Happy New Year?

As a salutation to all our readers — delete the question mark. Of course we wish everyone the best of all possible outcomes in the year ahead. But, as Alan Kirman points out in his ‘Letter from France’, the UK and France at least have faced considerable difficulties now for more than a year and there’s no obvious sign that they are likely to disappear soon. Too pessimistic? As we go to press Dominic Cummings has invited ‘...data scientists, project managers, policy experts and assorted weirdos’ to apply for government jobs in the belief that this will improve policy delivery. For economists, apparently, this means [having] an ‘interest in arguments on the edge of the field — for example, work by physicists on ‘agent-based models’ or by the hedge fund Bridgewater on the failures/limitations of conventional macro theories/prediction, and very strong maths and be interested in working with mathematicians, physicists, and computer scientists’ (in addition to the usual requirements). Maybe this is the answer.

Meanwhile, the RES continues to work at increasing the population from whom future economists will be drawn, through its ‘Discover Economics’ project, and improving the quality of their training through the initiatives of the Economics Network — both reported here.

In addition Anna Vignoles describes work being done by her and others on a database that links students’ school achievement and demographic characteristics to their higher education and subsequent earnings. The results (broadly) kill the rumour that ‘a degree is worthless’, but reveal some big differences by discipline and even by type of institution.

As a new Governor is appointed at the Bank of England, Jo Michell and Jan Toporowski argue that it’s time to rethink inflation targeting. And Woon Wong continues to make the case that the deficit of the universities superannuation scheme is exaggerated.

On a personal, and sad, note we have to report the death of the previous Newsletter editor, Thelma Liesner. Thelma played a major part in developing the Newsletter and was a great help to the present editor (whose appointment, incidentally, comes to an end very soon).
The Royal Economic Society is one of the oldest and most prestigious economic associations in the world. It is a learned society, founded in 1890 with the aim ‘to promote the study of economic science.’ Initially called the British Economic Association, it became the Royal Economic Society on receiving its Royal Charter in 1902. The current officers of the Executive Committee are listed above.

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

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

Visit our website at:
www.res.org.uk/view/resNewsletter.html

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Editor
Prof Peter Howells,
Bristol Business School,
UWE Bristol,
Coldharbour Lane, Bristol BS16 1QY
Email: peter.howells@uwe.ac.uk
mail@sarum-editorial.co.uk

RES Office
Chief Executive: Leighton Chipperfield
Operations Manager: Marie-Luiza De Menezes
RES Office, 2 Dean Trench Street,
Westminster,
London. SW1P 3HE
Tel: 020 3137 6301
Email: resoffice@res.org.uk
Website: www.res.org.uk

Designed by Sarum Editorial Services: www.sarum-editorial.co.uk
Correspondence

Letter from France —

Voila une année qui commence mal: Here's a year that’s off to a bad start

Alan Kirman laments the UK’s decision to leave the EU, before examining the French government’s clumsy attempt to reform the state pension system.

The quote above is a slight misrepresentation of what Danton said as he was being taken to the guillotine. He just thought that the week was starting badly but I fear that contrary to the hope that I expressed last year the whole of next year is not looking good. The climate problem is still being pushed to one side despite the promise of the Paris agreement. When the Gilet Jaunes complained last year that ‘the elite is worrying about the end of the world whereas we are concerned about the end of the month’ they did not seem to realise that the two notions are converging much more rapidly than expected.

The French view of Brexit

For anyone with even a vague attachment to the UK this has been a humiliating year culminating with a front whole page photo of Boris Johnson in Le Parisien, with the title, ‘The liar who is trying to undermine Europe’, coupled with extremely unflattering analysis in Le Monde and other newspapers wondering aloud if Britain’s new prime minister doesn’t suffer from some sort of mental illness which prevents him from understanding what is true and what is not. None of this seems to have had much influence on the British voter and the election now gives Johnson a clear mandate to get the UK our of Europe as quickly as possible. It will be interesting to see how quickly this can be done. If the UK wants to have some sort of preferential trade agreement with the EU it will not be done in a couple of months.

Incidentally, I find it hard to share the opinion of the pundits who argue that the left must now move back to the centre to avoid further disasters. The centre is a lonely place right now as the Liberal Democrats results show. We hear the same in France, whereas the fractures are much more between the marginalized and the rest and between those who see a world governed by small elites who have no empathy for anyone else and those elites themselves. My impression is that many people want the sort of collective actions that Corbyn was putting forward just as they find Sanders and Warren’s ideas attractive. Moving back to the centre would just reassure elites that they are the only people who ‘get it and is unlikely to provide attractive alternatives to today's problems. But time will tell.

But back to this side of the channel. France does not seem to be greatly concerned about any damage that Brexit might do to Europe and there is now a sort of consensus that maybe now Europe can get on with closer political integration once the UK is out of the way and no longer able to slow down or prevent any such move. There may be some truth in this, but it is difficult to know how countries like Hungary and Poland would react. For those who are interested in complex systems and the evolution of their collective behavior Europe after Brexit may be an interesting case to analyse. When Britain leaves and Northern Ireland recognizes its ambiguous position it does not seem implausible that a united Ireland might be the result. Even more interesting, if Scotland manages to become independent it might try to join the European Union. Would we then have a modern version of Hadrian’s wall to protect Europe from what is happening in England. But, once again, Spain, with Catalonia up in arms is highly unlikely to welcome Scotland into the Union. The possible sequence of ‘unintended consequences’ is endless.

I have to confess to a certain sadness at this turn of events and the character of those who led the UK which may not be so united for long, down this path. We live in an age where anything, however demonstrably false, can be said if this will help those who said it to get elected. Even a child can understand that if goods coming from outside the European Union have to be checked before they enter the Union, and the UK has left the Union then either goods will have to be checked before they arrive in Northern Ireland (i.e ‘in the Irish Sea’) or there will have to be a physical border between Northern Ireland and the Republic of Ireland. This is clear to anyone who has...
looked at the famous Johnson-EU agreement. But Johnson explicitly denied this just before the election. Yet, now no doubt an obscure fudge will be voted by the UK parliament. Furthermore, in the longer run the UK will have to choose its camp, either a close relation with Europe which will mean respecting EU rules or a closer relation with the US and other non-European partners. My informal and highly unscientific poll in Paris, (the newspaper stand, my hairdresser, and several taxi drivers, not my usual mode of transport but with the strikes!!) showed a remarkable convergence of opinion. ‘They have been dragging their feet ever since they entered Europe and have always wanted as much as they could get without making any net contribution! So, let them leave and make NO concessions if they come begging at the door’.

France’s own problems
But to return to France’s domestic affairs The long saga of the Gilets Jaunes had more or less faded from view, although Paris did not go for long without the sounds of police sirens and busloads of CRS racing through the streets creating the impression that everybody should be constantly panicked by an outbreak of violence. However, the government has achieved the remarkable feat of uniting almost everybody against its latest proposal for the reform of the pension system and we are now faced with one of the biggest mouvements sociaux in recent years. A general strike was called for December 5th and the response was remarkable. According to the police some 800,000 people demonstrated in French cities, (it is difficult to know who was doing the counting since the police were also on strike) and according to the CGT a leading trade union the figure was 1.5 million. An indication of the extent of the movement is that 90 per cent of TGV, (high speed trains) were cancelled and all but two metro lines in Paris were closed. We have had two more big demonstrations since and the strikers voted to continue. The length of the strike could be considerable. At the time of writing no end, or even potential end, is in sight.

Missed opportunities
How did the government manage to unite students, school teachers, university teachers, nurses, doctors, lawyers and what we used to call ‘the working class’? The answer lies in their approach both in designing the reforms, and worse in communicating their putative benefits. The current government seems to be particularly autistic. Their basic approach is to propose some measure of reform with some token consultation and essentially no negotiation. If the measure meets with opposition the government argues that, what is now probably the biggest French union, did not oppose. But once again the government managed to show its somewhat cavalier attitude by failing to check on some 13 other posts which M. Delevoye held, and still holds, since taking up his functions, some of which are paid, some unpaid and some linked with the insurance industry. This is the sort of thing that immediately provokes a negative reaction, because it conveys the government’s belief that M. Delevoye’s technical competence outweighs any violation of the rules governing his appointment.

Thus, there was an opening for a discussion as to a better pension scheme but, by not checking the basics and insisting on the problem of financial equilibrium, as Antoine Bozio says in a recent article, a golden opportunity was wasted.

What is more there are, as Thomas Piketty has pointed out, several possible universal pension schemes worth considering but the government persists in putting forward its own version and then asking for comments rather than developing its scheme in collaboration with the parties involved.

It is worth noting in passing that what Piketty raises is a philosophical question as to what is the goal of a pension scheme? Recall what the decree of the 4th of October 1945 establishing the current social security system said, Social security is the guarantee given to everyone in all circumstances, that he will have the necessary means for his livelihood and that of his family in decent conditions. This is justified by the elementary concern for social justice, and the consequent desire to rid our fellow citizens of the uncertainty as to what the next day will bring.
This is an inherently collective view involving a strong notion of solidarity. Yet, the scheme proposed by the government now is, as might be expected, inherently individualistic. The message of the current proposal is that under the universal pension scheme, everybody will get the same in their pension for every euro earned in the past. The system will be one with points which are awarded on the basis of earnings over an individual’s career. These ‘points’ are then converted into euros at the same rate for everybody. All but one of the 42 pension schemes in existence (the exception is for the pension scheme for the forces de l’ordre (police etc) practically the only allies the government has left although even they have gone on strike) will be merged into this universal scheme.

This, it is claimed, is precisely the sort of equitable scheme that is needed. Furthermore, neither the age for taking up a pension nor the level of pension payments will be touched. This actually means that right now the nominal pension to which a person has a right cannot be reduced but does not guarantee its evolution.

But it’s the financing that dominates

The proposal put forward by the expert appointed by the government M. Delevoye talked about balancing the books of the pension scheme and how this might be done and set a target for the proportion of GNP that would be involved.

As anybody reading this knows, faced with an ageing population, there are three basic ways of ensuring some sort of financial stability of pay-as-you-go pension systems, should that be the objective: increase the contribution rates, lower pension benefits, or increase the number of years worked. Note that there are two criteria for pension reform, improving the financial state of the system and improving the welfare of those who participate in it. In France as in many countries, in the latest reforms the main lever chosen by the legislator to restore financial balance is the latter one, that is, through the increase in the average age of retirement. As its name indicates, this average is not, however, a parameter that can be directly set by legislation. This has to be done by giving incentives to people to continue work after a certain age (l’âge pivot) and penalties for those who retire earlier. Recent reforms of the French pension system have implemented a wide range of measures destined to achieve this.

Why then the opposition? Firstly, because the French are deeply suspicious of any measure which will oblige them to work longer, and secondly the points system, which, as Bozio, points out could be adapted to achieve some sort of equity now appears to be a weapon to achieve the financial equilibrium of the system. To see this, it is clear that a crucial question will be, who determines the value of a point and what will be the governing principles of that choice. The answer to the first part of this question is that it will be the central government and, given the current level of trust in the population that is not a recipe for getting popular approval. The different pension schemes had the merit that there were intermediaries where each profession had its voice, those voices do not seem to be heard by the government. Indexation on incomes rather than on inflation may be a more attractive choice now but this will not always be the case. If the authorities are faced with a deterioration in the finances of the situation things may be modified but we are not told how. The government hoped to quell anxiety by announcing that the reform would only concern those born after 1975, but how precisely this will be achieved as their elders get to retirement is not clear.

How will civil servants such as teachers who could have expected their pension to be equivalent to 75 per cent of their income feel about being aligned with those in the private sector whose pension is around 50 per cent. No problem, is the answer we will increase salaries in the public sector. The nurses, teachers and their colleagues who have been demonstrating lately are evidently not waiting with baited breath.

On the 22nd of January 2018 Macron asserted that ‘we have to put an end to this perpetual crisis where each pension reform is somehow a last minute modification of the system necessitated by considerations of the state of public finances but which systematically undermines public confidence without changing the rules of the game’. As Bozio observes, ‘obviously the president hasn’t convinced his prime minister’.

Lastly, forgetting the financial problem for a moment, I agree with Thomas Piketty when he argues that a reform of the pension system was a formidable opportunity to use the changes to reduce the inequality of the system. Why should someone living near the poverty threshold receive the same proportion of his income (calculated on the basis of his whole working life) at retirement as somebody who had a relatively comfortable life? There is, of course an upper limit on pensions paid, but not to make things too redistributive people with higher incomes will only be taxed at 2.8 per cent on their income above that which no longer gives rise to an increase in their pension. We pay taxes for many things from which we will not personally benefit since this is based on some notion of solidarity but the proposed measure pushes things back to individual self interest and not to concern for general welfare and, as I said at the outset this is the hallmark of the current government’s concerns.

I somehow, naively thought that while the 20th century had been that of competition the 21st would, of necessity, have become that of cooperation. But, as a student said to me recently, I see that you are working with the OECD, the Organisation for Economic Competition and Development, ‘out of the mouths of babes and sucklings’!
The returns to higher education in England

At the Society’s Annual Conference last year, one of the most talked-about special sessions explored the returns to higher education using a new data set that provides a record for each student of their school achievement and demographic characteristics, linked to data on their higher education experience, including degree subject and institution and their tax records. The data yield some remarkable results. Anna Vignoles,^1^ one of the participants, explains below.

In an IFS Special Session at the Royal Economic Society Annual Conference in 2019, Jack Britton, Ian Walker and I discussed a recent body of work on the returns to higher education in England. Our team was the first to get to use a new administrative data set that has just become available, the Longitudinal Education Outcomes data or LEO. LEO is undoubtedly powerful data. It provides a record for each student of their school achievement and demographic characteristics (from the National Pupil Database), linked to data on their higher education experience, including degree subject and institution (from the Higher Education Statistics Agency), and their tax records (from the UK tax office, HMRC). The data include all English educated students and we have data for people who were aged 16 in 2002 and observed, in terms of their earnings at least, up to age 29 in 2015/16.

In my talk, I discussed how this fantastic data might be used judiciously to inform us about the economic value of university degrees in England. Later in this post I will return to the crucially important but sometimes forgotten point that higher education is not simply about securing good jobs for students but is also about the myriad of social and cultural benefits that it can potentially give to students, but I begin by focusing only on the economic benefits of degrees. To understand these benefits we need to worry about three important issues.

The importance of the LEO

First, if students are going to make optimal choices, as predicted by economic theory, they need to be well-informed. Higher education is a big investment and changing your mind about your degree course is not easy. So students need good data on the current labour market value of degrees on which to (partially at least) base their decisions.

Second, in England, repayment of the large tuition fee loans incurred by most students is contingent on the level of their subsequent income. The state rather than the individual therefore carries the risk of non-repayment. As the state is subsidising those who do not repay, it is important that we understand how the rates of repayment vary by subject, and therefore, where the state subsidy is going, i.e. to which degree subjects and which institutions. For this, we again need high quality data on the long run earnings of graduates.

Third, higher education is not a free-market, at least in terms of competing on price, even in the English system which charges students around £9k per annum for a first degree. At best it is a quasi-market and English universities have not shown an inclination to compete on price. With a few exceptions, all English universities charge the maximum tuition fee possible. In the absence of market competition on price, regulation is obviously important. This raises the issue of what regulators might use to judge the ‘quality’ or ‘value for money’ of English degrees. One could assess the quality of universities in a number of different ways. For example, in other work we have developed an instrument that seeks to measure the learning gains of students, which could be one useful way to inform regulators about the quality of an institution’s degrees. However, it would also seem, at least on the face of it, that the impact of particular degrees on students’ labour market outcomes might be one of many potentially useful metrics. For this, high quality data on the longer run labour market outcomes of students is also vital.

The new LEO data set therefore helps with all three of these data needs. Here I am going to focus on the third issue, namely what LEO can tell us about the ‘value added’ of different degrees. By value added, I mean the additional earnings that the degree provides, over and above the student’s likely alternative outcome without the degree. In the English context, there is good evidence that students’ alternative labour market prospects will be heavily determined by their prior academic attainment in school. So what we set out to measure in our research is essentially the distance travelled by each student between entry to university with a given set of high school (A level) grades in relation to where they end up, in terms of earnings. The data enable us to control for the individual’s school, region of school, socio-economic background, ethnicity and crucially their prior attainment.

LEO is brand new and its possibilities are being explored. However, using LEO as a metric by which to

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^1^ Anna Vignoles is a Professor of Economics at the University of Cambridge.

https://www.res.org.uk/membership/newsletter.html
The bottom line is that, even when comparing students with the same level of prior attainment, their earnings will vary quite dramatically depending on the exact institution they enrol in and the subject they take...for some students graduating from some subjects and some institutions, there is no return to higher education at all or even a negative return.

Regulators have responded to these concerns with a parallel (potentially) high stakes accountability system that is supposed to measure the quality of teaching and the student experience, namely the TEF (Teaching Excellence Framework). TEF has always included some measures of students’ labour market outcomes and in the latest version of the TEF, LEO was used experimentally to provide longer term and arguably higher quality data on students’ earnings outcomes. TEF has been recently reviewed by Dame Shirley Pearce and her report has long been completed but is currently standing in line with other reports postponed by the election. I provided statistical advice to the review and the use of LEO was a major topic of discussion.

What does the data tell us?

So with the significance of the LEO data in mind, what has it actually told us? Jack, Ian and I presented a range of evidence from the new LEO data, particularly around the heterogeneity in returns to different degrees. I won’t reproduce all the results here and the papers are open access at the links below. There are however, some clear messages. Overall earnings returns to a degree are large for women, but somewhat smaller (though still positive) for men. Given the discourse in England about degrees being worthless, this is of course reassuring. The raw earnings differences by subject are very large indeed and even when we model value added, taking into account background characteristics and using an Inverse Probability Weighted Regression, the earnings differences across subjects remain sizeable. Earnings differences across institutions are also sizeable though somewhat smaller when we take account of background characteristics. The bottom line is that, even when comparing students with the same level of prior attainment, their earnings will vary quite dramatically depending on the exact institution they enrol in and the subject they take.

Some pictures might best illustrate the scale of the variation. Figure 1 shows the variation in the raw earnings (black dots) and the conditional earnings (grey dots) for women taking different subjects. Although the wage premia for males are generally lower, a similar pattern of extensive variation by subject is evident for men too. Figure 2 shows the variation in earnings by type of insti-
tution, also for women. Again the variation is striking and another key point is that for some students graduat-
ing from some subjects and some institutions, there is no return to higher education at all or even a negative return.

Further, in our data we have an indicator of the socio-economic background of students. Using this indicator, we find that graduates from the top fifth of the socio-economic distribution of households earn around 10 per cent more than otherwise similar graduates who took the same degree subject in the same institution. In other words, the value-added of university degrees varies depending on family background. Universities it appears, do not level the playing field when it comes to students’ family background and its influence on their subsequent earnings.

These data are therefore challenging. How useful are they to judge the ‘value added’ of university degrees? Well, wage information of this kind can be used to estimate the private wage gain from HE, but not the social return. So such data cannot tell you where the state might want to subsidise higher education. For example, the earnings of nurses are low but the social value of nurses is high. We would not want to use a low private wage return to conclude that we should not invest in nurses. Quite the contrary, cases where the social return is likely to be far higher than the private return are precisely where we would want to direct our subsidy.

But it’s not the whole picture

Even if we want to use these data in a more narrow way to judge what institutions are doing in terms of adding value with their degree offer, we need to be cautious. The returns to particular subjects reflect relative supply and demand in the labour market. This is precisely the kind of data that students need to consider when making their choices. When considering it from a regulatory perspective however, it is less obvious that one wants to judge degree quality on the basis of what the labour market wants. If the demand in the labour market for creative arts degrees is low, it does not mean that the quality of provision is low. An even more fundamental point is that these data reflect degree courses taken many years ago. Provision may have changed and since it is important to consider earnings some years into a person’s career, one cannot make an automatic link between what the university is doing now and the LEO data on earnings outcomes for previous cohorts of graduates.

In terms of the value added approach, there is a clear analogy here with the ‘value added’ that has been measured in the English school system for many years. In the school context, value added is based on test scores rather than earnings. Data aggregated at school level on pupils’ academic achievement in national examinations taken at age 16 (GCSE scores) has long been published in league tables. Attempts have also been made to account for students’ family background and its influence on their subsequent earnings.

In the university context, a high stakes regulatory system based on graduate earnings is only desirable if universities can improve their position in terms of this metric by genuinely improving quality. If on the other hand they can improve their position by changing their student intake (e.g. by admitting fewer students from lower socio economic backgrounds as their earnings tend to be lower) or shifting their focus to different subjects, we would be concerned. On the one hand, we want both students and universities to be aware of the labour market value of different degrees to avoid universities expanding ‘easy’ courses that students like but that have poor labour market outcomes, and indeed avoiding students taking low economic value courses without realising that their labour market outcomes may be relatively poor. Equally we want to maintain subjects that may have lower economic value but are socially vital, for example nursing.

So if we use earnings data to judge whether institutions are doing a good job or not, it needs to be in conjunction with other data. One can make an argument that earnings data should be one of a basket of measures used to assess institutions. If institutions are forced to focus at least somewhat on the earnings of their students, they will be more inclined to embed useful skills in their curricula (across all subjects) that will help students when they enter the world of work. They will also be more likely to support students with better careers advice and work opportunities, particularly those students from poorer backgrounds. These are clearly important ways in which institutions can improve the labour market outcomes of their students and this should be at least one of the aims of higher education.
So in conclusion, LEO provides good evidence on graduates earnings and such data is vitally important to inform students’ choices. LEO can enable us be better informed about where the subsidy for higher education is really being directed. LEO can also help institutions understand the labour market better and arguably adapt their offer with that in mind. However, earnings are not a good guide to course quality and hence need to be used carefully in our higher education accountability system. Most crucially of all, a good job is just one of the many benefits of higher education. Graduates have better health, are more likely to vote, participate more in civic life, contribute more to the arts and tend to have more tolerant political attitudes, to name but a few of their wider benefits. It is vitally important that we have a careful approach to designing a higher education system that can sustain these other benefits whilst not ignoring the fact that for most students, getting a ‘good job’ is a major objective from their higher education.

Notes:
1. Anna Vignoles is Professor of Education in the Faculty of Education, University of Cambridge.
2. Our limited use of colour makes it difficult to differentiate the two series. Generally speaking, the ‘raw difference’ (black) series shows a definite upward trend and lies above the ‘estimated returns’ (grey) series. In figure 2, the results for ‘other’ institutions are concentrated at the left hand end of the distribution encompassing values from c.-10% to +20%. The results for ‘pre-’ and ‘post-1992’ institutions share the range from +20% to +25%, in no particular pattern while the right hand end of the distribution from +25% to +95% is dominated by ‘Russell Group’ institutions.

References:

2020 Warwick Summer School
Sunday 19 July - Saturday 8 August
Applications to our 2020 Warwick Summer School in London, Sunday 19 July - Saturday 8 August, are now open following our hugely successful 2019 programme. In 2019 we welcomed 361 students from across the globe (inset) to study from a range of courses and enjoy an engaging, eye-opening social programme and high profile guest lecture series.

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Discover Economics

Discover Economics is a three-year campaign, launched by the RES in October 2019, that aims to increase diversity among economics students. Sarah Smith¹ describes the approach.

There is growing recognition of economics’ diversity problem: Whether it’s the winners of the Nobel Prize (this year excepted), members of the Monetary Policy Committee or economics professors, women and minority groups are notably absent. Diversity is rightly one of the RES’ key strategic objectives but bringing about real change in the profession means changing the pipeline. The future of economics in the UK is currently anything but diverse. The gender gap in the pipeline is perhaps the most striking — one in five boys does economics A level compared to one in seventeen girls — but there is also an under-representation of state-educated students and minority groups.

The lack of diversity among economics students matters because they go on to positions of power at the heart of policy-making. Economists’ opinions on issues such as the fairness of the labour market and the desirability of government intervention have been shown to vary systematically by gender, for example, making it important that a broad range of views is represented. The lack of diversity will also stifle creativity and new thinking. Since winning the Nobel prize this year, Esther Duflo has spoken out strongly about the lack of diversity in the economics profession, including employers of economists, to fix it. — Andy Haldane, Chief Economist at the Bank of England

The campaign addresses these problems directly by providing 15-17 year-old students with information and engagement opportunities about economics to inform their choices on further study. The intention is to change how economics is perceived and to broaden its appeal by overcoming negative stereotypes.

“I am so glad that I signed up to go to Discover Economics day…. Not only did I find out what studying Economics and becoming an Economist would be like but I also had a really brilliant day. The day challenged my thinking, brought our group of friends even closer together and I have already started researching Economics degrees” — Year 12 student Bradley Stoke Community school

• A website (www.discovereconomics.ac.uk) offers information on what economics is about, what to expect from an economics degree and where an economics degree can take you. The emphasis is on a broad range of examples and personal stories in the form of vignettes and short videos.

• Outreach events, some supported by RES funding, offer interactive activities for groups of school students, including opportunities to hear from economists. The most recent event in Bristol on 22 November, supported by the Bank of England and Triodos Bank, attracted nearly 200 students who took part in a schools challenge to design an alternative index for measuring local economic progress.

• A student ambassador programme is being developed that will see university students delivering taster sessions in schools using material from the CORE curriculum.²

The campaign launched on 15th October. Coming the day after the Nobel prize winners were announced, it attracted widespread media interest with articles in the Times, Financial Times, Guardian, Economist, Telegraph, among others. But there is still a long way to go. The first phase of the campaign is engagement with stakeholders — the campaign will work to the extent that it is a genuine partnership between the RES and other organisations, including universities and employers of economists. The campaign will also raise funds to support its activities. Phase 2 will develop the activities before a full launch to the target audience in phase 3. The work of the campaign is overseen by a working group, bringing together the founding partners from public, private and not-for-profit sectors. If you are interested in your organization getting involved and joining as a partner (with a commitment to funding), please email the campaign co-chairs, sarah.smith@bristol.ac.uk or a.advanil@warwick.ac.uk

Notes:
1. Professor of Economics, University of Bristol
2. For more on CORE see pp.13-14 below.
Brexit has harmed the public’s perception of economics and economists

In the year or so following the referendum on leaving the EU, the RES (and other bodies) expressed frequent concern at the way in which economists’ views were being presented in the media — while the overwhelming consensus was that brexit would be costly, the BBC persisted in giving equal weight to opposing views as though it were purely a matter of opinion. A recent poll carried out by YouGov, on behalf of ING Bank and the Economics Network, shows that people instinctively feel that economics is relevant to their private finances and to their understanding of the world and that government should listen to the views of economists. But at the same time, it seems that the level of trust in economists has declined.

In 2017, ING and the Economics Network ran a survey of Public Understanding of Economics. The survey was conducted again in September 2019, with 1,641 respondents. They were asked a series of questions about their understanding of economics, how they access economic news and how we might improve communication of economic analysis and evidence to the general public. This is an edited version of those preliminary results.

We concentrate on differences between ‘leave’ and ‘remain’ voters. The fuller report distinguishes attitudes additionally by age, and educational level. It also includes comparisons with the results of the earlier, 2017, survey.

Understanding economics

The survey results show that overall, around a third of respondents (35 per cent) find discussions about economics and the economy in the media easy to understand whereas about one quarter (23 per cent) say they find such material difficult. Figure 1 shows that there is little difference in the perception of difficulty between leavers and remainers, c.32 per cent of the latter finding economics ‘fairly easy’ to understand against c.17 per cent of leavers. On the other hand, more leavers than remainers found economics ‘very easy’ to understand. Interestingly, 10 per cent of leavers said they never listened to discussions of economics against five per cent of remainers.

Curiously, when asked to think about changes in the usefulness of economics over time, respondents declared that when it came to explaining the ‘real world’ economics had become harder to understand while it had become neither harder nor easier to understand for the purpose of making informed voting decisions.

Unsurprisingly, perhaps, given the increased difficulty of applying economics to the real world, respondents showed some interest in increasing their understanding of the subject. Just under one half (45 per cent) declared they would like to increase their understanding of economics of the real world and over one half (55 per cent) would like to know more about economics to help them make decisions in elections and referendums. Figure 2 shows the desire to increase economics understanding about the real world is considerably higher among remain voters (56 per cent) than for leave voters (36 per cent).
When it came to the very specific question of ‘how well do you understand the economic consequences of the UK leaving the EU?’ just under a half of voters (47 per cent) felt they understood the economic consequences of leaving the EU but 42 per cent said that they did not. Between the opinions of leavers and remainers (figure 3), the differences were small, 14 per cent of remainers feeling they understood the consequences ‘very well’ against 13 per cent of leavers. But when it came to understanding the consequences only ‘fairly well’, the advantage lay with the leavers, 38 per cent against 36 per cent of remainers.

The survey included a modest attempt to test these claims of understanding by asking questions about a few basic economic ideas. Most respondents (c.80 per cent) correctly answered questions about the effects of inflation on their wages and about government budgeting, but when it came to questions about tariffs, a half of respondents felt they understood the effects, but nearly a half (c. 46 per cent) seemed unaware that trade could be restricted by non-tariff means.

Perceptions of economics and economists

As regards the credibility of economists, the survey revealed that 70 per cent of respondents thought that governments should listen carefully to their advice. However, at the Society’s Annual Conferences in 2016 and 2017 members demonstrated overwhelming support for the view that leaving the EU was likely to have adverse economic effects — a view that appears still to be widely held amongst economists. In the circumstances, therefore, it is not surprising that support for the merits of economic wisdom were more strongly recognised by remainers (84 per cent) than by leavers (64 per cent).

This was reflected in respondents answers to questions about the basis on which economists formed their views. 58 per cent of remain voters felt that economists’ comments are based mainly on reliable data and analysis while only 30 per cent of leave voters felt this to be the case. The latter were inclined to the view that economists’ comments were based mainly on political opinions (25 per cent) but with personal opinions playing only a small part (figure 4).

When asked directly about their trust in the opinions of economists on issues relating to the national and world economy, respondents were even more sceptical than one might expect, given their views on the foundation of such opinions. Only c.37 per cent expressed trust in economists’ opinions while c.36 per cent did not think they should be trusted. Predictably, large numbers of leavers (51 per cent) distrust the opinions of economists on the world economy compared to remain voters (23 per cent) (figure 5). Leavers were also more likely (45 per cent compared to 28 per cent) to say that their scepticism had intensified since the EU referendum. As with all surveys, these results need treating with caution, but the low level of trust in economics and economists shown by both leavers and remainers, is disturbing.

Notes:
1. See, e.g., Newsletter, no. 175, October 2016 pp.8-11.
2. https://www.economicsnetwork.ac.uk/research/understandingecon/2019
In many ways adopting the course material created by The CORE Project at Queen’s University Belfast (QUB) was pushing on an open door. Following the financial crisis, we had identified gaps in the existing first-year economics curriculum, and programmes had been reformed to give students more ‘real-world’ material to go with their ‘Principles’ class. So when The CORE Project was launched a few years later, some of us were instinctively drawn to the idea of an entirely new standard for teaching first-year economics.

CORE’s promise seemed almost too good to be true — an educational innovation with many beneficiaries and few costs:

• Students would benefit through more direct use of economics so they could understand the world around them better, and they could engage with the issues they were really concerned about, like inequality and climate change.

• Employers tell us that they want our economics graduates to possess basic skills in empirical analysis and develop the ability to argue based on theory and evidence. CORE also promised that students could acquire these skills.

• Lecturers would benefit from teaching material more in tune with what motivated many of us to become economists in the first place-teaching economics as a powerful tool to understand the world around us and to improve people’s lives.

Everyone on board
Although the benefits were clear to those of us that had been following the project for some time, we needed to get everyone on board if we were to replace our existing course material with The Economy, the free, open-access ebook that CORE has created for economic undergraduates. This process was greatly helped by a visit in these early stages from Alvin Birdi of the University of Bristol. Alvin is professor of Economics Education in the economics department at Bristol, is director of The Economics Network, and was also an early adopter of CORE, having used the very first beta version with his students.

He gave us a clear overview of what CORE was, and how it was different to traditional first-year courses. This gave faculty an opportunity to ask about the practicalities of delivering the course, and the more sceptical voices had a chance to raise direct and probing questions. Chris Colvin, who was then our Undergraduate programme director, had also attended the Economics Network’s Developments in Economics Education conference, where he was able to meet with and learn from the successes, and challenges, of colleagues who had already been using CORE’s material in their own universities.

Shortly afterwards, we had the opportunity to overhaul our first year curriculum. Led by Chris, and with approval from the economics department, the bureaucratic wheels were set in motion to adopt The Economy and begin teaching in the 2019-20 financial year. The practicalities of overhauling our entire first year, across many different degree programmes, were not trivial. We wanted CORE’s material to be used as a full-year course that would be taken by all our economics students.

But all of our teaching to this point had been modularised, and many non-economics students who had previously taken the ‘Principles’ course would also have to be accommodated. The decision was made to separately teach these students the Economy, Society and Public Policy (ESPP) version of CORE’s curriculum (https://www.core-econ.org/espp/). This uses the same overall structure and models, but is written with a greater focus on how economics can help understand policy problems. We believed ESPP would more directly suit the needs and interests of non-economics students.

Our single-honours economics students would also take a newly-designed course called ‘Communicating Economics’, which we constructed to develop our students’ reasoning and communication at an early point in their university careers. Plus, we have also begun to teach our MBA students using an adaptation of the CORE material—but that is a project that deserves its own article.

My colleague Heather Dickey and myself had the responsibility of delivering this new course to 150 Economics students. We would share teaching over two...
Features

...continued on p.19
Can Andrew Bailey do it?

With the arrival of a new Governor (and a new Government) is now the time for the Bank of England to be given a radically new remit? Jo Michell and Jan Toporowski1 make some suggestions.2

I

t is still argued, following the ‘shock’ of the 2007 crisis and the recent economic stabilisation, that it is possible to revert to the pre-crisis status quo of stable economic growth, with low inflation steered by independent monetary policy committees. Such a reversion is no longer possible. The Bank of England now has a substantial balance sheet that cannot be reduced without adverse consequences for capital markets in Britain. Nor is it desirable: it was precisely that model of central banking, restricting monetary policy to the management of short-term interest rates, that contributed to the crisis that broke out in 2007 and caught the Bank of England by surprise.

The limitations of a ‘one-club’ approach

In the decade following its declaration of ‘independence’, the Bank appeared to be fulfilling its mandate to control inflation, by adjusting its policy rate of interest in response to anticipated inflation. While this was widely hailed as a success, sceptics were less convinced, and pointed to the factors which had kept inflation low in the UK: the strength of sterling, despite persistent current account deficits, and the continuing casualization of the workforce, which constrained real wage growth even as employment rose. Low inflation also spread throughout the industrialised countries following the East Asian Crisis of 1997-98, and subsequent currency devaluations, and China’s admission to the World Trade Organisation in 2001.

The other flaw in the arrangements established in 1997 was their insouciance in the matter of financial stability. As commentators were prone to saying in the years before the 2008 crisis, the profit motive of financial institutions gave those institutions superior insight into banking ‘risks’ that government-owned central banks could not obtain.

So it was that in September 2007, when Northern Rock came knocking at the door of the Bank with a request to borrow reserves, the Bank was completely unprepared. The initial problem for the Bank was that virtually the only thing it could do was vary the rate of interest. On the eve of the crisis, in July 2007, Bank Rate peaked at 5.75 per cent. As the crisis proceeded, this was rapidly reduced (by March 2009) to 0.5 per cent.

It was the ineffectiveness of these changes that caused the Bank of England to resort to a much older tactic, namely open market operations, or buying securities. This was now called Quantitative Easing, and is advertised on the Bank of England’s website as follows: ‘by creating “new” money, we aim to boost spending and investment in the economy’.3 Since November 2009, three bouts of government bond purchases brought the total held by the Bank to £435bn, almost a quarter of the total government debt outstanding.

Despite the commonly-held view that the Bank is ‘printing money’ to put into circulation in the economy, the bonds that are bought by the Bank are overwhelmingly held by pension funds, insurance companies and banks. When the Bank buys bonds, it pays by crediting the reserve accounts of the commercial banks whose customers have sold the bonds. The banks now hold additional reserves as assets, and they expand by an equivalent amount the deposits of their customers who sold the bonds. The balance sheet of the banking system has expanded, but the public (i.e. households and firms) are no better off, in the sense that they (or the pension funds and insurance companies holding their wealth) have the same value of assets or wealth as before. The only difference is that some of their bonds...
have now been swapped for bank deposits.

The consequences of QE

Quantitative easing expanded the balance sheets of banks and made them more liquid: banks held larger balances in their reserve accounts at the Bank of England. This ensured that the liquidity shortage that had driven Northern Rock out of business could not reoccur. Pension funds, insurance companies, and other investment intermediaries found themselves with portfolios in which the share of bank deposits was higher. Given the virtually zero rates of interest available on deposits, the best use to be made of those new bank deposits was the purchase of longer term securities, driving up market prices and reducing yields. Faced with lower yields, financial investors are more inclined to look elsewhere for better returns, leading to an outflow of funds to emerging markets. Governments and companies in middle income countries, that only a few years before had been regarded as too unreliable and crisis-prone to be credit-worthy, found they were able to borrow on good terms in the international capital markets and load up with debt.

Quantitative easing therefore repaired the problem of illiquidity in bank balance sheets. This was accompanied by a fall in yields on long-term securities, flattening the yield curve (see Figure 1). But the aim of quantitative easing was to ‘boost spending and investment in the economy’.

Government expenditure is driven by policy and therefore should be relatively unaffected by changes in financing conditions. In any case, government expenditure was committed from 2010 to austerity to reduce the fiscal deficit. This leaves household consumption and business investment. Household consumption does not change much because the bulk of it is regular, customary expenditure. Quantitative easing did not create any additional incomes for households, and the increase in household wealth arising from higher stock market prices affected only a small proportion of already wealthy households whose consumption expenditure is unconstrained, and therefore little affected by the value of their asset portfolios. To the extent that monetary policy supported household expenditure, it is likely to have been by ensuring that banks were not constrained by shortages of liquidity in offering credit to individuals to support house purchases and consumption.

The case of business investment is different: it is largely inelastic to policy rates. An investment boom did not arise in 2008-09, when the Bank of England cut its rate dramatically. Companies invest in productive capacity because they have customers at their door; the policy rate of interest mostly affects how they finance that investment. Quantitative easing too did not bring any additional customers to the doors of the non-financial businesses that do the bulk of private sector investment in Britain. What quantitative easing did was to alter the terms of financing for companies, by easing the switch from short-term finance to long-term finance.

The monetary policy of the Bank of England has not been without its disadvantages. While the effectiveness of quantitative easing at stimulating investment spending and aggregate demand has been limited, a flattening yield curve introduces potential new problems for the financial system: it reduces the profits of banks, raising concerns about financial disintermediation. Extremely low long term interest rates threaten the solvency of pension funds, and encourage investment in riskier assets, impairing the quality of the assets backing our pensions and insurance policies.

With a growing awareness of the threats posed to financial stability by continuing quantitative easing, much discussion of monetary policy remains focused on the question of how QE may be discontinued so that the old consensus monetary policy framework may resume. However, such a return to the status quo ante would be wrong. Abandoning the open market operations of quantitative easing would reduce the liquidity of the money markets and capital markets, as recent developments in US markets have demonstrated.4

A new policy framework

A new policy framework is needed, building on QE and using central bank open market operations to regulate liquidity in a capital market that is now globalised. The Bank cannot avoid playing an active role in longer term bond markets for the foreseeable future. An implication is that the Bank will have direct influence not only over short term rates but also over the shape of the yield curve. The Bank should acknowledge this by explicitly including control of the yield curve as part of its operating framework. The Bank of Japan has been doing this since 2016, and yield curve control is now being openly discussed in relation to the Federal Reserve.5

The Bank should commit to publishing forecasts of the yield curve over its policy horizon, and discussing the implications of these forecasts for pension and insurance funds, and for financial stability more broadly. The Bank should also commit to ensuring that the yield curve will not deviate substantially from these forecasts; within stated limits, the Bank should allow the normal functioning of the market to determine the yields on long term assets, but the Bank should stand ready to become a ‘market maker’ in key bond markets if buying or selling of these assets exceeds amounts consistent with Bank forecasts. These interventions should not be limited to the markets for government debt, but would also include liabilities of British corporations that are willing to have the market for their long-term securities regulated by the Bank. This would also give the Bank some control over those corporations’ merger and acquisition activities. The idea is not so outrageous or Bolshevist. This kind of policy framework was used informally in the nineteenth century when capital markets were globalised under the gold standard. Central banks then made a market in the bonds issued by their government and had formal and informal lists of corporate

https://www.res.org.uk/membership/newsletter.html
securities that they would accept for discount. The Bank of England already acknowledges that it must sometimes assume the role of ‘market maker of last resort’ as part of its emergency procedures. The inclusion of corporate bond purchases in the Bank’s quantitative easing programme is a tacit acceptance that it must now also take this role as part of the normal setting of monetary policy.

There are number of advantages to such a commitment. It would require minimal new legislation or new institutions. The stabilisation of the yield curve and the regulation of merger and takeover activity would discourage speculation and trading on capital market instability. It would therefore limit the volatility of the prices of assets used as collateral, ensuring that capital market participants could routinely obtain liquidity using assets held on their balance sheets as collateral. This stabilisation of the capital market would complement and make more effective bank capital adequacy regimes: banks lending to businesses with access to more stable long-term funding would improve the quality of their loan books.

Such a commitment would also provide reassurance to financial institutions, businesses and government, allowing financing and investment plans to be made with a substantial degree of certainty around the cost and availability of credit. In return for having the benefit of the Bank of England’s liquidity umbrella, British corporations could be expected to show a greater commitment to investment in Britain. Planning for government investment programmes could go ahead without the usual objections that the bond markets may turn against the government.

Such regulation of capital market liquidity inevitably means that monetary policy needs to be coordinated with fiscal policy. Macroeconomic targets should therefore been seen as joint targets for the Bank and the Treasury. This need not mean eliminating the independence of the central bank and subordinating the monetary policy of the Bank of England to the government. The coordination with fiscal policy could be effected by requiring the Bank of England to the government. The proper regulation of capital market liquidity inevitably means that monetary policy needs to be coordinated with fiscal policy. Macroeconomic targets should therefore been seen as joint targets for the Bank and the Treasury. This need not mean eliminating the independence of the central bank and subordinating the monetary policy of the Bank of England to the government. The coordination with fiscal policy could be effected by requiring the Bank of England to the government. The coordination with fiscal policy could be effected by requiring the Bank of England to be much more responsible to Parliament for stability in the capital markets: that is, for ensuring that there is adequate liquidity so that new securities issued by the government and by corporations based in the UK can be absorbed by the market in an orderly and predictable way.

Should changes to the Bank’s remit go further still? A number of proposals have recently been put forward, such as increasing the Bank’s target rate of inflation, thus giving the bank more leeway to cut rates before hitting the lower bound. The problem with this is the implicit assumption of a return to the pre-crisis status quo, in which adjustments to Bank rate are assumed capable of sufficiently stimulating expenditure and inflation. But the proposal is not without merit as a joint target for the Treasury and Bank. With highly deregulated labour markets, wage-driven inflation is unlikely to become a binding constraint on macroeconomic performance. The dangers of the economy running too ‘cold’ therefore substantially outweigh those of higher inflation. Maintaining output close to full capacity would stimulate wage growth, which in turn would provide firms with the incentives to undertake capital investment, raising productivity.

Climate change has recently taken centre stage in discussions of central banking. Christine Lagarde has pushed for climate change to be part of a strategic review at the European Central Bank, and Mark Carney, who will take the role of UN special envoy for climate action and finance when he steps down as Governor, recently announced that the Bank of England has begun climate-related stress testing.

Some proposals go further, arguing for the exclusion of bonds issued by carbon-intensive businesses from central bank bond purchases and from collateral eligible for repo loans. The need for climate action is undeniable, but the Bank is ill-suited to a leading role in the major structural adjustments necessary for the transition to a low carbon economy. The inclusion of ‘green’ criteria in QE programmes and collateral rules will be largely ineffective: central bank holdings of private securities are small and, if sold, other buyers will readily be found without significant price changes. The majority of securities used as collateral are publicly issued.

A better option would be for the Bank to make liquidity available at preferential rates to credit institutions that meet particular criteria, to be decided outside of the Bank. A system of this type has already been implemented by the European Central Bank: ‘Targeted longer-term refinance operations’ (TLTROs) are loans to credit institutions with conditions adjusted to reflect the social desirability of the activities of borrowers. This would avoid the potentially conflicting objectives that would arise from using capital adequacy as a credit guidance tool.

Mark Carney’s successor will have to acknowledge that the Bank of England cannot regulate the business cycle, as was intended when the Bank was given its mandate by Gordon Brown in 1997. The idea that the central bank can control inflation and growth had always rested on some dubious economic reasoning that distracted policy-makers from an understanding of what central banks can do. There is a danger of repeating these mistakes by giving the Bank of England responsibilities it cannot fulfill. In reality, central banks’ powers over the economy are limited. They can regulate banking, set interest rates across a range of market segments and maturities, ensure that there is enough liquidity in capital markets to support the financial operations of government and firms, and in a crisis they can flood the financial markets with liquidity. This is what the Bank of England can do. The proper regulation of employment and investment in the economy is a matter of policy for Government, not the central bank.

Notes appear on p.23 below
Economics Network

Celebrating 20 years of the EN

The Network, which is supported by the RES, the Scottish Economic Society and over fifty UK university economics departments, was established in September 1999 as a subject-specific teaching and learning centre. Its aim was to support teachers of higher education economics and enhance the quality of teaching and learning in the subject across the country. This remains its mission today.

In the course of those 20 years the Network has:

- Trained over 2000 graduate teaching assistants and 500 early careers lecturers
- Held ten international conferences on economics pedagogy (see below)
- Produced hundreds of teaching case studies
- Produced two editions of a detailed Handbook for Economics Lecturers
- Published 32 volumes of the International Review of Economics Education
- Contributed to the publication of the Economic Review, a magazine for A-Level students
- Had millions of visits to our websites, not just the Economics Network main site but also including Studying Economics and Why Study Economics
- Organised symposia, conducted research and influenced discussions on e-learning, the economics curriculum, graduate employability, effective communication, and public understanding of economics
- Led on mini-projects to create educational content, including DeSTRESS (statistical resources for social science) and METAL (maths concepts in economic applications)

Developments in Economics Education Conference 2019

The 2019 DEE conference, hosted by the University of Warwick in September, was the 10th and also the largest with over 140 delegates from 65 different institutions across the world. The themes of the conference were online learning (linked to the special edition of the International Review of Economics Education, and employability skills in UK economics degrees. This second theme was the focus of a recent Economics Network research project, led by Cloda Jenkins at UCL, and the special session that opened the first day of the conference. This was followed by a drinks reception at a local brewery where the 20th anniversary of the founding of the Economics Network was celebrated.

The main conference was opened with a plenary in which current and former EN staff collected and shared delegates’ views on the Network’s influence over the past 20 years, their thoughts and concerns about economics higher education, and what had brought them to the DEE conference. Through this exercise, it was clear that improving student engagement and ensuring relevance of economics degrees were top priorities for delegates.

A session in the conference addressed these topics, as well as student support, economics games, assessment, teaching data, assessment, feedback, attainment gaps, active learning and curriculum reform. There were also interactive workshops sessions exploring video challenges, online learning and encouraging inquisitive learning. The programme, abstracts and presentations from the conference are available on our website at: www.economicsnetwork.ac.uk/dee2019.

The keynote talk was given by Professor David Colander from Middlebury College in Vermont who focused on the importance of teaching nuance. Professor Colander argued that a nuanced understanding of the discipline should be introduced from the outset in our economics courses and that ‘we don’t have to change the models; we have to change the nuanced way in which the models are presented to students’.

The conference ended with a panel session on diversity in teaching and the student body, with Arun Advani (Associate Professor at the University of Warwick and co-chair of the ‘Discover Economics’ campaign) and Christina Segal-Knowles (Executive Director for Financial Markets Infrastructure and co-chair of the Women in the Bank Network at the Bank of England). The panel stressed the importance of breaking stereotypes of economists, to portray the diversity of the discipline and crucially to encourage a more diverse group of students to study the subject and pursue careers as economists.

Over the past 10 conferences, the EN has striven to address important issues in higher education economics (such as curriculum reform, graduate employability and diversity) and to constantly improve the quality and impact of the event. We were therefore delighted that 100 per cent of this year’s delegates stated that they would recommend the conference to a colleague and reported that the standard of the paper sessions was ‘good’ or ‘excellent’. One attendee shared the view that ‘the conference was great, by far the pedagogical research content is getting stronger and stronger, which is fantastic to see’.

A notable feature of DEE meetings is the friendly and collegiate atmosphere that they have developed thanks to the Network’s community. One delegate commented: ‘First time I’ve been to an Economics
Network event. I was impressed and delighted by the camaraderie of delegates and the ease with which we could strike up conversations and exchange of knowledge and experience. Well done for fostering such a genuinely collegiate and sharing atmosphere’.

Early careers workshop
23 and 24 April 2020
Swansea University

This workshop is an interactive two-day event for early careers staff focused on effective and innovative economics teaching. The workshop is endorsed by both the Royal Economic Society and Scottish Economic Society, and sessions are mapped against the UK Professional Standards Framework.

Sessions at the workshop include:
• Making large group teaching more engaging
• Using games and the media in teaching
• Voice and presence in the classroom (with a RSC-trained actor)
• Teaching interpretative sessions
• Teaching analytical sessions

As in previous years, attendees from subscribing departments will be offered reduced registration fees for this workshop. Further information and booking is available at:
www.economicsnetwork.ac.uk/events/earlycareers

Learning and teaching awards

We have been running the Economics Network Learning and Teaching Awards since 2011. These awards are given in recognition of exemplary teaching practice that encourages understanding of and inspires interest in economics. This year we received more nominations than ever before and these were of a very high quality.

The awards were presented at the Developments in Economics Education Conference dinner at the University of Warwick. The following is a list of winners by category. Details are available at: www.economicsnetwork.ac.uk/awards/2019

Outstanding Career Achievement in Economics Education
Prof Wendy Carlin, University College London

Outstanding Contributions to Economics Education
Joint winners: Steve Proud, University of Bristol
Dimitra Petropoulou, LSE

Joint runners-up: Ben Knight, University of Warwick
Matthew Olczak, Aston University

Best New Lecturer Awards
Winner: Maria Kozlovskaya, Aston University

Runner up: Tadeusz Gwiazdowski
Commended: Ruth Badru, University of East Anglia
Brian Varian, Swansea University

Best paper in the International Review of Economics Education

Steven Cobb, Michael McPherson, David Molina, John Quintanilla, Elizabeth Rasmussen and Jeffrey Rous for their paper entitled ‘Teaching economics to the masses: The effects of student help centres on academic outcomes’ (Vol 27, pp.16-23).

Editor’s note:
This summary of the DEE 2019 Conference draws on the report in the EN’s Newsletter, no.31, December 2019. That Newsletter also contains:
National Student Survey Analysis
Employers’ Survey 2019
Employability Skills in UK Economics Degrees
Public Understanding of economics survey (see pp.11-12 above).

The Newsletter can be downloaded at the EN’s website:
www.economicsnetwork.ac.uk

CORE at Queen’s University Belfast

Economists use models, and how different models are needed to explain different phenomena, has been explained well, using the ‘hockey-stick diagram’.

CORE challenges first year undergraduate students more than a traditional course in many ways. It provides them with the motivation and tools necessary to get to grips with real-life issues. It is also a showcase of what economics can be—a powerful lens that can help us make sense of a complex and changing world.

CORE is a real innovation, and it brings to mind a particular feature of innovation from history. As Paul David has highlighted, when the electric motor was developed, motors were often simply ‘bolted-on’ to existing production systems. It took time before people fully took advantage of the opportunities that it offered. Then, after factories and processes were redesigned to take advantage of the flexibility of electric power, the full benefits of electrification emerged.

There have been profound innovations in economic thinking and information technology in the last 30 years. The CORE Project’s approach—whether it is taught through The Economy, ESPP, or Doing Economics — represents the factory redesign that can allow us to take full advantage of these important innovations. This project can shape how a future generation perceives and uses economics.
The difference between actuarial valuation and bond pricing

I

N MY REPLY to the article by Casey and Ralfe in July 2019, I pointed out the inconsistency of the bond-based approach to valuing a DB scheme. The inconsistency can be seen by splitting the USS into two DB schemes which are identical in all respects except for the composition of their sponsors; the scheme with sponsors of higher credit rating will have to pay more to fund the same future pension payments due to a lower discount rate, despite both schemes having the same contributions and portfolios of assets to generate returns.

Therefore, an actuarial approach to valuing a DB scheme tends to focus on the cash flows generated by the scheme assets. Unlike the actuarial valuation, bond pricing is mainly about the ability of borrowers to pay back the debts. If there is any, the credit rating of sponsors could relate to the cost of pension provision in a way that is opposite to bond pricing: as long as the risks involved are of acceptable level, a higher credit-rated sponsor has a stronger covenant which allows a DB scheme to invest more in risky productive assets, thereby giving rise to a higher discount rate and a lower funding cost. Note that the discount rate may be regarded as a prudent estimate of investment return on assets held by a pension scheme.

Views of the Pensions Regulator

It is natural for the Pensions Regulator (tPR) to be involved in the valuation of pension schemes in the form of providing guidance around an ‘envelope’ of outcomes that are acceptable to the regulator. However, not all views of tPR are necessarily consistent with evidence and such views should not be accepted blindly by the trustees as well as the stakeholders.

For example, tPR has been concerned with the speed at which liabilities of USS have grown relative to the size of the sector. However, analysis undertaken by the USS Trustee shows that the size of the scheme is expected to fall relative to the sector over the next 20 years.

Likewise, tPR’s view (as pointed out by Casey and Ralfe) that the strength of covenant of the USS belongs to the ‘tending to be strong’ category is actually NOT shared by the Trustee’s covenant advisers who conclude with a well-evidenced and positive analysis of the sector that the scheme is ‘strong’ (the top category).

Last, but not least, contrary to the view of tPR that the 2017 and 2018 actuarial valuations of USS were at the limit of what is considered to be compliant with legislative requirements for prudence, both reports of the Joint Expert Panel (JEP) remind us of the strength of the specificities of USS. In particular, the very long-term nature of the scheme, its relative immaturity and cashflow-positive status and its ‘last man standing’ mutuality mean that it is possible for the scheme to invest more in risky productive assets.

A valuation governance process ‘no longer fit for purpose’

Casey and Ralfe claim that the valuation assumptions underlying the USS valuations can be ‘massaged’ to give a lower deficit. The pension regulatory guidelines, however, require the valuation assumptions be evidence-based. It turns out that the investment returns assumed by USS and its actuary in the 2017 and 2018 valuations are so low that the first ten years of discount rates are negative in real terms. If more sensible investment returns were assumed, the USS would be in surplus.

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It is clearly a breach of their fiduciary duties if trustees allow un-evidenced assumptions to be used to obtain a counterfactual deficit or surplus. It is for this reason that Professor Jane Hutton, a USS trustee nominated by the University and College Union, had been asking for relevant information from USS so that her fiduciary duty could be fulfilled. Since such information would reveal ‘the increased contributions demanded by USS are … likely to be addressing a deficit that continues to be wrongly calculated’, her unremitting efforts seem to have incurred the ‘wrath of USS’ and she was fired on 11 October 2019. The following is from Jane Hutton on
Letter to the editor

Economists and climate change

Sir,

Professors Oswald and Stern (Newsletter no. 187, October 2019) make an important point about the relative neglect of climate change by academic economists. As Europeans they may be missing one cause. In the United States, and — I’m ashamed to admit — Australia, the very existence of climate change, let alone the policy response, is a highly contested political issue. Economists wanting to seem impartial, or with an eye to a government appointment, may therefore avoid writing on it.

Yours sincerely

Dr John Hawkins
University of Canberra
Australia

Resources for teachers

If you are looking for new ideas and guidance to improve your teaching, the Economics Network has a range of resources including case studies, a Handbook for lecturers, a question bank, and links to data that’s easily integrated into courses. Find out more at:

https://www.economicsnetwork.ac.uk/resources
Thelma Liesner

Thelma Liesner — née Seward — editor of this Newsletter from 1995 to 1997, died on 22 July 2019. She was born in Uxbridge, West London, on 21 December 1929, the last of five children. After school she had a number of secretarial jobs but then decided to seek academic qualifications and successfully applied to read economics at University College London. After graduating, she was appointed Research Officer at the Cambridge Department of Applied Economics and also Director of Studies in Economics at Girton College. Thelma resigned from her Cambridge posts in 1973. Her husband Hans, also a Cambridge academic when they married in 1968, had accepted an appointment at the Treasury, and they decided to move much closer to London. Thelma took on a number of part-time jobs and also compiled historical series of statistics for nine major countries going back to well before 1900, subsequently published by The Economist under the title One Hundred Years of Economic Statistics.

In 1995, Thelma took over the editorship of the RES Newsletter from David Greenaway and was instrumental in expanding and redesigning the Newsletter and giving it a professional and attractive appearance. Writing to congratulate her in January 1996, David Greenaway said ‘I just wanted to say that you have done a superb job in terms of reformatting and representing. I think it looks very good’. The late Sir Tony Atkinson wrote in similar terms. To appreciate the scale of the changes that Thelma introduced, readers need to look at the article in the January 1998 Newsletter written by David Greenaway, Thelma and Margaret Henderson (the editor from 1971 to 1990). The article celebrates the 100th issue of the Newsletter and details its history from a twice-yearly news sheet typed at home by Margaret who arranged the duplication, stapled the sheets and distributed them ‘from the Henderson dining room’.

When the present editor took over (much helped incidentally by Thelma) the Newsletter had already been transformed into a quarterly A4-sized, two-colour, professionally designed and printed publication. In managing this transformation, Thelma had to cope with a technology far less helpful than it is today. It involved much physical cutting and pasting of typed copy, with handwritten instructions to a design bureau who were responsible for preparing a printable version. One can only imagine that the final appearance of each issue, smart, entertaining and literate as it was, must have been met with great relief. Although much more of its production has been taken ‘in house’ in recent years and there have been a few redesigns and a small expansion, these are modest changes compared with the changes overseen by Thelma.

Regarding the Newsletter’s content, which Thelma did much to expand, an innovation of which she was justifiably proud was (and remains) the series of ‘Letters from America/France/Germany’. These have been amongst the popular features of the Newsletter — readers regularly describe these as the highlights. They began with Sir Angus Deaton’s ‘Letter from America’. Looking back on her invitation, Sir Angus said ‘I am eternally grateful to her for suggesting that I do the letter. It has been very important to me. I don’t think I would have written The Great Escape, or my new book with Anne, without learning to write for a wider audience through these letters. And from the positive feedback over the years.’ If plans to re-publish some of Sir Angus Deaton’s Letters from America in book form come to fruition, this will be a fitting tribute to Thelma’s inspiration.

After relinquishing responsibility for the Newsletter Thelma continued with part-time jobs such as voluntary work for the British Library and the editorship of a local magazine. Over the last few years failing health took its toll but to the end she greatly enjoyed the company of family and friends.

For so many initiatives in such a short period of time the Society owes her a great debt of gratitude.

Peter Howells
Editor
RES news

Membership Renewal

Members whose subscriptions are due to expire are invited to renew. Membership income is vital to support the Society’s activities, including our grant schemes, the Discover Economics campaign and our support for PhD students. We do hope you will choose to renew. You can renew your membership online at RES.org.uk

Thank you for your continued support.

Climate in Economics survey

The Royal Economic Society will be circulating a survey to members in the New Year that aims to better understand the professional climate and culture in economics in the UK. We will use the results of the survey to inform further development of the Code of Conduct and other initiatives to promote a more inclusive climate.

RES President Rachel Griffith stated ‘The Royal Economic Society is committed to promoting diversity in economics. This survey and draft code of conduct are important steps in creating a more inclusive climate. I encourage everyone to respond to the survey when it is released in early 2020.’

Honorary Treasurer and Women’s Committee Chair

Sue Holloway (Honorary Treasurer) and Sarah Smith (Chair of Women’s Committee) come to the end of their terms in summer 2021 and spring 2020 respectively. The RES now seeks expressions of interest for these positions.

These are key roles at the Society and will play an integral part in executing the 2019-2023 strategy. Once appointed, the Honorary Treasurer-elect will shadow Sue Holloway and formally succeed her in the summer of 2021. The new Chair of Women’s Committee will succeed Sarah Smith next spring. Both are three-year appointments.

Applicants should submit a CV with a covering letter identifying how they meet the criteria set out in the role description. Applicants for the Honorary Treasurer role should submit this information to Leighton Chipperfield, Chief Executive L.Chipperfield@res.org.uk. Applicants for the Chair

First degree-level economics apprenticeships

The University of Kent has welcomed students to the first degree-level economics apprenticeship programme. The ‘Professional Economist Degree Apprenticeship’ is a joint venture between the University and the Government Economic Service and will create new routes to careers in the Civil Service and with a wide range of other employers for young people who would prefer to study for a degree whilst being employed at the same time.

Notes:

1. Jo Michell is Associate Professor of Economics at the University of the West of England; Jan Toporowski is Professor of Economics and Finance at SOAS University of London.
2. The full report, on which this article is based, is available on https://progressiveeconomyforum.com/publications/can-the-bank-of-england-do-it-the-scope-and-operations-of-the-bank-of-englands-monetary-policy/ The authors are grateful to Michael Davies, Andy Denis, Charles Goodhart, Andy Haldane and John Weeks for comments on an earlier draft of this report, and to participants at a recent PEF workshop where many of these ideas were discussed. The views expressed are those of the authors who also bear responsibility for any remaining errors.
3. https://www.bankofengland.co.uk/monetary-policy/quantitative-easing
8. https://www.ft.com/content/a5177bee-2176-11ea-b8a1-584213ee7b2b
of the Women’s committee should submit this information to Denise Osborn, Secretary-General: secretary-gen@res.org.uk.

Applications for both roles close on 15 February 2020.

Easter Training School

The Royal Economic Society will be holding its 30th residential Easter Training School from Monday 20 April - Wednesday 22 April 2020 on the University of Essex Colchester campus.

Our annual training school, supported by the ESRC, provides advanced training to enhance the understanding of current economic issues. This year the school will explore the economics of media: political influence on the media, media bias, political accountability, advertising, social media and the impacts of entertainment media.

Applications are now open with a closing date of Monday 13 January 2020. See here for full details.

The RES also invites proposals from institutions who wish to host the Easter Training School for 2021-2023, with the possibility for a further extension for three years. Proposals should be submitted via email to resoffice@res.org.uk by 5pm on Friday 24th January 2020. Find out more here.

The Royal Economic Society joins the Academy of Social Sciences

The RES recently joined the Academy of Social Sciences (ACSS). RES joins 44 other member learned societies, who embrace the major disciplines, and many sub-disciplines and areas of study, which make up the social sciences. Together, the Academy and Member Learned Societies have 90,000 social scientists within their collective memberships; a powerful voice for the sector.

The Academy’s purpose is to ‘promote the social sciences in the UK for public benefit’ through advocacy linked to its campaign for social science, by bringing evidence to influence policy, by providing an active forum for learned societies, and by recognising excellence.

Rita Gardner, Chief Executive of the Academy, says, ‘We are absolutely delighted to welcome RES into the ACSS and look forward to working with them as the Academy develops and implements its new strategy.’

Leighton Chipperfield, Chief Executive of the Royal Economic Society, says, ‘Coordination between and across the social sciences has never been more important, both for the communities we serve, and to address some of the biggest issues in society. We are pleased to join the Academy of Social Sciences to support this effort, and to highlight the importance of interdisciplinary collaboration and research.’

Annual Public Lecture

In November the RES held its Annual Public Lecture at the Royal Institution in London and at the University of York.

Professor Tony Venables of Oxford University delivered his lecture The Urban Challenge: Making Cities that Work, discussing the economics that underpin city performance and the policy challenges that cities face. The lectures were followed by a Q&A session which prompted further discussions on topics ranging from land tax to gentrification.

Professor Venables also met and spoke with the winners of the RES Young Economist of the Year Competition.

Undergraduate Video Competition winner receives prizes

This year marked our third Undergraduate Video Competition, which encourages university students from across the country to create their own 3-minute videos explaining economic concepts and issues to a general audience.

Rana Mallah won this year’s competition for her video A Libra Induced Recession, which you can watch here. Rana won the £1,000 prize as well as a 1-year RES student membership. She was presented with her certificate by RES Past President Lord Nicholas Stern.
RES Symposium of Junior Researchers

Organised by research students for research students, the Symposium of Junior Researchers is supported by the Society and takes place on the final day of our Annual Conference.

This year the RES Symposium of Junior Researchers will take place on 9th April 2020 at Queen’s University Belfast. The Call for Papers is now open - we encourage submissions from PhD and early career researchers in economics and related disciplines. Submissions are open until 20th January and can be made here.

Symposium organisers are also recruiting for members of the scientific committee. If you are interested in becoming a member, please contact res.junior.symposium@gmail.com.

Is economic globalisation a force for good or evil?

Globalisation stirs strong emotions. Our increasingly inter-connected world generates a range of opportunities and challenges for firms, workers, and policymakers, which are addressed in the second Virtual Issue of the Economic Journal.

This research collection highlights the vast diversity of issues that surround globalisation. Topics include Brexit, the diffusion of ideas, the environment, foreign direct investment, the Great Recession, innovation, labour markets, macroeconomic policy, migration, productivity, and more.

Browse leading research papers on globalisation, wherever you are, until the end of February 2020

https://academic.oup.com/ej/pages/globalisation-vi

The Economic Journal on the OUP blog

Authors published in the Economic Journal have written a variety of pieces on the respected OUPblog. Topics range from the impact of China’s one child policy on crime, to the effects of natural disasters on religiosity.

Read the latest blogs at: https://academic.oup.com/ej/pages/oupblogs

Conference diary

2020

February

1-2 February Oxford

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

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

3 February Edinburgh

This International Conference on Business Economics and Finance (ICBEF) is being organized by TECHNOARETE INTERNATIONAL to provide an opportunity to research scholars, delegates and students to interact and share their experience and knowledge in technology application.

Further information: http://technoarete.com/Conference2020/2/UK/ICBEF/

5-6 February Frankfurt am Main

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


21-22 February Munich

10th ifo Conference on Macroeconomics and Survey Data. The conference is intended to discuss ongoing research on survey and micro data and its role and usage in macroeconomics. The deadline for paper submissions is: 31 October 2019. There is no conference fee for presenters; for non-presenters the fee is 250€.

Further information: https://www.ifo.de/node/44334

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Conference diary

march

1-2 March Dublin, Ireland
The 595th International Conference on Management, Economics & Social Science - ICMESS 2020 is being organized by Researchfora. The aim of the conference is to provide the platform for Students, Researchers and Academicians to share the knowledge and ideas in the recent trends in the field of Management, Economics & Social Science.

Further information: http://researchfora.com/Conference2020/Ireland/1/ICM ESS/

11-12 March Barcelona, Spain
The key intention of 784th International Conference on Economics Finance and Research 2020 is to provide opportunity for the global participants to share their ideas and experience in person with their peers expected to join from different parts on the world. In addition this gathering will help the delegates to establish research or business relations as well as to find international linkage for future collaborations in their career path.

Further information: http://researchworld.org/Conference2020/Spain/1/ICEFR/

12-13 March Paris, France
The aim of the 643rd International Conference on Economics Finance and Accounting (ICEFA) is to bring together innovative academics and industrial experts in the field of Economics Finance and Accounting to a common forum. All the registered papers will be published by the World Research Library and will be submitted for review for indexing by Google Scholar etc. The conference will be based at the Hôtel Kyriad Paris Sud - Porte D’Ivry.


13 March London
Applied Environmental Economics Conference. The UK’s Network of Environmental Economists (UKNEE) is proud to release the call for envecon 2020. This is a call for papers and posters. envecon 2020 will feature a dedicated poster session within the agenda, and we are pleased to invite your submissions. The following topics are some areas of interest for papers and posters, but the conference is open to all topics so long as they focus on the application in practice.

Further information: uknee@uknee.org.uk

13-14 March Munich
CESifo Area Conference on Energy and Climate Economics 2020
Keynote Speaker: Matthew J. Kotchen (Yale)

Further information: https://www.cesifo.org/en/node/50635

19-22 March Shanghai, China
The Western Economic Association International 16th International Conference will be held at Fudan University. Keynote speakers include:

Philippe Aghion (LSE, Harvard, Paris School of Economics)
Richard Blundell (IFS and University College London)
Alan Auerbach (University of California, Berkeley)
Guanghua Wan (Director of Institute of World Economy, Fudan University)

Further information: https://weai.org/conferences/view/7/16th-International-Conference

24-25 March Edmonon Canada
The International Conference on Economics and Business Research (ICEBR-2020) will be held at the Radisson Hotel, Edmonton Suth. The key intention of ICEBR 2020 is to provide opportunity for the global participants to share their ideas and experience in person with their peers expected to join from different parts on the world. In addition this gathering will help the delegates to establish research or business relations as well as to find international linkage for future collaborations in their career path. We hope that ICEBR 2020 outcome will lead to significant contributions to the knowledge base in these up-to-date scientific fields in scope.

Further information: http://iser.co/Conference2020/Canada/9/ICEBR/

25-28 March Rome
The 89th International Atlantic Economic Conference. Submission (of abstracts) is required by 15 November 2019. A submission fee applies.

**April**

6-8 April  
**Belfast**

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

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

Registration for the 2020 Annual Conference will open on Monday 13 January 2020 and closes on Monday 9 March 2020. The deadline for Early Bird registration is **Monday 10 February 2020**.

Further information:  
https://www.res.org.uk/event-listing/annual-conference.html

2-28 April  
**Perth, Scotland**

**Scottish Economic Society 2020 Annual Conference** will be held at Perth Concert Hall. The Society invites submissions of papers and proposals for organised sessions from all areas of Economics, Economic Policy, and Econometrics. Deadline for submissions: **27th January 2020**.

Further Information:  
www.scotecon.org

**May**

21-22 May  
**Lancaster**

The seventh annual conference on *Auctions, Competition, Regulation, and Public policy* will be held at the Lancaster University Management School. The objective of the conference is to stimulate, in particular, applied research on auctions, competition, regulation, and public policy by bringing together leading researchers in the field.

This year, the keynote speaker is Professor Jakub Kastl (Princeton University).

Further information:  
https://sites.google.com/view/acrpp

**June**

8-13 June  
**Venice, Italy**

CESifo, in cooperation with Venice International University, will host its twenty-first Summer Institute in Venice, Italy, bringing together international economists working on economic policy topics. The following workshops are scheduled:

- Emergence and Dynamics of Personality and Attitudes over the Life Cycle (8-9 June)  
- Media and Technology Influences on Economic Decision-Making (8-9 June)  
- The Role of Firms in Migration Research (10-11 June)  
- Using Novel Methods and Data in Applied Microeconomic Research (12-13 June)

Further information (including keynote speakers):  
https://www.cesifo.org/en/venice

25-27 June  
**Berlin, Germany**

**The European Association of Labour Economists 5th International Conference** will be held at the hotel Titanic, the hotel Berlin Mitte and the headquarter of the German Leibnitz Association, all located next to each other and in the former East Berlin. Keynote speakers:

Michael Keane, University of New South Wales  
Jessica Pan, National University of Singapore  
Erik Plug, University of Amsterdam  
Petra Todd, University of Pennsylvania

Further information:  
http://www.eale.nl/call-for-papers-and-paper-submission-site/

**August**

28-30 August  
**Bologna, Italy**

The 47th Annual Conference of the European Association for Research in Industrial Economics (ARIE) will take place at the University of Bologna. The organizing committee is chaired by Luca Lambertini.

Further information (available soon):  
http://earie2020.earie.org
Membership of the Royal Economic Society 2020

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

• Access to *The Economic Journal* and *The Econometrics Journal* including back issues and pre-views of papers before their publication.
• Savings of up to a 1/3 on the ticket price for the annual conference and the opportunity to apply for the Society’s grants and financial support.
• Our quarterly *Newsletter* which includes topical articles, comments and letters.

Membership subscriptions 2020

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<tr>
<th>Membership Type</th>
<th>Price</th>
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<tr>
<td>RES Member: Print + Online 1 year</td>
<td>£66</td>
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<tr>
<td>RES Member: Online only 1 year</td>
<td>£42</td>
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<td>RES Member: Online only 3 years</td>
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<td>RES Retired Member: Online only 1 year</td>
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<td>RES Retired Member: Print + Online 1 year</td>
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<td>RES Developing Countries Member: Online only 1 year</td>
<td>£25</td>
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VAT applicable to those residing in the UK and EU, in addition to the prices listed above.

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