Off to Manchester in the morning

By the time that members receive this issue, this year’s Annual Conference (held at Manchester University) will be over. However, we hope you may have taken advantage of some of the numerous innovations this year to watch either live or recorded events streamed from the website and/or to post comments and participate in online discussion from remote sites. These facilities are all part of a major drive, along with the enhanced website itself, to increase the Society's engagement with the widest possible audience. If you did sample any of these treats, we would welcome your views, on:

www.res.org.uk/view/0/2014conferencehome.html (Look under 'Comment on RES Live!')

Although it was presented at the AGM only a few days ago, we’ve just managed to include the Secretary-General’s Annual Report for 2014, and a very positive reading it makes. It provides further detail on the extensive activities that the RES is developing to increase its audience and enhance its profile as well as on the increase in membership.

In addition to that, we have Angus Deaton’s regular Letter from America and a longer list than usual of ‘feature’ items, including interesting essays on Polish economists and (in the spirit of the moment) misconceptions surrounding the Great War.

In the next issue, of course, we shall have a report of the Conference itself.
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.

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

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

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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 Latin quote comes from Virgil and speaks of the drive of bees.

For membership benefits, subscription fees and how to join the Society, see back cover or go to: www.res.org.uk
I started my report last year by referring to the honeybee that is the Society's emblem and noted its origin in Bernard de Mandeville's 1705 poem The Grumbling Hive, an early 'treatise' on economic affairs, cited with approval by both Keynes and Doctor Johnson. I am happy to be able to report that our hive, healthy last year, continues to thrive and the sound from it is one of buzzing contentment! What are the key indicators of the Society's robust health?

First, our ordinary membership, 3179 at the end of 2012, stood at 3526 in December 2013 — a net increase of 347. This continues the upward trend that started in 2010 and we have seen an increase across the geographic spectrum. The other membership feature of note is that we have continued to see significant growth in online-only membership. The 2013 total for this class of service is 1996 with 680 of these being 3-year student deals, 176 1-year student deals and 1140 ordinary members. It is worth noting that while 61 per cent of our paid membership is now in this form, 80 per cent of our new members choose it.

Second there is our online presence. Since 2012, the Society has invested heavily in developing its website. This offers many features designed to maximise its usage and readership, as well as to enhance the Society's external profile. Of particular note is the work that has been done to integrate the Annual Conference website and the redesign of the online Newsletter and Conference Diary. Work is progressing on transferring archives of media briefings and past Conferences. For example, there is now a library of webcasts from the Annual Conference, the annual Public Lecture and the Policy Lecture and we actively monitor traffic. There is now an RES YouTube Channel with short clips that promote Society events and we now have a policy of filming and offering access by live interactive link to all RES lectures.

Third, are our assets — both human and financial. The Society could not function without the energy and goodwill of its officers and staff. I will be more specific about their contributions below but I think it is important that at the outset members are aware of how lucky the Society is to have such a dedicated and willing group of Council members, Officers and Support Staff. It is the energy that they put into the organisation and running of our activities and functions and the management of our journals and publications that enables me to report lots of healthy activity in the beehive.

Let me also say a little about our financial resources, though I don’t want to repeat what is in the Treasurer’s report.

Some two thirds of the Society’s income comes from our publishing activities, mainly from the Economic and Econometrics Journals. As I indicated last year, we put our journal publishing activity out to tender. That resulted in us signing a new five-year contract with Wiley which started this year. Current data reveal that our journals are available via licence in over 3800 institutions worldwide. Of course, in these days of austerity in higher education, library budgets are inevitably under pressure and non-renewal is a threat we face. However, the most recent data we have show that the two journals achieved an overall renewal rate of 96.6 per cent in 2013. This compares with 96 per cent for Wiley’s social science titles as a whole. In addition to these commercial licences, the Economic Journal and...
the Econometrics Journal are now available in over 5,200 institutions in the developing world by way of various philanthropic initiatives. I mentioned above the growth of online activity. The most recent data we have for the two journals shows that full text downloads for the Economic Journal increased by 26 per cent and for the Econometrics Journal by 20 per cent in 2013. In China, the readership of both journals increased by over 50% in 2013. In this context, if I may, I would like to return briefly to the honeybee.

Some of you will have read the recent UN IPCC report on climate change. What you will probably not have noticed in the report was the prediction that climate change would exacerbate the risk of extinction for bees and other pollinating insects. These are already under threat from pesticides and habitat loss. Since bees are particularly important for crop pollination, environmental campaigners have been arguing that steps need to be taken to reduce other stresses by ensuring that bees have plentiful and varied food sources and by helping farmers reduce their reliance on chemical pesticides. The UK Government is currently consulting on a National Pollinator Strategy. That will need to be strong enough to help bees survive in a changing climate risk. Well, the Society faces its own climate change threat in the form of open access and the likely erosion of licence income. I want assure you that your executive committee are well aware of the threat and are addressing it. While we don't yet have in place our own ‘national pollinator strategy’, its development is part of our current strategic thinking, something that I shall say more about below.

Membership
As I mentioned earlier, the trend in membership has been positive. The chart below shows a positive trend over the last three years, both for membership as a whole and its distribution geographically. As part of the benefit to learned societies so as to encourage a broad base of membership. On the personnel side, Kathy Crocker, our membership secretary, has been working with Robin Naylor Amanda Wilman and with Wiley to review our membership offer and marketing so as to further improve engagement with our members. I would like to thank Kathy for her all her work for the Society.

Finance
As the Treasurer reports, the Society’s finances continue to be sound, although there is some expected and continuing erosion of our publishing income. The Society plans a deficit for the Annual Conference, as it is a key element of our charitable activity. However, although successful as an event both in terms of the scale and quality of the programme and media coverage, the deficit on the Royal Holloway event was larger than expected as the total numbers attending were smaller than in 2012 but initial evidence on this year’s conference in Manchester suggests that may have been a temporary blip. The Society’s overall spending on projects and grants was more or less maintained this year. However there was a notable increases in awards under the Special Project Grant Scheme and we have also increased our investment in the Young Economist competition.

Governance
We will of course be welcoming new members to Council this year: James Banks, Diane Coyle, Amrita Dhillon, Stephen Machin, John Van Reenen and Silvano Tenreyro. However I would like to express my thanks and also the Society’s, to those members of Council whose terms of office come to an end at this meeting: Simon Burgess, Nick Crafts, Spencer Dale, David Miles, Margaret Stevens and Catherine Waddams. They have all contributed in a variety of ways and I would like to use this occasion to thank them publicly. Simon, David and Catherine have put in some hard work as assessors in the Junior Fellowship scheme and David has also been closely involved in the Policy Lecture series. This is also true of Nick Crafts but I would like to express particular thanks for his service on the Executive Committee.

A Council working party under the chairmanship of the President has undertaken a review of the Society’s strategy with the aim of achieving a targeted improvement in the activities of the Society and in the deployment of its resources, including the potential role that could be played by Council members. It has suggested the following actions:

- Diversification of our income stream so that it becomes less dependent on journal revenue;

www.res.org.uk/view/resNewsletter.html
• Build on the Society’s present offering to — predominantly academic — members by extending the services offered to members and increasing regular engagement with them;

• Without compromising the offering provided to the existing membership, develop the Society's links with economists in the public and private sector, with the aim of serving as an 'umbrella' organisation for professional economists;

• Consistent with the above, develop the website as a forum for the exchange and promulgation of economic ideas to a broader audience, including schools and the general public;

• Exploit better the talents of Council members in the running of the Society.

Council has agreed that sub-groups of its membership should be formed to focus on running or developing areas identified as being of particular value to the Society and that these would work in conjunction with the relevant Society officers. The following groups are proposed: Strategy; Academic Affairs; Press and Media; Education and Schools; Links with Other Professional Groupings.

Finally, this year we will welcome a new President-elect, John Hardman Moore and, a task for the year ahead will be to search for and appoint someone to replace me as Secretary-General when I demit office in July 2015.

Communication and Engagement

This is an area where, working with Amanda Wilman and Romesh Vaitilingam, Robin Naylor, as Second Secretary has been in strategic control. His initial concern was to develop the website and he has put incredible energy into improving and increasing the potential of the website, particularly in relation to outreach through the filming and online streaming of Society events and webcasts from previous conferences. I was delighted that approval was given at the Executive Committee meeting last October to extend Robin’s term of office through to 2019 and he has already set himself an exciting agenda which should not only further our outreach activity but also bring on board new groupings and so hopefully expanding and broadening the Society’s membership.

Review of the Society’s activities

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

Annual Conference

Although attendance at the 2013 Conference at Royal Holloway was somewhat lower than had been anticipated, it was nevertheless a successful event with a very full programme, with sessions well attended and prominently featured in the national media. Keynote speakers were Raquel Fernandez, Matthew Jackson, Charles Manski and Richard Blundell who, as outgoing President, gave his Presidential Address and all of these as well as the two plenary sessions on Macropreudential Policy and the Investing in Prosperity Report, as well as some special sessions can be found on the RES website and YouTube channel.

I would like to thank all those involved in the organisation and management of the conference: Neil Rickman as Conference Secretary, the highly capable local organising team of Philip Neary and his colleagues at Royal Holloway and the Programme Committee led by Imran Rasul.

The RES Conference is being held at Manchester both this year and will be again in 2015. Oriana Bandiera and Ethan Izletski have headed the programme committee and Denise Osborn has led the local organising team. Denise has been assisted by Ralf Becker who will act as local organiser in 2015. The Society is extremely grateful to all four, along with their colleagues, for the hard and effective work they have put in to ensuring the Conference’s success.

Journals

I have already mentioned a key point of note: going out to tender and the selection of Wiley at the end of that competition to continue to publish our journals. Using legal advice, we have drawn up and signed a new contract that started in January. While there are a number of changes in the new contract, a key element is recognition of the increased importance that we attach to the hosting and development of the RES website. The journals themselves continue to be acknowledged as leading international journals in economics and the data in the most recent Publisher’s Report makes clear that they are among the most accessed journals they publish and the figures for online access have again increased in 2013. The Econometrics Journal continues to be run from Cambridge by Richard Smith and the Economic Journal from The Institute for Fiscal Studies. Steve Machin has stepped down as one of the Managing Editors of the EJ and his place has been taken by Morten Ravn. Steve has had a particularly long involvement with the EJ and I would like to thank him very much for his outstanding and valued service. Members will be pleased to learn that submissions to the EJ have increased by 6 per cent, turnaround times have fallen and the impact factor has risen. So, well done the editorial team (Martin Cripps, Andrea Galeotti, Rachel Griffith, Morten Ravn, Kjell Salvanes and Frederic Vermeulen, ably supported in the office by Stephanie Seavers, the Publishing Editor)!

www.res.org.uk/view/resNewsletter.html
Both journals award prizes for the best papers published in a particular year. The EJ has two (the RES and Austin Robinson Prizes) and the Econometrics Journal has one (the Dennis Sargent Prize). All three prizes will be awarded at key lectures at the conference in Manchester and have been publicised in the Conference Programme.

There is one final, but important, thing to say on journals and that is that 2015 marks the 125th anniversary of both the EJ and the Royal Economic Society and plans are in place for a special issue of the Journal to mark this important date.

Publications

The Society has always had a commitment to publishing scholarly editions of classic works in Economics: Ricardo, Malthus, Marshall and Keynes. Members will recall that we agreed a new contract with CUP to publish a digital edition of the 30-volume Keynes writings. Online access to the collection was negotiated between the Society and CUP so that Society members can have free online access to the digital edition.

Events

Public Lectures

This year’s lecture was again a great success. Tim Harford spoke to large audiences in London and Sheffield on ‘How to Run — or ruin — an economy’. For the first time the RES widened its outreach of this popular event by offering registration to school groups to participate in the London lecture by a remote interactive link. This allowed school groups or individuals to watch the event live, connect with others in the audience and engage with the topics being addressed by the speaker. A report on this initiative was featured in the Newsletter.

The public policy lecture series, started in 2011 by David Miles, and taken on by Nick Crafts in 2012 has continued with the 2013 lecture being given (at the beginning of 2014) by the Secretary of State for Business, Innovation and Skills. Vince Cable talked on the subject of ‘The shape of the economic recovery’ at the Bank of England and the RES again offered live online access to this event via its website.

Young Economist Essay Competition

This ever popular competition received applications from 1150 entrants from nearly 300 schools via online applications managed by our partners Tutor2U. First place was awarded to Ellie Heatherill of Runshaw College, Leyland, for her essay ‘Does the international mobility of talent make it impossible to tax the rich?’ Tom Rutter of Bishop Wordsworth’s School, Salisbury, was second with his essay on ‘Must quantitative easing end in inflation?’ Third place was shared by Georgina Evans (Perse School Cambridge) and Holly Metcalf (St Paul’s Girls School, London) both of whom addressed the question ‘Should the experience of China silence those who think democracy is good for growth’.

This competition tries to encourage students to avoid the strait-jacketed techniques best suited to exam-style questions. It was a delight to see in 2013 that many of our young economists were happy to choose this route and thanks should be given to their teachers for their support and encouragement.

Postgraduate Conference

Since 2006, the postgraduate conference has been held annually in January at a London university. 2014 RES Postgraduate Presentation Meeting & Job Market took place on 10-11 January 2014 at University College London. The meetings, organised by Martin Cripps, included a keynote talk given by Imran Rasul (UCL), followed by a drinks reception attended by the Government Economic Service, the Bank of England, the Institute for Fiscal Studies, the National Institute of Economic and Social Research, and Frontier Economics. 100+ PhD students from the UK, rest of Europe and the US presented their papers over the weekend. This annual meeting has grown to be a successful event and provides an important networking opportunity for students and potential employers, both academic and non-academic. In addition to the opportunity for PhD students to present their work, conference also provided them with the opportunity to attend plenary sessions covering practical advice e.g. ‘on getting published’. Next year’s conference will build on this year’s success and will again be held at UCL (9-10 January 2015).

Funding

RES Training Schools

The 2013 Easter school took place in April last year at the University of Birmingham. The subject of the school was DSGE Modelling and Financial Frictions. The lecturers were Mike Wickens (Cardiff University, University of York and CEPR) and Paul Levine (University of Surrey), with Cristiano Cantore (University of Surrey) and Joe Pearlman (City University). The 2014 Easter School will take place at the University of Birmingham between 13-16 April and will be led this year by Martin Ellison (Oxford) and Nobuhiro Kiyotaki (Princeton). The topic is ‘New Thinking in Macroeconomics and Finance’.

The future funding of the schools by the ESRC and RES is secure until 2019 but we will be moving them from Birmingham to another location and Professor Peter Sinclair is looking for another organiser to work with him in 2015 prior to taking over the running of the Schools from 2016 to 2019. The Society would like to record its appreciation to Peter Sinclair who, with his colleague Nick Horsewood, has done so much to ensure the success of these events.
Junior Fellowship Scheme

The scope and range of the scheme has been increased with up to ten fellowships being awarded each year. This expansion has required greater resourcing of the assessment of candidates and I am grateful to the five Council members who take on this responsibility. In 2013 the assessors were Simon Burgess, Paul Grout, Jonathan Haskel, Kim Scharf and Peter Sinclair. Fellowships were awarded to Saleem Bahaj (Cambridge), Georg Graetz (LSE), Reka Juhasz (LSE), James Lomas (York), Giulia Lotti (Warwick), Daniel Martins (Bristol), Eleanor Sanderson (Bristol) and Jonathan Timmis (Nottingham).

There is now an invited session at each Conference in which a selection of Junior Fellows present their research and we have also considering the establishment of an alumunus network for past, current and future Junior Fellows with its own a webpage on the RES site. This year the RES Fellows session will be chaired by Oriana Bandiera and those presenting are Emanuele Ciani (Bank of Italy), Daniel Rogger (UCL), Claudia Steinwender (LSE) and Theo Koutmeridis (St Andrews).

Other Schemes

We continue to run a number of other schemes. A number of grants and awards were made under the two that are administered from the Office: the Special Projects Grants Scheme (12) and the Visiting Lecturer Scheme (2 — Prof Shimer at LSE and Prof Meyer at Strathclyde).

In addition through our Conference Grant Fund we support members who are presenting a paper, or acting as a principal discussant at a conference (up to £500). The Society is also able to offer financial support to members who require assistance for unexpected Small Academic Expenditure (up to £600). The Conference Grant Scheme received 42 applications in 2013 — an increase of 27 per cent from 2012 (33 applications were received in 2012). A total of £11,200 was awarded to conference grants, with the remaining allocated to small academic expenses. Out of the 42 applications made 38 applications were successful, the vast majority of successful applicants being early career economists, at PhD or early post-doctoral level.

11 Small academic expenditure grants were awarded for an average amount of £395, and the majority of the applications came from the UK. As in previous years there was significant excess demand for the funds available and the RES has raised the budget slightly to reflect the increase in travel costs for applicants. These two schemes have been administered by Professor Muscatelli (University of Glasgow) for nine years and I would like to record my gratitude for the effective and efficient running of both.

Finally, I should mention the support provided by the Society to the Economics Network based at the University of Bristol. It is recognised to be an important national resource for the study and teaching of economics. As a result of the successful funding of the Economics Network through CHUDE departments and other partners, it will remain fully funded through 2015. The RES has committed to continue its financial support in 2016 and work to develop further areas of mutual benefit is managed through its Management Board representation (Eric Pentecost and Robin Naylor). All the EN’s major activities have been maintained on a greatly reduced budget including GTA workshops, New Lecturer workshops, a Developments in Economics Education conference, the EN website and a research project on student expectations in conjunction with 22 universities. The EN is now prioritising the ‘Why Study Economics’ website to help entice more young people into the subject and profession.

Other activities

Peter Howells has been reappointed as editor of the Newsletter for a final term until June 2018. The RES Newsletter continues to be published and distributed to all members quarterly providing a forum for discussion of economic issues and events as well as news about the Society and its activities. Peter has now added the facility of an online Newsletter and Conference Diary to link content from different sections of the RES website. There is also now an online archive of previous issues providing correspondence, discussion, features and obituaries.

Our media consultant Romesh Vaitilingam continues to ensure that the profile of economics as a discipline remains in the public eye and in the last year he has also moderated our new live online streaming of RES public and policy lectures, the Festival of Economics in Bristol and is running a team of expert moderators at this Conference. His main focus continues to be the provision of media briefings summarising new economic research findings presented at our annual conference and published in each issue of the Economic Journal. A library of these useful briefings can be found on our website and we look forward to the work he will do next year in connection with the special 125th Anniversary issue of the Economic Journal.

RES Committees

CHUDE continues to play a key role in the link between the Society and UK Departments of Economics and in interaction between the discipline and the ESRC and the Funding Councils. In the past year there have, as usual, been two full meetings (in November and at the Conference in April) and two Steering Group (SG) meetings in the spring and autumn. Three items have dominated CHUDE’s agenda this year: REF 2014; The Economics Network; and Open Access. In addition, advice has been given to all three A-level boards on the...
British men grow taller

This year’s Economic History Society 2014 Annual Conference covered many topical themes. (See Mark Harrison’s article below). In another presentation Tim Hatton and his colleagues1 explained why British men have been getting taller.

The average height of young men in Britain is currently five feet ten inches (178cm). A century ago, it was just five feet six (168cm). Furthermore, this increase occurred not just in Britain but throughout Europe. Why were earlier generations so much shorter?

The two key ingredients of growth during childhood are nutrition, which builds bone and tissue, and disease, which impedes that process. These in turn depend on socio-economic conditions during childhood, which include household circumstances and conditions in the local area. The relevance of this in the historical case is confirmed by the study’s finding that household size mattered: men with six siblings were half an inch shorter than those with just one; while locality mattered even more; men from districts where disease was rife were an inch shorter than those from the healthiest districts.

The researchers studied the heights of men who were born in the 1890s and who enlisted in the British army in the First World War. Because of the pressures for ever more soldiers, recruitment was not very selective. Indeed, nearly one in every ten men in the sample were shorter than the official minimum height of five feet three inches. So they were fairly representative of their generation.

To capture their childhood circumstances, the study located them as children in the 1901 census. By contrast with other historical studies of height (which typically capture only birthplace characteristics), the researchers were able to observe conditions in the individual’s childhood household as well as in the wider locality.

Analysing the influence of household conditions, they found that recruits were shorter the more siblings they had, and surprisingly, the more earners there were in the family. The recruits were also shorter the more crowded the household and the lower the socio-economic status of the household head. Thus, children growing up in larger, poorer and more crowded households had worse nutrition and were more exposed to infection.

But the strongest influence was the local disease environment, as measured by the infant mortality rate in the district. At the turn of the century, 15 per cent of children died before their first birthday and so this is a sensitive indicator of the healthiness of different districts. Unhealthy districts were typically those where overcrowding was widespread, where heavy industry was prominent and where illiteracy was high (especially among mothers).

The results provide some clues as to what changed over the twentieth century. Public investment in water supply and sewage disposal was important in producing a cleaner environment. So was improvement in housing, as the slums were cleared and overcrowding was reduced. Heavy industry withered and became much less toxic.

And although access to better medical treatments expanded only modestly until after the Second World War, basic knowledge about nutrition and hygiene spread more and more widely. Advances in the education of parents (particularly mothers) combined with smaller families brought significant improvements in the nurturing of children.

Note:
1. ‘Health, Height and the Household at the Turn of the 20th Century’ by Roy Bailey (University of Essex), Timothy Hatton (University of Essex) and Kris Inwood (University of Guelph)
America wakes up to inequality (again)

Angus Deaton argues that while the reduction of inequality has never been high a priority in US public policy, recent developments have at least forced it back into focus. But when it comes to action there is nothing to match the radicalism of a century ago.

For many years, income inequality was not much of an issue in the United States, either among academics, politicians, or in public discourse. Changing events and better data have changed that, and today the topic has moved to the forefront of debate.

There are many unfamiliar things in a new country, and one of the most immediate, for me, when I first came to America, was the lack of interest in inequality, among either academics or the general public. In the late 1970s, when people would ask me to give a talk, I would mention optimal taxation as a possibility, and be met with blank stares. The idea that the government might maximize an inequality-averse social welfare function subject to incentive constraints seemed absurd to most American economists. ‘A totally uninteresting social equilibrium’ was one of the kinder comments. Another (then) colleague was fond of misquoting Proudhon to the effect that ‘government is theft’, a position that appalled me (then, though I have somewhat more sympathy after thirty years’ experience of the US.) Another Princeton colleague, Alan Blinder, wrote his PhD thesis on income inequality and its effect on consumption, but found little, mostly because inequality changed so little from the 1950s to the mid-1970s; in Arthur Okun’s famous phrase, studying income inequality was like watching the grass grow.

In politics too, income inequality had little traction. Americans, unlike the British, are not interested in or disturbed by stories of ‘fat cats’, indeed they rather approve of them. Attempts by Democratic politicians to talk about inequality or redistribution were effectively met by cries of ‘class warfare’ from the Republicans. Americans, we were told, believed in the American Dream, that everyone could get rich if they tried hard enough.

Yet the politics has changed, as have events, and as have the data. The rise in income inequality after 1975 was apparent even from routine household survey data, but the extraordinary rise at the very top of the income distribution had to await the seminal work by Piketty and Saez. The documentation of the growth of top incomes, which appears to have resumed after the recession, has added fuel to other aspects of the discussion, on stagnant median wages, and on the effects of globalization and computerization on those at the middle of the income distribution. The grass has turned into a forest of beanstalks.

The rediscovery of inequality

President Obama proclaimed last year that income inequality is the defining challenge of our times. Bill De Blasio, fighting on an anti-inequality platform, was recently elected mayor of New York City in a landslide; he promised a special tax on those city residents who earned more than $500,000 to pay for pre-elementary education for all of the city’s children. (Currently the education initiative appears more likely to be enacted than the tax.) Alan Krueger, as Chairman of the Council of Economic Advisors in 2012, made a highly publicized speech (based on work by Miles Corak) showing that countries, like the US, with high income inequality were also those with the least equality of opportunity.

The popular press provides a daily diet of commentary on inequality. The New York Times runs a series called ‘The Great Divide’ with Joe Stiglitz contributing regular pieces on the baleful effects of inequality. The Wall Street Journal leads the counterattack. Economists, as always, are split. In 1998, Martin Feldstein commented that ‘income inequality is not a problem in need of remedy’. Other economists have questioned the data, whether consumption inequality has risen as fast as income inequality (yes, though we have no data on consumption for the very top), and whether the exclusion of taxes and transfers, or government spending on healthcare, is not exaggerating inequality (yes) or reversing the trend (no). Though it would be ironic indeed if the rising cost of medical care were used as an argument to say that the bottom of the distribution is actually doing OK.
Greg Mankiw has been a vocal defender of the social value of the high salaries ‘earned’ on Wall Street and paid to CEOs (or by CEOs to themselves.) When I recently talked about my book *The Great Escape* at the (libertarian) Cato Institute, and questioned whether the mass popular grief at the demise of Steve Jobs of Apple would be replicated at the deaths of Lloyd Blankfein of Goldman Sachs or Jamie Dimon of JPMorgan Chase, it was suggested that this was because the public do not understand the social importance of what they do.

**Was the ‘gilded age’ more compassionate?**

There are many comparisons with the gilded age, and not only in the inequality data. It is indeed interesting to look at how the extreme inequality a century ago affected-politics, either to moderate the inequality, or to reinforce it. In her recent joint biography of Presidents Taft and (Teddy) Roosevelt, Doris Kearns Goodwin writes about TR’s ‘trust busting’, attempts to rein in the illegitimate market power of the giant trusts in banking, oil and railways; TR saw the trusts as accumulating great wealth in a way that prevented competition and that immiserated a substantial share of the population.

Closer to (my) home is Woodrow Wilson’s reaction to inequality, documented in Scott Berg’s recent biography. While President of Princeton, Wilson was outraged by the fact that the college was effectively owned by the wealthy: Wilson’s predecessor, Patton, liked to claim that he was running the finest country club in America, and noted that ‘Princeton is a rich man’s college and that rich men frequently do not come to college to study.’ Wilson attempted to democratize the university but was defeated by the alumni and by his Board of Trustees, on which the ‘rich men’ were well represented. Two years after his resignation, he was elected President of the United States, where he succeeded in putting into law a number of anti-inequality measures, including reductions in tariffs, the creation of the Federal Reserve (to protect the country from the bankers during financial crises) and the introduction of the income tax on a permanent basis, which incidentally made it possible for Kuznets, Piketty and Saez to document top income inequality. Whether these policies would have reduced inequality is something that we will never know; the (First) World War (a name coined by Wilson) swept all before it.

What will happen this time round is impossible to tell, though we may hope that another World War might be avoided. Yet half way through Obama’s second term, a President seen by many on the right as the most anti-rich President of all time, there is little sign of any reversal in the upward trend of inequality.

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**University of Warwick Economics Summer School**

The Department of Economics at The University of Warwick is launching its first Warwick Economics Summer School, a three week programme which will run from July 21st - August 8th 2014. The Summer School is aimed at current undergraduates studying Economics and the courses available will be taught by world leading Economists including Nick Crafts, Andrew Oswald and Ariel Rubinstein. We also have an inspirational programme of evening speakers including Lord Gus O’Donnell, the former Cabinet Secretary and Head of the UK Civil Service and Lord Robert Skidelsky. It is an excellent opportunity for students to further enhance their skills and knowledge in Economics through studying at one of the leading Economics departments in Europe.

**Core Courses**

These courses aim to deepen students’ understanding in core areas of Economics and will reflect the highest standards of Warwick learning.

- Microeconomics
- Macroeconomics
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The Polish contribution to economics

In Newsletter no. 134 (July 2006) Harald Hagemann told the story of the contribution of German economists exiled from their native country by the Nazi regime. Here Janek Toporowski examines the contribution of Polish economists over a rather longer period.

There is, I think, no such thing as a national school in Economics. The ideas of professional economists in Poland, like the ideas of most economists in most countries of the world, were and are largely derivative, that is they are a pale reflection, or applications of, the ideas of ‘defunct economists’ from the past or from some other country, spread around by the international intercourse that came with trade, civilisation, and empire, and often confused by uncertain national identity: Walter Bagehot commenced his essay on ‘The Postulates of English Political Economy’ in 1876 with the words ‘Adam Smith completed the Wealth of Nations in 1776, and our English Political Economy is therefore just a hundred years old ….’.

Polish economics is no different. The economic ideas of its Scholastic period, following the establishment of its first universities, were much the same as those taught in universities elsewhere in Europe. The astronomer Nicholas Copernicus (1473-1543, whose statue as Mikolaj Kopernik stands in front of the early 19th-century seat of the Polish Academy of Sciences) enunciated a version of Gresham’s Law that bad money drives good money out of circulation. The merchants who traded across the Polish Kingdom and the Grand Duchy of Lithuania in the seventeenth and eighteenth century, as the Kingdom succumbed to political decay and dismemberment, were familiar with mercantilist ideas on trade and money. By the early nineteenth century Adam Smith and David Ricardo were read in the territories that had been Poland. On his Grand Tour of the Continent, in 1822, David Ricardo met Stanislaw Kunatt (1799-1866), who was to translate Ricardo’s Principles into Polish in 1826-7. By then Warsaw had its own University, established by the Tsarist authorities, with a Professor of Political Economy, Count Skarbek, reflecting the aristocratic character of such studies in an imperial polity that had not yet become bureaucratised.

However, in one respect Polish economics was different. After the partitions of the late 18th century, Poland had no state until 1918 and, therefore, no government that could be advised on economic and financial policy until the twentieth century. This meant that, whereas in other countries governments sought the advice of their economists and bankers on the challenges posed by industrially-based international commerce in the nineteenth century, a Polish government could not do so until the twentieth century. Political economy therefore flowered in Great Britain, France, Germany, Sweden, Switzerland, Austria, Russia, and even Italy some half-century or so before it did so in Poland. In one sense this was to the advantage of Poland. By the twentieth century, economics in Western Europe was held back by the past glories of its flowering, such as the victory of free trade and the quantity theory of money in ‘English’ political economy. In central Europe, the currency stabilisation of the gold standard becomes a dream from which its national schools of economics cannot awake, as evidenced by the supposed German allergy to hyper-inflation, and the nostalgia with which the monetary economics of the Austrian School re-lives Emil Steinbach’s reform of the Austrian florin in 1892 (advised by Eugen von Böhm-Bawerk and Polish-born Carl Menger).

In Poland the rise of capitalism, large scale industrial production, and railway construction were associated with a process of financial innovation, the development of banking culminating at the end of the nineteenth century with the emergence of markets for long-term debt and stock markets in the main Polish industrial centres, Poznan in the German part of Poland, Warsaw, Lodz, and Bialystok in the Russian parts of Poland. With growing bureaucratisation of business came a need for accountants, book-keepers, bank clerks. Business Schools (called Schools of Trade or Commerce) were established in Poland at the beginning of the twentieth century. Economics was taught in these schools. But interest in political economy had been galvanised much earlier by more political discussions around the possibilities of economic development in Poland, and whether the country was destined to economic dependence on the Russian, German and Austrian empires that had partitioned Poland over a century before. Industrial capitalism brought with it its own class conflicts and an interest in socialist and Marxist ideas. Nevertheless, in the years before the First World War, it was still common for Polish economists to be educated in German, Russian and Austrian universities, rather than obtaining a complete education in Poland, and in Polish.
Polish independence in 1918 changed all this. Polish economists coming into maturity after independence no longer travelled abroad to complete their education. At the same time, economics teaching at universities expanded, providing new opportunities for appointments. Economics was widely viewed as a science and this tended to discourage innovation. In Poland, as elsewhere a university position entailed primarily teaching, which included providing relevant textbook materials. Very few academics distinguished themselves with writing books, and the ones they wrote were principally concerned with policy rather than theory. This made Polish economics largely derivative. Poznan and Krakow became prominent centres for the promotion of liberal (in the sense of free market) ideas in economics. Warsaw, where economics was taught at the University as well as at the new Higher School of Commerce (Szkola Glowna Handlowa, SGH, originally established in 1915) adhered to the ‘Lausanne’ School of general equilibrium theorising.

The SGH had the stronger team of theoreticians. It was led by Wladyslaw Zawadzki (1885-1939), who pioneered mathematical economics in Poland. He later wrote an extensive review of Keynes’s General Theory for the leading Polish economic journal, Ekonomista, which has been coming out since 1900. Zawadzki criticised Keynes’s modelling and consoled himself and his readers that Keynes had already changed his mind twice on economic theory, and therefore his General Theory was unlikely to be his final word on the matter. The other SGH professor was Edward Lipinski (1888-1986).

This academic and research activity had an impact on economics as it was understood in Poland. The distinctive contribution of Polish economists to the body of economic ideas that were in international circulation was to come from outside Polish universities. The crucial source for those ideas was the work of the Polish-Russian-German Marxist Rosa Luxemburg (1871-1919), in particular her book The Accumulation of Capital (1913) in which she questioned the possibility of equilibrium growth in capitalism. In the fevered political discussions that followed Polish independence, amid hyper-inflation and economic disorder, the book became a central text of economic theorising in left-wing circles in Poland. From it, one Polish Marxist, Henryk Grossman (1881-1950), drew the conclusion that capitalism was destined to economic decline and collapse.

In 1929, the Polish Minister of Trade and Industry asked Lipinski to head a new Institute for the Study of Business Cycles and Prices (Instytut Badan Konjunktur Gospodarczych i Cen). Lipinski employed a group of energetic young researchers, of whom the most prominent was Michal Kalecki (1899-1970). Kalecki worked on the economics of cartels. But in 1933 he published his pioneering Essay on Business Cycle Theory that was to have a profound effect on twentieth-century macroeconomics. In 1936, Kalecki left Poland on a Rockefeller Fellowship that took him first to Sweden, then London, collaboration with Keynes and, by the end of the 1930s, world renown as one of the co-authors of the Keynesian Revolution.

Around the same time, Oskar Lange (1904-1965) tried to combine neo-classical ideas about markets and prices with a Marxian critique of capitalism. Because of his politics he was denied tenure as an economist in a Polish university. He left Poland in 1934 for the United States on a Rockefeller Fellowship and ended up as an Associate Professor at the University of Chicago, where his students included Hyman P. Minsky and Richard Millhous Nixon. Lange is most famous for his models of socialist planning, in which planners mimic market pricing mechanisms, and as one of the founders of the Neoclassical synthesis interpretation of Keynes. But he also argued with Keynes over econometrics, on which Lange wrote extensively, and published important papers on cybernetics.

During the Second World War Lange, who had, until then, been critical of the Soviet Union, argued for the fullest possible cooperation with that country in the war against Hitler. In 1945, he threw in his lot with the Communist authorities in Poland and largely abandoned economics for politics. By contrast, Kalecki went to work for the United Nations in New York, where he became one of the founding fathers of modern development economics, along with Lange’s pre-War comrade Wladyslaw Malinowski (1909-1975), who established the United Nations Conference on Trade and Development.

The denunciation of Stalin by Nikita Khrushchev in 1956 opened up new possibilities for discussions of economic development and reform in post-War Poland. Kalecki had returned to Poland in 1955, and a new generation of Polish economists entered into theoretical and policy discussions that were often transmitted to the rest of the world through the connections established by Lange and Kalecki, who also attracted many foreign students and researchers. The international impact of those discussions was reinforced in 1968 by purges of Jews and revisionists that drove many of Lange’s and Kalecki’s students and associates into exile. Wlodzimierz Brus (1921-2007) developed ideas of market socialism that had an important influence on, for example, the policies of the Chinese government after 1979. Kazimierz Laski (born in 1921) made important contributions to socialist economics and Kaleckian macroeconomics and remains active in Austria. Czeslaw Bobrowski (1904-1996) advised governments in Poland and abroad on economic planning. Tadeusz Kowalik (1926-2012) wrote extensively on political economy and the history of economic thought and edited the collected works of Lange and Kalecki (the latter with Jerzy Osiatynski, born in 1941).
With the end of Communism in 1990, Polish financial dependence on Washington and then Brussels (like the political dependence in the nineteenth century on Berlin, Vienna, Moscow and St. Petersburg) discouraged informed development of economic theory and policy. Economic theory declined into a rather unimaginative retailing for the Polish market of the culture of mainstream American economics, with some intriguing exceptions that have yet to make their impact outside Poland. However, that culture, which had at least a subversive glamour under Communism, did not prepare Poland well for the economic crises that followed the fall of Communism and now looks increasingly irrelevant to very un-American problems of economic backwardness, mass unemployment, and peripheral location in the European Union. But these were precisely the problems that inspired the golden age of Polish economics of the ‘30s and ‘40s, when Oskar Lange and Michal Kalecki were able to use the Polish debates on capitalist reproduction to challenge a tired, backward-looking economics in the rest of the world.

Notes:

Membership of RES Women’s Committee
The Women’s Committee would like to remind Members of the Society that they may propose names to be considered for election to the Committee.

The formal procedure is that the Women’s Committee considers all such names and puts forward a list to the Executive Committee. This is then the subject of a ballot of all members of the Society in the autumn. The successful candidates join the Women’s Committee after formal adoption at the following AGM.

Any member of the Society who would like to make a nomination may contact me at karen.mumford@york.ac.uk. In addition to the name(s), there should be either a brief CV or a link to one. As the process needs to get underway in early June, I would be grateful to receive any nominations by 15th May at the latest.
Karen Mumford
Chair, Women’s Committee
Can economics be evidence-based?

In this follow-up to his earlier article, Michael Joffe, Imperial College, discusses what it means for economics to be ‘evidence-based’.

In a recent edition of this Newsletter, I argued for the centrality of evidence in the context of the teaching of economics.¹ This perspective suggests a second issue: can economics itself be evidence-based? The context of teaching is relatively straightforward conceptually, because one can take the standard curriculum and the content of textbooks as representing ‘economics’, as made manifest to students at undergraduate and postgraduate levels. And there is a clear contrast between that over-schematic portrayal of economics on the one hand, and the work of a large proportion of academic economists on the other, much of which is empirical — and a great deal of which is of excellent quality. But what would it mean to say that economics should be evidence-based?²

Evidence-based economics in context

The phrase ‘evidence-based’ has become current in other branches of knowledge in recent decades. Its first widespread use was in relation to medicine, reflecting the view that medical practice relied too heavily on passed-down traditions and on clinicians’ intuition, derived from experience, which is highly fallible.³ Its usage has since spread to encompass not only other clinical disciplines, including psychological therapies, but also education, as well as public policy. These are quite different in many respects, but all share the feature that they are interventions. In such contexts, therefore, ‘evidence-based’ is primarily a matter of efficacy/effectiveness, and sometimes also of efficiency. If one allows an extremely wide definition of technology, they are all examples of technology assessment.

By ‘evidence-based economics’, I mean something rather different: that evidence should be used as the basis for economics in the sense of finding out how the economy works. Pursuing the analogy with medicine, it is much more like the body of research underlying modern clinical practice that long predated the evidence-based medicine initiative. This is what transformed medicine from something that often did more harm than good, e.g. the indiscriminate use of leeches, to the situation in the mid-to late-twentieth century, by which time a great deal of research ensured that diagnosis and clinical management were based on secure scientific foundations. This included laboratory research (physiology, pharmacology, etc) — both observational and experimental — as well as epidemiology which provides the empirical basis for prevention and which is observational. These types of research continue to play an important role in biomedical science.

The essential point here is that a highly diverse body of scientific knowledge was assembled, largely as knowledge for its own sake rather than directly for practical application. This then facilitated major developments in the practice of medicine and disease prevention. Subsequently, the evidence-based medicine movement provided an additional impetus, promoting rigorous assessment of specific interventions.

This context is important for understanding the role of different types of research. Randomised controlled trials (RCTs), and meta-analyses of RCT evidence, are regarded as the gold standard for assessing effectiveness. However, RCTs have contributed very little to the body of scientific knowledge that provides the deeper understanding that has underpinned medical practice for more than half a century. This suggests that in evidence-based economics, in the sense of improving our understanding of how the economy works, a range of different types of evidence is appropriate — assuming that the analogy is valid.

If it’s untrue, don’t accept it

The phrase ‘evidence-based economics’ implies that our account of economic phenomena should be derived from systematic observation of the world, rather than e.g. from axioms. There are two basic principles, one positive and one negative. The negative one is more straightforward, so I will start with that: things that are known to be untrue should not be accepted as fact. When I have raised this perspective at public meetings, it immediately generates plenty of candidate untruths that should not be taught (if the context is the curriculum), or accepted as scientific truth. One that is frequently suggested is money: its nature, how it is created in a modern economy, and along with that, the role of banks. Others are drawn from labour economics, international trade, industrial organisation, etc.

However, many if not all of these may well be contestable — not everyone agrees that each of them is untrue. A systematic discussion is needed to disentangle these issues, on the basis of evidence not of theoretical prejudice (or ideology). Such discussions may already exist within the context of particular research topics and sub-disciplines, where the discourse does focus on...
empirical adequacy. If so, the emerging conclusions need to be made available to the economics profession as a whole, and ideally also to be accessible to non-economists, including policy makers, who rely on economists for vital background information. Otherwise, their default belief is likely to revert to the over-schematic stories of elementary textbooks. This suggests the need for a discussion forum, a topic to which I return at the end of this article.

Is it possible to build theories that are based on evidence?

Some people believe that the positive side of evidence based economics is more problematic. Economic life is complicated, and constantly changing. It is not easy to obtain all the relevant evidence, and causal inference can be tricky. We should not, however, be excessively discouraged: rich datasets have started to proliferate in recent decades, and statistical methods of analysis have greatly improved. Indeed, many sub-disciplines of economics are already moving in an evidence based direction.

There are also complementary approaches, including comparative economic history, institutional economics, behavioural economics, field trials, randomised controlled trials, survey analysis, etc. To the extent that evidence of widely different types is found to favour the same hypotheses, the more can secure conclusions be drawn.

The important, and difficult, word in evidence based economics is ‘based’. There is no lack of good evidence in economics — the issue is its relationship with theory. One aspect is that core theory shows a remarkable ability to survive, irrespective of its relationship to the real world. The proposition that good theory could be constructed on the basis of evidence requires that (a) there is enough evidence of the appropriate types; (b) it is possible to overcome the intrinsic difficulty of constructing theory from evidence.

Let us look first at the adequacy of evidence. In some cases, there may be a lack of empirical research in an area that is theoretically important. For example, the distribution of profit rates across firms within each sector, or across the real economy more broadly, is at the heart of the evolution of market structure. It also represents the variation in the success of different firms, as measured by their profitability, which is hardly a trivial matter. And yet little evidence exists.

Another possible concern is that empirical work may be undertaken that focuses only on the more superficial aspects of a topic, albeit something that is important from a policy viewpoint, leaving the core of the theory unexamined — from a theoretical perspective, the research may not be ambitious enough. Related to this, when theory predicts a particular outcome, whereas something different is repeatedly observed, these falsifying examples should be used to call into question the theory that made the wrong prediction, systematically using the argument of modus tollens. Thus, bubbles are repeatedly observed, yet some interpretations of orthodox theory have been claimed to predict that they are impossible. This indicates that some element of the theory needs to be modified, because its prediction is known to be invalid. And then, one can go beyond mere criticism, and use that observation as a clue to aid development of better theory.

But suppose that the obstacles relating to evidence can be solved. Is it not inherently problematic to generate good theory on that basis? I contend that the difficulties involved have tended to be greatly exaggerated, and that biology provides instructive examples of good practice.

Where do explanatory categories come from?

Explanatory concepts can arise out of the subject matter, or be generated by repeated and systematic observation. Biology is a good model: for instance, the concept of a mammal was introduced by the great classifier Linnaeus in 1758, thereby making sense of numerous previous observations by naturalists. Dolphins and bats were now classified as mammals, rather than respectively fish and birds — and so were humans. Bringing these into the same group as quadrupeds had the potential to make sense of their physiology as well as their evolutionary history. A century later, the over-arching evolutionary explanation was provided by Darwin, and research commenced into mammalian physiology. The fact that such disparate types of evidence now fit well together greatly reinforces the case that ‘mammal’ is a good explanatory category — one of the strengths of biology is the way these different sub-disciplines correspond.

The standard sequence is: multiple observations, generalisation, classification, explanation, and finally confirmation. There are numerous ways that this can be done in economics. One source of evidence is ‘data-first’ econometric analysis using the best available data and techniques, based on broad economic concepts that are not tightly tied to one particular pre-specified theory, thus allowing the development of new explanatory concepts. Comparative economic history is another. In economics we would do well to develop the capacity to derive explanatory categories inductively, from evidence, in a more systematic way.

Theories and models

A feature of economics, which may have increased in recent decades, is that theory tends to be equated with modelling. Indeed, what is called economic theory is in fact a modelling approach — a large and elaborate one to be sure — with a substantial number of specific component models. The use of models is not itself problematic; the difficulty arises when they are used as a description of reality.

www.res.org.uk/view/resNewsletter.html
A model has assumptions as input, and a ‘story’ to make it work. It may well be informed by evidence but its essence is simplicity. A theory, in the sense used here, is more elaborate: a well-substantiated explanation of some aspect of the natural world, based on a body of facts that have been repeatedly confirmed through observation and experiment. It is cumulative and alterable, in that it can be added to or improved as new scientific information is gained. The germ theory of disease is a good example: it has its model-like aspects — an entity that is capable of reproduction, entering the host, and causing symptoms - but the details differ for different diseases, according to evidence on their nature, their mechanism of action and the symptoms they cause. There are models too, for example of the spread of epidemics, informed by evidence about each specific disease.

There is no reason why economics should not also adopt a similar structure: a theory that integrates evidence of different kinds, ideally setting out the causal mechanisms and the effects they have, and that is able to adapt to new evidence. And then embedded within that, a series of models each of which selects particular features, so that one can readily see what has been included in the model, and more importantly, what has been omitted. Under those conditions, it would be harmless to use simplifying assumptions for modelling — temporarily as it were — not mistaking the simplified version for a description of the world. That this is a danger in the current practice of economics is shown by the use of DSGE models that omitted possible financial frictions, which are widely considered to have proven extremely dangerous in the build up to the financial crisis of 2007/08.

As already indicated, evidence plays multiple roles in developing and confirming theories. Ideally one has evidence for the inputs, the mechanism, and the difference that the mechanism makes to the inputs, i.e. the output. In addition, as I have argued before, many different types of evidence can be useful — statistical, behavioural, historical (narrative and comparative), surveys, etc.

Conclusion

It may well be that what I am advocating already applies in particular research topics or sub-disciplines. In such a case there is likely to be a need for the participants to make that information more widely available to colleagues in other sub-disciplines, and indeed to non-economists who may depend on economics for an important part of their background information, e.g. policy makers. After all, such sub-disciplines as international trade or labour economics have wider importance than just to the economists who specialise in those areas. Without that, the outsiders are likely to be misinformed, e.g. by having an over-schematic view of that research area.

We have now reached the point where the availability of datasets, sophisticated analytic methods, etc means that economics could become a fully empirically based discipline. This might entail some alterations in how theory is perceived, but there is no intrinsic barrier — and some useful exemplars to follow in the natural sciences, especially biology. In addition, the generation of theory from evidence should be accorded substantially higher professional status than is currently the case.

To fulfil the need for a forum, the website http://www.evidence-based-economics.org has been set up. It welcomes contributions from all types of economists, and indeed also from non-economists who are engaged in relevant work. There is no length requirement, but brevity is greatly welcomed, as is clarity. The content should address some aspect of the relationship between evidence and theory in economics, preferably with a primarily substantive orientation (rather than philosophical — there are other fora for that). For example, contributions could present a body of evidence that contradicts or confirms existing theory — not only mainstream theory. Or it could be: a body of evidence that is ‘in search of a theory’, i.e. consistent observations that currently lack a good explanation; clarification of a basic classificatory term (e.g. investment, or capital); a concept that is indispensable in thinking about the economic world yet is missing from current economic theory; or a careful descriptive study on how a particular sub-system of the economy works. Another possibility could be the evidence for and/or against a particular type of policy, e.g. quantitative easing, or privatisation. In such a case they should trace the implications ‘backwards’ into theory, not just be pragmatic, to see what the more general implications are — most such policies have been justified on the basis of some theory, and their success or lack thereof can throw some light on that. Each contribution will be open to online comments in the usual way. Potential contributions should be sent to me at m.joffe@imperial.ac.uk.

Notes:
2. The phrase ‘evidence-based economics’ has previously been used, notably by the philosopher of economics Julian Reiss: see in particular his ‘Evidence-based economics — issues and some preliminary answers’ (2004) Analyse & Kritik 26: 346-63; and his book Error in economics: towards a more evidence-based methodology (Abingdon: Routledge, 2008). There is also a doctoral programme on the subject, based in Munich: see http://www.evidence-based-economics.de/home. html and a letter in the last issue of this Newsletter. Another contribution is by Sean Harkin, in World Finance: http://www.worldfinance.com/home/contributors/evidence-based-economics. The phrase ‘evidence-based economics’ has also been used in a number of articles, to bolster a particular viewpoint, sometimes without any actual evidence being presented. On the other hand, many authors have embraced a position close to that argued here but without using the phrase ‘evidence-based economics’, e.g. Katarina Juselius (2011) ‘Time to reject the privileging of economic theory over empirical evidence? A reply to Lawson’ Cambridge Journal of Economics 35: 423-36.
Myths of the Great War

Understandably, 2014 has seen (and will yet see) many reflections on the 'Great War' of 1914-18. In a lecture given to the Economic History Society Annual Conference on 28th March, Mark Harrison identified a number of widely-held myths about that tragic event. This is a shortened version of that lecture, which is available at: http://warwick.ac.uk/cage/research/wpfeed/188-2014_harrison.pdf.

Perceptions of the Great War continue to resonate in today's world of international politics and policy. Most obviously, does China's rise show a parallel with Germany's a century ago? Will China's rise, unlike Germany's, remain peaceful? The Financial Times journalist Gideon Rachman wrote last year:

The analogy [of China today] with Germany before the first world war is striking … It is, at least, encouraging that the Chinese leadership has made an intense study of the rise of great powers over the ages - and is determined to avoid the mistakes of both Germany and Japan.2

The idea that China's leaders wish to avoid Germany's mistakes is encouraging, certainly.3 But what are the 'mistakes', exactly, that they will now seek to avoid? The world can hardly be reassured if we ourselves, social scientists and historians, remain uncertain what mistakes were made and even whether they were mistakes in the first place.

In this lecture I shall review four popular narratives relating to the Great War. They concern why the war started, how it was won, how it was lost, and in what sense it led to the next war.

An inadvertent war

When the Great War ended, much discussion on the allied side centred on 'who was to blame' and advice to 'hang the Kaiser' was widespread. Historians continue to debate the question of moral responsibility (BBC, 2014).

From a social-science perspective the underlying issue is less moral than empirical: Was the Great War truly an 'inadvertent' conflict, one that started when no one was looking? When the actors decided on war, to what extent did they calculate their actions and intend the results? The economist's standard model of strategic interaction demands evidence of individual agency (rather than of unconscious collective drives), of unbiased 'rational' expectations, and of backward induction of one's own best choice based on the expected best choice of the adversary.

It is a myth that such calculations were absent from the decision for war. On the contrary the record shows that the war was brought about very largely by design, and among those that designed it there was realistic foresight of the scale, scope, character, duration, and even outcome of the war. In fact the historical record has left clear evidence of agency and intention.

In every country the decision for war was made by a handful — literally — of people at the apex of each political system (Hamilton and Herwig 2004: 238-241). Their councils were ‘saturated with agency’ (Clark 2013: xxvii). The cliques themselves were not united, so that there were also waverers in every country including the German, Austrian, and Russian emperors, the German premier Bethmann Holweg, and the British finance minister (later premier) Lloyd George. At crucial moments, however, those that favoured war were able to sway the others.

What ruled the calculation in every country was the national interest as they perceived it. But on what was the 'national interest' based? As everywhere, on shared beliefs and values. These began with national identity, in which the well-being of the nation was commonly identified with persistence of the ruling order. They extended to shared values of power, status, honour, and influence, and then to shared beliefs about the forces underlying the distribution of power in the world. Strikingly,
the decision makers in every country were subscribers to a virtual world where the zero-sum game of power was being played out, not the positive-sum game of commerce and development.

There is clear evidence that some of the actors had a specific intent to bring about a war. They understood how others would respond and that a wider conflict would probably ensue and they either took the chance or welcomed it as an opportunity. In Vienna, chief of the general staff Hötzenzendorf and foreign minister Berchtold intended war with Serbia in order to assert the integrity of the Austro-Hungarian Empire, knowing that the Russians might intervene and so widen the conflict. In Berlin chief of the general staff Moltke and war minister Falkenhayn planned war with Russia before the Russian rearmament would be completed, knowing that this would also entail war with France. To bring war about, they also encouraged each other: when the Germans encouraged the Austrians to make war on Serbia in July 1914 among them were those that expected this would provide the best opportunity to attack France and Russia (Hamilton and Herwig 2004; Fromkin 2007). Similarly, the Russians and French egged each other on, although the Russians had their eyes on Austria and the French on Germany (McMeekin 2011: 54).

In fact, the key decisions that launched the Great War were highly calculated with clear foresight of the possible wider costs and consequences. There was little overoptimism. The spirit of those that gave the orders is usefully defined as ‘rational pessimism’: they feared their enemies but they feared the future more.

Needless slaughter
Attrition was a reality; was it pointless? That idea was founded on two rates of exchange: lives for lives, and lives for territory. Lives for territory: In most battles on the western front until 1918 only a few yards changed hands for thousands or tens of thousands of casualties. Lives for lives: When the Allied armies traded with the enemy, they consistently came off worse. Two things are clear. First British losses rose greatly with the forces deployed. Second, British losses consistently exceeded those of the adversary in the same sector: by nearly two to one in the period before the Somme and still by 1.5 to one after it. At that rate, the Allied policy of attrition was irrational. Did the Allied generals see this?

In fact, commanders on both sides made repeated efforts to escape the logic of attrition. The problem was that every attempt at escape seemed to come to nothing. In the category of efforts intended to save lives on the Western front fell the artillery preparations with which Allied commanders preceded major attacks (ineffective more often than not), Churchill’s attack on the underbelly of the Central Powers via the Dardanelles (a costly failure), the Allied blockade of Germany (slow acting at best), and German submarine attacks on Allied and neutral shipping (arguably ineffective and certainly counter-productive in bringing America into the war).

Based on manpower alone, a strategy of attrition was self-defeating: the Allies could have expected to lose the war. Kitchener’s ‘last million’ (men) turned out to come from America, which no one anticipated in 1914. During the war, however, the solution to attrition presented itself, and the Allies were better able to grasp this solution than the Central Powers. The stalemate would be broken not by manpower but by firepower. Additional firepower was supplied by the Allied economies, which were tremendously richer than those of the Central Powers (Broadberry and Harrison 2005) First to grasp this was Lloyd George, who echoed Kitchener in 1915 by claiming that Britain would raise the ‘last million’ (pounds) that would win the war (Macdonald 2006: 403).

To conclude, in the Great War, despite material advantage, the Allies could not escape the war of attrition. Attrition meant slaughter. Some of this slaughter was the kind of pointless, wasteful killing that happens in every war. The rest of it was the killing demanded in both world wars by mass warfare. Attrition was not only slaughter, however. There was an economic dimension as well as the military one. It was the combined attrition in two dimensions that defeated the Central Powers.

The food weapon
The belief that Germany was starved into submission by the allied blockade has considerable historic significance. It was used after the war by Hindenburg and Ludendorff to bolster their view that Germany had been defeated not militarily but by a collapse of the home front. It also formed Hitler’s strategic orientation towards food security and colonization of the farmlands to the East.

The idea that Germany was defeated by denial of trade would have struck contemporaries as unlikely, since Britain imported 60 per cent of calories for human consumption while Germany imported only 25 per cent at most. Yet three quarters of a million Germans died of hunger and hunger-related causes, while the British population survived relatively unscathed.

One problem for Germany was that she went to war with the very countries that were supplying the bulk of these imports. To this extent no blockade was needed. The Allies simply stopped trading with Germany.

That Germany’s food imports would be severely reduced was well-anticipated. Prewar plans for wartime autarky assumed that German farmers would farm more intensively to feed the nation (Lee 1975). A bigger problem here was the supply shock from war mobilization, which stripped German farms of young men, horses, and chemicals.

Of these two shocks, the one from trade affected at most one quarter of Germany’s food supply (less, in fact, because not all trade was suppressed). The shock from
mobilization affected the three quarters that was home produced. It is implausible to give priority to the former over the latter. In other words, decisions made in Berlin are a much better candidate for causes of the German nutritional collapse than those taken in London.

The Folly at Versailles

Keynes (1920) strongly criticized the Versailles settlement on two grounds: it violated the terms of the Armistice (which limited German reparations to making good civilian damages arising from the war) and the resulting burden on the German economy was intolerable and would be counterproductive. Like the myth of the food blockade, the idea that Versailles helped lay the foundations for another war twenty years later, is reinforced by the extent to which Nazi leaders campaigned against it to mobilise support. More recently, George Soros (2014) blamed the French insistence on reparations for the rise of Hitler as a preliminary to warning, 'Angela Merkel’s [similar] policies are giving rise to extremist movements in the rest of Europe.'

The burden of German reparations determined in 1921 was certainly heavy and probably unwisely so. The evidence is plain to see in the better outcome of 1945, when the victors based retribution on evidence of personal culpability, not collective responsibility. Still, the mistakes of 1919 to 1921 should be kept in perspective.

The role of reparations can be seen through the prism of hyperinflation. There was a war of attrition (now in the sense of Alesina and Drazen 1991) between the Allied and German governments over the distribution of postwar burdens and this is part of the story of the German 1923 hyperinflation. But reparations were not a necessary condition for this, because there were many hyperinflations at this time across central and Eastern Europe in countries that did not face reparations but did suffer from domestic wars of attrition over the burdens of postwar adjustment. Rather, the German war of attrition was unusual only because external bondholders played such a salient role.

If the economic implications of the Treaty have been oversold, the same is true of its political consequences. The electoral history of the Weimar Republic shows a brief period of radicalization in the aftermath of the Versailles Treat. After that the moderate parties of the centre and left regained strength with every election. During the period when reparations were most heavy, political moderation had a firm grip. It was not until the hammer blow of the Great Depression that conditions were laid for violent polarization and the breakthrough of the radical right to national significance and power (Van Riel and Schram 1993; King et al. 2008).

Concluding remarks

Myths are not necessarily baseless, but here their truthful elements are often relatively small. Why did the Great War break out? Because key persons intended it, with full appreciation of the possible consequences, and were not deterred. The conflict became a military war of attrition, to which there was no real alternative despite many attempts to escape from it.

How was the Great War won? From the Allied standpoint the war of attrition on the Western front looks scarcely rational because the rate of exchange of casualties was always adverse. The forgotten dimension was economic: The Allies outproduced the Central Powers in firepower (and everything else) and this was the basis of victory.

How was the Great War lost? The fighting ended with German economic collapse. This was and often still is ascribed to Allied use of the food weapon to starve Germany out of the war. But this is implausible. German civilians did suffer greatly, and the denial of trade played a role, but it seems likely that Germany’s own actions hurt more. These actions included the decision to attack her main trading partners and the impact of Germany’s economic mobilization on the internal food market.

In what sense did one war lead to the next? Finally, the Treaty of Versailles, which formally concluded World War I, did not lay the foundations for World War II. While Allied behaviour over the Treaty would seem to fail the test of enlightened self-interest, it was the Great Depression, not the Treaty or reparations, that set Germany on a course to violent extremism.

Notes:

Mark Harrison is Professor of Economics at the University of Warwick and a research associate of Warwick’s ESRC Centre on Competitive Advantage in the Global Economy. He is also a research fellow of the Centre for Russian and East European Studies at the University of Birmingham and of the Hoover Institution on War, Revolution, and Peace, at Stanford University. He is co-editor and co-author of The Economics of World War I (Cambridge U P, 2005) and The Economics of World War II (Cambridge U P, 1998); author of Accounting for War: Soviet Production, Employment, and the Defence Burden (Cambridge U P, 1996), awarded the Alec Nove Prize; and co-author of ‘Great War, Civil War, and Recovery: Russia’s National Income, 1913 to 1928’, Journal of Economic History 71:3 (2011), awarded the Russian National Prize for Applied Economics.


3. While much attention has been focused on China’s rise and the German parallel, less has been given to Russia’s decline, which in some ways resembles that of the Austro-Hungarian Empire and has no less disturbing implications: two sprawling, multi-national empires, struggling to manage a fall from past greatness, rising ethnic tensions, and external rivals competing for influence in bordering states.

4. We are grateful to Major and Mrs Holt, Bairnsfather’s biographers, for permission to reproduce this image.

The references for this article are detailed on p.22 below.
A Career in Modelling: A Note on the Government Economic Service

On the anniversary of the GES’s 50th birthday Helen Carrier and Karen Mumford look at the relative position of women in the GES from 2000 to 2012.

The Government Economic Service is celebrating its 50th anniversary. Founded in 1964 by Sir Alec Cairncross, the GES is a professional grouping of public sector economists who work across the departments and agencies of the British government. In recent times, the GES has seen a rise in women economists operating at the highest levels in government organisations, both as economists and within broader civil service roles. In the June 2001 Newsletter, Amanda Rowlatt explored the early gains of women across the Government Economic Service (GES). Amanda presented data from 1986 (the beginning of the data collection process) to 2000. This note builds on Amanda’s early work and assesses the evidence on the relative position of women in the GES from 2000 to 2012.

Demand for economists has risen dramatically in the GES since the turn of the century. Figure 1 clearly reveals the numbers of economists in the GES to have more than doubled over the decade, compared to a slight decline in the numbers for the Civil Service as a whole. The expansion of economist numbers has occurred across grades in the GES, as shown in the first panel of Table 1. At the Senior Civil Service (SCS) level the numbers are small and the growth rate of 40 per cent over the decade is substantial but considerably less than the growth rate for the GES in total (of 110 per cent). Economic Advisers accounted for 41 per cent of all the GES economists in 2000 and 38 per cent in 2011. The strongest growth has occurred at Grade 6 where the economists are expected to face an explicit strategic role in their work tasks.

A substantial proportion of the GES economists are women and this too is rising over time; 25 per cent of the new entrants in to the GES in 1992 were female, 31 per cent by 2000, and 35 per cent in 2012. (This later value is on a par

Table 1: Growth in the GES.

<table>
<thead>
<tr>
<th>Numbers employed</th>
<th>SCS</th>
<th>Grade 5</th>
<th>Grade 6</th>
<th>Economic adviser</th>
<th>Assistant economist</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>15</td>
<td>54</td>
<td>55</td>
<td>251</td>
<td>232</td>
<td>607</td>
</tr>
<tr>
<td>2011</td>
<td>21</td>
<td>84</td>
<td>169</td>
<td>489</td>
<td>513</td>
<td>1276</td>
</tr>
<tr>
<td>Change</td>
<td>40%</td>
<td>56%</td>
<td>207%</td>
<td>95%</td>
<td>121%</td>
<td>110%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>%female</th>
<th>1986</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCS</td>
<td>5</td>
<td>10</td>
<td>32</td>
</tr>
<tr>
<td>Grade 5</td>
<td>13</td>
<td>21</td>
<td>34</td>
</tr>
<tr>
<td>Grade 6</td>
<td>24</td>
<td>30</td>
<td>35</td>
</tr>
</tbody>
</table>
with the proportion of female graduates receiving a first or upper second honours degree across the UK.) The relative presentation of women in the GES is considerably higher than the proportion of females found amongst academic economists in the UK where, despite strong growth, the relative number of women has only risen from 20 per cent in 2000 to 24 per cent in 2012.

Women have also increased their relative numbers across the grades in the GES (as shown in the lower panel of Table 1). This is especially true at the Senior Civil Service (the SCS) where women have gone from being 5 per cent in 1986, to 10 per cent (in 2000) and to 32 per cent (in 2012) of this workforce: more than a six-fold increase. In contrast, amongst academic economists in the UK, women made up some 4 per cent of the Professors 1996 and 11 per cent of the Professors in 2012: almost a three-fold rise. These differences between academic economics and the GES, as Amanda Rowlatt discussed, may be related to the Civil Service being a long-term family-friendly employer, with generous maternity leave and career break options. Job-sharing and part-time employment (even at the most senior levels) are also acceptable in the Civil Service whereas they are rarely observed amongst female professors in academic economics.

Women in the GES report a high level of work satisfaction (see Figure 2), a considerably higher level than that reported for the Civil Service as a whole. The vast majority feel valued for the work they do and are much more likely to recommend their organisation ‘as a great place to work’. Furthermore, the GES women are disproportionately satisfied with their leadership, and with pay and benefits.

The retention rate for women in the GES is much the same as it is for men (see Figure 3). Of the cohort entering the GES in the early 2000s, about 40 per cent had left the GES by 2011 (for those entering in the mid-1990s, some 70 per cent had left by 2011). Whilst Figure 3 may indicate some gender differences at specific points in time, in aggregate the exit rates are similar for men and women over the time period.

Acceptance into the GES is limited to those who have participated in economics courses (or where the major element of a joint degree is in economics). This may lead to a fall in the relative number of women entering the GES in the future as many undergraduate degrees appear to be seeing a decline in the relative numbers of female economic students over the last decade, primarily due to strong relative growth in the numbers of male students. The relative number of female UK (domicile) PhD students in economics has risen between 2002 and 2012 (from 28 to 33 per cent), however, amongst the undergraduates female representation has declined 9 per cent (from 30.6 to 27.8 per cent).

In summary, the Government Economic Service (GES) continues to be a place where women are doing well, especially at the most senior levels. Women in the GES report high levels of work satisfaction and are very positive of their experiences at work. There is little evidence to suggest that women are more likely to leave the GES than are their male colleagues and the proportion of women amongst the new entrants appears to be limited only by the proportion of women amongst the UK economics student body.
Mariana Mazzucato, in her Features piece ‘Government investment, technology and growth’ (Newsletter no.163 October 2013) sets out a seemingly compelling argument in favour of government sponsored and funded ‘mission oriented’ investments to drive long-run economic growth. It is a cogently argued case but I have a feeling that there is here a whiff of strategic trade theory: the idea that governments can shift rents to domestic from foreign citizens by intervening, in order to gain first mover advantage, in the development phase of (prospective) industries dominated by scale economies. It is perhaps no co-incidence that Mazzucato highlights, in support of her own proposals, the late twentieth century activities of the US government and its involvement with R&D intensive companies. It was precisely such companies that were in focus when the US government flirted with the idea of strategic trade policy at a time when Laura Tyson, a proponent of the idea, was Chairman of the Council of Economic Advisers, during the Clinton Presidency.

Mazzucato’s basic argument for intervention places much emphasis on the assumption that businesses are too ‘timid’ to invest in high risk, potentially ground-breaking, new technologies and therefore governments need to take the lead. Spending large sums of public money, however, will not, Mazzucato claims, add to long-term debt because of the fillip to GDP that will come as a result of such government enterprise (picking winners of course). What I find particularly interesting is her argument that private finance, even at current low rates of interest, is just ‘too risk-averse — afraid — to engage with industries characterised by high technological and market risk’. In her piece Mazzucato does not elaborate on why the capital markets should be timid or why they should now be timid when this clearly was not the case in the past. One has only to reflect on entrepreneurial behaviour during the Victorian Age to see the evidence of risk taking on a grand scale. For example, the Victorians and their Georgian forebears during the Industrial Revolution, built 50, 000 kilometres of canals, turnpikes and railways, many projects requiring huge financial outlays on vast structures, without a penny of public money.

So, to my mind, the interesting issue is why, as Mazzucato is suggesting, has the behaviour of the capitalist changed so much? Perhaps I can conclude by offering a possible answer to the enigma. I would suggest that the capitalist in the twentieth century became so used to the government stepping in, particularly after the command economies of the two world wars, that the markets became reliant on, if not addicted to, government guarantees, bail-outs and subsidy and became risk-averse in the process. One might say that the risk aversion that Mazzucato relies upon for her argument is itself borne out of government debt.

David Starkie
Case Associates

Evidence-based economics  ...cont from p. 14


4. This applies to a number of heterodox traditions, not just to neoclassical theory. There is sometimes a tendency to restrict empirical work to the testing of hypotheses that are heavily theory-dependent. On the other hand, it is obviously desirable to keep the aspects of any existing theory that describes the actual economy well.

5. This has been investigated by Julian Wells (2007) in ‘The rate of profit as a random variable’ See http://eprints.kingston.ac.uk/9490/.


Subscription to the Economics Network

The Economics Network will be shortly contacting economics departments about our subscription scheme. The Economics Network, generously supported by the Royal Economic Society, the Scottish Economic Society, and over 50 economics departments, works with the economics community to support and develop university economics teaching. Membership benefits include:

• Priority access, booking and prices for all Economics Network events, including free workshops for graduate teaching assistants and new lecturers, the Developments in Economics Education conference and thematic one day conferences.

• Advice, support and consultancy for internal departmental workshops and away days.

• Liaison with subscribing institutions to negotiate economics lecturers' exemption from parts of generic institutional training programmes upon attendance of Economics Network workshops.

• Opportunities to be involved in Economics Network research activities.

• Priority access to unique research and data resources. and much more! For a membership information pack, see http://www.economicsnetwork.ac.uk/about/supporters
Obituaries

Augusto Graziani 1933-2014

With the death of Augusto Graziani on January 5th economic theory has lost one of the last representatives of an original post-WWII Italian tradition, capable of novel and critical contributions, opposed to traditional approaches fostering conformism. His work has been fundamental on too many topics to be remembered here: monetary macroeconomics, economic policy, development, regional disparities, history of economic thought, recur most often in his writings.

His participation in the Italian tradition is clear from the way he — like Sylos Labini, Napoleoni, Pasinetti, Garegnani, Caffè, Lombardini, as others — inextricably linked present-day theorising and history of economic thought. The study of the authors of the past was instrumental for revealing the problematic nature of current mainstreams, opening up new perspectives in dealing with economic, truly social, problems. This historically minded approach to economic theorising is dangerous since it reveals that economic theory is not a one-paradigm discipline but a multi-paradigms contested terrain. This, of course, made him not only an advocate of the teaching of history of economic thought in the basic curriculum, but also a supporter of an heretical view according to which the teaching of economics must be characterised from the start by a plural and non dogmatic assessment of the different approaches to the topics under investigation. Those who were lucky enough to listen to his lectures (passionate in his rigorous, Anglosaxon style of speaking, matched by the crystal clarity of his written style) or to study on his textbooks know very well that he was always encouraging an active attitude and critical spirit among his students, as well as offering them an original and heterodox perspective at the edge of the discipline.

Graziani’s originality in the Italian tradition, and his contribution to dissenting economic thinking, crystallised in the theory of the monetary circuit. He framed it in late 1970s, and sharpened it in the early 1980s in his closed Seminar on Monetary Theory in Naples (where I participated). This Italian theory of the monetary circuit had distinctive features relative to the French versions by Alain Parguez and Bernard Schmidt. Macroeconomics was for him the study of capitalism as a class and monetary society. Whereas current mainstream theory derives macroeconomics from microfoundations, Graziani thought that the individuals’ behaviour must be deduced from macrosocial conditions of reproduction. The main influences were Marx, Wicksell, Schumpeter, Kalecki, and Keynes: not so much the General Theory, focusing on money as a store of value, rather the Treatise on Money, viewing capitalism as a monetary production economy.

Graziani understood money as finance for production, and the economic process as a sequence of distinct phases in real time, as opposed to the Neoclassical simultaneous exchanges approach. Money enters the economy as purchasing power: banks’ financing of the entrepreneurial class allows companies to set in motion production and innovations, shaping the composition of output and fixing income and wealth distribution. Money is totally endogenous and non-neutral, not only in depression, but also in the system ‘out of crisis’. Graziani’s circuitism is a positive rather than a normative analysis, like other cognate views (French circuitism, or neo-chartalism). It arose in opposition to standard Keynesianism, Monetarism and New Classical Macroeconomics; but also out of a dissatisfaction with the received versions of Neoricardianism and Marxism, as well as the main Postkeynesian streams. Needless to say, Graziani always distanced himself from the New Keynesian updating of the Neoclassical Synthesis.

Graziani was born in Naples in 1933 into a Jewish family. His grandfather, Augusto, was a Professor of Economics, and moved from Modena to Naples in 1899. His father, Alessandro, a Professor of Law, was forced into early retirement by the Fascist regime: because of racial laws his son could not go to school, and had for some years a private tutor. He learned to play violin, up to the 5th year of the Conservatory (not long ago in Naples a few lucky guests enjoyed his duet with Wynne Godley playing the piano). Graziani graduated in Economics in 1955. At the London School of Economics he had Lionel Robbins as his supervisor. He then went on to MIT and Harvard, meeting with Wassily Leontief and Paul Rosenstein-Rodan. Full professor at 27, he taught in Catania, Naples, and Rome. His first writings, often considered Neoclassical, testify instead to his attention to structural change and an early divorce from standard theory. His 1965 book on General Economic Equilibrium defended the logical soundness of Walras only to destroy its relevance for capitalism (a criticism he extended to the then fashionable balanced macro-models). His 1969 book on the development of an open economy showed how Italian dualism was not due to trade unions’ rigidities but to an export-led strategy, with producers’ sovereignty determining firms’ technology, organisational structures, productivity differentials, employment structure, and relative wages.

Graziani was a lucid interpreter of the contradictions of contemporary capitalist development, especially in Italy (and its Mezzogiorno) and Europe. He showed how successive competitive devaluations were never followed...
by industrial policies, and how the European Monetary System and the institutional framework of the single currency left Italy in a subordinate position lacking autonomous engines of growth — with wages and working conditions as the only adjustment variables. His circuitism extended into a criticism of economic policy, showing the limits of the explosion of bank interest rates in the 1970s (hiding surplus value in bank-balance sheets), of the burgeoning government budget deficits in the 1980s (providing money ‘for free’ to the firm sector), of the Bank of Italy high discount rate policy to induce capital inflows at the end of that decade (delaying the 1992 day of reckoning); but also of outsourcing and the ‘district’ model, the suicidal liberalisations and privatisations, the dismantling of manufacturing and big firms. Graziani insisted that the late US-driven indebted consumer model signalled a transformation of the circuit and not its obsolescence.

Graziani was President of the Italian Economic Association (1998-2001) and Senator of the Italian Republic (1992-1994, for the Partito Democratico della Sinistra). He leaves behind his wife Angela, and two daughters Sandra and Rebecca, who gave him two grandchildren. Graziani’s legacy is that of an ‘untimely’ intellectual, committed to progressive social change: countering his own time, thereby acting on it, for the benefit of a time to come.

Riccardo Bellofiore
Università di Bergamo, Italy

Myths of the Great War
...cont from p.17

References


Prizes

Austin Robinson Prize

The Austin Robinson Prize is awarded for the best paper published in the Economic Journal by an author(s) within five years of completing a PhD. The selection is made by the editors of the Economic Journal.

The winner of the 2013 prize is Johannes Spinnewijn (London School of Economics and CEPR) for his paper ‘Insurance and Perceptions: How to Screen Optimists and Pessimists’, Economic Journal (June 2013) Vol. 123, Issue 569. The paper looks at how heterogeneous risk perceptions affect the insurance contracts offered by profit-maximising firms and concludes that these heterogeneous risk perceptions may well strengthen the case for government intervention in insurance markets.

RES Prize

The RES prize is awarded to the best paper published in the EJ in a given year as selected by the RES President, a representative of the Economic Journal Editorial Board and one invited judge.

The winners of the 2013 prize are Pau Olivella (Universitat Autònoma de Barcelona and Barcelona GSE) and Marcos Vera-Hernández (University College London and Institute for Fiscal Studies) ‘Testing for Asymmetric Information in Private Health Insurance’, Economic Journal (March 2013) Vol. 123, Issue 567. Using the British Household Panel Survey, the authors find evidence that adverse selection is present in the UK private health insurance market, which suggests that the market is subject to risk-related information asymmetries.

Dennis Sargan Prize

The first winner of the Dennis Sargan Prize was announced at the RES Conference as Fabrizio Ferriani for his contribution to the paper ‘Estimating and Testing Non-Affine Option Pricing Models with a Large Unbalanced Panel of Options’ co-authored with S. Pastorello published in the Econometrics Journal 2012, Vol. 15, Issue No. 2, 171-203. The prize is awarded for the best (unsolicited) article published in the Econometrics Journal in a given year by anyone who is within five years of being awarded their doctorate. An honorarium of £1000 is awarded to the winning author.

The winner of The Denis Sargan Prize is chosen by the Econometrics Journal Editorial Board (Managing Editor and Co-Editors) and the prize awarded in the year following publication of the winning article.

Economic Journal Referee Prizes

While many referees help us tremendously with their comments, some of our referees contribute beyond the call of duty through their thoroughness and constructive feedback to the authors. Starting in 2010, the Economic Journal now recognises the contribution of these exceptional referees with an annual referee prize of £500. The editors have chosen 12 winners for the 2013 referee prizes. We thank all of them for their outstanding support of the Journal, and the service they have provided to the authors.

Costas Arkolakis, Yale University
Aaron Chalfin, University of Cincinnati
James Cloyne, Bank of England
Rosario Crinò, Centro de Estudios Monetarios y Financieros (CEMFI)
Jayant Ganguli, University of Essex
Anthony Keats, Wesleyan University

Molly Lipscomb, University of Virginia
Rocco Macchiavello, Warwick University
Alan Morrison, University of Oxford
Tuomas Pekkarinen, Aalto University
Nicolas Petrosky-Nadeau, Carnegie Mellon University
Abdolkarim Sadrieh, Otto von Guericke University Magdeburg
RES news

New President-elect

John Hardman Moore has agreed to become the next President of the Society. He is Professor of Political Economy at the University of Edinburgh and Professor of Economic Theory at the LSE. He will take up his post as President-elect after the AGM at the 2014 Conference to become President after the AGM in 2015 until 2017.

Further details about John and his work can be found at: http://homepages.econ.ed.ac.uk/~jhmoore/

Recently elected Council members

The new members elected to Council for 2014-2019 are:

- James Banks (University of Manchester)
- Diane Coyle (Enlightenment Economics)
- Amrita Dhillon (King’s College, London)
- Stephen Machin (University College London)
- John Van Reenen (London School of Economics)
- Silvana Tenreyo (London School of Economics)

Farewell and thanks go to Council members: Nick Crafts, Spencer Dale, Simon Burgess, Margaret Stevens and Catherine Waddams.

AGM

The AGM took place on Tuesday 8th April 2014 at University Place, University of Manchester. Agenda and papers can be found on the RES website: www.res.org.uk

or by contacting Amanda Wilman at the RES Office on royaleconsoc@st-andrews.ac.uk.

RES Annual Conference, 2014

The RES Annual Conference at Manchester was managed by the RES Conference Secretary Professor Neil Rickman together with the local organisers at Manchester, headed by Professor Denise Osborn. A large and successful programme had been developed by a Programme Committee headed by Professor Oriana Bandiera. The RES filmed the keynote speeches and some plenary and special sessions as well as producing a number of vignettes of the conference featuring interviews with keynote lecturers, prize winners and other elements of the conference. These will be uploaded to the RES website and available for viewing shortly.

This year the RES also trialled live streaming of a number of the sessions by filming them so that they could be viewed online in real time. Delegates and members were able to discuss these sessions online before, during and after they took place because each now had a page on the conference website where questions and comments could be posted (and debated with others) about the issues surrounding the sessions. We hope you will go to the website to view the coverage of the Conference and give us your feedback, http://www.res.org.uk/view/0/2014conferencehome.html.

RES Easter Training School

The RES Easter Training School took place at the University of Birmingham for the last time this year; it will be moving to the University of Oxford for 2015 and Professor Peter Sinclair has announced his intention to retire from the organisation of the school from 2016.

If any member is interested in the possibility of hosting and organising this popular annual Training School at their University on behalf of the RES during the Easter vacation, please contact Professor John Beath at the RES office on royaleconsoc@st-andrews.ac.uk. You can read further details about the Schools on the website, www.res.org.uk.

Other items

Details of funding, available under the following:

- Special project grants
- Visiting lecturer grants
- Small academic expenses
- Conference grants

can be found on the Society’s website: www.res.org.uk under ‘resources’.
**Conference diary**

### 2014 april

**April 30**
**Oxford, UK**

**Call for Papers** for Second Conference on ‘Rational Inattention and Related Theories’ taking place in Oxford on September 16-17 2014. Papers can be submitted by emailing them to ri2conference@gmail.com by April 30th, 2014.

*Further information: ri2conference@gmail.com and http://users.ox.ac.uk/~exet2581/ri2conference.pdf*

### may

**May 9-10**
**Lisboa, Portugal**

**The Welfare State in Portugal in the Age of Austerity**
This conference, organized by the University of Lisbon, aims to stimulate academic discussion on the present and future of the welfare state in Portugal. It is expected to be a meeting of academics, who are dedicated to the study of social policy across of spectrum of different scientific disciplines.

*Further information: https://aquila.iseg.utl.pt/aquila/instituicao/ISEG/docentes-e-investigacao/conference-theme*

### june

**June 9 - 10**
**Rimini, Italy**

**Conference in economics and finance, RCEF-2014 “he Next Convergence”**. The RCEF is a biennial conference series alternating between Italy and Canada and assembling a group of leading economists to present and discuss their work at the cutting edge of economic research. Papers related to Growth and Development Economics, with both a macro and micro focus, are of particular interest to the organizers but the conference invites submissions all fields of economics.

*Further information: secretary@rcfea.org and www.rcfea.org*

**June 19-20**
**York, UK**

**5th York Annual Symposium on Game Theory**, with keynote speakers being Johannes Hörner (Yale), Cheng-Zhong Qin (UC Santa Barbara), Joel Sobel (UC San Diego), and Bernhard von Stengel (LSE). There will also be two mini-courses, lectured by Johannes Hörner (Yale) and Joel Sobel (UC San Diego), on 17-18 June 2014. Application for participation in either of the two events should be made to gametheory@york.ac.uk no later than 15 May 2014.

*Further information: https://sites.google.com/a/york.ac.uk/gtsymposium/

**June 26-27**
**Edinburgh, UK**

SIRE and the School of Economics at the University of Edinburgh will host a two-day workshop on **Country Size and Border Effects in a Globalised World**. Keynote lectures will be delivered by Prof. James Anderson (Boston College and NBER) and Prof. Enrico Spolaore (Tufts University and NBER). The organisers invite submissions of papers relevant to the theme of the workshop. The deadline for submissions is March 9, 2014. Paper submissions should be sent as an e-mail attachment to borders2014.ed@gmail.com.

### july

**July 6-12**
**Coventry**

**The Warwick Summer Workshop in Economic Growth** at the Department of Economics and CAGE, University of Warwick will consist of Introductory Lectures from Oded Galor (Brown University) and Stelios Michalopoulos (Brown University). Confirmed speakers for invited sessions include: Sascha Becker (Warwick), Carl-Johann Dalgaard (Copenhagen), James Fenske (Oxford), Moshe Hazan (Tel-Aviv University).

*Further information (and application form): http://www2.warwick.ac.uk/fac/soc/economics/news_events/conferences/ecgrowth2014/ and J.M.Hart@warwick.ac.uk*

**July 19-26**
**Cambridge**

**2014 Econometrics Summer School** at the University of Cambridge, comprising a series of three, 2.5-day courses running consecutively between 19-26 July 2014. The courses will be delivered by experienced, leading econometricians from the University of Cambridge: Prof. Andrew Harvey, Prof. Sean Holly and Dr. Melvyn Weeks. All courses will teach econometrics from an applied perspective and demonstrate the techniques in the internationally used econometric software packages of Stata 13, EViews 8 and OxMetrics 7 (STAMP).

*Further information: training@timberlake.co.uk, or www.timberlake.co.uk/?id=452&cid=120*

**July 21 - August 8**
**Coventry**

**Warwick Economics Summer School.** The Department of Economics is launching its first Warwick Economics Summer School. The three week event is aimed at current undergraduates studying Economics and the courses available will be taught by world leading Economists including Nick Crafts, Andrew Oswald and Ariel Rubinstein. There is also an inspirational programme of evening speakers including Lord Gus O'Donnell, the former Cabinet Secretary and Head of the UK Civil Service and Lord Robert Skidelsky.

*Further information (and application): www.warwick.ac.uk/wess*
Papers can be submitted by emailing them to ri2conference@gmail.com. Submission deadline: April 30th, 2014.

Further information: ri2conference@gmail.com, or, http://users.ox.ac.uk/~exet2581/ri2conference.pdf

Membership of the
Royal Economic Society

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

- Copies of the Economic Journal, the journal of the society, eight times a year.
- Copies of the Society’s Newsletter. This is published four times a year and offers an invaluable information service on conferences, visiting scholars, and other professional news as well as feature articles, letters and reports.
- The right to submit articles to the Economic Journal without payment of a submission fee.
- Discounts on registration fees for the Society’s annual conference.
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