie, ‘The Economic Consequences of ‘Brain Drain,’ of the Best and Brightest: Microeconomic Evidence from Five Countries’ (1086)

To put this in context, the mean number of downloads for all papers published in 2012 was 601 (Std dev = 426). The three papers with the fewest downloads were downloaded 287, 282 and 265 times respectively.
Investing for Prosperity
- Skills, Infrastructure and Innovation

The London School of Economics (LSE) Growth Commission published its final report at the end of January. The report is based on evidence taken in a series of public sessions from leading researchers, business people, policy-makers and UK citizens.¹

The Commission notes that the UK has major strengths, which, from 1980 onwards, helped to reverse a century-long relative decline. Amongst these advantages, they cite: the strong rule of law, generally competitive product markets, flexible labour markets, a world-class university system and strengths in many key sectors, with cutting edge firms in both manufacturing and services. These were sufficient, for thirty years after 1980, to support faster growth per capita than in the UK’s main comparator countries — France, Germany and the US.

The report argues that the UK should build on these strengths and, at the same time, address the inadequate institutional structures that have deterred long-term investment to support the country’s future prosperity. The Commissioners (see box below) propose an integrated set of solutions.

Education for growth
Both economic theory and empirical evidence show that in the long run, human capital is a critical input for growth. The growth dividend from upgrading human capital is potentially enormous and improving the quality of compulsory education is the key to achieving these gains.

The quality of compulsory schooling in the UK is a fundamental growth issue. Evidence suggests that increasing UK school standards even moderately — say to the level of Australia or Germany — could put the country on a growth path that would more than double long-run average incomes compared with current trends.

Furthermore, there are other benefits (what the Commission calls a ‘double-dividend’) from improving human capital since many of the gains from growth would accrue to the less well-off, thereby reducing inequality. Increasing the quality and quantity of skills of disadvantaged children will make growth more inclusive by reducing the high levels of wage inequality in the UK. In addition to the benefits from lower inequality, reducing the fraction of poorly educated should reduce the welfare rolls and the numbers caught up in the criminal justice system.

The question, of course, is how is this to be achieved? Better buildings, smaller class sizes, higher wages for teachers and greater provision of information technology will all help. But their effects are modest compared with the large potential benefits from increasing the quality of teachers.

Unfortunately, predicting who will be an effective teacher before they start working is very hard and is not well-captured by the formal teaching qualifications held nor by number of years in the profession. But once teachers have been in front of a class, measuring their performance is not especially difficult. Most parents, pupils and especially head-teachers have a good idea of who are the really excellent teachers. In addition, there is now much more data on pupil progression. Thus, a system for improving the quality of teachers has to use information acquired from observing teachers at work and using it to make improvements.

Broadly speaking, The UK is mid-table overall in most international rank-ings of schools. But one major failing in the UK education system is the ‘long tail’ of poorly performing schools and pupils compared with other countries, particularly at the secondary level. A significant part of the explanation for this is the stubborn link between pupils’ socio-economic background and their educational attainment. Part of the problem is that while current funding arrangements give more resources to local authorities in areas with more disadvantaged children, the evidence suggests that these resources fail to reach them effectively. The recently introduced ‘pupil premium’ is an attempt to attach additional funds directly to disadvantaged children but survey evidence suggests that schools generally still do not use these funds specifically to help disadvantaged pupils.

A further problem lies with the inspection regime and the criteria it employs. A school’s satisfactory performance is

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**The Commission**

Co-chairs:
- Tim Besley and
- John Van Reenan

Commissioners:
- Philippe Aghion
- John Browne
- Francesco Caselli
- Richard Lambert
- Rachel Lomax
- Chris Pissarides
- Nick Stern
generally judged by the proportion of students achieving a specified level in examinations. This leads to a focus upon students at the margin who might just be converted into a ‘pass’. There is no benefit to a school in focusing on most pupils in the long tail.

**Recommendations**

The report contains a number of very specific recommendations which we can summarise only briefly here. It is interesting, however, to read that ‘our proposals go with the grain of the academies movement. But the system needs to deal more squarely with the UK’s failure to develop the talents of disadvantaged pupils’. Many of the proposals are focused on this issue.

**Increased autonomy.** School autonomy combined with a strong accountability framework centred on quality provides the best hope for improving school performance. There is evidence that more autonomous schools respond better to local parental choice, so increasing parental choice will not lead to higher standards without greater decentralisation to empower head teachers. Accountability is also fostered through better governance and leadership. To improve school governance, leadership and management, it must become easier for outstanding sponsored academies to grow. By the same token, it should be made easier for underperforming schools to shrink and, if they do not improve, to be taken over or, in extreme cases, closed down.

**Shortening the ‘long tail’.** Information on school performance needs to be changed to also reflect the performance of disadvantaged children within the school. Such changes should apply to league tables and targets and they should be more closely reflected in Ofsted’s inspection regime. Improving the performance of disadvantaged children should be given a central role when Ofsted awards an ‘outstanding’ grade to a school.

**Teacher quality.** This needs to be improved through better conditions for both entry and exit. Teacher recruitment and training could be improved by expanding the ‘Teach First’ programme. Mainstream recruitment should be focused on the best universities and schools. The probation period should be extended to four years. Less attention should be paid to candidates’ grades and formal qualifications in order to encourage a wider range of applications and a greater emphasis on teaching skill. The sharing of best practice should be encouraged. The system of pay and promotions requires attention—ending automatic increments; basing pay on performance and local market conditions; and offering extra rewards for teachers of core subjects in tough schools. The report also recommends piloting the release of teacher-level information on performance (in similar vein to NHS data available on surgeons).

**Other issues.** The criteria for receiving the pupil premium should be broadened, the premium increased and part of the premium should be paid to the pupil’s family, conditional on improved performance.

Serious attention needs to be given to intermediate skills which are very poorly developed in the UK. Apprenticeships need to be of much higher quality and more readily available.

It is well-known that the UK’s higher education system ‘punches above its weight’ in a number of respects. The sector benefits the UK economy as a source of skills, of innovations that raise productivity and of valuable exports earnings in the form of foreign students who choose to study here (an enormous industry of global growth). There are potential advantages to the UK from having the world’s leaders in economy, society and government educated here. For these benefits to be sustained the Commission argues that the current policies on student visas and work visas for non-UK citizens are damaging because of their direct impact on the ability to recruit. We recommend that if the net immigration target itself is not dropped, then students should be removed from the target. Furthermore, universities enjoy a high degree of operational autonomy. (Indeed, there may be lessons here for the rest of the educational system). The flexible ecology of higher education allows freedom to build bridges with industry, either in the form of sponsored research or through collaborations in student degree programmes. There is further scope to strengthen and enhance these linkages in undergraduate programmes.

**Infrastructure for growth**

The UK’s infrastructure of transport, energy, telecoms and housing are essential facilities for growth. Substantial investment is needed in all these areas as well as determined efforts to address the problems that have constrained growth in the past. The effect of those problems was illustrated in the 2012 World Economic Forum report on global competitiveness where the UK was ranked only 24th for ‘quality of overall infrastructure’. The long-running issue of airport capacity in the south-east of the UK is a potent symbol of what is wrong.

Among the key problems in relation to all areas of infrastructure are:

- Vulnerability to policy instability – a lack of clarity about strategy, frequent reversals and prevarication over key decisions. Electricity supply is a good example.
- Difficulty in basing decisions on sound advice and assessment of policy alternatives built on unbiased appraisals (as opposed to lobbyists).
- The limitations of a planning system that does not properly share the benefits of development from implementing strategy and tackling problems. This has created the incentives for small groups of influential citizens and politicians to obstruct projects with wide economic benefits.
- A series of public sector accounting distortions that have made it difficult to weigh up benefits and costs in
a coherent way. In particular, targets for fiscal policy often draw on measures of public debt while failing to account for the value (and depreciation) of public assets.

These problems apply to all major areas of UK infrastructure, but the report focuses on housing, transport, energy and telecoms.

When it comes to recommendations the Report argues for a new institutional architecture to provide better delivery and funding of major infrastructure projects. This requires three core institutions:

- An Infrastructure Strategy Board (ISB) to provide the strategic vision in all areas: its key function would be to provide independent expert advice on infrastructure issues. It would lay the foundation for a well-informed, cross-party consensus to underpin stable long-term policy.

- An Infrastructure Planning Commission (IPC), which would be charged with delivering on the ISB’s strategic priorities. The IPC is designed to give predictability and effectiveness to (mostly private) investment that drives implementation of strategy. It must not be misunderstood as a ‘central planner’.

- An Infrastructure Bank (IB) to facilitate the provision of stable, long-term, predictable, mostly private sector finance for infrastructure. It can help to reduce policy risk and, through partnerships, to structure finance in a way that mitigates and shares risk efficiently. This will require a whole range of financial instruments including equity and structured guarantees. There are good practical examples that show the advantages of a bank with this sort of mandate, such as Brazil’s BNDES, Germany’s KfW, the European Bank for Reconstruction and Development and to some extent the European Investment Bank.

Furthermore, the UK needs to take a lead from other countries and institute generous compensation schemes to extend the benefits of infrastructure projects to those who might otherwise stand to lose, either due to disruption caused by the construction phase or by the long-term impact on land and/or property values. The principle is to share the broad value that the implementation of the national strategy will bring. Such compensation schemes should be enshrined in law and built into the thinking of the ISB and the operations of the IPC.

Finally, serious attention should be given to the accounting methods used in the evaluation of public investment projects. At present, these give undue attention to the debt incurred and fail to offset this by recognising the value of the assets created. Inevitably, all public sector investment looks unduly expensive. The use of the newly developed Whole of Government Accounts would avoid this.

The projects considered and promoted within this framework would be those of greatest national priority, such as ones in roads, aviation and energy. But it would also accommodate large-scale regional project infrastructure proposals from local enterprise partnerships.

**Innovation for growth**

Investment in equipment and new ideas are crucial engines of growth. UK investment as a share of GDP has historically been lower than in France and Germany. This largely accounts for the country’s lower GDP per hour worked. Moreover, the make-up of UK investment is heavily skewed towards property and buildings, rather than equipment, innovation and new technologies.

UK investment performance has been weakened by a number of factors, including those (above) that have inhibited the development of human capital and infrastructure. In addition to these however, there is a poor record of turning research and invention into practical innovations and also a poor level of management quality, when compared with the UK’s obvious comparators.

But there is a further issue holding back investment and innovation according to the Report. Investment performance has been weakened by a series of problems in the functioning of capital markets. These include an inadequate supply of finance to young firms and small and medium enterprises (SMEs); ‘short-termism’ by fund managers and investors; insufficient competition in the banking system; a bias towards debt rather than equity in company finance; and the lack of a long-term industrial strategy.

When it comes to recommendations, the Report begins with two that have already developed a degree of momentum for other reasons. The first is to increase the competitiveness of the banking system by lowering barriers to entry, making charges more transparent and facilitating the transfer of accounts.

The second is the development of a ‘Business Bank’. At present, the remit of the bank is to deliver the existing programmes of the Department for Business, Innovation and Skills (BIS). But this could be widened and the ability of the bank to The Business Bank’s lower cost of capital and a wider remit to consider social returns would allow it to make loans that would typically be avoided by commercial banks. In particular, it would be able to take a wider economic view of the benefits of investing in certain sectors, including cases where there are potential long-term social returns from developing new technologies. This would mean a particular focus on lending for innovation investments to new and growing firms, which experience the most acute financial market failures and where the externalities will be greatest.

The Business Bank does carry risks. To be effective, its governance has to be removed from immediate political pressures and it needs to operate on the basis of clearly defined economic objectives. The Report recommends that it is run by an appointed independent board to over-
see operational decisions independently from BIS. The proposal for a Business Bank also has to be a long-term commitment supported by cross-party consensus to avoid the perennial process of abolition, reinvention and rebranding that has characterised much government policy in the past.

Other recommendations include measures to discourage ‘short-termist’ investment strategies and modifications to the tax regime on lines suggested in the Mirrlees Review. Ignoring taxation, equity finance is more suitable for young firms because of the uncertainty of cash flows. However, the corporate tax regimes encourages the use of debt by allowing interest payments to be tax-deductible. Mirrlees proposes an ‘allowance for corporate equity’ (ACE) which would level the playing field between debt and equity. By lowering the cost of capital. Mirrlees estimates an ACE could boost investment by around 6.1 per cent and boost GDP by around 1.4 per cent.

How to get to where we want to go
Professor Tim Besley, one of the two co-chairs of the LSE Growth Commission, comments:

‘Despite the current gloom, the UK has many important assets that can be harnessed to create growth, including competitive product markets, flexible labour markets, openness to foreign investors and migrants, independent regulators and a world-class university system.

‘But making the best of them and building institutional structures to support vital investments requires a bold and decisive strategy with an approach driven from the heart of government.’

Professor John Van Reenen, the other co-chair, adds:

‘Economic problems that have built up over many decades will not be resolved in the space of a few years. So it is vital to develop policies that look beyond the next budget cycle, the next spending review and the next parliament.

‘This is a manifesto for growth. We challenge the main political parties to form a consensus for long-run investment to achieve prosperity for our nation.’

Notes:
1. The full report, documents submitted in evidence and more details of the Commission’s work can be obtained from its website: http://lse.ac.uk/researchAndExpertise/units/growthCommission/home.aspx

Letter to the Editor

Dear Sir

Wilfred Beckerman (Newsletter no. 160 January 2013) emphasises the role of commodity prices in the inflation and subsequent dis-inflation of 1978-83 and argues that the ‘victims’ of the downswing were ‘primary product producers in the poor countries’. However, a very large part of primary product imports to rich countries consist of oil, and most oil exports came then as now from countries that were not poor. Indeed, declines in energy prices are in general helpful to people on low incomes worldwide. And the distributional impact of falls in other primary product prices is mixed, with for example falls in food prices benefiting poor city-dwellers at the expense of low-income rural producers.

Aside from these distributional issues, it is worth noting that the fall in oil prices in the early 1980s (and beyond) saw the impact of deflationary macro policies augmented by measures to reduce energy intensity of output, as well as the normal operation of price signals, which triggered major investment in oil and gas fields that would have been uneconomic at earlier low prices. The effect was to create a two-decade oil glut with Brent equivalent prices averaging around USD 30 (adjusted to today’s US consumer prices) from 1984 to 2004.

All this is thoroughly relevant to the current monetary cycle as the world struggles with the aftermath of the expansionary central bank policies of 2001-6 which (in the US, and UK) explicitly chose to ignore direct oil inflation. This facilitated the shift of the world from oil glut to oil shortage, as Asian demand surged. The result was a near-quadrupling of oil prices from the USD 30 mentioned above, to USD 110 average since 2008. This enormous adverse supply shock clearly exacerbated the financial crisis, arguably was part of its cause, and can be seen as a major drag on recovery since then.

The conclusion is that primary product prices are a core part of the transmission mechanism for rich-country macro policies, but tend to be ignored because of a co-ordination failure in which policy-makers are too focused on domestic effects. Changing global co-ordination processes to recognise this should surely be a key conclusion of any review of the 1981 policy decisions, and indeed of those in 2001-6. Any resulting improvement in stability of primary product prices should benefit not just high-income countries and primary producers, but also the poor consumers of those products.

Giles Keating
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The assurance of personal safety and fair treatment under the law are two of the most fundamental aspects of civil society. However, protecting these rights of disadvantaged groups, such as population minorities and politically underrepresented citizens, has remained a challenge in many countries. A recent case in point that has generated widespread outrage at the national and international level, is the violence against women in India. There has been much discussion of how governments can intervene to avoid such outcomes. While a range of policies — from affirmative action quotas in education and jobs, to legal protection and better law enforcement — have been considered in the past, our research finds that there is another novel approach that can be effective: greater political representation (PR) for women.

We studied this link between political representation and crimes against women in the context of a law enacted in India in 1993. Under this law, the central government introduced a mandate that women hold one third of all positions in its system of local government, called Panchayati Raj. This meant that both one-third of all seats in these councils, as well as one-third of all chairperson positions across councils, were reserved for women. This amounted to a dramatic increase in the number and fraction of women in political office, given their pre-existing political participation in India then.

No doubt, a disadvantaged group individual's election may reflect the changing preferences of the electorate, or the changing social status of such groups. These factors could directly influence crimes committed against such groups, rather than the fact of PR for such groups. But to measure the impact of women’s PR on crime, we exploited two features of the 1993 reform: (i) that it was mandated and (ii) that different states in India implemented it in different years, for reasons largely unrelated to crimes against women.

Using data from the National Crime Records Bureau, we compared crimes against women in each state before and after the introduction of mandated PR for women. We found, to our initial surprise, a large increase of 26 per cent in the documented crimes against women after the increased political representation of women. This included an 11 per cent increase in the number of reported rapes, and a 12 per cent increase in the kidnappings of women. However, a more detailed analysis showed that these increases in crime numbers against women are actually good news. They are driven not by a surge in the actual crimes committed against women, but by increased reporting of such crimes. Several pieces of evidence support this conclusion. Most of them point to an increase in the responsiveness of the police under women political representatives — which encourages women victims to voice their concerns as well.

A lack of police responsiveness has been previously identified to be a major problem in India. A study in the state of Rajasthan found that only 50 per cent of sexual harassment cases and 53 per cent of domestic violence cases were registered by the police-and that too when a male relative tried to report it on behalf of a female victim. However, survey data from the same study that we analyzed shows that in villages with women-headed local government councils, women are significantly more like-
Another nationwide survey assessed actual interactions of women and men with the police. Women in villages with female council heads reported greater satisfaction in their interactions with the police and a lower likelihood of being asked to pay bribes. Again, there was no difference in the experience of men, as a function of the gender identity of the village council head.

There is also a strong perception that police behavior is affected by the presence of local women leaders. In the State of the Nation Survey, nearly half of respondents identified their village council member as the locally influential person they would turn to in cases of difficulty. They strongly believe that the police are more likely to listen to them sympathetically and take action if they are approached with such a locally influential person by their side.

National crime data on police action indeed confirms the above perceptions of women under female political representatives: Arrests for crimes against women increased by 31 per cent in a state, after the implementation of PR for women. Taken together, the three pieces of evidence cited above suggest that female victims are met with greater responsiveness and action from the police, when more women participate in local governance.

As mentioned earlier, the 1993 reform increased the participation of women in local government at three levels of administration, at the district, sub-district and village level. We tried to understand at what level women's participation in politics makes the biggest difference. For this, we exploit the fact that, during any election cycle, only a third of district council head positions within any state are randomly assigned to women (whereas a third of the members across all these councils are women). This allows us to assess the marginal impact of a female district council head, over and above the impact of women political representatives at lower levels. We find that women political representative have the most effect on giving voice to women victims not so much in the highest position at the district level, but at lower levels. In other words, greater proximity of female political representatives to potential victims is an important factor in giving effective voice to women, to bring their grievances to light. This is consistent with related research which shows that women are more likely to attend village meetings and speak up during them, if the village council leader is a woman (Beaman et al 2009).

Our findings are particularly remarkable, given that the 1993 reform did not assign any formal authority over the police to local government councils. Law and Order, including decisions on police budgets and staffing, remain matters decided by State governments. Thus, the observed effects of political voice for women are driven largely by the gender identity of those holding political office, rather than their formal authority. These findings thus negate the skepticism expressed in some quarters about the effectiveness of female leaders in ensuring better outcomes for women. However, they highlight that what matters is the presence of women not just at the top, but in the broad base of political institutions.

Finally in light of recent media attention to crimes against women in India, our work shows that crime statistics need to be interpreted with care. Not all documented increases in crime are necessarily bad news: reporting biases are an important factor to be accounted for in crime data, especially against disadvantaged groups.

NOTES:

1. This is based on joint work with Lakshmi Iyer, Prachi Mishra and Petia Topalova titled ‘The Power of Political Voice: Women's Political Representation and Crime Outcomes in India’ published in the American Economic Journal: Applied Economics, October 2012 issue. Author contact: A.Mani@warwick.ac.uk


3. Panchayati Raj includes elected councils at the village, intermediate and district levels.

4. By comparison, in a setting in which there are no quotas for women, only 5.4% of members of the State Legislature over the past three decades have been women.

5. States had varying pre-existing cycles of local government elections, which was one major reason for differences in the dates of implementation of the reform. In many of these cases, the state government waited for the term of office of incumbent local officials to expire before conducting fresh elections in compliance with the 1993 reform. Another reason for delay in implementation were law suits challenging specific aspects of the reform. For instance, Bihar conducted its first Panchayati Raj election only in 2001, since a lawsuit had been filed regarding the representation of Other Backward Castes (OBCs) in Panchayati Raj institutions (PRIs).


8. There are no differences in men’s willingness to report crimes across councils with female versus male leaders.

9. Source: Millennial Survey, which covers 36,542 households in 2,304 randomly selected villages in India.

10. The State of the Nation survey includes 14,404 respondents from 17 major states of India.


12. See for instance, a piece by the New York Times columnist Nicholas Kristof on March 8, 2011 titled ‘Do Women Leaders Matter?’

www.res.org.uk/view/resNewsletter.html
Obituary

Frank Hahn

Frank Hahn (RES President, 1986-89), who died on 29 January aged 87, was an economic theorist of the first rank. Moreover at his prime he had command over the technical details of pure theory that, as far as I could tell, was not surpassed by any economist of the time. A fuller account of his contributions to theoretical economics would require greater scholarship than I am able to master in the rush of our Newsletter’s time table, but among Hahn’s greatest achievements are his work (with Takashi Negishi) on the stability of general competitive equilibrium [1]; the indeterminacy of warranted growth paths with constant saving rates in economies with heterogeneous capital assets [2]; the problems of placing money in economies in general equilibrium [3,4]; and the inevitability of sequential markets in a world with transaction costs, and thence to the role of money in such economies [5,6].

Although Hahn never wrote on the history of economic thought, my father, the late Amiya Dasgupta, said to me that his understanding of the ways in which the concerns of Classical economists were being addressed by contemporary Marginalists was deep. But given the range of his interests and expertise, it is surprising to me that despite annual visits to the IMSSS Summer School at Stanford, which he maintained for some 20 years, he never seriously worked on the theory of games. To the best of my knowledge Hahn didn’t put his game-theoretic pre-occupations on paper except tangentially in an article on rational conjectures [7]. I have no explanation for that.

Hahn’s oft-repeated visits to the study of ‘money’ is a sign of his life-long search for a complete general equilibrium theory, one as beautiful and comprehensive as the one in Debreu’s Theory of Value, in which the Arrow-Debreu world, and versions of imperfect (Keynesian) worlds would emerge as special cases. We had strong whiffs of that vision in the magisterial treatise he wrote with Kenneth Arrow [8]; but over the years he told me several times that his treatment of the problem there wasn’t really satisfactory. Nor was he entirely satisfied with the masterly monograph, written jointly with Robert Solow, on the macroeconomics of output and employment [9].

Hahn’s standards regarding what should be judged as a satisfactory resolution to a theoretical problem in economics were more demanding than is customary today pretty much anywhere. He was, for example, never wholly comfortable with the partial equilibrium setting in which much contemporary economic analysis is conducted. Fastidiousness to detail and an insistence that theoretical exercises should offer a glimpse of the inter-connectedness of economic transactions made him one of the great economics mentors of the second half of the twentieth century. He was unrushed and I never knew him to be too occupied to meet students or fellow academics. His departmental office was always open to interruption.

The Scholar and Mentor

It is the mark of great mentors that those they inspire and influence are able to find their own ways of framing problems. Over the years Hahn’s ‘academy’ (there’s no other way to describe it) nurtured as wide a range of economic theorists as Luca Anderlini, Christopher Bliss, Adam Brandenburger, David Canning, Robert Evans, Douglas Gale, Oliver Hart, Geoffrey Heal, Walter Heller Jr., Timothy Kehoe, Mark Machina, Eric Maskin, David Newbery, Joseph Ostroy, Hamid Sabourian, Paul Seabright, Ross Starr, David Starrett, Joseph Stiglitz, and myself, among others. At our time we brought our academic problems to him, we showed him drafts of our writings, and on every occasion he would respond with comments no matter how far removed the work happened to be from his preoccupations or his style of thinking. A frequent refrain would be: ‘It’s all a lot of nonsense, of course; but what you have done is not bad — although the proof can be tightened. Let Uncle show you how.’ I have reason to believe that’s also how he treated Kenneth Arrow and Robert Solow, two of his closest friends and academic collaborators. In 1992 his students and colleagues offered him a Festschrift, aimed for his 65th birthday [10]; a number of them also travelled to a conference in Siena to celebrate his 75th birthday.

Hahn wasn’t averse to public recognition such as Honorary Degrees and was visibly pleased on those occasions. He was President of the Econometric Society (1968), the Royal Economic Society (1986-89), and Section F of the British Association for the Advancement of Science (1990), and was elected Fellow of the British Academy, Foreign Honorary Member of the American Academy of Arts and Sciences, and Foreign Associate of the US National Academy of Sciences.

Frank was born in Berlin (on 26 April 1925) in a Central European household. His father was a chemist by profession but also worked for a prominent literary and current affairs magazine. As I understand it he was both scholarly and stern, expecting Frank and his brother Peter to excel at their studies. A frequent refrain would be: ‘I have reason to believe that’s also how he treated Kenneth Arrow and Robert Solow, two of his closest friends and academic collaborators. In 1992 his students and colleagues offered him a Festschrift, aimed for his 65th birthday [10]; a number of them also travelled to a conference in Siena to celebrate his 75th birthday.

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Frank was born in Berlin (on 26 April 1925) in a Central European household. His father was a chemist by profession but also worked for a prominent literary and current affairs magazine. As I understand it he was both scholarly and stern, expecting Frank and his brother Peter to excel at their studies. The family moved to Prague in 1931 and to England in 1938. When asked about his early years in England Frank recounted with affection the time as a student at Bournemouth Grammar School, which he attended from the age of 13. His love of England’s landscape and of English culture, he often told me, developed from that time. It is a mark of Frank’s loyalty to his adopted country that even after becoming famous, migration to the States was never on his agenda. He joined the air force in the Second World War as a navigator and resumed his education at the London School of Economics. There he met Dorothy Salter, who was employed as a Research Assistant and Secretary to Friedrich von Hayek, at that time Professor in the Economics Department. Frank proposed to her on their second date and married in 1946. They were both 21 years old.

In his doctoral dissertation (his thesis supervisor was Nicholas Kaldor) Hahn developed a macro-economic theory of income distribution in which the Keynesian IS-LM
analysis was built on contemporary theories of the firm. It's a reflection of his character that he felt no urgency to publish it. The dissertation was indeed published, but years later [11], by which time our discipline had moved on to other ways of framing such problems. He was appointed to a Lectureship at the University of Birmingham in 1948, was promoted to Reader in 1958, and remained there until 1960. Appointments in Birmingham in the 1950s were precocious in that among his colleagues were Terence Gorman, Alan Walters, Esra Bennathan, and David Rowan. These years in Birmingham would in many ways prove to be his happiest professionally. In later years he spoke frequently of the influence of Terence Gorman on his thinking. The contrast in their personalities cannot be exaggerated, but the mutual affection and admiration that underlay their banter was evident to all. It was in Birmingham that Hahn became a modern general equilibrium theorist.

Hahn spent the 1959-'60 academic year at MIT and moved to Cambridge in 1960 as a Lecturer in the Faculty of Economics & Politics and Fellow of the newly established Churchill College. The intellectual life in the University suited his personality more than what would have been on offer at any other campus I can imagine. He was elected to the Apostles, a secret intellectual society whose membership had included James Clark Maxwell, Bertrand Russell, G.E. Moore, Ludwig Wittgenstein, Lytton Strachey, Keynes, and Ramsey. Hahn's commitment to the ‘Society’, as it is called by its Members, was total. His latent interest in moral philosophy and the theory of knowledge found expression there. People phoning him on Sunday evenings during Term would find him inexplicably absent from home.

Hahn remained in Cambridge until 1967, which is when he moved to the LSE as Professor of Economics. That is where and when he first displayed his remarkable gifts as an academic visionary and administrator. Denis Sargan had joined the LSE in 1964 as Professor of Econometrics; and Gorman, who had previously assumed the Professorship of Economics at Nuffield College, Oxford, moved to the LSE to join Hahn. The three together transformed the LSE Economics Department into the dominant force it continues to be today. They re-structured the graduate programme into its modern form, persuaded the other Professors to call a moratorium on appointments to Lectureships until a suitable cohort had been trained (David Hendry and Stephen Nickell were among the first of the new batch of Lecturers there), and organized the establishment of Chairs so as to attract Amartya Sen and Michio Morishima. In this they were of course supported by colleagues such as Peter Bauer and Harry Johnson, but it was the stature and style of Hahn, Gorman, and Sargan that helped to make routine the teaching and practice of mathematical economics and theoretical econometrics in the UK. In contrast, the Faculty of Economics at Cambridge failed to establish a modern Masters programme until 1996.

It was perhaps inevitable that Hahn would return to Cambridge (Dorothy and he had continued to live there), which he did in 1972. However, the beginnings of his second tenure there were to be nowhere as intellectually stimulating as the first. In Joan Robinson, Richard Kahn, and Nicholas Kaldor he had previously faced an outstanding if fading and insular set of academic stars. Moreover he had the steady support and company of James Meade. By the time he returned to Cambridge, however, they had retired, and Hahn faced an insular and worse-than-mediocre Faculty, displaying nevertheless an academic self-confidence unsurpassed anywhere I have seen. That self-confidence was maintained through the exercise of raw politics, and it worked like this: the sovereign body of the Faculty of Economics is the Faculty Board which, with the exception of Professorial appointments, controls all other decisions. Apart from a few designated seats, the Board in turn is elected by Faculty Members. At the time I speak of the Faculty's Membership List included in addition to University Teaching Officers (Lecturers, Readers, and Professors), short-term Research Officers in the affiliated Department of Applied Economics and people who were entirely peripheral to the Faculty’s teaching and research. To be sure, there was a rationale behind the inclusion of non-University Teaching Officers in Economics to the Faculty's Membership List, but it is a curious feature of the Cambridge system that the Board has the power to determine the extended list of Faculty Members. It should have been clear to University authorities when they were writing the Statutes that the system harbours two stable equilibria. It was Cambridge’s misfortune that by the time Hahn returned, the Faculty Board had been tipped into the bad one.

Unable to modernize the Faculty (the best deal he was able to reach with those wielding political power in the Faculty Board was to have one Lectureship appointment of his choice for every three), Hahn made a move that displayed for a second time his gifts as an academic visionary and administrator. He obtained, what would be impossible today, a loosely specified research grant for studying risk and incentives from the then Economic and Social Research Council. Over a period of fifteen years (the project ended in 1991, a year before his retirement) Hahn used the project's grant to attract from outside Cambridge Ken Binmore, David Easley, John Geanakoplos, Sanford Grossman, David Kreps, Mark Machina, Louis Makowski, Eric Maskin, and Herakles Polemarchakis, among others. The group's weekly seminar was conducted in the manner presumed of those gathered in Friends' Meeting Houses; and so, inevitably, the group came to be known as the 'Quakers'. To commemorate the Quakers Hahn edited a selection of their articles in 1989 [12]. Cambridge produced a steady stream of fine work in economic theory during the late ’70s and ’80s, but it had little to do with the directives of its Faculty Board of Economics. Hahn had been unable to affect changes in the way the Economics Faculty was run because he didn't have the required tools. Those became available with the establishment of the Research Assessment Exercise and were used to bring about the necessary changes some years later.

It is conventional wisdom that pure theorists are impractical in institutional affairs. Hahn was not the only exception...
I can think of, but he was one of a very few. With Michael Farrell he co-edited the Review of Economics Studies in the early ’60s and introduced the practice of inviting submissions for Symposia on new developments in economic theory. And my friend Geoffrey Heal and I have personal experience of his outstanding gifts as an Editor of the Cambridge Economics Handbook Series. When elected President of the Royal Economic Society for the customary two-year period, Hahn took over a moribund institution; but with the then Secretary General Aubrey Silberston’s help transformed it into the hugely influential body it is today. In order to enable Hahn to oversee the changes, the Statutes were altered to the current one where Presidents serve for three years. Hahn retired from Cambridge in 1992 and joined the Department of Economics at the University of Siena as a Distinguished Professor until reaching 75. On his retirement from Siena he and Dorothy returned to live permanently in Cambridge.

The Person

When I first came to know Frank, in the late 1960s, he was an intellectually terrifying figure. In discussions he was quick and deep, and if he didn’t temper his language with niceties, it was because his mind worked many times faster than his vocal chord and moved on before the mental error-correcting mechanism that social learning equips us with could be called into operation. In the course of time I realized, of course, that what appeared to be rudeness was intellectual zest and a love of clarity and depth. When on listening to someone he was heard to remark that the person had been educated beyond his natural ability, it would be his way of saying that the person had made a mess of a potentially interesting idea. My wife Carol, who knew him from when she was 13 years old, recognized the child in him. For her, Frank even at his most outrageous was simply innocent and loveable. He bore no malice and had a rare gift for friendship and loyalty.

He lived a measured life, twined with Dorothy’s. And over the nearly five decades that I knew him it has always seemed to me that without Dorothy there would be no Frank. She was the practical and emotional centre of his life; she had a professional career, but it was her support at home that enabled him to spend his days thinking, reading, scribbling (his words), conversing, and listening to music and to others. He loved his garden at 16 Adams Road, but beyond cutting the odd flower head, I don’t believe he did any gardening himself. I cannot remember an occasion when on arriving at his home for tea or a glass of wine I didn’t find him reading. Equally, I can’t recall an occasion when he didn’t greet me with the words, ‘Come in dear boy, what have you to say for yourself?’ The greatest compliment he could pay someone was to acknowledge that he had learnt something from a remark the person had made or something the person had written. He was the complete academic.

Frank often said if he had his life all over again he would have chosen to be a cosmologist. The subject’s grandeur was a factor of course, but speculation over possible worlds attracted him; and if the speculation could be disciplined with mathematical precision so as to meet the test of coherence, so very much the better. The beautiful, austere features of general equilibrium of economic systems drew him to their study.

His views on the uses to which economic theory could be put were unusual by contemporary standard. He was suspicious of computable general equilibrium models; simulation exercises weren’t suggestive to him; and he couldn’t but look astonished at attempts to put general equilibrium models to use in deriving practical policy. The purpose of economic theory was to test the logical coherence of social thinking, or so he often said and occasionally wrote [13]. In that attitude to theoretical musings he resided in Classical Greece and the centuries of the Talmud. When I once remarked to him that his sense of the purpose of theoretical discourse resembled that of logicians in Sanskritic India, he said so much the better for that lost world.

Although the few pieces where he touched on welfare economics could give the impression he was a Utilitarian, the life he and Dorothy constructed gave little evidence of a Utilitarian bent of mind. The philosopher he professed to admire most was Kant, but I don't believe it was the categorical imperative that guided his ethical life. To speak an untruth was for him to place a blemish and further disfigure what should have been a pristine world. Personal betrayal, no matter how slight in the Utilitarian scheme of things, would to him be an aesthetic horror. In this he was much influenced by Moore. On the other hand, I could never convince him that stupidity isn’t a moral failing. In that he was a thorough-bred Aristotelian.

His last years were blighted by illness, as he became increasingly confined to a wheel-chair. Looked after and cared for with infinite fondness by Dorothy, his lack of mobility and the burden Dorothy had to bear frustrated and thereby irritated him. Over time he saw less and less in the point of economics, even theoretical economics. He read history, biographies, and the New Yorker (an annual gift from Maskin), and enjoyed visits from friends and to their apartment in Alderburgh. During the last several years my wife and I would spend evenings with Frank and Dorothy, where the meal consisted of sandwiches Carol had prepared and wine that Dorothy had provided and where dinner and conversation was followed by an opera Dorothy had recorded. Frank would gaze at us benignly, ask after our children, and remark that Carol has always been far too good for me.

At his death our profession has lost one of its intellectual and moral forces. We have cause to mourn.

Partha Dasgupta
St John’s College
Cambridge

REFERENCES


...continued on p.23
Gabon: engaging Chinese timber operators in sustainable forest management

The reckless management of scarce natural resources has been an issue for many years. The depletion of hardwood stocks is usually associated with South America but Kingsley Ughe shows that this is also a problem in parts of West Africa. His research in the area also sheds some interesting light on China's relations with emerging economies.

China is the leading timber importer at the world level, due to the enormous needs of its construction, infrastructure and furniture industries. The US and the EU are the main export markets of Chinese wood products, and these exports have grown by nearly 1000 per cent since 1997. Despite its rapid expansion, the Chinese timber industry is still less advanced compared to northern counterparts and it therefore demands large diameter logs from (sub?) tropical natural forests of first or second growth. In fact, African timber exports to China, which represents only about 4 per cent of Chinese timber imports, are largely dominated by logs (85 per cent in 2006). Gabon is by far the major African timber supplier to China.

China began to import significant volumes of Gabon's total log output in 1995/6. Export volumes to China grew very rapidly from a very small base of around 12,300 cubic meters in 1991 to almost 2,000,000 cubic meters at its peak in the year 2000. The increase in the trade volume from 1991 to its average volume in the following years (1997-2013) amounts to a staggering 19,568 per cent.

Gabon’s forestry resources

Gabon, with a total landmass of 268,000 square km is a densely forested country. Forests cover an estimated 220,000 square km, or about 85 per cent of the country. This is the second largest forest potential in Africa. The Gabon forests have been the primary supplier of many of the necessities of life, especially fuel and shelter. The forests contain over 400 species of trees, with about 100 species suitable for industrial use. Commercial exploitation began as early as 1892, but only in 1913 was okoumé, Gabon's most valuable wood, introduced to the international market. Gabon supplies 90 per cent of the world's okoumé, which makes excellent plywood. It also produces hardwoods, such as mahogany, Iroko, kevazingo, and ebony. Other woods are dibétou (tigerwood or African walnut), movingiu (Nigerian satinwood), and zingana (zebrano or zebrwood).

The forest sector constituted the country’s economic mainstay before it was replaced by the oil industry. Forestry’s contribution to GDP was less than five percent in 2012. However, in contrast to the oil industry, the labour-intensive timber industry is a very large employer, providing work for an estimated 28-30 per cent of the active labour force.

For most of the twentieth century, Gabon’s timber industry received little political attention and remained largely unregulated. It was dominated largely by the demands of French industry, since Gabon retained strong economic ties to France after independence in 1960. In fact, because of its historically privileged access to Gabon’s resources, in particular okoumé wood, France itself became a specialized supplier of plywood. Gabon’s forestry sector in turn applied the so-called méthode Okoumé system of silviculture, characterised by highly selective logging activities and by a reliance on natural regeneration to secure future timber supplies. 75 per cent of France's total imports of tropical logs were provided by Gabon up till the late eighties. In turn, Gabon’s annual log production moved more or less in line with France's annual log imports until the late-1990s.

China replaces France as forestry partner

Since the late 1990s, China's power has waxed considerably and its appeal to many developing countries has increased correspondingly. It offers a model of development, rather different from that of the Western world, whereby explosive economic growth is combined with a strong central government and an indifference to democratic rule. China also seems to promise developing countries the opportunity for a mutually beneficial, peaceful and equalitarian cooperation. It is exactly this double Chinese identity — a great economic power and as well as being a developing country itself — which makes its model appealing for the Third World. Total exports to China (now up to 85 per cent of Gabon’s total exports) chiefly represent an additional demand for Gabon forestry products. These levels (and rates of growth) of increment could never have been matched by its traditional key partner France.

An immediate consequence of the new situation of increased demand for Gabon forestry products, a declining log demand from France more than matched by high volume and increasing requirements from China, was intensification of extractive activities in Gabon. Log production increased above 6.3 million cubic meters in 2012 for the first time in history. Moreover, the range of extracted tree species has increased markedly as a result of less discriminating preferences of Chinese buyers. When France was the dominant driver of logging activities the number of species exported in volumes of 20,000 cubic metres and above was five (and tilted towards Okoumé). The number has now increased to twenty eight as measured in 2012 by Gabonese customs. Overall, it is Chinese importers of tropical timber have played a crucial role in determining the volume and the species mixture of

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www.res.org.uk/view/resNewsletter.html
tropical logs in the export-orientated tropical timber industry of Gabon.

The international increase in demand for logs and the attendant intensification of extractive activities in Gabon has come with a huge environmental cost for the country. Deforestation and illegal logging, particularly in rain forest regions, threatens to produce large scale loss of biodiversity loss. Illegal logging also causes serious financial hardship both to local people and to the economy of Gabon. The World Bank estimates at least 10 per cent of the world timber trade is illegal, resulting in a loss of USD15bn to developing countries each year and a colossal loss of revenue to Gabon in particular. Funds raised from illegal logging have also been used to fuel national and regional conflicts — in the Democratic Republic of Congo, Liberia and Cambodia. These are serious challenges.

China may be the largest importer of the Gabon timbers and logs, but is not lobbying for specific logging standards. China shows low interest in exporting its regulatory framework to third countries, even when its own domestic regulatory framework is quite advanced. The Chinese government does not miss a single occasion to underline its belief in the centrality of national sovereignty. China unrelentingly affirms the principles of non-interventionism, common but differentiated responsibilities on climate change (which should be reflected in Nationally Appropriate Mitigation Actions or NAMAs). China advocates the right of every country to pursue its own development pattern, balancing economic growth and environmental protection. These are clearly self-regarding principles which prioritize national interests rather than universal norms and standards.

Estimates of illegal logging in Gabon go from 20 per cent to over 70 per cent of all Gabonese timber exported to China. Without going as far as talking of ‘China's Predatory Timber Trade’ there is a widespread perception among local and international stakeholders that the environmental performance of Chinese companies is poor. It is generally accepted that the attitude of Chinese firms toward voluntary certification mechanisms of wood legality is skeptical, half-hearted and averse to confrontation, since they simply do not want to commit themselves to sustainable forest exploitation. Chinese operators, on the other hand, feel victim of excessive and biased scrutiny, due to their competing interests with European firms. They are keen to point the finger at past examples of substandard environmental practices by Western companies as evidence of the West's hypocrisy in now lobbying for protective action on environmental issues. That said, Chinese companies operating in Gabon, when speaking publicly about their operations, always do so positively and express a willingness to comply with rules when required. However, they also perceive the Gabonese regulatory framework as flexible and negotiable thus susceptible to manipulations. The possibilities for corruption are obvious.

For its part, the Chinese government and its embassies claim to require Chinese operators abroad to comply with local laws and regulations. Furthermore, they can point to a number of home-grown initiatives designed to raise the environmental standards to which operators are subject. For example, the Export Import Bank (Exim Bank) environmental policy, adopted in November 2004 (publicly available since April 2007 and upgraded with more specific guidelines in December 2012), states that environmental impacts have to be studied for a project to receive funding and that ‘once any unacceptable negative environmental impacts result during the project implementation, China Exim Bank will require the implementation unit to take immediate remedial or preventive measures, otherwise, it will discontinue financial support.’ In August 2007 China’s State Environmental Protection Administration (SEPA), the People’s Bank of China and the China Banking Regulatory Commission passed similar regulations. In June 2007, the Exim Bank also signed a memorandum of understanding with the International Financial Corporation on advisory services on environmental issues. Since April 2007 new regulations issued by the Minister of Commerce (MOFCOM) and State Forest Administration (SFA) requires all imported timber to be accompanied by ‘legal documents’ certifying its legal origin.

**EU initiatives and global responsibility**

The EU regularly asks China to shift from a self-centered attitude which ‘...strongly reflects well-perceived domestic interests and priorities.' to ‘...an acceptance of a wider global environmental responsibility.’ It is widely-believed that Chinese actors can be more flexible than Western operators and that, if they wished to, they could show an unexpected capacity to adapt rapidly to new standards and practices. With regard to sustainable forest management, the introduction of high standards and strict regulations on the EU market could exert considerable market pressure on Chinese operators, providing a strong incentive to comply with Western standards.

EU initiatives at the international level (such as Forest Law Enforcement, Governance and Trade; FLEGT) can be useful entry points for legislative and governance reforms in timber rich countries such as Gabon. However, external effects of the EU domestic regulations and norms should not be underestimated and they are probably major sources of leverage for the EU. Imposing high standards and strict requirements on the EU market for hardwoods could demonstrate the actual commitment of the EU and its member states to the protection of the environment and in turn spur China to act more aggressively in the protection of the Gabon environment where it operates. It could also increase the legitimacy of the EU as normative power, showing that the EU and its member states do not limit themselves to advocacy actions but that they are willing to get engaged even at a cost to themselves. This could engender healthy competition if China sought to match these standards.

European member states declare themselves committed to environmental protection. Nevertheless, most of them delay concrete actions to tackle these issues and, instead, try to limit the impact of EU Commission initiatives. EU
Teaching Economics After the Crisis: Report from the Steering Group

In the April 2012 Newsletter, Diane Coyle reported on a conference sponsored by the Bank of England and the UK’s Government Economic Service to discuss the teaching of economics since the recent financial and economic crises. One outcome of the Conference was the formation of a steering group, including both academics and employers of graduate economists, to discuss recommendations for reforms to the teaching of economics students in the UK. In this article, Diane summarises the issues discussed and sets out the group’s recommendations. It will be for others to consider how to respond.

The origins of this initiative lie in the financial crisis, and the subsequent debate about the contribution of economists. The February 2012 conference was a forum for employers of graduate economists to discuss with academics their views about some shortcomings in the knowledge and skills of young people taught economics in UK universities. The employer concerns chimed with the belief of many academic economists that the subject had become unduly narrow and reductive, weaknesses underlined by the crisis.

The conference reached some shared conclusions about the way young economists are trained. There was broad agreement that students need:

• Greater awareness of economic history and current real-world context;
• Better practical data-handling skills;
• Greater ability to communicate economics to non-specialists;
• More understanding of the limitations of modelling and current economic methodology;
• A more pluralistic approach to economics;
• A combination of deductive and inductive reasoning.

There were different views about the extent to which university courses should change, especially in view of an already crowded curriculum and an intense focus by students on employability, and so attendees favoured the creation of the steering group to discuss the issues further.¹

Many of the themes arising were also discussed at the ESRC sponsored Macroeconomic Symposium held at Oxford University October 2012. The discussion here has benefited too from input from Wendy Carlin, UCL, on the Institute for New Economic Thinking’s Curriculum Committee; and from participants at a workshop held at HM Treasury on 26 February 2013.

Employer surveys

Recent employer surveys tend to agree with the shortcomings in student training and skills identified in the conference discussion, but although there is concern about the quality of many applicants holding economics degrees there is no sign of strong dissatisfaction with the calibre of graduates actually hired.

In the article ‘What Economists Do — And How Universities Might Help’ (in Coyle, ed. 2012) Paul Anand and Jonathan Leape report the preliminary results from a survey of 500 members of the British Government Economic Service. The central theme was the need for teaching to place a greater focus on the application of economic theories and models, problem solving and communication of economic analysis to different audiences. These emerge as the defining features of professional economics.

The two dominant areas of work for government economists are the production of briefing material and preparation of policy advice, involving 75 and 70 per cent of respondents, respectively. Underlying this, in terms of methods and approaches, is an overwhelming emphasis on synthesising evidence, cited by 84 per cent of respondents, followed by use of published econometric evidence (72 per cent) and cost-benefit analysis (68 per cent), results that hold equally for economists with postgraduate degrees. The need suggested by these findings for an increased emphasis on ‘application’ in the teaching of economics has broad potential implications. Attention to the role of institutions and an approach to models that focuses on their selective use as starting points for empirical work are clearly important, as is an increased emphasis on data analysis and problem-solving (for example, through the incorporation of case studies and research projects).

The Employer Survey conducted in January 2013 by the Economics Network found that: “analysis of economic, business and social issues’ and ‘communication of economic ideas’ are perceived as ‘very important’ by 80 per cent of respondents, while ‘ability to organise, interpret and present quantitative data’ and ‘abstraction (the ability to simplify complexity while still retaining relevance)’ are perceived as ‘very important’ by three quarters of respondents.”²

The Society of Business Economists surveyed its members, who are typically employers of Economics graduates, in January 2013. Respondents were asked to rate knowledge and skills as ‘absolutely essential’, ‘desirable’ or ‘not necessary’. Standard macro and microeconomics topped the essential knowledge list together with basic data-handling skills and knowledge of data sources (e.g.
ONS; World Bank). Lower down the essentials list came Money, Banking and Financial Economics, followed by Economic History and International Trade. Further down came Cost/Benefit Analysis; Competition Economics; Behavioural Economics; History of Economic Thought; Financial History; Industrial Development and Economic Development. Econometrics came into this latter category but less than 10 per cent of the poll regarded ‘Advanced Mathematics’ as essential — on a par with Regional Policy, knowledge of Accounting, Corporate Finance or Foreign Languages.

‘Analytical Skills’ scored very high as an essential skill, closely followed by writing skills. Also high were ‘ability to apply economic theory to real world policy or corporate issues’ and ‘ability to explain economic concepts to non-economists’. Comments consistently mentioned poor communication skills and lack of ‘real world’ or ‘historical awareness’. Ranked considerably lower on the ‘essentials’ scale was ‘experience of undertaking a research project’ and ‘collaborative working project experience/ teamwork’.

The need for greater pluralism in economic degrees

The common thread in the surveys and discussions has been agreement that undergraduate economics degrees are currently too narrow. and may be getting still narrower in methodology and focus, in an ‘arms race’ of technicality, partly because of the incentives for academics to produce purely technical research. This narrowing has led to the loss from most economics courses of some key skills, such as cost-benefit analysis for example, or any economic history. Furthermore, there is a debate within the profession about the nature of economics itself, its strengths and weaknesses as a subject, and whether it ought to change in response to the crisis and its aftermath. Major events always lead to evolution in the social sciences, and it can take a long time for a new consensus to emerge. While it would be unrealistic to expect the current disciplinary debate to be fully reflected in undergraduate degrees, students ought to be aware of the broad character of the discussion.

A more ‘pluralist’ undergraduate education would include:

- Some economic history, which could be integrated into existing courses especially macroeconomics;
- An introduction to other disciplinary approaches, which could be achieved through a ‘problem based’ approach to teaching and therefore integrated into existing modules, or through undergraduate projects;
- Possibly ‘tasters’ of the frontiers of academic economic research with potential policy application, such as behavioural economics, institutional economics and post-crisis developments in financial economics;
- Awareness of some of the methodological debates in economics, including alternative approaches such as agent-based models, networks and computational approaches;
- Confronting all theoretical frameworks with evidence and encouraging a healthy scepticism towards all assertion from whatever source (the steering group agreed that the ‘heterodox’ approach should not be mistaken for pluralism).

Most students will not become academic economists (or even professional economists at all), so techniques that only prepare students for academic research could be postponed to higher degrees specifically designed for this, to make more room in first degrees for appreciating the context of economics and its relevance to the real world.

Pluralism might also attract a wider range of students, such as women, who are under-represented in UCAS applications. A wider range of students might find economics interesting if it seemed more directly relevant to current events. An intelligent engagement with the discipline is desirable even for those not destined to become economists.

Taking a sceptical view of different approaches, being aware of potential pitfalls and of weaknesses in one’s own approach and making balanced judgments in the light of available evidence encourages the development of the critical faculties much prized by employers: unthinking application of technique is dangerous and does not produce the rounded, versatile employees sought by employers.

Over-emphasis on advanced techniques and scientific status can encourage arrogance. Humility comes from making mistakes, hands-on experience with data, experiencing reasonable and intelligent people disagreeing, and from the knowledge that history is replete with examples of strongly held economic beliefs that were later discredited.

Recommendations

These recommendations are made in the context of the group’s endorsement of the general principles set out in the QAA economics subject benchmark (see annex).

This group:

1. Asserts the strength of mainstream economics
   It provides an important tool-kit, but the provisional and incomplete nature of economics behoves us to be self-critical and honest about its limitations, and therefore to show humility, including by being open to alternative approaches and challenge. For example, macroeconomics needs to better integrate interactions with the financial sector and human responses to uncertainty — a process already under way in the discipline.

2. Recommends greater pluralism in economics
   Hostility towards other approaches is the antithesis of a dynamic self-critical discipline that is genuinely seeking to discover new and better ways of understanding the world. That said, students should not be left unnecessarily confused or with the impression that all schools of thought have an equal standing, or that ‘anything goes’. There should be a balance between a) providing a coherent ‘workhorse’ framework for intellectual development and building analytical skills, and b) the candid highlighting of uncertainty, the limits of economic knowledge and the existence of serious alternative views and approaches.
While many employers would welcome the introduction of additional elements in the curriculum, especially economic history, the ability of departments to provide additional modules will be limited in the short-term by a shortage of suitably qualified academics. The increasing number of students per member of academic staff is an additional constraint on changing the curriculum. Nevertheless, there are teaching resources available and academics could make greater use of materials and best practice shared online.

3. Welcomes a mixed market of Masters’ degrees
The increased number of policy-oriented Masters’ degrees alongside both advanced taught courses and ab initio Masters’ degrees in economics is welcome. The Steering Group feels that, at this level and above, institutions should play to their respective strengths, whereas all undergraduate degrees should give a firm grounding in the broad fundamentals of economics.

Advanced techniques that mainly prepare students for academic research should be postponed until higher degrees specifically designed for this purpose, to make room for undergraduate degrees to give students a deep understanding of threshold concepts and their relevance to the real world.

4. Recommends provision for ‘professional practitioner’ economists
The majority of economics students do not become academics and their needs should be better reflected in undergraduate economics degrees, addressing the core knowledge and skills necessary for non-academic economist practitioners. Employers have an obligation to be more explicit about what they want from economics graduates, and should engage more with universities.

Not all economists require advanced technical skills but all economists do need quantitative and data literacy. The inductive empirical method should be taught alongside deductive approaches, and hands-on experience with data is usually salutary. Research projects and problem-solving approaches to teaching can enhance students’ range of skills.

Employers can greatly assist in the development of these skills that would benefit them by (a) engaging more actively with university economics departments, through talks to students for example; and (b) providing suitable work experience placements and internships.

5. Recommends consideration by economics departments of the incentives for better teaching
The incentive structures for academics, especially the national research assessment exercises and, relatedly, the low weight given to teaching in promotion decisions, work to undermine investment and innovation in teaching. This is occurring at a time when traditional models of lecturing are under threat from MOOCs and other forms of online provision. The absence of a single compelling metric for teaching quality cannot be an excuse for inaction; attention should be given to portfolio approaches, using combinations of indicators, and to improving the quality of information from student surveys.

The content of courses is clearly an issue for individual departments, and academics; a range of views can be found among academic economists as to the extent to which the discipline needs to change in response to the economic crisis. However, many students are disappointed that they are not learning about the current crisis because the materials have not been updated, for example. Economics courses centred on the teaching of models, changing little from year to year, are easy to deliver and do not require much updating. For instance, although macroeconomists have moved to integrate credit and finance into macro models, some students are still being taught outdated approaches such as the money multiplier. This is not a good enough education for students of economics, especially in the light of the economic crisis. Departments need to hold to account those who are teaching economics against the appropriate existing quality benchmarks.

6. Recommends consideration of the incentives affecting economic research
The incentive structures have also favoured research that involves incremental advance within existing technical models. The faculty members who do well in publishing papers of this kind, especially in the six top (mainly US) journals, in turn shape the kind of economics widely taught in UK universities. This has been a self-reinforcing process.

The introduction of the ‘Impact’ criterion under the new Research Excellence Framework, that replaces the RAE, is therefore welcomed in the hope that its emphasis on the ‘economic and social benefits’ of research will serve as a counterweight to the self-reinforcing pressures for incremental technical advances and strengthen incentives for empirically- and policy-relevant research. At the same time, the group recognises that there is some uncertainty about measuring and monitoring Impact, and recommends that any unintended consequences of the Impact criterion also need to be monitored as part of a full ex post evaluation.

APPENDIX 1: MEMBERS OF THE STEERING GROUP
Diane Coyle (chair) - Enlightenment Economics and ESRC Research Committee Member
Adrian Alsop/Paul Sanderson - ESRC
John Beath - Royal Economic Society and University of St Andrews
Alan Budd - University of Oxford
Nick Crafts - University of Warwick
Viv Davies - Centre for Economic Policy Research
Andy Haldane - Bank of England
Ian Harwood - Society of Business Economists
Jonathan Leape - London School of Economics
Neil Rickman - CHUDE and University of Surrey
Eric Pentecost - CHUDE and Loughborough University
Bridget Rosewell - Volterra Consulting
Andy Ross - Formerly Deputy Director, Government Economic Service, and Leeds and Reading Universities
John Sloman - Economics Network and UWE
Ken Warwick - Formerly BIS and Government Economic Service
Simon Wren-Lewis - University of Oxford
Costing climate change

Even before the bill for Hurricane Sandy, they estimated the cost of each tonne of CO2 at $20 worth of damage, rising to $50 by 2050. Undoubtedly a politically agreed form of carbon pricing leading to a rapid build-up of renewable energy capacity would result in a payment to those regarded entitled to this by energy users.

Notes:
1. Aart Heesterman was a senior lecturer at the University of Birmingham, UK, where he supervised Ph.D. theses and managed the degree programme in economic planning. He has a degree in political and social sciences from the University of Amsterdam and has also taught and published in the areas of econometrics and mathematics. Previously, he was a research officer at the Central Planning Bureau of the Netherlands’ Ministry of Economic Affairs. He is the author of numerous books and articles. Wiebina Heesterman has degrees in information science and information technology and a PhD in Law from the University of Warwick in the UK and has assisted in the creation of human rights databases in Tanzania and Zimbabwe. Fully conversant with the latest climate and environmental research, the authors have travelled extensively in developing countries witnessing how poverty is aggravated by erratic weather patterns.


References:


Stewart H and Elliott L 2013. ‘Nicholas Stern: “I got it wrong on climate change - it is far, far worse”‘, The Observer, 26 January 2013.


...continued from p.7...

APPENDIX 2: ECONOMICS SUBJECT BENCHMARKS

Below is the QAA benchmark summary of what economics students should have mastered. The steering group endorses this set of aims:

• This points to certain key intellectual features that characterise the economist’s approach.

• First there is the ability to abstract and simplify in order to identify and model the essence of a problem.

• Second is the ability to analyse and reason - both deductively and inductively.

• Third is the ability to marshal evidence and to assimilate, structure, analyse and evaluate qualitative and quantitative data.

• Fourth is the ability to communicate results concisely to a wide audience, including those with no training in economics.

• Fifth is the ability to think critically about the limits of one’s analysis in a broader socio-economic context.

• Sixth is the ability to draw economic policy inferences, to recognise the potential constraints in their implementation and to evaluate the efficacy of policy outcomes in the light of stated policy objectives.

Notes:
2. www.economicsnetwork.ac.uk/sites/default/files/Ashley/EN%20Employers%20Survey%202012%20-%20Full%20Report%282%29.pdf

Frank Hahn


Junior Fellowship Scheme

This continues to attract a significant number of applicants and I am particularly grateful to those members of Council who act as assessors. In 2012 the assessors were Keith Blackburn, Hashem Pesaran and Catherine Waddams. In a strong and highly competitive field, Fellowships were awarded to the following ten candidates: E Ciani (Essex), F Costa (LSE), A Iaria (Warwick), T Koutmeridis (Warwick), C Krestel (UCL), O Latham (Cambridge), D Rogger (UCL), C Steinwender (LSE), B Tarbush (Oxford) and A Walter (Cambridge).

Other Schemes

We continue to run a number of other schemes. A number of grants and awards were made under the two that are administered from the Office: the Special Projects Grants Scheme (ten) and the Visiting Lecturer Scheme (one).

In addition through our Conference Grant Fund we support members who are presenting a paper, or acting as a principal discussant at a conference (up to £500). The Society is also able to offer financial support to members who require assistance for unexpected Small Academic Expenditure (up to £600). These two schemes, amongst our longest running, are administered by Professor Muscatelli (University of Glasgow) and I would like to pay him credit for the effective and efficient running of both.

Finally, I should mention the support provided by the Society to the Economics Network. In view of the importance of the Network as a national resource for the study and teaching of economics, the Executive Committee agreed to continue to support the Network, which is based at the University of Bristol, for a further two academic years (i.e. until July 2014). To ensure good governance, the Society has two members on the Network’s management committee: the Secretary-General and the Chair of CHUDE. I consider that RES support has been an important factor in enabling the Network to leverage additional funding.

Other Activities

For many members, one of the highlights of the year is receiving the quarterly Newsletter. This provides members with all the news about the Society and its activities, more general information about economic issues and events, and of course the ever-readable "Letter from .." feature. Peter Howells continues to edit that with great skill and the Society is grateful for all the work that he puts into it.

I have already mentioned some of the work that our media consultant Romesh Vaitilingam has done. Effective dissemination of economic ideas and research results is a central concern of the Society. In Romesh we are lucky to have someone who is so well-networked to the media and who ensures wide coverage for the material that appears in our journals as well as the papers that are presented at the Annual Conference.

Acknowledgments

I would not like this report to end without saying a special thank you to those with whom I have worked closely on Society business. On the Executive Committee, Mark Robson has been a first-class counsellor on a range of issues, not least over the matter of our publishing contracts. I would like to pay a very special tribute to Richard Blundell whose Presidency ends with our AGM this year. When Richard took over the Presidency from John Vickers, he made communication a central plank of his term of office. As I have indicated throughout this report, this initiative has already borne fruit and it will be a permanent legacy of his Presidency.

There is of course one person whose support to me and the Society over the year has been quite crucial: Amanda Wilman, the Society’s Administrative Officer.

RES Committees

CHUDE continues to play a key role in the link between the Society and UK Departments of Economics and in interaction between the discipline and the ESRC and the Funding Councils. Neil Rickman and Tim Worrall have provided great leadership of the committee and I would like them to know how much the Society appreciates the work that they and their colleagues on the Steering Committee have done during their time in office. However, Neil and Tim have now handed over the CHUDE reins to Eric Pentecost (Loughborough) and Daniel Zizzo (East Anglia). I would like to welcome both on board and to say how much I look forward to working with them.

I would also like to record the Society's thanks to Karen Mumford and her colleagues on the Women's Committee. The role of the Committee is to promote the role of women in the UK economics profession, to understand the position of women in economics and to establish networks, with an especial concern for career entrants. In addition to their biennial survey on gender balance in academic economics in the UK, particular mention should be made of the work that they do on mentoring. This project was launched at an inaugural event in York in July 2012 and involves thirteen female Economics professors from across the UK working with twenty junior academics who are within five years of having completed their PhD.

www.res.org.uk/view/resNewsletter.html
RES
news items

Routine news announcements (grants, awards, publications, etc.) are now available on the RES website only. This space will henceforth be reserved for special announcements.

Prizes

Austin Robinson prize
The winner of the 2012 Austin Robinson prize is Wen-Tai Hsu for his paper on ‘Central Place Theory and City Size Distribution’. This prize is awarded for the best paper published in the Economic Journal by an author(s) within five years of completing a PhD.

RES Prize
The first prize was awarded to Michael A Clemens, Steven Radelet, Rikhil R Bhavani and Samuel Bazzi for their paper ‘Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth’. The RES prize is awarded to the best paper published in the EJ as selected by the Society’s President, a member of the editorial board and a judge invited from the RES Council.

Runners up for the RES prize were:
Eric T Stuen, Ahmed Mushfiq Mobarak and Keith E Maskus, for their paper ‘Skilled Immigration and Innovation: Evidence from Enrolment Fluctuations in US Doctoral Programmes’
Michael Anderson and Michael Marmot for their paper on ‘The Effects of Promotions on Heart Disease: Evidence from Whitehall’.

Conference diary

2013

april

10-13 April  London, UK
Conference: Migration: Global Development, New Frontiers to be held at University College London, 10 - 13 April 2013.
Further information: http://aprilconference2013.norface-migration.org/

25-26 April  London
Frontiers of Macroeconometrics. UCL, cemmap and the Bank of England are holding a workshop in honour of Mark Watson. It is designed to give a platform for new research in forecasting, macroeconometrics and macrofinance. A provisional programme is attached. It will be held in central London on 25 and 26 April 2013. Attendance is open to all, space permitting, and there is no fee: a registration form can be found at http://www.ucl.ac.uk/economics/frontiers . Please note that the organisers cannot offer financial assistance to attendees or help with travel and accommodation arrangements.

Further information: Raffaella Giacomini — r.giacomini@ucl.ac.uk and Simon Price — simon.price@bankofengland.co.uk

may

15-17 May  Mainz, Germany
3rd Annual Conference of The European Search and Matching Network (SaM). Keynote speakers of the conference are Gianluca Violante (NYU) and Claudio Michelacci (CEMFI). In addition the conference will feature a special session on European Unemployment with Juan Dolado (U Carlos III de Madrid) as session keynote.
Further information: http://www.sam2013.uni-mainz.de

22-23 May  Rotterdam, Netherlands
TI Econometrics Lectures 2013.’ Low Frequency Econometrics’ by Mark Watson.
Further information: pick@ese.eur.nl

24-25 May  Rotterdam, Netherlands
Econometric Institute Conference Forecasting Structure and Time Varying Patterns in Economics and Finance
Further information: pick@ese.eur.nl

24-25 May  Cambridge
17th SCHEME Seminar in Economic Methodology. ‘Coding Economics? Professional Conduct and Scholarly Values after the Crisis’. The chief aim of the seminar is to bring together prominent scholars and stakeholders to appraise the current state of those discussions in order to help inform the wider public and policy debates. Keynote speaker: Professor George Demartino of the University of Denver. Proposals should take the form of a one-page outline of the intended contribution, and should be sent to Dr Ioana Negru: ioana.negru@anglia.ac.uk
Conference diary

23-24 May  University of Bologna, Rimini, Italy
The Rimini Centre for Economic Analysis 4th RCEA Workshop in Macro-Growth. Submissions for the contributed sessions invited. All papers in theoretical and empirical macro and growth will be considered, however emphasis will be given on developments regarding the recent debt crisis.

Further information: secretary@rcfea.org

29-31 May  Wageningen, Netherlands
International Conference: Cooperation or Conflict? Economics of natural resources and food.

Further information: http://www.wageningenur.nl/

30-31 May  Cambridge
Conference on Cross-sectional Dependence in Panel Data Models. The aim of the conference is to bring together economists, econometricians, statisticians and social scientists who are interested in or are working on panel data issues. The program will consist of invited and contributed papers that cover a number of areas in panel data econometrics: Panel cross dependence; Spatial econometrics; Short-T panels; Networks


june

14-22 June  New York, NY, USA
The Levy Economics Institute is pleased to announce the fourth Hyman P. Minsky Summer Seminar which will be of particular interest to graduate students, recent graduates, and those at the beginning of their academic or professional career. Application deadline: March 31, 2013. A small number of travel reimbursements may be available to participants.

Further information: http://www.levyinstitute.org/news/?event=42

13-14 June  York
4th York Annual Symposium on Game Theory. Keynote speakers: Vincent Crawford (Oxford), Fuhito Kojima (Stanford), Ariel Rubinstein (Tel Aviv and NYU), Larry Samuelson (Yale).

Further information: https://sites.google.com/a/york.ac.uk/gtsymposium/ Application for participation to gametheory@york.ac.uk no later than 30 April 2013.

17-18 June  York
RES-York Summer School on Game Theory jointly supported by the Royal Economic Society and the Department of Economics and Related Studies, University of York. The school consists of three mini-courses given by three leading game theorists: Vincent Crawford (Oxford): strategic thinking with asymmetric information; Fuhito Kojima (Stanford): matching and market design; Larry Samuelson (Yale): reputations in repeated games.

Further information: https://sites.google.com/a/york.ac.uk/gtsummerschool2013/ Application for participation to gametheory@york.ac.uk no later than 30 April 2013.

26-28 June  Edinburgh
Conference on Global Energy Systems 2013. This will focus on providing key insights required by companies, organisations and investors under pressure from the changing energy situation. This information will inform risk assessments and strategic decision making in light of current high energy prices and energy system vulnerabilities. This three day conference will look in depth at unconventional fossil fuels, the future of the electricity system and nuclear energy, and the economics and policy of energy systems.

Further information: Alex Robertson (Conference Liaison Officer), alexr@scenetwork.co.uk and http://globalenergysystemsconference.com/

july

1-3 July  Limassol, Cyprus
World Finance Conference. Deadline for submissions passed.

Further information: http://www.world-finance-conference.com/

1-3 July  Hull
Topics in Microeconometrics. Hull University Business School will host a three day intensive summer school on with Professor William Greene of the Stern School of Business at New York University. The course fee is £350 if registered on or before May 15th 2013 and £425 thereafter. Places are limited to 50 so early booking is recommended.

Further information: m.silles@hull.ac.uk

3-5 July  Paris, France
Economics for a Better World OECD-Universities Joint Conference. The third biannual congress for economics from a human perspective will in 2013 again be a collaboration between universities, the OECD, and a number of other organisations.

Further information: http://www.open.ac.uk/socialsciences/welfareconomics-theory/
5-7 July Corfu  
CRESSE 2013: 8th International Conference on Competition and Regulation. The Conference theme will be ‘Advances in the Analysis of Competition Policy and Regulation’. CRESSE 2013 Keynote Speakers: Prof. Michael Katz (University of California, Berkeley, Haas School of Business) and Prof. Xavier Vives (IESE Business School, University of Navarra).  
Further information: katsoul@aueb.gr  
Professor Yannis Katsoulacos, Athens University of Economics and Business.

11-12 July Warwick  
A conference to celebrate the career of Ken Wallis will be held at the University of Warwick on 11 and 12 July 2013. Papers will be given by Gianni Amisano, Richard Baillie, Antoni Espasa, Ana Galvão, Alastair Hall, Andrew Harvey, David Hendry, Warwick McKibbin, James Mitchell, Charles Nelson, Adrian Pagan, and Martin Weale. As places are limited, if you are interested in participating please contact Fiona Brown Fiona.Brown@warwick.ac.uk

September

5-6 September Exeter  
Economics Network Biennial international conference, Developments in Economics Education. DEE 2013 will have a particular focus on the recent changes in higher education, including increased fees and consequently student expectations. We are interested in how economics can tackle these challenges and how teaching staff can integrate skills development into the classroom. The keynote address will be given by John Kay, one of Britain’s leading economists and a patron of the Economics Network.  
Further information: www.economicsnetwork.ac.uk/dee2013

11-13 September London  
CALL FOR PAPERS  
45th Annual Conference Money, Macro and Finance Research Group at Queen Mary University of London. The programme committee invites submissions from academic, government and business economists in any area of monetary, macro and financial economics by 30th April 2013. Notification of acceptance will be given by 31st May 2013. Keynote speakers include: Harris Dallas (Bern); Stephanie Schmitt-Grohe (Columbia); Axel Weber (UBS) and special sessions include ‘The Future of the Euro with Paul De Grauwe (LSE). Paper submission is through Conference Maker, with a link available through the conference website at http://www.mmf2013.org.


19-20 September Cambridge  
CALL FOR PAPERS  
Centre for International Macroeconomics and Finance Conference: Causes and Consequence of the Long Expansion 1992 to 2007. To be held at Clare College, University of Cambridge. Submissions are invited from academics, researchers at policy institutes or central banks and economists based in commerce and the financial markets. Papers in the areas of inflation, productivity, monetary and fiscal policy, asset prices are particularly encouraged. Keynote speakers include: Martin Weale (MPC, Bank of England), Paul Johnson (IFS), Ryland Thomas (Bank of England), Nick Oulton (London School of Economics), Paolo Surico (London Business School).  
Completed papers should be emailed to: cimfconf@hermes.cam.ac.uk by Friday 14th June 2013.  
Further information: jm583@kent.ac.uk or j.s.chadha@kent.ac.uk

26-27 September Blomfentein, South Africa  
Further information: www.essa2013.org.za  
email: info@essa2013.org.za

9-10 December London  
CALL FOR PAPERS  
The Bank of England and LSE last year organised their first joint conference on Macroeconomics. Since then the Centre for Macroeconomics has been launched, and we will be holding the second on 9-10 December 2013 at the Bank of England in London on the following topic Understanding low growth. The keynote speakers will be Paul Beaudry (UBC), Roger Farmer (UCLA) and Jaume Ventura (CREI and Universitat Pompeu Fabra). Travel and accommodation costs of presenters and discussants will be covered by the organisers. There is no conference fee. Applications to attend are invited, but numbers will be limited. Submissions should be made to Claire Scott (claire.scott@bankofengland.co.uk) before 30 June 2013.
Membership of the
Royal Economic Society

Membership is open to anyone with an active interest in economic matters.

The benefits of membership include:

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

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

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

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

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

- Discounts on registration fees for the Society’s annual conference.

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

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

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

Membership rates for print and online for 2013 are £48 ($82, €57)*

‘online only’ membership for 2013 is £38 ($65, €45)

There is a reduced rate of £23 ($42, €28) for members who reside in developing countries (with per capita incomes below US$500) and for retired members.

A special ‘online only’ offer of three years membership (2013-2015 incl.) for the price of $29/€20/£17 or one-year online only for £10/$14/€12 is available to full-time students.

* All ‘hardcopy’ customers in the UK should add 10 per cent and ‘online only’ customers 20% VAT to these prices or provide a VAT registration number or evidence of entitlement to exemption. Canadian customers please add 5 per cent GST or provide evidence of exemption. For EU members, please add VAT at the appropriate rate.

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

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

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Name:

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