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Measuring regional differences

In the UK we often hear of a 'north-south divide', represented by differences in real incomes, house prices, unemployment and even health. Inevitably this poses difficulties for economic policy — particularly macroeconomic policy — which may achieve the desired effect in one area while causing undesired effects elsewhere. If this is true for the UK, imagine how much greater it must be for an economy as large and diverse as the USA. In his latest Letter from America, Angus Deaton describes attempts to record the significant differences in regional price levels across the USA and the difficulties that these attempts face.

This is just one of the major features in this issue. Others include an analysis of the differences between genders in application rates for economics courses; a proposal from the Association of Heterodox Economists for curriculum reform and a radical proposal for boosting the economy of the Eurozone.

There is also a very useful explanation of what 'open-access' publishing will mean for academic economists by Daniel Zizzo.

One item we *don't* have is the report of the Money, Macro and Finance Research Group's Annual (September) Conference. We have often managed to squeeze this into the October issue but this year the dates were too close to allow this. It will follow in January. We do though have a report of the MMF's collaborative meeting with partners in France — in Lyon, the centre of French gastronomy.

THE ROYAL ECONOMIC SOCIETY

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The Society's Newsletter

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.



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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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Letter from America —

It's a big country, and how to measure it

In this Letter from America, Angus describes recent efforts to record the significant differences in regional price levels across the USA. The task is technically complex and also raises political sensitivities.

One of the first things visitors from Europe confront when they come to America is just how enormous the place is, an enormity that is somehow enhanced by the fact that, after many hours in an airplane, you get off and discover that almost everything looks the same as where you got on, something that is rare in Europe. There may be mountains, palm trees, or a temperature difference that tells you that something has changed, but one thing that you will not find, at least in the official numbers and until very recently, is any difference in the price level. In consequence, the federal poverty line is the same everywhere, independent of the local cost of living, which does not prevent it from feeding into a range of federal and state welfare policies.

The need for regional price indices

In 1995, a panel of the National Academy of Sciences thought hard about how poverty ought to be measured; I was fortunate enough to be a member of the group, which included another Brit, Sir Tony Atkinson. One of the group's recommendations was that the poverty line should be adjusted for differences in price levels in different places, something that was not possible in 1995, because the statistical system did not produce such price indices. Contrast this with *Eurostat*, for example, which regularly calculates price levels for member countries in the form of purchasing power parity exchange rates (PPPs). In the absence of this information, the panel recommended constructing local price indices from the rental equivalents of house prices, assuming that other prices — which have a larger weight in the index — do not vary much over space; spatial variation in house prices is also potentially important in smaller countries, such as the UK.

There was then, as now, some reluctance, including from the Bureau of Labor Statistics — the agency that produces consumer price indices — to calculate geographical price indices. The then Commissioner was concerned about political pressure from legislators to alter price indices in their favor — to entitle their constituents to greater federal benefits — just as the census counts — which are used for drawing boundaries of congressional

districts — have, in the past, been politically contested and were for many years mired in the courts. For whatever reason, no policy change or new data collection took place for many years. There are private sector price indices — used to compensate employees for (usually) temporary visits away from home — but those are not weighted to the consumption patterns of the general population. The BLS produces regional price indices, but those are all indexed to 100 in the base year, and so can only be used to compare rates of inflation, not price levels.

Change came, as it often does, through a combination of analysis, personality, and the passage of time, which allows people to become more senior and more influential. Rebecca Blank, a distinguished economist who, as a professor at Northwestern, had been a member of the poverty panel, was appointed to the Department of Commerce by President Obama, finally becoming Acting Secretary of Commerce before returning to academia as the Chancellor of the University of Wisconsin-Madison. In the US, the Bureau of the Census reports to Commerce, from where Blank could help support the unfinished agenda of improving the poverty measure. Census, under the leadership of David S Johnson, developed a Supplemental Poverty Measure based in large part on the recommendations of the Academy Report. Incorporated into this new measure — which is *not* the official poverty measure — are spatial price indices constructed using rents. Surprisingly (though I hope this will change) the measure does not use the more comprehensive spatial price indices for states and metropolitan statistical areas (MSAs) developed by another arm of Commerce, the Bureau of Economic Analysis — which is responsible for the National Accounts. The BEA uses indices to compile measures of real personal income for states and MSAs going back to 2008, data that were recently officially released.

'Regional price parities' now available...

The spatial indices use the data collected by the Bureau of Labor Statistics for the Consumer Price Index, but because they are *multilateral* indices designed to compare many places at once, each of which must be treated

symmetrically, they are constructed in a very different way from a *bilateral* index like the CPI that compares a base and current period. The BLS, by some accounts, was not comfortable constructing such multilateral animals, though they supported the work at the BEA, who employed Bettina Aten (who had worked with Alan Heston on recent versions of the Penn World Table), who put together a team to produce the new indices. The BEA refers to them as regional price parities, or RPPs, and they are similar to the PPPs produced by *Eurostat*.

The RPPs show big differences across space. Hawaii and New York are the states with the highest price levels, and Arkansas and Mississippi the lowest; New York state's price level in 2012 was 36 percent higher than Mississippi's. The MSA of New York, Newark, and Jersey City is nearly 50 percent more expensive than is Rome, Georgia. Across MSAs, the elasticity of prices to income is about one third, and although, as anticipated, rents show the largest variance across states, there are significant differences in the price of goods (e.g. gasoline prices vary across states) and even more in other services, reflecting differences in wage rates. One interesting, if speculative, test of these numbers is to regress a measure of life evaluation on the logarithm of income and the logarithm of the local price index, as well as other standard controls: in a sample of nearly 2 million respondents from Gallup, the coefficients are equal and opposite. Real income is a better indicator of wellbeing than money income, and the RPPs do a good job of picking up the difference. While real income is somewhat more equally distributed over the country than is nominal income, the difference is very small, essentially because most of the dispersion of income is within areas, not between them.

...but the official poverty measure remains

The Supplemental Poverty Measure has not been adopted as *the* official poverty line, and indeed, its greater complexity would make it difficult to use for testing for individual eligibility. Yet this means that the official poverty measure, with all its flaws — including the failure to take local prices into account, and its blindness to taxes and official benefits — continues to be used, something that is unlikely to change in the current climate in Washington. Even so, the new measure is widely used in analysis including in official documents, particularly to assess the effects of the Great Recession of which it gave a much superior account than the official measure — not because of spatial price indices — but because the official measure ignored the substantial effects of the safety net on supplementing incomes of the poor. A bad measure can survive for a long time even when its deficiencies are well understood, though perhaps the recent crisis has helped make those deficiencies even more starkly and widely apparent, and may create some of the political momentum that will eventually lead to change.

Royal Economic Society Easter Training School 2015

'Behavioural Economics'

Brasenose College, University of Oxford
Sunday 22 to Wednesday 25 March 2015

The RES in conjunction with the ESRC will hold its twenty-fifth residential Easter School in March 2015 at Brasenose College, University of Oxford. It is intended primarily for advanced postgraduate students doing doctoral research but is also open to younger lecturers and postdoctoral researchers.

In 2015, the subject of the school will be **Behavioural Economics** and the lecturers will be:

**Professor Vincent Crawford
of the University of Oxford**

Professor Colin Camerer of Caltech

Topics to be covered in the School will be:

- Reference-dependence and loss aversion
- Present bias and time-inconsistency
- Strategic thinking: evidence and applications
- Neuroeconomics
- Measuring cognition in economic decisions: How and why?

Places are available for 25 resident participants. Accommodation and meals will be provided for the duration of the course. A call for nominations can be found on the website www.res.org.uk or from the RES office.

Nominations from Heads of University Departments must be received by the RES office no later than **Monday 12th January 2015** by email to:

royaleconsoc@st-andrews.ac.uk
marked 'Easter School 2015' in the subject line.

Please note that travel expenses for this school must be covered by the applicant or their university although accommodation and all meals will continue to be provided. Successful applicants will be informed in February 2015.

More details: Professor Peter Sinclair
P.J.N.Sinclair@bham.ac.uk

The gender gap in economics enrolment: where does it arise?

In the UK there is a persistent gender gap in university enrolment into Economics. In this article, Mirco Tonin and Jackie Wahba report the results of a recent paper exploring the sources of this gap.*

Looking at figures from the Universities and Colleges Admissions Service (UCAS) for 2013, it emerges that among UK applicants under the age of 21 who accepted an offer to undertake a degree in Economics in a UK university, 73 per cent were males. The gender composition is more balanced when looking at students from outside the UK, with a 60 per cent share of males among EU applicants and a 56 per cent share of males among non-EU ones.

In this article we explore the reasons behind such a big gender gap in enrolment for a bachelor's degree in Economics among UK students. We use a 50 per cent random sample of all UCAS applications in the 2008 cycle for UK domiciled applicants. In total, we have 230,722 applicants and 959,915 applications. UCAS data provide rich information on applicants, their applications, offers, acceptances and refusals into courses. In particular, in terms of socio-demographic characteristics of the applicants, UCAS data include age, ethnicity, gender, socioeconomic status, and region. We also have information about the type of high school attended (e.g. grammar, independent) and the region where it is located, as well as about qualifications obtained at high school (A and AS levels) and about the so called 'tariff', a points system used to summarize achievement in a numerical and comparable format. We also have detailed information about the university application process, observing all applications (subject, course type, institution, route — e.g. main, extra, clearing), offers, and acceptances. In terms of the gender gap in Economics enrolment, the situation in 2008 was very similar to the one in 2013: in our sample females represent 27 per cent of those enrolling for undergraduate courses in Economics, despite the fact that females represent the majority (57 per cent) of those enrolling at university.

Why it matters

The gender gap in Economics enrolment matters for at least two sets of reasons. The first relates to the fact that economists have generally an influential role in policy making, directly or as academics, consultants or policy analysts working in think tanks, ministries, central banks, or international organizations like the IMF or the World Bank. Just as an example, the first female cabinet minister in Sweden, Karin Kock, was also the second one to complete a Ph.D. in Economics and the first given the title of Professor in Economics in her country.

The gender of those making policies matters as several studies have shown how males and females have different policy preferences. For instance, a study of members of the American Economic Association (May, McGarvey and Whaples, 2014) finds that male economists express greater opposition to mandating that employers provide health insurance than female economists and express greater support for the use of vouchers in education. Male economists are generally more likely to see the costs associated with government intervention and, for instance, are more likely to see a loss of employment from raising the minimum wage. There thus appear to be significant differences between male and female economists for a large set of policies. Differences have also been found regarding policy actions rather than opinions, for instance by exploiting random variation in the gender of policymakers generated by gender quotas. The gender gap in Economics enrolment is thus particularly important as an Economics degree gives access to many positions related to policy making.

Another reason why enrolment into Economics matters is that different degrees lead to different occupations and different occupations lead to different earnings. A study of US graduates (McDonald and Thornton, 2007) indeed finds that differences in college majors selected explain most of the gender gap in starting salary offers. Given that Economics is one of the subjects associated with relatively high average earnings, then lower enrolment by females into Economics is a contributing factor behind the gender pay gap.

The possible sources

What we want to see is where in the application process the gender gap in Economics emerges, i.e. how big the differences between genders are at the application stage, or in offers made by universities, or at the stage of acceptance of these offers by students.

Starting from the beginning of the process, one possibility is that female students choose different courses at high school than males and, thus, are not prepared to meet the requirements to enrol into an Economics course when applying to college. In practice, given the Maths requirements in Economics, this would be the case if girls took less Maths courses than boys at high school. A further possibility is that, even if girls are as prepared as boy, they still choose not to apply to an Economics

degree, either because of lower labour market prospects or because of different tastes or for other reasons.

Moving one step forward in the process, female applicants could be somehow discriminated against in the application process. This could be the case, for instance, because they are perceived as less competent in the field of Economics. An example of such discriminatory perception among science faculty members was uncovered in US research-intensive universities by a recent audit study (Moss-Racusin *et al.*, 2012). The study finds a bias against female undergraduate students, as faculty members rate (fictional) male applicants for a laboratory manager position as significantly more competent and hireable than the (identical) female applicants.

Female applicants could also be less likely to accept if an offer is made, possibly because Economics is lower in their unobserved ranking of subjects. With our data, we can then investigate the size of the gap at the application stage, whether admission practices by universities mitigate or exacerbate the gender gap, and whether women are less likely than men to accept offers made by universities.

What we find

Simply looking at descriptive statistics for those who enrol at university, the gender gap immediately emerges at the application stage, with only 1.2 per cent of females applying to Economics, as opposed to 3.8 per cent of males. However, once they have applied, the likelihood of receiving an offer (conditional or unconditional) is very similar across the two genders. Likewise, conditional on getting an offer, there is no gender difference in the applicants' acceptance rate (firm or insurance) for Economics degrees. What also emerges from descriptive statistics is a gender difference in terms of the choice of Maths at A level. Among those who enrol at university, Maths is an A level subject for 10 per cent of females, as opposed to 19 per cent of males.

The gender gap is present also when we estimate the probability of enrolment into Economics degrees (as opposed to enrolment into other degrees) controlling for individual characteristics, school type, and region. It drops but persists when we control for the subject choice at A level, and in particular Maths, and further drops if we control for Economics A level, while adding a measure of the quality of students measured using the tariff does not make a big difference.

We also look separately at the various steps that lead to enrolment, starting with application. In line with what descriptive statistics indicate, we find that even after controlling for individual and school characteristics and region, the probability of applying for an Economics degree is smaller for females. The probability of receiving an offer after having applied for an Economics degree is instead the same across the two genders, even after adding further controls for score and A-level sub-

jects, thus comparing applicants that are very similar from the point of view of admission officers. This suggests that universities do not discriminate against females when making their offers. Considering the last step, females are as likely as males to accept an offer.

Our analysis shows that, once females decide to apply to Economics, there is no difference in their probability of receiving offers by universities, in their own decisions to accept offers or to eventually enrol into an Economics degree. Hence, the gap is entirely due to low application rates.

Why females are not applying

Our data do not allow us to investigate in detail the reasons why women are not applying to Economics degree. We can however explore some hypothesis. As underlined above, an important underlying reason for the lack of applications by females may be related to their choice of A level subjects at high school and, in particular, to the fact that they are less likely to do Maths at A level. As reported in the study by Goldin, Katz, and Kuziemko (2006), a similar gap existed in the US in the late 50s, but disappeared in subsequent years, with girls reaching parity in 1992. Interestingly, Guiso, Monte, Sapienza, and Zingales (2008) find a positive correlation between gender equality and the gender gap in Mathematics, showing that the gap disappears in more gender-equal societies.

However, in our dataset we find that women are still less likely than men to enrol in Economics even when we condition on having done Maths at A level. This is also the case when we condition on having done Economics at A level. This points to the fact that different choices in terms of A level subjects cannot be the whole story behind the gender gap in applying to Economics.

Several other explanations have been proposed for the reluctance of females to undertake Economics studies. The lack of role models in Economics faculties or, more generally, within the realm of politics and businesses or within the household, may play a role. Gender differences in (actual or perceived) labour market returns or in career expectations and aspirations may also be important, while differences in tastes could also play a role. Our data do not allow us to explore these hypotheses. What we can say is that the gender gap in Economics enrolment emerges at the application stage and that, while playing an important role, the choice of A level subjects is not the whole story behind it.

*University of Southampton. Contact details: m.tonin@soton.ac.uk and j.wahba@soton.ac.uk. UCAS cannot accept responsibility for any inferences or conclusions derived from the data by third parties. The paper, titled 'The Sources of the Gender Gap in Economics Enrolment', is forthcoming in CESifo Economic Studies and is available here: <http://ftp.iza.org/dp8414.pdf>

References:

...cont on p.12

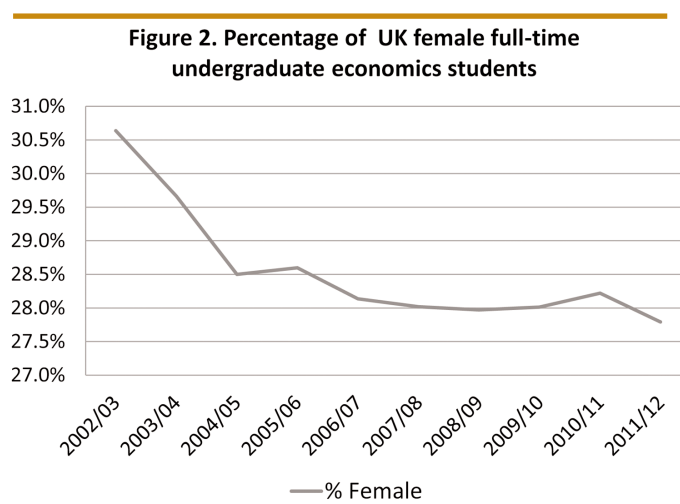
More on the gender gap in economics enrolment

Karen Mumford reflects on the very interesting issues raised by Tonin and Wahba in their article.*

Figure 1 reports HESA data for UK undergraduate economics enrolments split by gender and domicile (UK or non-UK domiciled students); whilst enrolments for males and female have grown post 2007, these increases are clearly larger for male UK student enrolments.

The relative decline in the proportion of female UK undergraduate economics students is perhaps more obvious in Figure 2.

An obvious explanation could be that girls lack the qualifications needed to enrol in these degree programmes. Table 1 provides UCAS (Universities and Colleges Admissions Service) information on the A-level results for this year's cohort of UK secondary school students in economics, maths, and across all subjects. We can see that there were fewer girls in the UK studying A-level maths than boys (38.7 per cent of all the A-level mathe-



tics students were female). There were even fewer girls studying economics (only 32.4 per cent of the students studying A-level economics in 2014 were girls). These figures are particular low when we consider that some 54.5 per cent of all 2014 A-level students are female.

It is also worth noting that the girls studying economics at A-level were more successful than the males (with 35 per cent getting A or A* grades, relative to 29.9 per cent of the males). One would think that there were reasonable numbers of suitably qualified girls to enrol in economics degrees. Maths departments are, however, considerably more successful at recruiting females into their undergraduate programs. According to the Equality Challenge Unit, females make some 40 per cent of undergraduate students enrolled in mathe-

Figure 1. Full time undergraduate economics students numbers in the UK over years and domicile (all HESA data)

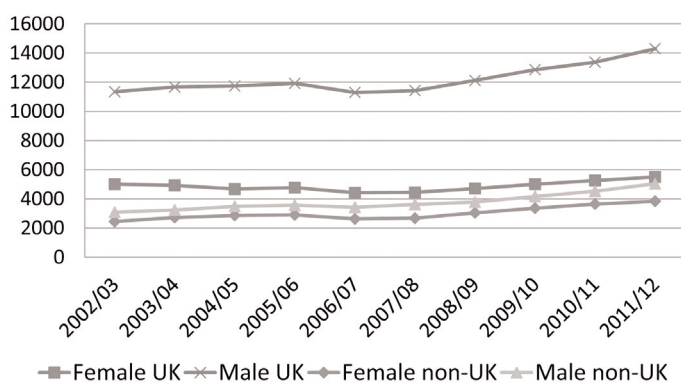


Table 1. A-level results 2014

Subject	Gender	No. sat	A*	A	B	C	D
Economics	Male 2014	17985	7.9	22	28.6	22	12.5
Economics	Female 2014	8627	9.9	25.1	27.8	20.5	10.7
Economics	Male & Female 2014	26612	8.5	23.1	28.3	21.5	11.9
Mathematics	Male 2014	54442	18.4	23.8	21.6	16	11
Mathematics	Female 2014	34374	15.7	26.1	23.9	15.9	10.4
Mathematics	Male & Female 2014	88816	17.3	24.8	22.5	15.9	10.8
All subjects	Male 2014	379823	8.5	17.2	24.7	23.6	15.9
All subjects	Female 2014	453984	7.9	18.3	28	24.7	14
All subjects	Male & Female 2014	833807	8.2	17.8	26.4	24.3	14.8

Data from: *The Guardian Data blog*, <http://www.theguardian.com/news/datablog/2014/aug/14/a-level-results-2014-the-full-breakdown>

matics in the UK. And the representation of UK females in undergraduate mathematics degrees has remained relatively constant in recent years, in striking contrast to the situation for economics revealed in Figure 2.

In the UK, students apply to enrol in a university degree programme; the university then decides whether or not to make an offer (usually conditional on the student obtaining a set of specified grades at the end of their A-level year). Those students satisfying their offers can choose to take up the place and go on to enrol in the degree. Tonin and Wahba use the 2008 cohort of A-level students (their data comes from UCAS). They argue that university offer rates in economics are very similar for males and females; the gender difference in enrolments lays in less women applying to study economics. The similarity in offer rates conditional on applying is itself interesting if girls are doing better at A-level economics than boys. In the 2008 cohort, the average achieved UCAS tariff for males who applied for economics was 312 and 339 for the females; the average achieved tariff for those offered was 346 for the males and 388 for the females. A gap of 20 UCAS points is equivalent to a single higher grade (e.g. B to A or C to B), most state school students take 4 subjects in their A-level year (although the fourth subject is usually General Studies or its equivalent). We might expect girls to have a higher offer rate than the boys.

The results from Tonin and Wahba's probit analysis indicates that girls are 1.0 per cent less likely to enrol in an undergraduate economics degree than males (controlling for demographics, socio-economic group, school type, and region); this drops to 0.8 per cent less likely once having A and AS level maths is allowed for; and to 0.4 per cent less likely when having A and AS level economics is also included in the analysis. Whilst maths is important, studying economics at secondary school has a considerably stronger relationship with the probability of girls enrolling in an economics degree at university than does their studying maths at school. Indeed, for the entire cohort (males and females combined) students who studied A-level maths are 1 per cent more likely to enrol in economics than any other degree, whilst those studying economics at A-level are 11.6 per cent more likely to enrol in an economics degree.

Tonin and Wahba raise the very pertinent questions: (i) why don't more girls want to study economics at university? ; (ii) is it because they don't want to grow up to be economists? The first question should perhaps be rephrased to 'why don't girls want to study economics at secondary school?'. Whilst it might be nice (as economists) to believe that 16 year old teenagers make subject choices on the basis of maximising their long term earnings (or maybe even well-being), it is perhaps more credible to believe there are other factors of the secondary school syllabus that makes economics relatively less attractive to girls (and let's face it, with less than 5 per cent of this year's male A-level students studying economics, it's not that attractive to the boys either). Professor Wendy Carlin is leading an international

project — the CORE project — to reform the undergraduate economics curriculum. There is currently no equivalent project considering a thorough overview of the secondary school curriculum in economics.

We have a little more *a priori* evidence in relation to the second question. As discussed in a recent *Newsletter* ('A Career in Modelling: A Note on the Government Economic Service')¹ a substantial proportion of the GES economists are women and this 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 with the proportion of female graduates receiving a first or upper second honours degree in economics across the UK.) However, 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. The recent surveys of Business Economists (admittedly taken from small samples of all possible business economists) also suggests strong movements of women into senior positions over time. All of this evidence would suggest that economics is improving as a place to be for women although — of course — other disciplines may be improving faster. Whilst we are slowly building up our knowledge base amongst graduates, a major lesson from the Tonin and Wahba paper is that we have little knowledge of what is happening to discourage girls from enrolling in economics at secondary school and in undergraduate degrees at universities. The Women's Committee will look to collect further information on these issues in its next round of biennial surveys to be sent out this November.

Notes:

* University of York. Chair of the RES Committee on Women in the Economics Profession.

1. April 2014, no. 165 pp.20-1.

From Daniel Zizzo —

Introduction to CHUDE

A the beginning of a new academic year, readers, and new heads of department in particular, may find the following useful:

CHUDE's purpose and remit

- CHUDE includes the Heads of Economics and related departments and units at all UK universities, plus a restricted few other members (such as members of the CHUDE Steering Committee). As stated on our website, which also contains access to resources and to further information (<http://www.res.org.uk/view/chude.html>).

The Autumn full meeting always takes place in London on a Saturday in late October/early November, at 10:30 for 11 AM start (up to 1 PM). The forthcoming CHUDE full meeting will take place on **Saturday November 1** at UCL. Please pencil this date in your diary.

Open access in the post-REF 2014 world

Daniel Zizzo explains what is meant by 'open access' and how it will affect economists in UK universities.*

Economists in British universities are gradually starting to come to grips with the fact that there is something called open access that is or will be required of them when they produce articles. Some may be confused; some may feel that, for different reasons, they need not worry; and some may worry rather too much. What this note provides is a little guide for each of these constituencies, by trying to answer twelve questions that they may ask. My focus will be firmly on HEFCE requirements for open access in the REF post 2014, but some of what I say will be a little more general than that.

1. 'We already do open access, so why worry?'

A first and natural reaction to the open access agenda is that we economists have a long tradition of open access. Working papers have long been posted online and, before the age of the internet, in departmental printed copies and made freely available to anyone interested. Therefore, insofar as open access means open access to all articles without the need of a journal subscription, it is hard to deny that we economists have been at the forefront of having our knowledge as a public good shared by the wider community. Indeed, we have also been at the forefront of thinking of repositories with international reach. Repec (<http://repec.org/>) is without any doubt a great UK success story as it originated from funding from the Joint Information Systems Committee (JISC) of the UK Higher Education Funding Councils. Repec is probably the most common repository of economics papers currently used in the UK. Another (U.S.) repository, the Social Science Research Network (<http://www.ssrn.com>), is also full of papers by economists.

Unfortunately, none of what economists do meets the requirements set by UK research councils, by the European Commission for Horizon 2020 funding, and, last but not least and for articles (or conference proceedings) accepted after April 1, 2016, by HEFCE for submission of articles to the next REF. The manuscript which needs to get open access needs (at least) to be the accepted author version (i.e., post-refereeing). And the HEFCE regulations are quite clear that open access is not just about open access (see point 5 below).

2. 'What is the difference between green and gold open access?'

Green open access is where your publication can be made available for viewing in open access repositories other than the publishers' journals. As noted, requirements are generally in terms of the accepted final manuscript. Publishers have their own set of somewhat differ-

entiated requirements, the most important of which is the usual (though not universal) presence of an embargo period. How this embargo period matches against HEFCE guidelines is the key test to determine whether a journal can comply with post REF 2014 requirements via the green open access requirement.

Gold open access is where an article is available for access to anyone without a journal subscription on the journal website, typically also with the right of reproduction and deposit elsewhere. Gold open access costs money: 'article processing charges' (APCs) are often in the order of 1,500 - 2,500 pounds for economics journals, though they can be lower. Different publishers can have different APCs and indeed, with appropriate flexing of their market power, the same publishers often have different APCs for different journals.

3. 'Do universities get funding for gold?'

Funds were provided to a number of universities in a transitional period for use for any published research, but at present, insofar as I know, the only funds that universities receive relate to paying for the APCs of research council funded research. In Horizon 2020 grant applications, it is possible to charge APCs to the grant, but of course publications sometimes take place long after a grant expires, and, at least at present, this is not taken into account. There is therefore a potential question that universities need to face regarding potentially self-funding APCs for selected high quality non research council funded articles whose journals do not allow HEFCE guidelines compliance via the green route. And, if the answer is 'yes in principle', what rules to follow to identify which articles are allowed to go gold.

The one great advantage of the gold open access is that one does not need to worry about embargoes (see discussion below under point 5).

4. 'How much can we economists go green?'

Economists can go green fairly widely, though the embargo periods (and auxiliary requirements) do vary quite a lot across journals. Among the main publishers of economics journals, Elsevier has been the last to move, but it has now provided sufficient clarity that it will adapt its requirements to the needs of 'UK authors' for almost all of its journals, information that has been incorporated in my online tool on HEFCE compliance of Economics journals (see point 12). Exceptions exist, however. For example, as of my last check of the Elsevier website on September 23, 2014,

the *European Economic Review* still has a 36 months embargo, which makes it non HEFCE compliant.

5. *'Is open access just about open access?'*

So far, so good, but, as it happens, open access is not just about open access. The HEFCE guidelines identify three requirements that make an article HEFCE compliant: a deposit requirement, a discovery requirement and an access requirement. The deposit requirement is that the accepted author manuscript must have been deposited in a repository within three months of acceptance. The discovery requirement is that the deposited output can be discovered by anyone online in terms of bibliographic and metadata record. The access requirement is that at least the final accepted manuscript can be accessed online by anyone. If the access requirement is met via the green open access route and there is an embargo period, this can be no longer than 24 months, and the open access must be ensured within 1 month of the end of the embargo.

This regulatory framework provides three challenges for authors if the green route is followed, even with HEFCE compliant embargo periods:

- (a) You need to remember to place your output in a repository within 3 months of final acceptance, hiding the output if it has an embargo period but making the bibliographic and metadata record publically available.
- (b) You need to convince your university that you are doing this.
- (c) You need to ensure that, within 1 month of the end of the embargo period, the article becomes publically available.

In responses to open access consultations, the Royal Economic Society and CHUDE did make the point that institutional repositories should not be the only allowed repositories. It was pleasing to note that, whether or not as an impact of our responses, this point was taken by the final HEFCE guidelines. However, given the challenges above, it is fair to expect a strong steer from universities, and a strong incentive on yourself, for you to deposit on your institutional repository. This is because, in relation to each of the challenges:

- (a) If you place the output in your institutional repository, it will take care of publishing a record while hiding the output - undoubtedly, though, other repositories may enable you to do so;
- (b) Other repositories may not assure university managers that you have done your REF duty, though; it is conceivable that at least certain universities may start requiring publication in the institutional repository for outputs to be considered for the internal performance processes, e.g. promotions;
- (c) The real benefit from depositing an output in an institutional repository is where this repository automatically makes the output public after the required embargo period. Relying on your memory and diary to make

the paper public after the correct embargo period and within 1 month may arguably be hostage to fortune.

Universities are often worried about the initial deposit because the final acceptance of a manuscript is a private act between a journal and an author, and as such it needs to rely on academics to act on it. That said, in my view (c) is or should also be a cause of concern, as it needs universities to invest in staffing to check embargo periods and input the correct data in the system so that it can be correctly attributed to each article. And, since the embargo period is typically from the date of online publication and this does not coincide with the date of final acceptance of the manuscript, it requires at least a 2nd manual intervention after the initial one, in order to input the date of online publication.

My own tool on economics journals (see link under 12 below) provides information on embargo periods of different economics journals and I try to keep it updated, but of course embargo periods may change and economists publish also in non-economics journals — for example, there are many more finance journals than those in my list. Finding the correct rules is not always easy on journal websites, and the terminology used can also be confusing. For example, as of my last check on the Wiley website again on September 20, 2014, the Wiley self-archiving webpage talks of self-archiving (a.k.a. green open access) be allowed for "the peer-reviewed (but not final) version of a contribution"; while this actually means what HEFCE calls the accepted final manuscript, the different terminology (about what is meant by 'final' or not) is clearly a source of confusion. Overall, there is a strong case for universities to take ownership of checking the correct embargo periods, as opposed to relying on authors.

6. *'I published an ESRC funded research and the embargo provided for green open access was fine, according to my librarian. This means that the same rules apply for this journal in general for publishing for post REF 2014, does it not?'*

No, not really. For example, embargo periods may well be different. You should double check.

7. *'I am trying to hire someone from abroad and she has not even heard of open access. Is this a problem?'* and *'I am hiring a fresh PhD from another UK university and he has not even heard of open access. Is this a problem?'*
No and no. The potential unintended job market consequences from previous thinking of HEFCE were another point that was raised by the Royal Economic Society and CHUDE, and for both cases there is a suitable exception in the HEFCE guidelines.

8. *Question asked sometime in 2018: 'I have this great article but, alas, it is in a non-economics journal that does not allow for open access. What can I do to make it count for REF?'*

You (will) have three options. The first one is to forget about it — for example, you may have enough other great articles to make your university happy. The second is to meet the deposit and discovery requirements and to persuade your university that your output is in a journal that ‘actively disallows open-access deposit in a repository’ and is the ‘most appropriate’ place to publish (p. 7 of the HEFCE guidelines). It is an open question how ‘most appropriate’ will be judged. In subjects such as Law where open access is more of an alien concept, or in very top journals, it may be an easier case to make. Universities may be differentially prone though to take the risk — or not.

The third option is to change university, as your new university will not be blamed for the failure at your old one. Added incentive for that last-minute-before-REF-census-date job market scramble that we all so much love.

9. *Question asked sometime in 2018: ‘I have this great article but I did not meet the deposit/access requirement. What can I do to make it count for REF?’*

Assuming that your article does not fit in point 8 above, you have three options. The first one is again not to pursue this, take this as a learning opportunity and do better next time. The second is to argue that you had a very good reason why you flunked; you would then need to persuade the university to make a case to take advantage of an HEFCE global escape clause that is meant to apply only ‘in very exceptional cases’, which are meant to be ‘extremely rare’ (p. 7 of HEFCE guidelines). This being the case, I would not count on it, and universities are likely to be quite reasonably reluctant to go down this route.

The third option is the same as above: update your CV, apply for jobs, and make that last-minute-before-REF-census-date job market scramble even more lively.

10. *‘The HEFCE guidelines do not put any specific copyright license requirement. If I go via the gold open access route, can I publish using any copyright license?’*

There are three copyright licenses terms that you are most likely to come across, CC-BY, CC-BY-NC and CC-BY-NC-ND. Informally, they can be summarized as follows: CC-BY means that the article text can be reused and reproduced in any way, also for commercial purposes, as long as there is appropriate author attribution; CC-BY-NC is the same but restricting use to non-commercial purposes; CC-BY-NC-ND means that the text can be used only in its original form (with appropriate author attribution).

While not being prescriptive, the HEFCE guidelines provide a nudge towards using CC-BY or CC-BY-NC licenses, with potential credit going to the university under the research environment component of a REF submission. That said, if your article has been funded by research councils, beware — as research councils do require a CC-BY license. One interesting example of potential confusion between two sets of guidelines.

11. *‘So for the last REF the big new thing was impact, for the next REF it is going to be open access. Anything else that may be coming out our way for the REF after next?’*

None of us has got a crystal ball, but open data is as good a candidate as any: that is, most significantly, making data underpinning research available to all on a data repository. Open data is already a requirement for various funders, such as the ESRC. With the EPSRC now requiring universities to set up their own open data policy with compliance being required from May 2015, it may just be a matter of time before more structured data management practices are required. It won’t be for this REF, though HEFCE considered the idea for an early open access consultation before discarding it. But we should not be surprised if it were a requirement for the REF after the next one.

12. *‘Help! Where can I find more information?’*

There will be, I am sure, someone at your university — and probably more than a single someone — working their way through the delights of open access policy implementation. He, she or they will clearly be a good point of call, and there may well be relevant information provided somewhere on your university intranet. That said, the following can be sources of help online:

- (a) You can find my tool on the open access of Economics journals and REF on the CHUDE Resources page (<http://www.res.org.uk/view/chudeResources.html>), together with responses to as many as three open access consultations if you are interested in some background;
- (b) HEFCE (2014), *Policy for Open Access in the Post-2014 Research Excellence Framework*. http://www.hefce.ac.uk/media/hefce/content/pubs/2014/201407/HEFCE2014_07.pdf
- (c) RCUK (2013), *RCUK Policy on Open Access and Supporting Guidance*. <http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUKOpenAccessPolicy.pdf>
- (d) European Commission (2013), *Guidelines on Open Access to Scientific Publications and Research Data in Horizon 2020*. http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/oa_pilot/h2020-hi-oa-pilot-guide_en.pdf
- (e) *EPSRC Policy Framework on Research Data* (accessed on September 21, 2014) <http://www.epsrc.ac.uk/about/standards/researchdata/>

Note:

* Prof Daniel John Zizzo (Newcastle University) is Secretary, Conference of Heads of University Departments of Economics (CHUDE).

British Association

— Section F

David Dickinson, University of Birmingham, reports on the British Science Festival that took place at the university, 6-11 September 2014.

The President of Section F (Economics), Prof John Van Reenen (LSE), organised a session on The Economics of Inequality. In addition to John the speakers were Brian Bell (Oxford) and Barbara Petrongolo (QMUL). All speakers are members of the Centre for Economic Performance.

John Van Reenen started the session with an overview of trends in inequality over the last 40 years, using the income difference between the top 10 per cent and bottom 10 per cent of the income distribution as a measure. He identified that there had been an increase in inequality within most OECD countries and then went on to discuss, in more detail, the trends observed in the UK. He noted that the pay-off to education had risen over time due to an increase in the demand for skills which outpaced the very substantial increase in supply since the 1970s. One possible reason for the increase in inequality was trade with low wage countries and the resulting downward pressure on unskilled wages. Further social/political changes e.g. the decline in Trade Union power (UK) and the fall in the minimum wage (particularly in the US) also impacted on the labour market. However Van Reenen argued that technology was a more important explanation. He based this conclusion on a closer examination of the jobs and wage distribution across industries. An interesting twist since the early 1990s was polarisation: demand for jobs in the middle occupational groups had fallen the most. Technology was replacing the sort of routine tasks that had previously been done by many non-manual workers. Lower wage occupations doing non-routine tasks like cleaning were relatively untouched and new technologies actually complemented the tasks of high income groups further accelerating their demand.

Brian Bell focussed on the top 1 per cent of the income distribution, a group that has received a lot of attention recently since it contains a large number of workers in the financial sector. He showed that this top 1 per cent have been getting better off even as the rest of the working population has suffered. In the early 20th century he noted that the predominant group of high income earners were rentiers while in the later period running into the 21st century they were predominantly from the financial sector. Trends in the UK and US were similar, reflecting the importance of the financial sector whereas elsewhere in Europe there was less emphasis on these

type of occupations. He then turned to explain why these trends existed. There appeared to be a relationship between the pay of CEOs and the performance of the company. However Bell pointed out that this was only for 1970-2005 and that for other time periods it did not operate. He therefore conjectured that rent-extraction was at work based on the unwillingness of companies to fire their CEOs. He also noted that tax rates had moved significantly in favour of the highest earners.

Barbara Petrongolo examined gender differences in income. She began by noting that, whilst women have become more involved in the labour market and at senior levels, and there has been a reduction in wage inequality, there is still a 22 per cent gap in wages compared to men in the UK. She compared this with Continental Europe where the wage gap was lower but there was much less employment of women. She identified a number of factors that underlined the trends in female employment: more women in Higher Education, less emphasis on physical strength in the workplace, more flexible working patterns, the rise of the service economy. She also identified that women's expectations had changed such that a career had become an important life choice. She then discussed that behavioural economic research was providing further insight into the trends in employment and participation of women. Petrongolo also identified studies that showed women seemed to underperform in terms of income because of child rearing responsibilities. She further noted that there was greater inequality in countries where cultural identities place women firmly in the home.

Following the talk there was a very lively discussion with the audience which raised a number of interesting issues and continued even after the official close of the session.

Gender gap

...continued from p.6

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MMF panel at the Groupement de Recherche Européen (GdRE)

A special plenary panel session was organised and chaired by Andy Mullineux on behalf of the UK's Monetary Macro, Finance Research Group (MMF) at the 31st International Symposium of the Groupement de Recherche Européen (GdRE) 'Monnaie, Banque et Finance' in Lyon on the 19th June 2014. This is Andy's report.*

The panel considered the question: 'Have we made banking good?' The panellists were Philip Davis (Brunel University and National Institute of Economic and Social Research, NIESR), Peter Sinclair (University of Birmingham and Bank of England), Karen Brown-Munzinger (Bank of England) and Laurent Clerc (Banque de France).

The *double entendre* implied by the chosen title was intended, so that it asked both whether the banking system had been repaired by regulatory initiatives initiated since the 2007-9 Global (or Great) Financial Crisis, or 'GFC', in the sense that the system had been rendered less likely to require further taxpayer financed bail-outs. The second meaning relates to the question of whether banks have become better at serving the social and economic, or common, good and less short term profit oriented.

This panel followed on from others organised by the MMF at GdRE conferences. Two years ago, in Nantes, the MMF panel focussed on the Eurozone crisis and considered how to break the 'Doom Loop' or debt spiral. After that conference 'Super' Mario Draghi, the President of the European and Central Bank (ECB) promised in July 2012 to do 'whatever it takes' to save the Eurozone.

The MMF panel at the 2013 GdRE conference in Poitiers discussed the problem of 'Restoring the Bank Lending Channel' in response to the 'fragmentation' of the money and capital markets in the Eurozone and SME funding problems in the UK.

In the UK HM Treasury and the Bank of England had jointly introduced a Funding for Lending Scheme (FLS) which provided cheap finance to banks that extended new mortgages (home loans) and SME loans. Meanwhile, the ECB was operating its Long Term Refinancing Operation (LTRO) which provided the banking system with cheap liquidity, much of which was re-deposited with the ECB or used to buy domestic government bonds, rather than lent to SMEs.

The UK's FLS was subsequently adjusted to remove mortgage funding and concentrate on SME lending when the government's new 'Help to Buy' mortgage sup-

ply promotion scheme was introduced. SME lending did not pick up significantly, however, until the UK economy began to recover in spring 2013 and the SME focussed FLS scheme was extended in the UK government's April 2014 budget.

In early June 2014, two weeks before the Lyon conference, 'Super' Mario announced a new 'big bazooka' initiative involving negative interest rates on deposits by banks with the ECB and Targeted LTROs (TLTROs), which consisted of a package of £400bn fixed rate (0.25 per cent re initially rising to 0.5 per cent) 4 year loans to banks that on-lend the borrowed money to SMEs. Full details were yet to be revealed and the package consisted of other stimulatory monetary policy measures, including removal of 'sterilization'. The package aimed to address the problem of restoring the bank lending channel and to reduce the incentives for banks to re-deposit funds with the ECB and to purchase domestic government bonds; the banks holding of which had continued to increase subsequent to Poitiers conference 2 years previously using funds raised through the LTRO.

The overall conclusion of the Lyon panel's discussions was that whilst regulatory reform was underway and broadly on track, the international consistency of implementation was far from assured and that the 'too big to fail' problem had not been resolved through structural reforms. Indeed post crisis consolidation had increased concentration in banking markets and an unintended consequence of crossing the regulatory threshold to become a systemically important financial institution (SIFI) might be to encourage SIFIs to accelerate their growth in order to spread their additional regulatory costs.

There was also a feeling that diversity in banking was beneficial and that mutual and community banking should be preserved and not allowed to be squeezed out by an evolving regulatory regime designed to protect taxpayers by controlling the systemic risks posed by large and complex shareholder-owned banks.

Note:

*Andy Mullineux is Professor of Financial Economics, University of Bournemouth

Shouldn't economists get involved in the making of the national accounts?

Writing from America Salah el Serafy argues that economists should pay more attention to national income estimation especially where natural resource deterioration is overlooked.

This note is prompted by a recent publication related to national accounting issued under the names of the United Nations Secretary-General and the heads of five eminent international organizations (see references). I take advantage of the emergence of this document with its curious sponsorship to urge my fellow economists to play a more active role in the compilation and evaluation of the national account numbers which they consume with abandon discarding their '*caveat emptor*' precaution. The overpowering sponsorship of this work to which I bring attention looks decidedly odd considering the relative smallness of the objective. For the objective is merely a standardized format that had been missing from a set of peripheral accounts for the environment introduced two decades ago by the 1993 System of National Accounts (SNA93).

The notion that the SNA should reflect natural resource losses to the extent possible had been researched for many years though how to integrate these losses meaningfully in the national accounts has eluded consensus. Over the years hope has gradually faded for such integration, and the recent work appears to close the door firmly against it. All that can be expected now is the collection of 'relevant' information on so-called 'links between the economy and the environment' to be deployed in subsidiary Satellite Accounts — as if natural resources were not an integral part in the structure of most economies. The fact that natural resource losses are *ipso facto* economic losses appears to escape the national accountants who one can surmise are the true begetters of this document, hiding behind a façade of an imposing edifice. Their message in brief is that no adjustment for environmental losses can be expected within the mainframe of the national accounts. This in effect is a death sentence on 'green accounting'.

Economists tend to take the national accounting estimates at face value, often feeding them into sophisticated models without questioning their accuracy or veracity. Reasons behind their presumed apathy are not difficult to disentangle. National accounting is generally absent from teaching curricula. It neither excites teachers' interest nor attracts students who are often enticed by what look like more glamorous lines of learning. This

present-day neglect contrasts with the past when economists considered the national aggregates and what they stand for as fundamental to economic inquiry. Need I mention Adam Smith's work on the nature and causes of the wealth of nations (meaning income of nations)? National income has been central to the work of economists, describing and analyzing its sources, size, composition, distribution, changes and much else.

In the course of the past century the names of Bowley, Colin Clark, Pigou and Keynes forged the national income concept and guided its measurement in England, together with Simon Kuznets and others in America. Of outstanding significance in this regard is Hicks's dogged pursuit of the subject beginning with his book *The Social Framework* (second edition, 1952) where he blended theoretical analysis with attempts to overcome estimation problems. He wanted to initiate the study of economics from the macro end to supplant (or perhaps complement) the then-dominant micro approach of supply and demand. In a posthumously published article in the *Economic Journal* (*EJ*, 1990) on the 'Unification of Macro-economics' Hicks credited the availability of the national accounts with nothing less than the development of modern macroeconomics. However, as the economists' interest in studying social accounting faded the accountants and statisticians have taken over, often disregarding the concerns of economics, and disclaiming any hint that the national accounts should be estimating income. One remarkable feature of the recent publication is its omission of any reference to the accounting-greening efforts of Dasgupta, Hartwick, Mäler, Nordhaus, Solow and Vincent (see El Serafy 2013).

Some rudimentary statements about GDP are perhaps here called for to justify what follows. Ask economists what GDP essentially imparts and the common answer, I believe, will be 'the level of national *income*'. This is important as the accountants, judging from previous attempts at integrating the environment and the economy, have denied any relevance of GDP to income. Without using the familiar acronym Pigou called GDP the 'National Dividend', revealingly defining it as the total of consumption and investment (Pigou, 1948, p. 6). That GDP/GNP should denote *income* is a view that has

been shared by major economists, but whether or not national income may be construed also as signifying happiness is another matter. On its own it cannot express welfare since it contains no reference to the number of people who share it, and even when converted to a per caput basis, it still remains devoid of how it is distributed, let alone the capacity of individuals to derive happiness from their share in income. Disappointed in GDP estimates which ignore ecological losses, many environmentalists have advocated the abolition of GDP though adjusting its estimates would be preferable and more practicable. This is because GDP has become so interwoven in the fabric of modern society that its estimates, however supposedly flawed, are cherished by business, academia, the media and the general public. Moreover, if its 'flaws' are consistently maintained it will reveal growth rates (the pet interest of many economists) that are *grosso modo* accurate. However imperfect these estimates may be they meet quite adequately the needs of short and medium term macroeconomic management particularly for monetary and fiscal purposes. And yet while this is true for perhaps a large number of countries, it fails the macroeconomic needs of the primary producing economies where the conventional estimates of GDP are not just inaccurate but are often misleading. Running down their natural heritage through commercial exploitation is falsely portrayed as 'value added' whereas only the income content of the sale proceeds should appear in GDP. Exploiting finite natural resources without replenishment is akin to mining and Marshall had taken pains to explain that the surplus realized in mining, often miscalled rent, should be split into proper 'rent' which is income and 'royalty' which is capital.

Any presumption that removing 'royalty' (the capital element) from GDP entries relating to natural resources might be taken care of at the level of estimating NDP cannot be accepted for more than one reason. First, NDP is not often reckoned at all, and if reckoned there is no unanimity over the amount to be used for the capital consumption involved. Second, natural resource deterioration due to commercial exploitation is not 'depreciation' in the accepted sense; it does not conform to standard wear-and-tear allowances applied at year-end to asset categories, and may in fact amount to as much as 100 per cent of the asset. In the latter case proceeds of the asset sale will all be a User Cost and must be exiled altogether from GDP. Third, if stock erosion is viewed correctly as Marshall advised as emanating from 'Nature's store', accounting conventions dictate that using-up stocks must be dealt with at the gross income estimation stage. Clearly natural resources are not 'fixed capital' but inventories, and the User Cost implicit in using them up should be recognized for correct accounting. Such economic reasoning appears to escape the concerns of the estimators who have taken charge of the accounts resisting the economic logic behind the 'greening' quest.

Apart from the mistreatment of natural resources a few additional faults have been recognized in the GDP estimates, but most of these have been taken in their stride by analysts. Criticism has touched among others on overlooking unpaid voluntary and household activities and in many cases also inadequate covering of subsistence production. More significantly perhaps is the omission of transactions that evade imposts such as value-added taxation. Whilst such economic activities are left out it would be foolhardy to deny that what is being caught within the catchment of GDP is appreciable enough to make its estimates worthwhile, and this argues for a 'better'-estimated GDP involving serious economist participation, if for no other reason than that no single metric available can yield as comprehensive a cornucopia of information as that which GDP/GNP provides.

Finally I do not wish to appear against gathering the kind of relevant information the UN Secretary-General and his colleagues are encouraging. The availability of detailed and organized information on the environment collected in satellite accounts or elsewhere will be greatly beneficial. This information may also prove invaluable for a systematic analysis of environmental issues in the various compartments delineated. Additionally the availability of data may well attract the attention of economists and trigger their interest in taking national accounting more seriously. But promoting the satellite accounts as a substitute for reforming entries in the accounting mainframe should be strongly resisted. The national accountants seem to prefer a 'catalactic' view of GDPs as a medium for enumerating market transactions. This if accepted will jeopardize the proper estimation of national income. Their fear of an environmental invasion is understandable, but exaggerated, and the SNA after all must live up to its claim of being a universal system. A universal system should cater to the economic conditions of rich and poor, and not be blind to the requirements of some of the world's poorest economies whose GDP is rooted in primary production.

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Necessary pluralism in the economics curriculum: the case for heterodoxy

*In our survey of major recommendations for curriculum reform, the last, July, issue of the Newsletter featured a description of the INET-Core project led by Wendy Carlin. This time it is the turn of the Association of Heterodox Economists. The author is Jamie Morgan.**

As Alvin Birdi indicated in his July *Newsletter* article,¹ a great deal of the dissatisfaction, dispute, controversy and heat rather than light regarding the state of economics education (and hence the issue of whether and how to change the curriculum) divides between the issues of what to teach and how to teach. As the developers of CORE are also aware, since it is stated in some of their early publications and is intrinsic to their laudable commitment to road test their materials, there is a learner to be considered in this process. With this in mind I am going to start from a broader context, specifically issues in education that then give meaning to what we teach and how. It is here that the case for pluralism and then for heterodoxy can best be appreciated. As economists we are also educators, and we were once students. Before reading on, try to remember what made a good educator when you were a student, what made for a good learning experience and then try to connect that to what has made you (at your best) both a good economist (academic or otherwise) and a good educator in your own turn.

The central issue

Now let's consider a primary issue for the economics curriculum, what it means to be economically literate.

There are a variety of relevant ways to consider this.

There is the simple sense that the term is conditional on the needs and expectations of different types of students. So, one can consider a student taking one or a few economics courses as

part of economics for business or marketing as economically literate in terms of a different standard than an economics undergraduate or postgraduate for whom this literacy is progressive and cumulative and for whom that standard must involve some greater degree of skills. Here the standard must also consider the needs of society and the needs of the economy.

An informed student is one who can make sense of economics discourse and particularly its relevance in politics and its representation in the media, and so is potentially better able to participate as a citizen in a democra-

cy. An adequately trained student is one who brings relevant skills to the workplace. There is an apparent distinction here between understanding economic issues and knowing how to do certain things as an economist, but this cannot be pushed too far without conflating the idea of skills with technical proficiency in given methods. Skills are cognitive-practical proficiencies and these can be of many kinds. It is also a skill to be able to look at things from several points of view. It is a skill to be able to listen effectively to other points of view and consider their value and to respond effectively and creatively to them, based on evidence but also reasoning that assesses the basis of the evidence and the assumptions that order the evidence and argument. It is a skill to be able to think laterally and imaginatively. *And* it is a skill to know when and when not to use 'tools' and methods and to know what their limits are, and this is a small subset of the very notion of the expertise that ought to render an economist of greater value than any equation or computer and its programmes that are at her disposal. These are skills that have social value and are simultaneously valued by employers (just ask the CBI).

In terms of social value the range of skills, for example, may raise the level of informed debate regarding core

issues for a country, such as Scottish independence, financial reform, policies of austerity, and membership of the European Union. These issues do not come packaged in certainties but rather can be effectively approached through reasoned explo-

ration of issues and evidence to consider different possibilities. A good economics education can raise the standard of democratic debate, as well as energise political participation — and so help to address a primary problem of political legitimacy that all democratic states seem currently to be experiencing in terms of alienated citizenry. Concomitantly, the traditional slight offered regarding economists to which Birdi alluded (that there as many opinions as economists in the room) could in proper context become an asset. If the general context is recognized to be one of many possibilities then many opinions makes for caution and so also prudential policy

“ A good economics education can raise the standard of democratic debate, as well as energise political participation — and so help to address a primary problem of political legitimacy that all democratic states seem currently to be experiencing in terms of alienated citizenry. ”

both in business and politics. This is something a dogmatic certainty tends to militate against (and we are living through the consequences of the hubris of this now). Moreover, if the general context is one where there is recognition of many possibilities then every position can be considered based on its evidence and assumptions and so constructive consensus and creative synthesis as solutions become possible. This requires a strong sense that *objectivity is a value* before it involves methods, and it is an active process that one demonstrates rather than merely asserts. It is the genuine recognition that there are several ways to consider a problem, many different sources of evidence and different ways of ordering the facts for different purposes. It is then also a genuine commitment to the incompleteness of knowledge in an uncertain and changing world of fallible investigation. From this point of view an economist who has social value may bring confidence and intelligent articulation of ideas in the form of theory, but is one who also does not acquire a reputation for closed-mindedness. An economist in this vein is a genuine problem solver and sheds her reputation as an arcane purveyor of synthetic puzzles.

So, there are many useful skills that a student can acquire from an economics education and they are skills an educator also requires in order to provide that education. Beyond these considerations economic literacy also invokes both a sense that students will be well read in the theory of the subject and that they will be able to think constructively/effectively about an economic problem or issue and so also about real economies. One would expect these two would simply and necessarily cohere, in the sense that being well read in theory (and well practiced in some methods) would facilitate thinking constructively about an economic problem. But there is actually no reason why this should spontaneously be the case and recognizable reasons why it may cease to be so. Whatever one's individual opinion on the state of economic theory and of its value in bringing insight regarding real economies it remains the case that the global financial crisis revealed a sense of discontent with the state of economics as a discipline, and that discontent focused precisely on problems of divergence between theory and thinking constructively and effectively about economic problems. That discontent was variously expressed within politics and the media, and by students, and also within the upper echelons of the profession. INET cannot be dismissed as simply a peripheral organization of inveterate malcontents. Consider also the sense of commitment required for students to organize locally and nationally their own economics education because they are dissatisfied with what they are getting. To be that motivated requires significant cause and particularly when one places this in terms of the current context of instrumentally oriented education and of the employment pressures faced by today's indebted students.

Theories not theory

So, what I want you to consider here begins from our role as educators. What I want to suggest is that theory is highly relevant to helping students learn how to think constructively and effectively about economic issues. However, it is not the substance of a theory or of a group of commonly motivated theories and any associated focus on method, it is the existence of a range of relevant and substantive theories that is significant in an educational sense. One can think of this in terms of an educational ethos (giving them something to think about rather than telling them what to think) and then some principles of pedagogy:

1. A boundary should be maintained between one's own position and what is conveyed to students regarding the existence of positions. To do otherwise is to conflate the end product of one's own judgment with teaching the process of judgement. The latter should always be the goal. There is no single way to achieve this but:

2. A teaching strategy or the use of material should not become an invitation to confirm. An invitation to confirm is not an earned agreement, it may be mere channelling for concordance. This principle applies also to technical material, since one should not confuse confirming a student has grasped a proof or a technique with an understanding of its place.

3. The context in which a body of substantive theory is presented is as important as the content.

- One might first give students an economic problem, data set or range of empirical materials and ask them to devise a way to effectively investigate it and, as a corollary, synthesise its significant, perhaps simplifiable, aspects. One might then compare this to how a substantive theory approached the problem and consider the pros and cons of the theory and this can then naturally lead to issues regarding *what theory is and what it is intended to achieve*.

- Alternatively one might provide students with a range of substantive theories and invite them to consider them jointly as a comparative exercise — what are the motivating questions, what is being shed in pursuit of what is described, accounted for or explained... Can one ask different questions and what difference do different questions make? This can then naturally lead to further questions regarding how theory has developed historically and the degree to which that development has focused on addressing new problems and issues arising in economies, compared to how far it has shaped a policy agenda or led to curious omissions in conceptual focus that are later rectified.

4. It is as important to build space into the curriculum, as it is to build content into courses. This should not be conflated with simply timetabling in self-study based on a reading list. Genuine space is designed rather than simply bolted on as an additional period in which students are required to familiarise themselves with mate-

rial. Genuine space builds in a capacity for considered responses to the material that one intended to convey, and as a corollary provides a place for creative responses to that material and for further exploration of the arising significance of that material, perhaps because of current events. It militates against any time-pressured academic feeling compelled to respond to a potentially relevant economic question based on genuine curiosity with the dispiriting reply 'that's not on the curriculum'. Such space should also allow for the response, 'I don't know but maybe we can consider the problem or find out'. The existence of space in the curriculum distributes responsibility for learning. It also reinforces a learning disposition in students because it actively demonstrates to them that their opinion matters, that their opinion can be developed, and that the study of economics can always be turned to matters of relevance to the economy.

The organic outcome of implementing these principles ought to be engaged students who are encouraged and supported in developing a range of skills, from the assimilation of information to directed critical analysis of theory and evidence and then imaginative, creative responses to that theory and evidence. Such students are disposed to be collaborative problem solvers for whom objectivity is a demonstrated value.

Of course, setting out pedagogic principles in this way typically invites accusations of condescension. No academic would claim to be anything other than committed to being a good and then better educator and no academic would claim anything other than this required also a focus on developing student skills based on teaching strategies. What I am inviting you to consider is the logic of these principles and the commitment. If drawing attention to them can invite accusations of condescension it is because they are in some sense uncontroversial. But this also means that open-ended contextualised teaching necessarily embraces pluralism in order to achieve its goals. Economics is a social science or study of an aspect of society, and so as a matter of inquiry into the economy requires one to range across history, philosophy and policy/politics. It would be pedagogically irresponsible in a social science to not invite students to ask what theory is and what theory is for, to not also invite them to consider the way responses to matters of theory, including the different motivating questions one can ask or goals one sets, can profoundly affect inquiry and policy. In so doing one also reveals economics to always be re-describable as political economy, not least because economics concerns competing descriptions, explanations, perspectives and visions of an economy and what it is for.

This then is the case for heterodoxy. Economics is one way of cutting up the complexity of social reality. Even after social reality is carved into disciplines it must range across their subject matters in order to educate its students effectively. As such, it must necessarily embrace

inter-disciplinarity. The argument for inter-disciplinarity is rooted in the plurality of issues that arise in the effective study of an economy and this extends to the history of the study of the economy and the continued relevance of exploring the economy in different ways. As such, economics in order to effectively educate its students must expose them to different ways one can explore and theorise an economy. The education of a student can be enhanced by exposing them not just to a plurality of issues but also of perspectives and schools of theory.

Of course, no single educator and no single course is equipped to or can comprehensively address all aspects of an effective economics education. Each can only play some role in developing skills and creating the economically literate. It is for this reason that the value of pluralism and of heterodoxy ought to be recognized and accommodated at the level of the overall curriculum. A place can then be made for them as the main constituent of the teaching of particular courses or modules and then also more generally as an aspect of the critical engagement and space within given courses or modules, beginning with foundation or general introduction courses. I don't want to be overly prescriptive here regarding the substance of any particular heterodox position that might be taught. However, one can illustrate some of the value of heterodoxy within a teaching environment.

Heterodoxy - some illustrations

As readers may be aware, although CORE has been conceived as a curriculum, its developers also state that its various areas of content are not intended to be complete courses. They are offered as online resources. So, one way to illustrate the value of heterodoxy within a teaching environment might be to show one might creatively apply and develop some CORE materials along particular heterodox lines. For example, in the foundational Unit 1, students are introduced to isoquants as a way to express relations between labour, technology, switching and output as part of the story of the capitalist revolution as a sudden take-off in economic growth. Students are also given 'pop-ups' to deal with different aspects of key concepts that are intended to underpin a framework understanding of the dynamics of economic activity. An example of work/leisure choice begins 'Suppose you are happy earning just £400 per week and so can convert any hourly pay increase into more free time,' and derives a 46.3 per cent increase in the consumption of leisure.

A heterodox approach might provide a further contrasting set of pop-ups in order to illustrate the limits and realism of different ways of considering economic activity. For the context of the early industrial revolution one might introduce a short text version of a pop-up highlighting the significance from 1815 in the UK of the Corn Laws and phrase a further example that began 'Suppose you must pay x for food subsistence, y for rent and earn just $£z$ per week in a small mill town with only

2 employers, how would you increase your wage and what range of ways might you then respond to any increase in wage?’ One might then add further contemporary pop ups; perhaps ‘Suppose you have a mortgage to pay and childcare costs of £x and are employed on a zero point contract. What different strategies might you apply to managing your finances?’ or another that begins ‘You earn an annual salary of £x which converts into a monthly salary of £y...’

A process of contrast avoids any potential for the teaching method to become simply one of inadvertently inviting the student to confirm a concept or logic as foundational. It prevents confusion over the use of technology for teaching where the interactive nature of the medium is assumed to also be an active learning process. At the same time it invites the student to critique particular formulations of problems as theory and concepts and to consider the range of contexts in which actual economic activity occurs. Here, this may then become a further teaching point in various ways. It may allow one to consider the way each example involves a particular institutional context — which then may be developed by asking what is an institution, how does it affect our view of economic reality and in what ways would one want to investigate institutions? So, one might consider old and new institutional theory, problems of how choice is conditioned or socialised, whether one can build a theory upwards from individuals or down from existing rules or systems, what the difference might be between actual fieldwork that asks people what they do and why and game theory or experimental approaches to rules.

Similarly, one might ask whether a firm has ever or would ever construct an isoquant or engage in some facsimile of this kind of situation. One might then consider the range of ways firms might approach relative costs of factors leading again to a whole range of issues of concepts and how to investigate. The detail and sophistication of all of this will vary with the level of the students (one might not, for example, inform an early undergraduate that they were following in the footsteps of Sraffa on problems of mark up and returns, or reprising aspects of the Cambridge Capital Controversies). The key point, however, is that economics is not approached as though there were a single simple version — the common basics that then become more complex based on areas of theory and application. There is rather also a range of ways of considering the basics. Teaching here is purposive but neither overly prescriptive nor (technologically) didactic. It is pluralistic and can be explored along many lines where heterodoxy can enhance the critical appreciation of students. In this sense heterodoxy also enhances the approach to materials that motivate CORE (empirical relevance, historical significance and contemporary issues, dynamics, institutions matter... see *Newsletter* no. 166, July 2014, p. 12).

I’ll conclude with a practical point of reference and a comment. There are many heterodox resources one might call on in developing a more diverse curriculum and set of courses. Many of these can be found via Fred Lee’s heterodox economists information directory, the heterodox economics newsletter, or via Michael Marien’s online Global Foresight Books project.² Relatedly, a new general introductory economics textbook is soon to be published by Palgrave. Reardon, Mardi and Cato’s *Introducing a New Economics* provides an explicitly plural and heterodox introductory text. It begins from economics as an approach to social provisioning rather than as a restricted concept of allocation and scarcity. It provides useful designed spaces or exercises for students to reflect on concepts and problems (sustainability, growth, inequality) in a variety of contexts and based on a range of different uses of evidence.

Finally, I want to encourage you not to think of heterodox economics as simply existing schools of thought in some historical sense. Heterodoxy includes living bodies of different theory, including new bodies of theory. The work of Tony Lawson has done much to advance our understanding of economics as an aspect of social reality, that of Geoff Hodgson has done much to advance our understanding of institutions. Post-Keynesians are producing some of the most innovative responses to problems of uncertainty and finance and this includes Steve Keen’s monetary macroeconomic modelling.³ What these and the Reardon text clearly demonstrate is the value of diverse ways of thinking and of thinking differently. These are characteristics every curriculum should embrace. To fail to do so is to risk confusing consensus with conformity. Now more than ever economics needs to agree that there are many ways to explore an economy. The discipline needs a plural consensus and this must also be inscribed in an economics education.

Notes:

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1. A Birdi, ‘Changing the subject’, *RES Newsletter*, no. 166, July 2014, pp.10-11

2. For Fred Lee’s directory see <http://cas.umkc.edu/econ/economics/faculty/Lee/> For Michael Marien see, <http://cadmusjournal.org/user/219> See also the World Economics Association online textbook commentary project organized by Stuart Birks, which aims to provide structured commentaries on current textbooks as teaching aids. <http://www.worldeconomicsassociation.org/textbook-commentaries>

3. Keen’s Minsky model can be downloaded at <http://www.debtdeflation.com/blogs/minsky/> Heterodox economists also make use of many forms of innovative research methods — fuzzy sets, Qualitative Comparative Analysis, network analysis.

An Economic Supreme Court — or management by crisis by management

Thomas Colignatus argues that the economic crises in the last century amount to a case for national Economic Supreme Courts.*

Policy making in the European Union is often described as ‘management by crisis’. Countries are only willing to agree on common solutions when circumstances force them. This may be an exaggeration for the daily handling of minor issues but the last decades have shown a core truth with also the companion element of ‘crisis by management’. The crises in the Exchange Rate Mechanism (ERM) were answered by the euro, and the crises in the euro are being answered by Van Rompuy’s Roadmap: (i) a banking union, (ii) stricter fiscal co-ordination, with deficits of at most 0.5 per cent, (iii) squaring the circle on both competition and the social impact, and (iv) more hoped-for democratic legitimacy. The Eurozone sticks to an architecture in which fiat money (the euro) still works out as a gold standard, since governments have debt in a currency they have no control over. It is the hyperinflation of 1921-1924 in the Weimar Republic that drives Germany, quite differently from the 1929-1937 Great Depression deflation and unemployment that worries the rest of the world. Berlin now imposes bank rules and the 0.5 per cent deficit target that will cause continued contraction in Europe. In this manner it becomes unavoidable that German taxpayers would eventually have to pay for the unemployed and pensioners in Southern Europe. One only wonders how large the crisis must become before the German government will tell its people the bad news.

Rationality as an alternative

We may wonder whether there is an alternative for this ‘management by crisis by management’. Though the rational expectations hypothesis remains what it is, rationality has appeal over chaos. After World War II Jan Tinbergen created the Dutch Central Planning Bureau, France got its *Commissariat Général du Plan*, Germany its *Sachverständigenrat*, the UK recently its OBR. They have a role that appears to be too limited for what is demanded here. These bureaux only provide information but do not have the power to block neglect or distortion. Reading Connolly (2012) on the ERM with the onset of the euro makes one wonder about the limited role of these economic agencies too. Thus: (i) they lack a power role in the democratic process, and (ii) there are no constitutional safeguards for scientific quality (with implied independence) where it matters, in particular for such a power role. Thus we may consider that each nation adopts a constitutional Economic Supreme Court with the role to check the quality of information in policy making.

Arthur Okun (1983:580), chairman of the US Council of Economic Advisers (CEA) in 1968-1969, reflected on how current chairpersons are members of the President’s cabinet, so that the CEA is partial to official policy. He imagined a situation with impartiality: ‘Given these constraints, members of the Council of Economic Advisers are clearly recognized as the President’s men. If they speak publicly, they will be identified as spokesmen for administrative positions. (...) One wishes for a more effective way of influencing public and congressional opinion in the areas of professional consensus. There is a role to be played by a Supreme Court in the profession, although a less important one than that actually fulfilled by the Council and the Bureau of the Budget in recent years.’

I had not been aware of Okun’s view and only traced it after thinking along this line myself and looking for evidence in the literature. My book DRGTPE (2011) presents more evidence and gives also a formal result with a reduced form model that highlights the importance of sound information for policy making. I regard the issue as more important than Okun though.

The analysis suggests that democratic nations would do well to improve the current checks and balances with an additional Economic Supreme Court (ESC). DRGTPE gives a draft constitutional amendment. The ESC can be compared to the Judiciary. This Supreme Court will likely have its internal differences of opinion, but it is better to discuss those within the framework of an independent Judiciary rather than with politics looking in. The same holds for differences in approaches in economics. The ESC is based in economic science and is open to the public but has a veto power over the budget if they deem the information misleading to the public. In principle each nation would have its own ESC. For Europe, the ESCs would exchange information and thus help to provide a backbone of co-ordination.

A key role for the current crisis

Creation of the ESC(s) would be an important element in a proper resolution of the economic crisis both in the USA and Europe. Parliaments can already upgrade their official economic advisers in common procedure while the constitutional wheels turn more slowly. A constitutional change in Holland requires an affirmation by a newly elected Parliament. But a regulation can be created to start working like the intended ESC already.

More evidence for this key role for the ESC(s) lies in the issue of unemployment and the redesign of the welfare state. Colignatus (2013) is a video (somewhat slow since I am still learning for this). An abstract of Colignatus (2014) is: 'The welfare state was created after 1950 with counterproductive mechanisms and this caused high inflation and high unemployment and stagnating growth by 1970, called stagflation. Since 1970 governments redressed the welfare state but did not succeed in finding workable mechanisms. They rather fought stagflation with the ideology of the day, shifting from vulgar Keynesianism first to monetarism and then to neoliberalism, and now 'muddling through'. The deregulation of financial markets seemed to solve stagflation but only repressed it and resulted into the crisis since 2007. The return of regulation also causes the return of stagflation: what was repressed before now is into the open again. Re-regulation is required indeed but the fundamental cure lies in focussing on workable mechanisms for the welfare state. Return to the 19th century *laissez-faire* will generally be rejected. If economic management had made better use of the available information then these policy errors could have prevented. A mixed economy requires a constitutional Economic Supreme Court to monitor the quality of information for policy making.'

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Note:

* Thomas Colignatus is the name 'in science' of Thomas Cool. He is an econometrician and teacher of mathematics in Scheveningen, Holland. He worked at the Dutch Central Planning Bureau in 1982-1991. See <http://thomascool.eu>.

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or by emailing the Houblon-Norman/George Fund account: MA-HNGFund@bankofengland.co.uk

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

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Essays can be written especially for the competition, or may be work published in the course of 2014. The judges will be looking for around 3000 - but not more than 4000 - well-written and thought-provoking words. Previous winners include Roger Bootle, Simon Briscoe, Thomas Mayer, Pam Woodall, Kevin Daly, Ian Bright, George Buckley and, last year, Ian Mulheirn of Oxford Economics. The closing date is **8 December 2014**

For an entry form, email admin@sbe.co.uk or visit the SBE website: www.sbe.co.uk/

QE alone plus supply side reforms will not save the Eurozone: what is needed is a fiscal expansion accompanied by QE

Francesco Giavazzi and Guido Tabellini argue for fiscal expansion as part of a package to reanimate the Eurozone.*

At the end of 2013 private consumption in the Eurozone was 2 per cent below its 2007 level; private investment was 20 per cent below the 2007 level. Since then producers' prices have been decreasing for over a year. In the US, by contrast, GDP and private consumption are 6-7 per cent above where they were six years ago, and investment too is above its pre-crisis level. Looking at unemployment (labor force survey data) it was around 10 per cent in 2010 in both the US and the core of the Euro area (17 countries): by the end of 2013 it had fallen to 7.4 per cent in the US, while in the euro area it had *increased* to 12 per cent. The only bright spot in the euro area is exports: in Germany for instance extra-EU exports have increased from 14.5 to 18 per cent of GDP since 2007; in Italy from 9 to 12 per cent. Clearly, the Euro area suffers from an aggregate demand problem. Supply side reforms are in the long run interest of many Euro area countries, but they will not do much to restore growth in the near future.

The mantra is that once again it is up to the ECB to revamp aggregate demand and save the Eurozone. Quantitative easing is the last policy tool available to jumpstart the Eurozone economy. The longer the ECB waits before starting to buy government bonds, the further away will the recovery be. This analysis, however, over-estimates the power of monetary policy. Quantitative easing should take place, but together with coordinated fiscal easing.

If lack of demand is the problem, then the solution can only be found at the European level. Macroeconomic policy in the Euro area is no longer a national prerogative. Fiscal policy is bound by the Stability Pact, and monetary policy is in the hands of the ECB. Moreover, spillover effects between member states make a coordinated effort to revive aggregate demand much more effective than isolated, country-specific actions.

What can be done to increase aggregate demand in the Euro area? From a technical point of view, the answer is simple and has few disadvantages. All countries should enact a large tax cut, say corresponding to 4 per cent of GDP. They should be given several years (say three or four), to reduce the budget deficit created by this tax cut, through a combination of higher growth and lower expenditures. To finance the additional deficits, member

states should issue long term public debt with a maturity of say 30 years. This extra debt should all be bought by the ECB, without any corresponding sterilization, and the interest on the debt should be returned to the ECB shareholders as seigniorage.

Combining a monetary and a fiscal expansion is key to the success of aggregate demand management, as shown by the recent experience of other advanced countries. QE by itself would not do much to revive bank lending and private spending, because credit demand is absent, and credit supply in Europe flows mostly via banks whose balance sheets are saddled with bad debt, particularly in Southern Europe. And fiscal expansion without monetary easing would be almost impossible, because public debt in circulation is already too high in many countries. Indeed, as shown by Willem Buiter, one reason why QE works is because it relaxes the government budget constraints; but if governments don't take advantage of this opportunity, this benefit is lost.¹ The combined monetary and fiscal expansion would stimulate aggregate demand both directly and indirectly through a devalued exchange rate. The resulting temporarily higher inflation would be welcome, as it would reduce the debt overhang problem and it would facilitate achieving the ECB's price stability goal.

The outcomes in the US and the UK

The policies enacted in the US and in the UK during the great recession (as shown in the tables below) provide evidence in favor of the need for a money-cum fiscal expansion. The US let its budget deficit expand by almost 7 per cent of GDP in a single year, through a combination of higher spending and lower revenues. Less than half of this change was due to the effect of fiscal stabilizers, the rest reflected deliberate policy decisions. The changes on both sides of the budget were later reversed. In part because the increase in the deficit due to the actions taken to bail out financial institutions were one-off; in part automatically, as the economy recovered; and in part through deliberate shifts in fiscal stance, such as the 2013 Sequester. Net of the effect of automatic stabilizers, federal outlays were reduced by more than 2.5 per cent of GDP between the trough of the business cycle and now, while federal revenues net of automatic stabilizers increased by about 3 per cent of

Table 1a: US fiscal expansion during the great recession

	<i>Fed deficit</i>	<i>Fed deficit</i>	<i>Fed outlay</i>	<i>Fed revenue</i>	<i>GDP</i>
	<i>cyclically adjusted</i>	<i>cyclically adjusted</i>			
	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>
2008	3.10	2.6	20.2	17.1	-3
2009	9.80	7	24.4	14.6	-2.8
2010	8.80	5.8	23.4	14.6	2.5
2011	8.40	5.9	23.4	15	1.8
2012	6.80	4.7	22	15.2	2.8
2013	4.10	2.3	20.8	16.7	1.9
2014	3.70	1.4	21.1	17.3	

Source: 2014 *Economic Report of the US President*. 2014 numbers are forecasts. The source for the cyclically adjusted deficit is the Congressional Budget Office, and the number refers to fiscal (as opposed to calendar) year.

GDP during the same period (source: Congressional Budget Office).

In the UK the budget deficit expanded almost as much as in the US (+ 6.4 per cent of GDP in a single year), also through a combination of higher spending and lower revenues. Two thirds of this fiscal expansion was due to deliberate policy decisions. The fiscal expansion was entirely reversed during 2010-13 with about one half (56 per cent) of the contraction due to deliberate policy actions, almost entirely on the spending side.

In the Euro area the fiscal expansion in 2008-09 was smaller, as the area-wide budgets worsened by 4.2 per cent of GDP, about two-thirds the size of the fiscal expansion in the US and the UK. Half of this expansion was policy-induced. As in the UK, the fiscal expansion was subsequently entirely reversed, but with two significant differences. Discretionary contractionary measures were twice as large as the expansionary measures which had accompanied the expansion (a contraction of 4 per cent of GDP over 2010-14, compared with a policy-induced expansion of 2 per cent in 2008-09). And, most importantly, the fiscal policy impulse was pro-cyclical, as it was enacted in the middle of the sovereign debt crisis that squeezed credit and raised economic uncertainty in Southern Europe. Moreover, in most countries it mainly took form of tax hikes. The result was a 2-year long recession that erased some of the budgetary improvement.

There is almost unanimous agreement amongst economists that the counter-cyclical policies enacted in the US and the UK, together with the exceptional monetary easing, contributed to stabilize output fluctuations and explain the much more rapid recovery of these economies compared to the Euro area, despite the fact that the heart of the financial crisis was in the Anglo-Saxon countries and not in continental Europe.

As stated above, not all of these swings in the US and UK fiscal outcomes were achieved through a mix of discretionary policy changes. They also reflect cyclical

fluctuations in output and prices. But this is precisely the point, and the same would be true in the Euro area. A main purpose of engaging now in a fiscal expansion in the Euro area would be to abandon the pro-cyclical fiscal stance that has inflicted unnecessary pain, and engage instead in counter-cyclical policies. In the Euro area between 2009 and 2013, after the output gap had moved from +3.2 per cent to -3 per cent, the area-wide cyclically adjusted budget balance tightened by almost 4 percentage point of GDP. In some countries the pro-cyclical tightening happened mostly via spending cuts (Spain and the UK in particular) and was more benign. Elsewhere, such as in Italy, it was almost entirely based on tax hikes and induced large and lasting recessions. Some of the tax cuts that we advocate would thus simply undo the pro-cyclical tax increases that were enacted in those countries during the peak of the sovereign debt crisis. As income and prices start growing again, at least some of the budgetary expansion would, as in the UK and the US, automatically be reduced without any policy intervention, since receipts

Table 1b: UK fiscal expansion during the great recession

	<i>Deficit</i>	<i>Deficit</i>	<i>Total</i>	<i>Total</i>	<i>GDP</i>
	<i>cyclically adjusted</i>	<i>cyclically adjusted</i>	<i>expenditure</i>	<i>revenue</i>	<i>growth</i>
	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>
2008	5	5.3	47.1	42.1	-0.8
2009	11.4	9	50.9	39.6	-5.2
2010	10	8.2	49.9	39.8	1.7
2011	7.6	6	48	40.3	1.1
2012	6.1	4.5	48.1	42	0.3
2013	5.8	4.6	47.1	41.3	1.7
2014	5.1	4.6	45.6	40.5	

General government. Source: European Commission. *Cyclical adjustment of budget balances*. Spring 2014. Data for 2014 are forecasts.

as a fraction of GDP are pro-cyclical, while spending as a fraction of GDP is countercyclical. If the elasticity of the budget to the cycle were symmetric (which need not be the case) and using the numbers from the budget dete-

Table 1c Euro Area fiscal expansion during the great recession

	<i>Deficit</i>	<i>Deficit</i>	<i>Total</i>	<i>Total</i>	<i>GDP</i>
	<i>cyclically adjusted</i>	<i>cyclically adjusted</i>	<i>expenditure</i>	<i>revenue</i>	<i>growth</i>
	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>	<i>% of GDP</i>
2008	2.1	3.1	47.1	45	0.4
2009	6.3	4.6	51.2	44.9	-4.5
2010	6.2	5.1	51	44.8	1.9
2011	4.1	3.5	49.5	45.3	1.6
2012	3.7	2.5	49.9	46.2	-0.7
2013	3	1.4	49.8	46.8	-0.4
2014	2.5	1.1	49.2	46.7	

Euro Area (18 countries), general government. Source: European Commission. *Cyclical adjustment of budget balances*. Spring 2014. Data for 2014 are forecasts.

rioration experienced in the Euro area between 2007 and 2009 (a 2 per cent of GDP cyclical worsening of the

Features

budget, that is net of policy measures, for a 6.6 per cent worsening of the output gap) a return of the output gap to balance, from the current level (-3.8 per cent at the end of 2013) would automatically improve the deficit by 1.2 per cent of GDP, not a big number but not zero either.

Moral hazard and the credibility of future spending cuts

A common counter-argument is that more lax monetary and fiscal policies would create moral hazard, particularly in the countries of Southern Europe. There is no doubt that the governments of Italy and France seem to lack the political will, or the political majorities in Parliament, to carry through the major structural reforms that would be in the long run interest of these countries. But it is not at all clear that prolonging the depression is a recipe for more willingness to reform. The contrary is more likely to be true, for two reasons. First, a longer stagnation and higher unemployment can only reinforce the more radical and populist political parties in Europe. The recent surge of the Five Star movement in Italy and of the anti-Euro sentiment in France did not happen by chance, they are the byproduct of the economic failures of the European project. Second, political opposition to spending cuts and structural reforms tends to be stronger when the economy is depressed, because voters perceive such measures as likely to further dampen aggregate demand and increase layoffs.

The correct sequence, from both an economic and a political point of view, is an inter-temporal substitution: expansionary tax cuts now to restore some growth, and spending cuts on the way up as the economy recovers. To give credibility to the future painful measures, the spending cuts can be legislated immediately, but with a delayed implementation, and with a legislative commitment to raise taxes by a corresponding amount if the spending cuts were to be abandoned.

Is there an alternative strategy?

Contemporaneous incremental steps to reduce government spending and taxation at the same time, would avoid the moral hazard problem and may work during normal times. But it is politically too difficult in the current circumstances. Moreover, and more important, it completely misses the point that now we need a major coordinated effort to jumpstart the Euro area economy. Leaving this task to the ECB alone is bound to fail.

A different suggestion has come from Jean-Claude Juncker, the new President of the European Commission, who has proposed to increase public investment by a cumulative Euro 300 billion over the next several years. But the plan is much too timid. First, the monetary expansion part is missing, which makes financing problematic and reduces the effectiveness of the stimulus. Second, higher public investment has several disadvantages compared to tax cuts, as the experience of Japan has shown. Above all, it would take much longer to be

implemented, and action is needed now, not in two years. Moreover, in some countries it is likely to lead to corruption and misallocation of resources. Some investment in European infrastructures is welcome and should be financed by the European Investment Bank, but not on the scale that is needed to overcome the aggregate demand failure that is sinking the Euro area.

Political obstacles

The main objection to the combined monetary and fiscal stimulus described is not economic, but political. It would be opposed by Germany, and perhaps a few other member states, because it runs counter to the principle of monetary and fiscal policy separation that is enshrined in the Treaty, and because the idea that taxes are too high in Europe does not go down well with the principles of a *Sozialmerketeeconomie*. If political concerns were to prevent a coordinated action to revive aggregate demand, as now seems likely, in a few months the ECB will be forced to engage in QE anyway, to try and fight deflation. But this will not work. And the Euro area will remain depressed, fuelling anti-European sentiment among its citizens.

Mario Draghi's speech in Jackson Hole, his recognition that growth in the Euro area is demand-constrained, that the appropriate policy to relieve the constraint is a coordinated effort by both fiscal and monetary policy, and that monetary policy can play an accompanying role but can hardly be the driver of growth, has changed the policy landscape. If Euro area governments miss this opportunity and keep muddling through they will go down in history as the politicians responsible for having destroyed a 60-year long effort by Europeans to build a more peaceful continent. Unfortunately they seem determined to do just that.

Notes:

* Università Bocconi and CEPR

1. Buiter, W H (2014), 'The Simple Analytics of Helicopter Money: Why It Works — Always', *Economics: The Open-Access, Open-Assessment E-Journal*, 8(2014-28): 1-51. See also Gali, J. (2014), 'The Effects of a Money-Financed Fiscal Stimulus', CREI working paper.

THE SK DESAI MEMORIAL PRIZE

The SK Desai Memorial Prize was conferred on **V N S Pillai** on 23rd August 2014 by the Insurance Institute of India in their 59th annual conference. The prize carries a cash benefit and citation. Pillai's research work 'Value of Notionally Secured Pensions Index, A Pension Index for India' was adjudged the best from the Afro-Asian region.

The Insurance Institute of India invites an original contribution every year in the form of an essay or work of research, on current or historic importance, whether on life or general topics from members of the Associated Institutes in India and members of Insurance Institutes in the Afro-Asian region. Details of prize presentation and the paper are available on the Insurance Institute of India webinar site. www.insuranceinstituteofindia.com

RES news

Election to the RES Council

The RES elections for Council will take place during October using both online and postal ballots. It is important for all RES members, where possible, to register a correct email address to their membership profile via the RES website and we urge members to please check that your details are registered correctly now. If you do not have an email address registered we will contact you by postal ballot to your registered postal address, but if your email is incorrectly registered we will not know and you could fail to receive a ballot for this or future Council and Presidential elections. More details on how to register or correct your membership details online can be found on the RES website registration page and the election process is detailed on the RES Council election pages. If you have any queries about your membership, please contact the Membership Services department at cs-membership@wiley.com or telephone +44 1865 778171

Nominations for next year's Council Elections.

Members of the Society are reminded of their right as members to propose names to be considered for election to the RES Council each year.

Any member of the Society who would like to make a nomination may contact the Secretary General at royaleconsoc@st-andrews.ac.uk or by post to the offices of the Secretary General, School of Economics & Finance, University of St Andrews, St Andrews, Fife, KY16 9AL. 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 February, we would be grateful to receive any nominations by **31st January 2015** at the latest please.

PhD Presentation Meeting & Job Market

The 10th RES Postgraduate presentations meeting will take place at University College London on **9 and 10th January 2015**. The event now offers plenary sessions on key aspects of academic life including 'How to Get Published', 'Negotiating the Job Market', and 'Teaching Economics' and invited talks by Professor Sir Richard Blundell (UCL) and RES President and former Deputy Governor of the Bank of England, Sir Charles Bean, as well as poster sessions and the opportunity to pre-arrange interviews with recruiting institutions. Those attending must hold RES membership and further details can be found on the website.

The 2015 Easter School

will be held from **Sunday March 22 to Wednesday March 25**. See p. 4 above for details.

2014 Junior Fellowship Scheme Award Winners

Each winter the Society invites UK universities to nominate economics students for up to ten one-year junior fel-

lowships. Candidates have completed at least two years' work towards a doctoral thesis when they take up an award. Those awarded Fellowships submit a report to the Secretary-General of the Society at the end of the academic year and are now also invited to submit a research paper to the RES Conference Programme Chair for inclusion in a special Junior Fellows conference session. A Junior Fellowship Network is being developed to encourage interaction between past and present recipients, more details can be found on the website or through the RES office.

The Society has made eight awards under this scheme for the 2014-2015 academic year. Fellowship grants have been accepted by: Rocco D'Este (University of Warwick), *Empirical Microeconomics*; Ryoko Ito (University of Cambridge), *Dynamic conditional score: asymptotic inference and application to high-frequency financial data*; Samuel Marden (London School of Economics), *Essays in Economic Development*; Laura-Lucia Richter (University of Cambridge), *Econometric analyses of the diffusion of micro-generation technologies and their impact on electricity load curves*; Christiern Rose (University of Bristol), *Identification of peer effects*; Jacob Seifert (University of St Andrews), *Essays on competition policy, innovation and banking regulation*; Pedro de Souza (London School of Economics), *Estimating networks without network data: Adolescent behaviour and peer effects*; Spyridon Terevitis (University of Warwick), *Topics in information economics*; Stephen Thiele (University of Cambridge), *Essays in Time varying parameter models*; Giulio Trigilia (University of Warwick), *Essays in finance theory*; Andreas Tischbirek (University of Oxford), *Essays on unconventional monetary policy*.

The 2014 RES Public lecture

'**What journalists should know about economists — and vice versa**' will be given on **25 November 2014** at the Royal Institution, London and **26 November** at the University of Liverpool, by Stephanie Flanders, an award winning BBC journalist, economics editor and now J P Morgan Asset Management's chief market strategist for the UK and Europe. Entry is by ticket only; the London event is already fully booked. Last year the RES decided to invest in live broadcasting of this popular event by offering pre-registration to participate in the London Annual Public Lecture via a remote interactive link and we will offer this again this year. We hope that schools, university student societies and any of our individual members will take the opportunity to try this exciting and convenient way of participating in one of our most popular events. See www.res.org.uk for details on how to register or contact the RES office (royaleconsoc@st-andrews.ac.uk).

Young economist of the year results

This ever-popular competition invites school students to write an essay of between 1,000 to 2,500 words, on a

Conference diary

subject set by the President of the Royal Economic Society and distinguished judges, calling on key elements of their A Level or International Baccalaureate courses, examples from the world around them and imaginative discussion. After a record-breaking number of entries in 2014, the 2014 Young Economist of the Year has been awarded to:

Kartik Vira of Hills Road VI Form College, Cambridge, for his essay titled 'Are advanced economies in for a long period of stagnation' while second place goes to **Jessica Zeng**, of Withington Girls' School, Manchester for an essay discussing 'Does immigrant labour benefit or impoverish the United Kingdom?'

Joint third place goes to: **Viva Avasthi**, King Edward VI Handsworth School for Girls, Birmingham; **David Bullen**, Manchester Grammar School; and **Hannah Dudley**, Toot Hill College, Nottingham.

Conference diary

2014

november

November 13-14

Nottingham

The **Effective Macro-Prudential Instruments Conference** will take place from 13 to 14 November 2014 at the University of Nottingham. The keynote speakers will be: Dr Philip Turner (Bank for International Settlements); Dr Philipp Hartmann (European Central Bank); Jean-Pierre Landau (Sciences Po, ex DGov Banque de France).

Further information:

<http://www.nottingham.ac.uk/cfcm/cfcm-conference-november-2014.aspx>

November 13-14

Singapore

The **2014 Asia Conference on Economics & Business Research (ACEB)**, jointly organized by Avenir School of Management, Asia's Leading Graduate School and Faculty of Economics and Business, Universiti Malaysia Sarawak will be held on the 13th and 14th November 2014 in Singapore. (ACEB 2014) aims to bring together leading scholars, students and practitioners from Asia and the rest of the world for an academic exchange. Our goal is to create opportunities for international research collaborations, scientific information interchange and facilitate relationship building in the Economics and Business disciplines. Deadline for Registration: **Thursday, October 23, 2014.**

Further information: leeming@aventisglobal.edu.sg

Website: <http://www.academy.edu.sg/aceb/>

November 21-22

Buckingham, UK

European Banking Union: Projects and challenges. Conference organised by Juan Castaneda (Univ. of

Judges, Sir Charles Bean (RES President), Stephanie Flanders (JP Morgan) and Professor Tim Besley (London School of Economics) have provided a full report on their decisions which can be viewed along with the winning essays on the website.

Support to members

We would like to remind Members that their membership entitles them to apply for a wide range of financial and other sources of support offered by the Society to assist in the further study of Economics. In particular the Visiting Lecturer scheme offers RES members at university the opportunity to suggest the name of a distinguished overseas lecturer to visit and provide a lectureship series, with the fee for this to be paid by the Society (up to £2000). For more details of this and other schemes, please contact the RES office or see the website under Career/Education where a full list of financial support available from the Society is provided.

Buckingham), Giannoula Karamichailidou (Univ. of Auckland), David Mayes (Univ. of Auckland) and Geoffrey Wood (Univ. of Buckingham). Speakers include: Charles Goodhart (FMG, LSE), Rosa Lastra (Queen Mary University), Thomas Huertas (Ernst and Young), Jens-Hinrich Binder (Tuebingen University), Thomas Conlon (University College Dublin), Mike Krimminger (Cleary Gottlieb Steen Hamilton), Johan Lybeck (Finanskonsult) and Panicos Demetriades (Leicester). To register, contact us by email: Yolande.hinson@buckingham.ac.uk or phone: +44 (0) 01280 822171 **before November 10th.**

Further information:

www.buckingham.ac.uk/event/conference-european-banking-union-prospects-and-challenges

december

December 11-12

Montevideo, Uruguay

A workshop is to be held December 11-12, 2014, in Montevideo, Uruguay, in the framework of the **First RIDGE December Forum**. RIDGE is an initiative of the International Economic Association in agreement with the Uruguayan Government. Original empirical and theoretical research papers are invited in the general area of firm dynamics, trade and development.

Further information: FDynamics@bcu.gub.uy

December 18-19

London

The Bank of England, Centre for Macroeconomics and CEPR are jointly organising two day workshops in London on December 18-19 2014, focusing on challenges for understanding of interdependence across countries and the making of economic policy.

Further information:

www.bankofengland.co.uk/research/Pages/conferences/1214.aspx

2015

january

January 8-11 *Wellington, New Zealand*

11th International Conference of the Western Economic Association International (WEAI) hosted by Victoria University of Wellington and Massey University, Wellington at the Museum of New Zealand Te Papa Tongarewa. Keynote Addresses sponsored by the Reserve Bank of New Zealand and the New Zealand Treasury: Robert F. Engle, New York University Stern School of Business, recipient of the 2003 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, 'Latest Results in Systemic Risk'; Christopher A. Sims, Princeton University, recipient of the 2011 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel; David Card, University of California, Berkeley, recipient of the 1995 John Bates Clark Medal; John Pencavel, Stanford University, Distinguished Fellow of the American Economic Association, 'Whose Preferences are Revealed in Hours of Work?'

Further information: <http://weai.org/PR2015>

22-23 January *Edinburgh*

Urban and Regional Economics Seminar Group. The next meeting of the Group is to be held in conjunction with Policy Scotland and the Centre for Innovation, Knowledge and Development (IKD). This will be take place in Edinburgh at the Open University in Scotland. The Seminar has as its theme Devolution and Federalism in a Post-Referendum UK, and will be centred on presentations by invited speakers. There will be no charge for attendance at this Seminar.

Further information: www.uresg.org or <http://policy-scotland.gla.ac.uk>

march

March 26-27 *Bucharest, Romania*

International Finance and Banking Conference FIBA 2015. Deadline for paper submissions: **January 18, 2015**
JEL classification(s): B, C, D, E, F, G, H, I, J, K, M, N, O, P, R

Further information: emilia.campeanu@fin.ase.ro

March 30-31 *Kiel, Germany*

The Future of Scholarly Communication in Economics organized by The Kiel Institute for the World Economy and the Leibniz Information Centre for Economics. The workshop will be held at the Leibniz Information Centre for Economics. Mark Armstrong (Oxford University) will deliver a plenary talk and Mark

*March 30-April 1**Manchester***CALL FOR PAPERS**

The 2015 Annual Conference of the Royal Economic Society, taking place from Monday 30th March to Wednesday 1st April 2015 at the University of Manchester and celebrating the 125th anniversary of the Royal Economic Society and the *Economic Journal*. Submissions of papers and special sessions are invited from academic, government and business economists in any field of economics and econometrics. The deadlines for submissions are as follows:

for the submission of papers: **12 October 2014.**

for special session proposals: **2 November 2014.**

The keynote lectures will be given by:

- Hahn Lecture: Pierre-André Chiappori (Columbia)
- Sargan Lecture: Michael Keane (Oxford)
- *Economic Journal* Lecture: Philippe Aghion (Harvard)
- Presidential Address: Sir Charles Bean (LSE)

The 2015 conference also celebrates the 125th anniversary of the Royal Economic Society and the *Economic Journal*. A number of special sessions will be linked to the launch of the 125th anniversary special edition of the *EJ* and will include contributions from a distinguished list of speakers. Local Organiser RES 2015: Ralf Becker (Manchester). Conference e-mail: Res.Conference.2015@gmail.com

Further information:

www.res.org.uk/view/0/2015conference_home.html

McCabe (Boston University and University of Michigan) will act as moderator. We welcome submissions of a draft or extended abstract by email to editorial-office@economics-ejournal.org. The submission deadline is **November 30, 2014.**

*April 9**Bath*

The Second Environmental Protection and Sustainability Forum: Towards Global Agreements on Environmental Protection and Sustainability. The Department of Economics and the Institute for Policy Research at the University of Bath are hosting a three-day international forum to discuss state-of-the-art academic research on international environmental agreements informed by the insights of key policy-makers and practitioners in the field. With ten academic keynote presentations and 40 academic contributed papers this forum will ensure engagement with stakeholders through roundtable discussions and public lectures. Thus, the forum is distinct from many other major international conferences in seeking to connect researchers with those who design and implement policy, and those who are affected by such policy. Submission of papers deadline: **15 December 2014**

Further information:

www.bath.ac.uk/economics/events/news_0003.html

may

May 4-7

Athens, Greece

2nd Annual International Conference on Business, Law and Economics, 4-7 May 2015, Athens, Greece
JEL classification(s): K, M.

Further information: <http://inomics.com/node/19045>

May 28-30

Helsinki, Finland

8th Nordic Econometric Meeting. Deadline for paper submissions: **February 15, 2015**. JEL classification(s): C, D, E, F, G, H, I, J, K, L, O, Q, R

Further information at: <http://www.hecer.fi/nem2015>
email: nem-2015@helsinki.fi

june

June 12-20

New York, USA

The Hyman P Minsky Summer Seminar. The Levy Economics Institute of Bard College will hold the sixth annual Minsky Summer Seminar in June 2015. This will provide a discussion of both the theoretical and applied aspects of Minsky's economics with an examination of policies relevant to the current economic and financial outlook. The teaching staff will include economists concentrating on and expanding Minsky's work. The program will be organized by Jan Kregel, Dimitri B Papadimitriou, and L Randall Wray. Applications: to Susan Howard at the Levy Institute (howard@levy.org) including a current CV. Attendance will include accommodation on the Bard College campus. The deadline for applications is **March 1, 2015**.

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.
- On-line access to *The Econometrics Journal*, an electronic journal published by the Royal Economic Society and Wiley Publishers.
- Copies of the Society's *Newsletter*. This is published four times a year and offers an invaluable information service on conferences, visiting scholars, and other professional news as well as feature articles, letters and reports.
- The right to submit articles to the *Economic Journal* without payment of a submission fee.

- Discounts on registration fees for the Society's annual conference.
- Discounted prices for copies (for personal use only) of scholarly publications.
- The opportunity to take advantage of the grants, bursaries and scholarships offered to members of the Society.

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

Membership rates for print and online for 2014 are £48 (\$82, €57)*
Three year 'online only' membership is £100 (\$170, €120)

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

A special 'online only' offer of three years membership (2014-2016 incl.) for the price of £17/ \$29/€20 or one-year online only for £10/\$14/€12 is available to full-time students.

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

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

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

..... in payment of my subscription for 2014.

Name:

.....
Address:

.....
Occupation.....

Date.....