ROYAL ECONOMIC SOCIETY

NEWSLETTER

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ROYAL ECONOMIC SOCIETY

Thirsty work

Has anyone ever wondered why customers in bars and cafes in the UK are content to queue for service while their continental counterparts are used to table service? Since the contrasting practices are near-universal and well-established, one assumes that there is an explanation and the chances are that it will have an economic dimension. It's an interesting question for our future correspondence columns.

It's also a topical issue just for the moment since, with barely two weeks to go to the Great British Beer Festival, Ray Rees's 'Letter from Germany' describes the difficulties of providing the traditional form of service at the annual Munich Oktoberfest. It also shows how to construct a highly-incentivised contract for the staff who must provide table service to crowds of clients who become increasingly boisterous and mobile as the evening progresses. Contrary to what one might expect, the GBBF is a good deal more sedate — probably because of the queues.

In this issue we also have an appreciation of the contribution to British economics of the outgoing Secretary-General and the report on the Society's Annual Conference, written by *Financial Times* columnist Tim Harford. There are also interesting interviews with BBC presenter Evan Davies and the creator of the statue of Adam Smith, recently unveiled in Edinburgh.

All this together with items on novel ways of measuring innovation, Society news and forthcoming conferences.

In this issue —

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NEWSLETTER

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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.

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Letter from Germany —

The return of the watering can (?) and some Oktoberfest economics

Have you ever wondered how to construct the optimal incentive contract for staff serving in the chaos of a beer festival? Ray Rees, at the University of Munich, reveals exactly how it's done at the city's famous Oktoberfest.

In last year's letter, I told the story of how the academics on the Commission set up to allocate €1.9bn over five years under the German government's 'Excellence Initiative', caused alarm and consternation among the politicians representing regional interests by choosing only three universities — two in Munich and one in Karlsruhe — as suitable to be ranked as excellent. So the question was whether, in the second round held this year, the politicians would strike back and restore the 'watering can principle', under which funds are spread around the regions more or less equally, and independently of differences in academic merit. There have been some claims that this was the case. A further six universities were awarded the accolade, including the grand old institutions at Göttingen and Heidelberg, while many more universities were given funding for specific graduate schools or 'excellence clusters' — large inter-disciplinary research groups. The three universities that were successful last year received virtually nothing in this round, and indeed had their funding cut back marginally. So, was this the revenge of the politicians, the triumph of regional interests over excellence?

The criticism that the watering can principle had returned seemed to stem largely from disgruntled applicants, particularly in the arts and humanities, who had had their projects rejected. The head of the country's Scientific Council, the equivalent of the ESRC, and himself a professor of German Literature at the University of Munich, denied that this was the case, and said that the academics on the Commission were fully in support of the proposals. The only criterion had been academic merit. The awards tend to bear this out. There was again a strong bias towards the South and West of the country, with the big civic universities in important cities such as Frankfurt, Cologne, Hamburg, Bonn and Kiel being denied — absolutely realistically — excellence status. In Berlin, the smaller Free University was chosen over its rival the Humboldt University, and no other universities in eastern Germany were anointed. Had one been so, that would have been a sure sign of the triumph of regional policy.

The dust has settled, and the big question now is whether this major departure from the previous doctrine, maintaining that all German universities are equal and must be treated equally, will succeed in re-establishing the standing of German universities in the scientific world. One apparently good sign: two German scientists, working in Germany, received Nobel prizes in physics and chemistry respectively, shortly before the excellence awards were announced. But in a sense this underlines the problem. Both worked at specialised research institutes rather than at universities. The post-war decision to downgrade the research status of the universities and overload them with students, concentrating research on a small number of non-teaching, well-funded research institutes, was a disaster for the universities and, last year's prizes notwithstanding, has probably damaged Germany's overall research performance. The Excellence Initiative is a partial reversal of that policy. In 2011, when the whole exercise will be repeated, we should have at least the preliminary indications of success or failure.

Oktoberfest Economics[1]

For many people living in and around Munich, the annual Oktoberfest, which despite its name is held mainly in September, with just a small overlap with October, is the high point of the year. Take a very large fairground, with the most technologically advanced and stomach-churning rides in the world, add to it 14 large beer tents, ranging in size from 3000 to 8000 places inside and 2-4,000 in the beer gardens outside, with then a myriad of smaller tents for more specialised eating and drinking opportunities and all kinds of stalls and sideshows, and you have the basic infrastructure. In the 18 days of its existence in 2007, it is estimated to have generated €955mn in revenue, with €455mn earned at the Oktoberfest itself, €200mn being spent in Munich's stores, and €300mn in hotels. For the rest of the year, this large area of prime land in the centre of Munich, called by Münchners the Wies'n, is just a large car park, and so it has to earn its annual opportunity cost rate of return in just those 18 days. At the same time, it is very doubtful if any city politician would be prepared to face the outcry that would result from a proposal to hand the Wies'n to property developers, and so, given this constraint, its actual opportunity costs are hard to estimate. Despite the fact that it is a major tourist attraction, around 70 per cent of its visitors still come from Bavaria, and 60 per cent from Munich.

The tents open at around 10 am. and fill up steadily through the day, often becoming completely full by 5 pm., especially if it is raining, when the outside beer gardens aren't much in demand. One of the favourite postcard scenes from the Oktoberfest is of a buxom, rosy-cheeked waitress dressed in traditional costume and carrying an amazing number of foaming one-litre mugs of beer — often around ten — and still managing to smile. One of the most interesting things about the Oktoberfest, from an economist's point of view, is the form of the contractual relationship she has with the owner/operator of the tent in which she works. She is employed just for the duration of the Oktoberfest, and has probably the most high-powered incentive contract you will find anywhere. She has no fixed wage, but receives 9 per cent of the revenue on the beer she collects from the serving points and brings to the table, as well as tips of course. Thus she has the incentive to maximise sales revenue as well as give good service.

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This is not a trivial thing. She works more than a 12-hour day, and the fetching and carrying is very hard work, particularly when the tent becomes full and turns into an enormous disco, with people dancing on the benches and waving their beer mugs around. This usually happens from around 6 each evening. It is easy to see that a fixed wage unrelated to revenue would have very poor incentive properties. A closely complementary task is actually to collect the money. People tend to wander away from their tables from time to time, not least because of the inevitable consequences of pouring large volumes of beer down their throats, and the usual method of collecting payment in German pubs and restaurants, when the client is finished and ready to leave, would be a very risky business here. So everything is paid for immediately as it is delivered.

The revenue-sharing form of contract means that the presumably risk-averse waitress receives no insurance, in the form of a fixed payment, from the tent owner, who is far richer and therefore likely to be less risk-averse, if not risk-neutral. This leads one to ask whether there may not be an alternative way of providing incentives. A noticeable feature of one of the large beer tents is the variation in waitress effort and rewards there must be across locations. Tables differ in their distance from the serving points and therefore in the work involved. Some areas fill up earlier than others, for example those closest to the bandstands, and therefore generate more revenue. In particular, there are areas of the tent reserved in 'boxes', which are booked by companies and groups, and these generate more tips than other areas, as well as higher-value sales. So one could imagine a tent operator running an incentive system in the form of a tournament, in which high effort, as indicated by revenue, would be rewarded by allocating waitresses to the best groups of tables. In fact however this does not take place. Waitresses as a rule serve the same set of four tables in the same tent year after year, and moves between areas are infrequent.

The reason for this appears to be the importance of teamwork, as well as long-term customer relationships. Usually, a team of four waitresses work their set of four adjacent groups of four tables collectively, keeping the same team over a number of years. They share the fetching and carrying, which smoothes the burden of work and allows more regular individual rest periods, and they allocate arriving customers across tables, which effectively pools revenues. If one member of the team decides not to work in the next year, she tells the others and a replacement is found who is usually a relative or friend of the remaining members. Moreover, customers form attachments to particular groups of waitresses and return year after year. A tournament system would disrupt these kinds of relationships, while of course they provide self-made insurance and incentive mechanisms.

The price of an Oktoberfest Mass, the litre mug of beer which is the standard unit of consumption, is regulated, and is set each year by a committee consisting of representatives of the tent operators and of the City Council. Its announcement is always followed by a storm of protest — the increases are usually above the rate of inflation. For waitresses, the crucial numbers are those after the decimal point. Apparently, customers almost always round up to the nearest Euro, so a price of €7.80 is bad news, €8.20 good. For a waitress serving around 1000 Mass per Oktoberfest, this would make a difference of about €600 in tips. On the other hand, since waitresses typically work over a long run of years, it all averages out in the end. There is no data enabling us to test whether the rate at which waitresses quit is sensitive to the price of a Mass.

Love it or hate it, the Oktoberfest is a fascinating economic enterprise. It certainly gives economists plenty to talk about over our beer.

Note:

1. I am grateful to my student Andreas Moser for his research on the information on which this discussion is based.

Richard Portes and Economics in the UK

As readers will know, there have ben a number of changes involving officers of the Society this summer. Richard Portes has stepped down after a long and impressive stint as Secretary-General. In this article, the current President, John Vickers, and five former Presidents pay tribute to Richard's achievements. The new Secretary-General, John Beath, reports on the appointment of a new administrator on *page 24.*

Richard Portes stood down as Secretary-General of the Society in June after sixteen years at the helm. We six, who are fortunate enough to have worked with Richard as RES Presidents, wish on behalf of all members of the Society to honour what Richard has achieved, and continues to achieve, for Economics in the UK and beyond.

In 1992, when he succeeded Aubrey Silberston as Secretary-General, Richard had already been a member of the RES Council and Executive Committee for five years. He was then at Birkbeck, but in 1995 moved to LBS. That was when Eleanor Burke became RES Administration Officer, and hence linch-pin to the Society's expanding endeavours. We are all enormously grateful for what Eleanor has done for the Society, and wish her well for her new role as Economics Administrator at LBS.

At the Warwick conference in March, Richard took stock of developments in the RES's work, and the state of the profession more generally, in his report to the AGM, which was published in the April *Newsletter*. A selection of just some of the new initiatives by the Society under Richard includes: the Easter School, the Econometrics Journal, the Media Initiative, the annual public lectures, the Women's Committee, the PhD presentation 'job market' event, and the Young Economist of the Year essay competition for schools.

Such initiatives, together with governance reforms and further strengthening of our core activities, notably the *Economic Journal* and the annual conference, have broadened (e.g. to the wider public) and deepened (e.g. to schools) what the Society does for UK Economics. Moreover, they have been carried out with financial prudence: thanks also to Treasurers John Flemming and Penelope Rowlatt, RES finances remain in strong shape despite recent market turbulence. There is therefore good scope to build on Richard's legacy.

Of course the RES is but one of the ways that Richard contributes powerfully to Economics in the UK and internationally. Besides his own research and teaching, there is the truly remarkable achievement of the Centre for Economic Policy Research, which has its 25th anniversary this year. Economic policy debate in Europe would have been greatly impoverished without the vigour and rigour of the CEPR, with its research network, discussion papers, policy seminars, Economic Policy (founded in 1985), and now the www.VoxEU.org portal for online policy debate. Just as Richard's own work has ranged from central planning to international capital flows, European policy issues over the quarter century of CEPR have seen the transition from Communism, the enlargement and further integration of the EU economy, the rise of the euro, and the financial crises of the past year. Our understanding of all these issues would be weaker if it were not for the CEPR and its architect and President, Richard.

Two central themes of Richard's valedictory report to the Society were the importance of outreach and the benefits of competition — yes, even the RAE — to UK Economics. Richard is an out and out internationalist, and it is in good part thanks to his efforts, and the tone he has set, that the UK economics profession has been open in every sense, and, on the whole, has flourished as a result. The Helpman Review of UK Economics, to be published later in the year, will take stock from an international perspective of just where we now stand. We are undoubtedly stronger because of Richard's influence and the values he embodies.

We therefore thank Richard heartily for all he has done for the Society, salute his achievements, and wish him well for all that he continues to do for Economics and Economists.

Tony Atkinson
Partha Dasgupta
David Hendry
Steve Nickell
John Sutton
John Vickers

The Annual Conference

The Society's Annual Conference took place this year at the University of Warwick , 17th to 19th March. This report of the event is written by Tim Harford, a Financial Times *columnist, and author of* The Logic of Life *and* The Undercover Economist*.*

On the train from London to Coventry, the signs were unmistakable: I was surrounded by scruffy people reading *The Financial Times*, or poring over documents composed in LaTex. There was no escaping the conclusion that the cream of British economics was riding the train with me.

I idly wondered whether we economists would be much missed if there was a catastrophic accident. More missed than usual, was my guess. Not only has the 'Freakonomics' boom been slow to fade — although make no mistake, it is fading — but the credit crunch has made bread-and-butter economic ideas seem more important than they do in happier times. Both the freaky and the traditional were on display this year's Royal Economic Society conference, and I found much to enjoy in both areas.

My initial impressions, though, were anthropological. Surely only economists would produce the incentive-compatible mechanism for making sure sessions ran on time? By nominating the final presenter to take care of timekeeping, the organisers produced a theoretically-appealing procedure that worked nicely in practice. (I was as aware of this as anyone, as I skipped from one session to another. The number of sessions I caught running late: zero.) The rest of the logistics ran smoothly enough to be invisible, leaving plenty of time to focus on the substance of the conference.

Frank Hahn Lecture: Susan Athey

Economics can be difficult, and difficult ideas do not always get the credit they deserve. When Tom Schelling and Robert Aumann shared the Nobel memorial prize for economics back in 2005, journalists — myself included — focused overwhelmingly on Schelling's contribution rather than Aumann's. Why? Because we didn't really understand what it was that Aumann was supposed to have achieved, whereas Schelling had done all kinds of amazing things, such as fall out with Henry Kissinger and help write the script to Dr Strangelove.

Similarly, when Susan Athey picked up the John Bates Clark medal for the best American economist under the age of 40, it was hard not to notice the contrast with the most famous recent winner, Steven Levitt. Levitt had shown that abortion was an effective crime-control policy and that sumo wrestlers cheat; Athey had shown… well, explaining that to any non-economist was always going to be a tough job. (My own news story on Professor Athey's award, hastily penned on a Sunday, did not make it into the *Financial Times*.)

I wasn't surprised to find Professor Athey's lecture living up to both sides of her reputation: it was impressive, but also mathematically demanding.

The most intuitive application of Athey's analysis is to describe the problems that firms have when they are trying to collude with each other. Such firms are attempting to depart from a one-shot competitive equilibrium, to find some way of sharing the market at much more profitable prices than the competitive market rate.

Fortunately for their customers, this task is not easy. Binding agreements are usually not available, so collusion must be sustained with the threat of punishment in later periods. And given that each firm's costs or local demand conditions are likely to be different, vary over time and be private information to only one firm, there is no obvious way of dividing the collusive spoils.

Colluding firms face a basic trade-off between using their hidden information and trying to find the most efficient division of profits over time, or ignoring the private information and using a simple rule such as 'equal prices, constant market shares'.

Professor Athey pointed out that the same basic analysis could be applied to many other situations. For instance, monetary policy faces a similar trade-off: should the monetary authority use discretion (an attempt to use private information efficiently) or simple rules?

Indeed, many ongoing relationships are attempts to divide surplus fairly — or at least, in a way that keeps all sides happy — in a situation where the costs and benefits of action vary over time and are private information. (Should you put the children to bed, or should your spouse? It is fair to take turns, but you're particularly tired and stressed this evening… how can you prove that, and make up the favour when the time comes?)

As Athey explained, these models promise to answer important questions about the design of institutions. In the case of collusion, for example, the model should clarify the effectiveness of anti-trust rules restricting side-payments or banning communication, or auction design details such whether the winning bid should remain secret after an auction has closed. Could such rules foil collusion, or simply make it more wasteful?

It turns out that it is possible to design sustainable surplus-sharing mechanisms which allow a lot of discretion — for example, colluding firms can trade-off market share today against market-share tomorrow in an attempt to shift supply to the lowest-cost producer. However, Professor Athey's broad conclusion was that it is often more trouble than it is worth, and that rules-based systems will often be preferred by colluding firms. What is more, anti-trust policies run the risk of reducing the efficiency of the cartel — by tipping the cartel towards a simpler rule-based system — without winning lower prices for customers.

Economic Journal Lecture: Hyun Shin

Professor Shin's *Economic Journal* lecture was a master class: in timing, style and clear, focused thinking. The timing was self-evident: who, after all, would not have wanted to hear about the credit crunch as Bear Stearns was collapsing? The style was distinctive: a deadpan commentary over (someone else's) obscenity-packed cartoons brought guffaws from the audience.

“It's like trying to inflate a balloon', he explained. ‘If you want it to expand, you have to fill it with something.' The hot air that filled banks' balance sheets were subprime debt instruments.”

And the thinking? It is very easy to take a subject like the credit crunch and tell a plausible story based on hand-wringing, scary-sounding numbers and prognostication. Hyun Shin instead laid out very clearly why he thought the standard ‘pass the hot-potato' story about of securitised sub-prime lending didn't seem to fit some basic facts. The ‘hot-potato' story is that banks took bad loans, repackaged them to look safe, and then sold them onto an unsuspecting dupe. But as Shin points out, if that is the way the system has been working, why have the most informed participants, the banks, taken such huge losses?

Professor Shin began by distinguishing between the practice of selling a bad loan, and the practice of issuing liabilities backed by an income stream from the bad loan. Asset-backed security issuers — as the name suggests — do the latter, keeping the original bad loan. In other words, the hot potato stays in the financial system; isn't passed to the final investor. And although final investors can and do make losses, the securitising bank is on the front line, and losses can wipe out the bank's equity. If this is a system where the hot potato ends up burning the greatest fool, the banking system is that fool: Shin described his recent, widely-cited calculations (with three co-authors) that banks and other leveraged institutions stand to suffer about two-thirds of the losses from subprime defaults.

The challenge, then, is to answer three questions. First, why do apparently-sophisticated banks act as the greatest fool? Second, what are the economic conditions that tend to allow bubbles to form? And third, what are the crisis dynamics on the way up and down? Professor Shin analysed the strings of promises through which financial crises can cascade. His conceptual framework presented three types of actor: end-user borrowers, such as house-buyers; financial intermediaries; and external backers of the financial system, who have provided debt or equity finance to the banks. He solved the end-game – that is, who would get what if the entire system was subject to some kind of bankruptcy procedure? — and then worked backwards to solve the *ex-ante* values of different financial claims in the system, all of which needed to be consistent in equilibrium.

Shin identified as a critical parameter in his model the vulnerability of the economy to stochastic shocks. When this parameter, φ, is large, all assets in the economy tend to be subject to simultaneous shocks. When φ is small, the shocks are more independently distributed, and the law of large numbers ensures that default rates are highly predictable. That, in turn, makes a dramatic difference to the amount of capital banks need to hold to guard bankruptcy due to a cluster of debts going bad. When φ is small, banks can vastly expand their balance sheets.

This model, explained Shin, matched the inflation of the credit bubble. The ‘great moderation' in inflation and macroeconomic volatility during the 1990s reduced the estimated value of φ, meaning banks wished to expand their balance sheets and cast around for loans to make, even on assets of dubious quality.

‘It's like trying to inflate a balloon', he explained. ‘If you want it to expand, you have to fill it with something.' The hot air that filled banks' balance sheets were subprime debt instruments.

Professor Shin concluded by looking at the history of some regional foreclosure crises. ‘Looking at history,' he said, ‘we're just in the foothills of a very, very long foreclosure crisis.'

Denis Sargan Lecture: Ernst Fehr

Ernst Fehr set himself the task of explaining some of his recent laboratory experiments, designed to investigate how situations with the potential for moral hazard unfolded, given both the opportunity for self-interested reputation-building, and for non-selfish motives such as a desire for fairness or a taste for reciprocity.

Professor Fehr outlined the basic theory: a few ‘reciprocators' — who, in contrast to the stalwart rational self-interested utility maximiser, are willing to spend resources punishing transgressions and rewarding good deeds — can have a disproportionate effect in a repeated game, because selfish utility-maximisers will mimic them in order to enjoy the benefits of the reciprocator's reputation. The idea is firmly established in theory, but where is the evidence?

The question matters because, as Fehr observed, markets with moral hazard problems don't work the same way as markets with perfect information. In trying to solve moral hazard problems, sensible people will tend towards some kind of long-term relationship, where reputation plays an important role, But these mechanisms, while they can solve moral hazard problems, lead to their own difficulties: rents are not competed away, while wages and prices do not respond enough to exogenous shocks.

Fehr outlined his experimental design: a laboratory experiment in which principals and agents needed to pair up to earn rewards, and where there was always either excess supply of or excess demand for agents. Agents could exploit principals by shirking after being paid, but frequently they did not, either because they were instinctive reciprocators, or because they were selfish but concerned to preserve their reputation as a non-shirker. As Fehr pointed out, looking at behaviour in the final round — where no reputational concerns applied — was a simple way for the experimenter, with hindsight, to distinguish between reciprocators and selfish agents.

Fehr found that even when reciprocity is a weak tendency, the interaction of reciprocity and reputation was a powerful disincentive for shirkers.

These results are fairly well known — thanks to earlier work from Fehr and others — but Fehr also went on to show that the result of the reciprocal norms that developed in the laboratory was to create wage rigidity. Where agents were in excess supply or excess demand, rents had to be shared between agents and principals to give agents some incentive not to shirk. Wages, then, turned out not respond much to excess supply and excess demand.

I confess to being a sceptic about the generalisability of these laboratory experiments, but Fehr made a robust case, not only by discussing replication (the record is mixed) but by demonstrating the precision of the questions that could be asked in the laboratory.

Reflections

The measure of a successful conference is not the average quality of the presentations but the quality of the best. By that standard I felt the RES conference was certainly a success. As well as the three main lectures, I could have highlighted some excellent special sessions, and singled out individuals who had something useful and original to say, and said it well.

From my selfish point of view, my three days in Warwick were days well spent. Several ideas I picked up at the conference made their way into the pages of the *Financial Times* in short order. With permission, I have given two examples here. I firmly intend to be back again next year to seek further inspiration.

Economic Forecasting

First published in FT Weekend Magazine, *17 May 2008. Reprinted with permission.*

“Economic forecasting is a long standing joke, but the laughter has turned harsh and bitter in the wake of the credit crisis. The conventional wisdom now seems to be that economic forecasting is impossible, and that economic forecasters are charlatans.

‘In that case,’ asked Professor David Hendry in a spring lecture at the Royal Economic Society, ‘why am I wasting my time on this?’ For one of Britain's most respected economists, Hendry gives the strong impression of a man ploughing a lonely furrow.

His choice of field — the theory of economic forecasting — is to blame. It is viewed with scepticism not only by laymen but by most academic economists, too. But his research, a heady mix of bewildering computer-assisted mathematics and straightforward common-sense, has convinced me that economic forecasting shouldn't be consigned to the realm of quackery quite yet.

There is a simple reason why most economic forecasts are useless, which is that forecasting is hard. We don't fully understand the underlying economic processes that produce the results we wish to forecast (growth, inflation, house prices), nor can we measure all the variables accurately, nor anticipate the sudden shifts caused by politics or technological change. Some forecasts — notably of the price of shares and other assets — are intrinsically self-defeating, because if it was obvious that share prices would rise, they would have risen already.

But one of Hendry's insights — developed with co-author Michael Clements — is that not all of these difficulties produce bad forecasts. What really screws up a forecast is a ‘structural break’, which means that some underlying parameter has changed in a way that wasn't anticipated in the forecaster's model.

These breaks happen with alarming frequency, but the real problem is that conventional forecasting approaches do not recognise them even after they have happened. Oil price forecasters have been predicting that the oil price will fall since 2000; all the while it has been climbing. The reverse problem applied during the 1980s: oil prices collapsed but the expert consensus was that the price would recover soon. That consensus persisted for years. The pound appreciated sharply in 1997; for the next eight years, forecasters predicted that the appreciation would soon be reversed.

In all these cases, the forecasts were wrong because they had an inbuilt view of the 'equilibrium' oil price or sterling exchange rate. In each case, the equilibrium changed to something new, and in each case, the forecasters wrongly predicted a return to business as usual, again and again. The lesson is that a forecasting technique that cannot deal with structural breaks is a forecasting technique that can misfire almost indefinitely.

Hendry's ultimate goal is to forecast structural breaks. That is almost impossible: it requires a parallel model (or models) of external forces, anything from a technological breakthrough to a legislative change to a war. Some of these structural breaks will never be predictable, although Hendry believes forecasters can and should do more to try to anticipate them.

But even if structural breaks cannot be predicted, that is no excuse for nihilism. Hendry's methodology has already produced something worth having: the ability to spot structural breaks as they are happening. Even if he cannot predict when the world will change, his computer-automated techniques can quickly spot the change after the fact.

That might sound pointless. In fact – given that traditional economic forecasts miss structural breaks all the time – it is both difficult and useful.

Talking to Hendry, I was reminded of one of the most famous laments when the credit crisis first broke in the summer. 'We were seeing things that were 25-standard deviation moves, several days in a row,' said Goldman Sachs's chief financial officer. One day should have been enough to realise that the world had changed. ”

Digital piracy

First published in FT Weekend Magazine, 5April 2008. *Reprinted with permission.*

“ What should top record labels, software giants and other media companies do about digital piracy? There are two obvious options: get tough and defend intellectual property rights with every legal and technological trick in the book, or tolerate some illegal copying in the hope of generating buzz and making money in some other way.

This is a debate that generates strong opinions, and where you stand would seem to depend on whether you're an industry accountant or a new economy guru. (Chris Anderson, editor-in-chief of *Wired*, coined the phrase 'Freeconomics' to describe giving cheap things away for free in order to create buzz.)

But look closer and you realise that the corporate suits aren't all adopting the same strategy. The music industry doesn't seem to be able to make up its mind, first turning a blind eye to traditional mix-tape piracy, then cracking down on illegal file-sharing while raising the price of CDs, and finally slashing the prices of CDs in an attempt to compete head-on with downloads, legal and illegal.

Even more perplexing, Microsoft seems to hold two opinions at once: doing its best to prevent piracy on the Xbox console, but (as far as this outsider can tell) accepting that piracy of its Office suite of software is a fact of life.

Karen Croxson is a young economist at Oxford University who claims that there is method in the madness. She argues that there will never be a single correct trade-off between sales lost to piracy and sales generated by the buzz from pirated copies in circulation. That is because there are different kinds of potential consumer in different markets, or even in the same market at different times. A company's most profitable response to piracy depends on what sort of consumers it is facing.

For example, the consumers who would pay for console games if given no alternative are probably the type of consumers who are happy to use pirated copies: tech-savvy youngsters. That means that an extra pirated copy in the console market is quite likely to mean a lost sale.

But the customers who will pay most for corporate software are, well, corporations. They won't want to risk being caught and sued for piracy, so an extra pirated copy in the corporate software market probably isn't a lost sale at all. The guilty party isn't a customer, but a home user or a student who would never have stumped up full price. Thanks to piracy, though, that home user is now learning how to use Word and PowerPoint and making the legal copies of Microsoft Office more valuable.

Croxson can even make sense of the record industry's apparent volte-face with the pricing of CDs. When Napster was starting up and piracy was still a marginal activity, it made sense for record labels to write off a few cheapskate customers as a marketing expense and raise average prices to everyone else — presumably the older, more prosperous customers who were willing to pay for legal music. But as the pirated sector embraced even those customers, the best strategy was to fight back by slashing prices.

In Croxson's world, then, 'promotional piracy' is an alternative to discounted pricing. Both approaches are a way for companies to advertise their products or expand their user base. And as with discounted pricing, promotional piracy only makes sense as a strategy if there is a decent supply of customers who will eventually pay full price, which is not always true.

Corporations may be able to do more to maximise the gains or minimise the losses from piracy. Why not offer two versions of the product: a cheap-to-pirate, lower quality product, and a high-end offering with incorporating tight security? If Croxson is right, for some industries, piracy is a wonderful distribution channel. ”

Communicating economics in good and bad times

An interview with Evan Davis

Evan Davis has been a member of the RES Council, was a BBC Economics Correspondent and is now a presenter of the BBC's Today *programme. In this interview, conducted by Romesh Vaitilingam, he reflects on the role of the economist in the media.*[1]

RV: Evan, I wonder if you could start by outlining your career?

ED: I studied economics at a fairly superficial level at university, carried on doing it at a somewhat less superficial level at the Institute for Fiscal Studies (IFS) and then studied it at a Masters level at Harvard. I then went back and acted as a researcher for John Kay at the London Business School and then spent a little more time at the IFS.

So really till I was about 30 years old, I'd only ever studied economics, worked for John Kay or worked for the IFS. Those places – the two were very linked – imbued me with everything I think about economics. And since the economics they do is very much in the world of practical policy – media-oriented, rigorous but nevertheless relevant – getting a job at the BBC didn't feel quite as sharp a jump as it might have done.

Since then, I've worked my way through the BBC – from general economic news to *Newsnight* to being economics editor. And now I really have left the world of economics formally and am a presenter of the *Today* programme.

RV: How has the time you spent in economics influenced the way you approach your work as a journalist?

ED: It seems to me that there are essentially two types of economists. Those who see their job as building models of more and more complexity to understand what's going on in the world – the Treasury model is a good example – and those who discard information and simplify to get at the basic story. I don't think that one approach is better than the other, but some people are better cut out for one than the other.

As a low grade academic, I had noticed that I was much better at discarding information than acquiring it. I think that skill was well deployed in journalism and it's very much the approach I took as an economics editor, not using lots of numbers in my reports and aiming to repackage all the information out there and make it more useful to people by stripping it down and pointing out some patterns.

For what it's worth, I think the best academics are the ones who are good at both handling the micro-data and describing the big picture. Most academics, in truth, are probably rather better at the micro stuff. The least respected are the ones like me who can't be done with all the detail. So given my natural intellectual tendency, I think I was right to move away from academia to journalism.

RV: I wonder if we can apply that distinction more generally to the impact that economic research and economic ideas have on people's lives. It sounds like both the 'complexifiers' and the 'simplifiers' have something to contribute. What's your view on what they do for society?

ED: I would like to say they add quite a lot to the sum of human knowledge, but the truth is when you ask economists that question, you often find a relatively small number of papers quoted. Economists certainly make useful contributions to evidence-based policy and you can bank that. But I think a lot of the purpose of economics is not actually in the specifics of the research: it's in providing rigorous ways of looking at issues that are helpful in understanding the way the world works.

In other words, the simplifiers have a big contribution to make. They have clear thinking that, in policy terms, is in short supply. A lot of what goes on in government and what contributes to our daily lives comes out of the simplifiers asking the right questions, looking at issues in the right way – with costs and benefits added up properly and risks taken into account – and prompting the right decisions to be made.

Both the simplifiers and the complexifiers have their purposes. But I wouldn't underestimate how much the basic story matters in the dictation of policy as well as the detailed evidence. A good example of that is Nick Stern's review of the economics of climate change. This was a powerful, complex piece of economics but its impact was less in the detail than in the simple messages that were drawn from it. You need the complexifiers to give the credibility but ultimately it's the fairly simple headlines that are drawn from the complexity that actually drive things.

RV: You once said that one important role for economists is to inch forward public understanding. I wonder if you see a positive trend, say over the last ten years, in terms of the sophistication of public debate about serious policy questions.

ED: Yes I do – and inching forward is the right pace to describe it. I think it's become accepted that economists probably have something sensible to say about transport policy, health policy, environmental policy. And in all these areas, you see economics talking – and rather more loudly here than in some other countries. This is the country with a congestion charge, which is an economist's solution to the problem of urban congestion as opposed to madcap schemes based on number plates.

I think instinctively the British have come to respect microeconomics in a way that some other countries don't – and that's why we have a more economics-driven trade agenda, a better approach to transport policy and have taken a somewhat robust line on lots of other issues. And in macroeconomic policy, we have one of the most eminent economists in the country running the Bank of England.

RV: What about the role of economics in the particularly difficult economic circumstances we currently face?

ED: I think this episode is slightly embarrassing for economists, net. It's not great for the profession that we've talked about trying to end the cycle of booms and busts and congratulated ourselves on the improved framework for policy, and yet we've allowed ourselves to have a nineteenth century-style bank run and a house price crash. Even if we're not in the forecasting business, we ought to have been in the business of saying the current situation is unsustainable and various scenarios could play out badly.

In fairness, economists were pretty good at saying that there are global imbalances and the housing market might fall. And I don't think you would necessarily expect economists to predict the particular nature of the crisis – that it would come out of sub-prime and lead to an overall credit crunch.

But the question we all have to ask ourselves – particularly those of us who've been in communication – is did we do enough to warn people that there could be a very bumpy patch? I've asked myself this a lot and I think the answer is we did try to tell people but we didn't try hard enough. In particular, we failed to tell people that when times turn bad, lots of things can get bad simultaneously.

One of the reasons we didn't do enough is that there's a mood pervading both the economics profession and the public at large that is only receptive to a particular message at a particular time and essentially blanks out anything that's not consistent with that message. Only when the narrative changes, when this sort of the economic earthquake occurs, are we receptive to all the other news.

RV: Can economists provide the tools to get us out of these difficulties?

ED: I'm not sure it's going to be economic answers as much as trying to foolproof the human systems that run these economic systems. There's a very good TV programme called Air Crash Investigation, which analyses what went wrong in various plane disasters. In a surprisingly large number of cases, there's a small human failing in a very sophisticated system. For example, one crash happened because the covers had been left on altitude indicators after some routine cleaning.

Now obviously the airplane engineers could say to themselves we need more sophisticated ways of making our planes failsafe. But equally, we need to ask what is the weakest link in these very sophisticated systems. If the cleaner can do something that is mission critical for the survival of the plane, you'd better think more about the human processes as well as the engineering issues.

I think there are economic analogies here. For me, one of the most interesting things to come out of recent economic events is the degree to which you need to look at human factors as well as economic ones, and not always assume that there's an economic model of rationality that underpins human behaviour. It might be that we're evolving towards rationality, but in the meantime, we could allow ourselves a slightly faster pace of evolution if we study the human factors.

RV: Let's finish with a long-term question about the value of economic growth to the average citizen – the question about Queen Elizabeth the first's standard of living.

ED: It's a very interesting question and I take the view that the average citizen today does have a better standard of living than Queen Elizabeth the first and that is the result of a set of institutions – an economic system – that delivers growth. And the best thing about the two, two and a half per cent growth rate that we expect each year and have come in a way to demand is that it allows society a bit of hope. It allows people to feel that things might be better next year, and if we all believe the cake is going to get bigger, it makes all sorts of arguments much easier to resolve.

Or put it this way, Nick Stern's review says that the cost of measures to tackle climate change is one per cent of GDP. Expressing it as billions of pounds of present value sounds quite a lot. But putting it in growth terms, I could say that it just means forgoing the last six months of our economic growth and going back to the trajectory thereafter. That really doesn't sound like much of a sacrifice. Projecting and expecting two per cent growth each year makes life a lot more than two per cent easier.

Note:

1. This article first appeared in issue no. 1 of *Society Now*, a new magazine published by the Economic and Social Research Council. We are grateful to the ESRC for permission to reprint it.

Money, Macro and Finance Research Group

40th Annual Conference

Wednesday 10 - Friday 12 September 2008

Birkbeck College, University of London

The Keynote Speakers will include:

Michael B Devereux (University of British Columbia)

George Evans (University of Oregon)

Paul Tucker (Bank of England)

Programme chair and local organiser:

John Driffill (Birkbeck)

Registration is now open and details can be obtained from the website:
http://www.worldeconomyandfinance.org/mmf2008.html

or from local organisers at: t.byne@bbk.ac.uk

News from ISER

Housework and the gender wage gap

Despite decades of 'equal opportunities' legislation, it is well-known that the gender wage-gap has proved famously resistant. Recent research at the Institute for Social and Economic Research suggests that part of this gap may be explained by the tendency for women to be more heavily engaged in 'housework' than are men.

Mark Bryan and Almudena Sevilla Sanz show that this is partly because housework is tiring and people who go to work tired after doing the housework are likely to perform less well than others with no housework commitments. Another mechanism involves flexibility. Some housework tasks — such as cooking meals — need to be done at specific times. The individuals responsible for these tasks cannot be as flexible in their working hours as those with no commitments, and as a result they will tend to be more restricted in their choice of jobs and earn less.

Does Housework Lower Wages and Why? Evidence from Britain by Mark Bryan and Almudena Sevilla Sanz is published as ISER Working Paper 2008-03. Further information can be obtained from Mark Bryan on 01206-874683. Email: markb@essex.ac.uk

BA Festival of Science, University of Liverpool
Section F (Economics) Conference

Tuesday September 9th 2008, 1.30pm to 5.30pm

Science, Innovation and the Economics of the Future

The theme of this year's meeting is the role that innovation can play in meeting the major challenges facing the world economy with respect to, for example, the bio-economy and sustainable energy supply. Since science/industry relations will rightly play a major role in the resolution of these challenges we also examine the role of university/industry interaction to generate innovation. General factors that impinge on the ability of industry to supply innovative solutions to pressing problems are analysed.

Contributors:

Andrew McMeekin and Ken Green, University of Manchester,
Carbon, 'Crude' and Crops: The Transition to a Sustainable Bio-economy.

Alan Hughes, Centre for Business Research, Judge Institute University of Cambridge,
Innovations Systems, Innovation Policy and the Future of University-Industry Knowledge Exchange.

Andrew Stirling, Science Policy Research Unit (SPRU) University of Sussex,
No Alternatives: Innovation Strategies for Secure and Sustainable Energy.

Stan Metcalfe (President, Section F), University of Manchester and Cambridge University,
Science, Industry and Technical Progress: a Retrospective Assessment and Forward Look

For more information contact David Dickinson (Recorder, Section F): d.g.dickinson@bham.ac.uk

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This event is part of the BA Festival of Science in Liverpool from 6-11 September 2008.

Details of all events are available online at www.theba.net/festivalofscience.

Tickets can be booked online or by calling 020 7019 4947

Adam Smith — a monumental figure

On the 4th of July on the Royal Mile in Edinburgh the long-awaited statue to Adam Smith was unveiled. Below is an account of an interview that John Struthers of the University of the West of Scotland held with the Sculptor Professor Alexander Stoddart. Professor Stoddart is widely regarded as Scotland's most renowned monumental sculptor and is based at the Paisley campus of the university where he is also an Honorary Professor of Arts and Media. The statue was unveiled by Nobel Laureate Professor Vernon L Smith.

JS: Sandy, tell me how it came about that you were able to create this wonderful statue to Adam Smith, widely regarded as the Father of Economics?

AS: It all began about 5 years ago when the Adam Smith Institute expressed interest in commissioning the statue; and they have been able to encourage a number of financial sponsors to support it, many from America, including Milton (and Rose) Friedman, among others..

JS: I will be asking you some questions later about the structure of the statue and how it relates to Adam Smith's, work but tell me some basic facts about the statue such as size and location etc.

AS: The statue is located on the Royal Mile close to the David Hume statue. Adam Smith has his back facing St Giles Cathedral, and the City Chambers where Smith once worked, is to his side. This is not an accident because if you look at the statue the fact that the statue is next to the City Chambers building symbolises Smith's challenge to the world of commerce and industry. He is also looking down the Royal Mile towards the sea, and the world beyond, which symbolises the great power of commerce and industry and the momentous part the sea plays in that process.

JS: How large is the statue?

AS: The main statue is 3 metres high but if you add the plinth it is 10 metres high. It is a big statue. A true monument in fact!

JS: Now , tell me how the actual structure of the statue relates to the seminal work of Smith in the *Theory of Moral Sentiments* and of course his *Wealth of Nations*.

AS: Many authorities on Smith suggest that these two key works are antithetical to each other. On the one hand, in *The Theory of Moral Sentiments*, Smith's main emphasis is on the interaction between the private individual and the individual in society. The main questions asked are: how can the individual survive within a societal context? and the role that sympathy plays on the part of those in society who are fortunate (or gifted) enough to have positions of power and authority in relation to those less fortunate. In the *Wealth of Nations*, by contrast, the emphasis is quite different with its focus on the role of self-interest; or at best, enlightened self-interest. Now as far as the statue is concerned, I tried to reflect both sides of Smith; the softer side, as it were, in the *Theory of Moral Sentiments*, and the 'harsher' side of Smith of the *Wealth of Nations*.

JS: Taking this last point, can we examine the statue in greater detail? I notice that you have embodied a number of artifacts or tools on sections of the statue which have individual significance as far as the work of Smith is concerned; eg the plough, the bee hive, the globe, Smith's academic gown, the bales of corn and of course Smith's covered hand over the globe — the 'invisible hand' of the market.

AS: Yes.If we take the hive first. The hive concept, which is borrowed freely from Bernard Mandeville's 'The Fable of the Bees', is symbolic of numerous elements of

Smith's contributions; eg The famous pin factory and the concept of the division of labour — just like a bee hive full of hard work and productivity. The 'workers' are akin to the bees in the hive — industrious, proud, and working collectively — a venerable 'maelstrom of economic activity'. This is where we get the term 'hive of industry' from. Around the hive are several banding tapes. These represent, respect for property, and respect for persons. In fact they represent the Rule of Law or respect for property rights which is now recognised as an essential part of Smith's economic philosophy. Not a stifling or stultifying bureaucracy, but an enabling and benevolent authority or government — minimum government in fact.

JS: And the globe at the top of the hive?

AS: This signifies the industrial revolution — or what we now refer to as globalisation — the culmination of all this industry going on below in the hive which is opened up to the rest of the world through commerce and trade and for which Britain became renowned. On the statue itself you will see that some of the bees have ascended to the Globe. These may be regarded as the King Bees (or Queen Bees) who play a big part in the expansion of world trade — what we might call today, large global companies — the multinationals, who are more powerful than some governments, in fact;

JS: Just on this point, this seems to be saying that it is hard work and strong endeavour that creates economic progress, not as the Mercantilists and Physiocrats would have said; simply the accumulation of precious metals such as gold etc.

AS: Yes. Smith was a friend of the labourer, the craftsman, the skilled technician. It is through their endeavours that things get done, that roads are built etc.

JS: And then we have the plough which is a centrepiece of the statue.

AS: Yes, this is Smith paying homage and respect to the countryside and agriculture. The rural and urban are intermixed — not separate as we see in the modern age especially in a nation such as Britain. This is an aspect of Smith's work which is often neglected or ignored. Certainly, Smith presaged the industrial revolution, especially in the *Wealth of Nations*. But he did not turn his back on agriculture or rural communities. Town and Country were interdependent. In the same vein, the bales of corn which Smith is bestriding in the statue, reflect the produce of the land — the steady reliable produce, the cottage industries of their day! To some extent, this also highlights the cattle in Smith's day being herded in the market street in the centre of town for all to see. That is why it is no coincidence that the statue is situated in this location in Edinburgh which in days gone by was the location of the Mercat (or Market) Town of Edinburgh.

JS: There are two final but all-important aspects of the statute, namely Smith's 'invisible hand' and his academic gown which is resplendent.

AS: Yes, the hand and the academic gown are essential components of the statue. You will see that the hand is covered by Smith's academic gown and hence is 'invisible', symbolising Smith's description of the power of the market, a concept for which he is rightly famous. The hand is partially covering the globe, suggesting a kind of benediction. In other words, the (invisible) hand of the market is the guiding influence of human relations — at least in the economic realm. On the statue, although the hand is covered, its knuckles can be clearly seen which depicts the awesome power of the market if only it can be left to operate without undue hindrance or interference.

The academic gown has another meaning for the statue because it comes from Glasgow where Smith was Professor and taught. This is to remind us all, especially we Scots, that although Edinburgh was at the heart of the Scottish Enlightenment, Glasgow's contribution was also significant; not least in Smith working there, but also in the fact that other scholars such as Francis Hutcheson, the student Thomas Muir and the Foulis brothers were part of Glasgow's contribution to the Scottish Enlightenment. So the importance of Smith's Glasgow Academic Gown is, as it were, to import Glasgow right into the heart of its age-old rival Edinburgh.

JS: I believe the gown also symbolises the introduction of *Belles Lettres* into the Glasgow curriculum which has lasted into the present day at Glasgow and the other ancient Scottish universities? In fact, until quite recently the subject economics was known at Glasgow and the other ancient Scottish Universities as political economy, thereby reflecting the fact that it was closely intertwined with the classical traditions of a broad education, influenced as it was by political and philosophical discourse, legacy and heritage.

AS: Indeed. I should also say that the partial covering of Smith's hand by his academic gown reflects the notion that *The Theory of Moral Sentiments* and the *Wealth of Nations* — Smith's two great works — should be viewed, not as opposites, but as close neighbours, the one reinforcing the other. In other words, the role of the market constrained by necessary laws to protect property rights, is just as likely to have benevolent effects as malevolent effects on individuals and society. In that regard, both works should be read together, not separately.

JS: Sandy, this has been a fascinating discussion, but I must ask you one last question. You have not mentioned how Smith's notion of self-interest, or enlightened self-interest as reflected in his famous statement '...it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest...' is incorporated into the statue..

AS: I must say that was the most difficult aspect of Smith's legacy to incorporate in the statue, simply because it refers to a feeling, motivation or driving force within all of us which is very difficult to model in a statue. All I can say is that if you look at Smith's face on the statue, it is very serious, it is very determined and he is looking straight ahead as if to an optimistic future. He is also standing, unlike my earlier statue of Smith's close friend David Hume just up the hill on the Royal Mile, which shows Hume, the philosopher, sitting. And, in a sense, this completes the story behind the Adam Smith statue for the modern age. A story of hope, of optimism, of change for the better, of hard work, and of industriousness. Everything, in fact that Adam Smith stood for and for which he should be remembered '...the effort of every man to better his condition...' as Smith himself put it.

Evaluating the Performance of UK Research in Economics

The RES recently sponsored a report on evaluating research in economics in the UK. Conducted by Nicholas Vasilakos, Gautheir Lanot and Tim Worrall, it looks at traditional and non-traditional bibliometric methods of evaluation. The former involves the use of databases such as Thomson ISI and EconLit to enumerate publications and citations, often weighted by 'impact factors' for the journals that they appear in. On these traditional measures, the UK comes ahead of all countries except the USA and on some *per capita* measures, matches the USA. It also seems that the UK is closing the gap on the USA but then so too are some other European nations.

Non-traditional sources of information include RePEc and JStor which tend to yield more up to date information. The findings on the UK's standings are broadly similar using either method.

A copy of the report can be obtained by emailing: economics@keele.ac.uk

MICRO-DYN Summer School 2008 Firm-level analysis of innovation, competitiveness and employment

The MICRO-DYN consortium organizes a Summer School dedicated to firm-level analysis of innovation, competitiveness and employment. It will take place on September 15–19, 2008 in Zalesie, near Warsaw. There will be sessions devoted to methodological training in panel data analysis and half-day sessions dedicated to the presentation of research results both by external speakers, young researchers and project participants.

Applicants are required to send the attached application form, together with a letter of motivation, their CV and a research paper or extended abstract to: janyrova@wiiw.ac.at. The topic of the paper should match the thematic orientation of the project and its Work Packages (see www.micro-dyn.eu). It is expected that the paper will be completed and submitted before the start of the School. For the accepted participants from the MICRO-DYN consortium, travel, accommodation and subsistence costs will be covered. There are also funds to cover the costs for participants from other institutions, but these will be restricted to accommodation and subsistence expenditures. There are no additional fees to be paid for attending the summer school.

For further information, please consult the MICRO-DYN project website at: www.micro-dyn.eu

Correspondence

Sir,

Capitalism Unleashed

I was shocked to read in the April *Newsletter* (no.141) of the tragically early death of Andrew Glyn. The rest of this letter was written before I received the news.

The Features section of *The Economic Journal* (vol. 118 (526) February 2008) is to be applauded for publishing three reviews of Andrew Glyn's thought provoking book, *Capitalism Unleashed: Finance, Globalisation and Welfare*.

Review 1 by Alan Manning (Centre for Economic Performance, LSE), while conceding that capitalism in the rich Western economies went into crisis in the 1970s, now craves its 'eternal success'. Ina paper which won the CED International Award (New York, 1958), I wrote 'The Pattern of economic organisation in this world, as the history of the last few hundred years goes to demonstrate, alternates between regimentation and freedom'. That statement holds good with even greater force, so that no economic system can be eternal/ Already there are strong reactions against the current pattern of globalisation initiated during 1979-81.In an article in the January 2002 issue of *The Economic Journal*, B Milanovic of the World Bank opined that inequalities of income/expenditure have increased between 1988 and 1993 *at every step* according to the survey which covered 84 per cent of world population and 93 per cent of world GDP. *The World Development Report 2006*. covering a range of years between 1997 and 2002 came to the conclusion that 'Large differences between countries and across people within countries are striking'. Such 'crony capitalism' is a serious danger to social cohesiveness and, as such, to its own existence.

Review 2 by Hans-Joachim Voth (ICREA and UPF, Barcelona) calls Glyn 'particularly good' in drawing together evidence on increasing trends towards greater inequality around the globe (with extraordinary increase in share of profits going to the financial services industry), but finds Warren Buffet's regular letters to shareholders more congenial. That appears to be the growing impact of my *The Commercial Society*, the title of my work published in 1994 (Westwill Publishing House, Delhi). Again, capitalism cannot claim to have triumphed beyond the expectations of Hayek and Friedman. These Nobel laureates had bargained neither for the kind of economic concentration unleashed by massive mergers and acquisitions nor for the record-breaking bankruptcy petitions like those presented by Enron (2001) and WorldCom (2002). And, the most damaging dimension of the current era of globalisation has been erosion in human values, environmental degradation, terrorism, financial manipulation, cyber frauds and other crimes. *The Road to Serfdom* (1944) still irks us and we are not as *Free to Choose* (1980).

Review 3 by Edward N Wolff (New York University), while endorsing and even elaborating, many of Andrew Glyn's learned observations projected in *Capitalism Unleashed* wants further discussion of two (rather connected) issues: the IT revolution (or the 'new economy') and the dramatic advancement in educational attainments. Though author of a searching book, *Does Education Really Help? Skill, Work and Inequality* (2006), Wolff finds it somewhat paradoxical that wages have stagnated (at least in the US) while educational attainments have been rising. Professor Jan Tinbergen (1903-94) the recipient of the Nobel Prize in Economic Sciences in its very first year (1969), resolved this riddle in his *Income Distribution — Analysis and Policies* (1975). He focused on the 'equalising consequences' of extended education through two key variables. The percentage of the labour force with a university education (say the number of graduates in relation to the total labour force ina country) was described as the 'labour force ratio' (LFR() while the ratio (number of times) of income earned by these graduates in relation to everage income recipients was termed the income ration (IR). Tinbergen found that the USA's LFR jumped from 1.8 per cent (less than two graduates in a labour force of a hundred) in 1900 to 11 per cent in 1970 (and further projected to 14.5 by 1980 and 18.1 by 1990). In consequence, USA's IR (the premium enjoyed by graduates) fell from 4.05 in 1900 to 1.04 in 1970 (projected further to 0.92-0.95 in 1980 and 0.77-0.87). In other words, university education would turn counter-productive as the income ratio was projected to fall below unity> America's non-graduates were getting better paid than graduates: a simple manifestation of supply and demand theory.

The European continent, with the Netherlands as Tinbergen's case study, also witnessed a decline in the graduate income premium. Here LFR went up from 0.54 in 1900 to 1.82 in 1970 while the IR declined from 10.5 in 1900 to 4.5 in 1970 (with further declines rojected). Yet the state of 'counterproductivity' was not envisaged by Tinbergen for the Netherlands. That is, the Dutch graduates could still hope to earn more than twice the average income of the labour force.

As regards the IT revolution, it tends to lose its initial prestige while travelling down to commonality. In short, this age of 'globalised capitalism' finds the rich West plagued by a financial crisis caused by over-exuberant lending, while India's agrarian discomfiture (hidden behind high rates of economic growth which exclude 85 per cent of the population) precipitated the recent waiver of farm loans to the tune of of Rs 60,000 crore[1] (US$15bn).

Professor Om Prakash
Former Vice-Chancellor and Emeritus Professor
University of Rajasthan, India.

Editor's note:
1. 1 crore = 10m.

Sir,

Having had the privilege of being taught by Professor Portes, I owe him a lot, as well as having a huge respect for his achievements as an economist and as an organiser. For these reasons I regret very much that he has allowed adverse referees' comments on one of his projects to sour his view of economists who fail to live up to rather blinkered professional standards. Many of your readers, like me, see nothing wrong with inter-disciplinary approaches to economic issues if only because, in a world in which most people are not economists, the most certain way to discredit our profession is to propagate the idea that our analysis does not need to make sociological, political, philosophical, and legal-theoretic sense. The only sure way to avoid such discredit is to accept that certain topics in economics must be considered in an interdisciplinary way. Similarly, I cannot understand Professor Portes' reluctance to entertain alternative points of view. Such consideration is surely the hall-mark of any open-minded enquiry.

Professor Portes argues that 'Mediocrity is "rationalized" on the grounds that it is hard for the "heterodox" to publish in top journals.' As a member of the Society who reads more heterodox economics than most of your readers, I have perhaps more direct experience of 'mediocrity' in the ranks of heterodox economists. But my reading of the *Economic Journal* and other 'mainstream' journals also informs me that mediocrity is not the monopoly of those who call themselves heterodox; nor indeed of any school of thought. Most of the mediocrity that I come across results from relying on assumptions to exclude inconvenient arguments and sloppy econometrics to exclude inconvenient data. Too much of that mediocrity is actually published in 'top journals', where it maintains standards of theoretical narrowness and methodological slovenliness that can only edify perversely future generations of economists. A genuine purge of mediocrity is therefore a much wider and more radical programme than Professor Portes, or I, or most of your readers, would be comfortable with. It is far better to allow a more genuine spirit of criticism and tolerance of opposing points of view in our journals, than to use doctrinal scruples to drive pluralism out of economic discussion. Mediocrity proliferates where criticism is excluded.

Finally, I regret too the absence of any comment by our retiring Secretary-General on the decline of teaching in the history of economic thought, as measured by the disappearance of this study from core economics programmes. A discipline that does not know where it has been cannot know where it is going, or if it is falling into mediocrity. Our retiring Secretary-General deserves a better legacy than this.

Jan Toporowski
Economics Department
The School of Oriental and African Studies
University of London

Gulf One banks on UK economics expertise with donation to Lancaster University

Lancaster University Management School (LUMS) has signed on the dotted line with Gulf One Investment Bank to launch a major new centre of economics research excellence. Research will focus on economics and finance in the Middle East and North Africa region, and specifically energy, infrastructure and Islamic banking. The centre, which will also offer training and consultancy to business, is funded by a philanthropic donation of £300,000 from Gulf One via its CEO and Lancaster alumna Dr Nahed Taher.

Dr Taher, who completed her MSc in International Business and PhD in Economics at LUMS during the 1990s, said Gulf One had chosen Lancaster to set up a research centre because 'it is one of the top universities in the UK and Europe'. The partnership would support Gulf One's strategic positioning as a knowledge-led financial institution, she explained. 'I know at first hand that Lancaster provides a great quality education — it also has extensive experience in advising private sector companies, and this will help to support the vision of Gulf One. With LUMS we want to achieve high-level research for infrastructure banking products and, specifically, the challenges facing Islamic banking of privatization deals in the Middle East and the world as a whole', Dr Taher added.

LUMS centre director Dr Marwan Izzeldin said the Gulf One partnership would benefit the business community by providing valuable economic and financial insights into the Gulf region. 'The centre will complement the research activities of Gulf One and, as well as research, it will be a training hub for those working in the financial sector in the Gulf and other emerging economies. More broadly it gives the University a footprint in the Gulf region, an area of major strategic interest.'

Dr Taher and her Gulf One colleagues, Chief Operating Officer Ziyad Omar and Chief Economist Dr Mohammed Salisu, attended a special signing ceremony with LUMS Dean Professor Sue Cox and the University's Deputy Vice-Chancellor Professor Robert McKinlay on 9 May. 'It was lovely to come back to Lancaster,' Dr Taher said. 'I have great memories of Lancaster and gained a tremendous amount of knowledge in my banking field and related areas there.'

News from the

Economics Network

of the Higher Education Academy

Economics student survey 2008

‘The course really teaches you how to study on ones own. It allows you to get a feel for the “real world” after university.’

The Economics Network’s fourth biennial student survey received 2,021 responses from 68 departments. The survey was conducted online, as part of the Economics Network’s ongoing research programme into teaching and learning in Economics.

The survey aimed to provide valuable information on students' perceptions of studying economics including identifying strengths and weaknesses in the learning and teaching of economics. Each department receives an overall report and confidential individual results. Results from the surveys are used in running departmental and national workshops and to inform curricula development in the departments.

A national report will be available from: http://www.economicsnetwork.ac.uk/projects/surveys.htm

Learning and teaching development projects

The 2008/09 programme of Learning and Teaching Development Projects funded by the Economics Network has been announced. Of the new projects to be funded, several deal directly with issues raised in the student survey. For example:

- Maths and stats remain an issue for current economics students. A project from Nottingham Trent University to provide extended case studies seeks to address this area — *Enabling Students to Make Economic Sense of Quantitative Data*, Dean Garratt and Stephen Heasell, Nottingham Trent University.

- Over 73 per cent of economics students use Virtual Learning Environments (VLEs) in their learning and assessment (compared to 67 per cent two years ago). Piotr Marek Jaworski of Napier University has been funded to run the following project: *Retention of knowledge: long term effectiveness of WebCT-based continuous assessment scheme in case of Economics 1 module delivered at the Napier University Business School*.

16 projects in total have been funded from around the country. For details please go to:

http://www.economicsnetwork.ac.uk/projects/mini.htm

RES sponsored events

The RES will be sponsoring the following Economics Network events for Graduate Teaching Assistants and New Lecturers:

Friday 26 September 2008, London

Economics Postgraduate Teaching Assistants/Tutors One Day Workshop

An Economics Network workshop specifically designed to meet the needs of Economics Postgraduate Teaching Assistants/Tutors with a focus on small-group classes, tutorials, seminars and workshops. Free of charge.

Further information including booking form from:
http://www.economicsnetwork.ac.uk/news/

Friday 10-Saturday 11 October 2008, Bristol

Economics New Lecturers Residential Workshop

A residential two-day Economics Network workshop specifically designed to meet the needs of new and aspiring lecturers of economics. The workshop will complement any generic-based institutional courses that delegates are attending or have attended. Free of charge. Sponsored by the Royal Economic Society.

Further information including booking form from:
http://www.economicsnetwork.ac.uk/news/

Economics network key contacts conference

The Economics Network has established a network of Key Contacts throughout UK Higher Education Institutions. Every economics department or business school that teaches courses with an element of economics has a Key Contact representing them. (Key Contacts typically have a keen interest in learning and teaching and often have a responsibility in this area).

The conference this year will focus on Employability and Student Skills; and Small-Scale Innovations in Teaching. The Keynote speaker is Andy Ross of the Government Economic Service and HM Treasury.

Key Contacts will also have the opportunity to inform the national strategy for supporting economics education.

All Key Contacts (or another representative from the department) are invited to the Annual Key Contacts Conference. This one-day conference is free of charge, including accommodation on the 8th September to allow Key Contacts to attend the eLearning Symposium.

For more information about both events, including booking forms, please go to:
http://www.economicsnetwork.ac.uk/news/

Other events

Monday 8 September 2008, Bristol
Key Contacts Conference

An Economics Network Conference for Key Contacts — every economics department or business school that teaches courses with an element of economics has a Key Contact (another representative welcome if the Key Contact is unable to attend).

The conference will focus on Employability and Student Skills; and Small-Scale Innovations in Teaching. The Keynote speaker is Andy Ross of the Government Economic Service and HM Treasury. Free of charge, including accommodation on the 8th September to allow delegates to attend the eLearning Symposium on the 9th September.

Further information including booking form from:
http://www.economicsnetwork.ac.uk/news/

Tuesday 9 September, Bristol
eLearning Symposium

The eLearning Symposium aims to introduce Economics teachers to the wide range of eLearning technologies available. Technologies will include blogging, podcasting and social networking applications as well as personal response systems and interactive tools for economics. Free of charge.

Further information including booking form from:
http://www.economicsnetwork.ac.uk/news/

Friday 26 September 2008, London
Economics Postgraduate Teaching Assistants/Tutors One Day Workshop

An Economics Network workshop specifically designed to meet the needs of Economics Postgraduate Teaching Assistants/Tutors with a focus on small-group classes, tutorials, seminars and workshops. Free of charge. Sponsored by the Royal Economic Society.

Further information including booking form from:
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Friday 10-Saturday 11 October 2008, Bristol
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Further information including booking form from:
http://www.economicsnetwork.ac.uk/news/

A W H ‘Bill’ Phillips

- creating an archive

In November 2008 economists will celebrate the fiftieth anniversary of the publication of Bill Phillips’ seminal *Economica* paper. Phillips was not only a brilliant economist but also a truly remarkable man and his contributions to economics and the story of his extraordinary life will be the subjects of seminars, special journal issues and tributes, and there will be a conference devoted to Phillips’ contributions to economics to be held in Wellington, New Zealand, in July 2008.

The Archives Division of the Library of the London School of Economics and Political Science has recently moved its collection of Phillips’ papers out of its Miscellaneous Collections series and renamed it the Phillips papers. At present the collection is rather modest although containing Phillips’ original data sheet used to do the Phillips curve calculations and other material of considerable interest to anyone doing research on the Phillips machine (Moniac), the Phillips curve, or Phillips’ life. It is hoped that renaming the collection in this way will bring it to the attention of a greater number of researchers and encourage its use.

The L S E Archives would welcome contributions to its holdings on Phillips. The following types of material would all be potentially valuable additions to the collection: correspondence, reminiscences of Phillips from colleagues, students and friends, lecture notes from classes or seminars, photographs etc. However, L S E Archives does not normally collect published materials (including press cuttings) or photocopies of documents, so these types of material are unlikely to be of interest.

Please email document@lse.ac.uk with details before sending materials so that the staff can assess their suitability for the collection.

Friday 28-Saturday 29 November 2008, Glasgow
Economics New Lecturers Residential Workshop

A residential two-day Economics Network workshop specifically designed to meet the needs of new and aspiring lecturers of economics. The workshop will complement any generic-based institutional courses that delegates are attending or have attended. Free of charge. Sponsored by the Scottish Economic Society.

Further information including booking form from:
http://www.economicsnetwork.ac.uk/news/

Measuring innovation

In an interview with the editor, Dr Chris Farrell presents some ideas about the measurement of innovation which have attracted recent interest amongst policymakers.[1]

Ed: Chris, You've been doing observational work on innovation for the last twenty years or so and recently you've been in discussion with the US. Department of Commerce and the UK. Department of Innovation, Universities and Skills about a new way of measuring innovation and its contribution to economic growth. Can you explain the basic principles?

CF: I became motivated to discover how innovative new technologies displace old ones when my own inventions started to do just that. Two engineers from the General Electric Company had come up with a model that had pretty good mathematics. I used an improved version to predict the demise of the incandescent light bulb! Although starting to be true today this seemed so fantastical at the time that even I doubted it — so I turned to Economics to get some guidance from price.

Marty Feldstein, of the National Bureau of Economic Research, once observed after touring plants of the defence contractor TRW that nothing in his years of studying productivity was helpful to him in understanding what was going on there! I ran into similar problems with economic theory so I set out to try and imitate Adam Smith and observe something that would. I was in a perfect position. Innovation was happening all around me and I was personally involved in every aspect of it.

The basic principle I adopted is that price increases when products are improved by innovation, and when other factors — principally competition and the value of money — are constant. It took many years to enumerate them and to discover and validate the underlying equations. A huge challenge was eliminating technical change bias from inflation indices.

Now global competition has raised government interest in measuring innovation. And these equations can do it. Government already collects most of the data. But they must collate and analyze it differently than they do now.

Ed: In the paper for the Department of Commerce you give the example of measuring innovation in the tyre industry by measuring 'tyre cord performance' — something that has an objective reality, but when it comes to pens, your innovation variable becomes 'utils', which are undefined. This will strike most economists as a return to rather discredited attempts to measure cardinal utility a century or so ago. Isn't it a problem for your approach that you cannot get objective performance measures for a whole range of goods and services?

CF: Innovation professionals have used absolute utility to construct 'performance S-curves' for decades, and are still doing so! Cardinal utility foundered in economics because humans are fickle and make buying choices for non-objective reasons. We avoided that trap by focusing on business—to—business. A good choice, not only because most of us work in this part of the economy, but also because intermediate products like tyre-cords are bought and sold on performance describable in pure engineering terms. The methods and equations for calculating performance from price were therefore validated and calibrated on them. I adopted the util (anchored to the constant dollar) as a unit of this intermediate good (or service) performance.

Once established for intermediates the util can be extended to cover final products such as fountain, and other competing pens. This enumerates those fuzzy non-objective assessments of the final purchaser, absolutely.

Ed: Just suppose that we take your measurements at face value, what are we told about the contribution of innovation to economic growth?

Once I got going I started calculating the innovation capacity of industries, then segments and finally the whole economy. Of course I started to try and fit it into a Cobb-Douglas type of equation — substituting the residual or making it a factor in multi-factor productivity. It took me many frustrating months to realize that the innovation component is so large that it must be close to the only factor!

My equations are determinative (I haven't used statistical regression methods at all) so I was able to prove that innovation is the primary input, though it took several pages of advanced algebra to do so. It turns out that the aggregated effect of factors other than innovation is significant, but small.

And because innovation is so dominant I call the resulting model Omnogenous Growth Theory.

Ed: That sounds as though innovation explains the whole of economic growth and maybe more. But that's going to be a serious problem for economists who will point to the fact that growth has self-evidently required additional inputs. If innovation explains it all, why have industries felt obliged to use more real resources?

CF: Real resources are obviously needed. But developmental knowledge, the D of R&D, is the primary input to innovation. I have also established a three-link mathematical chain between it and economic growth. Then real resources are indeed included, as the embodiments of that knowledge.

PH: Can you tell us more about the equations?

CF: The detailed equations await publication in due course but in the meantime I can say this. A higher performing good or service will have a higher real price, P, unless competitive forces change. So the basic equation can be written $p = F(P, C, I)$, where p is the 'cardinal' performance of that good or service and C is a function of other variables that capture the inter-firm competition in the supply of demand and I corrects for inflation. This basic equation is also implicit because, as we know, inflation indices are biased by 'quality change' — in other words I also contains some p. Fortunately, it turns out that F can be transformed to H in such a way that $P = H(p, C, I')$ – an explicit equation where I' is corrected for bias, the extracted 'quality change' being incorporated into p. And because GDP is the sum of the prices of all final units, GDP can then be expressed in terms of $S\,p$ – the aggregated measure of innovation.

I have an extensive five-decade database which tracks the annual economic fate of about a hundred and fifty products of firms, many of which did not exist in 1951 and many others of which became insignificant by 2001. This is a small sample of the economy as a whole but possesses enough detail to validate and calibrate the equations and also, significantly, to make at least one testable prediction.

PH: Where does the work go from here?

CF: That is the really exciting part because quantifying innovation is fundamental. It takes microeconomic growth, connects it to macroeconomic growth and links both back to development finance spent in support of entrepreneurs and innovators in firms of all sizes. Accounting for innovative potential in firms like this has never been done before. The potential impact is enormous. Not only in government but also in the spheres of academia, finance, investment and consulting.

The apparent sudden appearance of such scholarship from practitioners will surprise many, though its long and hidden incubation is a natural consequence of its origin. One task for me — as its architect — is to match this unexpected emergence to advocates who come forward eager to apply it to advantage within their own sphere.

Note:
1. Further information can be obtained from Chris Farrell via www.techmatt.com

News from CMPO

Public sector pay

The Spring issue of the CMPO's *Research in Public Policy* was published in June. It contains four interesting features on public sector pay:

- Karen Mumford and Monojit Chatterji examine the public sector pay premium for men and suggest that there is effective pay parity (with the private sector) among higher occupations but a large pay premium in less skilled sectors. But around half of this premium is explained by public sector workers being better educated and more experienced.

- Hugh Gravelle and co-authors look at a recent attempt to introduce greater incentive pay into public sector wages, in this case for doctors since 2004.This new contract (called the 'quality and outcomes framework') offers incentives for doctors to hit treatment targets. The research revelas a number of unintended consequences.

- Natalie Tarry notes that public services in deprived areas have greater problems in recruiting and retaining experienced quality staff, having higher staff turnover and vacancies.

- In another article Sarah Smith and co-authors find strong evidence for a public sector ethos in the caring sectors. Public sector workers care about the outcomes in education, health and caring services and work harder than the equivalent people in the private sector. Maintaining this 'pro-social' behaviour when introducing market led pay is far from straightforward.

The full issue of *Research in Public Policy* can be downloaded from:
http://www.bris.ac.uk/Depts/CMPO/bulletin/pay.pdf

Further details of the CMPO's work can be obtained from the CMPO coordinator: alison.taylor@bristol.ac.uk

Royal Economic Society 2009 Annual Conference

Call for Papers

The 2009 Annual Conference of the Royal Economic Society will be held at the University of Surrey from **Monday 20th to Wednesday 22nd April, 2009**.

Keynote lectures will be given by:

Pinelopi K Goldberg (Princeton)
David Laibson (Harvard)
Gilles Saint-Paul (Toulouse)
Sir John Vickers (Oxford; Presidential Address)

The Programme Committee invites submissions of papers for General Sessions from academic, government and business economists in any field of economics and econometrics.

Submissions can be made from the end of July at: http://editorialexpress.com/conference/res2009
Details of the submission process will be made available on the Conference web-site.

Deadline for submissions is **17th October 2008.**
Notification of acceptance will be sent by **mid-December 2008**.

Proposals for **Special Sessions** are also invited.
A Special Session on any particular theme would typically bring together 3 papers plus discussants. Special Session proposals should consist of a one page document:further submission details will be published on the Conference web-site.

Authors of papers accepted for presentation at the RES Conference will be entitled to submit their papers for possible publication in the Conference issue of the *Economic Journal*. The Conference issue is edited to the same standards as regular issues of the *Economic Journal* and is published as part of the regular March issue in 2010. Promising papers not ready for publication in the Conference issue may be invited to resubmit for a later *Economic Journal* issue using the same referees and reports from the Conference issue.

The Programme Chair will be Robin Burgess (LSE) and the Local Organiser will be Jo Evans (Surrey): contact RES email addresses for both will be posted on the RES Conference web-site at: http://www.res.org.uk/society/annualconf.asp

Other Information

Online Registration will be open from January 2009. Further details on registration, accommodation and other matters – including information on financial support for postgraduate students attending Conference – will all be made available via the Conference web-site.

RES News items

RES Annual Conference, 2009

CALL FOR PAPERS

The 2009 Annual Conference of the Royal Economic Society will be held at the University of Surrey from:

Monday 20 to Wednesday 22 April 2009

Further details are on p.22 and at the RES Annual Conference web-site at:
http://www.res.org.uk/society/annualconf.asp

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:

http://www.res.org.uk/society/grants_fellowships.asp or

Professor Anton Muscatelli, Principal and Vice-Chancellor, Heriot-Watt University, Edinburgh, EH14 4AS. Fax: + 44 (0) 131 451 3330 E-mail: j.stewart@hw.ac.uk

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 conference grant scheme are highly competitive, and selection will be based on the following criteria. These criteria should be addressed in the letter of application:

Preference will be given
- to 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. Applications, in the form of a letter and stating the purpose for which a small grant (maximum £600) is required, should be sent to:

Professor Anton Muscatelli, Principal and Vice-Chancellor, Heriot-Watt University, Edinburgh, EH14 4AS. Fax: + 44 (0) 131 451 3330 E-mail: j.stewart@hw.ac.uk

Publications

The Society offers to its members a number of scholarly publications at special prices. These include: *The Collected Writings of John Maynard Keynes*; *Keynes Lectures, 1932-35*; *Malthus' Principles of Political Economy* and *An Essay on the Principles of Population; Official Papers of Alfred Marshall* and *The Correspondence of Alfred Marshall, Economist.*

A full list with the special prices may be obtained from Mrs Amanda Wilman, Royal Economic Society, School of Economics and Finance, University of St. Andrews, St. Andrews, Fife, KY16 9AL; email: royaleconsoc@st-and.ac.uk or via the Society's home page on the internet (www.res.org.uk).

Enquiries about rights, permissions and initiatives relating to editions and other scholarly works should be addressed to The Publications Secretary, Professor Donald Winch, Arts E, University of Sussex, Falmer, Brighton, BN1 9QN.

New Office and New Administration Officer for the RES

Readers will notice in this *Newsletter* that contact details for the office of the Royal Economic Society have changed now that I have succeeded Richard Portes as Secretary-General. The first week of July saw the office move physically from the London Business School to the University of St Andrews. Eleanor Burke, whom many members will know, and who has served as the contact point for the last thirteen years, is no longer working for the RES. However, she has not left LBS but has simply moved down the corridor to become Subject Area Administrator for Economics. Her place as RES Administrator has been taken by Amanda Wilman, who will be based in the Society's office in St. Andrews. While I am sure it won't take long for members to get to know Amanda, I thought this would be a good time to introduce her through the pages of the *Newsletter*.

Amanda trained as a secretary in London. She has had a varied, interesting and relevant career as, for family reasons, she has lived all over the UK as well as on the Continent and in the US. Her first career was in publishing, working as an editorial secretary for Hodder and Stoughton and then with Pergamon Press in Oxford. She moved through a variety of posts (in publishing, law, housing and teaching) before becoming Executive Assistant to the Chief Constable of Tayside. This was a particularly busy period for Amanda as she was closely involved in the management of security around the G8 Summit at Gleneagles and had to ensure that good working relationships with the international media were maintained. Relocating south, Amanda took up a position as Assistant to the Regimental Secretary and PA to the Master Gunner of the Royal Regiment of Artillery. Before her current move to RES, Amanda was Coordinator to the University Court here in St Andrews.

Finally I would like to pay tribute to Eleanor and to Richard for the way that they have facilitated the office move. In the past, RES office moves have been within a relatively close pair of locations. This move has been a much more significant affair and has involved a lot of organising. Not just the packing and moving itself, but also sorting through many years of material, deciding what was relevant and needed either to be archived or moved and what could be safely disposed of. Amanda and I are very grateful to both Eleanor and Richard for their help, but I would like to pay a special tribute to Eleanor. Despite new responsibilities at LBS she generously gave time to make sure the move went as smoothly as possible. In any organisation those who administer it are repositories of a vast amount of tacit knowledge. Eleanor not only codified a great deal of that, she also worked side-by-side with Amanda as the office at LBS was being packed up and helped ensure that a significant part of the knowledge was passed on and I, for one, am especially grateful that she will still be there at the end of a telephone line.

John Beath — Secretary-General

Changing your address?

Newsletters and the *Economic Journal* continue to be returned by the postal authorities marked 'Gone away', not known at this address' etc. If you are going to change your address shortly, please remember to advise the Society. The information should be sent to the Membership Secretary, Katherine Crocker, Department of Economics and Related Studies, University of York, Heslington, York YO1 5DD. E-mail: kc6@york.ac.uk

Secretary-General and administrator

Readers should know by now that the Society has a new Secretary-General and administration officer. But for convenience we repeat their contact details here:

Professor John Beath FRSE
Secretary-General
Royal Economic Society
School of Economics and Finance
University of St. Andrews
St. Andrews, Fife, KY16 9AL, UK
Tel: +44 (0)1334 462421
E-mail: jab@st-andrews.ac.uk

Mrs Amanda Wilman
Administration Officer
Royal Economic Society
School of Economics and Finance
University of St. Andrews
St. Andrews, Fife, KY16 9AL, UK
Tel: 01334 462479;
E-mail: royaleconsoc@st-andrews.ac.uk

Pluralism in economics education:
2 calls for papers

The *International Review of Economics Education* (IREE) is publishing a special issue on 'pluralism in economics education: issues in teaching and learning'. The special issue is to appear in November 2009 and the guest editor will be Dr Andy Denis of City University London. Meanwhile IREE and the Association for Heterodox Economics (AHE) are holding a one-day workshop in October 2008 at City University London on 'Pluralism in economics: rethinking the teaching of economics'.

The calls for papers for the journal and the workshop can be seen at

http://tinyurl.com/2v4qyv and http://tinyurl.com/2s5ab7.

Abstracts and papers should be sent by email to a.denis@city.ac.uk.

Conference Diary

2008

july

14-16 July *Sheffield*

Annual conference of the **Work, Pensions and Labour Economics Study Group (WPEG)** to be held at the University of Sheffield. Keynote speakers include: Professor Paul Gregg (Bristol, CMPO), Professor Steve Nickell (Oxford) and Professor Julia Lane (NORC, Chicago).

Further information from:
http://wpeg.group.shef.ac.uk/callforpapers.htm

5-6 September *Athens, Greece*

CALL FOR PAPERS

Third symposium of the **European Association of Evolutionary Political Economy on Markets as Institutions: History and Theory**. The purpose is to explore new directions in historical and theoretical research on the institutional properties of markets. Submissions should be sent to Professor Ioanna Minoglou (iminoglou@aueb.gr).

Further information from: www.de.aueb.gr

8 September *Bristol*

Conference of the **Economics Network for Key Contacts** to be held at the University of Bristol. The conference will focus on employability and student skills; and small-scale innovations in teaching. The keynote speaker is Andy Ross (GES and HM Treasury). Free of charge, including accommodation on the 8 September to allow delegates to attend the eLearning Symposium on the 9 September.

Further information from:
www.economicsnetwork.ac.uk/news/

9 September *Bristol*

eLearning symposium to be held at the University of Bristol. The symposium aims to introduce Economics teachers to the wide range of eLearning technologies available. Technologies will include blogging, podcasting and social networking applications as well as personal response systems and interactive tools for economics. Free of charge.

Further information from:
www.economicsnetwork.ac.uk/news/

10-11 September *Nottingham*

CALL FOR PAPERS

Second annual Granger Centre conference on **Bootstrap and Numerical Methods in Time Series** to be held at the University of Nottingham. Confirmed keynote speakers include:

Peter Boswijk (Universiteit van Amsterdam), Jörg Breitung (University of Bonn, Silvia Gonçalves (Université de Montréal), Patrik Guggenberger (UCLA), Javier Hidalgo (LSE), Tim Vogelsang (Michigan State University). **Papers (or extended abstracts) should be submitted by 18 July 2008** to Robert Taylor (robert.taylor@nottingham.ac.uk).

Further information from:
http://www.nottingham.ac.uk/economics/grangercentre/conf2008/

10-12 September *London*

The *40th Annual Conference* of the **Money, Macro and Finance Research Group** will take place at Birkbeck College, University of London. The Keynote Speakers will include: Michael B Devereux (University of British Columbia), George Evans (University of Oregon) and Paul Tucker (Bank of England)

Further details are available from:
www.worldeconomyandfinance.org/mmf2008.html

15-19 September *Zalesie, Poland*

Summer school on **Firm-level analysis of innovation, competitiveness and employment,** organised by the MICRO-DYN consortium, will be held in Zalesie, near Warsaw.

Further information from: www.micro-dyn.eu

17-18 September *London*

Sixth annual **OxMetrics User** *conference* to be held at Cass Business School. The conference aims to provide a forum for the presentation and exchange of research results and practical experiences within the fields of computational and financial econometrics, empirical economics, time-series and cross-section statistics and applied mathematics.

Further information from: Giovanni Urga (g.urga@city.ac.uk) or www.cass.city.ac.uk/conferences/oxmetrics2008/index.html.

18-20 September *Amsterdam, The Netherlands*

Twentieth annual conference of the **European Association of Labour Economists (EALE)** to be held at the University of Amsterdam. The aim of the conference is to facilitate the exchange of research ideas and results across a range of fields in Labour Economics.

Further information from:
www.eale.nl/Conference2008/Call%20for%20Papers.htm

19-21 September *Evora, Portugal*

CALL FOR PAPERS

Tenth annual conference of **INFER**. The conference is open to any field of research in economics. Researchers, especially young researchers, are invited to submit theoretical and applied papers across all areas of economics. Young researchers are also encouraged to apply for the young economist award of INFER. Researchers are encouraged to submit their own sessions. **Deadline: 9 May 2008.**

Further information from: http://www.infer-research.net

october

17-19 October *Cluj-Napoca, Romania*

Eight workshop organized by INFER on **International Economics**. The workshop provides an opportunity for economists interested to exchange ideas, to create links in research and to meet fellows in related subject. Researchers are invited to submit theoretical and applied papers broadly consistent with the workshop's special topic Globalization, Integration and transition.

Further information from: www.infer-research.net

31 October - 1 November *Berlin, Germany*

12th conference on **Macroeconomic Policies on Shaky Foundations - Whither Mainstream Economics?** organised by the Research Network Macroeconomics and Macroeconomic Policies in Berlin. Invited speakers include David Colander, John King, Bruno Amable, Philip Arestis, Marc Lavoie, Charles Goodhart and Tom Palley.

Further information from:
Susanne-Stoeger@BOECKLER.DE

november

7-9 November *Florence, Italy*

Annual meetings of **ASSET** to be held at the European University Institute.

Further information from: www.eui.eu/ECO/Asset2008/

28 November *Cambridge*

CALL FOR PAPERS

One day workshop on **Forecasting Under Model Instability** to be held at Trinity College Cambridge. The aim of the workshop is to provide a forum for discussing current research on forecasting in environments that are characterized by structural breaks or model instability using classical or Bayesian approaches. Confirmed invited speakers include: David Hendry, Gary Koop, Andrew Patton. Papers should be submitted (pdf file) by **1 September 2008** to Sharon Swan at sharon.swann@econ.cam.ac.uk.

Further information from:
www.econ.cam.ac.uk/cimf/news/cimf-confFMI.htm

december

5-6 December *London*

First annual Chicago/London conference on **Financial Markets** to be held at Cass Business School. The conference aims to stimulate an ongoing dialogue among academics, practitioners, and policymakers with mutual interests in financial markets. The theme of the conference will be: What Went Wrong?: Financial Engineering, Financial Econometrics, and the Current Stress.

Further information from: Giovanni Urga at g.urga@city.ac.uk and www.cass.city.ac.uk/conferences/Chicago_London/index.html.

2009

january

14-15 January *Vallendar, Germany*

CALL FOR PAPERS

Annual research conference on **Finance** to be held at the WHU. Academics and practitioners are invited to submit papers (in English) by **15 August 2008** on all areas of finance.

Further information from:
www.campus-for-finance.com/index.php?id=685

march

23-24 March *Berlin, Germany*

CALL FOR PAPERS

Conference on **Forecasting and Monetary Policy** will be held at the Bundesbank facility, Berlin. Deadline for submissions is **November 30 2008**.

Further information from:
http:/www/wlu.ca/viessmann/conferences.html also provides the details

april

20 – 22 April *Surrey*

CALL FOR PAPERS

Annual conference of the **Royal Economic Society** to be held at the University of Surrey.
Further information from: see p22 also
www.res.org.uk/society/annualconf.asp

23-25 April *Marina Del Rey, Los Angeles*

CALL FOR PAPERS

Biennial conference of the **European Union Studies Association.** Paper proposals for inclusion in the economics stream of the conference should be submitted to David Mayes and Patrick Crowley at d.mayes@auckland.ac.nz and pcrowley@cob.tamucc.edu.

Further information from: David Mayes and Patrick Crowley at addresses above and www.eustudies.org.

28-30 April *Waterloo, Canada*

CALL FOR PAPERS

Conference on **Central Bank communication, decision-making and governance** at the Wilfrid Laurier University, Waterloo, Ontario, Canada.Deadline for submissions: **December 31, 2008.**

Further information from:
www/wlu.ca/viessmann/conferences.html

june

11-12 June *Helsinki, Finland*

Conference on **Chinese Financial markets and the World Economy**. Deadline for submissions: **31 November 2008.**

Further information from:
www/wlu.ca/viessmann/conferences.html

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The Membership Secretary, Royal Economic Society, University of York, Heslington, York, YO10 5DD.

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