



ROYAL ECONOMIC SOCIETY

NEWSLETTER

Issue no. 153

April 2011

ROYAL ECONOMIC SOCIETY

Deficit fetishism?

In the July 2010 *Newsletter* (no.150) we reported on a range of views that argued that the UK coalition government was going too far and too fast in its attempts to reduce the size of its budget deficit. Since then we've expressed surprise at the lack of any critical reaction. But we have one now, from Philip Booth and Len Shackleton who put an alternative, though not uncritical view, of current policy. Continuing the 'crisis' theme, Nigel Stapledon looks at why the Australian economy has avoided the crash and recession of the west and puts it down to a mixture of good economic management, especially with respect to the property market but more especially to Australia's good fortune in being resource rich and located close to South East Asian neighbours who are enjoying unprecedented expansion.

We are very fortunate also to have in this issue, the Annual Report from the Secretary-General. If the remaining stages of production go smoothly, some members should be reading that Report on the same day that it is being delivered at the Annual Conference!

The highlight for many readers will be Angus Deaton's regular Letter from America, which looks at growing income inequality in the USA. It is interesting to see that US economists are not on the headline. We also have a brief report of a research project, led by Jonathan Haskel, results of which have attracted quite a lot of attention elsewhere; an update on the gender composition of editorial boards, from Karen Mumford; and, of course, all the regular items.

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NEWSLETTER

Published quarterly in

January, April, July and October

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Newsletter - subscription rates

The *Newsletter* is distributed to members of the Society free of charge. Non-members may obtain copies at the following subscription rates:

- United Kingdom £5.00
- Europe (outside UK) £6.50
- Non-Europe (by airmail) £8.00

Next issue

Newsletter No. 154 - July 2011

Articles, features, news items, letters, reports etc. should be sent to the Editor by:

15 June 2011

Items concerning conferences, visiting scholars and appointments should be sent to the Administration Officer by:

16 June 2011

Contributions from readers

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** for our correspondence page, **reports of conferences and meetings**, and news of **major research projects** as well as **comment on recent events**.

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

Visit our website at:

www.res.org.uk

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Secretary-General's Annual Report

The Secretary-General, Prof John Beath, delivered his latest Annual Report to the Society's AGM held during the Annual Conference at Royal Holloway University of London on 18th April.

Governance and management

Since the last General Meeting, there are two major developments to report on the Governance and Management front: progress on the revision of the Society's bye-laws to accord more closely with good practice as recommended by the Charity Commission and the appointment of a Second Secretary whose role is to lead on the broad remit of Communication.

For the last two years, Council and the Executive Committee have been developing proposals to revise the governance arrangements of the Society so as to ensure that they meet with the Charity Commission's best practice guidelines. Members will recall that the need to do so was a result of developments in charity law and the growth in the annual turnover of the Society. Outline proposals to change the bye-laws were approved at last year's Annual General Meeting. In the year since then, the Charity Commission has approved these proposals and detailed amendments have now been put to the Privy Council. In this process the Society has been assisted by its legal advisers Mills and Reeve. Details of the amendments to the bye-laws were circulated to all members of the Society as part of the notice of business for the General Meeting.

The second major development is the creation of the new post of Second Secretary with oversight over the Society's communications. Professor Robin Naylor from the University of Warwick took up that appointment on January 1. Currently Robin has been involved in analysing the key areas of communications and laying out a strategic plan for their expansion and refinement. A core element in that is a major re-launch of the RES website so as to enhance the way that communications are delivered to members, as well as its external interface. Features that are under consideration for an enhanced website include hosting of the conference webpage and the conference submissions process, providing a hub for the Society's journals, links to the membership database (possibly with electronic elections to Council), hosting the *Newsletter*, the provision of RES committee pages, links relating to training and funding opportunities and to Research Centres. Robin has been hard at work on a number of these and would welcome comments from members on all of these potential developments and will be providing regular updates on progress.

As a final note to this section, I would like to record that Mark Armstrong has joined the Executive Committee from the cohort elected to Council last year. I would also like to express my thanks to those members of Council whose terms of office are completed at this meeting: Rachel Griffith, Jim O'Neill, Avinash Persaud, Pat Rice, Kate Rockett and Jon Temple. They have contributed significantly to the work of the Society in a variety of ways and I would like to use this occasion to thank them publicly.

Review of the Society's activities

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

Publications

Journals

The Society's objective is to publish journals that are of international stature, contain articles that are significant in terms of their research contribution and/or scholarship, and are widely read. In addition to the print subscriptions, online access of the *Economic Journal* and the *Econometrics Journal* is available and is being widely used.

The Society's publishing activities play a crucial role in generating the income to allow us to pursue effectively our various charitable activities. Publishing generates just over three quarters of our total incoming resources and the bulk of that is delivered by the *Economic* and *Econometrics Journals*. These flagship journals continue to thrive under the outstanding editorial leadership of Andrew Scott and Richard Smith and they are to be congratulated for their ability to put together and manage such strong and effective editorial teams.

This Spring will see a major change at the *Economic Journal* as Andrew Scott will be standing down as Managing Editor as he has now become Deputy Dean at the London Business School. Andrew has been Managing Editor since 2004 and under his leadership he and his team have raised the quality and profile of the *Journal*. On behalf of the Society, I would like to express

my appreciation for the exceptional job that he has done. With Andrew's departure, a new and flatter editorial structure is being put in place and Rachel Griffith and Wouter den Haan have been appointed as Editors. Rachel will also have a reporting role to the Executive Committee.

Scholarly editions

As Publications Secretary, Donald Winch continues to manage our portfolio of classics and the associated publishing contracts. Although we publish a range of scholarly editions of classic works, we have decided to digitize of the Keynes volumes. While some of these might continue to be worth reprinting in the traditional way, there are others, still sought, though on a much lower scale,

“...the Society has lobbied to protect public investment in the discipline and in social science more generally and I believe its input via the British Academy and the role that members play in the various committees and Council of the ESRC has been valuable in the discussions that took place with BIS about the UK's science budget.”

where print stocks are close to exhaustion and the business case for reprinting rather weak. Digitization of all the volumes would get around this and ensure that this important scholarly archive would be readily available. It is hoped to take a decision on the platform for the digitized version this summer.

Conferences, lectures and workshops

Through the organization of such events, the Society seeks to communicate directly economic science, its understanding and its applications. Through their variety it hopes to attract a wide and varied range of audiences: international researchers in the discipline, economists working in industry and government, school teachers, young scholars working in universities (both in the UK and abroad), and schools. The key events here are the annual conference, the Young Economist of the Year essay competition, the Annual Public lecture and the PhD Job Market conference.

Annual Conference

The annual conference held at the University of Surrey last spring was highly successful with the participants enjoying an excellent and very full programme of lectures, symposia, presentations and social events. On behalf of the Society, I would like to thank Morten Ravn and Jeremy Lise for assembling such an excellent programme, and Jo Evans (and her team) for their outstanding local organisation. This year we are at Royal Holloway. Rachel Griffith has been Programme Chair and Melanie Luhrman and Juan Pablo Ruud the local organisers. Rachel and her team have put together an enticing programme of key lec-

tures (Vincent Crawford, Jean Tirole and Rosa Matzkin) and the conference will feature a session on the Foundations of Revealed Preference and what Rachel has titled a 'Young Talent Session'.

Gareth Myles from Exeter has succeeded Robin Naylor as Conference Secretary. He has been extremely active, not only in connection with this year's conference but also with the planning of and location for future events.

Annual Lecture

The Annual Public Lecture was first held in 2001. It is held in London and in one other venue around the UK. It has always been a highly successful event with demand for places often exceeding the capacity of the venue, especially so in London. The 2010 lecture was again a great success (in spite of the adverse winter weather). As part of the London event, the prize for the Young Economist of the Year Competition is presented.

John van Reenen delivered the Annual Lecture for 2010 in November, in London and in Manchester. John's topic was 'Does Management Matter' and both events attracted large and lively audiences and the feedback has been excellent.¹ The Society is particularly grateful to Keith Blackburn and his colleagues in Manchester for their organization of that leg.

Young Economist of the Year

The Society organizes an annual essay competition in conjunction with Tutor2U to find the Young Economist of the Year. Candidates for the 2010 essay competition were invited to choose one of five topics. The shortlist for final judging was drawn up by an ensemble of teachers under the baton of Geoff Riley and the final selection was made by a judging panel comprising Richard Blundell, Stephanie Flanders and Charlie Bean. The winner was Jessica Hawley from the Stratford Girls Grammar School for an essay titled 'The Economic Alcoholic'. Jessica was presented with her award at the London Annual Lecture. This year's competition will take the same format with students being invited to write on one of five topics. The titles and further details can be found on the website.

Masterclasses

The Easter School in Economics has long been a regular feature of our year. This year a second, successful, 'masterclass' event was put on in September at Birmingham. These are well-organised events and are highly valued by the participants. They represent an important investment by the Society in the provision of training and skills for young professional economists by allowing them to learn from and work closely with the best international scholars and researchers in the subject.

The organization of these takes considerable time and energy. The Society owes an incredible debt of gratitude to

Peter Sinclair and his colleagues at Birmingham both for their commitment, and for the quality of the organization.

Postgraduate Conference

The Postgraduate Conference was held for the first time in 2006 (24 universities attended) and due to its success has continued to be held each January. For 2011, City University acted as the host and there were 260 participants from 23 institutions.² The Society is grateful to the Economics Department at City for the effort and energy they put into its organization.

This year, participants were invited to complete a feedback form and it is hoped that, once analyzed, the responses will provide guidance on how the event might be further enhanced. The Economics Department at Queen Mary has very kindly offered to host the 2012 event, again in January, and the office is currently working with them on the arrangements.

Grants, fellowships and projects

Grants are provided to undertake projects that conform to the Society's objectives and enable recipients to meet research expenses and the costs of attendance at conferences where they are presenting the results of their research. This year a new funding stream was created (for special projects) and a moribund one revived (the Visiting Lecturer scheme). A number of awards have already been made under both.

In last year's report I mentioned that active steps would be taken to significantly increase expenditure on project support and grants for charitable purposes. It therefore gives me pleasure to be able to report success on that front, our expenditure having risen from £164K to £225K.

We continue to offer financial support to scholars by way of small grants for research expenses and conference attendance and travel. This scheme continues to be very effectively run from Glasgow University by Anton Muscatelli.

For the 2010-11 Junior Fellowship scheme, twenty nine applications were received, a little down on last year's thirty one. Each application was reviewed by two referees and, in the end, seven candidates were awarded fellowships:

- Patrick Carter (Bristol)
- Luca Fornaro (LSE)
- Daniel Gutknecht (Warwick)
- Brendon McConnell (UCL)
- Francesco Mariotti (York)
- Dmitri Szerman (LSE)
- David Williams (Oxford)

Alan Carruth, Jonathan Thomas and David Webb formed the selection panel this year. However, this was their second and final year as panellists and I would like to thank them very much for the excellent job that they did.

Other activities

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

Effective dissemination of economic ideas and research results is a central concern of the Society. We are lucky to have, in Romesh Vaitilingam, a media consultant who provides sterling service. He plays a very important role in ensuring wide media coverage for the material that appears in our journals as well as the papers that are presented at the Annual Conference.

My report would be incomplete were I not to mention the work of the Society in responding to consultations, for example on panel membership for the Research Excellence Framework. Moreover, the Society has lobbied to protect public investment in the discipline and in social science more generally and I believe its input via the British Academy and the role that members play in the various committees and Council of the ESRC has been valuable in the discussions that took place with BIS about the UK's science budget. While there has been some reduction in the ESRC's budget for research, training and investment in data, it is very much less than was feared and the evidence from the Minister of State's recent speeches make clear the value he places on economics and the other social sciences.

Many members will be aware how valuable the Economics Network has been in fostering interest in economics among young people and the invaluable resource it has provided to teachers in the discipline through its undergraduate website and its innovative and targeted staff development activities. With many universities now proposing to charge fees of between £8000 and £9000 a year to undergraduate students, the effectiveness and quality of teaching will be crucially important. There has thus never been a time when the resources that the Network provides have been so important and yet, as a result of funding cuts, it is scheduled to close this November. The Network has lobbied hard to prevent this happening and in that the Society has tried to play its part. It is to be hoped that the Network's efforts to find a way to continue its good work will be found. The Society is doing what it can to assist it.

RES committees

CHUDE continues to play a key role in the link between the Society and UK Departments of Economics and in interaction between the discipline and the ESRC and the Funding Councils. Neil Rickman and Tim Worrall have provided great leadership of the committee and I would like them to know how much the Society appreciates the work that they and their colleagues on the Steering Committee have done over the past year.

Karen Mumford and her colleagues on the Women's Committee have worked hard on a range of activities but in particular I would like to mention the valuable survey work that they do on gender and ethnicity in the academic profession. A great deal of effort goes in to getting responses from departments and Karen's energy and persistence, with the assistance of CHUDE, have helped to ensure that there is data coverage sufficient to ensure that this output from the Committee continues to provide an important statistical picture of the profession and allow us to monitor developments on the equal opportunity front.

Acknowledgments

Finally, I would like to say a special thank you to those with whom I have worked closely on Society business. On the Executive Committee, Richard Blundell and Mark Robson have been first-class counselors. Kathy Crocker has provided excellent support in all matters related to membership. There is of course one person whose support has been quite crucial: Amanda Wilman, the Society's Administrative Officer.

Editor's notes:

1. A summary of the RES Annual Lecture appears in *RES Newsletter*, no. 152, January 2011, p.19. See also the letter from Dr Ian Clark, p.11 below.
2. See p.14 below.

The Bernácer Prize

The 2010 Bernácer Prize has been awarded to **Xavier Gabaix** (Stern School of Business, NYU) for his original research contributions in financial and behavioural economics, including the consequences of seemingly irrational behaviour on asset markets, and his analysis of the level of compensation of corporate executives.

Xavier Gabaix (1971) is Martin J. Gruber Professor of Finance at the Stern School of Business (NYU). He did his first degree in Mathematics at Ecole Normale Supérieure (Paris) and his Ph.D in Economics at Harvard University. He has recently been awarded the 2011 Fisher Black Prize by the American Finance Association. He has published widely cited papers in leading journals like *American Economic Review*, *Econometrica*, *Journal of Finance*, *Nature*, *Quarterly Journal of Economics* and *Review of Economic Studies*, among others.

The Bernácer Prize is awarded annually to European economists under the age of 40, who have made outstanding contributions in the fields of macroeconomics and finance. Named in honour of Germán Bernácer (1883-1965) — the first Spanish economist who made significant contributions to the development of macroeconomic research — the prize was established to recognise the work of young economists from the European Union. The prize includes a diploma and a cash award of €30,000.

Further information: <http://www.bernacerprize.org/>

Call for papers

Emerging Markets Review

Special Issue

‘Corporate governance in emerging markets’

Emerging Markets Review is calling for papers in corporate governance that focus on emerging markets. Many emerging markets have weathered the global financial crisis relatively well and now regained investor confidence. Nonetheless, their standards of corporate governance still tend to lag behind those of developed markets, with ineffective rules on fundamentals such as board independence, weak disclosure and enforcement, and a lack of engagement by institutional investors.

We welcome submissions on all corporate governance issues in emerging markets.

The Special Issue will be edited by Craig Doidge of the Rotman School of Management, University of Toronto and Peter G Szilagyi of Judge Business School, University of Cambridge.

The submission deadline for the Special Issue is **June 30, 2011**.

Details of the online submission process and instructions to authors can be viewed on the *Emerging Markets Review* website at: <http://www.elsevier.com/locate/inca/620356>.

To ensure that manuscripts are correctly identified for inclusion in the Special Issue, authors should select ‘SI: Corporate Governance’ when they reach the ‘Article Type’ step in the submission process.

Call for papers

5th Annual Conference on the
Political Economy of International Organizations
January 26-28, 2012

Villanova University, Philadelphia, PA, USA

Distinguished Guest Speaker for 2012

Jagdish N. Bhagwati

Professor of Economics and Law, Columbia University

Submission of Papers

Both empirical and theoretical papers will be considered. Please submit full papers to conference@peio.me. The deadline for submission is 30 September, 2011. Decisions will be made by 31 October, 2011. This year's special issue of the *Review of International Organizations* will be focusing on Informal Governance in International Organizations, edited by Randall Stone. Please indicate in your submission to the conference whether you are interested in also submitting to the special issue. (Note that the RIO is now accepted for inclusion in the SSCI.)

Conference Website: <http://www.peio.me/>

The unequal benefits of teaching

In his latest Letter from America, Angus Deaton looks at the growing income inequality in the USA and reflects again on the fiscal difficulties faced by some US states that he highlighted in his last Letter.

I ncreasing income inequality worries many, although as far as our personal finances are concerned, American economists have little to complain about; we are among the winners not the losers. Over the last 25 years, remuneration in the financial sector has spilled over, not only into corporate boardrooms, but also into salaries in business schools, and academic economists' earnings have risen in their wake. Salaries for economists have risen and workloads fallen as university administrators have struggled to minimise intra-faculty income inequality by permitting (arguably) less visible inequalities in teaching. In the job market that is closing as I write, the top-of-the-market new PhD in economics can expect a starting salary offer close to \$150,000 for 9 months, plus guaranteed summer salary, in exchange for which he or she will be required to teach a total of *three* (36 hour) courses over the next *four* years, and for the most attractive prospects, whose offer is enriched by an initial year as a post-doc at an only somewhat lower salary, *three* courses over the next *five* years. Not all teachers are sharing in this bonanza, particularly not those who teach in America's public schools.

They, along with other state and local government workers, have found themselves in the front line of the political and budget battles that have followed Republican victories last November. Control of the House of Representatives switched to the Republicans as did 11 state governorships, and the balance across the states is now 29:21 compared with 21:29 prior to the election.

The public and private sectors

In my last letter, I wrote about looming pensions and benefits crises in state and local governments, and these crises have broken much sooner and rather differently than might have been predicted. State finances, hurt by the recession and the slow recovery, were only temporarily buoyed up by stimulus funds, and many states currently have no money to pay their bills. Several

Republican governors — in Wisconsin, Indiana, and Ohio — see public sector unions and their earnings as the prime culprits. Unionisation rates have fallen rapidly in the US, except in the public sector, so that now only 6.9 per cent of private employees are unionized, compared with 36.2 per cent of public employees and more than half of all unionized workers are now in the public sector. At the same time, the shifting of pension risk from employers to employees through the demise of defined-benefit schemes has hardly touched the public sector. Public sector workers have also been largely protected from the escalation of health costs and reductions of health benefits faced by many private sector workers. These differences have clearly spurred some resentment, stoked by some well-publicised cases of pension 'spiking', the artificial boosting of pension entitlements through overtime in the final year of employment. One widely touted case concerned 'disabled' ex-cops crowding golf courses while being paid pensions that are almost as large as the salary of an Assistant Professor of economics (who would have plenty of leisure to play alongside them.)

“ In their recent book, *Winner take all politics*, Jacob Hacker and Paul Pierson argue that the emergence of super-sized salaries for Wall Street and for corporate CEOs can be traced to a carefully planned and well executed expansion of corporate lobbying in Washington, especially lobbying for deregulation. ”

Political economy has played a role in public sector benefits. If myopia is common among individuals who are apt to 'forget' to make adequate and early provision for the future, it is much more common among publicly elected

officials who face no penalties for 'solving' current problems (such as difficult union negotiations) at the expense of their successors and future taxpayers. Accurate estimates are hard to find in the barrage of political rhetoric, but it appears that current salaries, adjusted for age, experience, and education, are somewhat lower in the public sector; this is no surprise given that politicians must meet these current benefits out of current taxes. But the level of promised future benefits is relatively high, at least in some states. Even so, benefits are sometimes hard to evaluate; for example how do we value the reduced risk of defined-benefit pensions? And as rarely noted in the debate, about 30 per cent of public sector workers are not

covered by social security, the otherwise almost universal federal pension for Americans. Republicans tend to blame Democratic legislators for giving in to their union supporters, but political myopia (though political rationality might be a better term) is not a disease that affects only one party. And for some governors, their current financial pickle provides a good opportunity to settle old scores with the unions by restricting or removing rights to collective bargaining. These governors have at least some support from a public that is itself suffering financial hardship, is looking for scapegoats (sometimes unions, sometimes immigrants), and thinks that everyone should share their pain. Many have also bought into the successful Republican rhetoric that people are out of work because governments are overspending.

Deregulation and income distribution

The confrontations in the states are echoed by the politics of income re-distribution at the federal level. My colleague Larry Bartels has shown that income distribution has widened more rapidly in Republican than in Democratic administrations; this has happened not so much through changes in taxes and benefits, but through a widening of *pre-tax* income inequality. In their recent book, *Winner take all politics*, Jacob Hacker and Paul Pierson argue that the emergence of super-sized salaries for Wall Street and for corporate CEOs can be traced to a carefully planned and well executed expansion of corporate lobbying in Washington, especially lobbying for deregulation. (Another example is the successful lobbying against the introduction of an evaluative agency anything like Britain's NICE which might limit profit for pharmaceutical and medical device manufacturers.) Deregulatory fervour is not a monopoly of one party — much was done during the Clinton years — but such policies have certainly been pushed harder by Republicans, which is one reason for Bartels' findings. In the current Republican House, budget cutting proposals, like the governors' proposals in the states, are presented as necessary for budget-balancing, but the details, like the governors' proposals, are directed at old enemies, in this case the federal regulatory agencies. These include those that monitor occupational safety, environmental pollution, and the financial sector, and the draft budget includes particularly large reductions in funding for the Security and Exchange Commission, which is charged with implementing the financial reform legislation, and the Commodity Futures Trading Commission, which regulates derivatives including those that played such a large part in the financial crisis. There is no doubt that unions — including the teachers' unions — have much to answer for, and it is not hard to find examples of petty and overzealous regulation of business. Yet the simultaneous weakening of both unions and of regulatory agencies is a policy that is well-designed to pull the incomes of the rich yet further apart from those of ordinary people.

Back in the academy, economists have not been shy of entering the debate (on both sides) and some (mostly on one side) have earned large fees for doing so. The movie, *Inside Job*, which received this year's Oscar for best documentary, excoriates a number of senior economists for not disclosing fees when making recommendations on policy in their papers and in newspaper articles. In one scene, Glenn Hubbard, Dean of the Columbia Business School, argues that there should be full disclosure of conflicts of interest whenever anybody does research on a topic, but then makes the astounding claim 'I cannot imagine anybody not doing that. . . There would be significant professional sanction for failure to do that.' If only. Yet, as is the case in the country more broadly, attempts to impose any such sanctions, or even to draw up a code of conduct, will be powerfully resisted by those economists who firmly believe that their earnings are no one's business but their own.

Summer School on Bayesian Methods for Empirical Macroeconomics

27-29 of June 2011

led by Gary Koop, at Queen Mary University of London

The course will describe techniques on Bayesian Time Series Econometrics, starting from basic Bayesian Econometrics and dealing also with the estimation of VARs, linearised DSGE models, stochastic volatility and Time-Varying Parameter-VARs.

The course will provide understanding and insight into the methods used, as well as an opportunity of learning how to estimate these models using Matlab.

Gary Koop is a Professor of Economics at the University of Strathclyde and a world leader in Bayesian Econometrics.

Further information about the course is available at:

<http://hosted.busman.qmul.ac.uk/cgr/Summer%20Schools/44157.html>.

Investment in intangibles and economic growth

'COINVEST' is an international research project, funded by the EU and led by Jonathan Haskel at Imperial College. The project was completed at the end of last year and its results have attracted a good deal of attention in the media.

Innovation and the 'knowledge economy' are all around us. Goods like iPods, SatNavs and Digital Cameras are now commonplace. Downloaded mobile phone ringtones are part of the Retail Prices Index. New software has revolutionised firms' supply chains, customer analysis and staff rostering. Whatever one's favourite name for these developments, be it 'innovation', the 'new economy', 'the knowledge economy' or 'the intangible economy', there are two broad questions that confront us. First, activity: how much innovation are firms undertaking? Second, consequences: what are the effects of this activity for the economy (e.g. on investment, GDP, growth etc)?

Until recently, economists have had no standard method for measuring innovation. But now a group of European researchers (see box), led by Jonathan Haskel at Imperial College, London, have provided some clear guidelines. The COINVEST research project has spent the past three years studying the ways in which intangible investments contribute to innovation, competitiveness, growth and productivity in Europe. The project's findings are reshaping our understanding of intangible assets and influencing important economic indices.

When COINVEST was launched in early 2008, nearly all intangible investments were either not measured or treated as an intermediate input into production. Some 'knowledge investments', such as software, were factored into economic indicators like GDP, but most were assumed to produce no durable assets for firms or economies. Investment in research and development (R&D), for example, was considered merely an expense. So were other knowledge-related outlays such as investment in human capital (training), reputational capital (branding) and organisational capital. Using this traditional measure, vast areas of the economy, including financial services, are apparently not spending at all. Indeed, in many studies over 80 per cent of R&D spend is accounted for by about a dozen big companies (mostly in pharmaceuticals and defence). This does not seem to line up with the seemingly fast pace of innovation. Nor does it seem credible that the vast bulk of companies are not spending at all: what about all the companies who are spending on new knowledge like software, training and design?

Part of the problem is that the drivers of growth and innovation have changed radically since the early twentieth

century. While tangible capital (machines) drove development in manufacturing-based economies, contemporary service economies are driven by intangible capital (knowledge). Professor Haskel points to the ubiquitous iPhone as emblematic of how intangible capital is driving growth today. Design, software, marketing and business organisation — along with classic R&D — have contributed significantly to the iPhone's phenomenal success. Current economic developments suggest that Europe's economic future could hinge on exactly these kinds of investments.

Coinvest partners

Imperial College London	London	UK
Queen Mary University of London		UK
The Conference Board in Europe		Belgium
Instituto Superior Técnico	Lisboa	Portugal
Institutet for Naringslivsforskning		Sweden
Club Ekonomika	2000	Bulgaria
Zentrum fur Europäische Wirtschaftsforschung		Germany
GRECSTA/INSEE		France

The COINVEST research consortium set out to measure intangible assets in the market sector of seven countries: five EU Member States (Portugal, Sweden, France, Germany and the UK) plus the US and Japan. Utilising some industry-level data and integrating it with national accounts, the project calculated effects of intangible investment on productivity and growth, backing up its calculations with micro studies. The results have been getting a lot of attention. COINVEST has earned high-level recognition for its methodological achievements and produced some fascinating comparative findings. For example, the research has identified significant differences in the ratio of intangible to tangible investments in a range of key economies — see figure 1.

COINVEST has also revealed major differences between the various kinds of intangible assets that countries invest in as a share of GDP. Germany and Sweden, for instance, tend to invest heavily in R&D, while the US and the UK focus more on 'competencies' such as brand equity, firm training and organisational capital. The researchers have

used their methodology to shed new light on critical areas of economic activity, identifying intangible capital's importance as a component of labour productivity and providing sector-specific breakdowns of intangible investment as a share of value added.

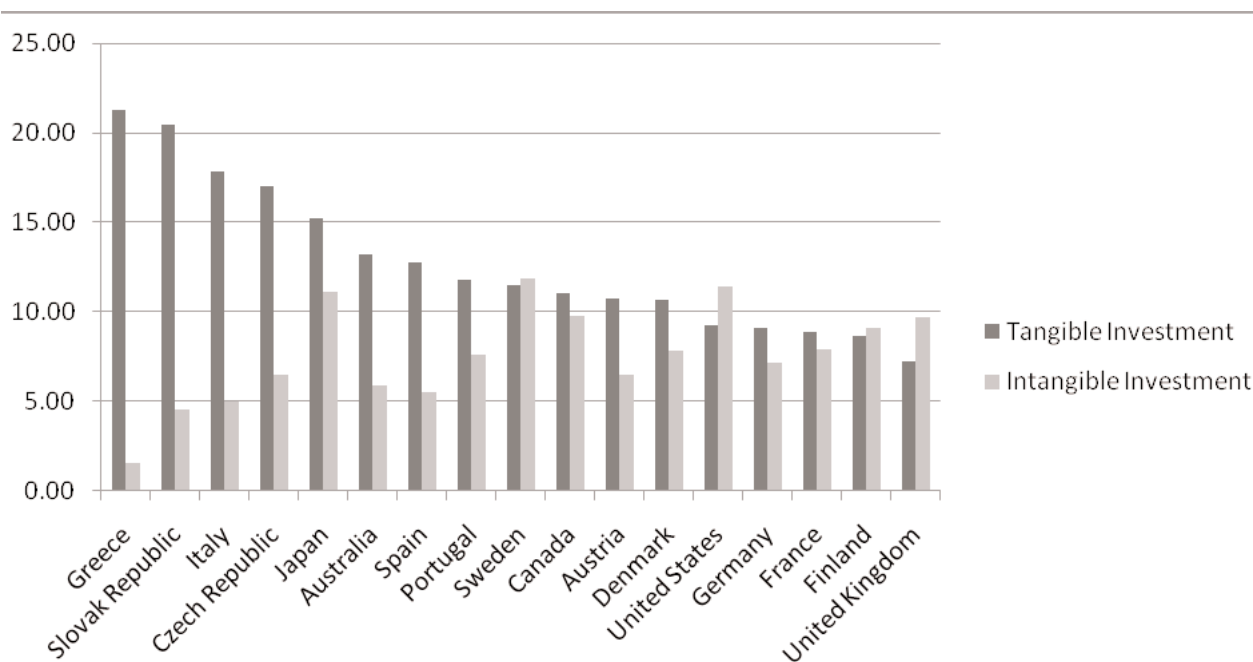
The researchers acknowledge that more work needs to be done to enhance the comparability and robustness of their findings. But their work is already having an impact in policy making circles. Professor Haskel notes that the OECD is using some of the project's data and intends to integrate methodological components into its innovation

survey design. COINVEST indicators now form the centerpiece of the UK's revised innovation index. And, at EU level, the consortium's approach has been adopted by a high-level committee on the measurement of innovation in Europe.

Competitiveness, Innovation and Intangible Investment in Europe was a Specific Targeted Research Project funded under the 7th Framework Programme for Research of the European Union, Thematic Priority 1 - Intangible investment and innovation in Europe.

For further information, see www.coinvest.org.uk/

Figure 1: Tangible and intangible investment, % of market sector GDP. Selected countries, 2006



New Secretary-General for the International Economic Association

Professor Luigi Paganetto has resigned as Secretary-General of the International Economics Association in order to take up a post with the Italian National Statistical Office.

The IEA Executive Committee has approved the appointment of Joan Esteban as the new Secretary-General.

The IEA was founded in 1950 as a Non-Governmental Organisation, at the instigation of the Social Sciences Department of UNESCO. It has since its creation maintained information and consultative relations with UNESCO and is since 1973 a federated member of the International Social Science Council.

More details are available at: www.iea-world.com/page/index_about.html

GCE Economics examiners required

Edexcel is currently recruiting GCE Economics examiners to mark examinations this summer. As well as being paid for marking we will provide comprehensive training and support. The marking period is between May - July and an allocation of scripts/items would normally take between 40 - 45 hours to mark.

To apply, please visit www.edexcel.com/aa-recruitment, select 'vacancies' and then click on 'GCE', to complete an online application form and view role descriptions and fees.

The Leverhulme Trust

2011 Philip Leverhulme Prizes

The Leverhulme Trust Board are offering up to 30 Philip Leverhulme Prizes for 2011. The Prizes are intended to recognise the achievement of outstanding researchers who are at an early stage in their careers but who have already acquired an international reputation for their work. Prizes are available in the following disciplines:

- Astronomy and Astrophysics
- Economics
- Engineering
- Geography
- Modern European Languages and Literature
- Performing and Visual Arts

The value of each Prize will be £70,000, to be spent within two or three years, and can be used for any purpose to advance the prize holder's research, with the following exceptions: augmentation of the prize holder's salary and institutional overheads. Awards will be made in recognition of the past research or artistic achievement of nominees and with the expectation that this achievement reflects outstanding promise for future work.

Prize winners should be under age 36 on 17 May 2011 and should hold a post (irrespective of the source of funding) in a UK institution of higher education or research. Nominations are also accepted for those aged 36 to 39 inclusive if they have had a distinct career change or break.

Nomination materials can be accessed online from the Trust's website www.leverhulme.ac.uk. Nominations must be submitted online by the closing date of 4.00pm on **17 May 2011**. Decisions will be made by the end of November 2011, and the Prizes are to be taken up before the end of November 2012.

Registered charity no. 288371

Correspondence

Sir,

I am interested in Prof Reenen's assertion that family-owned and managed companies tend to be badly run.¹ Moreover, the worst managed are those where the eldest son succeeds the father.

Of course, genetics would seem to justify the latter. Further some argue the eldest is usually the most intelligent. The eldest has to solve his/her own problems whereas those following can copy him/her.

My father's company was publically owned for most of its existence. It was terminated because its net tangible assets on breakup exceeded its market capitalisation and its name sold to a franchise operation. I did not like the way he treated me and others, believed this was necessary to be a CEO and was determined neither to work for him nor follow him.

Interestingly just before its taken over it published summary of its last few years' results.

In what follows, I point out that I do not have this in front of me and am working from memory.

There were seven years' results. I measured the company's performance not by whether it recorded a profit but by whether the percentage profit increased or decreased. I found that there was an improvement in the nearest result after when I was with the company and a worsening to that when I wasn't. Of course the academic year and financial year are six months out of phase in Australia.

There are then two possibilities for each of five years or a sample space of 32. Assuming an equal probability for each, to get this agreement by chance was 3.125 per cent.

As well as assuming my memory was correct, assume this was not a coincidence.

Since I held no significant position, what was the mechanism?

Two possibilities occur to me.

The importance of a succession plan.

Leadership is at least as much what people want to do the for the leader.

*Dr Ian Douglas Clark
eldest child of Douglas Hall Clark OBE
Managing Director 1946-1980 Chairman 1946-1980-
of what became Clark Rubber*

Note:

Professor John Van Reenen, director of the Centre for Economic Performance, gave the Royal Economic Society's annual public lecture in December 2010. A summary appears in *RES Newsletter*, no. 152, January 2011, p.19

Not called the ‘lucky country’ for nothing — or why Australia missed the Great (Atlantic) Recession

Nigel Stapledon, at the University of New South Wales explains why Australia missed out on the recession recently experienced by the USA and Europe.

While the Australian cricket team may have lost the ashes, in the (less important?) economic stakes, some solace has been taken in the Australian economy’s performance in effectively missing the ‘Great Recession’ (GR) experienced by the US and Europe. Looking at a broad measure (Figure 1), unemployment rose from just over 4 per cent in mid-2008 to a peak of 5¾ per cent in mid-2009 and then back down to its current 5 per cent. Since, on some estimates 5 per cent is full employment, the economy is clearly doing well.

The question is why did Australia miss the Global Recession? Is it because of the better institutions and greater astuteness of our policymakers? There has been a degree of good management involved. However, by far the bigger factor at play has been Australia’s good fortune to be a major source of resources in the Asia-Pacific at a time when China and other major developing economies have a large and growing appetite for resources.

The China story is not new — it has been growing at close to 10 per cent per annum for over 30 years but, despite that, it still lags behind in living standards which leaves ample room for further rapid growth in the next decade. From an Australian perspective, much of China’s growth in the 1980s and 1990s

was satisfied from its own resources but by the early 2000s, it needed to look elsewhere and Australia has been ready to oblige. Add in India’s accelerated growth and the demand for resources took off in the 2000s.

Specific to the Global Recession, China and India did feel the effects of diminished demand for their exports in markets in the US and Europe in 2008 and early-2009. These economies are just as vulnerable to boom and bust. But on this occasion, these countries did not experience banking crises, had ample room to stimulate their economies and did so, and with their growth potential, by mid-2009 they had resumed normal (fast) growth.

Turning to Australia, in the period 2003-11 it has experienced its biggest resources boom since the gold rush days of the 1850s. One way to gauge the magnitude of the resources boom is the rise in the terms of trade as export prices have surged (Figure 2). The terms of trade is running about 65 per cent above its long-term average. Note that the 1960s and early-1970s boom in response to Japan’s rise as an industrial power pales by comparison, as does the late-1970s and early-1980s energy boom triggered by the second oil shock. The terms of

Figure 1: Australian unemployment 1980-2011 monthly s.a. rate, %

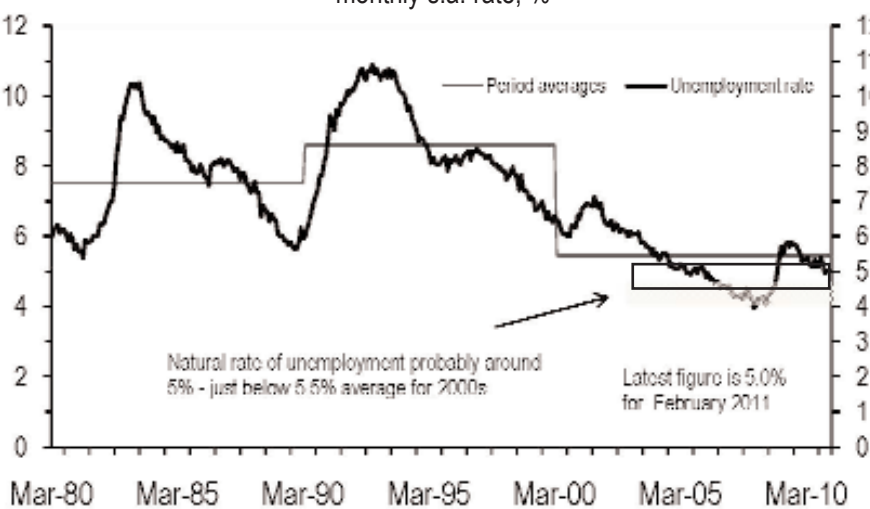
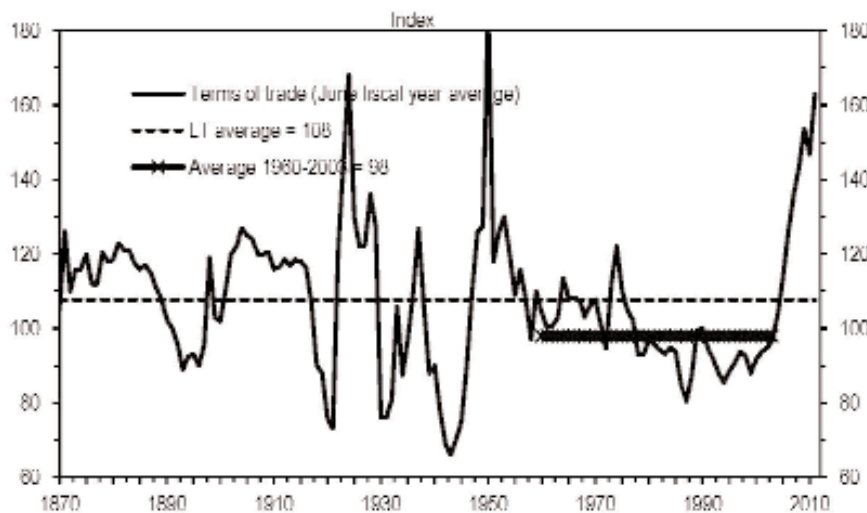


Figure 2: Australian terms of trade 1870-2011



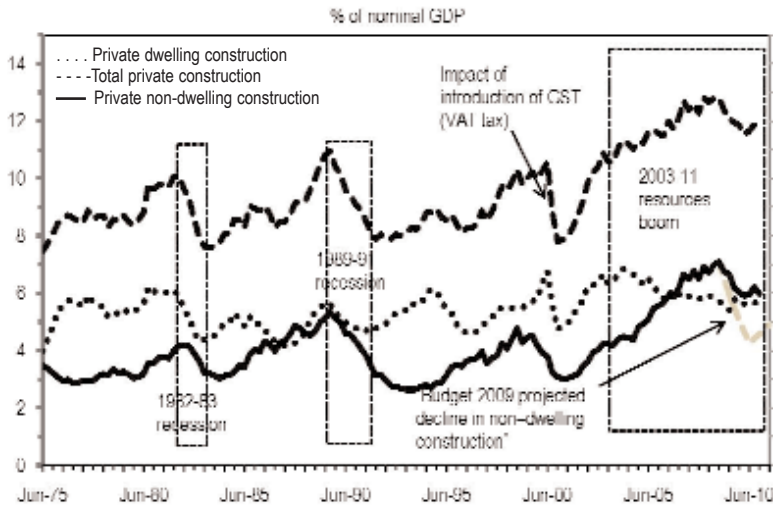
trade spiked in the early-1950s due to the Korean War — driven by demand for wool but that was short-lived. On this occasion, the terms of trade high has been more sustained.

Another useful gauge is to look at investment. In the 1990s and early-2000s, resource prices were low and Australia as a resource exporter was out of favour with both domestic and foreign investors. The lack of investment in new capacity in the lead up to the boom meant

ing structures to Australia, so what explains or distinguishes Australia's housing story?

The authorities claim some credit for this. In 2003, when the US, UK and European central banks were still reducing interest rates, the RBA started lifted its cash rate (from 4.25 per cent to 5.25 per cent). At the same time, it did some jaw-boning or what it terms 'open-mouth' operations — specifically, senior RBA officials making a few

Figure 3: Australian non-dwelling and dwelling construction



limited capacity to respond with increased export volumes and that the initial impact of the surge in demand has been to drive up prices. With a lag, high prices have then led to the investment boom which has been the most significant direct effect of the resources boom on growth in aggregate demand in the period 2003-11. A useful way to look at this is in terms of investment as a share of overall activity, with non-residential construction investment (chiefly reflecting mining) at levels which make the property boom of the 1980s seem very modest although this investment is likely to prove more productive than the 1980s property boom (Figure 3).

Now in 2008 when the mortgage meltdown in the US started spreading, there were fears that this investment boom would collapse and lead to a serious recession. In the event, China and India came through this period in good shape and despite the problems experienced in the US and Europe, resource prices dipped sharply but only briefly before heading back to highly profitable levels. Thus while there was a brief pause in investment, it was just that, a pause before the mining companies pressed the go button with renewed vigour.

Central to the Great Recession in the US and Europe has been housing, with most economies experiencing sharp price falls and recession-inducing contractions in housing activity. Like the US and UK, the period from the mid 1990s to the mid 2000s saw substantial rises in house prices in Australia — indeed larger rises — but the end game has been very different (Figure 4). The institutional weaknesses in the US mortgage market were a major factor in the US but the UK shares similar institutional bank-

ing structures to Australia, so what explains or distinguishes Australia's housing story? The authorities claim some credit for this. In 2003, when the US, UK and European central banks were still reducing interest rates, the RBA started lifted its cash rate (from 4.25 per cent to 5.25 per cent). At the same time, it did some jaw-boning or what it terms 'open-mouth' operations — specifically, senior RBA officials making a few headline-catching warnings that house prices were overblown and that borrowers should expect more rate rises. The banks — the major source of lending to housing — were also directly cautioned on the risks and the need to maintain or tighten their lending standards. Their argument is that these actions caused the housing market to peak in late 2003, while other markets mostly continued to rise.

Maybe. But I suspect the good outcome indirectly owes more to the resources boom. When house prices in Sydney and Melbourne peaked in 2003, they were at levels which were overvalued to a about the same degree to that of the US housing market when it peaked later in 2006. The market was over-

supplied (vacancy rates high, rents declining) and it was primed for a sizeable fall. But the resources boom was just taking off at this time, which led to solid income and employment gains and an upsurge in immigration. These factors boosted demand for housing which relatively quickly absorbed that excess supply. Those demand factors were partially offset by the Reserve Bank's action in lifting interest rates in the period 2004-08 (from 5.25 per cent to 7.25 per cent) in response to emerging inflation pressures in the economy. While causing prices to decline slightly the rate rises chiefly served to constrain new house-building activity.

By 2008 when the GR hit, the net result was that Australia was experiencing a housing shortage and significant upward pressure on rents which, in conjunction with subdued prices, had lifted yields closer (but still below) long-term equilibrium. In short, courtesy of the resources boom, the housing fundamentals in Australia were very different to those in the US and, at the extreme, Ireland for example. The Reserve Bank responded to the GR almost as aggressively as the Bank of England, cutting the cash rate by 4 per cent to 3.25 per cent between August 2000 and February 2009. The result was that house prices surged by 15 per cent! That, together with other positive signs such as resurgent commodity prices, had the Reserve Bank changing tack and lifting rates in the second half of 2009.

On the fiscal front, when a resources boom delivers a river of company tax revenues, the life of fiscal managers is not hard. Governments in the period 2003-10 delivered an unprecedented succession of income tax cuts for

households, the last three being the product of a bidding war in the 2007 election. It was also, for a growth phase in the economy, a period of relatively strong growth in government spending. Despite the largesse, at least until the GR came along, governments were able to ‘miraculously’ keep the budget in surplus. In short, courtesy of the resources boom, the Government was in a strong position in 2008 to respond decisively to the perceived threat from the GR.

The Treasury, mindful of its tardiness in advising the Government to respond to the early 1990s recession, recommended a policy of ‘go hard, go early’ this time. The Government accepted the advice and, while GDP contracted by 0.9 per cent in the December quarter 2008, the first tranche of the fiscal stimulus was no doubt an important contributing factor to positive growth in the March and June quarters of 2009 and getting the economy through the hiatus before the resource boom resumed.

The major component of the first tranche involved fairly immediate cash payments to low/middle income households — it was timely, targeted and temporary (three Ts) and boosted consumer confidence and spending in this period. (The Australian fiscal stimulus package has been

applauded by the OECD as ‘highly effective’ and by Joe Stiglitz as the best designed amongst the OECD economies.) There is some debate about the merits of the second tranche of the fiscal stimulus which was predicated on Australia experiencing a much deeper and more prolonged recession. It was targeted at the construction sector which was forecast to be badly hit but in the event was not. There were also a few ‘implementation’ issues which provide valuable lessons for the future on what not to do.

How long will this resources boom last? Lots of predictions but in truth no one knows. On the demand side, it can be argued there is still ample room for demand for resources from China, etc to grow. However, on the supply side, the investment boom will start lifting output significantly in the next few years — e.g., Australia’s output of iron ore is expected to double in the next five years and other producers are also investing in new capacity — so there is potential for supply to start catching demand and take prices down at least a few notches.

So, there is an inevitability that the resources boom will end and that is when (inevitably with hindsight) the astuteness of Australian policy-makers, this time in the good times, will be better judged.

5th PhD Presentation Meeting

The 5th PhD presentation meeting, supported by the RES, was held at City University on 15-16 January. Javier Ortega prepared this report.

259 students and faculty attended the conference. On the institutional side, 24 institutions were interviewing candidates. Out of them, 18 were British (Aberdeen, Bangor Business School, Birmingham, Cardiff, City, Edinburgh, Essex, Leicester, Liverpool, Oxford, Queen Mary, Reading, St Andrews, Surrey, Sussex, Warwick, and York), 5 from the rest of Europe (Barcelona, Max Planck Institute for Tax Law and Public Finance, Oslo, RWTH Aachen University, Uppsala, and Vienna), and one Chinese (Southwestern University of Finance and Economics).

Attendance at sessions

The turnout at slide presentations was reasonably good given the nature of the event. Approximately 7-15 attendees per session attended these. Learning from last year’s experience, paper acceptances were managed in a slightly different way, with the creation of a “waiting list for live presentation” category. Papers were classified into ‘live presentation’, ‘waiting list for live presentation’, ‘poster session’, and ‘rejection’. The candidates declining to present or not confirming attendance were replaced by PhD candidates from the waiting list. As a result, most of the sessions had 3 or 4 papers presented. Instead, last year some sessions ended up with only 1 or 2 presenters.

Feedback

Feedback forms were completed by 40 participants (15.4 per cent response rate). Most participants that filled in the forms were happy with the conference organisation. To the question ‘Do you think that the job market should take place during a conference where faculty members are also presenting the papers’, 18 participants answered ‘yes’ and 15 ‘No’. Most of the participants that answered the survey (32 out of 40) thought that the timing of the conference (January) was fine. The feedback forms will be sent to the Royal Economic Society.

Budget

Space: £5,089
Catering: £6,017.86
Security: £529.00
Student Ambassadors: £208.00
Total (exclusive of VAT): £11,843.86
Total (inclusive of VAT on catering and audiovisual): £13,194.83

The Gender Composition of Editorial Boards in Economics — an update

In 1998 the Royal Economic Society Women's Committee explored the gender composition of editorial boards for 25 journals where at least one of the editors was based in the UK. This exercise was repeated in 2003 and is updated here for 2011. Whilst the number of female managing editors and members of editorial boards has risen slowly over time, this growth is far outstripped by the growth in the relative numbers of female professors and readers/senior lecturers. Senior women now appear to be substantially less likely to be journal editors than they were in 1998. This report was prepared by Karen Mumford, University of York (Chair of the Women's Committee).

In 1998, on behalf of the Royal Economic Society Women's Committee, Katherine Green examined the gender composition of editorial boards for 25 journals where at least one of the editors was based in the UK for the Royal Economic Society Women's Committee. This exercise was repeated in 2003 (by Denise Hawkes) and again in the first week of March, 2011 (by Annette Johnson) for the same list of 25 journals. During this time period, the numbers of editors on these journals grew dramatically: managing or co-editors rose 50.5 per cent (from 95 to 143) and of other editorial board members rose 45 per cent (from 453 to 658). We would expect most (if not all) of this growth to have come from academic economists.

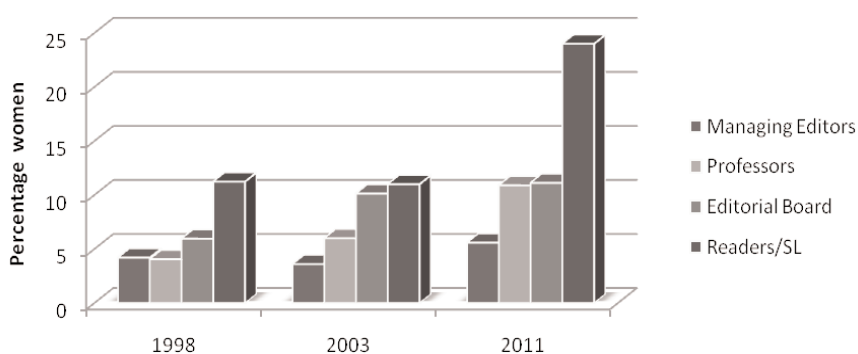
The academic workforce of economists in the UK also changed dramatically between 1998 and 2011 with women gradually improving their relative position over the time period. In aggregate, the changes are striking as women more than doubled their relative representation in the higher

grade ranks between 1998 and 2011 (using data from the Royal Economic Society Women's Committee surveys). In 1998 women made up approximately 11 per cent of the Readers/Senior Lecturers and 4 per cent of the Professors. By 2011, women constitute some 24 per cent of Readers/Senior Lecturers, and 11 per cent of Professors.

We expect managing editors (or co-editors) to be professors. If so, the above changes in the workforce might suggest relatively more women being recruited to editorial teams. Figure 1 shows that this is not the case; the increased representation by women amongst managing editors is far over shadowed by the increased representa-

tion of women in the professorial grade rank in UK economics. It might also be argued that some involved in journal editing (in roles such as associate editors and other editorial board members) may be drawn from the ranks of readers/senior lecturers. Figure 1 also reveals substantially stronger representation of women in this grade rank than as editorial boards members, especially in 2011. It could be argued that women's representation as managing editors was commensurate with their representation as professors in 1998; their representation on editorial boards was commensurate with their representation as senior women economists in 2003; however, women appear to be under represented according to both measures in 2011.

Figure 1. Relative representation of women in academic and editorial roles, 1998-2011



Many of the managing and associate editors of these journals are, of course, not UK based and the trends in UK academic employment may not be reflected in other countries. There is limited information available internationally on the growth of

women in academic economics over this time period, however, the AEA Committee on the Status of Women in the Economics Profession (CSWEP) has data in their 2010 report which shows similar growth rates for the US: in 1998 6.1 per cent of professors were female, in 2010 10.7 per cent were; 14 per cent of tenured associate professors were female in 1998, 21.8 per cent were in 2010.

It may also be the case that the women are concentrated in only a few research areas. Figure 2 shows the percentage of women amongst the editors (managing or editorial board) for each of the selected economics journals in 2011. As we can see, the representation of women is far

from uniform across the journals and is perhaps influenced by the availability of suitably qualified women in specific research areas (this is a topic the Women's Committee is currently exploring in more depth). However, many journals that are considered to be general in nature (rather than being field journals) have below the female representation we might expect to observe on editorial boards.

Why aren't there more women on journal editorial teams? In 1998 the Women's Committee wrote to the managing editors of these 25 journals and asked them for their views. Whilst there was far from a single suggested explanation, two common responses were that there was a lack of women in the profession as a whole and/or in specific research areas; and that insufficient consideration was given to the selection of editorial teams (implying that networking and exposure were important).

In 2003, those UK based female editors who had multiple editorial positions were contacted and asked for their

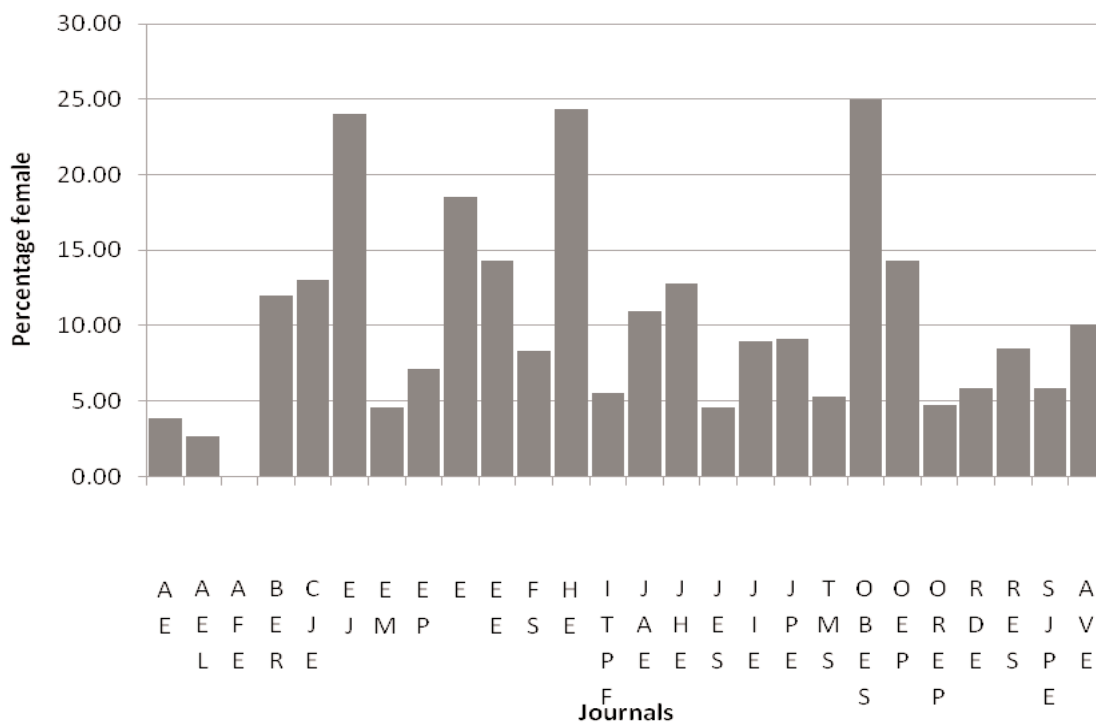
thoughts. Again there was not a single explanation although networking and exposure were commonly cited as important, as most had been offered their positions by editors they already knew.

In a rapidly growing labour market, it is far from easy to know the new kids on the block. In response to this potential information problem, the Women's Committee have constructed a list of the female professors in economics based in UK departments, including their area of research specialism. This list has been mailed to the editorial team of the 25 journals (and many more others) it also available on the Women's Committee web pages.¹ Whilst many of the future editors and associate editors will, of course, not be UK based, this list at least highlights one potential recruitment source and may go a small way to rectifying the current imbalance.

Note:

1. <http://www.res.org.uk/society/women.asp>

Figure 2. Relative Numbers of Female Editors, 2011



Key

- AE *Applied Economics*
- AFE *Applied Financial Economics*
- CJE *Cambridge Journal of Economics*
- EM *Economic Modelling*
- E *Economica*
- FS *Fiscal Studies*
- ITPF *International Tax and Public Finance*
- JHE *Journal of Health Economics*
- JIE *Journal of International Economics*
- TMS *The Manchester School*
- OEP *Oxford Economic Papers*
- RDE *Review of Development Economics*
- SJPE *Scottish Journal of Political Economy*
- AEL *Applied Economics Letters*
- BER *Bulletin of Economic Research*
- EJ *Economic Journal*
- EP *Economic Policy*
- EE *Education Economics*
- HE *Health Economics*
- JAE *Journal of Applied Econometrics*
- JES *Journal of Economic Surveys*
- JPE *Journal of Public Economics*
- OBES *Oxford Bulletin of Economics and Statistics*
- OREP *Oxford Review of Economic Policy*
- RES *Review of Economic Studies*

Are we really suffering from ‘deficit fetishism’?

In the July 2010 Newsletter we published an article reflecting critical comments we had received regarding the UK coalition’s fiscal strategy. We invited contributors to put the opposing view and so we are grateful to Philip Booth, Cass Business School and Institute of Economic Affairs, and J R Shackleton, University of East London and IEA, for taking up the challenge.

An editorial article in the July 2010 RES Newsletter outlined the views of a number of critics of the Coalition’s plan for reducing the UK’s fiscal deficit, which had reached more than 11 per cent of GDP last year, the second highest deficit amongst the OECD countries. The editorial appeared to sympathise with the opponents of what it termed ‘deficit fetishism’ and feared that cutting aggregate demand would damage the recovery. It asked for supporters of the Government’s fiscal retrenchment to explain why they expected the June 2010 budget to mark a positive turning point for the UK economy.

We are far from uncritical supporters of the Government’s economic policy, but we are clear that the fairly unreconstructed Keynesianism of the three articles cited provides no useful way forward.

Last June’s budget, the Comprehensive Spending Review and the March 2011 budget have laid out a programme for reducing the fiscal deficit significantly over a four to five year period. The latest figures give a total ‘consolidation’ of £126 billion by 2015-16, made up of cuts in spending of £95 billion and a net increase in taxes of £30 billion. This programme envisages a faster reduction of the deficit than planned by Labour in its March 2010 budget, and consequently deeper cuts in public spending.

The critics criticised

The three critics cited in the *Newsletter* article have different approaches. In a blog piece, John van Reenen draws analogies between the proposed cuts and mistaken macro-economic policy in the United States in 1937. This is a selective reading of the past: we could point instead to the UK recovery in the 1930s following monetary expansion coupled with fiscal conservatism. The problems of the US economy in 1937 were associated with combining public spending cuts with monetary contraction and a huge increase in business regulation and marginal tax rates. Van Reenen is also dismissive of the view that a degree of austerity is necessary in order to reassure the financial markets. But since he wrote we have seen the problems which other countries — Ireland, Greece and most recently Portugal — have run into as a result of failing to produce a convincing plan to reduce the deficit. While these countries are forced to borrow from the IMF and pay high interest rates to turn over their debt, the UK’s Standard and Poor rating is still at AAA and we have faced no problems financing our debt. Van Reenan argues that the Coalition’s intention to front-load some of their cuts is an attempt to pin the blame on Labour: any cuts should be delayed until the economy has recovered. However this ignores the credibility issue. If

planned cuts were delayed, they would fall more heavily in the run-up to the next election, and market participants might doubt whether the Coalition would have the political will to carry them through. It is worth noting, though, that the cuts are more ‘back-loaded’ than the tax increases — something we regard as regrettable given that fiscal contractions led by tax increases have not generally been as successful as those led by government spending cuts.

The second piece of work cited is more substantial. Victoria Chick and Ann Pettifor examine the historical record of fiscal consolidations in the UK from the beginning of the 20th century. They reach a conclusion which, they argue, runs ‘exactly counter to conventional thinking’. This is that cuts in public spending have not improved public finances (except for the period immediately following the end of WW2). They claim that ‘there is a very strong negative association between public expenditure and the public debt’. They infer that large increases in public expenditure will, presumably through some simple multiplier process, generate higher levels of output which will reduce some forms of expenditure and increase tax take. Chick and Pettifor’s empirical analysis is, however, highly suspect. For one thing its measure of public expenditure is final consumption and fixed capital formation of central and local government only: transfers are ignored. Thus their figure for public expenditure in 2009 represents 26 per cent of GDP, whereas the OECD figure for all public spending is over 50 per cent. As the ratio of their measure of public spending to total public spending has changed very considerably since the early 1920s (the ‘Geddes Axe’ episode is the first one considered), their correlation coefficient for the whole period is surely suspect. Further criticisms might relate to the lags which would surely exist in the multiplier process they posit, and also to the averaging process in which they engage to get their results.¹

The third critic cited is Joseph Stiglitz. Here the source is a lengthy interview with *The Independent* rather than something he has written himself. Nevertheless there are numerous direct quotations and he presumably stands by the points made. Stiglitz’s criticisms are not confined to the UK, but to all other countries which are engaged in spending cuts. He has no time for the ‘foolish financial markets that got us into this trouble’ — a diagnosis of the causes of the fiscal deficit which ignores the responsibility of spendthrift governments, particularly in the UK where public spending was sharply increased well before the financial crisis. It also ignores the expansionary monetary policies and the underwriting of moral hazard by the US government right throughout the US financial system.

He also disregards the consequences of a country unilaterally ignoring the concerns of the markets. Stiglitz argues that ‘cutbacks in Germany, Britain and France will mean all Europe will suffer. The cuts will all feed back negatively...it’s a vicious downward spiral’. He mentions various historical episodes, including Japan as an example of a country which in 1997 aborted a recovery by raising taxation, and fears that fiscal retrenchment will similarly lead to a double-dip recession. However, it can hardly be said that the Japanese episode tells us that fiscal deficits are the key to economic recovery. He argues that George Osborne ignores the lessons of history because he is driven by ideology. When it comes to practical proposals, Stiglitz’s ideas, though not uninteresting, are largely irrelevant. He talks loosely about cutting military expenditure and oil subsidies, but argues in favour of increasing spending on research and development, infrastructure and education; he does not, however, consider the evidence on the poor returns in the UK from these three areas of spending. Presumably he still believes governments are good at spotting winners, for one specific suggestion is that they should set up their own banks to lend to businesses and ‘save struggling homeowners from repossession’. He also argues, perhaps in contradiction, for an even larger increase in capital gains tax than that which the Coalition has introduced.

It is difficult to see in the three sources cited a serious alternative to the Coalition’s proposals for fiscal consolidation. What emerges rather is a kneejerk and (*pace* Professor Stiglitz) ideological opposition to the need for a break with the past. It is rather reminiscent, although the numbers coming forward are far smaller, of the famous letter from 364 economists predicting disaster as a result of the Conservative budget of 1981.²

What is good about the Coalition approach

What do we think of the Coalition strategy? First, we welcome the fact that the Government acted decisively and stated a clear intention to cut the deficit in a reasonable period of time. This is not ‘deficit fetishism’: we believe it was imperative to do this, as otherwise we would have been seriously at risk at the hands of the financial markets following an inconclusive general election and the difficulties of other European economies. Whilst we would not have been uncomfortable with the government cutting rather faster, it should be noted that the end of the period of spending cuts will be a full seven years since the collapse of Lehmans, with most of the cuts taking place in the last two or three years of this period. Even those who believe that fiscal policy should always try to run counter to the cycle would surely have difficulty arguing that the cuts are coming too quickly. By 2015, government spending, as a proportion of national income, will have returned to 2007 levels. External monitors of the UK economy such as the IMF, the OECD and ratings agencies have pronounced favourable verdicts, meaning that we can continue to borrow on similar terms as, say, Germany. The strategy ‘stopped the rot’ — the drift towards ever-higher levels of public spending with little to show for it under Blair and

Brown. In the understandable emphasis on the macroeconomic effects of government spending, we should not lose sight of the fact that this spending boosted employment and pay in the largely unreformed public sector, but achieved relatively little from the point of view of the consumer.³

Second, we believe that the balance of tax increases to spending cuts was certainly not weighted too far towards spending cuts. The proportion by the end of the consolidation will be about 77 per cent cuts and 23 per cent higher taxes. This is not dissimilar to the ratio intended in Alistair Darling’s last budget, and is in line with the 80-20 which seems to have been the minimum proportion of spending cuts necessary for successful consolidations in a number of countries in the past.⁴ Tax increases risk damaging the supply side of the economy at the very time we need a rapid reallocation of economic resources. There is certainly no case for fiscal consolidation via very high taxes and minimal expenditure cuts, as some have suggested.

Third, although it is never wise to be too confident in economic predictions, we do not believe that the Coalition strategy poses a serious risk of a double-dip recession. Although cuts in government spending may depress demand to some extent in the short-run, we think that this tendency is exaggerated. A simple elementary Keynesian model, which seems to lie behind the thinking of some of the critics, ignores changes in behaviour which policy can induce. Even if a very strong statement of Ricardian equivalence is not accepted, it appears likely that large fiscal deficits do have some effect in deterring consumption as people anticipate higher taxes in future. Furthermore elementary Keynesianism ignores how debt is funded and both monetary policy and the openness of economies. The UK is in the fortunate position — unlike some — of being able to control its monetary policy, enabling us to complement fiscal tightness with a more relaxed monetary stance if that is desirable. Furthermore, the exchange rate is free to adjust so that reduced government borrowing has an impact potentially on both interest rates and the exchange rate. The case that budget deficits stimulate the economy in countries with floating exchange rates is very weak. Through this mechanism, exports are stimulated. This is one reason why the private sector, and manufacturing in particular, has been holding up better than was feared in some quarters.

However...

Despite these positive features of the Coalition’s strategy, we do have a number of important concerns.

First, to the extent that there is a reduction in aggregate demand as a result of fiscal consolidation, it is imperative to do everything we can to boost the supply side of the economy. There has been an enormous expansion of regulation in areas such as employment law, planning, and health and safety, in the last three decades. There is widespread concern that this often imposes unnecessary costs on business, and in particular those smaller businesses which are regarded as important to economic recovery. The

...cont. on p.22

Obituaries

Shelagh Heffernan

Shelagh Heffernan was an outstanding all round economist who specialised in analysis of banks and banking markets. Shelagh made important contributions to banking research but she will be remembered best by colleagues and former students as an inspirational and innovative teacher and mentor. She died in December 2010 in London after a long and courageous fight against illness.

Born in Edmonton, Alberta in 1955, Shelagh went to secondary school in Ontario and then studied for a BA in economics at the University of Toronto, graduating in 1978. Oxford was her chosen graduate school and she was awarded an MPhil in Economics in 1980 and a DPhil in 1981. It was while at Oxford that she met her future husband, fellow economist, Peter Sinclair.

Shelagh's first full-time teaching post was at the University of British Columbia, but she only stayed there a year before taking up a post at what was then the City University Business School (later to be renamed the Cass Business School) in 1982. This remained her academic base for the rest of her career. She rose through the ranks of lecturer, senior lecturer, and reader to become a full professor in 1995.

Sovereign debt crises were the topic of Shelagh's first published work and this was very topical in the aftermath of the Latin American debt crisis of the early 1980s. A book on this subject followed in 1986 (*Sovereign Risk Analysis*, Unwin Hyman). Much of this work was about identifying the factors that would help predict debt defaults and it anticipated much later work that was used by ratings agencies and lenders. It was work on this topic that stimulated her interest in the behaviour of banks as it was obvious to her that there was some degree of herding behaviour and consistent underestimation by banks of the riskiness of much of their lending. Several papers on the prediction of bank failures followed in the 1990s.

The work on sovereign debt crises also stimulated thought on international monetary arrangements which led to a paper on the prospects for a world central bank. It also helped Shelagh prepare for writing the international monetary half of a text book on international economics, co-authored with Peter Sinclair (*Modern International Economics*, Blackwells, 1990).

In the 1990s, Shelagh started to focus on the work which will probably be that for which she is best remembered. There were two related strands, one with monetary policy implications and the other with implications for understanding pricing behaviour and competition in banking markets. In both areas, she made several path-breaking contributions which have stood the test of time and gener-

ated subsequent research by others. In the area of banking and the financial system, two over-arching themes emerged. Firstly, banks are economic firms with their own objectives and strategies, and should not be regarded as part of a passive social infrastructure: their own behaviour matters. Secondly, the operations of financial firms and markets, which are often overlooked in economic modelling, are important in the economy, both in the monetary policy transmission mechanism and in crisis episodes.

The work with monetary policy implications focused on the pass-through of interest rate decisions by the monetary authorities. Text book models at the time (and still to some extent) had a very simple transmission mechanism where official interest rate changes affected investment in a closed economy and the exchange rate in an open economy, and this then shifted the aggregate demand curve. There may be time lags in the impact of the policy change but these time lags depended on the delayed spending decisions of agents. Shelagh realised that there was a transmission process within the financial system first, as official rate changes did not lead to all other posted rates changing immediately, but there was no extant evidence on how all that worked. Her paper ('Modelling British Interest Rate Adjustment: An Error Correction Approach', *Economica*, 1997) made significant progress in filling this gap. However, Shelagh realised that a significant obstacle lay in the lack of data that were available. Aggregate data which were averaged across a range of financial institutions concealed much of the story, so she set about constructing a product-by-product and bank-by-bank data set that could help illuminate this issue and her other concern, bank pricing behaviour in general.

The interest rate pass-through work culminated in her paper 'Interest Rate Transmission in the UK: A Comparative Analysis across Financial Firms and Products' (*International Journal of Finance & Economics*, 2009, joint with Ana-Maria Fuertes). This helped shine light on the fact that monetary policy had an impact on output and inflation with 'long and variable lags'. Some of those lags and that variability were within the financial system itself, even before the impact was felt by non-bank agents.

Perhaps an even greater contribution came in the work that Shelagh did with her detailed data base to analyse the pricing strategies of banks in general. She wrote several papers that focus on the competition between banks within specific product markets. Among these were: 'UK Bank Services for Small Business: How Competitive is the Market?' (*Journal of Banking and Finance*, 2006), 'The Effects of UK Building Society Conversion on Pricing Behaviour' (*Journal of Banking and Finance*, 2005) and 'How do UK Financial Institutions Really Price their Banking Products?' (*Journal of Banking and Finance*, 2002). A key result in the latter paper was that banks typically price a product competitively when it is first launched so as to attract new customers, but they

then let the spreads widen over time so that the customers who were initially attracted get an increasingly worse deal as time passes. The product-level data revealed what the aggregate data could not.

Shelagh's research interest in banks led her to volunteer to teach banking and her search for course materials made her realise that a new text was needed. *Modern Banking in Theory and Practice* (Wiley, 1996) filled the gap more than adequately and became a standard course text in the field. *Modern Banking* (Wiley, 2005) was an even more comprehensive and updated text. These two books finally cemented her reputation as one of the leading academic commentators on banking in the UK and internationally.

Shelagh's last few research papers were on the emerging Chinese banking sector and these were written with her last PhD student, Maggie Fu. She would, no doubt, have had a lot more to say about the recent banking crisis and the regulatory issues being faced now if she had not been seriously debilitated by her worsening health.

Research was important to Shelagh but teaching was her passion. She taught economics to business studies undergraduates and also to MBA students. The latter proved a serious challenge as she faced a large class many of whom could not see why this was part of their course. They were also beginning to think of themselves as customers rather than students as they were paying significant fees for the first time in their lives. Shelagh soon whipped them into shape. She locked the lecture room door at five minutes past nine to stop late arrivals, and she may be the first lecturer anywhere to eject a student when a mobile phone went off in her class. It was hard to find a time for a class test so Shelagh ran it on a Saturday morning. Such was her charisma that attendance was 100 per cent. *The quid pro quo* from Shelagh was that every student in a class of over 200 had their work returned and marked, with full comments, by 9.00am on Monday morning.

Her growing interest in banking led Shelagh to get involved in the Cass undergraduate degree in Banking and International Finance. She became course director of this for several years and a teacher of the core banking modules for many more. Her deteriorating health made it impossible for her to stand up and lecture for any length of time, but this did not stop her winning teaching prizes at the School and University level. She thought of innovative ways to teach, she set group work and case studies and gave detailed feedback on all work received. Indeed she set such high teaching standards that many of her fitter colleagues found it hard to compete. In 2008, she was appointed to the post of Associate Dean for Teaching and Learning at Cass and in that capacity worked tirelessly to raise the teaching standards of all.

Shelagh Heffernan achieved a huge amount in her tragically truncated career. She could have done a great deal

...cont on p.21

CALL FOR PAPERS
**The Yield Curve and New Developments in
Macro-finance: What have we learnt from the
2007-2010 financial crises?**

Centre for International Macroeconomics and Finance
(University of Cambridge), IÉSEG-School of Management,
(Lille Catholic University) and the Money, Macro Finance
Group

1-2 September 2011 in Cambridge

Invited speakers

Paul Fisher — Bank of England

Glenn Rudebusch — FRB of San Francisco

Frank Smets — European Central Bank

Philip Turner — Bank for International Settlements

The submission of research papers in the following fields is especially encouraged:

- The analysis and extraction of expectations of future monetary policy decisions at short to medium term horizons, made on the basis of financial data;
- The measurement and analysis of the impact of both macroeconomic data releases and central bank communication on the yield curve.
- The analysis of the short-term dynamics of money market interest rates and in particular the structural channels through which developments in short-term interest rates passthrough to longer maturities.
- Recent new developments in the specification of the yield curve against the background of the modelling of transmission mechanisms.

Paper submission:

Please send an elaborated draft of the submitted paper or an extended abstract with a comprehensive description of its scope (in pdf format), with your contact information (name, affiliation, telephone and email address) to the Faculty of Economics at the University of Cambridge (email: cimfconf@hermes.cam.ac.uk) and to Monika Marin at IÉSEG-School of Management (email: m.marin@ieseg.fr). Further information will soon be available on the website of both the University of Cambridge and IÉSEG-School of Management www.econ.cam.ac.uk/cimf/news/cimf-confYCND.htm and at www.ieseg.fr. Submission deadline: **15 May 2011**. Decisions will be communicated latest by 15 June 2011. The final version of the paper to be presented at the workshop should be sent to organisers by **31 July 2011**.

Local Organizers:

Prof J S Chadha, University of Kent and CIMF,
Cambridge (J.S.Chadha@kent.ac.uk)

Prof Alain Durré, European Central Bank and IÉSEG-
School of Management (alain.durre@ecb.int)

Prof S Holly, University of Cambridge
(sean.holly@econ.cam.ac.uk)

The *Econometrics Journal*

The Denis Sargan Econometrics Prize

The *Econometrics Journal* on behalf of the Royal Economic Society intends to initiate The Denis Sargan Econometrics Prize.

The prize will be awarded for the best (unsolicited) article published in The *Econometrics Journal* in a given year by anyone who is within five years of being awarded their doctorate. An honorarium of £1000 will be awarded to the winning author.

The winner of The Denis Sargan Prize will be chosen by the *Econometrics Journal* Editorial Board (Managing Editor and Co-Editors) and the prize awarded in the year following publication of the winning article. The first award of the prize will be for an article published in the *Econometrics Journal* during 2011. If an article of sufficient quality is not forthcoming in a given year the prize would not be awarded.

The Denis Sargan Econometrics Prize commemorates the fundamental contributions to and profound influence on econometrics made by (John) Denis Sargan. Denis Sargan, after periods spent at the Universities of Leeds, Minnesota and Chicago, was appointed initially as Reader in Econometrics and then held the Chair of Econometrics at the London School of Economics and Political Science from 1963 until 1984. He was Tooke Professor of Economic Science and Statistics from 1982 until his retirement in 1984 and was President of the Econometric Society in 1980. Denis Sargan died in 1996.

Denis Sargan's research was prescient anticipating many of the themes that now dominate the econometrics literature. His 1964 Colston paper 'Wages and prices in the United Kingdom: A study in econometric methodology' introduces the error correction mechanism that underpins much macroeconomic empirical research. Modern concerns with near identification are reflected in Denis Sargan's Presidential Address to the Econometric Society in 1980 published as 'Identification and lack of identification' in *Econometrica* in 1983. He made a number of seminal and substantive contributions to research on the estimation of linear simultaneous equations and instrumental variables models that also feature centrally in current econometric enquiry. His investigations into exact finite sample properties of econometric estimators and statistics and the development of improved asymptotic approximations to their small sample behaviour reflected his deep concern with the accuracy of econometric inferences.

Interested readers might also like to consult

Sargan J D (1988) *Contributions to Econometrics*. Volumes 1 and 2. Cambridge: Cambridge University Press.

Obituary. Desai M J, Hendry D F, and G E Mizon (1997) 'John Denis Sargan', *Economic Journal*, Vol. 107, Issue 443, 1121-1125.

Memorial Issue of *Econometric Theory* dedicated to John Denis Sargan 1924-1996. *Econometric Theory* (2003), Vol. 19, No. 3, 416-514.

ET Interviews: Professor J. D. Sargan. *Econometric Theory* (1985), Vol. 1, No. 1, 119-139.

Shelagh Heffernan

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more if she had not suffered from deteriorating health for at least the last 15 years of her life. She was an inspiration to both students and colleagues alike because of her commitment to her work, the administrative and supervisory responsibilities she willingly took on, and the care she took with students---all in the face of debilitating illness. For her colleagues and students however, it is not her frailty that will be remembered, rather it is her incredible will power and dedication. She never made excuses and no student ever complained that they were short changed. More teachers like her would have suited them just fine. Unfortunately there was no one else quite like Shelagh.

Alec Chrystal,
Cass Business School,
City University, London.

Good home for *EJs* wanted

The late Dr Edward Szczepanik has left a complete run of *Economic Journals* from Vol. 93 No. 370 June 1983 to Vol. 110 No. 466 October 2000, in very good condition.

Anyone interested in acquiring these volumes should contact his daughter, Zosia Mellor.

Email: Zosia@ZosiaMellor.com

Deficit fetishism?

...cont. from p.18

Government recognises this, but it has not yet got seriously to grips with the issue. For instance, though George Osborne recently outlined deregulatory proposals which he estimated would save business £350 million a year, this has to be seen against increased compliance costs imposed over the last 13 years which are estimated at £90 billion.

Second, the cuts which are planned, though large by historical standards, are not as significant as is often assumed. They are in large part cuts in planned future increases in spending. Even if the fiscal consolidation planned by the coalition is successful, public spending in real terms will barely fall by 2015-6, and as a proportion of GDP will only be back to where we were in 2007. We would argue that in the longer term we should be looking to reduce public spending much further as a proportion of a larger GDP — perhaps to a figure of 30 per cent or so compared with the current 50 per cent. This would require a proper rethink of what the public sector can do better than the private sector — and open up those areas which do not feature strongly in planned cuts, such as the NHS, to scrutiny and reform.

Third, and related to this, we would argue that we should be looking permanently to reduce the proportion of GDP going in taxation. Lower tax would encourage enterprise and savings, both vital to a successful economy. It would reduce the resources devoted to tax collection on the one hand and tax avoidance on the other. It would also encourage greater honesty from politicians if taxation were much simpler — at 11,500 pages we have one of the most complicated tax codes in the world (and certainly the longest). Again, the Chancellor has shown some awareness of this in his planned reduction of corporation tax and his stated long-term objective of merging the operational aspects of collecting national insurance and income tax, but there is much more to do.

Notes:

1. See G. R. Steele 'Economic Consequences' www.lancs.ac.uk/staff/ecagr/CP.pdf
2. For a review of that revealing episode see Booth, P. (ed) (2006) *Were 364 Economists All Wrong?* London: IEA. 364 economists (including the current governor of the Bank of England) sent a letter to *The Times* saying, amongst other things, that there was no basis in economic theory that deflating demand would bring inflation under control and that the government's policies would deepen the depression. The first statement is demonstrably false. Regarding the second statement, data published later showed that the economy came out of recession in the quarter that the letter was written.
3. One study concluded that 'much of the spending has resulted in doing the same thing at a higher cost' N Bosanquet, A Haldenby, L Kounine, L Parsons, H Rainbow and E Truss (2008) *A lost decade: Counting the opportunity cost of public spending 1999-2008* London: Reform, p. 5
4. See A. Lilico, E. Holmes, H. Sameen (2009) *Controlling Spending and Government Deficits: Lessons from History and International Experience*, London: Policy Exchange. Also OECD (2010) *Restoring Fiscal Sustainability: Lessons for the Public Sector*, Paris.

RES news items

Thesis Titles

The annual list of UK thesis titles is published by the RES in the summer. Universities departments of Economics have been asked to provide information to the RES administrator by 30 April 2011 for the academic year 2009-2010. For further information please contact the RES Administrator, Mrs Amanda Wilman at royale-consoc@st-andrews.ac.uk

RES Essay Competition

The Young Economist of the Year Competition 2011

Students taking A-Level or the International Baccalaureate courses are invited to write an essay of between 1,000 to 2,000 words, on a subject set by the President of the Royal Economic Society, calling on key elements of their studies, examples from the world around them and imaginative discussion. The winner of the RES Young Economist of the Year award wins £1,000, with runners-up each receiving £500.

Online applications must be made by **May 16 2011**. Please go to the RES website for details of the essay topics and online application form: www.res.org.uk

The winner of the Young Economist of the Year prize will be announced in August each year, with the prize presentation made at the RES Annual Public Lecture in the Autumn.

Support for small academic expenses

The Society is able to offer financial support to members who require small sums for unexpected expenditures. The type of expenditures which could qualify for support under this scheme include travel expenses in connection with independent research work, the purchase of a piece of software, expenses for a speaker at a conference being organised by the applicant's University or Institute, etc.

Please note that the awards under the grant schemes are highly competitive, and selection will be based on the following criteria. Preference will be given:

- for initiatives which are for the benefit of new entrants to the profession;
- to initiatives which cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

The closing dates for applications are **31 January, 31 May, and 30 September** each year and applications will only be considered at these times.

Conference grant fund

The Society's Conference Grant Fund is available to members who are presenting a paper, or acting as a principal discussant at a conference; support of up to £500 is available. Awards are made three times a year.

The closing dates for applications are **31 January, 31 May, and 30 September** each year in respect of conferences which take place in the ensuing four months.

Please note that the awards under the conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed by the Head of Department in his/her supporting statement on the application form.

Preference will be given:

- to applicants who are new entrants to the profession;
- for attendance at high-impact international conferences;
- to applicants whose attendance cannot ordinarily be funded from other sources, such as existing research grants.

Please note that no awards will be made to any applicant who has received an RES grant (under the Conference Grant or Support for Small Academic Expenses schemes) in the 3 previous years.

Application forms and further particulars may be obtained from either:

www.res.org.uk/society/grants_fellowships.asp

or Professor Anton Muscatelli, Principal and Vice Chancellor, University of Glasgow, University Avenue, Glasgow, G12 8QQ. E-mail: k.gray@admin.gla.ac.uk

Special Project Grant Funding

The Society has introduced a further funding stream for financial assistance on a one-off basis for the support of activities that further the understanding and use of economics. Examples might include seminars, workshops and mini-conferences, events to disseminate research and policy findings, and activities that support teaching and learning in the subject.

The Society will not normally consider requests that exceed £5K and would in any case expect to see evidence of significant co-funding. Successful applicants would be required to submit a report on and a set of accounts covering the event within two months of its date.

Applications will be considered three times a year by **January 20, May 20 and September 20** with decisions to be made within 28 days where possible. Applications should be made to The Administrator, Royal Economic Society, School of Economics and Finance, University of St. Andrews, St. Andrews, Fife, KY16 9AL, UK, or by email to royaleconsoc@st-andrews.ac.uk.

Visiting Lecturer Scheme

The next deadline for applications under this scheme is the beginning of October.

Economics departments in any UK university may suggest the name of a distinguished economist for a visit to their department. Such visitors may be from within the UK or from overseas. The Society will make up to five awards in each financial year, though the visit need not necessarily take place in the financial year in which the award is made.

Applications should be made in writing to the Secretary-General of the Society and will be considered by the Executive Committee. The application should give the dates of the proposed visit and details of the arrangements for the programme of lectures, seminars and workshops. For full details please see the RES website or contact the RES Administrator, Mrs Amanda Wilman on royaleconsoc@st-andrews.ac.uk.

RES Autumn Training School Industrial Organisation

The second Autumn School organised by the Royal Economic Society, with financial support from the Economic and Social Research Council, will be held at The University of Birmingham from **Sunday 11 Sept 2011 to Thursday 15 September 2011**.

The subject of the school will be **Industrial Organisation**. The lecturers will be Professor John Sutton (LSE) and Professor Chad Syverson (Chicago). Further information can be found at:

www.economics.bham.ac.uk/events/index.shtml.

These training schools are intended primarily for advanced postgraduate students doing doctoral research but are also open to members of the teaching and research staff. The purpose is to enable participants to become acquainted with the latest developments in the selected fields of economics, to have the opportunity for study and discussion with two internationally renowned experts in the topics covered, and to meet other young researchers.

Places are usually available for 25 resident participants. Accommodation and meals are provided for the duration of the course. Nominations are made through the applicant's Head of Department and should be supported by a short CV, a reference, and a note on the applicant's research interests.

Applications for the 2011 Autumn Training School should be submitted no later than **Friday 10 June 2011** by post to the RES Easter School Secretary, Dept of Economics, The University of Birmingham, Edgbaston, Birmingham, B15 2TT, UK or by email:

easterschool@contacts.bham.ac.uk.

Successful applicants will be informed in July 2011.

RES Journal Prizes

The RES Prize

The Society introduced the prize in 1990, the year of the Centenary Volume, and awarded it to the author of the best (non-solicited) paper published in the *Economic Journal* over the two-year period 1988-89. This format for the prize continued until 1995 and in 1996 the prize was awarded annually and the money was increased to £3000. A small committee consisting of the President, the Managing Editor of the *Economic Journal* and one member of the Society Council appointed by them, awards the prize in the year following publication.

The 2010 RES Prize has been awarded to Kevin J Lansing of the Federal Reserve Bank of San Francisco, for his paper 'Rational and Near-Rational Bubbles Without Drift', vol 120: Issue 549, pp 1149-1174, December 2010.

The Austin Robinson Memorial Prize

The Austin Robinson Memorial Prize was introduced in 2007 for the best paper published in the *Economic Journal* by an author who is within five years of completing their PhD. The prize, chosen by the *Economic Journal* editors, is given annually and is worth £2,000

The 2010 Austin Robinson Memorial prize has been awarded to Manuel Oechslin of the World Trade Institute, for his paper 'Government Revenues and Economic Growth in Weakly Institutionalised States' (Vol 120: Issue 545, pp 631-650, June 2010)

The Denis Sargan Econometrics Prize

The *Econometrics Journal* on behalf of the Royal Economic Society intends to initiate The Denis Sargan Econometrics Prize.

The prize will be awarded for the best (unsolicited) article published in the *Econometrics Journal* in a given year by anyone who is within five years of being awarded their doctorate. An honorarium of £1000 will be awarded to the winning author. The winner of The Denis Sargan Prize will be chosen by the *Econometrics Journal* Editorial Board (Managing Editor and Co-Editors) and the prize awarded in the year following publication of the winning article. The first award of the prize will be for an article published in the *Econometrics Journal* during 2011.

Further details are in the feature on p.21.

Economic Journal/QE Conference

The *Economic Journal* is organising a conference on 17 and 18 November 2011 in association with the Bank of England. For further information please go to http://www.bankofengland.co.uk/publications/events/QE_Conference/callforpapers.htm

Conference Diary

2011

april

April 4-6

Perth, Scotland

Scottish Economic Society Annual Conference 2011

Further information:

www.ses-conference.co.uk/

April 14-16

Melbourne, Australia

17th International Symposium on Econometric Theory & Applications (SETA 2011) hosted by the Department of Econometrics and Business Statistics, Monash University, Melbourne, Australia.

Further information:

www.buseco.monash.edu.au/ebs/events/seta/index.php

April 18-20

London

The Royal Economic Society 2011 Annual Conference

The 2011 RES Annual Conference will be held at Royal Holloway, University of London from 18th April to 20th April 2011. Financial assistance available for postgraduate members of the Society.

Further information: www.resconference.org.uk/
and www.res.org.uk

may

May 6-7 San Diego, California, USA

Conference in Honour of Halbert L White. A conference to honor Halbert L. White Jr.'s lifelong achievements on the occasion of his 60th birthday will be attended by leaders in the field of econometrics, including, among others, the numerous co-authors, current and former students of Halbert L White, Jr.

Further information:

<http://economics.ucsd.edu/events/conferences/2011HalWhite/index.html>

May 24 London

BMRC-QASS Conference on Macro and Financial Economics. The Brunel Macroeconomic Research Centre (BMRC) in the Department of Economics & Finance, together with the editorial board of QASS is organising the 6th (one-day) Conference on Macro and Financial Economics at Brunel University.

Further information: Contact Dr. Evangelos Dioikitopoulos, evangelos.dioikitopoulos@brunel.ac.uk

May 30 - June 3 Rimini, Italy

Rimini Centre for Economic Analysis (RCEA) at University of Bologna, Rimini:

- Advances in Business Cycles and Economic Growth
- Analysis Italy Workshop: May 21
- Finance Workshop: May 30, 2011
- Bayesian Workshop: May 31 and June 1, 2011
- Time Series Workshop: June 2 and 3, 2011

Further information: www.rcfea.org/

May 31 - June 3 Agios Nikoloas, Crete

4th CHAOS 2011 International Conference. The study of nonlinear systems and dynamics has emerged as a major area of interdisciplinary research and found very interesting applications. This conference is intended to provide a widely selected forum among Scientists and Engineers to exchange ideas, methods, and techniques in the field of Nonlinear Dynamics, Chaos, Fractals and their applications in General Science and in Engineering Science.

Further information: www.cmsim.org

june

June 13-14 Chania, Crete

Two-day workshop on **Regulations, Capital Markets, and Financial Institutions: The Post Crisis Era**, organised by the Financial Engineering and Banking Society (FEBS). Registration deadline: **15 May, 2011**.

Further information: www.dpem.tuc.gr/fel/rci2011

June 15-17 Rhodes, Greece

II World Finance Conference

Further information:

www.world-finance-conference.com/

June 20-21 Catanzaro, Italy

2nd International Workshop on Applied Economics of Education (IWAE) to be held in Catanzaro, Italy. Keynote speakers are Andrea Ichino (Bologna), Steve Machin (UCL) and Petra Todd (UPenn). Programme will include invited lectures, contributed sessions and poster sessions.

Further information: www.iwae.org

June 20-22 Marseille, France

The 10th Journées Louis-André Gérard-Varet Conference in Public Economics organized by Institut D'Économie Publique - IDEP / Institute for Public Economics. This yearly conference aims at encouraging production and diffusion of high quality research in public economics, with a special emphasis toward results that clearly contribute to shed light on various aspects of 'real world' public decision making.

Further information: www.idep-fr.org

Contact: Prof. Nicolas Gravel, nicolas.gravel@univmed.fr

June 23-24 London, UK

International Journal of Central Banking Third Spring Conference on the topic of **The Real and Financial Effects of Basel III**. The 2011 conference will be hosted by

the Bank of England and is organised by Douglas Gale, Rafael Repullo and Frank Smets.

Further information:

www.ijcb.org/ijcbconf/fsconf062011.pdf

27 June - 8 July

Barcelona, Spain

Barcelona Macroeconomics Summer School 2011 (BMSS 2011), will take place at the Universitat Pompeu Fabra (UPF) from June 27 to July 8, 2011. BMSS 2011 is organized by the Centre de Recerca en Economia Internacional (CREI), a research institute sponsored by the Government of Catalunya and UPF.

Further information: bmss@crei.cat

july

July 4-8

Beijing, China

International Economic Association Sixteenth World Congress, **Approaches to the Evolving World Economy** will take place at Tsinghua University, Beijing. Submissions of contributed papers are welcome in all areas of economics, including areas of particular interest to countries throughout the region.

Further information: www.iea-congress-2011.org/

July 6-8

Paris, France

New Directions in Welfare, OECD Paris. The range of papers and topics will follow a similar pattern to the Oxford 2009 Conference which was attended by over 130 economists and generated a special issue of the *Journal of Public Economics* in honor of Professor Amartya Sen.

Further information: email oxcon09@gmail.com

July 8-9

Aveiro, Portugal

5th Meeting of the Portugese Economic Journal will be held at the University of Aveiro, Portugal.

Further information: www.ua.pt/govcopp/pejconf/

July 8-9

Cambridge

Association of Christian Economists (UK) Annual Conference, Sidney Sussex College, University of Cambridge.

Further information: www.christian-economists.org.uk or contact Michael Pollitt e-mail: m.pollitt@jbs.cam.ac.uk

July 13 -15

Nairobi, Kenya

6th Annual Conference of the African Econometric Society on **Econometric Modelling for Africa** at the Kenya School of Monetary Studies, Nairobi.

More information: www.africametrics.org/

July 25-28

Athens, Greece

6th Annual International Symposium on Economic Theory, Policy and Applications organised by the Economics Research Unit of the Athens Institute for Education and Research (ATINER.) Selected papers will be published in a Special Volume of Conference Proceedings or thematic books. Papers to be included are blindly peer reviewed.

Further information: atiner@atiner.gr or www.atiner.gr/economics.htm

august

August 1-3

Oxford, UK

33rd Conference of the International Association for Time Use Research. The Centre for Time Use Research invites all people interested in research into people's daily activities to join us at the 2011 IATUR conference taking place on 1-3 August 2011 in the Manor Road Building and St Catherine's College at the University of Oxford in the United Kingdom.

Further information: <http://iatur2011.timeuse.org/>

August 25-29

Oslo, Norway

The Congress of the European Economic Association is the main European conference that covers all aspects of economics, with a scientific program reflecting the very best work in the profession. The program will include lectures by Per Krusell (IIES, Stockholm University), Randy Wright (University of Pennsylvania) and Christopher Pissarides (LSE).

Further information: at the Congress website www.eea-esem2011oslo.org

september

September 5-7

London

Developments in Economics Education international conference. The Economics Network's biennial conference Developments in Economics Education will be taking place in London on the 6th and 7th September 2011, venue to be confirmed.

Further information: www.economicnetwork.ac.uk/news/

September 8-9

Karlsruhe, Germany

Global Sustainable Finance conference **Greening Financial Institutions** will be held from September 08 - 09, 2011 in Karlsruhe, Germany. This event will bring together stakeholders engaged or interested in green economy. The conference offers a good opportunity for discussing financial innovation and advancing our transition to sustainable economy.

Further information: mail@etech.germany.com

September 9

Cambridge

Conference on Networks, Faculty of Economics, University of Cambridge. This conference is being organized as part of the ESRC Seminars in Networks which is coordinated by Professors Marcel Fafchamps, Andrea

Galeotti, and Sanjeev Goyal. The ESRC will cover travel expenses for participants whose papers have been accepted.

Further information: www.econ.cam.ac.uk/faculty/goyal/

September 14-16

Lima, Peru

The CENTRUM Católica Graduate School of Business at The Pontificia Universidad Católica del Perú (PUCP) announces the 10th year of completion of its management education services in the international education sector in conjunction with an **International conference on Data Envelopment Analysis and its Applications to Management** to be held at CENTRUM Católica, Lima, Perú. Call for Papers: May 31 2011.

More information:

<http://centrumwebs.pucp.edu.pe/icdeama/index.php>

September 15-17

Birmingham

Money Macro and Finance Research Group Annual Conference 2011. The 43rd Annual Conference will be held at Birmingham Business School, University of Birmingham.

Further information: www.york.ac.uk/res/mmfi/index.htm

November 17-18

London

Bank of England/Economic Journal Conference on QE. In association with *The Economic Journal*, the Bank of England is organising a conference in London on 17 and 18 Nov 2011 which will bring together researchers from both the international academic and policy communities to discuss what has been learned about Quantitative Easing (QE) and other unconventional monetary policies during the financial crisis. All papers accepted for the conference can be submitted to *The Economic Journal* for possible publication in a special Features issue. QE Dataset: to aid researchers, the Bank has made available a unique dataset covering the recent UK QE period.

Further information:

www.bankofengland.co.uk/publications/events/QEConference

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

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