

## ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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### **Abed, George T.**

**PD** July 2000. **TI** Corruption, Structural Reforms, and Economic Performance in the Transition Economies. **AU** Abed, George T.; Davoodi, Hamid R. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/132; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 47. **PR** not available. **JE** D72, D73, O17, P41, P47. **KW** Corruption. Structural Reforms. Transition Economies.

**AB** Recent studies have highlighted the adverse impact of corruption on economic performance. This paper advances the hypothesis that corruption is largely a symptom of underlying weaknesses in public policies and institutions, a formulation that provides deeper insights into economic performance than do measures of "perceived corruption." The hypothesis is tested by assessing the relative importance of structural reforms vs. corruption in explaining macroeconomic performance in the transition economies. The paper finds that for four widely used measures of economic performance-growth, inflation, the fiscal balance, and foreign direct investment-structural reforms tend to dominate the corruption variable.

### **Abul Naga, Ramses H.**

**PD** June 2000. **TI** Galtonian Regression of Intergenerational Income Linkages: Biased Procedures, a New Estimator and Mean-Square Error Comparisons. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/13; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 23. **PR** no charge. **JE** I32, J62. **KW** Intergenerational Mobility. Galtonian Regression. Errors in Variables. Mean-Square Errors.

**AB** Because the permanent incomes of parents are children are typically unobserved, the estimation of the intergenerational correlation via the use of proxy variables entails an errors-in-variables bias. By solving a system of moment equations for income observed at a given year, and a T-period average of this variable, we derive an analytical form for the signal to total variance ratio. In turn, we propose a simple estimator of the intergenerational elasticity via division of the OLS estimator by this quantity. Estimates of the intergenerational elasticity derived from a PSID sample range between 0.34 and 0.69. The averaging estimator provides intermediary values between OLS and the proposed estimator. Persistence is higher for family income measures than labor market outcomes. Estimates generally increase for moving average specifications in comparison to the assumption that measurement errors are uncorrelated. The three estimators are

further examined in the light of their mean-square errors (square bias plus variance).

**PD** July 2000. **TI** A Note on the Estimation of Intergenerational Income Correlations by the Method of Averaging. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/14; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 8. **PR** no charge. **JE** I32, J62. **KW** Intergenerational Mobility. Measurement Error. Averaging Methods. Minimum Variance Estimation.

**AB** Averaging methods are routinely used in order to limit biases resulting from the mismeasurement of permanent incomes. The Solon/Zimmerman estimator regresses a single-year measurement of the child's resources on a T-period average of the parents' income while the Behrman/Taubman estimator regresses an S-period average of the child's resources on a T-period average of the parents' income. The latter estimator is shown to be the arithmetic mean of the S slope estimates arising from the Solon/Zimmerman methodology. However, because sampling variation produces yearly changes in the variance of children's incomes, it is shown that the Behrman/Taubman estimator is not efficient in the class of estimators which can be expressed as a weighted sum of the S distinct Solon/Zimmerman estimates. The minimum variance estimator in the above class is thus derived and applied to a US sample.

**PD** November 2000. **TI** Poverty and Permanent Income: A Methodology for Cross-Section Data. **AU** Abul Naga, Ramses H.; Bolzani, Enrico. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/26; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 41. **PR** no charge. **JE** C21, C31, D61, D63, I32. **KW** Poverty. Permanent Income. Latent Variables. Prediction. Switzerland.

**AB** If the set of households which are income poor does not fully overlap with the set of the consumption poor, it could well be that income and consumption expenditure convey different information regarding an unobserved variable on the basis of which families allocate their resources intertemporally. This paper presents a methodology for predicting the unobserved permanent incomes of households using multiple welfare indicators typically available in cross-section data. The methods are illustrated using data from the Swiss Consumption Survey of 1990.

**TI** La Distribution des Salaires en Suisse: Quelques Observations sur la Recession des Annees 90. **AU** Bolzani, Enrico; Abul Naga, Ramses H.

**PD** April 2001. **TI** Biases of the Ordinary Least Squares and Instrumental Variables Estimators of the Intergenerational Earnings Correlation: Revisited in the Light of Panel Data. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 01/05; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 16. **PR** no charge. **JE** I31, I32, J62. **KW** Intergenerational Mobility. Measurement Error. Panel Data. Biased Estimation.

**AB** The OLS estimator of the intergenerational earnings correlation is biased towards zero, while the instrumental variables estimator is biased upwards. The first of these results arises because of measurement error, while the latter rests on the presumption that the education of the parent family is an invalid instrument. We propose a panel data framework for quantifying the asymptotic biases of these estimators as well as a misspecification test for the IV estimator. Using US data we estimate the bias of the OLS estimator to be in the order of 10% to 20%, and that of IV to vary between 40% and 60%. Supporting evidence that the IV estimator is inconsistent, in face of the specification test, is however limited, and results are shown to be sensitive to the assumptions underlying the serial correlation in transitory incomes.

#### Acutt, Melinda

**PD** May 1999. **TI** Regulatory Conflict? Environmental and Economic Regulation of Electricity Generation. **AU** Acutt, Melinda; Elliott, Caroline. **AA** Acutt: University of Liverpool. Elliott: Lancaster University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 40/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 24. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** H23, L51, L52, L94, Q48. **KW** Environmental Regulation. Economic Regulation. Electricity Generation. Energy. Pollution.

**AB** Implementation of policies aimed at reducing atmospheric emissions has drawn attention to the need to integrate policies aimed at protection of the environment into other policy areas such as energy. In this paper we are concerned with the interaction of environmental policies aimed at reducing pollution, and economic policies aimed at reducing market power, in the electricity generation industry. While our analysis focuses on the post privatization experiences in England and Wales, the analysis is intended to be of a wider applicability. In a theoretical model we find that there are welfare gains to be made from a move from the current non-cooperative regulatory regime to co-operative regulation between the environmental and economic regulators -- a result that holds for the alternative environmental policies of a technology standard and an emissions tax.

#### Adedeji, Olumuyiwa S.

**TI** Determinants of Inflation in the Islamic Republic of Iran -- A Macroeconomic Analysis. **AU** Liu, Olin; Adedeji, Olumuyiwa S.

#### Aghion, Philippe

**PD** June 1999. **TI** Inequality and Economic Growth: The Perspective of the New Growth Theories. **AU** Aghion, Philippe; Caroli, Eve; Garcia-Penalosa, Cecilia. **AA** Aghion: University College London and EBRD. Caroli: INRA-LEA and CEPREMAP. Garcia-Penalosa: Nuffield College, Oxford. **SR** CEPREMAP Discussion Paper: 9908; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 87. **PR** 30 francs. **JE** F43, L22, O15, O33, O47. **KW** Endogenous Growth. Inequality. Technological Change. International Trade. Organizational Change.

**AB** In this article, we review the literature focusing on the relationships between inequality and economic growth. In a first section, we study the impact of wealth inequality on the dynamics of growth. We show that wealth inequality may be bad for growth, in particular when capital markets are imperfect and agents are heterogeneous, or when some agents suffer from institutional limitations in the access to investment. In a second section we study the impact of economic growth upon the evolution of wage inequality. This has sharply risen in the US and the UK since the beginning of the 1980s. We suggest that technical change has been the major source of this rise through both direct and indirect effects. Indeed explanations based on international trade or organizational change can account for the observed rise in wage inequality only when combined with skill-biased technical change.

#### Ahn, Dong-Hyun

**PD** July 1999. **TI** Behavioralize This! International Evidence on Autocorrelation Patterns of Stock Index and Futures Returns. **AU** Ahn, Dong-Hyun; Boudoukh, Jacob; Richardson, Matthew; Whitelaw, Robert F. **AA** Ahn: University of North Carolina. Boudoukh and Richardson: NYU and NBER. Whitelaw: NYU. **SR** National Bureau of Economic Research Working Paper: 7214; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 22. **PR** \$5.00. **JE** G11, G12, G13, G15. **KW** Asset Pricing. Portfolio Choice. Futures Pricing. Autocorrelation. Market Microstructure.

**AB** This paper investigates the relation between returns on stock indices and their corresponding futures contracts in order to evaluate potential explanations for the pervasive yet anomalous evidence of positive, short-horizon portfolio autocorrelations. Using a simple theoretical framework, we generate empirical implications for both microstructure and behavioral models. These implications are then tested using futures data on 24 contracts across 15 countries. The major findings are (i) return autocorrelations of indices tend to be positive even though their corresponding futures contracts have autocorrelations close to zero, (ii) these autocorrelation differences between spot and futures markets are maintained even under conditions favorable for spot-futures arbitrage, and (iii) these autocorrelation differences are most prevalent during low volume periods. These results point us towards a market microstructure-based explanation for short-horizon autocorrelations and away from explanations based on current popular behavioral models.

#### Akram, Qaisar Farooq

**PD** June 2000. **TI** PPP Despite Real Shocks: An Empirical Analysis of the Norwegian Real Exchange Rate.

**AA** Norges Bank. **SR** University of Oxford, Department of Economics Discussion Paper: 30; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 43. **PR** no charge. **JE** C22, C32, C51, E31, E58, F41, J51. **KW** PPP. Real Exchange Rate. Oil Prices. Dutch Disease. Wage Bargaining. Exchange Rate Policy. Cointegration.

**AB** Despite the emerging consensus on the validity of purchasing power parity (PPP) between trading countries in the long run, empirical evidence in favor of the PPP theory is scarce in data predominantly exposed to real shocks. This paper tests for PPP between Norway and its trading partners using quarterly observations from the post Bretton Woods period, in which the Norwegian economy has been exposed to numerous real shocks as repeated revaluation of oil and gas resources through new discoveries and price fluctuations. The paper undertakes an extensive examination of the behavior of the Norwegian real and nominal exchange rates and shows that it is remarkably consistent with the PPP theory. Moreover, convergence towards the equilibrium level appears relatively fast, which is partly ascribed to the Norwegian government's competitiveness preserving policies and the system of centralized wage bargaining.

**PD** July 2000. **TI** When Does the Oil Price Affect the Norwegian Exchange Rate? **AA** Norges Bank. **SR** University of Oxford, Department of Economics Discussion Paper: 31; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 55. **PR** no charge. **JE** C51, E44, E52, F31. **KW** Currency Crises. Exchange Rate. Oil Price. Non-Linear Models.

**AB** Major changes in the Norwegian exchange rate have often coincided with large fluctuations in the price of crude oil. Previous empirical studies have however suggested a weak and ambiguous relation between the oil price and the exchange rate. In contrast to these studies, this paper explores the possibility of a non-linear relation between oil prices and the exchange rate. An examination of daily observations reveals a negative relation between the oil price and the nominal value of the currency. The strength of this relation depends on whether the oil price is below, inside or above the range of 14-20 US dollars a barrel. Moreover, it depends on whether the oil price is displaying a falling or rising trend. The relation is relatively strong when oil prices are below 14 dollars and are falling. These non-linear effects are tested and quantified within equilibrium correcting models of the exchange rate, derived on monthly and quarterly data to control for the influence of other macroeconomic variables. The paper undertakes an extensive evaluation of the derived models to demonstrate the robustness of the results.

#### Alberola, Enrique

**PD** August 2000. **TI** Fiscal Discipline & Exchange Rate Regimes: A Case for Currency Boards? **AU** Alberola, Enrique; Molina, Luis. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0006; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 34. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E42, E51, H63. **KW** Seigniorage. Fiscal Discipline. Exchange Rate Regimes.

**AB** Empirical evidence shows that fixed exchange rates do not provide more fiscal discipline than flexible regimes, despite the fact that, in principle, fixing the exchange rate imposes important restrictions on seigniorage revenues. A more detailed analysis of seigniorage allows us to explain the channels whereby monetary financing is possible in the short and medium run even with an exchange rate peg. More precisely, it is argued that the traditional concept of monetary seigniorage is misguided and that fiscal seigniorage, defined as the actual revenues accruing to government from the Central Bank, is a key variable to determine fiscal discipline. The paper shows that a peculiar version of fixed regimes, the currency boards, may effectively restrain fiscal policy by ruling out fiscal seigniorage. An indirect confirmation of these hypothesis is advanced by observing the empirical link between monetary seigniorage and fiscal seigniorage, and their relation with fiscal discipline.

**TI** Transmission of Shocks and Monetary Policy in the Euro Area. An Exercise with NIGEM. **AU** Ortega, Eva; Alberola, Enrique.

#### Albrecht, Johan

**PD** July 1999. **TI** Making CO2 Emission Trading More Effective: Integrating Cross-Sectoral Energy Efficiency Opportunities. **AA** University of Ghent-CEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 47/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 22. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D60, L62, O38, Q25, Q28. **KW** Emissions Trading. Greenhouse Gases. Energy Efficiency. Clean Technologies. Automobile Industry.

**AB** Starting from CO2 emissions data collected during both the production phase and during the lifetime of cars and trucks, we argue that impressive opportunities to reduce emissions can be found in the consumption phase. It is however obvious that energy taxes alone will not lead to a strong reduction of transport emissions. New instruments that stimulate technological innovations should therefore focus on emissions during product use. In our opinion, current designs and proposals for CO2 emission trading systems do not provide incentives to stimulate cross-sectoral energy efficiency investments like the development of cleaner cars and trucks. We think manufacturers should be "rewarded" when their products allow consumers to save energy during consumption. To adapt these flexible designs, we introduced the concept of a "tradable certificate", an allowance for each ton CO2 avoided as a result of selling a vehicle that is much more energy efficient than other new vehicles.

#### Alcamo, Joseph

**TI** A Different Perspective for Global Climate Policy: Combining Burden Sharing and Climate Protection. **AU** Onigkeit; Janina; Alcamo, Joseph.

#### Alesina, Alberto

**PD** May 1999. **TI** Do Corrupt Governments Receive Less Foreign Aid? **AU** Alesina, Alberto; Weder, Beatrice. **AA** Alesina: Harvard University and NBER. Weder: University of Basel. **SR** National Bureau of Economic Research Working Paper: 7108; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 20. **PR** \$5.00. **JE** F35.

**KW** Foreign Aid. Corruption.

**AB** Critics of foreign aid programs argue that these funds often support corrupt governments and inefficient bureaucracies. Supporters argue that foreign aid can be used to reward good governments. This paper documents that there is no evidence that less corrupt governments receive more foreign aid. On the contrary, according to some measures of corruption, more corrupt governments receive more aid. Also, we could not find any evidence that an increase in foreign aid reduces corruption. In summary, the answer to the question posed in the title is "no".

**Alexander, Kern**

**PD** March 2000. **TI** The Role of the Basle Standards in International Banking Supervision. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP153; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 34. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F02, F42, G15, G21, K29. **KW** International Banking. International Law. International Finance. Banks. International-Policy Coordination. International Transmission. **AB** This paper analyses the emerging international supervisory regime for banking institutions that operate on a transnational basis, focusing on the Basle framework as an institutional regime of norms and principles that govern international financial relations amongst the G10 countries. The Basle committee on banking supervision has played a significant role in developing principles of sound regulatory practice for national supervisors to adopt in their jurisdictions. Increasing deregulation and liberalization of international financial markets necessitates effective international minimum standards of supervisory practice. This paper further suggests that the increasing complexity of international financial markets and the need to reduce systemic risk require a global supervisor to coordinate the regulatory activities of national authorities. Indeed, a global supervisor should take the lead in providing information and expertise for national authorities and should, in some cases, take more proactive measures to ensure compliance with international norms.

**PD** September 2000. **TI** The Legalization of the International Anti-Money Laundering Regime: The Role of the Financial Action Task Force. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP177; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 45. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F42, G15, G21, K14, K33. **KW** Money Laundering. Financial Crime. International Banking. Law. **AB** The emergence of an international regime of soft law principles and rules to prohibit money laundering by financial institutions and other intermediaries is an important step in reducing systemic risk in the international financial system. This paper analyses the various international instruments and principles adopted by leading states at the international level to combat money laundering by financial institutions. It argues that these multilateral initiatives have facilitated the development of effective international principles and rules that have been adopted as binding national legislation in many

leading states. This has had a major impact in reducing international financial crime, and thereby reducing systemic risk in the international financial system.

**Allari, Giorgio**

**TI** The Challenges for the Next Decade: Notes on the Debate on the Development of the Emilia-Romagna Region. **AU** Russo, Margherita; Allari, Giorgio; Bertini, Silvano; Bonaretti, Paolo; De Leo, Elio; Fiorani, Giuseppe; Rinaldini, Gianni.

**Alonso, Francisco**

**PD** December 2000. **TI** Estimating Liquidity Premia in the Spanish Government Securities Market. **AU** Alonso, Francisco; Blanco, Roberto; del Rio, Ana; Sanchis, Alicia. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0017; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 38. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E43, G12. **KW** Liquidity Premium. Bid-Ask Spread. Yield Curve. Benchmark.

**AB** This paper investigates the presence of liquidity premia in the relative pricing of assets traded on the Spanish government securities market. First, we propose a classification of bonds into four different categories based on their degree of liquidity. Second, we estimate liquidity premia, including liquidity parameters in the estimation of the zero-coupon yield curve. The results suggest the existence of a liquidity premium for post-benchmark bonds (both strippable and non-strippable). The size of this premium is relatively small. In the case of pre-benchmark bonds, the lack of liquidity does not seem to be priced. We also show that these pricing discrepancies are robust to the impact of taxes on bonds.

**Althaler, Karl S.**

**PD** October 2000. **TI** DEA Problems Under Geometrical or Probability Uncertainties of Sample Data. **AU** Althaler, Karl S.; Slavova, Tatjana. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 89; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 23. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C81, D81, H72. **KW** DEA. Sample Data. Uncertainty. Linear Programming. Minimax Optimization. Stochastic Optimization. Stochastic Frontier.

**AB** This paper discusses the theoretical and practical aspects of new methods for solving DEA problems under real-life geometrical uncertainty and probability uncertainty of sample data. The proposed minimax approach to solve problems with geometrical uncertainty of sample data involves an implementation of linear programming or minimax optimization, whereas the problems with probability uncertainty of sample data are solved through implementing of econometric and new stochastic optimization methods, using the stochastic frontier functions estimation.

**Altonji, Joseph G.**

**PD** July 1999. **TI** The Extent and Consequences of Downward Nominal Wage Rigidity. **AU** Altonji, Joseph G.; Devereux, Paul J. **AA** Altonji: Northwestern University and

NBER. Devereux: University of California, Los Angeles. **SR** National Bureau of Economic Research Working Paper: 7236; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 28. **PR** \$5.00. **JE** E24, E31, J33. **KW** Wage Flexibility. Nominal Rigidity. Wage Dynamics. **AB** Using the panel study of Income Dynamics we find that true wage changes have many fewer nominal cuts and more nominal freezes than reported nominal wage change. The data overwhelmingly rejects a model of flexible wage change and provides some evidence against a model of perfect downward flexibility in favor of a more general model. The more general model incorporates downward rigidity but specifies that nominal wage cuts may occur when large cuts would occur in the absence of the wage rigidity. However, the results of the general model imply that nominal wage cuts are rare. We also analyze the personnel files of large corporation and find cuts in base pay are rare and almost always associated with changes in full time status or a switch between compensation schemes involving incentives. Our evidence on the consequences of nominal wage rigidity is mixed. We find modest support for the hypothesis that workers who are overpaid because of nominal wage rigidity are like less likely to quit.

**Amable, Bruno**

**PD** May 1999. **TI** Identifying the Structure of Institutions to Promote Innovation and Growth. **AU** Amable, Bruno; Petit, Pascal. **AA** Amable: CEPREMAP-Universite de Lille. Petit: CEPREMAP-CNRS. **SR** CEPREMAP Discussion Paper: 9919; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 28. **PR** 25 francs. **JE** B25, D62, E60, O33, O40. **KW** Institutions. Innovation. National Systems. Growth. Complementarity. **AB** This paper investigates the possibility of accounting for the role played by institutions in the dynamics of technical change and growth in a policy oriented perspective. The main question is to choose the institutions relevant for such an analysis. Approaches like that of the National Systems of Innovation start from a sectoral point of view, i.e. science and technology, and progressively extend the range of institutions considered in the analysis with a logic of connection between institutions and fields. Other institutionalist approaches consider the whole range of institutions affecting economic behavior and make no a-priori restrictions. This paper pleads for an intermediate approach where the selection of relevant institutions is guided by the concept of complementarity of institutions. We distinguish two types of institutional complementarities, and we indicate some possible developments relevant for economic policy.

**Amato, Jeffery D.**

**PD** October 1999. **TI** Monetary Policy in an Estimated Optimization-Based Model With Sticky Prices and Wages. **AU** Amato, Jeffery D.; Laubach, Thomas. **AA** Amato: Bank for International Settlements. Laubach: Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/09; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmmain.htm). **PG** 31. **PR** no charge. **JE** E31, E32, E52. **KW** Nominal Wage. Price Rigidity. Interest Rate Rules. Minimum Distance.

**AB** This paper serves two purposes. First, it provides estimates of an optimization-based equilibrium model with sticky prices and wages. Second, the estimated model is used to analyze the welfare properties of various interest rate rules for conducting monetary policy. As shown by Erceg et al. (1999), an important feature of this model is that it involves a tradeoff between the variances of price and wage inflation and the output gap. This tradeoff implies that it is desirable for the monetary authority to respond to more than inflation, output, and past interest rates when setting the current interest rate. Indeed, the welfare optimal policy can be approximated with responses to both price and wage inflation and the past interest rate. By contrast, rules that call for a strong response to either detrended output or the output gap result in a much lower level of welfare.

**PD** October 1999. **TI** Forecast-Based Monetary Policy. **AU** Amato, Jeffery D.; Laubach, Thomas. **AA** Amato: Bank for International Settlements. Laubach: Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/10; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmmain.htm). **PG** 27. **PR** no charge. **JE** E31, E32, E52. **KW** Inflation Targeting. Nominal Wage. Price Rigidity. Interest Rate Rules.

**AB** A number of central banks use (published or unpublished) forecasts of goal variables as key ingredients in their decisions for instrument settings. This use of forecasts is modelled as a particular form of objective with the minimization of which the central bank is charged. We use an estimated optimization-based model with staggered price and wage setting to analyze the welfare properties of such objectives and their implications for the form of instrument rules. We find that stabilizing expected price inflation at a horizon of two years around target dominates policies of stabilizing inflation at shorter or longer horizons. However, stabilizing all fluctuations, not just forecastable ones, in both wage and price inflation leads to the closest approximation to the welfare-optimal rule.

**Andersen, Palle**

**PD** December 1999. **TI** A Note on Alternative Measures of Real Bond Rates. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 1999/25; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 33. **PR** no charge. **JE** E31, E43, E47. **KW** Inflationary Expectations. Real Bond Rates. Co-Integration.

**AB** The purpose of this note is to derive measures of ex ante long-term real interest rates that satisfy Fisher's notion of a long-run relationship between expectations of inflation and nominal interest rates. We do so by adopting a backward-looking approach that also takes account of the increasing integration of financial markets by allowing for global influences of national bond rates. The results point to long memories in the inflation formation process as well as to significant international linkages. Moreover, once these effects are allowed for, expectations of inflation and long-term bond rates appear to be co-integrated with co-integration vectors of unity. However, whether the measures derived provide better estimates of agents' actual perceptions of ex ante real rates than those commonly used remains to be seen, as we do not test their

forecasting ability.

### Andersen, Torben M.

**PD** December 2000. **TI** Nominal Rigidities and the Optimal Rate of Inflation. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/19; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 20. **PR** no charge. **JE** E31, E52. **KW** Nominal Rigidities. Allocative Efficiency. Optimal Inflation Rate.

**AB** Inflation may enhance the efficiency of the price system in the presence of nominal rigidities. For the price system to function efficiently there is a need for nominal prices to adjust both to real and nominal shocks for relative prices to disseminate the appropriate signals. Since the incentive for price setters to change prices depends not only on the costs of changing prices but also on the realized shocks, it follows that the rate of inflation may affect the incentive to change prices. The higher the rate of inflation the larger the incentive to change prices, and in the presence of real shocks requiring adjustment of relative prices this may lead to a better functioning price system. Empirical evidence supports that nominal rigidities are more prevalent at low rates of inflation. It follows that there can be welfare costs of targeting inflation at too low a level.

**PD** December 1999. **TI** Product Market Integration and European Labour Markets. **AU** Andersen, Torben M.; Haldrup, Niels; Sorensen, Jan Rose. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 1999/26; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 28. **PR** no charge. **JE** F12, J31. **KW** Integration. Market Power. Wage Convergence.

**AB** European labor markets are in a state of flux due to the changing market situation induced by international integration. This process affects wage formation through more intense product market competition and increased mobility of jobs. This development is by some observers taken to enforce labor market flexibility, while, for others it signals an erosion of social standards and possibly the welfare society. Since labor in Europe is not very mobile, the effects of international integration are mostly indirect via product market integration. We review the channels through which product market integration affects labor markets and perform an empirical analysis of the convergence and interdependencies in wage formation among EU-countries. We find that integration is changing labor market structures and inducing wage convergences as well as stronger wage interdependencies, but it is a gradual process. Moreover, the present study neither provides support for the notion that international integration will lead to a "race to the bottom" and rapidly erode domestic labor market standards nor that it will relieve politicians of the need to consider labor market reforms to improve labor market performance.

**PD** December 1999. **TI** Noisy Financial Signals and Persistent Effects of Nominal Shocks in Open Economies. **AU** Andersen, Torben M.; Beier, Niels C. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 1999/28; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C,

Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 81. **PR** no charge. **JE** E32, F41. **KW** Exchange Rates. Imperfect Information. Learning. Nominal Shocks. Persistence. Temporary Shocks. Permanent Shocks.

**AB** Floating exchange rates display substantial short-run volatility implying that agents face a nontrivial information problem when seeking to disentangle temporary from permanent changes. Agents accumulate information and learn over time, and we analyze whether this basic information problem in the presence of nominal contracts can account for persistent effects of nominal shocks. Specifically we use a general equilibrium two-country model with specialized production and one-period nominal contracts and consider the propagation of nominal shocks over time. Informational problems are shown to have important qualitative and potentially strong quantitative importance for the propagation of nominal shocks.

### Andres, J.

**PD** June 2000. **TI** Monetary Policy and Exchange Rate Behavior in the Fiscal Theory of the Price Level. **AU** Andres, J.; Ballabriga, F.; Valles, Javier. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0004; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 41. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E31; E63; F31. **KW** Fiscal Theory. Price Level. Exchange Rates. Endogenous Rules.

**AB** The fiscal theory of the price level has challenged the conventional view that monetary factors drive prices and exchange rates and has also provided a rationale for fiscal restrictions in a monetary union. This paper reviews the main results and compelling criticisms of this theory, analyzing the effects of monetary and fiscal shocks under a fiscal regime. We pay special attention to the determinants of the exchange rate and to the ways to eliminate the exchange rate indeterminacy that arise under interest rate peg.

### Antoci, Angelo

**PD** November 1999. **TI** Negative Externalities as the Engine of Growth in an Evolutionary Context. **AU** Antoci, Angelo; Bartolini, Stefano. **AA** Antoci: University of Sassari, Italy. Bartolini: University of Trento, Italy. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 83/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 24. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D62, O40, Q20. **KW** Externalities. Growth. Renewable Resources. Environment. Evolutionary Games.

**AB** The authors present a simple growth model which has two original features: the strategic context considered, which is an evolutionary game, and the growth mechanism described, in which growth is caused by negative externalities. In this model welfare depends on three goods: leisure, a free environmental renewable resource, and a non-storable output. The environmental resource is subject to negative externalities, that is, it is deteriorated by the production of the output. Faced with a forced reduction of the resource, agents may react by increasing the labor supply in order to produce and consume substitutes for the diminishing resource. The increase in production and consumption that follows, i.e. growth, generates

a further deterioration of the environmental resource, thus giving rise to a self-feeding growth process. The conditions under which multiple equilibria and Pareto-worsening growth dynamics arise, are analyzed. Besides showing the logical possibility that negative externalities are the engine of growth, the authors suggest practical relevance. They suggest that the model may be interpreted as a push development model and that it may also contribute to explain some aspects of growth in advanced countries.

### Arellano, Manuel

**TI** The Distribution of Earnings in Spain during the 1980s: The Effects of Skill, Unemployment, and Union Power. **AU** Bover, Olympia; Bentolila, Samuel; Arellano, Manuel.

### Argimon, Isabel

**TI** Does Public Ownership Affect Business Performance? Empirical Evidence with Panel Data from the Spanish Manufacturing Sector. **AU** Hernandez de Cos, Pablo; Argimon, Isabel; Gonzalez-Paramo, Jose M.

### Armour, John

**PD** March 2000. **TI** Rethinking Receivership. **AU** Armour, John; Frisby, Sandra. **AA** Armour: University of Cambridge. Frisby: University of Nottingham. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP159; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 64. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** G21, G33, G34, K22. **KW** Banks. Corporate Insolvency. Debt Governance. Secured Credit.

**AB** A popular perception is that administrative receivers and their appointers hold 'too much' power in relation to troubled companies. Consideration of this issue is timely, because insolvency law is currently under review. We argue although the law's formal structure is imbalanced, this can nevertheless generate savings for parties by allowing a concentrated creditor who has invested in information-gathering about the debtor to conduct a private insolvency procedure. We suggest that this procedure is likely to be more efficient than one conducted by a state official, and that it facilitates debt-based governance, a matter of particular importance for small and medium-sized businesses.

**PD** September 2000. **TI** Norms in Private Insolvency Procedures: The 'London Approach' to the Resolution of Financial Distress. **AU** Armour, John; Deakin, Simon F. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP173; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 60. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** G33, G38, K22, Z13. **KW** Social Norms. Corporate Insolvency. London Approach. Norm Seeding.

**AB** Law and economics scholarship has recently begun to investigate the role of social norms in shaping actors' incentives. This paper presents empirical findings on the way in which a group of such norms, known collectively as the "London Approach", guide the resolution of financial distress by creditors of large UK firms and act as a substitute for legal

insolvency proceedings. It appears that regulatory pressure applied by the Bank of England may have been critical in "seeding" these norms. The paper also examines the prospects for the London Approach's future in light of changes in the financial environment brought about by globalization.

**PD** December 1999. **TI** Share Capital and Creditor Protection: Efficient Rules for a Modern Company Law? **AA** University of Nottingham. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP148; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 26. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** G32, G38, K12, K22. **KW** Corporate Law. Default Rules. Creditor Protection. Share Capital.

**AB** This paper examines the economic case for rules of company law that regulate the raising and maintenance of share capital by companies. The enquiry has practical relevance because the content of company law is currently under review, and the rules relating to share capital have been singled out for particular attention. The existing rules apply to all companies and are commonly rationalised as a means of protecting corporate creditors. The paper asks whether such rules can be understood as an efficient response to failure(s) in markets for corporate credit. It argues that whilst the current rules are unlikely to enhance the efficiency of the markets that they regulate, a tentative case may be made for a framework in which companies 'opt in' to rules, which restrict dealings in share capital.

### Arora, Ashish

**PD** July 1999. **TI** Quality Certification and the Economics of Contract Software Development: A Study of the Indian Software Industry. **AU** Arora, Ashish; Asundi, Jai. **AA** Arora and Asundi: Carnegie Mellon University. **SR** National Bureau of Economic Research Working Paper: 7260; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 35. **PR** \$5.00. **JE** L11, L15, L86. **KW** Certification. India. Software Development.

**AB** A significant amount of software development is being outsourced to countries such as India. Many Indian software firms have applied for and received quality certifications like the ISO9001, and the number of quality certified software firms has steadily increased. Despite its growing popularity among Indian software developers, there is very little systematic evidence on the relationship of ISO certification to organizational performance. Using data on 95 Indian software firms and their US clients, we develop a stylized model of firm that develops software for others to articulate the different ways in which ISO certification can affect firm profits. We conclude that ISO certification enhances firm growth. The results provide partial support for the proposition that ISO certification also enhances revenue for given size, suggesting that firms are receiving a higher price per unit of output. In turn, this is consistent with the notion that ISO certification also enhances the quality of output. Our field studies confirm that although most firms see ISO certification as a marketing ploy, some of them do proceed to institute more systematic and better-defined processes for software development.

**Arora, Vivek**

**PD** August 2000. **TI** How Does U.S. Monetary Policy Influence Economic Conditions in Emerging Markets? **AU** Arora, Vivek; Cerisola, Martin. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/148; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 27. **PR** not available. **JE** E43, F36, G15. **KW** U. S. Policy. Monetary Policy. Emerging Markets. Sovereign Spreads. Herding. Contagion.

**AB** This paper quantifies the economic impact of changes in U.S. monetary policy on emerging market countries. We explore empirically how country risk, as proxied by sovereign bond spreads, is influenced by U.S. monetary policy, country-specific fundamentals, and conditions in global capital markets. In addition, we simulate the direct effects of a tightening in U.S. monetary policy on economic conditions in developing countries. While country-specific fundamentals are important in explaining fluctuations in country risk, the stance and predictability of U.S. monetary policy are also important for stabilizing capital flows and capital market conditions and fostering economic growth in developing countries.

**Arping, Stefan**

**PD** July 2000. **TI** Debt and Product Market Fragility. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/21; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 22. **PR** no charge. **JE** G32, G33, L11. **KW** Debt. Liquidation Costs. Business Policy. Financing Decisions. Market Fragility.

**AB** This paper studies the interplay between corporate leverage and product pricing when liquidation is costly for customers. I develop a model that illustrates that highly leveraged firms can enter a vicious circle in which financial distress and sales drops are re-enforcing. There is a "good" equilibrium in which the firm is in good financial shape. However, when leverage is excessive there is also "bad" equilibrium in which consumers' pessimistic perceptions about the firm's financial health become self-fulfilling. Moreover, whenever the "bad" equilibrium exists the "good" equilibrium is highly fragile in that a small shock can trigger a spiral of sales drops. I show that the firm can avoid the "bad" equilibrium by not fully exercising market power (i.e. cutting prices) and reducing leverage. The model sheds light on why highly leveraged companies often face severe sales drops and how price cuts and debt restructurings can help to restore customer confidence.

**PD** August 2000. **TI** Is Bank Industrial Ownership Anti-Competitive? **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/22; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 32. **PR** no charge. **JE** G24, G28, G33, L44. **KW** Banking. Bank Ownership. Antitrust Regulation. Bank Investments.

**AB** Since the heyday of US "financial capitalism" there is a persistent policy concern that industrial ownership by banks could foster industry concentration. This paper illustrates that bank industrial ownership can indeed be anti-competitive when banks are allowed to hold excessively large equity positions in

incumbent firms. However, bank industrial ownership can be even pro-competitive when banks' equity stakes are sufficiently small. An equity stake in an incumbent allows the investor of a financially constrained entrant to harden the entrant's budget constraint. This disciplines the entrant which makes the investor willing to give (more) credit to the entrant. Thus, I provide an antitrust motivation for regulatory policies that limit but do not prohibit industrial equity investments by banks.

**Arteta, Carlos**

**TI** Banking Crises in Emerging Markets: Presumptions and Evidence. **AU** Eichengreen, Barry; Arteta, Carlos.

**Ashenfelter, Orley**

**PD** October 2000. **TI** How Did the Elimination of Mandatory Retirement Affect Faculty Retirement? **AU** Ashenfelter, Orley; Card, David. **AA** Ashenfelter: Princeton University and NBER. Card: University of California, Berkeley and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 448; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 60. **PR** \$2.00. **JE** I21, J26. **KW** Mandatory Retirement. Faculty Retirement. Colleges.

**AB** We use information on retirement flows over the 1986-96 period for older faculty at a large sample of four year colleges and universities to measure the effect of the elimination of mandatory retirement. Comparisons of retirement rates before and after 1994, when most institutions were forced to stop mandatory retirement, suggest that the abolition of compulsory retirement led to a dramatic drop in retirement rates at ages 70 and 71. Comparisons of retirement rates in the early 1990s between schools that were still enforcing mandatory retirement, and those that were forced to stop by state laws, lead to the same conclusion. In the era of mandatory retirement, fewer than 10 percent of 70-year-old faculty were still teaching two years later. After the elimination of mandatory retirement this fraction has risen to 50 percent. Our findings suggest that most U.S. colleges and universities will experience a significant rise in the fraction of older faculty in the coming years.

**PD** October 1999. **TI** A Review of Estimates of the Schooling/Earnings Relationship, with Tests for Publication Bias. **AU** Ashenfelter, Orley; Harmon, Colm; Oosterbeek, Hessel. **AA** Ashenfelter: Princeton University and NBER. Harmon: University College, Dublin and CEPR. Oosterbeek: Tinbergen Institute and University of Amsterdam. **SR** Princeton University, Industrial Relations Section Working Paper: 425; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 26. **PR** \$1.50. **JE** I21, I28. **KW** Estimation Method. Rate of Return. Schooling Investments.

**AB** In this paper we provide an analytical review of previous estimates of the rate of return on schooling investments and measure how these estimates vary by country, over time, and by estimation method. We find evidence of reporting (or "file drawer") bias in the estimates and, after due account is taken of this bias, we find that differences due to estimation method are much smaller than is sometimes reported, although some are statistically significant. We also find that estimated returns are higher in the U.S. and they have increased in the last two



decades.

### Askenazy, Philippe

**PD** January 2000. **TI** French Laws of Work-Sharing to 35 Hours: Constraint or Laissez-Faire? **AA** CNRS, CEPREMAP. **SR** CEPREMAP Discussion Paper: 0002; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 34. **PR** 25 francs. **JE** J21, J28, J51, K31, L23. **KW** Work-sharing. Union Employer Bargaining. Organizational Change. Employment.

**AB** This paper offers a theoretical assessment of the two laws on the 35 hours -- the lois Aubry. On the one hand, these laws impose a new constraint because they dramatically reduce the legal annual working time. On the other hand, they loosen constraints on liberty of workplace organization and on workplace conditions in union/employer agreements. A structural model of bargaining over wages and workplace conditions/organizations is therefore necessary to capture the consequences of the Aubry laws. The Aubry laws do more than basic work-share laws such as those of 1982. The marginal effort for workers of a higher flexibility or intensity decreases with the reduction of the average working time; and the employer is able to finance the transition to 35 hours thanks to the improvements in efficiency from the organizational changes. 35 hours, taxation of overtime hours, and incentives to bargain are studied first in partial equilibrium, then in general equilibrium. It appears that Aubry's laws can significantly improve employment in the short-run thanks to the social tax cuts that they offer to employers. However, in general equilibrium, more than creating jobs, they should improve production efficiency and remuneration for work.

### Asundi, Jai

**TI** Quality Certification and the Economics of Contract Software Development: A Study of the Indian Software Industry. **AU** Arora, Ashish; Asundi, Jai.

### Athreye, Suma S.

**PD** March 2000. **TI** Sources of Increasing Returns and Regional Innovation in the UK. **AU** Athreye, Suma S.; Keeble, David. **AA** Athreye: Manchester School of Management. Keeble: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP158; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 38. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** H42, O31, O33, R32. **KW** Regional Economics. Production Analysis and Firm Location. Technological Change. Publicly Provided Goods. Business Services.

**AB** This empirical paper investigates the impact of different sources of increasing returns on firm innovative behavior in different regions of the UK. Of the different sources of increasing returns, the impact of intermediation and the emergence of specialized markets on the probability of innovation is of particular interest to this analysis. The existing literature on regional development in the UK strongly suggests that the South East has many features that may characterize an economy growing with a greater division of labor. These are less evident in the Industrial Heartland region of northern England. Other influences on innovation such as the impact of

regional public R&D and dynamic economies of scale due to learning within a firm are also considered.

**PD** June 1999. **TI** The Determinants of Firm Innovative Behaviour: The Roles of Rivalry and Persistence. **AA** Manchester School of Management, UMUST, UK. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP131; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 20. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L21, L22, L23, L63, L86. **KW** Determinants of Innovation. Market Structure. Evolutionary Models. Technological Change. Innovation Persistence. Computer Industry. Tobit Models.

**AB** This paper studies the determinants of innovative activity using an analytical framework that synthesizes different views on this subject and an empirical testing that draws upon a detailed firm-level data set from the UK computer sector. At the heart of the synthesis of different views is the idea that competition or rivalry can be defined both in terms of market power and in terms of the distribution of competencies. The empirical analysis finds that the determinants and dynamics of innovation and market structure are different between software and hardware firms, as is the role of persistence. Both notions of competition and the resources required for innovation explain the extent of innovative behavior. However, persistence is important when it is the resources and costs of innovation that explain innovative behavior. Rivalry as a determinant of innovation does not favor persistence.

### Auerbach, Paul

**PD** December 2000. **TI** Skill Asymmetries, Increasing Wage Inequality and Unemployment. **AU** Auerbach, Paul; Skott, Peter. **AA** Auerbach: Kingston University, England. Skott: University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/18; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 34. **PR** no charge. **JE** E24, E25, J31, O33. **KW** Wage Inequality. Unemployment. Skill-Bias. Hicks-Neutrality. Credentialism.

**AB** Using a simple model with two levels of skill, we assume that high-skill workers who fail to get high-skill jobs may accept low-skill positions; low-skill workers do not have the analogous option of filling high-skill positions. This asymmetry implies that a slowdown in Hicks-neutral technical change (or other adverse, skill-neutral shocks) may cause an increase in wage inequality, both between and within skill categories, as well as an increase in unemployment, especially among low-skill workers. Movements in productivity, unemployment and inequality may thus be linked to induced overeducation and credentialism.

### Ayuso, Juan

**PD** January 2000. **TI** Has Financial Market Integration Increased During the Nineties? **AU** Ayuso, Juan; Blanco, Roberto. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 9923; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 36. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment

accepted only in Spanish currency. **JE** G15, F36. **KW** Financial Market Integration. Financial Market Linkages. Stochastic Discount Factor.

**AB** This paper analyses whether there has been an increase in the degree of financial market integration during the nineties. To do this, we focus on stock markets and compute, first, a number of standard measures of co-movements that some times are interpreted as measures of financial integration. In our view, they only measure financial market linkages. In any case, this analysis allows us to make a more formal assessment of the actual increase in linkages and, at the same time, highlights the shortcomings of these measures of financial market integration. In the second part of the paper we compute two alternative measures of market integration based on a refinement of the approach suggested by Chen and Knez (1995). The main advantage of this approach is that it relies on the condition of absence of arbitrage opportunities -- which is directly related to the idea that more integration means less barriers to trade across markets -- and does not depend on any particular asset pricing model. The evidence found suggests that during the nineties there has been an increase of the degree of market integration between stock markets.

**PD** October 2000. **TI** A Model of the Open Market Operations of the European Central Bank. **AU** Ayuso, Juan; Repullo, Rafael. **AA** Ayuso: Banco de Espana. Repullo: Centro de Estudios Monetarios y Financieros. **SR** Banco de Espana, Documentos de Trabajo: 0016; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala. 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 36. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** D44, E52, E58. **KW** European Central Bank. Monetary Instruments. Open Market Operations. Tender Procedures. Monetary Auctions.

**AB** We construct a model to analyze the two types of tender procedures used by the European Central Bank (ECB) in its open market operations. We assume that the ECB minimizes the expected value of a loss function that depends on the quadratic difference between the interbank rate and a target interest rate that characterizes the stance of monetary policy. We show that when the loss function penalizes interbank rates below the target more heavily, fixed rate tenders have a unique equilibrium characterized by extreme overbidding. We also show that variable rate tenders have multiple equilibria characterized by varying degrees of overbidding, and that in these tenders an equilibrium without overbidding can be obtained by preannouncing the intended liquidity injection. Finally, our empirical analysis supports the assumption of an asymmetric loss function for the ECB.

**PD** March 2001. **TI** Why Did the Banks Overbid? An Empirical Model of the Fixed Rate Tenders of the European Central Bank. **AU** Ayuso, Juan; Repullo, Rafael. **AA** Ayuso: Banco de Espana. Repullo: CEMFI and CEPR. **SR** Banco de Espana, Documentos de Trabajo: 0105; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala. 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 14. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** D44, E52, E58. **KW** European Central Bank. Open Market Operations. Money Auctions. Bidding Behavior.

**AB** This paper tests two hypotheses for the overbidding behavior of the banks in the fixed rate tenders conducted by the

European Central Bank (ECB) from January 1999 until June 2000. One hypothesis attributes the overbidding to the expectations of a future tightening of monetary policy, while the other attributes it to the liquidity allotment decisions of the ECB. The model is estimated with individual bidding data of the Spanish banks, and also with aggregate bidding data of all Spanish banks and all banks in the Euro area. The empirical results provide support for the second hypothesis.

### Bacharach, Michael

**PD** July 2000. **TI** The Quality of Information in Electronic Groups. **AU** Bacharach, Michael; Board, Oliver. **AA** Bacharach: University of Oxford. Board: Brasenose College, Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 25; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 31. **PR** no charge. **JE** C72, C73, L15, L86. **KW** Internet Economics. Discussion Groups. Reputation.

**AB** We examine some of the factors that might influence the quality of information produced in discussion groups on the internet, such as USENET and the WELL. In particular, we look at the impact of different pricing structures, and compare regimes in which anonymity is enforced with regimes in which all contributors must identify themselves. Our main finding is that the flow of quality-weighted information within the group is maximized by a regime which front-loads the cost of sending messages, and identification is required. If there is a positive spillover from the intra-group transmission of good quality information, however, benefiting society at large, then the social value of the flow of quality-weighted information may be maximized by a different regime, in which all replying is anonymous. Reputation effects play a key role in our analysis: posters who have sent high quality messages in the past are considered more likely to send high quality messages in the future, and are thus more likely to be taken notice of.

### Baig, Taimur

**PD** October 2000. **TI** The Russian Default and the Contagion to Brazil. **AU** Baig, Taimur; Goldfajn, Ilan. **AA** Baig: International Monetary Fund. Goldfajn: Pontificia Universidad de Catolica. **SR** International Monetary Fund Working Paper: WP/00/160; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 47. **PR** not available. **JE** F31, F32, F33, F41, G15. **KW** Brazil. Russia. Contagion. Exchange Rate. Off-Shore Markets.

**AB** This paper investigates the contagion from Russia to Brazil in late 1998 under two dimensions -- players involved and the timing of events. The data does not seem to reflect a compensatory liquidation of assets story by international institutional investors. It does contribute, however, to the suspicion that the contagion was triggered by foreign investors panicking from the Russian crisis, and joining local residents on their speculation against the Brazilian real. Adjusted correlations in the Brady market increase significantly during the crisis, which lends support to the view that if there was a contagion from Russia to Brazil, the most likely place of the transmission was the off shore Brady market. Finally, the paper does not support the hypothesis that it was the liquidity crisis in mature markets, and not the Russian crisis, that timed the crisis in Brazil.

**Balakrishnan, Ravi**

**PD** February 2001. **TI** The Interaction of Firing Costs and On-The-Job Search: An Application of a Search Theoretic Model to the Spanish Labour Market. **AA** Bank of England. **SR** Banco de Espana, Documentos de Trabajo: 0102; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 28. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** J63, J64. **KW** Job Search. Firing Costs. Spain. **AB** Spain has had a serious structural unemployment problem for the last 20 years. This paper argues that the interaction of firing costs and job-to-job flows added to changes in unemployment benefits could provide an explanation for equilibrium unemployment increasing, since 1984. First, we construct a new series of job-to-job flows and show it is significantly trended upwards and positively related to the stock of fixed term contracts. Second, we develop a search theoretic model, with firing permissions and on-the-job search, and simulate it for Spain. We show that the model can provide an explanation for the evolution of structural unemployment in Spain. Finally, we argue that an increase in the level of equilibrium unemployment can occur at the same time that the economy becomes less dynamically sclerotic. Though in the case of Spain, since 1992, the equilibrium unemployment rate has probably fallen whilst the economy has continued becoming less dynamically sclerotic.

**Ballabriga, F.**

**TI** Monetary Policy and Exchange Rate Behavior in the Fiscal Theory of the Price Level. **AU** Andres, J.; Ballabriga, F.; Valles, Javier.

**Barberis, Nicholas**

**PD** July 1999. **TI** Prospect Theory and Asset Prices. **AU** Barberis, Nicholas; Huang, Ming; Santos, Tano. **AA** Barberis: University of Chicago and NBER. Huang: Stanford University. Santos: University of Chicago. **SR** National Bureau of Economic Research Working Paper: 7220; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 34. **PR** \$5.00. **JE** G12. **KW** Asset Pricing. Prospect Theory. Risk Aversion. Stock Returns. **AB** The authors propose a new framework for pricing assets, derived in part from the traditional consumption-based approach, but which also incorporates two long-standing ideas in psychology: prospect theory, and evidence on how prior outcomes affect risky choice. Consistent with prospect theory, the investor in the authors' model derives utility not only from consumption levels but also from changes in the value of his financial wealth. He is much more sensitive to reductions in wealth than to increases. Moreover, consistent with experimental evidence, the utility he receives from gains and losses in wealth depends on his prior investment outcomes; prior gains cushion subsequent losses -- the so called "house-money" effect -- while prior losses intensify the pain of subsequent shortfalls. The authors study asset prices in the presence of agents with preferences of this type, and find that their model reproduces the high mean, volatility, and predictability of stock returns. The key to their results is that the agent's risk-aversion changes over time as a function of his

investment performance. This makes prices much more volatile than underlying dividends and together with the investor's loss-aversion, leads to large equity premia.

**Bardhan, Pranab**

**PD** December 1999. **TI** Relative Capture of Local and Central Governments: An Essay in the Political Economy of Decentralization. **AU** Bardhan, Pranab; Mookherjee, Dilip. **AA** Bardhan: University of California, Berkeley. Mookherjee: Boston University. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C99/109; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/iber/wps/ciderwp.htm](http://www.haas.berkeley.edu/iber/wps/ciderwp.htm). **PG** 44. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** H71, H72, H77. **KW** Capture. Decentralization. Electoral Competition. Local Government.

**AB** A common presumption is that decentralization is prone to a potential pitfall owing to the greater vulnerability of local governments to capture by local elites. We investigate the determinants of relative capture of local and national governments theoretically, in the context of an extended version of the Baron-Grossman-Helpman model of electoral competition with lobbying by special interest groups. A number of factors do provide support to the traditional presumption, such as reduced cohesiveness of interest groups, higher levels of voter awareness, and greater electoral competition at the national level. A number of other factors may, however, create an opposite tendency for lower capture at the local level. We conclude that empirical research is necessary to investigate the extent and determinants of relative capture.

**Barnes, William**

**TI** The Fragility of Functional Work Systems in American Steel. **AU** Konzelmann, Suzanne J.; Barnes, William.

**Barnett, Steven**

**PD** July 2000. **TI** Evidence on the Fiscal and Macroeconomic Impact of Privatization. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/130; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 24. **PR** not available. **JE** E62, H63, L33. **KW** Privatization.

**AB** This paper empirically investigates the relationship between privatization and measures of fiscal and macroeconomic performance. One of the main findings is that privatization proceeds transferred to the budget tend to be saved. Specifically, they are largely used to reduce domestic financing, with little evidence that they are used to finance a larger deficit. However, by construction, this part of the study is restricted to privatization proceeds transferred to the budget, leaving open the question of what happens to those proceeds not transferred to the budget. The other main finding is that total privatization (as opposed to just the proceeds transferred to the budget) is correlated with an improvement in macroeconomic performance as manifested in higher real GDP growth and lower unemployment. However, this result needs to be interpreted cautiously as the evidence is not sufficient to establish causality.

**Barr, Nicholas**

**PD** August 2000. **TI** Reforming Pensions: Myths, Truths,

and Policy Choices. AA London School of Economics. SR International Monetary Fund Working Paper: WP/00/139; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 56. PR not available. JE G23, H11, H55, J14. KW Pensions. Funding. Pay-as-you-Go. Demographic Change.

AB This paper discusses the strategic building blocks of pension reform. The early sections set out the simple economics of pensions and discuss a series of myths which have proved remarkably persistent. Subsequent sections draw together the conclusions for policy design from earlier theoretical discussion, set out the prerequisites which any pension reform must respect, and discuss the range of choices facing policymakers. The main conclusions are threefold: the key variable is effective government; from an economic perspective the difference between PAYG and funding is second order; and the range of potential choice over pension design is wide.

#### Barrow, Lisa

TI Using Market Valuation to Assess the Importance and Efficiency of Public School Spending. AU Rouse, Cecilia Elena; Barrow, Lisa.

#### Bartolini, Leonardo

PD October 2000. TI Banks' Reserve Management, Transaction Costs, and the Timing of Federal Reserve Intervention. AU Bartolini, Leonardo; Bertola, Giuseppe; Prati, Alessandro. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/00/163; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 34. PR not available. JE G21, E52. KW Reserve Requirements. Interest-Rate Smoothing. Value of Waiting.

AB We use daily data on bank reserves and overnight interest rates to document a striking pattern in the high-frequency behavior of the U.S. market for federal funds: depository institutions tend to hold more reserves during the last few days of each "reserve maintenance period," when the opportunity cost of holding reserves is typically highest. We then propose and analyze a model of the federal funds market where uncertain liquidity flows and transaction costs induce banks to delay trading and to bid up interest rates at the end of each maintenance period.

#### Bartolini, Stefano

TI Negative Externalities as the Engine of Growth in an Evolutionary Context. AU Antoci, Angelo; Bartolini, Stefano.

#### Basu, Susanto

PD April 1999. TI Business Cycles in International Historical Perspective. AU Basu, Susanto; Taylor, Alan M. AA Basu: University of Michigan and NBER. Taylor: Northwestern University and NBER. SR National Bureau of Economic Research Working Paper: 7090; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 23. PR \$5.00. JE C20, C30, E32, F41, N10. KW Business Cycles. Panel Data. Open Economy. Economic History. Model Closure.

AB This paper examines business cycles theoretically and empirically, with a quantitative study based on experience over the long run and in a cross section of countries. Several major questions in business cycle theory are explored. Theoretical

concerns indicate that the properties of business cycle models depend not only on important structural aspects of the model such as money neutrality, labor market structure, and price adjustment, but also on the closure of the model in international markets. Econometric considerations suggest that more information about the country-specific versus universal features of cycles could be gleaned from the study of panel data. A review of business cycle properties in a sample of over a dozen countries is considered in light of these issues.

#### Baxter, Marianne

PD December 2000. TI What Can Account for Fluctuations in the Terms of Trade? AU Baxter, Marianne; Kouparitsas, Michael A. AA Baxter: Boston University and NBER. Kouparitsas: Federal Reserve Bank of Chicago. SR Boston University, Institute for Economic Development Discussion Paper: 112; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: www.bu.edu/econ/ied/. PG 28. PR \$4.00. JE E32, F41. KW Terms of Trade. International Business Cycles.

AB Fluctuations in the terms of trade -- the price of a country's exports relative to the price of its imports -- are a source of perennial concern to policymakers. Terms of trade growth is extremely volatile and can lead to sudden changes in a country's economic health. This paper seeks to understand the sources of fluctuations in the terms of trade. We decompose a country's terms of trade volatility into a component stemming from differences in the composition of import baskets and export baskets, which we define as a "goods price effect," and a component due to cross-country differences in the price of a particular class of goods, which we call a "country price effect." We ask whether the decomposition depends in a clear way on country characteristics -- developed vs. less-developed; exporter of manufactured goods vs. exporter of fuels or other commodities? We provide new evidence on the sources of terms of trade volatility that should be of use to policymakers. The stylized facts that emerge from this analysis will provide guidance for economists seeking to build better models of interdependent economies.

#### Bebchuk, Lucian Arye

PD May 1999. TI Reconsidering Contractual Liability and the Incentive to Reveal Information. AU Bebchuk, Lucian Arye; Shavell, Steven. AA Harvard Law School and NBER. SR National Bureau of Economic Research Working Paper: 7106; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 9. PR \$5.00. JE C70, D82, K12, L14. KW Contracts. Limited Liability. Information. Law.

AB In an earlier work, we analyzed how the legal rules governing contractual liability affect the transfer of information between the parties to the contract. In particular, we showed how limitations on contractual liability might lead high valuation buyers to reveal their valuation of performance, and we identified the circumstances under which such limitations on liability are and are not socially desirable. In an article forthcoming in the *Stanford Law Review*, Barry Adler develops a critique of our analysis, as well as that of Ayres and Gertner, who independently argued that contractual rules can beneficially facilitate information transfers. We reconsider here the subject of contractual liability and the revelation of information and respond to Adler's critique. We find Adler's model to be a natural extension of ours rather than a departure

from it. Our reexamination leads to the conclusion that the informational effects that our work analyzed are important to take into account in designing contract rules.

**PD** July 1999. **TI** Federalism and Takeover Law: The Race to Protect Managers from Takeovers. **AU** Bebchuk, Lucian Arye; Ferrell, Allen. **AA** Bebchuk: Harvard University and NBER. Ferrell: Harvard University. **SR** National Bureau of Economic Research Working Paper: 7232; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 52. **PR** \$5.00. **JE** G34, G38, H70, K22. **KW** Takeovers. Corporate Law. Managers. State Competition.

**AB** This paper analyzes certain important shortcomings of state competition in corporate law. In particular, we show, with respect to takeovers, states have incentives to produce rules that excessively protect incumbent managers. The development of state takeover law, we argue, is consistent with our theory. States have adopted anti-takeover statutes that have little policy basis, and, more importantly, they have provided managers with a wider and more open-ended latitude to engage in defensive tactics than endorsed even by the commentators most favorable to such tactics. Furthermore, states have elected, even though they could have done otherwise, to impose anti-takeover protections on shareholders, who did not appear to favor them, in a way that left shareholders with little choice or say. Finally, we conclude by pointing out that proponents of state competition cannot reconcile their views with the evolution of state takeover law -- and should therefore reconsider their unqualified support of state competition.

**Becht, Marco**

**PD** July 1999. **TI** Transparency of Ownership and Control in Germany. **AU** Becht, Marco; Boehmer, Ekkehart. **AA** Becht: Universite Libre de Bruxelles. Boehmer: Humboldt-Universitat zu Berlin. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 56/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 87. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** G21, G32, G34, G38, K22. **KW** Ownership. Control. Germany. Corporate Transparency. Securities Law.

**AB** We first analyze legal provisions relating to corporate transparency in Germany. We show that despite the new securities trading law (WpHG) of 1995, the practical efficacy of disclosure regulation is very low. On the one hand, the formation of business groups involving less regulated legal forms as intermediate layers can substantially reduce transparency. On the other hand, the implementation of the law is not practical and not very effective. We illustrate these arguments using several examples of WpHG filings. To illustrate the importance of transparency, we show next that German capital markets are dominated by a few large firms accounting for most of the market's capitalization and trading volume. Moreover, the concentration of control is very high. First, 85% of all officially listed AGs have a dominant shareholder (controlling more than 25% of the voting rights). Second, a few large blockholders control several deciding voting blocks in listed corporations, while the majority controls only one block.

**Becker, Sascha O.**

**PD** January 2001. **TI** International Risk Sharing in the

Short Run and in the Long Run. **AU** Becker, Sascha O.; Hoffmann, Mathias. **AA** Becker: European University Institute. Hoffmann: University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0102; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: www.soton.ac.uk. **PG** 21. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** F32, F41, F43, G15. **KW** International Risk Sharing. Consumption. Economic Integration. Panel Data. Vector Autoregression.

**AB** Using a panel of 23 industrialized countries, the paper investigates how short-run and long-run income risks are shared and how the source of uncertainty matters for the way this risk gets insured. Surprisingly, short-term and long-term output risks are found to be equally well insured. Transitory shocks get smoothed almost completely whereas permanent shocks remain 80 percent uninsured. We find a somewhat more important role for international capital markets than earlier studies. Whereas our results tie in with some recent theoretical insights and are consistent with empirical findings on home bias in international portfolios, they raise the question why permanent shocks are so hard to insure internationally.

**Beddies, Christian H.**

**PD** August 2000. **TI** Selected Issues Concerning Monetary Policy and Institutional Design for Central Banks: A Review of Theories. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/140; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 48. **PR** not available. **JE** E31, E32, E51, E52, E61. **KW** Monetary Policy. Time Inconsistency. Coordination. Public Finance.

**AB** In the past decades, much work has been geared toward solving the problem of time inconsistency in monetary policy and analyzing the coordination problem between fiscal and monetary policy. This paper provides a review of the theoretical background to these theories, while also focusing on their inherent problems. It concludes that while the literature makes a strong case for central bank independence, more work should be done in the area of determining the desirable degree of independence with a view to the interplay between fiscal and monetary policy.

**Beggs, Alan**

**PD** July 2000. **TI** Queues and Hierarchies. **AA** Wadham College. **SR** University of Oxford, Department of Economics Discussion Paper: 34; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/. **PG** 31. **PR** no charge. **JE** D23, L22. **KW** Queues. Hierarchies. Organizations. Submodularity.

**AB** This paper examines the optimal structure of hierarchies when workers differ in the range of tasks they can perform. A hierarchical system may reduce costs by allowing most tasks to be handled by unskilled workers. This may however increase delay for those tasks which must pass through several layers before reaching the appropriate level. The paper characterizes an optimal hierarchy when such a trade-off exists.

**PD** October 2000. **TI** Stochastic Evolution with Slow Learning. **AA** Wadham College, Oxford. **SR** University

of Oxford, Department of Economics Discussion Paper: 33; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). PG 29. PR no charge. JE C72, C73. KW Equilibrium Selection. Diffusion Approximation. Evolutionary Game Theory. Risk Dominance. AB This paper studies the extent to which diffusion approximations provide a reliable guide to equilibrium selection results in finite games. It is shown that they do for a class of finite games with weak learning provided that limits are taken in a certain order. The paper also shows that making mutation rates small does not in general select a unique equilibrium but making selection strong does.

#### Beier, Niels C.

TI Noisy Financial Signals and Persistent Effects of Nominal Shocks in Open Economies. AU Andersen, Torben M.; Beier, Niels C.

#### Bekaert, Geert

PD July 1999. TI The Dynamics of Emerging Market Equity Flows. AU Bekaert, Geert; Harvey, Campbell R.; Lumsdaine, Robin L. AA Bekaert: Stanford University and NBER. Harvey: Duke University and NBER. Lumsdaine: Brown University and NBER. SR National Bureau of Economic Research Working Paper: 7219; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 28. PR \$5.00. JE F32, F36, G12, G15, O16. KW Capital Flows. Cost of Capital. Emerging Markets. Structural Breaks. Stock Returns. AB The authors study the interrelationship between capital flows, returns, dividend yields and world interest rates in 20 emerging markets. They estimate a vector autoregression with these variables to measure the degree to which lower interest rates contribute to increased capital flows and shocks in flows affect the cost of capital among other dynamic relations. They precede the VAR analysis by a detailed examination of endogenous break points in capital flows and the other variables. These structural breaks are traced to the liberalization of emerging equity markets. The authors' evidence of structural breaks calls into question past research which estimates VAR models over the full sample. After a liberalization, the authors find that equity flows increase by 1.4% of market capitalization. They also show that shocks in equity flows initially increase returns which is consistent with a price pressure hypothesis. While the effect is diminished over time, there also appears to be a permanent impact. This is consistent with the authors' finding that their proxy for the cost of capital, dividend yields, decreases. Finally, their analysis of the transition dynamics from pre-liberalization to post-liberalization suggests that when capital leaves, it leaves faster than it came in.

#### Bell, Leonie

TI New Evidence of the Impact of Dividend Taxation and on the Identity of the Marginal Investor. AU Jenkinson, Tim; Bell, Leonie.

#### Bennett, Robert

PD June 2000. TI Business Advice: The Influence of Distance. AU Bennett, Robert; Bratton, William; Robson, Paul. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working

Paper: WP167; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). PG 46. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE L29, L89, R19. KW Business Services. Business Consultancy. Business Networks. Localization.

AB This paper examines the external advisors used by small businesses to help them solve their problems, focusing on distance between client and advisor, based on a new stratified random sample survey of small businesses in manufacturing and services in five representative locations in Britain. The analysis demonstrates the importance of localization: 60.5% of advisors are drawn from within 10km of the client, and 81.5% from within 25km. The high degree of localization is shown to be chiefly dependent on accessibility and advisor location. The general pattern of client-advisor relations is modeled accurately by a standard spatial interaction model. A key finding is that the spatial pattern of the location of the supply of advisors, particularly the size of the business centers in which they are located, must be taken into account simultaneously with the role of distance in order to explain the pattern of choice of business advisors.

PD September 2000. TI The Small Business Service: Business Support, Use, Fees and Satisfaction: Econometric Estimates. AU Bennett, Robert; Robson, Paul. AA Bennett: University of Cambridge. Robson: University of Aberdeen. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP181; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). PG 48. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE L52, L84, M13. KW Business Advice. Client Satisfaction. Business Services. Business Link.

AB This paper seeks to assess advice and information support for firms provided by the Small Business Service (SBS) Business Link, using a new survey of client use, satisfaction and experience of service fees. The general level of satisfaction with and use of the service is high, but vary considerably between areas. There is also strong variation in satisfaction between services, with grants, diagnostic assessment, financial and accounting advice having low ratings. Charging a fee for services has been claimed by the SBS to improve the client's sense of value, but little positive association is found, and for four services charging a fee decreases satisfaction. The SBS has many strengths to build upon, but will need to introduce a step change in performance in some areas and some services, and should reconsider its commitment to using fees as a means of creating a sense of value among its clients.

PD September 2000. TI Government Advice Networks for SMEs: An Assessment of the Influence of Local Context on Business Link Use, Impact and Satisfaction. AU Bennett, Robert; Robson, Paul; Bratton, William. AA Bennett and Bratton: University of Cambridge. Robson: University of Aberdeen. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP182; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). PG 44. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE L52, L84, M13.

**KW** Business Advice. Business Link. Consultancy. Logit. Ordered Logit.

**AB** Business Link in Britain is one of the main recent government initiatives to support SMEs in the EU. The paper uses a 1997 survey to determine how Business Link use, impact and satisfaction are influenced by firm characteristics, local partnership characteristics, local geographical context, service intensity and other explanatory variables. Presenting econometric estimates based on logit and ordered logit models, it demonstrates that local context is not very significant to service use, impact or satisfaction, but local Business Link management and adviser performance are important influences on impact and satisfaction. Major differences in the way SMEs use government-backed services are also found. These are high volumes of use of 'gateway' information services producing only low impact, and low volumes but high impacts and satisfaction with intensive advice services governed by contracts between the clients and the advisor. Implications for the Small Business Service, launched in April 2000, are drawn.

**PD** December 2000. **TI** The Influence of Location on the Use by SMEs of External Advice and Collaboration: Detailed Econometric Estimates. **AU** Bennett, Robert; Robson, Paul; Bratton, William. **AA** Bennett and Bratton: University of Cambridge. Robson: University of Aberdeen, Scotland. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP190; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 33.

**PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L52, L84, M13. **KW** Business Advice. Business Link. Logit. Ordered Logit. Location.

**AB** This paper provides a large scale analysis of the influence of location on the extent of use and impact of external advice and collaboration on small and medium sized enterprises (SMEs) in Britain. For private sector advisors (accountants, consultants etc) and collaboration with suppliers and customers, the intensity of use does not vary significantly with location in most cases. Only the input of business friends and relatives is strongly locationally constrained. EU Structural Fund status of an area also has few major effects on use of private sector advice. However, the impact of external advice, and the extent of local collaboration between similar firms, is influenced by location, with impact generally increasing with the size of business concentration, density and closeness to a business centre. For public sector support agencies the reverse is generally true; levels of use are locationally influenced but impact is not.

**PD** September 1999. **TI** Intensity of Interaction in Supply of Business Advice and Client Impact: A Comparison of Consultancy, Business Associations and Government Support Initiatives for SMEs. **AU** Bennett, Robert; Robson, Paul. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP142; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 31. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L14, L15, L21, L23. **KW** Business Services. Contracts. Business Link. Trust. Reputation.

**AB** This paper assesses the supply of business advice using new empirical evidence from a large-scale survey of SMEs.

The chief focus of the paper is on a comparison of suppliers that operate in different environments of regulation, contract and reputation. The paper argues that interaction intensity varies with the level of information asymmetry of these different environments, between different types of service supplier and their clients. Interaction intensity between suppliers also varies as a result of the level of trust they enjoy. The paper assesses interaction intensity using the existence of site visits and/or written brief/contracts as indicators. Multivariate estimation methods demonstrate that significant differences in interaction intensity, use of contracts and impact by client type are much less important than differences in supplier type. This indicates that suppliers generally develop more into niche service fields or groups of services rather than niches related to types of firm.

**TI** The Use and Impact of Business Advice by SMEs in Britain: An Empirical Assessment using Logit and Ordered Logit Models. **AU** Robson, Paul; Bennett, Robert.

### Bentolila, Samuel

**TI** The Distribution of Earnings in Spain during the 1980s: The Effects of Skill, Unemployment, and Union Power. **AU** Bover, Olympia; Bentolila, Samuel; Arellano, Manuel.

### Berentsen, Aleksander

**PD** July 2000. **TI** The Role of Money in Double Coincidence Environments. **AU** Berentsen, Aleksander; Rocheteau, Guillaume. **AA** Berentsen: University of Bern. Rocheteau: University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/18; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 36. **PR** no charge. **JE** D83, E52. **KW** Money. Double Coincidence. Bargaining. Search.

**AB** This paper studies the role of money in asymmetric double coincidence of real wants environments where in each meeting each agent is a consumer of the other agent's production. Traders who meet at random finance their purchases through current production, sale of divisible money, or both. It is shown that in the absence of valued money if traders have asymmetric tastes for each other's good, they produce and exchange socially inefficient quantities. With valued money, however, traders exchange efficient quantities if the asymmetry of tastes is not too large. It is also shown that terms of trades in the monetary economy are strictly better than those in the corresponding barter economy, that the Friedman rule holds, and that the allocation of resources in the monetary economy converges to the allocation in the barter economy as the growth rate of the money supply is increased.

**PD** July 2000. **TI** On the Efficiency of Monetary Exchange: Why Divisibility of Money Matters. **AU** Berentsen, Aleksander; Rocheteau, Guillaume. **AA** Berentsen: University of Bern. Rocheteau: University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/19; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 44. **PR** no charge. **JE** D83, E52. **KW** Money. Search. Prices. Divisibility.

**AB** Why is money divisible? To explore this question we introduce a mismatch problem into search-theoretic models of monetary exchange. We use alternative assumptions about the divisibility of goods and money and the ability of agents to use lotteries on money. Our framework potentially generates three types of inefficiencies: the no-trade inefficiency where no trade takes place even though it would be socially efficient to trade; the too-much-trade and too-little-trade inefficiencies where the quantities produced and exchanged are either larger or smaller than what the solution to a social planner's problem would dictate. It is shown that while the no-trade and the too-much-trade inefficiencies are caused by the indivisibility of money, the too-little-trade inefficiency is due to the impatience of the traders and the time-consuming exchange process. Furthermore, we find that the lottery model with indivisible money and divisible goods is qualitatively similar to the divisible money and divisible goods model.

### **Berndt, Christian**

**PD** March 2000. **TI** Regulation, Power and Scale: 'Reworking' Capital-Labour Relations in German SMEs. **AA** Katholische Universität Eichstätt, Germany. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP157; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 46. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** D21; J51; J53. **KW** Capital-Labor Relations. SMEs. Germany. Regulation.

**AB** This paper is concerned with recent changes in the way capital-labor relations are regulated in German SMEs. By investigating 28 firm case-studies in the Ruhr Area, it is argued, first, that capital-labor relations in Germany are getting downscaled and decentralized, profoundly changing the traditional power geometry between capital and labor; second, that the regulatory landscape is being 'reworked' in terms favorable to capital during a period in which the latter is in the ascendancy in the labor market; and, third, that there is a peculiar spatial dimension to the rearticulation of power relations and core institutions of the German Model.

### **Bertini, Silvano**

**TI** The Challenges for the Next Decade: Notes on the Debate on the Development of the Emilia-Romagna Region. **AU** Russo, Margherita; Allari, Giorgio; Bertini, Silvano; Bonaretti, Paolo; De Leo, Elio; Fiorani, Giuseppe; Rinaldini, Gianni.

**TI** The Challenges for the Next Decade: Notes on the Debate on the Development of the Emilia-Romagna Region. **AU** Russo, Margherita; Allari, Giorgio; Bertini, Silvano; Bonaretti, Paolo; De Leo, Elio; Fiorani, Giuseppe; Rinaldini, Gianni.

### **Bertola, Giuseppe**

**TI** Banks' Reserve Management, Transaction Costs, and the Timing of Federal Reserve Intervention. **AU** Bartolini, Leonardo; Bertola, Giuseppe; Prati, Alessandro.

### **Bertrand, Marianne**

**PD** January 2000. **TI** Agents With and Without Principals. **AU** Bertrand, Marianne; Mullainathan, Sendhil.

**AA** Bertrand: Princeton University and NBER. Mullainathan: MIT and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 430; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 14. **PR** \$1.00. **JE** J31, J33. **KW** CEO Pay. Shareholders. Bonus. Options. Long Term Contracts. Compensation Committee.

**AB** Who sets CEO pay? Our standard answer to this question has been shaped by principal agent theory: shareholders set CEO pay. They use pay to limit the moral hazard problem caused by the low ownership stakes of CEOs. Through bonuses, options, or long term contracts, shareholders can motivate the CEO to maximize firm wealth. In other words, shareholders use pay to provide incentives, a view we refer to as the contracting view. An alternative view, championed by practitioners such as Crystal (1991), argues that CEOs set their own pay. They manipulate the compensation committee and hence the pay process itself to pay themselves what they can. The only constraints they face may be the availability of funds or more general fears, such as not wanting to be singled out in the Wall Street Journal as being overpaid. We refer to this second view as the skimming view. In this paper, we investigate the relevance of these two views.

**PD** January 2000. **TI** Do CEOs Set Their Own Pay? The Ones Without Principals Do. **AU** Bertrand, Marianne; Mullainathan, Sendhil. **AA** Bertrand: Princeton University, CEPR and NBER. Mullainathan: MIT and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 431; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 38. **PR** not available. **JE** J31, J33. **KW** CEO Pay. Shareholders. Bonus. Options. Long Term Contracts. Compensation Committee.

**AB** We empirically examine competing views of CEO pay. In the contracting view, pay solves an agency problem such that contracts give the CEO incentives to maximize shareholder wealth. In the skimming view, CEOs set their own pay, constrained somewhat by the availability of cash or by a fear of drawing shareholders' attention. To distinguish these views, we first examine how CEO pay responds to luck, observable shocks to performance beyond the CEO's control. We find substantial pay for luck but that better governed firms pay their CEOs less for luck. Our second test examines how much CEOs are charged for the options they are granted. Since options never appear on balance sheets, they might offer an appealing way to skim. Here again we find a crucial role for governance: CEOs in better governed firms are charged more for the options they are given. These results suggest that both views of CEO pay matter. In poorly governed firms, the skimming view fits better (pay for luck and little charge for options) while in well governed firms, the contracting view fits better (filtering out of luck and charging for options).

**PD** October 1999. **TI** The Gender Gap in Top Corporate Jobs. **AU** Bertrand, Marianne; Hallock, Kevin F. **AA** Bertrand: Princeton University and NBER. Hallock: University of Illinois at Urbana-Champaign. **SR** Princeton University, Industrial Relations Section Working Paper: 426; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html).



**PG** 28. **PR** \$1.50. **JE** J33, J71, J78. **KW** Gender Compensation Gap. Large Corporations. Discrimination.

**AB** We use the ExecuComp data set, that contains information on total compensation for the top five highest paid executives of a large group of US firms over the period 1992-1997, to study the gender compensation gap among high-level executives. About 2.5% of the executives in the sample are women. These women earn about 45% less than their male counterparts. As much as 75% of this gap can be accounted for by the fact that women manage smaller companies and are less likely to be CEO, Chair, or President of their company. The unexplained gender gap can be reduced to less than 5% when one further accounts for the fact that female executives are younger and have less seniority than male executives. Over the period under study, women have nearly tripled their participation in the top executive ranks and have also strongly improved their relative compensation, mostly by gaining representation into the larger corporations. While the absence of a significant conditional gender gap implies that women and men who hold similar jobs in firms of similar size receive fairly equal treatment in terms of compensation, it does not rule out the possibility of discrimination in terms of gender segregation or promotion.

#### **Betts, Julian R.**

**PD** December 2000. **TI** The Effects of Unions on Research and Development: An Empirical Analysis Using Multi-Year Data. **AU** Betts, Julian R.; Odgers, Cameron W.; Wilson, Michael K. **AA** University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/31; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: econ.ucsd.edu/papers. **PG** 18. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** J51. **KW** Trade Unions. Union Structure. Union Objectives. Research and Development.

**AB** The paper tests for a link between unionization and research and development rates (research and development expenditures divided by output) in thirteen aggregate Canadian industries. A balanced panel of thirteen industries covering 1968 to 1986 reveals a negative relationship between industry unionization rates and research and development. The results hold when using a number of techniques to control for unobserved industry heterogeneity and non-linear responses to unionization. In an industry that moves from the 25th to the 75th percentile of unionization, research and development is predicted to fall by about forty per cent.

**PD** December 2000. **TI** Explaining Ethnic, Racial, and Immigrant Differences in Private School Attendance. **AU** Betts, Julian R.; Fairlie, Robert W. **AA** Betts: University of California, San Diego. Fairlie: University of California, Santa Cruz. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/33; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: econ.ucsd.edu/papers. **PG** 24. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** I21, J15. **KW** Education. Minorities. Immigration.

**AB** Using 1990 Census microdata, we explore ethnic, racial and immigrant differences in private school attendance. We find high rates of private school attendance among white natives,

white immigrants, and Asian natives. In contrast, we find low private school rates among black and Hispanic natives and immigrants, Asian immigrants, and other natives. Variations in income per capita and especially parental education account for over 70% of the gap in private school attendance rates between white natives and all other groups. We discuss ramifications for racial, language, and socioeconomic segregation in America's schools, and possible effects of school vouchers on segregation.

#### **Bhagwati, Jagdish**

**TI** Outward-Orientation and Development: Are Revisionists Right? **AU** Srinivasan, T. N.; Bhagwati, Jagdish.

#### **Bigano, Andrea**

**PD** May 1999. **TI** Environmental Dumping, Transboundary Pollution and Asymmetric Information: Some Insights for the Environmental Regulation of the European Electricity Market. **AA** Katholieke Universiteit Leuven, Belgium. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 36/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 51. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D43, D82, F12, F42, Q20. **KW** Environmental Policy. International Trade. Imperfect Competition. Asymmetric Information. Electricity.

**AB** In this paper we extend a model by A. Ulph (1997) on the relationship between free trade agreements, environmental regulation and trade under imperfect competition. Ulph's model focused on the effectiveness of harmonization policies against ecological dumping. It turned out that harmonized policies are rarely optimal under perfect information, but some rationale for them is granted when asymmetric information between the Commission and national governments is considered. This paper analyzes two extensions of that model: transboundary pollution and the inclusion of consumer's surplus. Our interest in these issues rests in their importance for the environmental regulation of the European electricity sector, where imperfect competition can be expected to prevail even after the opening of the Single Market.

#### **Bilsen, Valentijn**

**PD** September 1999. **TI** Foreign Direct Investment and Enterprise Performance in Transition Countries: Evidence from Russia and the Ukraine. **AU** Bilsen, Valentijn; Van Maldegem, Peter. **AA** Bilsen: University of Cambridge. Van Maldegem: Catholic University of Louvain. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP144; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 25. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** M13, O52, P52. **KW** Foreign Direct Investment. Transition Economies. Entrepreneurship. Growth.

**AB** This study compares the performance of foreign firms with domestic ones in Russia and the Ukraine, using recent survey data of 450 enterprises. The authors find that foreign-owned firms are less prone to inter-enterprise arrears and wage arrears, have better export performance, and use more sophisticated corporate strategies. Foreign investment appears to enhance entrepreneurial know-how. In the case of de novo firms, foreign investment often led to a 'jump start' of the enterprise, rather than a gradual adjustment over time. Foreign

firms have a positive spill-over effect. They introduce healthy financial management methods, and spread badly needed market oriented entrepreneurial know-how through the managerial market.

**PD** December 1999. **TI** Financing Firm Start-up and Restructuring in Transition Countries: Evidence from Belarus, the Ukraine and Russia. **AU** Bilsen, Valentijn; Mitina, Elena. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP150; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 13. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L21, L23, M13, P31, P34. **KW** Finance. Entrepreneurship. CIS Countries. Survey. Firm Behaviour.

**AB** The data come from a recent enterprise survey covering 600 firms equally stratified in de novo and privatized or state-owned firms. We find that the personal funds of the main owner(s) are of crucial importance. Less than one tenth of the firms used a bank loan. Vouchers are important for financing privatization and restructuring. The state still holds an important stake in the capital, though diminishing gradually over time. State support for start-up was rare. However, when it occurred, the share in start-up capital was important.

#### **Bindemann, Kirsten**

**PD** October 2000. **TI** The Response of Oil Contracts to Extreme Price Movements. **AA** Oxford Institute for Energy Studies. **SR** University of Oxford, Department of Economics Discussion Paper: 29; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 15. **PR** no charge. **JE** L14, L71, Q41. **KW** Prices. Petroleum. Contracts.

**AB** This study examines the response of oil contracts to extreme price movements. The chosen contract form is a Production-Sharing Agreement (PSA), which is the oil industry's equivalent of sharecropping and one of the most commonly used contractual agreements. We show that only the two significant price increases in the 1970s and only the price falls in the early 1980s and the early 1990s triggered a response in the terms offered by PSAs.

#### **Binder, Michael**

**PD** August 2000. **TI** Estimation and Inference in Short Panel Vector Autoregressions with Unit Roots and Cointegration. **AU** Binder, Michael; Hsiao, Cheng; Pesaran, M. Hashem. **AA** Binder: University of Maryland. Hsiao: University of Southern California. Pesaran: University of Cambridge. **SR** Banco de Espana, Documentos de Trabajo: 0005; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 64. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C12, C13, C33. **KW** Panel VAR's. Fixed Effects. Unit Roots. Cointegration.

**AB** This paper considers estimation and inference in panel vector autoregressions (PVARs) with fixed effects when the time dimension of the panel is finite, and the cross-sectional dimension is large. A Maximum Likelihood (ML) estimator based on a transformed likelihood function is proposed and

shown to be consistent and asymptotically normally distributed irrespective of the unit root and cointegrating properties of the underlying PVAR model. The transformed likelihood framework is also used to derive unit root and cointegration tests in panels with short time dimension. Monte Carlo evidence is adduced suggesting that the ML estimator and parameter hypothesis and cointegration tests based on it perform well in small sample.

#### **Blanco, Roberto**

**TI** Has Financial Market Integration Increased During the Nineties? **AU** Ayuso, Juan; Blanco, Roberto.

**TI** Estimating Liquidity Premia in the Spanish Government Securities Market. **AU** Alonso, Francisco; Blanco, Roberto; del Rio, Ana; Sanchis, Alicia.

#### **Blank, Rebecca M.**

**PD** February 1999. **TI** Financial Incentives for Increasing Work and Income Among Low-Income Families. **AU** Blank, Rebecca M.; Card, David; Robins, Philip K. **AA** Blank: Northwestern University. Card: University of California, Berkeley. Robins: University of Miami. **SR** University of California, Berkeley, Department of Economics Working Paper: E99/264; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html). **PG** 45. **PR** \$3.50 U.S.; \$7.50 International. **JE** I32, J22. **KW** Welfare Reform. Female Labor Supply. Financial Incentives.

**AB** This paper investigates the impact of financial incentive programs, a common component of welfare programs. We review experimental evidence from such programs. Financial incentive programs appear to increase work and raise income (lower poverty), but cost somewhat more than alternative welfare programs. In particular, windfall beneficiaries -- those who would have been working anyway -- can raise costs by participating in the program. Several existing programs limit this effect by targeting long-term welfare recipients or by limiting benefits to full-time workers. At the same time, because financial incentive programs transfer support to working low-income families, the increase in costs due to windfall beneficiaries makes these programs more effective at alleviating poverty and raising incomes. Non-experimental evidence from the Earned Income Tax Credit (EITC) and from state Temporary Assistance to Needy Families (TANF) programs with enhanced earnings disregards are also considered.

**PD** April 1999. **TI** When Can Public Policy Makers Rely on Private Markets? The Effective Provision of Social Services. **AA** Council of Economic Advisers, University of Michigan and NBER. **SR** National Bureau of Economic Research Working Paper: 7099; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 23. **PR** \$5.00. **JE** D62, D82, H11, I38, L33. **KW** Social Services. Privatization. Market Failures. Asymmetric Information. Agency Problems.

**AB** The privatization of social services is being increasingly discussed. The social services market is characterized by multiple market failures, including informational asymmetries, agency problems, externalities, and distributional concerns. Consumers may care as much or more about quality of services than about price. If quality is readily observable, the government can regulate private providers to assure standards

are met. But when standards are difficult to observe or when the recipient is not the agent who makes the decisions, government ownership may be preferable. This paper categorizes the market situations in which the government provision of social services is likely to be most versus least attractive.

### Blankenburg, Stephanie

**PD** September 2000. **TI** Knowledge, Economic Growth and the Role of Policy: On the Role of "Public-Private Partnerships" in the New "Knowledge-Driven" Economy. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP185; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 93. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** O31,O34. **KW** Technological Progress. Endogenous Growth. Government Policies.

**AB** The paper examines the economic rationale for "public-private partnerships" to promote technological progress and growth in the new "knowledge-driven" economy. Three main arguments are advanced: First, the present policy agenda is caught up in a mismatch between micro-economic Science and Technology policies, on the one hand, and macroeconomic growth policies, on the other. Second, the New Endogenous Growth Theory is itself to blame for much of this confusion in that it is unclear with regard to its conceptualization of knowledge as a factor of production and as a (public-private) good. Third, for "public-private partnerships" to work the underlying policy direction (privatization or gradual socialization) needs to be further specified. This, in turn, requires a clarification of whether knowledge is to be understood primarily as a disembodied factor of production or as embodied in the process of capital accumulation.

### Blau, David M.

**PD** July 1999. **TI** The Supply of Quality in Child Care Centers. **AU** Blau, David M.; Mocan, H. Naci. **AA** Blau: University of North Carolina. Mocan: University of Colorado at Denver and NBER. **SR** National Bureau of Economic Research Working Paper: 7225; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 25. **PR** \$5.00. **JE** J13, L20, L30, L80. **KW** Child Care. Quality. Day Care Centers.

**AB** We use data from a sample of day care centers to estimate the relationships between cost and the quality of the child care service provided, and between revenue and quality. We use a measure of child care quality derived from an instrument designed by developmental psychologists. This measure of quality has been found to be positively associated with child development. Taking the estimated cost-quality and revenue-quality relationships as given, we then estimate the objective functions of the firms and compute the supply function for quality. The results indicate that (1) the estimated cost function is inconsistent with the implications of cost-minimization; (2) for-profit firms operate at a positive level of marginal cost, but non-profit firms operate at zero or negative marginal cost; (3) revenue is positively but weakly associated with quality; and (4) the supply of quality is inelastic, with point estimates of the supply elasticity of .04-.05 for both for-profit and nonprofit firms. Implications of the results for child care policy are discussed.

### Bloch, Francis

**PD** July 1999. **TI** Market Formation in Bilateral Oligopolies. **AU** Bloch, Francis; Ferrer, Helene. **AA** Bloch: Universite Catholique de Louvain. Ferrer: Universite Catholique de Louvain and Universite de Caen, France. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 59/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 17. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D43, L13. **KW** Strategic Market Games. Trade Agglomeration. Bilateral Oligopolies. Market Formation.

**AB** This paper investigates the structure of bilateral oligopolies -- a simple version of Shapley Shubik games with two types of traders and two commodities. It shows that interior equilibria exist, studies the example of CES utility functions to uncover the relation between the complementarity of products in the utility functions and the shape of the reaction functions of the traders, and proves that the number of trading posts is irrelevant. Even if traders can split their offers on different markets, they never choose to specialize and all equilibria are equivalent to an equilibrium where all agents trade on a single market.

### Bloch, Laurence

**PD** September 1999. **TI** Ownership and Voting Power in France. **AU** Bloch, Laurence; Kremp, Elizabeth. **AA** Bloch: INSEE, France. Kremp: Banque de France. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 62/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 24. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** G20, G32, G34, K22. **KW** Block Shareholdings. France. Voting Power. Ownership. Listed Firms.

**AB** This paper provides an overview on ownership structure and voting power in France, both in terms of institutional and legal frameworks and of quantitative analysis. If cross share holdings in large groups were a characteristic of the French model, called "financial core", and had been extended in 1986, with the first wave of privatizations, the foundations of this model seem to be weakened. This organization has not been able to really prevent the increasing of foreign presence in French capitalization. Looking at listed firms and CAC40 firms, and at a large data set of unlisted firms, this paper shows that concentration of direct ownership and voting power is very high in France, even for listed and CAC40 firms. The second direct owner lags far behind the first one and the category "families" plays a major role in the detention of non-listed firms. The average ownership stakes of banks, insurance companies and other financial institutions are relatively low, except for CAC40 firms.

### Board, Oliver

**TI** The Quality of Information in Electronic Groups. **AU** Bacharach, Michael; Board, Oliver.

### Boehmer, Ekkehart

**TI** Transparency of Ownership and Control in Germany. **AU** Becht, Marco; Boehmer, Ekkehart.

### Bolzani, Enrico

**TI** Poverty and Permanent Income: A Methodology for Cross-Section Data. **AU** Abul Naga, Ramses H.; Bolzani,

Enrico.

**PD** April 2001. **TI** La Distribution des Salaires en Suisse: Quelques Observations sur la Recession des Annees 90. **AU** Bolzani, Enrico; Abul Naga, Ramses H. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 01/04; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. **Website:** www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm. **PG** 8. **PR** no charge. **JE** I39, J31. **KW** Income Distribution. Switzerland. Lorenz Curve. Generalized Lorenz.

**AB** This work complements that of Kung Gugler and Blank (2000) bearing on the evolution of the inequality of incomes between 1992 and 1997. In particular, we include self-employed workers in our data. We also bring an additional dimension to the comparison of the Lorenz curves. Finally, we examine the changes that occurred in the distribution of the wages using the criterion of generalized Lorenz. We find a significant deterioration of remunerations during this period. Our results reveal certain differences compared to work of Kung Gugler and Blank. In particular, we observe of 1992 to 1997 a displacement of the Lorenz curve upwards. Moreover, this change proves statistically significant. On the other hand, it emerges from the comparison of generalized Lorenz curves that this reduction in the inequalities was not sufficient, from the point of view of social well-being, to compensate for the deterioration that occurred in the mean level of the wages.

#### Boozer, Michael

**PD** May 2001. **TI** The Effects of Class Size on the Long Run Growth in Reading Abilities and Early Adult Outcomes in the Christchurch Health and Development Study. **AU** Boozer, Michael; Maloney, Tim. **AA** Boozer: Yale University. Maloney: University of Auckland. **SR** Yale Economic Growth Center Discussion Paper: 827; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. **Website:** www.library.yale.edu/socsci/egcpage.html. **PG** 43. **PR** \$2.00 plus postage. **JE** C51, C81, I21, C23. **KW** School Quality. Value-Added Model. Experimental Evidence. New Zealand.

**AB** This paper utilizes the features of the CHDS data from New Zealand that children are sampled for extremely long individual histories of their class size experiences as well as their scholastic and early labor market outcomes. We explore the full set of empirical implications of the recent experimental evidence on class size effects on student achievement from the United States in Project STAR for observational data. We argue that one implication of Project STAR is that only persistent class size reduction policies may have detectable effects, and so the longitudinal aspect of CHDS is necessary to detect class size effects. We account for the observational nature of the CHDS by examining the long-run trends in test score growth, rather than levels. Consistent with the experimental evidence, we find statistically and economically significant effects of children being assigned to persistently smaller classes on both childhood test score growth as well as on early adult outcomes.

#### Bosello, Francesco

**PD** July 1999. **TI** Carbon Emissions Trading and Equity in International Agreements. **AU** Bosello, Francesco; Roson, Roberto. **AA** Bosello: Fondazione Eni Enrico Mattei. Roson:

Universita Ca Foscari, Italy. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 57/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** www.feem.it. **PG** 20. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D63, F10, F42, Q25, Q28. **KW** Equity. Efficiency. Emissions Trading. Environmental Agreements. Integrated Assessments.

**AB** An integrated assessment model is used to simulate the introduction of various emissions trading schemes based on the Kyoto protocol on the reduction of greenhouse emissions. The implications of the various systems in terms of income distribution are illustrated, and it is claimed that the issue of equity should not be regarded as independent of the issue of market efficiency. In particular, in this paper it is shown that (1) changes produced on an equity index by the imposition of emission constraints (by country) are not significantly higher than those obtained by the subsequent introduction of a market mechanism, and (2) that the different market regimes which could be adopted have quite different distributional implications. These results are interpreted as a direct consequence of the fact that a competitive market equilibrium is equivalent to a centralized social welfare maximization in which the function to be maximized, however, normally differs from the social function used to define equity objectives.

**PD** November 1999. **TI** Recycling Energy Taxes: Impacts on a Disaggregated Labour Market. **AU** Bosello, Francesco; Carraro, Carlo. **AA** Bosello: Fondazione Eni Enrico Mattei. Carraro: University of Venice and Fondazione Eni Enrico Mattei. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 79/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** www.feem.it. **PG** 24. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** H20, H30, J23, Q28, Q48. **KW** Double Dividend. Environmental Policy. Fiscal Reform. Employment. Carbon Tax.

**AB** This paper analyzes the costs and benefits of a fiscal reform designed to simultaneously increase environmental quality and employment. The investigation is carried out using an econometric general equilibrium model in which the labor market is unionized and segmented, i.e. in which demand, supply and the wage formation process for skilled and unskilled workers are explicitly modeled. This allows us to simulate the implementation in European countries of a harmonized carbon tax whose fiscal revenue in each country is re-cycled to reduce the gross wages of unskilled workers only rather than those of the whole labor force. This paper describes first the theoretical features of the segmented labor market which have been developed and then shows the estimates of the labor market equations.

**PD** November 1999. **TI** Dynamic Uncertainty and Global Warming Risk. **AU** Bosello, Francesco; Moretto, Michele. **AA** Bosello: Fondazione Eni Enrico Mattei. Moretto: University of Padova, Italy. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 80/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** www.feem.it. **PG** 74. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C50, D81, D91, O21, Q28. **KW** Climate Change. Irreversibility. Uncertainty. Environment. Decision Making.

**AB** When economic agents decide their optimal environmental behavior, they have to take into account non-continuous evolutionary trends and irreversible changes characterizing environmental phenomena. Given the still non-

perfect biophysical and economic knowledge, decisions have to be taken in an uncertain framework. The paper analyzes how agents' optimal choices are affected by the presence of a future possible, but uncertain catastrophic occurrence provoked by a climate collapse due to global warming.

**Boucekkine, Raouf**

**PD** January 2000. **TI** The Importance of the Embodied Question Revisited. **AU** Boucekkine, Raouf; Del Rio, Fernando; Licandro, Omar. **AA** Boucekkine: IRES/UCL. Del Rio: CEPREMAP. Licandro: FEDEA. **SR** CEPREMAP Discussion Paper: 0001; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** www.cepremap.cnrs.fr/. **PG** 20. **PR** 25 francs. **JE** C63, E22, E32, O33, O40. **KW** Technological Progress. Obsolescence. Learning by Doing. Productivity Slowdown. Optimal Growth.

**AB** In order to assess the importance of embodiment, we build up an endogenous growth model in which learning by doing is the engine of both embodied and disembodied technological progress. In sharp contrast to Phelps (1962), we show that a change in the composition of technical change affects the growth rate in the long run. We also provide an alternative explanation for the productivity slowdown: an increase in the fraction of embodied technical progress, through an improvement in the learning efficiency of the capital goods sector, permanently lowers the growth rate of technological progress, by increasing the obsolescence costs of investment. The productivity slowdown occurs together with a rise in the rate of decline of investment goods prices. Finally, we show that an increase in the embodied fraction of technical change reduces the gap between the optimal and the decentralized growth rates.

**PD** January 2000. **TI** Vintage Capital and the Dynamics of the AK Model. **AU** Boucekkine, Raouf; Del Rio, Fernando; Licandro, Omar. **AA** Boucekkine: IRES/UCL. Del Rio: CEPREMAP. Licandro: FEDEA. **SR** CEPREMAP Discussion Paper: 0003; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** www.cepremap.cnrs.fr/. **PG** 24. **PR** 25 francs. **JE** C60, E22, E32, O40. **KW** Endogenous Growth. Vintage Capital. AK Model. Differential Equations.

**AB** This paper analyzes the equilibrium dynamics of an AK-type endogenous growth model with vintage capital. The inclusion of vintage capital leads to oscillatory dynamics governed by replacement echoes, which additionally influence the intercept of the balanced growth path. These features, which are in sharp contrast to those from the standard AK model, can contribute to explaining the short-run deviations observed between investment and growth rates time series. To characterize the convergence properties and the dynamics of the model we develop analytical and numerical methods that should be of interest for the general resolution of endogenous growth models with vintage capital.

**Boudoukh, Jacob**

**PD** July 1999. **TI** A Multifactor, Nonlinear, Continuous-Time Model of Interest Rate Volatility. **AU** Boudoukh, Jacob; Richardson, Matthew; Stanton, Richard; Whitelaw, Robert F. **AA** Boudoukh and Richardson: NYU and NBER. Stanton: University of California at Berkeley. Whitelaw: NYU. **SR** National Bureau of Economic Research Working Paper: 7213; National Bureau of Economic Research, 1050

Massachusetts Avenue, Cambridge, MA 02138. **Website:** www.nber.org. **PG** 26. **PR** \$5.00. **JE** C50, E43, G10. **KW** Multifactor Models. Interest Rates. Term Structure. Markov Processes.

**AB** This paper presents a general, nonlinear version of existing multifactor models, such as Longstaff and Schwartz (1992). The novel aspect of our approach is that rather than choosing the model parameterization out of "thin air," our processes are generated from the data using approximation methods for multifactor continuous-time Markov processes. In applying this technique to the short- and long-end of the term structure for a general two-factor diffusion process for interest rates, a major finding is that the volatility of interest rates is increasing in the level of interest rates only for sharply upward sloping term structures. In fact, the slope of the term structure plays a larger role in determining the magnitude of the diffusion coefficient. As an application, we analyze the model's implications for the term structure of term premiums.

**TI** Behavioralize This! International Evidence on Autocorrelation Patterns of Stock Index and Futures Returns. **AU** Ahn, Dong-Hyun; Boudoukh, Jacob; Richardson, Matthew; Whitelaw, Robert F.

**Boughton, James M.**

**PD** August 2000. **TI** The Case Against Harry Dexter White: Still Not Proven. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/149; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 20. **PR** not available. **JE** B31, F33. **KW** Harry Dexter White. Bretton Woods. McCarthyism.

**AB** Harry Dexter White, the principal architect of the international financial system established at the end of the Second World War, was arguably the most important U. S. government economist of the 20th century. His reputation, however, has suffered because of allegations that he spied for the Soviet Union. That charge has recently been revived by the declassification of documents showing that he met with Soviet agents in 1944 and 1945. Evaluation of that evidence in the context of White's career and worldview casts doubt on the case against him and provides the basis for a more benign interpretation.

**Bourdieu, Jerome**

**PD** July 1999. **TI** Social Aspects of the Decrease in Working Hours in 19th Century France. **AU** Bourdieu, Jerome; Reynaud, Benedicte. **AA** Bourdieu: LEA-INRA. Reynaud: CNRS-CEPREMAP. **SR** CEPREMAP Discussion Paper: 9912; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** www.cepremap.cnrs.fr/. **PG** 23. **PR** 25 francs. **JE** D62, H23, J22, J50, N33. **KW** Labor Markets. Working Hours. Economic History. Externalities. Collective Bargaining. **AB** In 19th century France, the long working hours produced worse conditions for the working classes. In our perspective, and that is new, the labor market produced massive externalities which it could not control. In our view, and it is the purpose of this paper, the analysis of the process of decreasing working hours consists of identifying the consequences of very long working hours as externalities. The first part is devoted to the reasons why workers did not succeed at first to decrease their working hours: the authority of employers and the lack of social institutions which would have

given collective weight to their actions. In a second part, we sustain that internalization of externalities cannot be achieved without a collective effort to provide information and to produce new concepts of working hours. This historical analysis shows that only interests supported by collective forces are defended.

### Bover, Olympia

**PD** August 2000. **TI** Are There Economies of Scale in the Demand for Money by Firms? Some Panel Data Estimates. **AU** Bover, Olympia; Watson, Nadine. **AA** Bover: Banco de Espana. Watson: National Economic Research Associates. **SR** Banco de Espana, Documentos de Trabajo: 0008; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 38.

**PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C23, D21, E41. **KW** Firms' Money Demand. Panel Data. Measurement Error. Technological Change.

**AB** We estimate scale elasticities in firms' money demand using panel data. Our main dataset is a sample of Spanish companies observed over 1983-1996. We also analyze comparable UK and US datasets. We find that the errors in money demand equations contain two terms correlated with sales. Firstly, a permanent firm effect capturing differences in managerial efficiency, efficiency wages, technological sophistication. Secondly, a measurement error in sales, probably because cash holdings are end-of-period whereas sales are annual measures. We show that failure to control for them results in important biases. Sales elasticity estimates for Spain increase substantially jointly considering correlated fixed effects and measurement error. Additionally, our estimates indicate declining sales elasticity from mid-1980's to mid-1990's, a period of increasing financial innovations. This suggests that financial innovations reduce money demand mainly by reducing the sales elasticity. We also estimate interest rate elasticities using both aggregate and firm specific rates.

**PD** October 2000. **TI** The Distribution of Earnings in Spain during the 1980s: The Effects of Skill, Unemployment, and Union Power. **AU** Bover, Olympia; Bentolila, Samuel; Arellano, Manuel. **AA** Bover: Banco de Espana. Bentolila and Arellano: Centro de Estudios Monetarios y Financieros. **SR** Banco de Espana, Documentos de Trabajo: 0015; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 32.

**PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** J31, J51. **KW** Earnings Distributions. Returns to Skill. Returns to Experience. Unions.

**AB** In this paper we analyze changes in the conditional distributions of male earnings in Spain during the 1980s. We use a large new database of records on individual workers and firms from the Spanish Social Security system for the period 1980-1987. The data set is an unbalanced panel subject to censoring due to top and bottom coding. We analyze the behavior of returns to skill and experience, across sectors and over time. We also study how these returns have been affected over the period by a host of aggregate and sector-specific factors, including unemployment rates and the sectoral coverage of trade union collective agreements.

### Boyer, Robert

**PD** January 2000. **TI** Two Challenges for the XXIE Century: To Discipline Finance and to Organize Internationalization. **AA** CEPREMAP, CNRS and EHESS. **SR** CEPREMAP Discussion Paper: 2000/08; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 32. **PR** 25 francs. **JE** F33, F36, G15, G38, O16. **KW** International Finance. Asian Crisis. Financial System Reform. Financial Crises. Globalization.

**AB** The article draws an assessment from the Asian financial crises and analyzes the various proposals made in order to avoid their repetition. Financial globalization destabilized the potentially favorable impact of the opening to international trade and foreign productive investment. The crisis of 1997 has struck various economies, but in different ways according to their specific modes of "regulation". The 21st century should mark the search for a better balance between domestic dynamics and internationalization. Similarly a series of reforms should avoid the repetition of major financial crises. Various options are opened: negotiation of a new international system, a new Brady plan for the banks, reinforcement of the prudential rules, better methods for risk evaluation, search for a larger transparency of short term capital flows, creation of new markets of options, or institution of a Tobin tax. In any event, it would be dangerous to implement drastic reforms in the productive and social organization of economies in response to the short-term pressure of international financial markets. Lastly, the constitution of zones of regional integration defines a median way between an overall internationalization and a protectionist retreat on national space.

**PD** July 2000. **TI** The French Welfare: An Institutional and Historical Analysis in European Perspective. **AA** CEPREMAP, CNRS and EHESS. **SR** CEPREMAP Discussion Paper: 2000/07; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 87. **PR** 30 francs. **JE** B15, H23, H50, I38, O40. **KW** Welfare State Taxonomy. International Comparisons. European Integration. New Growth Theory. Regulation Theory.

**AB** The paper proposes a theoretical investigation of the impact of welfare on the growth regimes, inspired by new growth theory and recent advances in institutional analysis. It shows the complementarity of the Welfare State with the Fordist growth pattern and discusses the reasons for the "Welfare State crisis" (technological change, globalization, shift in political alliances, or alarmist discourses on the inefficiency of social security), against the evidence brought by systematic international comparisons. The French welfare system appears less statist than paritarist, i.e. jointly managed by firms and unions. This historical pattern explains many contemporary features (the large bulk of the financing by the firms, the segmentation of the regimes, the absence of a tax or social contribution revolts from the citizens) and the move towards a hybridization of a basic Bismarckian financing system along with some Beveridgian principles. Recent evolutions do not point towards privatization but on the contrary the State has implemented a form of health care planning and created a new social tax in order to sustain an unabated demand for welfare. The paper also provides a taxonomy for the contemporary Welfare State.

**PD** November 1998. **TI** State, Market and Development:

A New Synthesis for the 21st Century? AA CEPREMAP, SR CEPREMAP Discussion Paper: 9907; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). PG 24. PR 25 francs. JE E11, E24, J31, J41, O11. KW Employment. Wages. Institutional Theory. Growth. Regulation.

AB Concerning economic and social development, radical differences of view have yielded to a distinct convergence over the last 20 years: to the extent that both State and market intervention have their limits, it is better to combine their specificities and action than to privilege one over the other. Leave strategic decisions to the State and let the market make the day-to-day decisions regarding the allocation of goods that do not presuppose social choice. Experience confirms that the "all State" approach leads to a dead-end, just as the "all market" approach has obvious limitations. Microeconomic theories confirm the restrictive conditions required for an optimal market equilibrium, analysis of endogenous technical progress gives renewed importance to public intervention to foster development (education, infrastructure, innovation) and contemporary political economy shows that the State does not always act exclusively in favor of development. Alternating between interventionist strategies on the one hand and liberal ones on the other is thus not inevitable. The crisis in Asian countries since 1997 opens the prospect of a new synthesis for the 21st century: the search, as the basis for development, for complementarities between the State and the market.

PD December 1999. TI An Epochal Change...But Uncertain Futures: The Japanese Capitalism in Crisis A "Regulationist" Interpretation. AU Boyer, Robert; Yamada, Toshio. AA Boyer: CEPREMAP, CNRS and EHESS. Yamada: Nagoya University. SR CEPREMAP Discussion Paper: 2000/05; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). PG 40. PR 25 francs. JE O11, O15, O53, P16, P52. KW Regulation Theory. Japan. Companyism. Financial Bubbles. Japanese Crisis.

AB This research summarizes the main findings of "Regulation" theory about the evolution of the Japanese economy since WWII and proposes an institutional interpretation of the crisis of the 90s. The company-ist compromise is the core of the whole institutional architecture via an original wage labor nexus. There is a clear hierarchy between the large corporation and sub-contractors. One observes a complementarity between the mode of governance of the firm and the main bank and finally between industrial welfare and the management of employment. A highly original "regulation" mode has allowed the implementation of a mass production and consumption economy, but this regime enters into crisis by its very success and this crisis is exacerbated by the impact of the financial bubble of the 90s. The paper surveys the transformation of the main institutional firms since the 90s and builds three scenarios based respectively upon: a large inertia of Japanese economic and political institutions; a quick adoption of typical market-led institutions under the pressure of the financial market; and a new hybridization process that would concern banking and finance and not only the manufacturing industries, as was the case after WWII.

#### Bradford, David F.

PD April 1999. TI The Economics of Vouchers. AU Bradford, David F.; Shaviro, Daniel N. AA Bradford: Princeton University and NBER. Shaviro: New York University

School of Law. SR National Bureau of Economic Research Working Paper: 7092; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 63. PR \$5.00. JE H21, H23, H24, H80, I38. KW Vouchers. Cash Equivalence. Optimal Taxation. Redistribution. Externalities.

AB This paper aims to provide a swift tour of the economic issues presented by vouchers and thus to fill an apparent gap in the literature of a basic survey of the subject. Among the issues it considers are: factors determining a voucher's cash-equivalence; reasons (such as paternalism, externalities, and distribution) for giving beneficiaries non-cash-equivalent vouchers rather than cash; optimal tax issues involved in the design of vouchers and the choice between vouchers and other delivery mechanisms, including factors determining the optimal marginal reimbursement rate (MRR) in a voucher program, and the similarity between this question and that of determining optimal marginal tax rates (MTRs) under the income tax; the incentive effects of voucher eligibility criteria, such as income of asset tests; factors determining the allocative and price effects of vouchers, both in the short run when unexpectedly enacted and at equilibrium; and factors relevant to the choice between private and public supply that may often overlap with the decision of whether to adopt a voucher program.

#### Braga, Anthony A.

TI Testing for Structural Breaks in the Evaluation of Programs. AU Piehl, Anne Morrison; Cooper, Suzanne J.; Braga, Anthony A.; Kennedy, David M.

TI Testing for Structural Breaks in the Evaluation of Programs. AU Piehl, Anne Morrison; Cooper, Suzanne J.; Braga, Anthony A.; Kennedy, David M.

#### Branstetter, Lee G.

PD April 1999. TI Trade and Foreign Direct Investment in China: A Political Economy Approach. AU Branstetter, Lee G.; Feenstra, Robert C. AA University of California, Davis. SR National Bureau of Economic Research Working Paper: 7100; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 39. PR \$5.00. JE F13, F21, L32, O53, P33. KW Trade. Foreign Direct Investment. Commercial Policy. Public Enterprises. Social Welfare.

AB We view the political process in China as trading off the social benefits of increased trade and foreign direct investment, against the losses incurred by state-owned enterprises due to such liberalization. A model drawing on Grossman and Helpman (1994, 1996) is used to derive an empirically estimable government objective function. The key structural parameters of this model are estimated using province-level data on foreign direct investment and trade flows in China, over the years 1984-1995. We find that the weight applied to consumer welfare is between one-fifth and one-twelfth of the weight applied to the output of state-owned enterprises. We find that governmental preferences have shifted over time, but even in recent periods the weight on consumer welfare is only one-half of the weight on state-owned enterprises. This suggests that China may find it politically difficult to follow through with liberalizing its trade and investment regimes, such as under its WTO accession proposal.

#### Bratton, William

TI Business Advice: The Influence of Distance.

**AU** Bennett, Robert; Bratton, William; Robson, Paul.

**TI** Government Advice Networks for SMEs: An Assessment of the Influence of Local Context on Business Link Use, Impact and Satisfaction. **AU** Bennett, Robert; Robson, Paul; Bratton, William.

**TI** The Influence of Location on the Use by SMEs of External Advice and Collaboration: Detailed Econometric Estimates. **AU** Bennett, Robert; Robson, Paul; Bratton, William.

### **Brau, Rinaldo**

**PD** July 1999. **TI** Voluntary Approaches, Market Structure and Competition. **AU** Brau, Rinaldo; Carraro, Carlo. **AA** Brau: University of Pavia and Fondazione Eni Enrico Mattei. Carraro: University of Venice and Fondazione Eni Enrico Mattei. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 53/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 53. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** L11, L19, L59, Q28, Q48. **KW** Environmental Regulation. Voluntary Approaches. Market Structure. Competition. Industry Concentration.

**AB** This paper surveys the recent literature devoted to the analysis of the interactions between the adoption of voluntary or negotiated agreements as a tool of environmental policy and market structure. The goal of this survey is twofold. On the one hand, we would like to identify the market environment which is most favorable to the adoption of voluntary approaches, namely whether these are more likely to be signed within industries that are more or less concentrated. On the other hand, we aim at assessing the effects of voluntary approaches on market structure and industry concentration. Our findings suggest that the signature of voluntary approaches is favored by a situation in which industry is more concentrated. Moreover, the adoption of voluntary approaches is likely to further increase industry concentration. This clearly raises a trade-off between environmental benefits and economic costs provided by the adoption of voluntary approaches that must be dealt with using an appropriate policy-mix.

### **Braumann, Benedikt**

**PD** May 2000. **TI** Real Effects of High Inflation. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/85; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 22. **PR** not available. **JE** E31, E44. **KW** Inflation. Real Effects. Supeneutrality. Cash-in-Advance. Real Wages.

**AB** This paper revisits the question of the real effects of inflation, on the basis of the experience with 23 high inflation episodes in 17 countries. It finds strong indications that inflation had contractionary effects on a number of important macroeconomic variables, such as GDP, investment and employment. Moreover, high inflation led to a significant decline in real wages, a real depreciation and an improvement in external trade. These patterns are consistent with explanations that stress the transaction role of money, such as models with a cash-in-advance constraint. However, some observations are hard to reconcile with existing theory, especially the large magnitude of the fall in real wages.

### **Bronckers, Marco C. E. J.**

**PD** September 1999. **TI** Trade and Competition Interlinkages: The Case of Telecom. **AA** University of Leyden. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 68/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 15. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** F13, K33, L40, L96, L98. **KW** Trade. Competition Policy. World Trade Organization. Telecommunications.

**AB** The commitments entered into in the WTO Telecommunications Agreement include a fairly elaborate set of principles designed to encourage and protect competition in this newly liberalizing market. This paper analyzes these commitments, to see first of all what they mean for the telecommunications sector. In addition, the paper inquires after the implications of these additional commitments for the ongoing debate in WTO whether a more encompassing agreement ought to be drafted on competition law.

### **Brooks, Robin**

**PD** August 2000. **TI** Population Aging and Global Capital Flows in a Parallel Universe. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/151; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 30. **PR** not available. **JE** E21, F21. **KW** Population Aging. International Capital. **AB** This paper explores the global impact of population aging, using a calibrated overlapping generations model of eight world regions to simulate the effects of historical and projected demographic trends on international capital flows. The simulations show that there will be a turning point in regional savings -- investment balances between 2010 and 2030 when the European Union and North America will experience a substantial decline in savings relative to investment as their populations age rapidly. This shift will be financed by capital flows from less developed regions, which are projected to become capital exporters.

### **Brown, John C.**

**PD** April 2001. **TI** The Fertility Transition in Bavaria. **AU** Brown, John C.; Guinnane, Timothy W. **AA** Brown: Clark University. Guinnane: Yale University. **SR** Yale Economic Growth Center Discussion Paper: 821; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 36. **PR** \$2.00 plus postage. **JE** J11, J13, N31, N33. **KW** Fertility Transition. Migration. Germany.

**AB** The decline of human fertility that occurred in Europe and North America in the nineteenth century, and elsewhere in the twentieth century, remains a topic of debate, in part because researchers have rarely used the detailed quantitative information necessary to form adequate tests of alternative theories. This paper uses district-level data from Bavaria to study the correlates of the decline of fertility in that German kingdom in the nineteenth century. Bavaria's fertility transition was later and less dramatic than in other parts of Germany. The European Fertility Project, the most influential study of the European fertility transition, used very large units of analysis and unrefined measures of economic and social conditions. This project concluded that the fertility transition reflected the simultaneous adoption of new ideas about contraception, and



was not caused by adaptation to changing economic and social circumstances. Our results indicate that the European Fertility Project was right about the role of religion and secularization, but missed an important role for the economic and structural effects stressed by economic historians.

**Brown, William**

**PD** September 2000. **TI** The Employment Contract: From Collective Procedures to Individual Rights. **AU** Brown, William; Deakin, Simon F.; Nash, David; Oxenbridge, Sarah. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP171; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 31. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** K31, J41, J53. **KW** Employment Contract. Labor Law. Collective Bargaining.

**AB** The article analyses the institutional basis and form of the employment contract in Britain using the 1998 Workplace Employee Relations Survey. It assesses the extent to which collective bargaining still regulates pay and non-pay aspects of employment. The paper shows that while collective procedures have declined in importance, there has been an increase in legal governance of the employment relationship. Logistic regression analysis establishes that both contractual formalization and legal compliance are greater in larger organizations and where trade unions are present. Trade union activity is also associated with superior fringe benefits. Collective bargaining thus appears to facilitate both access to and improvement on statutory rights.

**PD** September 2000. **TI** Putting Partnership into Practice in Britain. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP178; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 28. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J51, J53, K31. **KW** Collective Bargaining. Partnership. Labor Legislation.

**AB** The paper reviews industrial relations developments in Britain during 1999 by assessing how New Labour's policy commitment to encouraging 'partnership' is developing in practice. After a discussion of the Employment Relations Act it considers the wider influence of European legislation. It then describes how partnership approaches have been developing in trade union policy and industrial practice. This leads to an analysis of the operation of two explicit 'social partnership' institutions, ACAS and the Low Pay Commission. The paper ends with a consideration of the developing arguments at the ILO and WTO over international labor standards.

**Brulhart, Marius**

**PD** September 2000. **TI** Public Expenditure and International Specialisation. **AU** Brulhart, Marius; Trionfetti, Federico. **AA** Brulhart: University of Lausanne. Trionfetti: King's College London. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/23; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/](http://www.hec.unil.ch/depart/DEEP/)

[cahiers/cah-list.htm](#). **PG** 43. **PR** no charge. **JE** F12, H57, R15, R32. **KW** Public Expenditure. International Specialization. Economic Geography. European Union. Input-Output Analysis.

**AB** We study the impact of home-biased public expenditure on international specialization in general equilibrium models with increasing returns and monopolistic competition. It is found that home-biased procurement attracts increasing-returns industries to the home country (the "pull" effect) and attenuates the overall degree of industrial specialization (the "spread" effect). Empirical evidence based on input-output data for the European Union confirms the existence of these links between public expenditure and the location of manufacturing activities.

**Brunello, Giorgio**

**PD** July 1999. **TI** Widening Differences in Italian Regional Unemployment. **AU** Brunello, Giorgio; Lupi, Claudio; Ordine, Patrizia. **AA** Brunello: University of Padua, Italy, Fondazione Eni Enrico Mattei and IZA. Lupi: ISAE, Rome, Italy. Ordine: University of Calabria, Italy. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 54/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 34. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** J21, J31, J61, J64, R23. **KW** Regional Unemployment. Labor Mobility. Italy. Wages. Social Transfers.

**AB** Regional unemployment differentials among Italian regions have widened since the mid 1980s, especially between the leading Northern and Central areas and the underdeveloped South. We suggest that the following elements are important to explain the observed phenomenon: a) employment performance in the South has worsened considerably in the presence of sustained labor force growth; b) labor mobility from the South to the NC areas has sensibly declined with the reduction in earnings differentials and with the increase in social transfers per head; c) real wages in the South are not affected by local unemployment conditions but depend on the unemployment rate prevailing in the leading areas; d) the labor share increased particularly fast in the South during the 1970s, mainly as a consequence of the elimination of institutions, that allowed the presence of significant wage differentials; e) a parsimonious description of the increase in regional unemployment differentials is that the Northern and Southern areas responded in an asymmetric way both to the increase in real social transfers per head and to the reduction in the real price of energy.

**PD** September 1999. **TI** Selective Schools. **AU** Brunello, Giorgio; Giannini, Massimo. **AA** Brunello: University of Padua, Fondazione Eni Enrico Mattei and IZA. Giannini: University of Rome Tor Vergata. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 75/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 33. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** I21, I28, J24, J31. **KW** Education. Admission Tests. Labor Productivity. Human Capital.

**AB** This paper studies how schooling admission tests affect economic performance in an economy where individuals are endowed with both academic and non-academic abilities and both abilities matter for labor productivity. We develop a simple model with selective government held schools, where individuals signal their abilities by taking an admission test that

sorts them into different schools. When abilities are poorly correlated in the population, as documented in the literature, a standard test based only on academic abilities is expected to be less efficient than a more balanced test, that considers both ability types. Contrary to this expectation, we show that this is not generally true, but depends both on the distribution of abilities in the population and on the marginal contribution of each ability type to individual productivity. It is also not generally true that the outcome of a more balanced test can be replicated by a sequential testing strategy, with government held schools testing academic ability.

#### **Buiter, Willem H.**

**PD** July 1999. **TI** Liquidity Traps: How to Avoid Them and How to Escape Them. **AU** Buiter, Willem H.; Panigirtzoglou, Nikolaos. **AA** Buiter: Bank of England and NBER. Panigirtzoglou: Bank of England. **SR** National Bureau of Economic Research Working Paper: 7245; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **Website:** [www.nber.org](http://www.nber.org). **PG** 69. **PR** \$5.00. **JE** B22, E31, E41, E51, E52, E58, N12, N13, N14. **KW** Liquidity Trap. Gesell. Currency Reform. Taxing Currency.

**AB** The empirical evidence on this issue is mixed. Once in a liquidity trap, there are two means of escape. The first is to use expansionary fiscal policy. The second is to lower the zero nominal interest rate floor. This second option involves paying negative interest on government "bearer bonds" -- coin and currency, that is "taxing money", as advocated by Gesell. This would also reduce the likelihood of ending up in a liquidity trap. Taxing currency amounts to having periodic "currency reforms", that is, compulsory conversions of "old" currency into "new" currency, say by stamping currency. The terms of the conversion can be set to achieve any positive or negative interest rate on currency. There are likely to be significant shoe leather costs associated with such schemes. The policy question then becomes how much shoe leather it takes to fill an output gap? Finally, the paper develops a simple analytical model showing how the economy can get into a liquidity trap and how Gesell money is one way of avoiding it or escaping from it.

#### **Burgenmeier, Beat**

**PD** May 1999. **TI** Policy Mix for Environmental Protection: A Transaction Cost Approach. **AA** University of Geneva. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 42/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** [www.feem.it](http://www.feem.it). **PG** 22. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D23, D70, F42, Q28, Q38. **KW** Kyoto Protocol. Policy Mix. Transaction Costs. Environmental Policy. International Institutions.

**AB** This paper uses a transaction cost approach in order to classify the different policy options that are currently discussed in relation to the Kyoto protocol. It analyzes the market as only one of the possible collective decision making processes, which are available to operationalize the concept of sustainable development. The firm, the third sector, the government, and the market are analyzed as collective decision making processes. They are socially constructed in the sense that they are institutions, which are subject to change. Compared to initial and already existing institutions, the policy options for environmental protection are evaluated in the light of the associated transaction costs. The paper concludes with the

recommendation for new institutional arrangements minimizing transaction costs at both the national and international level.

#### **Burmeister, Larry**

**TI** Group Behavior and Development: A Comparison of Farmers' Organisation in South Korea and Taiwan. **AU** Ranis, Gustav; Burmeister, Larry; Wang, Michael.

#### **Butcher, Kristin F.**

**PD** July 2000. **TI** A Study of the Wage Impacts of Unions and Industrial Councils in South Africa. **AU** Butcher, Kristin F.; Rouse, Cecilia Elena. **AA** Princeton University. **SR** Princeton University, Industrial Relations Section Working Paper: 442; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. **Website:** [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 26. **PR** not available. **JE** J51, J52, N37. **KW** Union Impacts. Union Wages. South Africa.

**AB** Some argue that a high union wage premium and the industrial council system are important causes of inflexibility in the South African labor market. We estimate union premia on the order of 20 percent for African workers and 10 percent for White workers. We also find that African nonunion workers who are covered by industrial council agreements receive a premium of 6-10 percent; the premium is positive but not statistically significant for Whites. In addition, although the union gap is smaller inside of the industrial council system than outside of the system for Africans, the total union premium for union members covered by an industrial council agreement is similar to the union premium outside of the industrial council system. Among Africans, the industrial council and union wage gaps are largest among low wage workers.

#### **Butler, Monika**

**PD** July 2000. **TI** Tax-Benefit Linkages in Pension Systems (a note). **AA** University of Lausanne, Center, Tilburg University and CEPR. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/20; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. **Website:** [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 12. **PR** no charge. **JE** D91, H55. **KW** Public Pensions. Linkages.

**AB** This note shows that a public pension system with a fairly general individual tax-benefit linkage is (computationally) equivalent to a system without linkages. The "equivalent" pension system without linkages does not only facilitate simulations of policy experiments, but also offers some insight into the implied tax structure of the tax-benefit linkage.

**PD** November 2000. **TI** The Political Feasibility of Increasing Retirement Age: Lessons from a Ballot on Female Retirement Age. **AA** University of Lausanne, Center, Tilburg University, and CEPR. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/27; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. **Website:** [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 35. **PR** no charge. **JE** D72, D91, H55, J18. **KW** Social Security Reforms. Female Retirement Age. Life-Cycle Models.

**AB** In 1998, the Swiss voters approved of an increase in

female retirement age from 62 to 64. The referendum, being on a single issue only, offers a unique opportunity to explore the political feasibility of pension reforms and to apply theoretical models of life-cycle decision making. Estimates carried out with municipality data suggest that the outcome of the vote conforms relatively well with predictions drawn from a theoretical simulation study. There are, however, surprising gender differences even in married couples. Young agents, married middle-aged and all elderly men favor an increase in female retirement age, while middle-aged and elderly women strongly oppose it. Richer communities and those with a high proportion of self-employed or a low fraction of blue-collar workers are more likely to opt for a higher retirement age. Ideological preferences and regional differences also play a considerable role.

**PD** June 2001. **TI** Old Folks and Spoiled Brats: Why the Baby Boomers' Saving Crisis Need Not Be That Bad. **AU** Butler, Monika; Harms, Philipp. **AA** Butler: University of Lausanne. Harms: University of Konstanz. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 01/07; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. **Website:** [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 27. **PR** no charge. **JE** E21, E62. **KW** Baby Boom. Asset Prices. Labor Market Adjustments.

**AB** We study the impact of an anticipated "baby boom" in an overlapping generations economy. The rise of the working population lowers the wage, and the high demand for assets causes a rise in the price of capital, which will be reversed when the baby boomers leave the work force. However, the swings in factor prices are substantially dampened if we allow for more than two generations, endogenous labor supply, and convex capital adjustment costs. This is mainly due to the intertemporal shifts in labor market participation that can be observed if agents work for more than one period. Optimal saving and labor supply decisions of the baby boomers' preceding and subsequent generations partly offset the impact of the unfavorable demographic shock. Accordingly, the impact of a baby boom on the welfare of different generations crucially depends on the elasticity of labor supply.

### Cabrero, Alberto

**PD** April 2000. **TI** Seasonal Adjustment in Economic Time Series: The Experience of the Banco de Espana. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0002; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 44. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C22, E59. **KW** Monetary Aggregates. Seasonal Adjustment. Signal Extraction.

**AB** For over 20 years the Banco de Espana has been using seasonally adjusted series for economic analysis and, more specifically, for monitoring the main monetary and financial magnitudes. This paper presents the Banco de Espana's experience in this field, describing the various methodological aspects that lead a central bank to use seasonally adjusted series in monetary monitoring and analysis. The paper further describes and substantiates the use of a procedure such as ARIMA model-based signal extraction for seasonally adjusting economic series. Lastly, a specific instance of seasonal

adjustment using this methodology is offered: the analysis of the seasonality of the Spanish component of the euro area M3 aggregate. This case study illustrates in detail how the Banco de Espana has been regularly conducting its monetary and credit aggregate seasonal adjustment exercises up to 1998.

### Cahuc, Pierre

**PD** July 2000. **TI** Redundancy Payments, Incomplete Labor Contracts, Unemployment and Welfare. **AU** Cahuc, Pierre; Zylberberg, Andre. **AA** Cahuc: CNRS, CEPREMAP, Universite Paris I, and Institut de France et CREST. Zylberberg: CNRS and Universite Paris I. **SR** CEPREMAP Discussion Paper: 2000/06; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 21. **PR** 25 francs.

**JE** H29, J23, J38, J41, J64. **KW** Unemployment. Job Protection. Matching Models. Renegotiation. Labor Contracts. **AB** It is frequently argued that pure government-mandated severance transfers by the employer to the worker have neither employment nor welfare effects because they can be offset by private transfers from the worker to the employer. In this paper, using a dynamic search and matching model a la Mortensen and Pissarides (1994), we show that it may not be the case if labor contracts are incomplete and can be renegotiated by mutual agreement only. Indeed, we show that increases in high severance payments are likely to decrease unemployment but systematically decrease welfare and raise inequality. Moreover, it can be understood that insiders try to get high severance payments through political channels, although they do not fight for such a type of advantage at the firm level.

**PD** September 1999. **TI** Job Protection, Minimum Wage and Unemployment. **AU** Cahuc, Pierre; Zylberberg, Andre. **AA** Cahuc: CNRS, CEPREMAP, Universite de Paris I and CREST. Zylberberg: Universite Paris I. **SR** CEPREMAP Discussion Paper: 9914; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 25. **PR** 25 francs. **JE** H29, J23, J38, J41, J64. **KW** Unemployment. Job Protection. Minimum Wage. Matching Models. Renegotiation. **AB** We analyze how wage setting institutions and job-security provisions interact on unemployment. The assumption that wages are renegotiated by mutual agreement only is introduced in a matching model with endogenous job destruction a la Mortensen and Pissarides (1994) in order to get wage profiles with proper microfoundations. Then, it is shown that job protection policies influence the wage distribution and that government mandated severance transfers from employers to workers are no longer neutral, as in the standard matching model where wages are continuously renegotiated. In our framework high redundancy transfers influence employment. Moreover, the assumption of renegotiation by mutual agreement allows us to introduce a minimum wage in a coherent way, and to study its interactions with job protection policies. Our computational exercises suggest that redundancy transfers and administrative dismissal restrictions have negligible unemployment effects when wages are flexible or when the minimum wage is low, but a dramatic positive impact on unemployment when there is a high minimum wage.

**PD** September 1999. **TI** On Some Undesirable Consequences of Education and Growth. **AU** Cahuc, Pierre; Postel-Vinay, Fabien. **AA** Cahuc: CNRS and CEPREMAP, Universite Paris I, Institut Universitaire de France et CREST.

Postel-Vinay: INRA-LEA, Ecole Normale Supérieure. SR CEPREMAP Discussion Paper: 9915; Bibliothèque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). PG 8. PR 25 francs. JE D62, D63, I20, J24, O41. KW Human Capital. Education. Market Failures. Growth. Welfare.

AB This paper explores a simple endogenous growth model with human capital accumulation in which competition in the educational system can lead to fast output growth with a simultaneous decline in welfare along a balanced growth path. This illustrates the idea that satisfaction is not straightforwardly related to economic prosperity.

PD September 1999. TI Should Unemployment Benefits Decrease With Unemployment Spell? AU Cahuc, Pierre; Lehmann, Etienne. AA Cahuc: CNRS, CEPREMAP, Université Paris I, Institut Universitaire de France de CREST. Lehmann: ERMES -- Université Paris II. SR CEPREMAP Discussion Paper: 9916; Bibliothèque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). PG 19. PR 25 francs. JE H29, J23, J38, J41, J64. KW Unemployment. Unemployment Benefits. Matching Models. Job Search. Wages.

AB In this paper, we investigate whether unemployment benefits should decrease with the unemployment spell in a model where both job search intensity and wages are endogenous. Wages are set by collective agreements bargained by insiders. It is shown that a more declining time sequence of unemployment benefits leads to wage increases when the tax rate is given. Such an effect may imply an increase in unemployment and counteracts the response of job search intensity that can be found in standard job search models with a given wage distribution. Calibration exercises suggest that it costs twice more in terms of welfare loss for the long-term unemployed workers to reduce the unemployment rate by one percent when wages are endogenous than in the standard job search model.

### Calia, Pinuccia

PD July 1999. TI A Sample Selection Model for Protest Votes in Contingent Valuation Analyses. AU Calia, Pinuccia; Strazzer, Elisabetta. AA Calia: University of Cagliari, Italy. Strazzer: DRES and CRENoS, University of Cagliari, Italy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 55/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). PG 15. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE C35, C51, C81, D60, H41. KW Contingent Valuation. Protest Votes. Sample Selection Bias. Survey Design. Likelihood Profile.

AB Respondents of contingent valuation surveys may place a null value on the public good for reasons that differ from a genuine indifference to the good, but that can be interpreted as a "protest": either against the interview, or the public management, or both. A good survey design can effectively reduce them, but protest votes can hardly be completely removed from the dataset, and, if there is sample selection bias, they lead to biased estimates for the wtp measure. We propose a survey design, and a sample selection model, that allows taking into account, and correcting, the possible bias due to protest votes. Since the asymptotic standard errors estimated by means of the inverse of the information matrix containing the sample selection parameter are not reliable, we use an alternative procedure based on the likelihood profile.

### Calzolari, Giacomo

PD July 1999. TI Optimal Incentive Regulation of Multinational Enterprises. AA Calzolari: GREMAQ, Université des Sciences Sociales de Toulouse, France and Università di Bologna, Italy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 51/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). PG 43. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE D70, D82, F23, G30, L51. KW Multinational Enterprises. Regulation. Asymmetric Information. Multiprincipal. Lobbying.

AB Multinational enterprises (MNEs) have started to populate also regulated sectors. Their linked international activities and credible threats to relocate are then new concerns for regulators. We study a multiprincipal model in which a privately informed MNE (the agent) produces for two countries and is regulated by the two national authorities (the principals). We show that standard theory in the economics of regulation must be reconsidered in a world with MNEs and novel results arise. We study MNE's incentives to allocate resources to lobby the two non-benevolent regulators and we analyze optimal ownership patterns as a substitute for cooperation in regulation between countries.

### Cameron, Stephen V.

PD July 1999. TI The Dynamics of Educational Attainment for Blacks, Hispanics, and White. AU Cameron, Stephen V.; Heckman, James J. AA Cameron: Columbia University. Heckman: University of Chicago and NBER. SR National Bureau of Economic Research Working Paper: 7249; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 89. PR \$5.00. JE I21, J15. KW Educational Attainment. College Attendance.

AB This paper estimates a dynamic model of schooling attainment to investigate the sources of discrepancy by race and ethnicity in college attendance. When the returns to college education are raised, college enrollment of whites responded much more quickly than that of minorities. Parental income is a strong predictor of this response. However, using NLSY data, we find that it is the long-run factors associated with parental background and income and not short-term credit to the new labor market for skilled labor. Policies aimed at improving these long-term factors are far more likely to be successful in eliminating college attendance differentials than are short-term tuition reduction policies.

### Campbell, John Y.

PD July 1999. TI Explaining the Poor Performance of Consumption-Based Asset Pricing Models. AU Campbell, John Y.; Cochrane, John H. AA Campbell: Harvard University and NBER. Cochrane: University of Chicago and NBER. SR National Bureau of Economic Research Working Paper: 7237; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 15. PR \$5.00. JE E21, G12. KW C-CAPM. Asset Pricing. Portfolio Models.

AB The poor performance of consumption-based asset pricing models relative to traditional portfolio-based asset pricing models is one of the great disappointments of the empirical asset pricing literature. We show that the external habit-formation model from the economy of Campbell and Cochrane (1999) can explain this puzzle. Though artificial data

from that economy conform to a consumption-based model by construction, the CAPM and its extensions are much better approximate models than is the standard power utility specification of the consumption-based model. Conditioning information is the central reason for this result. The model economy has one shock, so when returns are measured at sufficiently high frequency the consumption-based model and the CAPM are equivalent and perfect conditional asset pricing models. However, the model economy also produces time varying expected returns tracked by the dividend-price ratio. Portfolio-based models capture some of this variation in state variables, which a state-independent function of consumption cannot capture, and so portfolio-based models are better approximate unconditional asset pricing models.

**Card, David**

**TI** How Did the Elimination of Mandatory Retirement Affect Faculty Retirement? **AU** Ashenfelter, Orley; Card, David.

**TI** Financial Incentives for Increasing Work and Income Among Low-Income Families. **AU** Blank, Rebecca M.; Card, David; Robins, Philip K.

**Caroli, Eve**

**TI** Inequality and Economic Growth: The Perspective of the New Growth Theories. **AU** Aghion, Philippe; Caroli, Eve; Garcia-Penalosa, Cecilia.

**PD** September 1999. **TI** Skill Biased Organizational Change? Evidence from a Panel of British and French Establishments. **AU** Caroli, Eve; Van Reenen, John. **AA** Caroli: INRA-LEA and CEPREMAP. Van Reenen: University College London and CEPR. **SR** CEPREMAP Discussion Paper: 9917; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **Website:** www.cepremap.cnrs.fr/. **PG** 51. **PR** 30 francs. **JE** J24, J31, L21, L23, O33. **KW** Organizational Change. Skill. Technological Change. Panel Data. Human Capital.

**AB** In this paper we investigate evidence for the 'skill bias' of organizational change (OC). These include the decentralization of authority, delayering of managerial functions and increased multi-tasking. We use several sources of panel data on British and French establishments. Three findings emerge: (i) organizational change tends to reduce the demand for unskilled workers in both countries; (ii) OC is retarded by increases in regional skill price differentials (a measure of the relative supply of skill); (iii) OC leads to greater productivity increases in establishments with larger initial skill endowments. We argue that OC, technology and human capital are complementary assets of the modern enterprise. The widespread introduction of new organizational forms may be an important factor in the declining demand for less skilled workers in OECD countries.

**Carraro, Carlo**

**PD** July 1999. **TI** Integrating Climate Policies in the European Environment: A Policy Report. **AU** Carraro, Carlo; Gorla, Alessandra. **AA** Carraro: University of Venice and Fondazione Eni Enrico Mattei. Gorla: Fondazione Eni Enrico Mattei. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 46/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** www.feem.it. **PG** 44. **PR** 10 papers minimum order at \$4.00 each; annual

subscription at \$250.00. **JE** D60, F10, H40, Q15, Q28. **KW** Climate Change. Mitigation. Equity. Efficiency. Environmental Policy.

**AB** This report summarizes the main ideas, proposals, scientific achievements, consensus and conflicting issues that emerged at the Second EFIEA Policy Workshop, held at Fondazione Eni Enrico Mattei, Palazzo delle Stelline, Corso Magenta 63, Milan, Italy, March 4th-6th, 1999. EFIEA, the European Forum for Integrated Environmental Assessment, is a concerted action funded by the Environment and Climate Programme of the European Commission, Directorate-General XII (contract no. ENV4-CT97-0450). The two main objectives of the EFIEA are: (i) to improve the scientific quality of integrated environmental assessment; (ii) to strengthen the interaction between environmental science and policy-making. In addition, the EFIEA fosters cooperation between scientists and decision makers inside the European Union, communication and cooperation outside the EU, and investigation of IEA techniques. The Second EFIEA Policy Workshop was devoted to improving communication and stimulating cooperation between different stakeholders, policymakers and scientists on the most relevant climate policy issues.

**TI** Voluntary Approaches, Market Structure and Competition. **AU** Brau, Rinaldo; Carraro, Carlo.

**TI** Recycling Energy Taxes: Impacts on a Disaggregated Labour Market. **AU** Bosello, Francesco; Carraro, Carlo.

**Catao, Luis**

**PD** August 2000. **TI** Determinants of Dollarization: The Banking Side. **AU** Catao, Luis; Terrones, Marco. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/146; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 36. **PR** not available. **JE** E43, E44, G21. **KW** Dollarization. Money and Banking. Emerging Markets.

**AB** Dollarization in financial intermediation has exhibited a widely diverse pattern across countries. Empirical work relating it to macroeconomic variables has had only limited success in explaining the phenomenon. This paper presents a two-currency banking model to show that deposit and loan dollarization are determined by a broader set of factors. These include interest rates and exchange rate risk, as well as structural factors related to costly banking, credit market imperfections, and availability of tradable collateral. The direction in which dollarization tends to move with macroeconomic shocks is shown to depend on those factors as well as on initial dollarization levels.

**Cavaliere, Alberto**

**PD** September 1999. **TI** Self-Enforcing Voluntary Agreements and Environmental Reputation. **AA** University of Pavia, Italy and FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 74/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** www.feem.it. **PG** 20. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C72, D82, L14, L15, Q28. **KW** Voluntary Agreements. Environmental Reputation. Repeated Games. Asymmetric Information. Self Enforcement. **AB** Voluntary agreements with industry offer many examples of overcompliance with respect to environmental standards. Such phenomena are not that surprising considering firms'

strategies are aimed at internalizing environmental quality. The authors model the choice of the environmental quality of products in a one-shot game between a monopolist and consumers, to show the existence of inefficient equilibria where quality is low because of moral hazard. However, under certain conditions, the firm can change its equilibrium strategy in a repeated but finite game, in order to build an environmental reputation. In a two-period model the authors show the existence of a perfect Bayesian equilibrium in mixed strategies where the firm can revert to the production of green products in order to influence consumers' beliefs and acquire an environmentally friendly reputation. Due to the peculiarity of environmental information (green products are credence goods), the authors claim that an explicit agreement is also necessary in order to establish monitoring and controlling procedures to verify the performance of firms. These procedures can explain per se the diffusion of voluntary agreements that are nevertheless self-enforcing because of the reputation effect.

#### Cerisola, Martin

**TI** How Does U.S. Monetary Policy Influence Economic Conditions in Emerging Markets? **AU** Arora, Vivek; Cerisola, Martin.

#### Cerra, Valeire

**PD** October 2000. **TI** What Caused the 1991 Currency Crisis in India? **AU** Cerra, Valeire; Saxena, Sweta Chaman. **AA** Cerra: International Monetary Fund. Saxena: University of Pittsburgh. **SR** International Monetary Fund Working Paper: WP/00/157; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 26. **PR** not available. **JE** C32, F31, F32, F41, F47. **KW** India. Currency Crisis. Equilibrium. Exchange Rate. Error Correction Model. Gonzalo-Granger.

**AB** Did real overvaluation contribute to the 1991 currency crisis in India? This paper seeks an answer by constructing the equilibrium real exchange rate, using an error correction model and a technique developed by Gonzalo and Granger (1995). The results are affirmative and the evidence indicates that current account deficits and investor confidence also played significant roles in the sharp exchange rate depreciation. The ECM model is supported by superior out-of-sample forecast performance versus a random walk model.

#### Chakraborty, Atreya

**PD** July 1999. **TI** Product Differentiation and the Use of Information Technology: New Evidence from the Trucking Industry. **AU** Chakraborty, Atreya; Kazarosian, Mark. **AA** Chakraborty: Brandeis University. Kazarosian: Stonehill College. **SR** National Bureau of Economic Research Working Paper: 7222; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** \$5.00. **JE** D21, D24, L21, M31. **KW** Information Technology. Productivity. Product Differentiation. Trucking Industry. Marketing Objectives.

**AB** Since the mid-1980s many authors have investigated the influence of information technology (IT) on productivity. Until recently there has been no clear evidence that productivity increases as a result of IT spending. This productivity paradox is partly due to the difficulty in correctly identifying outputs, particularly in the service sector such as the trucking industry.

Products are often differentiated by quality attributes of the service provided, rather than merely the physical content of the good delivered by motor carriers. A carrier's primary marketing objective, e.g. on-time-performance vs. lowest rate carrier, is precisely what differentiates a trucking firm's service. This paper uses cross-sectional data to show that the use of increasingly sophisticated IT by trucking firms varies depending upon marketing objectives. Our empirical results imply that in order to measure the impact of IT on productivity it is crucial to account for how the firm differentiates its product. We conclude that the productivity paradox can be alleviated if measures of output incorporate firms' marketing objectives.

#### Chami, Ralph

**PD** August 2000. **TI** Should Subsidized Private Transfers Replace Government Social Insurance. **AU** Chami, Ralph; Fullenkamp, Connel. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/150; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 25. **PR** not available. **JE** D64, D82, H21. **KW** Altruism. Charity. Asymmetric Information. Social Insurance. Nonmarket Transfers. NGOs.

**AB** Private transfers between individuals or through organized charities are increasingly viewed as an alternative for government social insurance programs. This paper models the incentive effects of government subsidized private transfers and finds that while there is a significant welfare benefit to subsidizing private transfers, there is also a significant welfare cost to this policy. It is shown analytically, as well as through simulations, that the optimal subsidy to private transfers is positive for a wide range of parameter values. This result indicates that subsidized private transfers in net terms are welfare enhancing.

#### Chan, Louis K. C.

**PD** July 1999. **TI** On Mutual Fund Investment Styles. **AU** Chan, Louis K. C.; Chen, Hsiu-Lang; Lakonishok, Josef. **AA** Chan and Chen: University of Illinois Urbana-Champaign. Lakonishok: University of Illinois Urbana-Champaign and NBER. **SR** National Bureau of Economic Research Working Paper: 7215; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 30. **PR** \$5.00. **JE** G11, G23. **KW** Mutual Funds. Investment Styles. Growth Funds. Value Funds. Portfolio Choice.

**AB** We provide an exploratory investigation of mutual funds' investment styles. Funds' styles tend to cluster around a broad market benchmark. When funds deviate from the benchmark they are more likely to favor growth stocks with good past performance. There is some consistency in styles, although funds with poor past performance are more likely to change styles. Some evidence suggests that growth funds have better style-adjusted performance than value funds. The results are not sensitive to style identification procedure, but an approach based on fund portfolio characteristics performs better in predicting future fund returns.

**PD** July 1999. **TI** The Stock Market Valuation of Research and Development Expenditures. **AU** Chan, Louis K. C.; Lakonishok, Josef; Sougiannis, Theodore. **AA** Chan and Sougiannis: University of Illinois Urbana-Champaign. Lakonishok: University of Illinois Urbana-Champaign and NBER. **SR** National Bureau of Economic Research Working

Paper: 7223; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 27. **PR** \$5.00. **JE** G12, G14. **KW** Asset Pricing. Stock Returns. Research and Development. Advertising. Information.

**AB** We examine whether stock prices fully reflect the value of firms' intangible assets, focusing on research and development (R&D). Since intangible assets are not reported on financial statements under current U.S. accounting standards and R&D spending is expensed, the valuation problem may be especially challenging. Nonetheless we find that historically the stock returns of firms doing R&D on average matches the returns on firms with no R&D. For companies engaged in R&D, high R&D intensity has a distinctive effect on returns for two groups of stocks. Within the set of growth stocks, R&D-intensive stocks tend to out-perform stocks with little or no R&D. Companies with high R&D relative to equity market value (who tend to have poor past returns) show strong signs of mis-pricing. In both cases the market apparently fails to give sufficient credit for firms' R&D investments. Our exploratory investigation of the effects of advertising on returns yields similar results. We also provide evidence that R&D intensity is positively associated with return volatility, everything else equal. Insofar as the association reflects investors' lack of information about firms' R&D activity, increased accounting disclosure may be beneficial.

#### Chander, Parkash

**PD** September 1999. **TI** The Kyoto Protocol: An Economic and Game Theoretic Interpretation. **AU** Chander, Parkash; Tulkens, Henry; van Ypersele, Jean-Pascal; Willems, Stephane. **AA** Chander: Indian Statistical Institute and Universite Catholique de Louvain. Tulkens and van Ypersele: Universite Catholique de Louvain. Willems: TFDD, Bureau Federal du Plan, Belgium. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 72/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 33. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C70, F42, Q25, Q28. **KW** Kyoto Protocol. Climate Change. Environmental Policy. Coalitions. Cooperation.

**AB** Calling upon both positive and normative economics, the authors attempt to characterize the issues at stake in the current international negotiations on climatic change. They begin by reviewing the main features of the Kyoto Protocol. Then, they identify by means of an elementary economic model the main concepts involved: optimality, non-cooperation, coalitional stability. The authors observe that "business-as-usual", "no regrets" and other domestic policies are alternative ways to conceive of the non-cooperative equilibrium prevailing before the negotiations. Data suggest that the prevailing situation is a mixed one, exhibiting characteristics of several of these policies. The authors then turn to interpreting the Protocol. While there is no firm basis to assert that the emission quotas chosen at Kyoto correspond to optimal emissions, economic and game theoretical arguments are put forward to support the view that by achieving these emission quotas, trading ensures efficiency, as well as coalitional stability for the agreement provided it is adopted at the largest scale. Finally, it is argued that beyond the Kyoto Protocol, the achievement of coalitionally stable optimality at the world level is a real possibility with trading.

#### Chang, Howard F.

**PD** April 1999. **TI** Incentives to Settle Under Joint and Several Liability: An Empirical Analysis of Superfund Litigation. **AU** Chang, Howard F.; Sigman, Hilary. **AA** Chang: University of Pennsylvania Law School. Sigman: Rutgers University and NBER. **SR** National Bureau of Economic Research Working Paper: 7096; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** not available. **PR** \$5.00. **JE** K41, Q28. **KW** Joint Liability. Several Liability. Settlements. Litigation. Pollution.

**AB** Congress may soon restrict joint and several liability for cleanup of contaminated sites under Superfund. We explore whether this change would discourage settlements and is therefore likely to increase the program's already high litigation costs. Recent theoretical research by Kornhauser and Revesz finds that joint and several liability may either encourage or discourage settlement, depending upon the correlation of outcomes at trial across defendants. We extend their two-defendant model to a richer framework with N defendants. This extension allows us to test the theoretical model empirically using data on Superfund litigation. We find that joint and several liability does not discourage settlements and may even encourage them. Our results support the model's predictions about the effects of several variables, such as the degree of correlation in trial outcomes.

#### Chau, Nancy H.

**TI** Human Capital Formation, Asymmetric Information, and the Dynamics of International Migration. **AU** Stark, Oded; Chau, Nancy H.

#### Chaundy, David

**PD** June 1999. **TI** Why are UK Banks' Overseas Assets and Liabilities So Large? **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP130; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 29. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F32, F34, G21. **KW** UK Banks. Overseas Assets. Overseas Liabilities. Foreign-Owned Banks. Eurocurrency Markets.

**AB** The overseas assets and liabilities of UK banks account for over 50% of the overseas assets and liabilities of all UK residents and almost 50% of UK banks' total assets and liabilities. They are much larger than the overseas assets of banks in other developed countries. This paper adopts an institutional, theoretical and empirical approach to explain the large size of these overseas assets. We find that over 80% of these assets and liabilities are accounted for by foreign-owned UK banks and their large size may be traced to the development of the Euro-currency markets in London in the late 1950s and 1960s. Although net overseas bank assets can, in principle, be explained, the gross assets are more problematic.

#### Chawluk, Antoni

**PD** October 2000. **TI** Estimates of Demand for Money and Consumption Functions for the Household Sector in Poland, 1967-1999. **AA** University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 42; Working Paper Co-ordinator, Department

of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). PG 22. PR no charge. JE E21, E41, P36. KW Money Demand. Consumption. Shortage.

AB The paper analyzes household money demand and consumption. Variables that measure shortage and expectations about its future course are introduced to capture the effects of the transition from centrally planned to market economy. The Johansen procedure is used to identify a system of the two cointegrating vectors. The Chow tests support stability in the error correction equations. The reported results show that disequilibrium in household sector money holdings has a strong influence on consumption.

#### Cheffins, Brian

PD September 2000. TI Does Law Matter? The Separation of Ownership and Control in the United Kingdom. AA University of Cambridge. SR University of Cambridge. ESRC Centre for Business Research Working Paper: WP172; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). PG 59. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE G32, K22, N24. KW Ownership. Corporate Governance. Legal Regulation. Convergence.

AB This paper provides evidence on the extent to which legal regulation does "matter" in the corporate governance context. The approach is historical, and focuses on the emergence of a separation of ownership and control, characterized by widely dispersed share ownership and strong managers in the United Kingdom. Developments in the UK suggest that a highly specific set of laws governing companies and financial markets do not have to be in place to ensure that a separation of ownership and control becomes a central feature of a country's corporate governance system. Instead, alternative institutional structures can perform the function "law matters" advocates say the legal system needs to play. It is an open question, however, whether such alternatives are likely to emerge in countries where a transition to the American pattern of corporate governance could be in progress.

#### Chen, Hsiu-Lang

TI On Mutual Fund Investment Styles. AU Chan, Louis K. C.; Chen, Hsiu-Lang; Lakonishok, Josef.

#### Chinn, Menzie D.

PD April 1999. TI Latin America and East Asia in the Context of an Insurance Model of Currency Crises. AU Chinn, Menzie D.; Dooley, Michael P.; Shrestha, Sona. AA Chinn and Dooley: University of California, Santa Cruz and NBER. Shrestha: University of California, Santa Cruz. SR National Bureau of Economic Research Working Paper: 7091; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 22. PR \$5.00. JE E44, F31, F32, F34, G18. KW Currency Crises. Insurance Models. Foreign Exchange. Capital Movements. Domestic Credit.

AB This paper focuses on the 1995 Latin American and the 1997 East Asian crises using an insurance-based model of financial crisis. First the model of Dooley (forthcoming) is described. Second, some empirical evidence for an insurance model is presented. The key variables in this approach include

the ratio of foreign exchange reserves to bank loans (domestic credit) extended to the private sector, the ability of the private sector to appropriate government assets, and appropriation as measured by capital flight. We argue that the insurance model is consistent with the observed evolution of these variables in the recent crises in Latin America and Asia. Finally, we examine the statistical evidence in favor of the model using panel regressions. We find that the econometric results are consistent with the insurance model, and tend to support this approach over some competing explanations.

#### Chong, Alberto

PD October 2000. TI Technological Adaptation, Trade, and Growth. AU Chong, Alberto; Zanforlin, Luisa. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/00/161; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 30. PR not available. JE F14, F15, O40. KW Growth. Assimilation. Technology. Exports. Imitation. Dynamic Panel.

AB This paper extends Grossman and Helpman's seminal work (1991), and presents an endogenous growth model where innovations created in a high-tech sector may be assimilated or adapted by a low-tech sector. Applying a simple Heckscher-Ohlin framework, the effects of technological diffusion are found to allow a country relatively scarce in human capital to benefit from non-decreasing rates of growth through its low-tech sector. The model is tested by using a dynamic panel data approach (Arellano and Bover, 1995). Results are consistent with the predictions of the model and robust to a broad range of definitions of technological intensity.

#### Christiano, Lawrence J.

PD July 1999. TI The Band Pass Filter. AU Christiano, Lawrence J.; Fitzgerald, Terry J. AA Christiano: Northwestern University and NBER. Fitzgerald: Federal Reserve Bank of Cleveland. SR National Bureau of Economic Research Working Paper: 7257; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 9. PR \$5.00. JE C22, C51, C61, E31, E32. KW Band Pass Filter. Time Series. Phillips Curve.

AB The "ideal" band pass filter can be used to isolate the component of a time series that lies within a particular band of frequencies. However, applying this filter requires a dataset of infinite length. In practice, some sort of approximation is needed. Using projections, we derive approximations that are optimal when the time series representations underlying the raw data have a unit root, or are stationary about a trend. We identify one approximation which, though it is only optimal for one particular time series representation, nevertheless works well for standard macroeconomic time series. To illustrate the use of this approximation, we use it to characterize the change in the nature of the Phillips curve and the money-inflation relation before and after the 1960s. We find that there is surprisingly little change in the Phillips curve and substantial change in money growth-inflation relation.

#### Christoffersen, Henrik

PD September 1999. TI Public Versus Private Production: A Study of the Cost of School Cleaning in Denmark. AU Christoffersen, Henrik; Paldam, Martin; Wurtz, Allan. AA Christoffersen: AKF, Institute of Local



Government Research. Paldam and Wurtz: University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 1999/22; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 24. **PR** no charge. **JE** C14, D78, H72, L33. **KW** Cost Function. Public Production. Private Production. Scale Effects. Non-Parametric Regression. Bootstrap.

**AB** The cleaning of Danish schools is produced by one of three forms of organization: decentral municipal, central municipal or private. The cost function is well estimated by a trans-log specification of scale and quality of cleaning. For small schools, the organization makes little difference. For larger schools decentralized municipal production is the most expensive. On average centralization, reduces costs by 6%, while privatization reduces costs by 29%. These cost gaps are due to the difference in ability to exploit economies of scale.

### Clark, Peter B.

**PD** August 2000. **TI** Filtering the BEER: A Permanent and Transitory Decomposition. **AU** Clark, Peter B.; MacDonald, Ronald. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/144; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 37. **PR** not available. **JE** F31, F32, F41. **KW** Real Exchange Rates. Equilibrium Exchange Rates.

**AB** In this paper we extend the BEER (Behavioral Equilibrium Exchange Rate) approach that identifies an estimated equilibrium relationship between the real exchange rate and economic fundamentals. Here the economic fundamentals are decomposed using Johansen cointegration methods into transitory and permanent components, with the latter used to estimate the Permanent Equilibrium Exchange Rate, or PEER, for the U. S. and Canadian dollars and the pound sterling. The BEER and the PEER move closely together for the U.S. and Canadian dollars and generally track the actual exchange rate. By contrast, for the pound sterling the BEER and the PEER diverge sharply, with the latter following the actual exchange rate quite closely.

### Clark, Todd E.

**PD** December 2000. **TI** Can Out-of-Sample Forecast Comparisons Help Prevent Overfitting? **AA** Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/05; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 23. **PR** no charge. **JE** C52, C53, E37. **KW** Forecasts. Overfitting. Model Selection. Causality.

**AB** This paper shows that out-of-sample forecast comparisons can help prevent data mining-induced overfitting. The basic results are drawn from simulations of a Monte Carlo design and a real data-based design similar to those in Lovell (1983) and Hoover and Perez (1999). In each simulation, a general-to-specific procedure is used to arrive at a model. If the selected specification includes any of the candidate explanatory variables, forecasts from the model are compared to forecasts from a benchmark model that is nested within the selected model. In particular, the competing forecasts are tested for equal MSE and encompassing. The simulations indicate most of the post-sample tests are roughly correctly sized, as long as just

the in-sample portion of the data is used in model selection. Moreover, the tests have relatively good power. The paper concludes with an application, modeling quarterly U.S. inflation.

**PD** September 1999. **TI** Borders and Business Cycles. **AU** Clark, Todd E.; van Wincoop, Eric. **AA** Clark: Federal Reserve Bank of Kansas City. Federal Reserve Bank of New York. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/07; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 22. **PR** no charge. **JE** E32, E63, F41. **KW** Comovement. Intranational. International. EMU. Trade.

**AB** We document that business cycles of U.S. Census regions are substantially more synchronized than those of European countries. Data from regions within European countries confirm a European border effect -- within-country correlations are substantially larger than cross-country correlations. These results continue to hold after controlling for exogenous factors such as distance and size. We consider the role of four factors that have received attention in the debate about EMU: sectoral specialization, the level of trade, monetary policy and fiscal policy. We find that the lower level of trade between European countries explains most of the observed border effect.

### Cochrane, John H.

**TI** Explaining the Poor Performance of Consumption-Based Asset Pricing Models. **AU** Campbell, John Y.; Cochrane, John H.

### Collard, Fabrice

**PD** June 1999. **TI** A Structural Model For US Aggregate Job Flows. **AU** Collard, Fabrice; Feve, Patrick; Langot, Francois; Perraudin, Corinne. **AA** Collard: CNRS and CEPREMAP. Feve: Universite de Nantes and CEPREMAP. Langot: Universite du Maine and CEPREMAP. Perraudin: Universite de Paris I. **SR** CEPREMAP Discussion Paper: 9910; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 28. **PR** 25 francs. **JE** C51, E24, E32, J41, J64. **KW** Matching Process. Stochastic Heterogeneity. Employment. Nonlinear Dynamics. Simulation.

**AB** Recent studies have highlighted the existence of asymmetries in employment dynamics. This paper contributes to the analysis of this dynamics through the explicit modeling of its two components -- job creations and job destructions. We propose a simple matching model extended for endogenous separation and tractable heterogeneity. The parameters of the model are estimated using a simulation-based estimation method. We then test the ability of trade externalities, generated by the matching process, to (i) propagate sectoral shocks in the whole labor market and (ii) generate the observed asymmetries in aggregate job flows. The results clearly indicate that the model is able to match the observed asymmetries in US aggregate job flows.

**PD** November 1999. **TI** Accuracy of Stochastic Perturbation Methods: The Case of Asset Pricing Models. **AU** Collard, Fabrice; Juillard, Michel. **AA** Collard: CEPREMAP and CNRS. Juillard: CEPREMAP. **SR** CEPREMAP Discussion Paper: 9922; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France.

Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 20. **PR** 25 francs. **JE** C63, G12. **KW** Approximation Methods. Perturbations. Taylor Series Expansion. Rational Expectations. Asset Pricing. **AB** This paper investigates the accuracy of a perturbation method in approximating the solution to stochastic equilibrium models under rational expectations. As a benchmark model, we use a version of asset pricing models proposed by Burnside [1988] which admits a closed-form solution while not making the assumption of certainty equivalence. We then check the accuracy of perturbation methods extended to a stochastic environment -- against the closed form solution. Second and especially fourth order expansions are then found to be more efficient than standard linear approximation, as they are able to account for higher order moments of the distribution.

### Commander, Simon

**PD** October 2000. **TI** Determinants of Barter in Russia: An Empirical Analysis. **AU** Commander, Simon; Dolinskaya, Irina; Mumssen, Christian. **AA** Commander: EBRD. Dolinskaya and Mumssen: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/155; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 32. **PR** not available. **JE** D43, G32, G33, H25, L14, P31, P35. **KW** Barter. Tax Offsets. Non-Monetary Transactions. Arrears. Trade Credit. Russia. Transition. Subsidies. Restructuring. **AB** This paper analyzes the causes and consequences of non-monetary transactions in Russia, drawing on a large enterprise survey. We show that barter and offsets are linked to liquidity problems at the level of the firm and to arrears in particular. We find evidence that the state has channeled implicit subsidies to enterprises in the form of tax and utility offsets. The findings help explain the rise of non-monetary transactions during much of the 1990s. We show that non-monetary transactions inhibit enterprise restructuring. Our findings suggest that a policy solution to the non-cash problem would require the state and public utilities to phase out arrears and offsets.

### Conley, Timothy G.

**PD** July 2000. **TI** Learning About a New Technology: Pineapple in Ghana. **AU** Conley, Timothy G.; Udry, Christopher R. **AA** Conley: Northwestern University. Udry: Yale University. **SR** Yale Economic Growth Center Discussion Paper: 817; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 32. **PR** \$2.00 plus postage. **JE** O12, O13, O31. **KW** Social Learning. Technology. Innovation. **AB** This paper investigates the role of social learning in the diffusion of a new agricultural technology in a developing country: Ghana. We use unique data on farmers' communication patterns to define each individual's information neighborhood, the set of others from whom he might learn. Our empirical strategy is to test whether farmers change their input decisions to align with those of their neighbors who were successful in previous periods. We present evidence that farmers adopt successful neighbors' practices, conditional on many potentially confounding factors including the physical proximity of plots, credit arrangements, clan membership, and soil characteristics.

### Conrad, Klaus

**PD** May 1999. **TI** Voluntary Environmental Agreements, Emission Taxes and International Trade: The Importance of the Timing of Strategies. **AA** Mannheim University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 39/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 22. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D43, F13, H23, Q28. **KW** Environmental Policy. Strategic Trade Policy. Emission Taxes. Voluntary Agreements. Abatement Costs. **AB** The purpose of the paper is to narrow the gap between the widespread use of voluntary agreements and research on the rationale of such approaches. A typical example is voluntary agreements of many industries to reduce carbon dioxide emissions because of global warming. If the industry anticipates that taxes and fees will be introduced in the coming years, it seems rational to act in advance in order to mitigate the tax levels. The conventional approach in strategic trade and tax models was to look at a two-stage game where governments set taxes first and then firms react. In such a policy regime the government is concerned about the international competitiveness of its firms and sets taxes below marginal damages. In this paper, we consider a policy regime with a reversed timing. Firms commit themselves in the face of emission taxes to abatement efforts and to lower levels of the environmentally intensive output. Then the government introduces the tax. Under this timing of strategies the tax is equal to marginal damage. Firms waive profit and reduce output in order to use less of the polluting input. The reward for this behavior will be a less strict use of policy instruments and hence lower abatement costs in the near future.

### Cooper, Suzanne J.

**TI** Testing for Structural Breaks in the Evaluation of Programs. **AU** Piehl, Anne Morrison; Cooper, Suzanne J.; Braga, Anthony A.; Kennedy, David M.

### Corsetti, Giancarlo

**PD** October 2000. **TI** Nominal Debt and the Dynamics of Currency Crises. **AU** Corsetti, Giancarlo; Mackowiak, Bartosz. **AA** Corsetti: University of Rome III, Yale University and CEPR. Mackowiak: Yale University. **SR** Yale Economic Growth Center Discussion Paper: 820; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 22. **PR** \$2.00 plus postage. **JE** F31, F33, E58. **KW** Currency Crisis. Speculative Attacks. Fiscal Policy. **AB** We study the interaction of fiscal and monetary policies during a currency crisis in an economy with government nominal liabilities. We show that the stock and maturity of these liabilities are key determinants of the magnitude, timing and predictability of a devaluation. Among notable features of our model, monetary authorities defend the currency parity conditional on the level of the interest rate, rather than on the stock of international reserves; budget deficits need not be high before a currency crisis; post-devaluation inflation may exhibit little persistence, and money demand need not fall after the crisis.

**PD** April 2001. **TI** Correlation Analysis of Financial Contagion: What One Should Know Before Running a Test. **AU** Corsetti, Giancarlo; Pericoli, Marcello; Sbracia,

Massimo. AA Corsetti: Yale University, University of Rome III, and CEPR. Pericoli and Sbracia: Bank of Italy. SR Yale Economic Growth Center Discussion Paper: 822; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). PG 34.

PR \$2.00 plus postage. JE C13, G15, F36. KW Contagion. Financial Crisis. Correlation Analysis.

AB This paper builds a general test of contagion in financial markets based on bivariate correlation analysis -- a test that can be interpreted as an extension of the normal correlation theorem. Contagion is defined as a structural break in the data generating process of rates of return. Using a factor model of returns as theoretical framework, we test leading contributions in the literature as special cases of our test. We show that, while the literature on correlation analysis of contagion is successful in controlling for a potential bias induced by changes in the variance of global shocks, current tests are conditional on a specific yet arbitrary assumption about the variance of country specific shocks. Our results suggest that, for a number of pairs of country stock markets, the hypothesis of "no contagion" can be rejected only if the variance of country specific shocks is set to levels that are not consistent with the evidence.

#### Cosh, Andy D.

PD December 2000. TI The Relationship Between Training and Employment Growth in Small and Medium-Sized Enterprises. AU Cosh, Andy D.; Hughes, Alan; Weeks, Melvyn. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP188; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). PG 19. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE J53, L11, L23. KW Small Firms. Medium-Sized Firms. Human Resources. Training. Employment Growth.

AB This paper provides a rigorous analysis of the impact of training upon the employment growth characteristics of small and medium sized firms. Using appropriate statistical techniques to cope with sample selection biases and heterogeneous employment growth patterns it reveals that training is positively related to employment growth, in particular when it is embedded in a wider range of human relations practices.

#### Costa, Dora L.

PD May 1999. TI Power Couples: Changes in the Locational Choice of the College Educated, 1940-1990. AU Costa, Dora L.; Kahn, Matthew E. AA Costa: Massachusetts Institute of Technology and NBER. Kahn: Columbia University. SR National Bureau of Economic Research Working Paper: 7109; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 42. PR \$5.00. JE I21, J11, J12, R12, R23. KW Demographics. Dual Careers. Education. City Size. Locational Choice.

AB The rise of the dual career household is a recent phenomenon spurred by the increase in married women's labor force participation rates and educational attainment rates. Compared to traditional households these households must solve a colocation problem. This paper documents trends in locational choice between large and small metropolitan areas

and non-metropolitan areas by household type from 1940 to 1990. We find that college educated couples are increasingly concentrated in large metropolitan areas and attribute at least half of this increase to the growing severity of the colocation problem. We also find that the relative returns for a college-educated couple of being in a large relative to a small city have increased across decades. Our results suggest that because skilled professionals are increasingly bundled with an equally skilled spouse, smaller cities may experience reduced inflows of human capital relative to the past and therefore become poorer. We examine how the relationship between rankings of university graduate programs and city size has changed between 1970 and 1990 to provide suggestive evidence on the importance of city size for a firms' ability to attract the best workers.

#### Cottier, Thomas

PD September 1999. TI The TRIPs Agreement Without a Competition Agreement? AU Cottier, Thomas; Meitinger, Ingo. AA University of Bern, Switzerland. SR Fondazione Eni Enrico Mattei Note di Lavoro: 65/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). PG 15. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE F13, F42, L40, O14, O34. KW Competition. Policy. Intellectual Property. Property Rights. Antitrust Policy. Development.

AB This paper addresses the relationship of intellectual property rights and competition policies and rules addressing the conduct of private enterprise. Intellectual property rights are considered to be essential, but not sufficient, conditions for competition. Potentially excessive scope and use need to be balanced by way of competition rules. Such balance is partly inherent to the scope of IPRs and thus within the TRIPs Agreement. Partly, it will be achieved by applying competition rules. The proper balance, it is argued, does not necessarily require the establishment of comprehensive global disciplines on private party conduct and competition in the WTO. A number of reasons and conflicting interests are discussed. The paper argues that the balance can be adequately achieved by way of national or regional anti-trust rules, and efforts to bring about adequate legal regimes in particular in developing and transitional countries should be supported by national and international foray, including the WTO.

#### Craine, Roger

PD January 1999. TI Exchange Rate Regime Credibility, the Agency Cost of Capital and Devaluation. AA University of California, Berkeley. SR University of California, Berkeley, Department of Economics Working Paper: E99/263; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html). PG 44. PR \$3.50 U.S.; \$7.50 International. JE C63, F31. KW Balance of Payments Crisis. Credibility. Multiple Equilibria.

AB This paper analyzes the crucial role of imperfect credibility in a currency crisis with a stochastic dynamic rational expectations regime switching model. The exchange regime is sound, e.g., a currency board- the only market failure is that the Central Bank cannot make a credible commitment to maintain the regime. The paper has two innovations: (1) It specifies the cost of imperfect credibility, and (2) It quantifies the cost of imperfect credibility. Imperfect credibility generates

small (but costly) average interest rate differentials. Imperfect credibility cannot generate large interest differentials, but a surprisingly small "fundamental" currency overvaluation added to the basic specification generates large interest rate differentials. The paper's main result—that a lack of credibility cannot generate large interest rate differentials in a sound regime—is robust.

### Crespo-Cuaresma, Jesus

**PD** March 2000. **TI** Forecasting European GDP Using Self-Exciting Threshold Autoregressive Models: A Warning. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 79; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 15. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C22, C53, C52. **KW** Nonlinear Models. Time Series. SETAR Models. Forecasting.

**AB** A two-regime self-exciting threshold autoregressive process is estimated for quarterly aggregate GDP of the fifteen countries that compose the European Union, and the forecasts from this nonlinear model are compared, by means of a Monte Carlo simulation, with those from a simple autoregressive model, whose lag length is chosen to minimize Akaike's AIC criterion. The results are very negative for the SETAR model when the Monte Carlo procedure is used to generate multi-step forecasts. When the "naive" procedure of generating forecasts is used, the results are surprisingly better for the SETAR model in long-term predictions. Due to the characteristics of the residuals, a bootstrapping method of forecasting was also used, yielding even poorer results for the nonlinear model.

### Cutler, David M.

**PD** April 1999. **TI** Pricing Heart Attack Treatments. **AU** Cutler, David M.; McClellan, Mark; Newhouse, Joseph P.; Remler, Dahlia. **AA** Cutler and Newhouse: Harvard University and NBER. McClellan: Stanford University and NBER. Remler: Tulane University. **SR** National Bureau of Economic Research Working Paper: 7089; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 45. **PR** \$5.00. **JE** E31, I11, I12. **KW** Price Indices. Service Price Index. Cost of Living. Health Care. Heart Attacks.

**AB** This paper estimates price indices for heart attack treatments, demonstrating the techniques that are currently used in official price indices and presenting some alternatives. The authors consider two types of price indices, a Service Price Index, which prices specific treatments provided, and a Cost of Living Index, which prices the health outcomes of patients. Both indices are complicated by price measurement issues: list prices and transactions prices are fundamentally different in the medical care field. The development of new or modified medical treatments further complicates the comparison of "like" goods over time. And the Cost of Living Index is hampered by the need to determine how much of health improvement results from medical treatments in comparison to other factors. The authors describe methods to address each of these obstacles. They conclude that whereas traditional price indices when applied to heart attack treatments are rising at roughly 3 percent per year above general inflation, a corrected Service Price Index is rising at perhaps 1 to 2 percent per year above general inflation, and the cost of living index is falling by 1 to 2 percent per year relative to general inflation.

### Dal Bo, Ernesto

**PD** October 2000. **TI** Bribing Voters. **AA** New College and Wadham College, Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 39; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 33. **PR** no charge. **JE** D71, D72, D78. **KW** Voting. Lobbying. Democracy. Committees. Capture. Corruption.

**AB** We show how an outside party offering incentives to voters can manipulate at no cost collective decisions made through voting. Under influence, these decisions can become inefficient. Therefore, the market for policies may be more likely to fail than the markets for goods, because (democratic) politics involves influence and collective decisions to a greater extent than markets for goods do. We develop and use a model to analyze different incentive schemes, credibility situations, and payoff and information structures. We discuss implications for the efficiency of democracy, voting, lobbying, committee decision making, and legislatures.

### Daniel, Kent

**PD** July 1999. **TI** Explaining the Cross-Section of Stock Returns in Japan: Factors of Characteristics? **AU** Daniel, Kent; Titman, Sheridan; Wei, John K. C. **AA** Daniel: Northwestern University and NBER. Wei: Hong Kong University of Science and Technology. Titman: University of Texas at Austin and NBER. **SR** National Bureau of Economic Research Working Paper: 7246; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 19. **PR** \$5.00. **JE** F36, G12. **KW** Factor Models. Japanese Stock Returns. Return Premia.

**AB** Japanese stock returns are even more closely related to their book-to-market ratios than are their U.S. counterparts, and thus provide a good setting for testing whether the return premia associated with these characteristics arise because the characteristics are proxies for covariance with priced factors. Our tests, which replicate the Daniel and Titman (1997) tests on a Japanese sample, reject the Fama and French (1993) three-factor model but fails to reject the characteristic model.

### Darby, Michael R.

**PD** July 1999. **TI** Local Academic Science Driving Organizational Change: The Adoption of Biotechnology by Japanese Firms. **AU** Darby, Michael R.; Zucker, Lynne G. **AA** Darby and Zucker: University of California, Los Angeles and NBER. **SR** National Bureau of Economic Research Working Paper: 7248; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 33. **PR** \$5.00. **JE** L11, L65, O31. **KW** Biotechnology. Japan. Organizational Change.

**AB** In Japan biotechnology has almost exclusively been introduced through organizational change in existing firms. We show that for the U.S. and global pharmaceutical business the performance enhancement associated with this organizational change is necessary for incumbent firms to remain competitive and, ultimately, to survive. Japan's sharply higher organizational change/new entry ratio compared to the U.S. during the biotech revolution is related to Japan's relatively compact geography and institutional differences between the higher-education and research funding systems, the venture-capital and IPO markets, cultural characteristics and incentive

systems which impact scientists' entrepreneurial activity, and tort-liability exposures. Both local science base and pre-existing economic activity explained where and when Japanese firms adopted biotechnology, with the latter playing a somewhat larger role. Entry and organizational change appear to be alternative ways of exploiting the scientific base. While similar processes are at work in Japan and America, starts in Japan induce entry or transformation of significantly fewer firms than in the U.S. and preexisting economic activity plays a greater role. We find no such significant difference for entry of keiretsu-member and nonmember firms within Japan.

**David, Paul A.**

**PD** May 2000. **TI** Heart of Darkness: Modeling Public-Private Funding Interactions Inside the R&D Black Box. **AU** David, Paul A.; Hall, Bronwyn H. **AA** David: All Souls College, Oxford and Stanford University. Hall: Nuffield College, Oxford and University of California, Berkeley. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/275; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 29. **PR** \$3.50 U.S.; \$7.50 International. **JE** H41, H42, O31, O38. **KW** R&D. Public Goods. Crowding Out. Spillovers. Supply of Scientists. Supply of Engineers.

**AB** This paper is a first step toward closing the analytical gap in the extensive literature on the results of interactions between public and private R&D expenditures, and their joint effects on the economy. A major cause of "inconsistencies" in the empirical literature is the failure to recognize key differences among the various policy "experiments" being considered -- depending upon the economy in which they are embedded, and the type of public sector R&D spending that is contemplated. Using a simple, stylized structural model, we identify the main channels of impact of public R&D. We thus can characterize the various effects, distinguishing between short-run and long-run impacts that would show up in simple regression analyses of nominal public and private R&D expenditure variables. Within the context of our simple model it is possible to offer interpretations that shed light on recent cross-section and panel data findings at both high (i.e. national) and low (specific technology area) levels of aggregation.

**Davis, Steven J.**

**PD** April 1999. **TI** Sectoral Job Creation and Destruction Responses to Oil Price Changes. **AU** Davis, Steven J.; Haltiwanger, John. **AA** Davis: University of Chicago and NBER. Haltiwanger: University of Maryland and NBER. **SR** National Bureau of Economic Research Working Paper: 7095; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 32. **PR** \$5.00. **JE** E24, J23, J63, J64, L60. **KW** Job Creation. Job Destruction. Manufacturing. Employment. Oil Price Shocks.

**AB** We study the effects of oil price changes and other shocks on the creation and destruction of U.S. manufacturing jobs from 1972 to 1988. We find that oil shocks account for about 20-25 percent of the cyclical variability in employment growth under our identifying assumptions, twice as much as monetary shocks. Employment growth shows a sharply asymmetric response to oil price ups and downs, in contrast to the prediction of standard equilibrium business cycle models. The two-year employment response to an oil price increase rises (in

magnitude) with capital intensity, energy intensity, and product durability. Job destruction shows much greater short-run sensitivity to oil and monetary shocks than job creation in every sector with the clear exception of young, small plants. Oil shocks also generate important reallocate effects. For example, we estimate that job reallocation rose by 11 percent of employment over 3-4 years in response to the 1973 oil shock. More than 80 percent of this response reflects greater job reallocation activity within manufacturing.

**Davoodi, Hamid R.**

**TI** Corruption, Structural Reforms, and Economic Performance in the Transition Economies. **AU** Abed, George T.; Davoodi, Hamid R.

**Dayal-Gulati, Anuradha**

**PD** June 2000. **TI** Centripetal Forces in China's Economic Take-Off. **AU** Dayal-Gulati, Anuradha; Husain, Aasim M. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/86; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 36. **PR** not available. **JE** O11, O18, O49. **KW** Convergence. Integration. Growth. Inequality.

**AB** This paper uses provincial time series data from China to empirically investigate two propositions relating to economic development: (i) that economic takeoff is associated with technological transfer through foreign direct investment (FDI); and (ii) that takeoff is accompanied, at least in the short term, by widening income inequality. The results indicate that FDI flows have increased the rate of convergence in per capita incomes across China's provinces. However, the pattern of FDI, which has gone mainly to the relatively wealthy provinces, has caused different provinces to converge to different steady states.

**De Castro, Francisco**

**PD** February 2001. **TI** Evaluating the Dynamics of Fiscal Policy in Spain: Patterns of Interdependence and Consistency of Public Expenditure and Revenues. **AU** De Castro, Francisco; Gonzalez-Paramo, Jose M.; Hernandez de Cos, Pablo. **GA** De Castro: Banco de Espana and Universidad Complutense de Madrid. Gonzalez-Paramo: Universidad Complutense de Madrid. Hernandez de Cos: Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0103; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 29.

**PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E61, F41, N14. **KW** Fiscal Consolidation. Sustainability. Causality. Cointegration. Structural Breaks.

**AB** The objective is to analyse the sustainability of the budget performance in Spain. We apply the traditional empirical tests of sustainability, paying special attention to integration orders of deficit and debt and the existence of cointegration relationships between revenues and expenditures. We show that a structural break seems to have taken place gradually in the Spanish budget performance, which allows us to verify the intertemporal borrowing constraint in a "strong sense". This trend, not fully confirmed, and the ceilings to public finance set out in the Stability and Growth Pact for the EMU countries reveal the need for additional consolidation efforts. Thus, we analyse the possible interdependence between expenditure and revenues applying standard Granger causality

tests. We find a bias towards deficit in public sector's size, bi-directional long-run causality between spending and revenues and short-run causality from spending to revenues. Accordingly, fiscal consolidation could be achieved by reducing structural public expenditure.

#### de Mello, Luiz

**PD** July 2000. **TI** Can Fiscal Decentralization Strengthen Social Capital? **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/129; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 29. **PR** not available. **JE** H74, H77. **KW** Fiscal Federalism. Social Capital. **AB** Countries where social and political institutions stimulate interpersonal trust, civic cooperation, and social cohesiveness tend to have more efficient governments, better governance systems, and faster growth. This paper provides cross-country evidence, based on a sample of developing and developed countries, that fiscal decentralization—the assignment of expenditure functions and revenue sources to lower levels of government—can boost social capital and therefore be integrated into second-generation reforms.

#### de Vos, Klaas

**TI** Trends in Consumption-Based Poverty and Inequality in the European Union During the 1980s. **AU** Zaidi, Asghar; de Vos, Klaas.

#### De Wachter, Stefan

**PD** September 2000. **TI** Optimal Income Support Targeting. **AU** De Wachter, Stefan; Galiani, Sebastian. **AA** De Wachter: University of Oxford. Galiani: Universidad Torcuato Di Tella. **SR** University of Oxford, Department of Economics Discussion Paper: 41; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 19. **PR** no charge. **JE** C44, H21, H22. **KW** Targeting. Discriminant Analysis. Poverty. **AB** This paper considers the practical problem of distributing a fixed budget for poverty alleviation to a population whose poverty status is not directly observable. Some information on the relationship between poverty status and a number of observable and verifiable characteristics is assumed to be available in the form of a household survey. The solution we propose differs from other academic work in that it explicitly accounts for administrative constraints on the shape of the transfer function and is computationally more straightforward. It improves on the techniques that are commonly used in practice by taking both the concavity of the social welfare function and the entire conditional distribution of poverty status into account, and by endogenously determining the optimal transfer levels. Although the superiority of our allocation rule over other techniques is tautological, we explore the magnitude of the improvement in an artificial dataset. Finally, we provide an intuitive discussion of the defects of currently operational methods.

#### Deakin, Simon F.

**PD** March 2000. **TI** Citizenship, Public Service, and the Employment Relationship. **AU** Deakin, Simon F.; Freedland, Mark. **AA** Deakin: University of Cambridge. Freedland: University of Oxford. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP161; Centre

for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 36. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J53, K31. **KW** Public Service. Public Employment. Citizenship.

**AB** This paper reports on the effects on employment relations and conceptions of citizenship of the shift from bureaucratic to market-led forms of public service provision in Britain. Two contrasting case studies are reported. Education, which remains within the public sector, has become subject to a high degree of hierarchical control through political and administrative processes, or "imposed contractualism". Excessively prescriptive performance targets are in danger of creating a low-trust dynamic within employment relations, threatening the viability of government-initiated reforms. By contrast, in the privatized (and re-regulated) utilities, collective bargaining has been re-emerging in the last few years on the basis of "partnership" arrangements between labor and management. However, the regulatory framework places employers under continuous pressure to cut costs and to reduce employment levels. The partnership solution is therefore in many ways a highly precarious one, which may not survive further tightening of regulatory controls.

**PD** March 2000. **TI** The Contested Meaning of Labour Market Flexibility: Economic Theory and the Discourse of European Integration. **AU** Deakin, Simon F.; Reed, Hannah. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP162; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 49. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J58, K31. **KW** Labor Market Flexibility. Employment Policy. European Union.

**AB** This paper questions whether the deregulation of the labor market is an inherent component of increased flexibility. It then argues that the EU's employment strategy must be understood in terms of its linkages to social policy on the one hand, and the process of economic and monetary union (EMU) on the other. It suggests that a coherent alternative to neoliberal policies, of the kind apparently promised by a "third way" agenda for the labor market, has yet to emerge at European level. There is a danger, instead, that the institutional arrangements for the conduct of social and economic policy (broadly conceived) within the community are making it impossible to forge the linkages between labor standards, active labor market policy and the macroeconomic framework of the kind that are needed to renew the "European social model".

**PD** March 2000. **TI** Regulatory Competition Versus Harmonisation in European Company Law. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP163; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 50. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** G34, G38, K22. **KW** Regulatory Competition. Corporate Law.

**AB** The continuing divergence between "insider" systems of company law, which place a strong emphasis on stakeholder forms of representation, and "outsider" systems, which stress

liquid stock markets and the protection of shareholder interests, is reflected in the failure of the member states to agree on key proposals, in particular the model constitution for transnational enterprises contained in the draft European Company Statute. However, diversity is in many ways a strength of the European company law systems, which, paradoxically, "reflexive" harmonization has sought to preserve while encouraging innovation in forms of self-regulation in the corporate and financial spheres. Co-evolution based on diversity at the level of national legal systems, coupled with encouragement from transnational norms for devolved solutions, is a more likely path for European company law than the type of convergence around a single, dominant regime which appears to characterize the Delaware effect in the US context.

**TI** The Employment Contract: From Collective Procedures to Individual Rights. **AU** Brown, William; Deakin, Simon F.; Nash, David; Oxenbridge, Sarah.

**TI** Norms in Private Insolvency Procedures: The 'London Approach' to the Resolution of Financial Distress. **AU** Armour, John; Deakin, Simon F.

**PD** September 2000. **TI** Capabilities, Spontaneous Order, and Social Rights. **AU** Deakin, Simon F.; Wilkinson, Frank. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP174; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 35. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J38, K31. **KW** Capabilities. Spontaneous Order. Employment Legislation.

**AB** This paper explores the legal and normative implications of the idea that the labor market is a spontaneous order or self-organizing system, which rests on a set of mutually reinforcing conventions which are the outcome of an evolutionary process. It is suggested that the role of self-enforcing norms and conventions cannot be separated from that of more formal mechanisms of legal regulation and intervention (judicial decisions, legislation, collective self-regulation). These formal mechanisms can operate to change the 'architecture' or parameters within which the conventions of the market evolve, and in so doing can influence the path of social and economic development. In this vein, it is suggested social rights, far from being inimical to the effective functioning of the labor market, are actually at the core of a labor market in which the resources available to society, in the form of the potential labor power of its members, are fully realized.

**PD** December 2000. **TI** The Many Futures of the Contract of Employment. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP191; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 27. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J38, J41, J53, K31. **KW** Employment Contract. Collective Bargaining. Welfare State.

**AB** The contract of employment heads the list of those labor market institutions whose continued usefulness is called into question by what appear to be fundamental changes in the world of work. However, given the multiple tasks of classification, regulation and redistribution which it has

historically been called on to perform, it is the durability of the contract of employment, rather than its supposed ineffectiveness, which requires explanation. From an evolutionary perspective, the employment contract is best understood as a governance mechanism which links together work organization with labor supply in such a way as to make it possible to manage long-term economic risks. The paper sets out a number of possible futures for the employment contract as a mechanism for risk management, and identifies "mutations" within the conceptual framework of employment law which suggest possible directions of change.

**PD** June 1999. **TI** Transcending the Flexibility Debate? Deregulation and Employment in Britain, 1979-1997. **AU** Deakin, Simon F.; Reed, Hannah. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP132; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 31. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J21, J23, J31, J64, J68, K31. **KW** Labor Flexibility. Deregulation. Employment Legislation. British Unemployment.

**AB** This paper seeks to assess the case for and against labor market deregulation by evaluating the British experience in recent years with specific reference to the economic impact of changes in employment law and social security. The growth of inequality and the failure of the labor market policies of the 1980s and early 1990s to deal with social exclusion might, in themselves, give pause for thought even if it were accepted that these reforms had enhanced efficiency. However, the British experience suggests that the nature of the link between flexibility and efficiency is itself open to doubt. It is increasingly being recognized that an under-regulated (or, more accurately, ineffectively regulated) labor market is one where there is under-investment in 'capabilities' such as those associated with training, labor mobility and job security. This perception may open the way to a new agenda for labor market policy, which transcends the flexibility versus rigidity debate.

**PD** June 1999. **TI** Economic Efficiency and the Proceduralisation of Company Law. **AU** Deakin, Simon F.; Hughes, Alan. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP133; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 29. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L51, K22. **KW** Company Law. Economic Efficiency. Corporate Governance.

**AB** This paper extends the analysis carried out by the authors for the UK Law Commissions and published as Part 3 of the Consultation Paper on Directors' Duties (September 1998). After considering some of the potential uses of economics in company law, the paper develops a theoretical framework that relates company law to a wider set of corporate governance mechanisms which operate to mitigate risk and uncertainty in contractual relations. This framework is then applied to provisions relating to self-dealing and conflicts of interest under Part X of the Companies Act 1985. It is argued that in this and related contexts, the economic role of company law should be seen as promoting cooperation and the sharing of information and risk between corporate actors, a function

described in terms of the "proceduralization" of company law.

**TI** Company Law as an Instrument of Inclusion: Re-Regulating Stakeholder Relations in the Context of Takeovers. **AU** Slinger, Giles; Deakin, Simon F.

**PD** June 1999. **TI** Reinventing the Market? Competition and Regulatory Change in Broadcasting. **AU** Deakin, Simon F.; Pratten, Stephen B. **AA** Deakin: University of Cambridge. Pratten: King's College London. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP134; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 35. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L14, L22, L33, L82. **KW** Britain. Broadcasting Industry. BBC. Hayek. Marketisation. Purchaser-Provider.

**AB** The reforms instituted by the Broadcasting Act of 1990 led to a period of turbulence and upheaval within British broadcasting with results that were at best unintended and, at worst, seriously undermined the ideal of public service broadcasting. A Hayekian economic perspective would suggest that the reforms failed because they did not go far enough in the direction of full "marketisation". This paper develops an alternative perspective, based on an adaptation of systems theory with the context of law and economics. This approach offers a broader methodological foundation for the understanding of "economic law" and a different normative perspective on the broadcasting reforms. It is suggested that the difficulty with these reforms was not their failure to go further in the direction of the market, but rather their lack of clarity in articulating a clear alternative to the market as the basis for the organization of television production.

### Decressin, Jorg

**PD** October 2000. **TI** Capital Markets and External Current Accounts: What to Expect from the Euro. **AU** Decressin, Jorg; Disyatat, Piti. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/154; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 37. **PR** not available. **JE** F32, F33, F36. **KW** Capital Market Integration. Saving. Investment. EMU. Regions.

**AB** The paper compares the degree of capital market integration across euro-area countries with that across regions in Italy and provinces in Canada. Analyzing saving-investment correlations, and developing as well as fitting to the data a model of capital flows, reveal no compelling differences between the integration across countries before monetary union and across the regions or provinces. The evidence does not suggest that EMU will prompt a major reallocation of net capital flows within the euro area that would entail sizable shifts in countries' equilibrium current accounts.

### Dei Ottati, Gabi

**PD** September 2000. **TI** Exit, Voice, and Loyalty in the Industrial District: The Case of Prato. **AA** Università di Firenze, Italy. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP175; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 48. **PR** \$10.00 (5 pounds); checks payable to

University of Cambridge. **JE** D21, D49, J53, L14. **KW** Exit and Voice. Industrial District.

**AB** In this paper the "exit, voice and loyalty" approach by Albert O. Hirschman is applied to the case of the rise and evolution of the Prato industrial district, from post-war days until now. This is done, not so much to gain a better understanding of the specific events in Prato, but rather to shed light on the recuperation mechanisms that characterize the fundamental economic relations within the industrial district: i.e. labor relations, subcontracting relations, and relations between firms. The analysis shows how the higher competitiveness and adaptability of the district derives from the relative abundance of exit mechanisms, but also from the wealth of forms of voice, both individual and collective. The wealth of expressions of voice is a distinctive element of district relations which is linked to the multiplicity of loyalty relations existing within the district.

### Del Boca, Daniela

**PD** October 1999. **TI** Visitations and Transfers in Non Intact Households. **AU** Del Boca, Daniela; Ribero, Rocio. **AA** Del Boca: University of Turin and New York University. Ribero: University of Los Andes and Yale University. **SR** Yale Economic Growth Center Discussion Paper: 807; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: www.library.yale.edu/socsci/egcpage.html. **PG** 25. **PR** \$2.00 plus postage. **JE** J12, J13. **KW** Divorce. Visitations. Child Support.

**AB** Recent research reveals a negative impact of divorce on children's welfare as a consequence of the reduction in monetary and time contributions by the non-custodian parent. When the custody arrangement is sole custody, the variables that link the absent parent to the child are visitations and child support transfers. We explain visitations and child support transfers using a behavioral model of competitive equilibrium in which both variables are the results of competitive allocations realized in a decentralized non-cooperative manner. In our framework the mother has control over visitations and the father has control over child support. Estimates of the model are used to simulate the effects of alternative endowment levels on the proportion of time spent with the noncustodial parent and the ex-post parental income distribution. Our results show that a more equal allocation of time with the child, though beneficial to the children, may have a negative effect for the mother's welfare, increasing the income gap between ex-spouses.

### del Rio, Ana

**TI** Estimating Liquidity Premia in the Spanish Government Securities Market. **AU** Alonso, Francisco; Blanco, Roberto; del Rio, Ana; Sanchis, Alicia.

### Del Rio, Fernando

**TI** The Importance of the Embodied Question Revisited. **AU** Boucekkine, Raouf; Del Rio, Fernando; Licandro, Omar.

**TI** Vintage Capital and the Dynamics of the AK Model. **AU** Boucekkine, Raouf; Del Rio, Fernando; Licandro, Omar.

### Demircuc-Kunt, Asli

**PD** October 2000. **TI** Inside the Crisis: An Empirical Analysis of Banking System in Distress. **AU** Demircuc-



Kunt, Asli; Detragiache, Enrica; Gupta, Poonam. AA Demirguc-Kunt: The World Bank. Detragiache and Gupta: International Monetary Fund. SR International Monetary Fund Working Paper: WP/00/156; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 26. PR not available. JE E44, G21. KW Banking Crises. Bank Runs. Credit Crunch.

AB Using aggregate and bank level data for several countries, the paper studies what happens to the banking system in the aftermath of a banking crisis. Contemporary crises are not accompanied by declines in aggregate bank deposits, and credit does not fall relative to output, although the growth of both deposits and credit slows down substantially. Output recovery begins in the second year after the crisis and is not led by resumption in credit growth. Banks, including the stronger ones, reallocate their asset portfolio away from loans.

### den Haan, Wouter J.

PD July 1999. TI Job Destruction and the Experiences of Displaced Workers. AU den Haan, Wouter J.; Ramey, Garey; Watson, Joel. AA den Haan: University of California, San Diego and NBER. Ramey and Watson: University of California, San Diego. SR National Bureau of Economic Research Working Paper: 7218; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 30. PR \$5.00. JE J24, J31, J64. KW Job Destruction. Displaced Workers. Reallocation Models. Productivity. Wages.

AB This paper evaluates a class of endogenous job destruction models based on how well they explain the observed experiences of displaced workers. We show that pure reallocation models in which relationship-specific productivity drifts downward over time are difficult to reconcile with the evidence on postdisplacement wages and displacement rates. Pure reallocation models with upward drift can explain the evidence, but implausibly large and persistent negative productivity shocks are required to generate displacements. Combining upward drift with outside benefits or moral hazard as additional motives for displacement makes it possible to explain the evidence with much smaller shocks. Propagation of aggregate shocks, welfare implications of displacement, upgrade of relationships in lieu of displacement, and learning effects are also discussed.

### DeSilva, Sanjaya

TI Supervision and Transaction Costs: Evidence from Rice Farms in Bicol, The Philippines. AU Evenson, Robert E.; Kimhi, Ayal; DeSilva, Sanjaya.

PD October 2000. TI Skills, Partnerships and Tenancy in Sri Lankan Rice Farms. AA Bard College. SR Yale Economic Growth Center Discussion Paper: 819; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: www.library.yale.edu/socsci/egcpage.html. PG 42. PR \$2.00 plus postage. JE D23, O13, O17, Q12, Q15. KW Land Tenancy. Farming Skills. Agricultural Labor. Sri Lanka.

AB This paper examines whether sharecroppers and fixed-rent tenants in the rice farms of South Asia are distinguished by their farming skills. The idea that fixed-rent contracts are typically given to relatively skilled tenants dates back to the agricultural (tenancy) ladder hypothesis of Spillman [1919]. The screening models [e.g. Hallagan 1978] that have attempted

to formalize this idea assume that landlords do not observe the tenants' skill levels. This assumption is restrictive, and has found little support in empirical studies. The principal-agent model proposed in this paper focuses on the differences between time-intensive and skill-intensive labor tasks. I show that tenancy contracts are designed to match the provision of these tasks with the owners of time and skill inputs. Sharecropping, in this model, provides an incentive scheme that allows for the specialization between a time-abundant tenant and a skill-abundant landlord. The second part of the paper empirically explores this result with household-level data from Sri Lanka. The results clearly show that relatively skilled farmers are more likely to become fixed-rent tenants. I also find that, conditional on contract choice, farming skills do not affect the extent of land leased.

### Desmet, Klaus

PD October 2000. TI The Changing Spatial Distribution of Economic Activity Across U.S. Counties. AU Desmet, Klaus; Fafchamps, Marcel. AA Desmet: Universidad Carlos III de Madrid. Fafchamps: CSAE, University of Oxford. SR University of Oxford, Department of Economics Discussion Paper: 43; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/. PG 16. PR no charge. JE R11, R12. KW Economic Geography. Agglomeration. Congestion.

AB This paper studies the recent trends in the spatial distribution of economic activity in the United States. Using county-level employment data for 13 sectors -- which cover the entire economy -- we apply semi-parametric techniques to estimate how agglomeration and congestion effects have changed between 1972 and 1992. Non-service sectors are found to be spreading out and moving away from centers of high economic activity to areas 20 to 60 kilometers away; service sectors, on the contrary, are increasingly concentrating in areas of high economic activity by attracting jobs from the surrounding 20 kilometers.

### Detragiache, Enrica

TI Inside the Crisis: An Empirical Analysis of Banking System in Distress. AU Demirguc-Kunt, Asli; Detragiache, Enrica; Gupta, Poonam.

### Devereux, Paul J.

TI The Extent and Consequences of Downward Nominal Wage Rigidity. AU Altonji, Joseph G.; Devereux, Paul J.

### Dhumale, Rahul

PD June 2000. TI Capital Adequacy Standards: Are They Sufficient? AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP165; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 43. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE G28, G29, G37. KW Capital Adequacy. Banking Standards. Financial Regulation.

AB Recent experiences in Asia have highlighted the importance of the soundness of domestic financial systems especially the need for a prudential regulatory, supervisory, and accounting framework before undertaking financial sector

liberalization. The object of the paper is to provide a link between the relative level of an individual bank's adequacy and its effects on the fragility of the banking system. Specifically, the probability of a banking crisis is modelled using the characteristics of individual banks -- namely, their capital adequacy ratios. The paper concentrates on the importance of distinguishing between cosmetic and effective changes to capital adequacy ratios to avoid the systemic threats that can grow out of microeconomic weaknesses in domestic banking systems as witnessed in Asia.

**PD** June 2000. **TI** An Incentive Based Regulatory System: A Bridge Too Far. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP170; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 18. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** G28, G29, G38. **KW** Incentives. Market Discipline. Financial Regulation.

**AB** This paper argues that the operation of the financial sector as a whole will not be as effective if market discipline is relied upon as the only tool of financial regulation. Before enacting any incentive mechanisms, there must be adequate built-in measures to prevent the exploitation of information asymmetries as well as greater harmonization and coordination of regulatory standards between countries. The paper considers the "incentive problem" in regulation using a principal-agent framework and the design of an incentive compatible regulatory system that encourages prudent behavior and efficient financial intermediation. The discussion continues by assessing the nature of the trade-off between incentive and rule based regulation by analyzing the interaction between regulatory and agency incentives. The paper concludes by considering the challenges in designing appropriate incentive mechanisms to regulate financial markets.

**PD** December 1999. **TI** Systemic Risk in International Settlements. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP152; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 24. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** G28, G29, G38. **KW** Systemic Risk. International Payments. Financial Regulation.

**AB** The recent growth in the movement of global funds has raised concerns about the potential for systemic risk in the payments system. Given the sheer growth and large volume of transactions currently processed through such payment systems, participating financial institutions contract serious intraday credit exposure. This can give rise to settlement failures and consequently, systemic risk. To prevent such settlement failures from turning into a systemic crisis, central banks and regulatory authorities need to play a balancing act -- while filling the potential liquidity gap as implicit guarantors of the settlement system, they must catalyse risk reduction policies to reduce systemic risk. This paper examines the extent to which different settlement systems affect the nature and potential vulnerability of the financial system to systemic risks. An important consideration throughout the analysis is whether externalities can be reduced if individual institutions fully internalize the costs of their actions.

### Diamantoudi, Effrosyni

**PD** December 2000. **TI** Farsighted Stability in Hedonic Games. **AU** Diamantoudi, Effrosyni; Xue, Licun. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/12; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 26. **PR** no charge. **JE** C71, C78. **KW** Hedonic Games. Coalition Structures. Foresight.

**AB** We investigate how rational individuals partition themselves into different coalitions in "hedonic games", where individuals' preferences depend solely on the composition of the coalition they belong to. We show that the four solution concepts studied in the literature (core, Nash stability, individual stability and contractual individual stability) exhibit myopia on the part of the players. We amend these notions by endowing players with foresight in that they look many steps ahead and consider only credible outcomes. We show the existence and study the properties of the new solutions, as well as their relation to the previous notions.

**PD** February 2001. **TI** Equilibrium Binding Agreements Under Diverse Behavioral Assumptions. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/02; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 15. **PR** no charge. **JE** C72, C73. **KW** Coalition Structure. Binding Agreement. Stability.

**AB** This paper extends the work of Ray and Vohra (1997). It ascertains which partitions of players will emerge and what actions will these players choose under each partition, when they can sign binding agreements and their actions have externalities. The emphasis, however, is placed on situations with multiple outcomes and how agents behave in the presence of such multiplicity. In particular, a deviating coalition considers all the likely outcomes that may prevail upon its deviation, and selects (if possible) a subset of them, avoiding thus an excessively confident behavior, which is the case under Ray and Vohra's notion. Three augmentations of their solution concept are defined, capturing three distinct behavioral assumptions. Their efficiency and relation to each other are discussed.

### Diamond, Peter

**PD** April 1999. **TI** Social Security Investment in Equities I: Linear Case. **AU** Diamond, Peter; Geanakoplos, John. **AA** Diamond: Massachusetts Institute of Technology and NBER. Geanakoplos: Yale University. **SR** National Bureau of Economic Research Working Paper: 7103; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 17. **PR** \$5.00. **JE** E62, E66, H55, O41. **KW** Social Security. Portfolio Diversification. Taxation. Equity Investment. Growth. **AB** Social Security trust fund portfolio diversification to include some equities reduces the equity premium by raising the safe real interest rate. This requires changes in taxes. Under the hypothesis of constant marginal returns to risky investments, trust fund diversification lowers the price of land, increases aggregate investment and raises the sum of household utilities, suitably weighted. It makes workers who do not own equities on their own better off, though it may hurt some others since changed taxes and asset values redistribute wealth across contemporaneous households and across generations. In our

companion paper we reconsider the effects of diversification when there are decreasing marginal returns to safe and risky investment. Our analysis uses a two-period overlapping generations general equilibrium model with two types of agents, savers and workers who do not save. The latter represent approximately half of all workers who hold no equities whatsoever.

#### Dimitz, Maria Antoinette

**PD** July 2001. **TI** Output Gaps in European Monetary Union: New Insights from Input Augmentation in the Technological Progress. **AA** Oesterreichische Nationalbank. **SR** Institute for Advanced Studies (IHS), Economics Series: 102; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 24. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C32, E32. **KW** Output Gap. Potential Output. CES. EMU.

**AB** Output gaps for ten European countries and the USA are estimated based on a CES production function with input augmentation in the technological progress. The substitution parameter is estimated from the coefficients of the labor and capital demand functions. The estimation is done using Johansen's cointegration method. For six of the eleven countries analyzed, the use of the Cobb Douglas form would not be appropriate. The output gaps show a similar cyclical pattern for all countries. They remain mostly within plus or minus 3% for five countries and within plus or minus 5% for another four. Separating labor- and capital-augmenting technological progress gives insight into the driving forces of growth.

#### Disney, Richard

**PD** October 2000. **TI** The Impact of Tax and Welfare Policies on Employment and Unemployment in OECD Countries. **AA** University of Nottingham. **SR** International Monetary Fund Working Paper: WP/00/164; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 42. **PR** not available. **JE** H23, H31, H32 J32. **KW** Taxes. Welfare Spending. Tax Structure. Microeconometrics.

**AB** The paper provides a selective survey of methods and findings concerning the impact of tax and welfare policies on employment, unemployment, and economic growth in OECD countries. The paper examines a number of facets of tax and welfare policy and concludes that cross-country macroeconomic studies shed only limited light on the issue. Analyses of household behavior using microeconomic methods are much more fruitful but the question remains of how to aggregate these results to assess the overall impact of policy.

#### Disyatat, Piti

**TI** Capital Markets and External Current Accounts: What to Expect from the Euro. **AU** Decressin, Jorg; Disyatat, Piti.

#### Dolinskaya, Irina

**TI** Determinants of Barter in Russia: An Empirical Analysis. **AU** Commander, Simon; Dolinskaya, Irina; Mumssen, Christian.

#### Dooley, Michael P.

**TI** Latin America and East Asia in the Context of an

Insurance Model of Currency Crises. **AU** Chinn, Menzie D.; Dooley, Michael P.; Shrestha, Sonu.

#### Dranove, David

**PD** November 2000. **TI** The DVD vs. DIVX Standard War: Empirical Evidence of Vaporware. **AU** Dranove, David; Gandal, Neil. **AA** Dranove: Northwestern University. Gandal: Tel Aviv University, UC Berkeley, and CEPR. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/293; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 32. **PR** \$3.50 U.S.; \$7.50 International. **JE** K21, L82. **KW** Network Effects. Product Preannouncements. Standards. Vaporware.

**AB** In this paper, we empirically measure the effect of the DIVX preannouncement in the DVD market. We do this by measuring the effect of potential (incompatible) competition on a network undergoing growth. We find that there are network effects in the DVD market and that the preannouncement of DIVX slowed down the adoption of DVD technology. This suggests that strategic preannouncements can indeed affect the outcome of a standards competition.

#### Drazen, Allan

**PD** July 1999. **TI** Political Contagion in Currency Crises. **AA** University of Maryland and NBER. **SR** National Bureau of Economic Research Working Paper: 7211; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 29. **PR** \$5.00. **JE** F31, F32, F33, F36, F42. **KW** Currency Crises. Contagion. Political Economy. Speculative Attacks. Fixed Exchange Rates.

**AB** Existing models of contagious currency crises are summarized and surveyed, and it is argued that more weight should be put on political factors. Towards this end, the concept of political contagion is introduced, whereby contagion in speculative attacks across currencies arises solely because of political objectives of countries. A specific model of "membership" contagion is presented. The desire to be part of a political-economic union, where maintaining a fixed exchange rate is a condition for membership and where the value of membership depends positively on who else is a member, is shown to give rise to potential contagion. We then present evidence suggesting that political contagion may have been important in the 1992-3 EMS crisis.

#### Drost, Andre

**TI** Cyclical Occupational Choice in a Model with Rational Wage Expectations and Perfect Occupational Mobility. **AU** Felderer, Bernhard; Drost, Andre.

**PD** July 2001. **TI** Social Security as a Monopoly. **AU** Drost, Andre; Felderer, Bernhard. **AA** Drost: University of Cologne. Felderer: Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 101; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 16. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C72, C78, D43, H55. **KW** Social Security. Public Pensions. Political Economy. Monopolistic Labor Market. Nash Bargaining.

**AB** The typical social security program is designed as follows: (1) It is organized as a pay-as-you-go system. (2) It is

financed with a payroll tax. (3) Employers and employees share the tax. (4) Benefits are largely independent of asset income. (5) Benefits are increasing with the taxes paid. (6) Benefits induce retirement. We present a model that can explain these stylized facts. Our model refers to an economy where workers want to monopolize the labor market. For this purpose, they bring about a social security act, which requires old workers to retire and young workers to pay transfers to retirees. The first prescription serves to reduce labor supply in order to realize a monopoly gain. The second prescription serves to give old workers share to the gain. As we will show, the social security program emerging in our model is similar to the typical program described above.

### Drummond, Paulo

**PD** August 2000. **TI** Former Yugoslav Republic of Macedonia Banking Soundness and Recent Lessons. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/145; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 32. **PR** not available. **JE** G21, E58. **KW** Banking Soundness. Banking Supervision.

**AB** After several years of transition, major weaknesses in the banking and enterprise sectors remain the root cause of low growth. A large share of non-performing assets in the portfolio of large banks, stemming from losses in the enterprise sector, has been a key impediment to financial sector development. The banking system has been crippled with low levels of intermediation, high cost of capital, severe lack of financial discipline, and poor allocation of credit. Reforms aimed at strengthening lending practices, encouraging foreign bank participation, improving bank supervision and, above all, a consolidation process that breaks away from the past are helping pave the path to economic recovery.

### Duffie, Darrell

**PD** April 1999. **TI** Transform Analysis and Asset Pricing for Affine Jump-Diffusions. **AU** Duffie, Darrell; Pan, Jun; Singleton, Kenneth. **AA** Duffie and Pan: Stanford University. Singleton: Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7105; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 41. **PR** \$5.00. **JE** G12, G13. **KW** Jump Diffusion. Transform Analysis. Asset Pricing. Option Pricing.

**AB** In the setting of "affine" jump-diffusion state processes, this paper provides an analytical treatment of a class of transforms, including various Laplace and Fourier transforms as special cases, that allow an analytical treatment of a range of valuation and econometric problems. Example applications include fixed-income pricing models, with a role for intensity-based models of default, as well as a wide range of option-pricing applications. An illustrative example examines the implications of stochastic volatility and jumps for option valuation. This example highlights the impact on option "smirks" of the joint distribution of jumps in volatility and jumps in the underlying asset price, through both amplitude as well as jump timing.

### Duraisamy, P.

**PD** July 2000. **TI** Changes in Returns to Education in India, 1983-94: By Gender, Age- Cohort and Location. **AA** University of Madras. **SR** Yale Economic Growth

Center Discussion Paper: 815; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 19. **PR** \$2.00 plus postage. **JE** J31, I21. **KW** Rate of Return. Human Capital. India.

**AB** There is hardly any estimate of the returns to schooling in India based on a national level representative data for the recent period. This paper provides estimates of the returns to education in India by gender, age cohort and location (by rural-urban) for the most recent period 1993/4, and also evaluates the changes in returns over a period of time from 1983-94 using a large national level household survey data. The data show that the returns to education increases up to the secondary level and declines thereafter. There is evidence of substantial gender and rural-urban differences in the returns to schooling. The returns to women's education for the primary and middle levels have declined while those for secondary and college levels have increased during the decade 1983-94.

### Eaton, Jonathan

**PD** December 2000. **TI** Trade in Capital Goods. **AU** Eaton, Jonathan; Kortum, Samuel. **AA** Boston University and NBER. **SR** Boston University, Institute for Economic Development Discussion Paper: 109; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: [www.bu.edu/econ/ied/](http://www.bu.edu/econ/ied/). **PG** 55. **PR** \$4.00. **JE** F21, F43, O33, O47. **KW** Productivity. Equipment. Prices. International Trade. Capital Goods Trade. Innovation.

**AB** Innovative activity is highly concentrated in a handful of advanced countries. These same countries are also the major exporters of capital goods to the rest of the world. We develop a model of trade in capital goods to assess its role spreading the benefits of technological advances. Applying the model to data on production and bilateral trade in capital equipment, we estimate the barriers to trade in equipment. These estimates imply substantial differences in equipment prices across countries. We attribute about 25 percent of cross-country productivity differences to variation in the relative price of equipment, about half of which we ascribe to barriers to trade in equipment.

**PD** January 2001. **TI** Technology, Trade, and Growth: A Unified Framework. **AU** Eaton, Jonathan; Kortum, Samuel. **AA** Boston University and NBER. **SR** Boston University, Institute for Economic Development Discussion Paper: 110; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: [www.bu.edu/econ/ied/](http://www.bu.edu/econ/ied/). **PG** 17. **PR** \$4.00. **JE** F11, F17, O31, O33,. **KW** Trade. Growth. Technology. Research.

**AB** Innovative activity is highly concentrated in a handful of advanced countries. These same countries are also the major exporters of capital goods to the rest of the world. We develop a model of trade in capital goods to assess its role spreading the benefits of technological advances. Applying the model to data on production and bilateral trade in capital equipment, we estimate the barriers to trade in equipment. These estimates imply substantial differences in equipment prices across countries. We attribute about 25 percent of cross-country productivity differences to variation in the relative price of equipment, about half of which we ascribe to barriers to trade in equipment.

**Echenique, Federico**

**PD** January 2000. **TI** Comparative Statics by Adaptive Dynamics and The Correspondence Principle. **AA** University of California, Berkeley and Universidad de la Republica Uruguay. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/273; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html). **PG** 38. **PR** \$3.50 U.S.; \$7.50 International. **JE** C61, C62, C72, C73. **KW** Comparative Statics. Supermodularity. Strategic Complements. Learning. Correspondence Principle.

**AB** This paper formalizes the relation between comparative statics and the out-of-equilibrium explanation for how a system evolves after a change in parameters. The paper has two main results. First, an increase in an exogenous parameter sets off learning dynamics that involve larger values of the endogenous variables. Second, equilibrium selections that are not monotone increasing in the exogenous variables must be predicting unstable equilibria. Moreover, under some conditions monotone comparative statics and stability are equivalent.

**Edlin, Aaron S.**

**PD** January 1999. **TI** Per-Mile Premiums for Auto Insurance. **AA** University of California, Berkeley and NBER. **SR** University of California, Berkeley, Department of Economics Working Paper: E99/262; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 63. **PR** \$3.50 U.S.; \$7.50 International. **JE** H23, K13. **KW** Externalities. Accidents. Auto Insurance. Tort Law. **AB** This paper develops a model of the relationship between driving and accidents that formalizes Vickrey's (1968) central insights about the accident externalities of driving. We estimate the driving, accident, and congestion reductions that could be expected from switching to other insurance pricing systems. Under a competitive system of per-mile premiums, in which insurance companies quote risk-classified per-mile rates, we estimate that the reduction in insured accident costs net of lost driving benefits would be \$9.8 - \$12.7 billion nationally, or \$58 - \$75 per insured vehicle. When uninsured accident cost savings and congestion reductions are considered, net benefits rise to \$25 - \$29 billion, exclusive of monitoring costs. Total benefits of a uniform per-gallon insurance charge could be \$1.3 - \$2.3 billion less due to heterogeneity in fuel efficiency. The total benefit of "optimal" per-mile premiums in which premiums are taxed to account for accident externalities would be \$32 - \$43 billion.

**Edwards, Sebastian**

**PD** July 1999. **TI** Exchange Rates in Emerging Economies: What Do We Know? What Do We Need to Know? **AU** Edwards, Sebastian; Savatano, Miguel A. **AA** Edwards: UCLA and NBER. Savatano: IMF. **SR** National Bureau of Economic Research Working Paper: 7228; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 57. **PR** \$5.00. **JE** F31, F33, F41, O16. **KW** Exchange Rates. Emerging Markets. Foreign Exchange. Purchasing Power Parity. Currency Crises.

**AB** Exchange rates have been at the center of economic debates in emerging economies. Issues related to the feasibility of flexible exchange rates, the relationship between exchange

rate volatility and growth, and the role of exchange rate overvaluation in recent crises, among others, have been extensively discussed during the last few years. In this paper we address some of the most important exchange rate-related issues in emerging economies. In particular, we deal with: (a) the merits of alternative exchange rate regimes; (b) the extent to which purchasing power parity holds in the long run in these countries; and (c) models to assess real exchange rate overvaluation. We also discuss future areas for research on exchange rates in the emerging nations.

**PD** July 1999. **TI** Crisis Prevention: Lessons from Mexico and East Asia. **AA** UCLA and NBER. **SR** National Bureau of Economic Research Working Paper: 7233; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 33. **PR** \$5.00. **JE** F31, F32, F34, F36, O16. **KW** Currency Crises. Current Accounts. Capital Flows. Emerging Markets.

**AB** This paper provides a comparative analysis of the East Asian and Mexican crises, and draws lessons for the emerging economies. Although much of the discussion concentrates on East Asia and Mexico, I also draw on the history of some previous crisis episodes. I argue that in spite of the efforts to understand the anatomy of currency crises, there are still a large number of controversial and unresolved issues. More to the point, I argue that some of the lessons extracted from these crises are based on a misreading of the historical record. As a result, some of the policy implications that have emerged from this debate are, to say the least, questionable. In particular, I make two points: first, I argue that, in general, current account ratios have limited usefulness in determining a country's financial health. Although I fall short of taking the position that the current account is completely irrelevant, I do argue that a rigid interpretation of current account ratios may be highly misleading. Second, I argue that the rapidly growing popularity of controls on capital inflows as a device for reducing external vulnerability is rooted in a misreading of the recent history of external crises.

**Ehrenberg, Ronald G.**

**TI** The Impact of U.S. News & World Report College Rankings on Admission Outcomes and Pricing Decisions at Selective Private Institutions. **AU** Monks, James; Ehrenberg, Ronald G.

**Eichengreen, Barry**

**PD** July 2000. **TI** The Currency Composition of Foreign Exchange Reserves: Retrospect and Prospect. **AU** Eichengreen, Barry; Mathieson, Donald J. **AA** Eichengreen: University of California at Berkeley. Mathieson: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/131; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 34. **PR** not available. **JE** F31, F33. **KW** International Reserves. Currency Composition.

**AB** This paper examines the determinants of the currency composition of international reserves. Our single most important finding is the striking stability over time of the relationship between the demand for reserves denominated in different currencies and its principal determinants: trade flows, financial flows and currency pegs. This result contrasts sharply with recent predictions of sharp shifts in the currency composition of central banks' holdings of foreign exchange.

The message would seem to be that in this, as in other respects, the international monetary system is in a mode of gradual, continuous evolution, not of rapid, discontinuous change.

**PD** July 2000. **TI** Would Collective Action Clauses Raise Borrowing Costs? An Update and Additional Results. **AU** Eichengreen, Barry; Mody, Ashoka. **AA** Eichengreen: University of California, Berkeley. Mody: The World Bank. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/114; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/iber/wps/ciderwp.htm](http://www.haas.berkeley.edu/iber/wps/ciderwp.htm). **PG** 20. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** F33, F34. **KW** International Finance. Borrowing Costs. Collective Action.

**AB** This paper updates earlier findings concerning the impact of collective-action clauses on borrowing costs. It has been argued that only in recent quarters have investors focused on the presence of these provisions, and that, given the international financial institutions' newfound resolve to "bail in" investors, they now regard these clauses with trepidation. Extending our data to 1999, we find no evidence of such changes but, rather, the same pattern as before: collective-action clauses raise costs of borrowing for low-rated issuers but reduce them for issuers with high credit ratings. We drop a special case -- Israel -- and show that this has no impact on the results. And we show that the same results hold for sovereign borrowers alone. We argue that these results should reassure those who regard collective action clauses as an important element in the campaign to strengthen the international financial architecture.

**PD** August 2000. **TI** Banking Crises in Emerging Markets: Presumptions and Evidence. **AU** Eichengreen, Barry; Arteta, Carlos. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/115; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/iber/wps/ciderwp.htm](http://www.haas.berkeley.edu/iber/wps/ciderwp.htm). **PG** 60. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** E44, G21. **KW** Banking Sector. Banking Crises. Emerging Markets.

**AB** The existing empirical literature on banking crises has not produced agreement on their causes. Using a sample of 75 emerging markets in 1975-1997, we attempt to determine what we know about banking crises by establishing which previous results are robust. Among the robust causes of emerging-market banking crises are rapid domestic credit growth, large bank liabilities relative to reserves, and deposit-rate decontrol. On the other hand, there is no compelling evidence of any particular relationship between exchange rate regimes and crises. Finally, the evidence that deposit insurance or a weak institutional environment heighten crisis risk appears to be fragile.

#### **Elliott, Caroline**

**TI** Regulatory Conflict? Environmental and Economic Regulation of Electricity Generation. **AU** Acutt, Melinda; Elliott, Caroline.

#### **Engel, Charles**

**PD** July 1999. **TI** Violating the Law of One Price: Should

We Make A Federal Case Out of It? **AU** Engel, Charles; Rogers, John H. **AA** Engel: University of Washington and NBER. Rogers: Board of Governors of the Federal Reserve System. **SR** National Bureau of Economic Research Working Paper: 7242; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 14. **PR** \$5.00. **JE** D40, E31, E64. **KW** Price Variation. Law of One Price.

**AB** We use new disaggregated data on consumer prices to determine why there is variability in prices of similar goods across U.S. cities. We address questions similar to those that have arisen in the international context: is this variability purely a result of market segmentation or do sticky nominal prices play a role? We also examine how the degree of tradability of a good influences price variability. Surprisingly, we find that variability is larger for traded-goods. We attribute this finding to greater price stickiness for non-traded goods. A significant amount of the variation in prices between pairs of cities is accounted for by the distance between them. But we also find that nominal price stickiness plays even more significant role.

#### **Engle, Robert F.**

**PD** August 2000. **TI** Impacts of Trades in an Error-Correction Model of Quote Prices. **AU** Engle, Robert F.; Patton, Andrew J. **AA** University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/26; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: [econ.ucsd.edu/papers](http://econ.ucsd.edu/papers). **PG** 35. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** C32, G12, G14. **KW** Market Microstructure. Error-Correction. Vector Autoregression. Price Dynamics.

**AB** In this paper we analyze and interpret the quote price dynamics of 100 NYSE stocks with varying average trade frequencies. We specify an error-correction model for the log difference of the bid and the ask price, with the spread acting as the error-correction term, and include as regressors the characteristics of the trades occurring between quote observations, if any. We find that short duration and medium volume trades have the largest impacts on quote prices for all one hundred stocks, and that buyer initiated trades primarily move the ask price while seller initiated trades primarily move the bid price. Trades have a greater impact on quotes in both the short and the long run for the infrequently traded stocks than for the more actively traded stocks. Finally, we find strong evidence that the spread is mean reverting.

#### **Esteve-Volart, Berta**

**PD** April 2000. **TI** Sex Discrimination and Growth. **AA** London School of Economics. **SR** International Monetary Fund Working Paper: WP/00/84; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 36. **PR** not available. **JE** J16, J24, O41. **KW** Sex Discrimination. Efficiency. Growth. Schooling Differentials.

**AB** This paper argues that sex discrimination is an inefficient practice. We model sex discrimination as the complete exclusion of females from the labor market or as the exclusion of females from managerial positions. The former implies a reduction in GDP per capita; the latter distorts the allocation of talent and lowers economic growth. Both imply lower female-to-male schooling ratios. Our model predicts a convex

relationship between nondiscrimination and growth. Although discrimination is difficult to measure, it will be reflected in schooling differentials. We present evidence based on cross-country regressions that is consistent with a convex relationship between schooling differentials and growth.

### Estrada, Angel

**PD** September 2000. **TI** Measuring the NAIRU in the Spanish Economy. **AU** Estrada, Angel; Hernando, Ignacio; Lopez-Salido, J. David. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0009; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 53. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C32, E24. **KW** NAIRU. Structural Time Series Models.

**AB** This paper addresses the issue of measuring the NAIRU in the Spanish economy. Our analysis shows that alternative approaches provide significantly different point estimates of the NAIRU (Phillips-curve based estimates and SVAR estimates) and with a high degree of uncertainty. Thus, our main conclusion is that the usefulness of the NAIRU concept as a general guideline for discussing and analyzing macroeconomic policy is very limited, given the current state of economic research on this area. Two additional conclusions may be summarized as follows. First, all the NAIRU estimates display an upsurge between 1981 and 1985, and a drop during the last cyclical upturn that has closely tracked the decline in the observed unemployment rate. Second, the results of the structural approach point to three factors driving the changes in the NAIRU over the sample period: price mark-ups, the replacement ratio and changes in the tax system.

### Evenson, Robert E.

**PD** April 2000. **TI** Supervision and Transaction Costs: Evidence from Rice Farms in Bicol, The Philippines. **AU** Evenson, Robert E.; Kimhi, Ayal; DeSilva, Sanjaya. **AA** Evenson and DeSilva: Yale University. Kimhi: Hebrew University. **SR** Yale Economic Growth Center Discussion Paper: 814; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpge.html](http://www.library.yale.edu/socsci/egcpge.html). **PG** 27. **PR** \$2.00 plus postage. **JE** D23, J43, O13, Q12. **KW** Transaction Costs. Supervision. Labor Markets. Philippines.

**AB** All labor markets are subject to transaction costs associated with recruiting, monitoring, and supervising workers. Direct supervision of hired workers is an activity that diverts a farmer's time from other income-generating activities. Therefore, a farmer would engage in direct supervision only if the labor market lacked institutions such as labor and contract law to enforce the effort of workers. Using a cross-section survey of rice farmers in the Bicol region of the Philippines, this paper attempts to establish whether or not farmers respond to a weak institutional environment (where there is little scope for formal contracting) by increasing the direct supervision of workers. The Bicol data allow the explicit estimation of supervision demand equations. Transaction costs are measured with barangay-level indicators of urbanization and access to markets. The results confirm that barangay-level transaction costs increase the intensity of supervision for all types of farm tasks. It is also found that while transaction costs decrease farm

efficiency, the effect is partially offset by a positive supervision effect.

**PD** September 1998. **TI** The Effects of Agricultural Extension on Farm Yields in Kenya. **AU** Evenson, Robert E.; Mwabu, Germano. **AA** Evenson: Yale University. Mwabu: University of Nairobi. **SR** Yale Economic Growth Center Discussion Paper: 798; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpge.html](http://www.library.yale.edu/socsci/egcpge.html). **PG** 29. **PR** \$2.00 plus postage. **JE** O13, Q16. **KW** Agricultural Extension. Economic Effects.

**AB** Effects of agricultural extension on crop yields in Kenya are examined, controlling for other determinants of yields, notably schooling of farmers and agro-ecological characteristics of arable land. The data used were collected by the Government of Kenya in 1982 and 1990, but the estimation results reported are based primarily on the 1982 data. The sample used contains information about crop production, agricultural extension workers, educational attainment of farmers, usage of farm inputs, etc. A quantile regression technique was used to investigate productivity effects. The productivity effect of agricultural extension is highest at the extreme ends of distribution of yield residuals. Complementarity of unobserved farmer ability with extension service at higher yield residuals and the diminishing returns to the extension input are hypothesized to account for this U-shaped pattern of the productivity effect. This finding suggests that unobserved factors such as farm management abilities affect crop yields differently. Effects of schooling on farm yields are positive but statistically insignificant. Other determinants of farm yields are also analyzed.

**TI** Technology -- Climate Interactions in the Green Revolution in India. **AU** McKinsey, James W., Jr.; Evenson, Robert E.

### Eyckmans, Johan

**PD** September 1999. **TI** Simulating with RICE Coalitionally Stable Burden Sharing Agreements for the Climate Change Problem. **AU** Eyckmans, Johan; Tulkens, Henry. **AA** Eyckmans: Katholieke Universiteit Leuven, Belgium. Tulkens: Universite Catholique de Louvain. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 71/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 33. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C71, F42, Q25, Q28. **KW** Environmental Economics. Climate Change. Burden Sharing. Simulations. Cooperative Games.

**AB** In this paper we test empirically with the Nordhaus and Yang (1996) RICE model the core property of the transfer scheme advocated by Germain, Toint and Tulkens (1997). This scheme is designed to sustain full cooperation in a voluntary international environmental agreement by making all countries at least as well off as they would be by joining coalitions adopting emission abatement policies that maximize their coalition payoff; under the scheme no individual country, nor any subset of countries would have an interest in leaving the international environmental agreement. The simulations show that the transfer scheme yields an allocation in the core of the carbon emission abatement game associated with the RICE model. Finally, we discuss some practical implications of the

transfer scheme for current climate negotiations.

### Fafchamps, Marcel

**PD** July 2000. **TI** The Spatial Division of Labor in Nepal. **AU** Fafchamps, Marcel; Shilpi, Forhad. **AA** Fafchamps: University of Oxford. Shilpi: The World Bank. **SR** University of Oxford, Department of Economics Discussion Paper: 44; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 22. **PR** no charge. **JE** O18, R12. **KW** Economic Geography. Market Participation. Spatial Specialization.

**AB** This paper examines how economic activity and market participation are distributed across space. Applying a non-parametric von Thunen model to Nepalese data, we uncover a strong spatial division of labor. Non-farm employment is heavily concentrated in and around cities while agricultural wage employment dominates villages located further away. Vegetable production take place primarily in the vicinity of urban centers while paddy and other commercial crops are more important at intermediate distances. Isolated villages revert to self-subsistence. These findings are consistent with the von Thunen model of concentric specialization, except that they also show the importance of city size. Spatial division of labor is closely related to asset and human capital accumulation, especially at the local level. We discuss the policy implications for road construction and the placement of rural development projects.

**TI** The Changing Spatial Distribution of Economic Activity Across U.S. Counties. **AU** Desmet, Klaus; Fafchamps, Marcel.

### Fairburn, James A.

**PD** June 2000. **TI** Performance, Promotion, and the Peter Principle. **AU** Fairburn, James A.; Malcomson, James M. **AA** Fairburn: University of Sussex. Malcomson: University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 26; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 29. **PR** no charge. **JE** D82 J33, J41. **KW** Work Incentives. Influence Activities. Job Assignments. Promotion. Peter Principle.

**AB** This paper considers why organizations use promotions, rather than just monetary bonuses, to motivate employees even though this may conflict with efficient assignment of employees to jobs. When performance is unverifiable, use of promotion reduces the incentive for managers to be affected by influence activities that would blunt the effectiveness of monetary bonuses. When employees are risk neutral, use of promotion for incentives need not distort assignments. When they are risk averse, it may -- sufficient conditions for this are given. The distortion may be either to promote more employees than is efficient (the Peter Principle effect) or fewer.

### Fairlie, Robert W.

**TI** Explaining Ethnic, Racial, and Immigrant Differences in Private School Attendance. **AU** Betts, Julian R.; Fairlie, Robert W.

### Falk, Ita

**TI** Dynasties and Destiny: On the Roles of Altruism and

Impatience in the Evolution of Consumption and Bequests. **AU** Stark, Oded; Falk, Ita.

### Farber, Henry S.

**PD** April 2000. **TI** Round Up the Usual Suspects: The Decline of Unions in the Private Sector, 1973-1998. **AU** Farber, Henry S.; Western, Bruce. **AA** Princeton University. **SR** Princeton University, Industrial Relations Section Working Paper: 437; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 46. **PR** \$1.50. **JE** J51, J52, J53. **KW** Union Growth. Union Membership.

**AB** After documenting the long decline in private sector unionism over the last 50 years, we examine data on NLRB representation elections to determine if changes in the administration of the NLRA during the 1980s reduced the level of organizing activity and success. While organizing activity sharply declined in 1981 we find little evidence that the changes in the administration of the NLRA later in the decade adversely affected the level of union organizing activity. We then present an accounting framework that decomposes the sharp decline in the private-sector union membership rate into components due to 1) differential growth rates in employment between the union and nonunion sectors and 2) changes in the union new organization rate. We find that most of the decline in the union membership rate is due to differential employment growth rates and that changes in union organizing activity had relatively little effect. Given that the differential employment growth rates are due largely to broader market and regulatory forces, we conclude that the prospects are dim for a reversal of the downward spiral of labor unions based on increased organizing activity.

**PD** July 1999. **TI** Union Success in Representation Elections: Why Does Unit Size Matter? **AA** Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7229; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 20. **PR** \$5.00. **JE** D72, J51. **KW** Trade Unions. Representation Elections.

**AB** The author establishes four facts regarding the pattern of NLRB supervised representation election activity over the past 45 years: 1) the quantity of election activity has fallen sharply and discontinuously since the mid-70's after increasing between the mid-1950's and the mid-1970's; 2) union success in elections held has declined less sharply, though continuously, over the entire period; 3) it has always been the case that unions have been less likely to win NLRB-supervised representation elections in large units than in small units; and 4) the size-gap in union success rates has widened substantially over the last forty years. The author develops a simple optimizing model of the union decision to hold a representation election that can account for the first three facts. He provides a pair of competing explanations for the fourth fact. The author then develops and estimates three empirical models of election outcomes using data on NLRB elections over the 1952-98 time period in order to determine whether the simple statistical model can account for the size pattern of union win rates over time. He concludes that systematic union selection of targets for organization combined with the purely statistical factors can largely account for observed patterns.



**Farrell, Joseph**

**PD** October 2000. **TI** Scale Economies and Synergies in Horizontal Merger Analysis. **AU** Farrell, Joseph; Shapiro, Carl. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/291; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 25. **PR** \$3.50 U.S.; \$7.50 International. **JE** L40, L41, L13, G28. **KW** Competition. FTC. Horizontal Merger Guidelines. Mergers. No-Synergies Efficiencies. Synergy.

**AB** Three years ago, the Antitrust Division and the Federal Trade Commission revised their Horizontal Merger Guidelines to articulate in greater detail how they would treat claims of efficiencies associated with horizontal mergers: claims that are frequently made, as for instance in the recently proposed merger between Heinz and Beech-Nut in the market for baby food. While these revisions to the Guidelines have a solid economic basis, they leave open many questions, both in theory and in practice. In this essay, we evaluate some aspects of the treatment of efficiencies, based on three years of enforcement experience under the revised Guidelines, including several litigated mergers, and based on economic principles drawn from oligopoly theory regarding cost savings, competition, and consumer welfare.

**Faruqee, Hamid**

**PD** July 2000. **TI** Life-Cycles, Dynasties, Saving: Implications for Closed and Small, Open Economies. **AU** Faruqee, Hamid; Laxton, Douglas. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/126; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 40. **PR** not available. **JE** E21, E27, E62, H31. **KW** Ricardian Equivalence. Government Debt. Saving.

**AB** This paper examines the macroeconomic implications of life-cycle and dynastic saving behavior for closed and small, open economies. Using an extended version of Blanchard's overlapping agents model, the analytical framework nests these two competing views, treating agents as either dynastic households or disconnected generations. Calibrating the life-cycle variant using empirical age-earnings profiles, the analysis compares the long-run effects of fiscal policy shocks under both perspectives. The results quantify the implications of life-cycle considerations for the effects of deficit finance on real interest rates and the capital stock or net foreign assets.

**Favero, Carlo A.**

**PD** July 1999. **TI** The Transmission Mechanism of Monetary Policy in Europe: Evidence from Banks' Balance Sheets. **AU** Favero, Carlo A.; Giavazzi, Francesco; Flabbi, Luca. **AA** Favero and Flabbi: Universita Bocconi. Giavazzi: Universita Bocconi and NBER. **SR** National Bureau of Economic Research Working Paper: 7231; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 17. **PR** \$5.00. **JE** E51, E52, G21. **KW** Monetary Policy. Transmission Mechanism. Banking. Credit Channel. Bank Loans.

**AB** Available studies on asymmetries in the monetary transmission mechanism within Europe are invariably based on macroeconomic evidence: such evidence is abundant but often contradictory. This paper takes a different route by using microeconomic data. The authors use the information contained

in the balance sheets of individual banks (available from the BankScope database) to implement a case study on the response of banks in France, Germany, Italy and Spain to a monetary tightening. The episode the authors study occurred during 1992, when monetary conditions were tightened throughout Europe. The authors study the first link in the transmission chain by analyzing the response of bank loans to the monetary tightening. Their experiment provides evidence on the importance of the "credit" channel in Europe. The authors do not find evidence of a significant response of bank loans to the monetary tightening, which occurred during 1992, in any of the four European countries they have considered. However, the authors find significant differences both across countries and across banks of different dimensions in the factors that allow them to shield the supply of loans from the squeeze in liquidity.

**Feenstra, Robert C.**

**TI** Trade and Foreign Direct Investment in China: A Political Economy Approach. **AU** Branstetter, Lee G.; Feenstra, Robert C.

**Felderer, Bernhard**

**PD** March 2000. **TI** Cyclical Occupational Choice in a Model with Rational Wage Expectations and Perfect Occupational Mobility. **AU** Felderer, Bernhard; Drost, Andre. **AA** Felderer: Institute for Advanced Studies (IHS). Drost: University of Cologne. **SR** Institute for Advanced Studies (IHS), Economics Series: 81; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 22. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** I21, J44. **KW** Occupational Choice. Rational Expectations. Occupational Mobility. Linear Dynamics.

**AB** In many professional labor markets the number of new workers follows a cyclical time path. This phenomenon is usually explained by means of a cobweb model that is based on the assumptions of myopic wage expectations and occupational immobility. Since both assumptions are questioned by the empirical literature, we develop an alternative model that is based on the assumptions of rational wage expectations and perfect occupational mobility. Depending on the production function, the model can generate cycles in the number of workers who enter a professional labor market.

**TI** Social Security as a Monopoly. **AU** Drost, Andre; Felderer, Bernhard.

**Feltenstein, Andrew**

**PD** May 2000. **TI** Bank Failures and Fiscal Austerity: Policy Prescriptions for a Developing Country. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/90; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 30. **PR** not available. **JE** D58, E63, H62. **KW** Bank Failures. General Equilibrium.

**AB** This work employs a dynamic general equilibrium model to evaluate the causes and implications of bank insolvencies. The model is applied to stylized data from several South Asian countries. It derives conclusions about policy instruments designed to alleviate the impact of insolvencies. Firms are subject to intertemporal solvency conditions, and the public withdraws deposits when borrowers default. If banks optimize by restricting credit to risky borrowers, these failures can be

partially avoided. Numerical simulations conclude that the combination of compensating monetary policy and restrictive fiscal policy offers the best way of responding to a bank crisis caused by exogenous shocks.

### Fernandez de Lis, Santiago

**PD** January 2001. **TI** Credit Growth, Problem Loans and Credit Risk Provisioning in Spain. **AU** Fernandez de Lis, Santiago; Martinez Pages, Jorge; Saurina, Jesus. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0018; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 19. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E32, G21, G24. **KW** Credit Cycles. Loan Losses. Regulation. Loan Provisions.

**AB** In a context of strong competitive pressures, there is a tendency for loose bank credit conditions in an upturn in view of the low level of contemporaneous non-performing loans. This may contribute to an over-extension of credit. The low quality of these loans will only become apparent with the ex post emergence of default problems, which will tend to appear during downturns, with an estimated lag of approximately three years in the case of Spain. On the other hand, low provisioning in the upturn reveals that latent risks are not properly acknowledged and hence book profits are biased upwards during the upturn and downward during the downturn. The paper explains in detail the rationale and expected effects of the new loan loss provision -the so-called statistical provision-introduced recently by the Banco de Espana and aimed at an appropriate recording and recognition of expected losses.

### Ferrell, Allen

**TI** Federalism and Takeover Law: The Race to Protect Managers from Takeovers. **AU** Bebchuk, Lucian Arye; Ferrell, Allen.

### Ferrer, Helene

**TI** Market Formation in Bilateral Oligopolies. **AU** Bloch, Francis; Ferrer, Helene.

### Fève, Patrick

**TI** A Structural Model For US Aggregate Job Flows. **AU** Collard, Fabrice; Fève, Patrick; Langot, Francois; Perraudin, Corinne.

**PD** July 1999. **TI** Testing for Hysteresis: Unemployment Persistence and Wage Adjustment. **AU** Fève, Patrick; Henin, Pierre-Yves; Jolivaldt, Philippe. **AA** Fève: Universite de Nantes and CEPREMAP. Henin: CEPREMAP and Universite Paris I. Jolivaldt: Universite Paris I. **SR** CEPREMAP Discussion Paper: 9911; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 28. **PR** 25 francs. **JE** C12, C22, E24. **KW** Hysteresis. Phillips Effect. Unit Roots. Unemployment. Wald Test.

**AB** This paper proposes a new testing strategy for unemployment hysteresis as the joint restriction of a unit-root in the unemployment rate and no-effect of the level of unemployment in the Phillips wage equation. The relevant test statistics are derived when this joint restriction is imposed during estimation and when a sequential two step testing

strategy is adopted. The empirical application leads to rejection of the null hypothesis of wage hysteresis for most of our sample of OECD countries. We get an interesting contrast between the "core European countries" -- rejecting hysteresis, but not unemployment non-stationarity -- and the Scandinavian ones where unemployment appears to be stabilized despite a lack of the wage correction.

### Fidrmuc, Jarko

**PD** September 1999. **TI** Verification of the New Trade Theory in EU's Trade with CEECs: Evidence from Panel Data 1990-1997. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 72; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 19. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** F12, F14, F15. **KW** New Trade Theory. Intraindustry Trade. Kernel Estimates. Fixed Effects.

**AB** The new trade theory explains several features of the current development of EU's trade with CEECs better than the Heckscher-Ohlin model. In 1997, CEECs participated in the European economy with levels of intraindustry trade comparable to peripheral EU countries. However, this induced increased specialization in EU countries, which contrasts with the development in the previous decades. The development of intraindustry trade is positively related to the growth of wages and negatively to interest rates.

### Fisher, Walter H.

**PD** March 2000. **TI** Conspicuous Consumption, Economic Growth, and Taxation: A Generalization. **AU** Fisher, Walter H.; Hof, Franz X. **AA** Fisher: Institute for Advanced Studies (IHS). Hof: University of Technology Vienna. **SR** Institute for Advanced Studies (IHS), Economics Series: 77; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 24. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D62, D91, E21, E62. **KW** Social Status. Conspicuous Consumption. Economic Growth.

**AB** This paper studies the influence of consumption externalities in the Ramsey model. In contrast to the recent literature, a quite general specification of preferences is used and the concept of the effective intertemporal elasticity of substitution is introduced. We give conditions for the observational equivalence between economies with consumption externalities and externality-free economies. An additional key result is that there exist several types of instantaneous utility functions in which the decentralized solution coincides with the socially planned one in spite of the presence of consumption externalities. The conditions for optimal taxation are also derived.

**PD** September 2000. **TI** Relative Consumption and Endogenous Labour Supply in the Ramsey Model: Do Status-Conscious People Work Too Much? **AU** Fisher, Walter H.; Hof, Franz X. **AA** Fisher: Institute for Advanced Studies (IHS). Hof: University of Technology Vienna. **SR** Institute for Advanced Studies (IHS), Economics Series: 85; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 19. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D62, D91, E21. **KW** Status.

**Relative Consumption. Work Effort.**

**AB** This paper introduces consumption externalities into a Ramsey-type model with endogenous labor supply and homogeneous agents. The instantaneous utility of any consumer is assumed to depend on work effort, own consumption and relative consumption, where the latter determines the individual's status in the society. Appropriate normality conditions with respect to consumption and leisure ensure that at least in the long run status-conscious individuals consume and work too much, compared to the social optimum, and that the capital stock is too high. Public policy can, however, induce the private sector to attain the social optimum by designing an optimal consumption tax policy.

**PD** April 2001. **TI** Status Preference, Wealth, and Dynamics in the Open Economy. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 99; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 25. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** E21, F41. **KW** Status-Preference. Open Economy Dynamics.

**AB** The implications of status preference in a simple open economy model will be investigated in this paper. The open economy is modeled as a continuum of identical representative agents who have preferences over consumption and status. In the paper status is identified as relative wealth, which takes the form of relative holdings international financial assets. A symmetric macroeconomic equilibrium is derived in which status is the source of transitional dynamics for consumption and the current account balance. This result illustrates another way to generate transitional dynamics in the small open economy model, which, as is well-known, does not have well-defined dynamics under perfect capital mobility. The role of status plays in influencing the open economy's adjustment to various macroeconomic shocks is also considered.

**Fitzgerald, Terry J.**

**TI** The Band Pass Filter. **AU** Christiano, Lawrence J.; Fitzgerald, Terry J.

**Flabbi, Luca**

**TI** The Transmission Mechanism of Monetary Policy in Europe: Evidence from Banks' Balance Sheets. **AU** Favero, Carlo A.; Giavazzi, Francesco; Flabbi, Luca.

**Flood, Robert P.**

**PD** October 2000. **TI** An Interest Rate Defense of a Fixed Exchange Rate? **AU** Flood, Robert P.; Jeanne, Olivier. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/159; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 18. **PR** not available. **JE** F31, F32, F33. **KW** Speculative Attack. Fixed Exchange Rates. Fiscal Policy. **AB** Defending a government's exchange-rate commitment with active interest rate policy is not an option in the Krugman-Flood-Garber (KFG) model of speculative attacks. In that model, the interest rate is the passive reflection of currency-depreciation expectations. In this paper we show how to adapt the KFG model to allow for an interest rate defense. It is shown that increasing the domestic-currency interest rate makes domestic assets more attractive according to an asset substitution effect, but weakens the domestic currency by increasing the government's fiscal liabilities. As a result,

raising the interest rate hastens the speculative attack when underlying fiscal fragility motivates speculation.

**Forder, James**

**PD** June 2000. **TI** Could Reputation-Bias Be a Bigger Problem Than Inflation-Bias? **AA** University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 22; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 31. **PR** no charge. **JE** E52, E58. **KW** Central Bank Independence. Policy Credibility. Deflation.

**AB** The theory of policy credibility has been influential in both the design of monetary policymaking institutions and in the implementation of policy. In particular, the idea that 'reputation' is important has been widely accepted. However, careful attention to its assumptions and implications of the theory reveals many sources of doubt as to its empirical value. First, the theory is implausible, and even if taken seriously does not point to many of the conclusions frequently supposed to be based on it. Second, evidence suggests the theory is false. Third, even policymakers who profess themselves concerned about the maintenance of credibility do not behave consistently in the way the theory says they should.

**PD** October 2000. **TI** Traps in the Measurement of Independence and Accountability of Central Banks. **AA** University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 23; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 21. **PR** no charge. **JE** C82, E58. **KW** Central Bank Independence. Measurement Problems. Political Accountability.

**AB** Measures of central banks' independence and central banks' accountability which are based on an interpretation of their statutes provide, in themselves, no guidance for the assessment of legislative proposals. In the effectiveness of monetary policy, the crucial considerations relate to how central banks and other policymakers behave. The pattern of incentives is not determined by the statutes, which may be wholly irrelevant, and therefore one cannot discover the effectiveness of policy by inspecting the statutes. On the other hand, an assessment of the democratic acceptability of an arrangement requires a normative argument. Depending on that argument, statutory characteristics may be the crucial ones, but for the assessment to be worthwhile, the argument must be explicit.

**Forrant, Robert**

**TI** Creative Work Systems in Destructive Markets. **AU** Konzelmann, Suzanne J.; Forrant, Robert.

**Freedland, Mark**

**TI** Citizenship, Public Service, and the Employment Relationship. **AU** Deakin, Simon F.; Freedland, Mark.

**Friedberg, Leora**

**PD** November 2000. **TI** The Impact of 401(k) Plans on Retirement. **AU** Friedberg, Leora; Webb, Anthony. **AA** Friedberg: University of Virginia and NBER. Webb: University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working

Paper: 2000/30; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: econ.ucsd.edu/papers. PG 23. PR \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. JE H31, J26, J32, J62. KW 401(k). Pension. Retirement.

**AB** In 1993 38.9 million people were covered by a 401(k) plan, up from 7.1 million in 1983. The rapid growth of 401(k) and other defined contribution pension plans may alter retirement patterns of older workers. Previous research showed that the spread of defined benefit plans, with sharp age-related incentives first discouraging and later encouraging retirement, contributed to the early retirement trend of past decades. Defined contribution plans differ along several dimensions, especially in their smooth rate of pension wealth accrual. We use data from the Health and Retirement Study to show that retirement patterns have begun to change as defined contribution plans have spread. Our estimates indicate that the financial incentives in defined benefit pensions lead people to retire almost two years earlier on average, compared to people with defined contribution plans.

#### Frisby, Sandra

**TI** Rethinking Receivership. AU Armour, John; Frisby, Sandra.

#### Frydl, Edward J.

**PD** August 2000. **TI** The Benefits and Costs of Intervening in Banking Crises. AU Frydl, Edward J.; Quintyn, Marc. AA International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/147; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 76. PR not available. **JE** G21, G28. **KW** Banking Crises. Resolution Costs.

**AB** This paper provides a framework to assess the benefits and costs of intervening in a banking crisis. Intervention involves liquidity support and resolution actions. Principal benefits of intervention include avoiding panic and eliminating the economic costs of distorted incentives. Principal costs include fiscal costs and the economic costs of delay. The government's main decision concerns the length of the resolution horizon—whether to adopt a deliberate or an aggressive resolution strategy. Dominant factors affecting net benefits are the relative size of the banking system and the loss liquidation rate on assets financed by bank loans.

#### Fuentes, Ignacio

**PD** February 2000. **TI** Mergers and Acquisitions in the Spanish Banking Industry: Some Empirical Evidence. AU Fuentes, Ignacio; Sastre, Teresa. AA Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 9924; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/doctrab/doctrab.htm. PG 32. PR single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** G21, G34. **KW** Mergers. Price Competition. Bank Performance. Consolidation. Efficiency. Bank Interest Rates.

**AB** This paper attempts to provide some empirical evidence on the impact of the consolidation process on the monetary transmission mechanism, the degree of competition in banking markets and the performance of banking institutions. The impact on the monetary transmission mechanism is analyzed in

terms of the estimated impact that mergers and acquisitions may have had on interest rates set by banks. To do this, several equations for bank interest rates have been estimated using panel data for Spanish banks from 1988 to 1997. These equations also provide a test for the effects of increasing competition on bank's borrowing and lending rates. The impact on the performance of banks is assessed using a case study approach based on the changes in a set of financial ratios. Analysis of these ratios during the pre- and post-merger periods provides some insights on the effects of mergers and acquisitions on the efficiency, profitability and strength of consolidated institutions.

#### Fullenkamp, Connel

**TI** Should Subsidized Private Transfers Replace Government Social Insurance. AU Chami, Ralph; Fullenkamp, Connel.

#### Fullerton, Don

**PD** July 1999. **TI** A Tax on Output of the Polluting Industry is not a Tax on Pollution: The Importance of Hitting the Target. AU Fullerton, Don; Hong, Inkee; Metcalf, Gilbert E. AA Fullerton: University of Texas and NBER. Hong: University of Texas. Metcalf: Tufts University and NBER. **SR** National Bureau of Economic Research Working Paper: 7259; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 30. PR \$5.00. **JE** L51, Q28, Q48. **KW** Environmental Taxes. Direct Pollution Tax.

**AB** We explore the effects of environmental taxes that imprecisely target pollution. A review of actual policies indicates few (if any) examples of a true tax on pollution. More typically, environmental taxes target an input or output that is correlated with pollution. We construct a simple analytical general equilibrium model to calculate the optimum tax rate on the input of the polluting industry, in terms of key behavioral parameters, and we compare this imprecisely-targeted tax to an ideal tax on pollution. Finally, we consider incremental tax reforms such as a change in either tax form some pre-existing level. Using a utility-based money metric measure of welfare, we examine the losses that arise from not taxing pollution directly. With no existing tax, under our plausible parameters, the welfare gain from an output tax is less than half the gain from an emissions tax.

#### Gaiduch, Victor

**PD** October 2000. **TI** Inflation Targeting Under Potential Output Uncertainty. AU Gaiduch, Victor; Hunt, Benjamin. AA Gaiduch: Reserve Bank of New Zealand. Hunt: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/158; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 28. PR not available. **JE** E17, E31, E52. **KW** Monetary Policy Rules. Potential Output. Uncertainty.

**AB** To achieve their price stability objectives, many monetary authorities use the gap between current and potential output as an indicator of future price pressures. This policy-setting strategy has been criticized because potential output estimates have a high degree of uncertainty. In this paper, estimates of potential output uncertainty in New Zealand are used to examine the output gap's usefulness. The results suggest that although output gap uncertainty leads to more inflation and output variability, policy based directly and/or

indirectly on the output gap leads to better macroeconomic stability than policy based only on observable inflation and output growth.

### Galdon-Sanchez, Jose E.

**PD** August 2000. **TI** Let's go to Court! Firing Costs and Dismissal Conflicts. **AU** Galdon-Sanchez, Jose E.; Guell, Maia. **AA** Galdon-Sanchez: London School of Economics. Guell: Princeton University and Universitat Pompeu Fabra. **SR** Princeton University, Industrial Relations Section Working Paper: 444; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. **Website:** www.irs.princeton.edu/pubs/working\_papers.html. **PG** 34.

**PR** not available. **JE** J33, J62, J63, J65. **KW** Firing Costs. Dismissal Conflicts.

**AB** In this paper we analyze court outcomes of dismissal conflicts for several countries. We highlight two facts. First, the patterns found are extremely stable in every country over time. Second, two types of patterns are found: either the workers win most of the cases, or the worker and the firm win half the time each. We build a model of dismissal conflicts that explains these facts. The gap between the severance pay for fair and unfair dismissals is a key factor in the determination of such court outcomes. Those countries with a small gap have outcomes in which the workers win most of the time, and the average cost of firing is higher than in those countries with a smaller gap. This suggests that costly dismissals and rigid employment protection legislation are not necessarily synonymous.

### Gali, Jordi

**PD** October 2000. **TI** Technology Shocks and Monetary Policy: Assessing the FED's Performance. **AU** Gali, Jordi; Lopez-Salido, J. David; Valles, Javier. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0013; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** www.bde.es/doctrab/doctrab.htm. **PG** 20. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E52, E58. **KW** Monetary Policy Rules. Technology Shocks.

**AB** The purpose of the present paper is twofold. First, we characterize the Fed's systematic response to technology shocks and its implications for U.S. output, hours and inflation. Second we evaluate the extent to which that response can be accounted for by a simple monetary policy rule (including the optimal one) in the context of a standard business cycle model with sticky prices. Our main results can be described as follows: First, we detect significant differences across periods in the response of the economy (as well as the Fed's) to a technology shock. Second, the Fed's response to a technology shock in the Volcker- Greenspan period is consistent with an optimal monetary policy rule. Third, in the pre-Volcker period the Fed's policy tended to over stabilize output at the cost of generating excessive inflation volatility. Hence our evidence reinforces recent results in the literature suggesting an improvement in the Fed's performance.

**PD** January 2001. **TI** European Inflation Dynamics. **AU** Gali, Jordi; Gertler, Mark; Lopez-Salido, J. David. **AA** Gali: Universitat Pompeu Fabra and Banco de Espana. Gertler: New York University. Lopez-Salido: Banco de Espana.

**SR** Banco de Espana, Documentos de Trabajo: 0020; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** www.bde.es/doctrab/doctrab.htm. **PG** 25.

**PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E31, E32. **KW** Inflation. Phillips Curve. EMU.

**AB** We provide evidence on the fit of the New Phillips Curve (NPC) for the Euro area over the period 1970-1998. We also analyze the factors underlying inflation inertia by examining the cyclical behavior of marginal costs. Some of the findings can be summarized as follows: (a) the NPC fits Euro area data very well, possibly better than U.S. data, (b) the degree of price stickiness implied by the estimates is substantial, but in line with survey evidence and U.S. estimates, (c) inflation dynamics in the Euro area appear to have a stronger forward-looking component (i.e., less inertia) than in the U.S., (d) labor market frictions, as manifested in the behavior of the wage markup, appear to have played a key role in shaping the behavior of marginal costs and, consequently, inflation in Europe.

### Galiani, Sebastian

**TI** Optimal Income Support Targeting. **AU** De Wachter, Stefan; Galiani, Sebastian.

**PD** October 2000. **TI** Duration and Risk of Unemployment in Argentina. **AU** Galiani, Sebastian; Hopenhayn, Hugo A. **AA** Galiani: Universidad Torcuato Di Tella and University of California, Berkeley; Hopenhayn: University of Rochester and Universidad Torcuato Di Tella. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/117; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. **Website:** www.haas.berkeley.edu/iber/wps/ciderwp.htm. **PG** 22.

**PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** J63, J64, J65. **KW** Labor Markets. Hazard Functions. Unemployment Duration. Unemployment Risk. Argentina.

**AB** After a decade of structural reforms, unemployment rates have tripled in Argentina. This paper is concerned with the measurement of unemployment risk and its distribution. We show the importance of considering re-incidence in the measurement of risk and develop a methodology. Our estimates for Argentina show that, though the typical unemployment spell is short, once re-incidence is taken into account, unemployment risk is high, has risen substantially in the last decade and is shared very unequally in the labor force. This counters the established view that unemployment is a small risk, short-duration phenomenon, which arises when re-incidence is not considered.

### Gandal, Neil

**TI** The DVD vs. DIVX Standard War: Empirical Evidence of Vaporware. **AU** Dranove, David; Gandal, Neil.

### Garcia-Penalosa, Cecilia

**TI** Inequality and Economic Growth: The Perspective of the New Growth Theories. **AU** Aghion, Philippe; Caroli, Eve; Garcia-Penalosa, Cecilia.

### Garrods, Guy

**TI** Estimating WTP for Speed Reduction from

Dichotomous-Choice CV Responses with Follow-Up: The Case of Rural Trunk Roads. AU Scarpa, Riccardo; Willis, Ken; Garrods, Guy.

### Geanakoplos, John

TI Social Security Investment in Equities I: Linear Case. AU Diamond, Peter; Geanakoplos, John.

### Geraats, Petra M.

PD July 2000. TI Why Adopt Transparency? The Publication of Central Bank Forecasts. AA University of California, Berkeley. SR University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/113; UC Berkeley, IBER, F502 Haas #1922. Berkeley, CA 94720-1922. Website: www.haas.berkeley.edu/iber/wps/ciderwp.htm. PG 34. PR no charge to academics; single issues \$3.50 U.S.; \$7.50 International. JE E52, E58. KW Transparency. Monetary Policy.

AB Recently, several central banks have abandoned the usual secrecy in monetary policy and become very transparent. This paper provides an explanation for this puzzling fact, focusing on the disclosure of central bank forecasts. It shows that transparency reduces the inflationary bias and gives the central bank greater flexibility to respond to shocks in the economy. Furthermore, it makes it easier for a central bank to build reputation. To achieve these benefits of transparency it is generally necessary to publish the conditional central bank forecasts for both inflation and output.

### Gerlagh, Reyer

PD September 1999. TI Discounting and Sustainability in Integrated Assessment Models. AU Gerlagh, Reyer; van der Zwaan, Bob. AA Vrije Universiteit, Amsterdam. SR Fondazione Eni Enrico Mattei Note di Lavoro: 63/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 37. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE C61, H40, J18, Q28, Q48. KW Discounting. Sustainability. Dynastic Models. Integrated Assessments. Overlapping Generations.

AB Most currently employed Integrated Assessment Models are of a dynastic nature, commonly assuming a fixed relation between pure time preference, economic growth and interest rate. This rigid relation has led to much debate on which level of discounting to adopt. Especially the quantitative results of Integrated Assessment Models have been subject to controversy because of their strong sensitivity to future discounting. Many economic analysts advocate employing a descriptive time preference, based on historic data, which usually represents an approximate efficient use of environmental resources. Others encourage assuming a prescriptive time discounting, allowing them -- by taking low discount values -- to model a sustainable use of environmental services. This paper argues that, although a fixed time preference relation might be convenient for economic analysis, such a supposition can be misleading.

### Gershberg, Alec Ian

PD July 1999. TI Health Care Capital Financing Agencies: The Intergovernmental Roles of Quasi-Government Authorities and the Impact on the Cost of Capital. AU Gershberg, Alec Ian; Grossman, Michael; Goldman,

Fred. AA Gershberg and Goldman: New School University and NBER. Grossman: City University of New York Graduate School and NBER. SR National Bureau of Economic Research Working Paper: 7221; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 16. PR \$5.00. JE H70, I11, I18. KW Health Care. Capital Financing. Cost of Capital. Municipal Bonds. Financing Authorities.

AB During the decade 1983-1992, approximately 1.4 trillion dollars of municipal bonds were sold in 87 thousand separate issues. Approximately two-thirds of these financings were originated by financing authorities, quasi-government agencies which are the creation of state legislatures. Despite the growing role played by quasi-public authorities in capital finance, their impacts have not been studied systematically. The authors first describe the issuers of tax-exempt debt in the health sector and then derive measures for describing the mix of issuers between state and local levels, and between both government and quasi-government sectors. The authors present abbreviated test results of the impact that different mixes have on the cost of capital. First, competition is good: using a Herfindahl index analysis the authors show that states with less concentrated issuers have a lower cost of capital than those with a more concentrated market, including state-level finance monopolies. On the other hand, the authors cannot assert unequivocally that market deconcentration in and of itself should be a goal. For instance, there are economies of scale in the health care finance industry that allow larger issuers to lower the cost of capital.

### Gertler, Mark

TI European Inflation Dynamics. AU Gali, Jordi; Gertler, Mark; Lopez-Salido, J. David.

### Ghatak, Maitreesh

PD October 1998. TI The Economics of Lending with Joint Liability: Theory and Practice. AU Ghatak, Maitreesh; Guinnane, Timothy W. AA Ghatak: University of Chicago. Guinnane: Yale University. SR Yale Economic Growth Center Discussion Paper: 791; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: www.library.yale.edu/socsci/egcpage.html. PG 28. PR \$2.00 plus postage. JE D82, G21, N23, O12. KW Joint Liability. Group Lending. Credit Cooperatives.

AB Institutions that rely on joint liability to facilitate lending to the poor have a long history and are now a common feature of many developing countries. Economists have proposed several theories of joint liability lending that stress various aspects of its informational and enforcement advantages over other forms of lending. This paper analyzes how joint-liability lending promotes screening, monitoring, state verification, and enforcement of repayment. An empirical section draws on case studies to highlight how joint liability works in practice.

### Giacomini, Raffaella

PD May 2001. TI Aggregation of Space-Time Processes. AU Giacomini, Raffaella; Granger, Clive W. J. AA University of California, San Diego. SR University of California, San Diego, Department of Economics Working Paper: 2001/07; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: econ.ucsd.edu/papers. PG 22. PR \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of

California. **JE** C33, C43, C53. **KW** Spatial Correlation. Aggregation. Forecast Efficiency. Space-Time Models.

**AB** In this paper we compare the relative efficiency of different methods of forecasting the aggregate of spatially correlated variables. Small sample simulations confirm the asymptotic result that improved forecasting performance can be obtained by imposing a priori constraints on the amount of spatial correlation in the system. One way to do so is to aggregate forecasts from a Space-Time Autoregressive model (Cliff et al., 1975), which offers a solution to the 'curse of dimensionality' that arises when forecasting with VARs. We also show that ignoring spatial correlation, even when it is weak, leads to highly inaccurate forecasts. Finally, if the system satisfies a "poolability" condition, there is a benefit in forecasting the aggregate variable directly.

#### **Giannini, Massimo**

**TI** Selective Schools. **AU** Brunello, Giorgio; Giannini, Massimo.

#### **Giavazzi, Francesco**

**TI** The Transmission Mechanism of Monetary Policy in Europe: Evidence from Banks' Balance Sheets. **AU** Favero, Carlo A.; Giavazzi, Francesco; Flabbi, Luca.

#### **Gilchrist, Simon**

**PD** January 2001. **TI** Transition Dynamics in Vintage Capital Models: Explaining the Postwar Catch-Up of Germany and Japan. **AU** Gilchrist, Simon; Williams, John C. **AA** Gilchrist: Boston University, Federal Reserve Bank of Boston and NBER. Williams: Board of Governors of the Federal Reserve System. **SR** Boston University, Institute for Economic Development Discussion Paper: 113; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: [www.bu.edu/econ/ied/](http://www.bu.edu/econ/ied/). **PG** 26. **PR** \$4.00. **JE** D24, E22, N14, N15, O41. **KW** Putty-Clay. Embodied Technology. Productivity Growth. Convergence.

**AB** We consider a neoclassical interpretation of Germany and Japan's rapid postwar growth that relies on a catch-up mechanism through capital accumulation where technology is embodied in new capital goods. Using a putty-clay model of production and investment, we are able to capture many of the key empirical properties of Germany and Japan's postwar transitions, including persistently high but declining rates of labor and total-factor productivity growth, a U-shaped response of the capital-output ratio, rising rates of investment and employment, and moderate rates of return to capital.

#### **Glaeser, Edward L.**

**PD** July 1999. **TI** What is Social Capital? The Determinants of Trust and Trustworthiness. **AU** Glaeser, Edward L.; Laibson, David; Scheinkman, Jose A.; Soutter, Christine L. **AA** Glaeser and Laibson: Harvard University and NBER. Scheinkman: University of Chicago. Soutter: Harvard University. **SR** National Bureau of Economic Research Working Paper: 7216; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 33. **PR** \$5.00. **JE** C91, C92, D70, J71. **KW** Social Capital. Trust. Experiments.

**AB** Using a sample of Harvard undergraduates, we analyze trust and social capital in two experiments. Trusting behavior and trustworthiness rise with social connection; differences in race and nationality reduce the level of trustworthiness. Certain

individuals appear to be persistently more trusting, but these people do not say they are more trusting in surveys. Survey questions about trust predict trustworthiness not trust. Only children are less trustworthy. People behave in a more trustworthy manner towards higher status individuals, and therefore status increases earnings in the experiment. As such, high status persons can be said to have more social capital.

#### **Goldfajn, Ilan**

**TI** The Russian Default and the Contagion to Brazil. **AU** Baig, Taimur; Goldfajn, Ilan.

#### **Goldin, Claudia**

**PD** July 1999. **TI** Education and Income in the Early 20th Century: Evidence from the Prairies. **AU** Goldin, Claudia; Katz, Lawrence F. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7217; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 26. **PR** \$5.00. **JE** I20, J24, J31, N31, N32. **KW** Education. Income. Wages. Human Capital. Economic History.

**AB** We present the first estimates of the returns to years of schooling before 1940 using a large sample of men and women, employed in a variety of sectors and occupations, from the Iowa State Census of 1915. We find that the returns to a year of high school, and to a year of college, were substantial in 1915 -- about 11 percent for all males and in excess of 12 percent for young males. Some of the return to years of high school and college arose because more education allowed individuals to enter lucrative white-collar jobs. But we also find sizable educational wage differentials within the white- and blue-collar sectors. Returns to education above the "common school" grades were substantial even within the agricultural sector. Given the high overall rate of return to secondary schooling, it is no wonder that the "high school movement" took root in America around 1910, even in agricultural areas such as Iowa. Census data for 1940, 1950, and 1960 are used to show that returns to years of schooling were greater in 1915 than in 1940. We conclude that the return to education decreased sometime between 1915 and 1940 and then declined again during the 1940s.

#### **Goldman, Fred**

**TI** Health Care Capital Financing Agencies: The Intergovernmental Roles of Quasi-Government Authorities and the Impact on the Cost of Capital. **AU** Gershberg, Alec Ian; Grossman, Michael; Goldman, Fred.

#### **Goncalves, Silvia**

**PD** December 2000. **TI** Maximum Likelihood and the Bootstrap for Nonlinear Dynamic Models. **AU** Goncalves, Silvia; White, Halbert. **AA** Goncalves: Universite de Montreal. White: University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/32; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: [econ.ucsd.edu/papers](http://econ.ucsd.edu/papers). **PG** 25. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** C15, C22. **KW** Block Bootstrap. QMLE. Nonlinear Model. Dynamic Model. Near Epoch Dependence. Wald Test.

**AB** The bootstrap is an increasingly popular method for

performing statistical inference. This paper provides the theoretical foundation for using the bootstrap as a valid tool of inference for quasi-maximum likelihood estimators (QMLE). We provide a unified framework for analyzing bootstrapped extremum estimators of nonlinear dynamic models for heterogeneous dependent stochastic processes. We apply our results to two block bootstrap methods, the moving blocks bootstrap of Kunsch (1989) and Liu and Singh (1992) and the stationary bootstrap of Politis and Romano (1994), and prove the first order asymptotic validity of the bootstrap approximation to the true distribution of QML estimators. Further, these block bootstrap methods are shown to provide heteroskedastic and autocorrelation consistent standard errors for the QMLE, thus extending the already large literature on robust inference and covariance matrix estimation. We also consider bootstrap testing. In particular, we prove the first order asymptotic validity of the bootstrap distribution of a suitable bootstrap analog of a Wald test statistic for testing hypotheses.

#### Gonzalez-Paramo, Jose M.

TI Does Public Ownership Affect Business Performance? Empirical Evidence with Panel Data from the Spanish Manufacturing Sector. AU Hernandez de Cos, Pablo; Argimon, Isabel; Gonzalez-Paramo, Jose M.

TI Evaluating the Dynamics of Fiscal Policy in Spain: Patterns of Interdependence and Consistency of Public Expenditure and Revenues. AU De Castro, Francisco; Gonzalez-Paramo, Jose M.; Hernandez de Cos, Pablo.

#### Gordo, Luis

PD June 2000. TI El sistema de financiación autonómica vigente para el periodo 1997- 2001. AU Gordo, Luis; Hernandez de Cos, Pablo. AA Banco de España. SR Banco de España, Documentos de Trabajo: 0003; Banco de España, Sección de Publicaciones, Negociado de Distribución y Gestión, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). PG 40. PR single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. JE H71, H74, H77. KW Fiscal Decentralization. Spain. Regional Government. State. Financing. Fiscal Co-Responsibility.

AB Fiscal decentralization has been one of the key features of developments in the Spanish public sector in recent decades. There has been a gradual shift of responsibilities for the management of certain services from the State to the regional (autonomous) governments (RGs) along with development of the arrangements for financing these responsibilities. This paper focuses on analysing the financing arrangements for the RGs, describing those currently in force for the ordinary-regime RGs and for the specific-status RGs. In addition, the information available on the RGs' resources is discussed. This information shows that only about 30% of resources are obtained directly from taxpayers and, therefore, help to increase the degree of fiscal co-responsibility of the RGs, while the majority, the other 70%, come from other general government bodies. The relationship between transfers and tax resources is the reverse in Navarre and in the Basque Country.

#### Gordon, Roger H.

PD July 1999. TI Tax Structure and Government Behavior: Implications for Tax Policy. AU Gordon, Roger

H.; Wilson, John D. AA Gordon: University of Michigan and NBER. Wilson: Michigan State University. SR National Bureau of Economic Research Working Paper: 7244; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 18. PR \$5.00. JE H21, D78. KW Tax Policy. Government Behavior. Taxation Design.

AB Changes in tax policy can affect all aspects of the economy. Not only do firms and individuals change behavior, creating efficiency costs, but government expenditure choices can also change. Unless these expenditure choices had been "optimal" previously, changes in response to a tax reform affect welfare and should be taken into account when designing tax policy. This paper develops a specific model of government behavior and then explores the implications of government, as well as private, behavioral responses for tax policy. In particular, we assume that government officials favor expenditure (or regulatory) choices that increase the government's budget. As a result, higher tax rates on particular activity encourage government behavior that aids the growth of this activity. This response enables tax policy to redirect government activity in desirable directions, but it also makes Pigovian taxes on negative externalities less effective.

#### Goria, Alessandra

TI Integrating Climate Policies in the European Environment: A Policy Report. AU Carraro, Carlo; Goria, Alessandra.

#### Gottinger, Hans W.

PD May 1999. TI Economic Damage Control for Greenhouse Gas Emissions. AA IIEEM, Bad Waldsee and University of Maastricht. SR Fondazione Eni Enrico Mattei Note di Lavoro: 43/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). PG 14. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE D60, I18, L51, Q25, Q28. KW Energy. Greenhouse Gases. Economic Damage. Environmental Policy.

AB Future emissions of trace gases are intrinsically linked to economic growth and abatement policies, which in turn, are governed by expectations of greenhouse damages. Trace gas indices that depend upon future emissions can be calculated either on the basis of emissions scenarios, such as those devised by the IPCC, or using optimal control techniques where the trade off between damages and abatement costs is made explicit. The scientific and economic issues of multiple gas abatement policies and trace gas indices are comprehensively addressed.

#### Gourieroux, Christian

PD November 1999. TI Nonlinear Persistence and Cointegration. AU Gourieroux, Christian; Jasiak, Joann. AA Gourieroux: CEPREMAP and CREST. Jasiak: York University. SR CEPREMAP Discussion Paper: 9920; Bibliothèque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.ceprenmap.cnrs.fr/](http://www.ceprenmap.cnrs.fr/). PG 33. PR 25 francs. JE C14, C22, C32. KW Nonlinear Autocorrelogram. Canonical Analysis. Persistence. Unit Roots. Cointegration.

AB In a nonlinear framework, temporal dependence of time series is sensitive to transformations. The aim of this paper is to examine in detail the relationships between various forms of



persistence and nonlinear transformations of stationary and nonstationary processes. We introduce the concept of persistence space and use it to define the degrees of persistence of univariate or multivariate processes. For illustration, we examine and compare the persistence structure of a fractionally integrated process and a beta mixture of AR(1) processes. The study of multivariate processes is focused on nonlinear comovements between the components, called the copersistence directions, or cointegration directions in the nonstationary case. We find that, in general, there is a multiplicity of such directions, causing an identification problem in the analysis of nonlinear cointegration.

**Granger, Clive W. J.**

**TI** Aggregation of Space-Time Processes. **AU** Giacomini, Raffaella; Granger, Clive W. J.

**Gregory, Mary**

**TI** Overtime Hours in Great Britain Over the Period 1975-1999: A Panel Data Analysis. **AU** Kalwij, Adriaan S.; Gregory, Mary.

**Grimaud, Andre**

**PD** May 1999. **TI** The Growth-Environment Trade-Off: Horizontal vs Vertical Innovations. **AU** Grimaud, Andre; Ricci, Francesco. **AA** Grimaud: GREMAQ and IDEI, Universite de Toulouse 1. Ricci: GREMAQ, Universite de Toulouse 1. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 34/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 31. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** H23, O38, O41, Q20. **KW** Pollution. Endogenous Growth. Sustainable Development. Research and Development. Environment.

**AB** This paper explores the trade-off between economic growth and environmental quality along two paradigms of endogenous growth theory: variety expansion (HIP) and quality improvements (VIP). We compare the policies that match the decentralized economies' paths with the optimal "strong sustainable" growth path, characterized by growth in consumption and improvements in environmental quality. Three policy tools are employed: subsidies to monopolists and R&D, and taxes on emissions. The latter is increasing at the optimum, to keep the weight of tax revenues over output constant. All policy tools equal, the growth rate is higher in the VIP than in the HIP. The optimal subsidy to R&D is therefore greater and the cumulative loss in output smaller under the HIP than the VIP.

**Grossman, Michael**

**TI** Health Care Capital Financing Agencies: The Intergovernmental Roles of Quasi-Government Authorities and the Impact on the Cost of Capital. **AU** Gershberg, Alec Ian; Grossman, Michael; Goldman, Fred.

**Gschwandtner, Adelina**

**PD** October 1999. **TI** A Welfare Comparison Between Export Subsidies and Exchange Rate Depreciation. **AA** University of Vienna. **SR** Institute for Advanced Studies (IHS), Economics Series: 75; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 21. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17.

**JE** F13, F31. **KW** Export Subsidies. Exchange Rate Depreciation. International Trade. Bertrand Competition.

**AB** This paper develops a Bertrand Price Competition model with differentiated goods in which export subsidies are compared to exchange rate depreciation as different government policies for promoting exports. National governments may wish to help domestic firms to expand market shares in profitable areas and might do this through either one of these two tools. Their effects on equilibrium values are analyzed and compared. It is shown that while the two examined trade policies give rise to the same highest welfare, they could produce some significant differences according to circumstances. If the exchange rate is sufficiently high and the level of the nominal wage sufficiently low, the marginal effect of the subsidy will be higher. But if unions are strong (and demand a high nominal wage) and the exchange rate is sufficiently low, the governments could also consider a depreciation as an alternative policy to export subsidies.

**Guell, Maia**

**PD** February 2000. **TI** Fixed-Term Contracts and Unemployment: An Efficiency Wage Analysis. **AA** Princeton University and Universitat Pompeu Fabra. **SR** Princeton University, Industrial Relations Section Working Paper: 433; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 41. **PR** \$1.50. **JE** J41, J42, J63. **KW** Fixed-Term Contracts. Permanent Contracts. Renewal Rate. Efficiency Wage. Unemployment.

**AB** During the 1980s, many European countries introduced fixed-term contracts to fight high and persistent levels of unemployment. Although these contracts have been widely used, unemployment remains about the same after fifteen years. This paper builds a theoretical model to reconcile these facts. The model highlights the interaction between different rigidities in the labor market. Aggregate employment and the share of temporary contracts are afflicted in the same way by firing costs and the flexibility of wages. When the two-tier system does not generate higher employment compared to the system with only permanent contracts, the segmentation of the labor market is also socially too large.

**PD** August 2000. **TI** The Effects of Fixed-Term Contracts on the Duration Distribution of Unemployment: The Spanish Case. **AA** Princeton University and Universitat Pompeu Fabra. **SR** Princeton University, Industrial Relations Section Working Paper: 443; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 33. **PR** \$1.50. **JE** C41, J64. **KW** Unemployment. Fixed-Term Contracts. Spain.

**AB** Since the introduction of fixed-term contracts in the mid-1980s, the Spanish labor market has become more dynamic in terms of inflows and outflows from unemployment to employment. I estimate a parametric duration model using cross-sectional data drawn from the Spanish Labor Force Survey from 1980 to 1994, which allows me to analyze the chances of leaving unemployment before and after the introduction of fixed-term contracts. I find evidence that for very short durations, of up to five months, the probability of leaving unemployment has increased since the introduction of fixed-term contracts. But the reverse is true for longer durations. Also, the chances of finding a job are significantly

higher for those workers who became unemployed because their fixed-term contract came to an end than for those who lost their job for other reasons. In addition, there is less duration dependence for those who lost their job due to the expiration of a fixed-term contract than for those who lost their job for other reasons.

**TI** Let's go to Court! Firing Costs and Dismissal Conflicts. **AU** Galdon-Sanchez, Jose E.; Guell, Maia.

**PD** December 1999. **TI** Employment Protection and Unemployment in an Efficiency Wage Model. **AA** Princeton University and Universitat Pompeu Fabra. **SR** Princeton University, Industrial Relations Section Working Paper: 432; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 21. **PR** \$1.00. **JE** J32, J38, J65. **KW** Firing Costs. "Fair" Dismissal. "Unfair" Dismissal. Double Moral Hazard. Efficiency Wage. Unemployment.

**AB** Firing costs are often blamed for unemployment. But economists have different views on this. Our model integrates these views. We consider imperfectly observable worker effort, which allows us to model dismissal conflicts together with endogenous wages. Firms misuse dismissals to avoid paying firing costs. Similarly, workers deny any disciplinary case to get compensation. The resolution of this double moral hazard problem by a third party is imperfect given the information problem. Consequently, disciplinary dismissals are not costless, and firing costs reduce aggregate employment. The policy implication for resolving such conflict does not necessarily include the elimination of firing costs.

### Guinnane, Timothy W.

**TI** The Fertility Transition in Bavaria. **AU** Brown, John C.; Guinnane, Timothy W.

**PD** May 2001. **TI** A "Friend and Advisor": Management, Auditors, and Confidence in Germany's Credit Cooperatives, 1889-1914. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 824; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 35. **PR** \$2.00 plus postage. **JE** G21, G23, N23, O16. **KW** Credit Cooperative. External Audit.

**AB** Economic enterprises face two, related, managerial problems: effective management of the enterprise's activities, and communicating to outsiders that the enterprise is in fact well-run. These problems were especially difficult in the credit cooperative movement that grew up in Germany in the second half of the nineteenth century. These successful cooperatives thrived because they could harness the information and ties among local people to obviate many of the problems that faced other lenders. Doing so required managers who were themselves local people. Yet few if any locals had any banking experience, and most were not even familiar with basic accounting methods. These local managers created internal management problems and enhanced outside suspicion of the cooperatives as banking enterprises. The methods developed to overcome these problems relied on a combination of local initiative and regional assistance that was typical of the movement as a whole. The movement's ability to train its own talent suggests a broader impact not captured by statistics on membership or financial assets.

**PD** May 2001. **TI** Mortality in the North Dublin Union During the Great Famine. **AU** Guinnane, Timothy W.; O Grada, Cormac. **AA** Guinnane: Yale University. O Grada: University College, Dublin. **SR** Yale Economic Growth Center Discussion Paper: 829; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 25. **PR** \$2.00 plus postage. **JE** I39, J19, N33. **KW** Ireland. Famine. Mortality. Workhouses.

**AB** Responsibility for the excess mortality associated with the Famine of 1846-51 is a continuing topic of debate. These debates are hampered by a lack of detailed information on the performance of relief efforts at a local level. Excess mortality ranged from one quarter of the entire population in parts of the west to negligible levels elsewhere. Much of this cross-section variation reflects relative wealth. Another historiography stresses the importance of local figures such as a landlord or priest. This study addresses the question of local agency with a case study of the North Dublin Poor Law Union. This Union is unusual for its detailed surviving administrative records. We study the Union's day-to-day functioning and estimate mortality rates in the workhouse during the crisis. Workhouse mortality during the famine primarily reflects the crisis outside the workhouse's walls: the guardians did reasonably well in preserving human life under these trying circumstances.

**TI** The Economics of Lending with Joint Liability: Theory and Practice. **AU** Ghatak, Maitreesh; Guinnane, Timothy W.

**PD** November 1998. **TI** Population and the Economy in Germany, 1800-1990. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 793; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 60. **PR** \$2.00 plus postage. **JE** J11, N33, N34. **KW** Population. Economic Development. Germany.

**AB** Germany's turbulent history in the past two centuries has left its mark on her population. The industrialization of the nineteenth century promoted rapid population growth, and the spatial concentration of that industrialization provoked enormous internal migration. Germany's relatively late economic development left the country impoverished relative to North America and some other societies for most of the nineteenth century, promoting extensive emigration. Like most of western Europe, Germany experienced a sharp reduction in fertility and mortality rates during the late nineteenth and early twentieth centuries, but these transitions were more abrupt in Germany than elsewhere. Twentieth-century turmoil marked Germany's population through death and other demographic consequences of war and through the huge flows of refugees that followed both World Wars. This paper traces the main developments in German population for the past two centuries, stressing connections to economic issues.

### Gupta, Poonam

**TI** Inside the Crisis: An Empirical Analysis of Banking System in Distress. **AU** Demircuc-Kunt, Asli; Detragiache, Enrica; Gupta, Poonam.

### Guy, Fred

**PD** March 2000. **TI** CEO Pay, Shareholder Returns and Accounting Profitability. **AA** Birkbeck College and

University of London. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP155; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 25. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** C23, J33, L21. **KW** CEO Pay. Random Coefficients.

**AB** We assess the impact on CEO pay (including salary, cash bonus, and benefits in kind) of changes in both accounting and shareholder returns in 99 British companies in the years 1972-89. After correcting for heterogeneity biases inherent in the standard specifications of the problem, we find a strong positive relationship between CEO pay and within-company changes in shareholder returns, and no statistically significant relationship between CEO pay and within-company changes in accounting returns. Differences between firms in long-term average profitability do appear to have a substantial effect on CEO pay, while differences between firms in shareholder returns add nothing to the within-firm pay dynamics. These findings call into question the rationale for explicitly share-based incentive schemes.

**Habibi, Nadir**

**TI** Decentralization in Argentina. **AU** Ranis, Gustav; Habibi, Nadir; Huang, Cindy; Miranda, Diego; Murillo, Victoria; Sarkar, Mainak; Stewart, Frances.

**Haldrup, Niels**

**PD** March 2000. **TI** On the Robustness of Unit Root Tests in the Presence of Double Unit Roots. **AU** Haldrup, Niels; Lildholdt, Peter. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/01; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 18. **PR** no charge. **JE** C12, C14, C22. **KW** Unit Root Tests. Phillips-Perron Test. I(1) Versus (2).

**AB** We examine some of the consequences on commonly used unit root tests when the underlying series is integrated of order two. It turns out that standard augmented Dickey-Fuller type of tests for single unit roots have excessive density in the explosive region of the distribution. The lower (stationary) tail, however, will be virtually unaffected in the presence of double unit roots. On the other hand, the Phillips-Perron test is shown to diverge to plus infinity asymptotically and thus will favor the explosive alternative. Numerical simulations are used to demonstrate the analytical results and some of the implications in finite samples.

**PD** March 2000. **TI** Local Power Functions of Tests for Double Unit Roots. **AU** Haldrup, Niels; Lildholdt, Peter. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/02; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 32. **PR** no charge. **JE** C12, C14, C22. **KW** Local Power Function. Brownian Motion. Ornstein-Uhlenbeck Process.

**AB** The purpose of this paper is to characterize three commonly used double unit root tests in terms of their asymptotic local power. To this end, we study a class of nearly doubly integrated processes, which in the limit will behave as a weighted integral of a double indexed Ornstein-Uhlenbeck

process. Based on a numerical examination of the analytical distributions, a comparison of the tests is made via their asymptotic local power functions.

**PD** June 2000. **TI** Measurement Errors and Outliers in Seasonal Unit Root Testing. **AU** Haldrup, Niels; Montanes, Antonio; Sanso, Andreu. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/08; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 43. **PR** no charge. **JE** C12, C22. **KW** Seasonal Unit Roots. HEGY Tests. Additive Outliers. Measurement Errors. Brownian Motion.

**AB** Frequently, seasonal and non-seasonal data (especially macro time series) are observed with noise. For instance, the time series can have irregular abrupt changes and interruptions following as a result of additive or temporary change outliers caused by external circumstances that are irrelevant for the series of interest. Equally, the time series can have measurement errors. In this paper we analyze the above types of data irregularities on the behavior of seasonal unit root tests. It occurs that in most cases outliers and measurement errors can seriously affect inference towards the rejection of seasonal unit roots. It is shown how the distortion of the tests will depend upon the frequency, magnitude, and persistence of the outliers as well as on the signal to noise ratio associated with measurement errors. Some solutions to the implied inference problems are suggested.

**TI** Product Market Integration and European Labour Markets. **AU** Andersen, Torben M.; Haldrup, Niels; Sorensen, Jan Rose.

**Hall, Bronwyn H.**

**TI** Heart of Darkness: Modeling Public-Private Funding Interactions Inside the R&D Black Box. **AU** David, Paul A.; Hall, Bronwyn H.

**PD** May 2000. **TI** Universities as Research Partners. **AU** Hall, Bronwyn H.; Link, Albert N.; Scott, John T. **AA** Hall: UC Berkeley and NBER. Link: University of North Carolina at Greensboro. Scott: Dartmouth College. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/276; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720- 1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 46. **PR** \$3.50 U.S.; \$7.50 International. **JE** H41, H42, O31, O38. **KW** Private-Public. Industry-University. Partnerships. Advanced Technology.

**AB** Universities are a key institution in the US innovation system and an important aspect of their involvement is the role they play in Private- Public Partnering activities. This study seeks to gain a better understanding of the performance of university-industry research partnerships using a sample survey of pre-commercial research projects funded the U.S. government's Advanced Technology Program. Although results must be interpreted cautiously due to the small size of the sample, the study finds that projects with university involvement tend to be in areas involving "new" science and therefore experience more difficulty and delay but also are more likely not to be aborted prematurely. We interpret this finding to imply that universities are contributing to basic research awareness and insight among the partners in ATP-funded projects.

**PD** May 2000. **TI** Market Value and Patent Citations: A First Look. **AU** Hall, Bronwyn H.; Jaffe, Adam; Trajtenberg, Manuel. **AA** Hall: UC Berkeley, Nuffield College, Oxford, NBER and IFS. Jaffe: Brandeis University and NBER. Trajtenberg: Tel Aviv University and NBER. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/277; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 70. **PR** \$3.50 U.S.; \$7.50 International. **JE** O31, O38. **KW** Market Value. Patent Citations. Bibliometrics. Innovation.

**AB** As patent data become more available in machine-readable form, an increasing number of researchers have begun to use measures based on patents and their citations as indicators of technological output and information flow. This paper explores the economic meaning of these citation-based patent measures using the financial market valuation of the firms that own the patents. Using a new and comprehensive dataset containing over 4800 U.S. Manufacturing firms and their patenting activity for the past 30 years, we explore the contributions of R&D spending, patents, and citation-weighted patents to measures of Tobin's Q for the firms. We find that citation-weighted patent stocks are more highly correlated with market value than patent stocks themselves and that this fact is due mainly to the high valuation placed on firms that hold very highly cited patents.

**PD** September 2000. **TI** Barriers Inhibiting Industry from Partnering with Universities: Evidence from the Advanced Technology Program. **AU** Hall, Bronwyn H.; Link, Albert N.; Scott, John T. **AA** Hall: University of California at Berkeley and NBER. Link: University of North Carolina at Greensboro. Scott: Dartmouth College. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/290; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html). **PG** 25. **PR** \$3.50 U.S.; \$7.50 International. **JE** O32, L33. **KW** University-Partnerships. Intellectual Property. Patents. Research Joint Venture. RJV. ATP. IPR.

**AB** A small sample of 38 Advanced Technology Projects (ATP) funded between 1993 and 1996 are surveyed to explore the reasons for university non-participation, or, in the cases where they did participate, whether the partnerships encountered any difficulties from their participation. 32 percent report that intellectual property issues were an insurmountable barrier to university participation. Such barriers are more likely when the ATP share of funding is high and when the expected duration of the research is relatively short. They are also somewhat more likely for projects involving chemical technology, and when industrial participants have had previous experience with universities as research partners. These difficulties over IP may arise because the cultures in the two institutional forms differ, or because the original ATP guidelines do not recognize the existence of the Bayh-Dole Act (which grants universities title to inventions made by their employees using outside funding).

**PD** February 1999. **TI** Innovation and Market Value. **AA** Oxford University, University of California, Berkeley, NBER, and IFS. **SR** University of California, Berkeley, Department of Economics Working Paper: E99/265; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/groups/iber/wps/](http://www.haas.berkeley.edu/groups/iber/wps/)

[econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html). **PG** 35. **PR** \$3.50 U.S.; \$7.50 International. **JE** G12, O31, O33. **KW** Innovation. Intangibles. R&D. Patents. Market Value. Patent Citations.

**AB** This paper surveys recent findings about how the financial markets value the knowledge assets of publicly traded firms. The motivation for using market value equation to price knowledge assets is discussed and the theory behind this equation is briefly presented. Then the empirical literature that relates Tobin's q to R&D and patent measures is surveyed and new results based on U.S. data through 1995 are presented. The conclusion is that the market value of the modern manufacturing corporation is strongly related to its knowledge assets, and that the patent measures contain information about this value above and beyond that conveyed by the usual R&D measure.

**PD** April 1999. **TI** How Effective are Fiscal Incentives for R&D? A Review of the Evidence. **AU** Hall, Bronwyn H.; van Reenen, John. **AA** Hall: University of California, Berkeley and NBER. van Reenen: Institute for Fiscal Studies. **SR** National Bureau of Economic Research Working Paper: 7098; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 28. **PR** \$5.00. **JE** H25, H32, O31, O38. **KW** Fiscal Policy. Incentives. Research and Development. Innovation. Taxation.

**AB** This paper surveys the econometric evidence on the effectiveness of fiscal incentives for R&D. We describe the effects of tax systems in OECD countries on the user cost of R&D -- the current position, changes over time and across different firms in different countries. We describe and criticize the methodologies used to evaluate the effect of the tax system on R&D behavior and the results from different studies. In the current (imperfect) state of knowledge we conclude that a dollar in tax credit for R&D stimulates a dollar of additional R&D.

#### Hallock, Kevin F.

**TI** The Gender Gap in Top Corporate Jobs. **AU** Bertrand, Marianne; Hallock, Kevin F.

#### Haltiwanger, John

**TI** Sectoral Job Creation and Destruction Responses to Oil Price Changes. **AU** Davis, Steven J.; Haltiwanger, John.

#### Harmon, Colm

**TI** A Review of Estimates of the Schooling/Earnings Relationship, with Tests for Publication Bias. **AU** Ashenfelter, Orley; Harmon, Colm; Oosterbeek, Hessel.

#### Harms, Philipp

**TI** Old Folks and Spoiled Brats: Why the Baby Boomers' Saving Crisis Need Not Be That Bad. **AU** Butler, Monika; Harms, Philipp.

#### Harsaae, Erik

**PD** August 2000. **TI** A Criticism of the Theory of General Equilibrium. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/09; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 107. **PR** no charge. **JE** B22, B41, E19. **KW** Keynesian Economics.

General Equilibrium. Employment. Economic Growth.

**AB** The aim of "A Criticism of the Theory of General Equilibrium" has been to argue that the theory is not a model of any actual economic process. It simply states a number of mathematical assumptions sufficient to construct a model of a logically possible perfect market, but these assumptions are not only false as a description of actual economic systems, but as argued in the paper could at most be realized in a very small economic system or market. In addition the author attempts to exhibit the weaknesses of so-called "neoclassical economic theory" by drawing on Keynesian insights. The critique is far reaching and includes the IS-LM-model by John Hicks, the Phillips curve and the very concept of equilibrium. The author believes that economic assumptions must be based on institutional facts in order to be relevant in the real world.

**Harvey, Campbell R.**

**TI** The Dynamics of Emerging Market Equity Flows. **AU** Bekaert, Geert; Harvey, Campbell R.; Lumsdaine, Robin L.

**Hauser, Ursula**

**PD** October 2000. **TI** Gamblers' Rationality in Parimutuel Soccer Betting. **AU** Hauser, Ursula; Konig, Ulrich; Krylova, Elizaveta. **AA** Hauser and Krylova: Institute for Advanced Studies (IHS). Konig: University of Vienna. **SR** Institute for Advanced Studies (IHS), Economics Series: 87; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at. **PG** 33. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D12, L83. **KW** Decision Making. Risk and Uncertainty. Parimutuel Betting. Sports. Gambling.

**AB** A model for strategic behavior in parimutuel gambles with unequal winning-probabilities is developed and applied to gambles based on soccer results. Assuming that the bookmakers' quotas reflect the true probability of each possible result of a soccer game, we are able to derive a formula for the expected payoff of a betting strategy (Tipp). Using recent (1996-99) data from the Austrian games Toto and Torwette we are able to calculate the optimal strategies for 90 Toto and Torwette rounds. It turns out that given the relatively high probability of a rollover, it is optimal to overbet favorite outcomes (as compared to the probability of their occurrence). Comparing optimal with actual gamblers' behavior we find that overbetting is even more pronounced than predicted by the model. This means that gamblers bet too frequently on relatively probable results whereas less probable results are too infrequently chosen relatively to the optimal strategy.

**Heckman, James J.**

**PD** July 1999. **TI** Accounting for Heterogeneity, Diversity and General Equilibrium in Evaluating Social Programs. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7230; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 21. **PR** \$5.00. **JE** C31, H20, I28, J24. **KW** Policy Evaluation. Heterogeneity. Welfare Economics. Treatment Effect. Human Capital.

**AB** This paper considers the problem of policy evaluation in a modern society with heterogeneous agents and diverse groups with conflicting interests. Several different approaches to the

policy evaluation problem are compared including the approach adopted in modern welfare economics, the classical representative agent approach adopted in macroeconomics and the microeconomic treatment effect approach. A new approach to the policy evaluation problem is developed and applied that combines and extends the best features of these earlier approaches. Evidence on the importance of heterogeneity is presented. Using an empirically based dynamic general equilibrium model of skill formation with heterogeneous agents, the benefits of the more comprehensive approach to policy evaluation are examined in the context of examining the impact of tax reform on skill formation and the political economy aspects of such reform. A parallel analysis of tuition policy is presented.

**TI** The Dynamics of Educational Attainment for Blacks, Hispanics, and White. **AU** Cameron, Stephen V.; Heckman, James J.

**Helm, Carsten**

**PD** May 1999. **TI** A Mechanism for the Fair Division of Climate Change Protection Burdens. **AA** Potsdam Institute for Climate Impact Research, Germany. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 45/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 28. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D63, F42, H40, Q25, Q28. **KW** Fair Division. Climate Change. Envy-Freeness. Walrasian Mechanism. Common Property Resources. **AB** Questions of burden sharing receive increasing attention in the climate change regime. This paper introduces the WESA-mechanism (WESA = Walrasian Equilibrium with the Stand Alone upper bound) for the fair division of common property resources and monetary compensations. Furthermore, the criterion of envy-freeness is adapted to the transferable utility context. The WESA-mechanism satisfies individual rationality, envy-freeness and the stand alone test, which follows as a minimum requirement from the resource and population monotonicity criteria, and thus compares favorably to the often advocated Walrasian mechanism. Finally, the WESA-mechanism will be applied to the fair division of climate protection burdens and illustrated quantitatively with a computable general equilibrium model. One of the central results is that developing countries should participate in emission reduction efforts in order to increase their global efficiency, but should be fully compensated for their incremental abatement costs.

**Henin, Pierre-Yves**

**TI** Testing for Hysteresis: Unemployment Persistence and Wage Adjustment. **AU** Feve, Patrick; Henin, Pierre-Yves; Jolivaldt, Philippe.

**Hermalin, Benjamin E.**

**PD** January 2000. **TI** Corporate Diversification and Agency. **AU** Hermalin, Benjamin E.; Katz, Michael L. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/272; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: www.haas.berkeley.edu/groups/iber/wps/econwp.html. **PG** 37. **PR** \$3.50 U.S.; \$7.50 International. **JE** G11, G22, G31, G32. **KW** Diversification. Principal-Agent Relationship.

**AB** Firms undertake a variety of actions to reduce risk through diversification, including entering diverse lines of business, taking on project partners, and maintaining portfolios of risky projects such as R&D or natural resource exploration. By a well-known argument, securities holders do not directly benefit from risk-reducing corporate diversification when they can replicate this diversification on their own. Moreover, shareholders should be risk neutral with respect to the unsystematic risk that is associated with many research projects. Some have argued that corporate risk reduction may be of value, or can otherwise be explained by, the agency relationship between securities holders and managers. We argue that the value of diversification strategies in an agency relationship derives not from its effects on risk, but rather from its effects on the principal's information about the agent's actions. We demonstrate by example that diversification activities may increase or decrease the principal's information, depending on the particular structure of the activity.

### Hernandez de Cos, Pablo

**TI** El sistema de financiación autonómica vigente para el periodo 1997- 2001. **AU** Gordo, Luis; Hernandez de Cos, Pablo.

**PD** January 2001. **TI** Does Public Ownership Affect Business Performance? Empirical Evidence with Panel Data from the Spanish Manufacturing Sector. **AU** Hernandez de Cos, Pablo; Argimon, Isabel; Gonzalez-Paramo, Jose M. **AA** Hernandez de Cos: Banco de España. Argimon: HM Treasury. Gonzalez-Paramo: Universidad Complutense, Madrid. **SR** Banco de España, Documentos de Trabajo: 0019: Banco de España, Sección de Publicaciones, Negociado de Distribución y Gestión, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 33.

**PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** G32, H11, H42, L32, L33, L60. **KW** Public Firm. Efficiency. Competition. Financial Constraints. Panel Data.

**AB** This paper offers empirical evidence for the Spanish case on the hypothesis that public ownership may be a determinant of a firm's performance. Two alternative definitions of efficiency are proposed: relative productivity and profitability. The role of ownership is tested, conditioning on the degree of competition, the financial position of the firm and labour quality. The data used is a sample of Spanish manufacturing firms for the period 1983-1996. The results show that ownership is not a determinant of efficiency and that other factors, in particular, the degree of competition, seem to have a positive and significant effect on a firm's performance. Although a negative relationship is found between public ownership and efficiency, it is not statistically different from zero. However, the constancy of ownership over time might explain this lack of significance, given that the model is estimated in first differences.

**TI** Evaluating the Dynamics of Fiscal Policy in Spain: Patterns of Interdependence and Consistency of Public Expenditure and Revenues. **AU** De Castro, Francisco; Gonzalez-Paramo, Jose M.; Hernandez de Cos, Pablo.

### Hernando, Ignacio

**TI** Measuring the NAIRU in the Spanish Economy. **AU** Estrada, Angel; Hernando, Ignacio; Lopez-Salido, J. David.

### Higgins, Matthew

**PD** July 1999. **TI** Explaining Inequality the World Round: Cohort Size, Kuznets Curves, and Openness. **AU** Higgins, Matthew; Williamson, Jeffrey G. **AA** Higgins: Federal Reserve Bank of New York. Williamson: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7224; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 35. **PR** \$5.00. **JE** D63, F41, I32, J10, O11. **KW** Inequality. Kuznets Curve. Cohort Size. Globalization.

**AB** Klaus Deininger and Lyn Squire have recently produced an inequality database for a panel of countries from the 1960s to the 1990s. We use these data to decompose the sources of inequality into three central parts: the demographic or cohort size effect; the so-called Kuznets Curve or demand effects; and the commitment to globalization or policy effects. We also control for education supply, the so-called natural resource curse and other variables suggested by the literature. While the Kuznets Curve comes out of hiding when the inequality relationship is conditioned by the other two, cohort size seems to be the most important force at work. We resolve the apparent conflict between this macro finding on cohort size and the contrary implications of recent research based on micro data.

### Hoekman, Bernard

**PD** September 1999. **TI** Competition Policy, Developing Countries and the WTO. **AU** Hoekman, Bernard; Holmes, Peter. **AA** Hoekman: World Bank and CEPR. Holmes: University of Sussex and College of Europe, Bruges. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 66/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 26. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** F13, K33, L40, O14, O19. **KW** Competition Policy. Trade Negotiations. World Trade Organization. Development.

**AB** This paper discusses developing country interests regarding the inclusion of competition law disciplines in the WTO. Although developing countries have a great interest in pursuing an active domestic competition policy, this can and should be done independently of the WTO. Given the mercantilist basis of multilateral trade negotiations, the WTO is less likely to be a powerful instrument to encourage adoption of welfare-enhancing competition rules than it is as a forum for the abolition of border measures. Priority should therefore be given to pursuit of the traditional market access focus of the WTO - - further reduction in direct barriers to trade in goods and services.

### Hof, Franz X.

**TI** Conspicuous Consumption, Economic Growth, and Taxation: A Generalization. **AU** Fisher, Walter H.; Hof, Franz X.

**TI** Relative Consumption and Endogenous Labour Supply in the Ramsey Model: Do Status-Conscious People Work Too Much? **AU** Fisher, Walter H.; Hof, Franz X.

### Hofer, Helmut

**PD** December 1999. **TI** Employment and Wage Adjustment in Euroland's Labour Market: A Bird's Eye View. **AU** Hofer, Helmut; Pichelmann, Karl. **AA** Hofer: Institute

for Advanced Studies (IHS). Pichelmann: EC, DG II Economic and Financial Affairs. **SR** Institute for Advanced Studies (IHS), Economics Series: 76; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 23. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** E24, J31, J64. **KW** Unemployment. Wage-Setting. European Monetary Union.

**AB** The paper attempts to establish a few stylized facts about Euroland's labor market given the increasing importance of smoothly functioning markets in the EMU. We assemble econometric evidence regarding labor demand behavior, wage-setting mechanisms and the cyclical nature of unemployment in Euroland. We find that in the 1990s unemployment cyclicality has been higher in Euroland than in the US, while the opposite was true in the previous two decades. The main reason for this is to be found in Euroland's employment now responding much stronger to cyclical fluctuations in output than in the past, and even somewhat stronger than in the US. Thus, it appears rather implausible that overall too strict employment protection regulations can still offer a convincing explanation for a significant part of Euroland's problem of persistently high unemployment. There can be little doubt, however, that wage bargaining in Euroland continues to suffer from a serious insider-outsider problem.

#### Hoffman, Barak

**TI** Implications of Rounding and Rebased for Empirical Analyses Using Consumer Price Inflation. **AU** Kozicki, Sharon; Hoffman, Barak.

#### Hoffmann, Mathias

**PD** August 2000. **TI** Long Run Recursive VAR Models and QR Decompositions. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0015; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton SO17 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 7. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** C32, C63. **KW** Vector Autoregression. Long Run Recursive. Choleski Decompositions. Economic Fluctuations. Cointegration.

**AB** Long-run recursive identification schemes are very popular in the structural VAR literature. This note suggests a two-step procedure based on QR decompositions as a solution algorithm for this type of identification problem. Our procedure will always deliver the exact solution and it is much easier to implement than a Newton-type iteration algorithm. It may therefore be very useful whenever quick and precise solution of a long-run recursive scheme is required, e.g. in bootstrapping confidence intervals for impulse responses.

**TI** International Risk Sharing in the Short Run and in the Long Run. **AU** Becker, Sascha O.; Hoffmann, Mathias.

#### Hofmarcher, Maria M.

**PD** September 1999. **TI** Cross-Section Analysis of Health Spending with Special Regard to Trends in Austria. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 70; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 20. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS

250.00 -- EUR 18.17. **JE** C21, C22, I10. **KW** Oesterreich. Health Expenditures. Cross Section. European Union. Austria. **AB** During the 90s the increase in health spending, which compared to the overall growth had taken place at a rather rapid pace, experienced a worldwide slow-down. In relation to overall economic growth and the expansion of other countries' health care systems, Austria's system grew below average - a fact that holds particularly true for the years between 1990 and 1997. This development may largely be due to a constant consolidation of budget and relatively high prices for private households that are possibly overestimated, however. This overestimation of prices may be caused by productivity improvements that may have occurred in the acute care sectors. Within our observation period of 16 years, the private households' expenditure reached a peak with spending on physician services experiencing the fastest increase. Although overestimated, the high prices in the health sector together with sharply rising consumption expenditure on health care constitute an increased burden on households.

#### Holman, Jill A.

**PD** December 2000. **TI** Government Budgetary Policies, Economic Growth, and Currency Substitution in a Small Open Economy. **AA** Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/08; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 36. **PR** no charge. **JE** E63, F43. **KW** Inflation Taxes. Income Taxes. Economic Growth. Currency Substitution.

**AB** This paper compares the macroeconomic consequences of alternative government budgetary policies in a small open economy where agents transact in both domestic and foreign currencies. An endogenous growth model is used to rank the effects of income-tax-financed and inflation-tax-financed government expenditures on the economy's growth and inflation rates. Currency substitution provides an avenue for inflation-tax evasion and affects the rankings of the two modes of government finance. The analysis reveals that an increase in the size of government reduces the growth rate of the economy regardless of the government's budgetary policy. Inflation taxes hinder growth more than income taxes. Income-tax financing is also the preferred policy in terms of its effect on the economy's inflation rate. Under the growth-maximizing tax mix, the government relies on both forms of finance but receives most of its revenue from income taxes.

**PD** August 1999. **TI** International Transmission of Anticipated Inflation Under Alternative Exchange-Rate Regimes. **AU** Holman, Jill A.; Rioja, Felix K. **AA** Holman: Federal Reserve Bank of Kansas City. Rioja: Georgia State University. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/04; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 26. **PR** no charge. **JE** F41, F42, E52. **KW** Inflation. Inflation Tax. Two-County Model. Exchange-Rate Regime.

**AB** This paper studies the international transmission of anticipated inflation. A two-country, two-good, two-currency, cash-in-advance model is used to examine analytically and numerically the consequences of changes in a country's inflation rate. Domestic monetary policy influences real activity

at home through an inflation-tax channel. These real effects are transmitted to the foreign country via fluctuations in the real exchange rate. Under a flexible nominal exchange rate, inflation is a beggar-thy-neighbor policy. Under a fixed nominal exchange rate, each country suffers a welfare loss when one country inflates. The quantitative results are fairly insensitive to variations in the cash-credit mix used to finance investment expenditures.

### Holmes, Jessica

**PD** January 1999. **TI** Measuring the Determinants of School Completion in Pakistan: Analysis of Censoring and Selection Bias. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 794; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpape.html](http://www.library.yale.edu/socsci/egcpape.html). **PG** 37. **PR** \$2.00 plus postage. **JE** C24, I21. **KW** Pakistan. School Completion. Selection Bias.

**AB** This paper explores the demand for child schooling in Pakistan, using the Pakistan Integrated Household Survey (1991). There have been few such studies for Pakistan, a country with relatively low enrollment rates and education levels, high illiteracy, and large disparity between male and female education. Additionally, this study focuses on two potential sources of bias in the estimation of the demand for schooling. First, studies that do not distinguish between currently enrolled children and those who completed their schooling subject their estimates to a form of censoring bias. Second, studies that exclude children who have left the household from their samples may introduce sample selection bias if the decisions to leave home and to attend school are related. This study finds evidence of both "censoring" and "sample selection" bias in the demand for child schooling in Pakistan.

### Holmes, Peter

**TI** Competition Policy, Developing Countries and the WTO. **AU** Hoekman, Bernard; Holmes, Peter.

### Hong, Inkee

**TI** A Tax on Output of the Polluting Industry is not a Tax on Pollution: The Importance of Hitting the Target. **AU** Fullerton, Don; Hong, Inkee; Metcalf, Gilbert E.

### Hopenhayn, Hugo A.

**TI** Duration and Risk of Unemployment in Argentina. **AU** Galiani, Sebastian; Hopenhayn, Hugo A.

### Hoshi, Takeo

**PD** July 1999. **TI** The Japanese Banking Crisis: Where Did It Come From and How Will It End? **AU** Hoshi, Takeo; Kashyap, Anil. **AA** Hoshi: University of California, San Diego. Kashyap: University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7250; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 43. **PR** \$5.00. **JE** G21, G24, G28. **KW** Japan. Banking Crisis.

**AB** We argue that the deregulation, which allowed large corporations to switch from banks to capital market financing, has played a major role in the current banking problems. We present evidence showing that large Japanese borrowers, have

already become almost as independent of banks as comparable U.S. firms. The deregulation was much less favorable for savers and consequently they mostly continued turning their money over to the banks. However, banks were not given authorization to move out of traditional activities into new lines of business. Banks retained assets and had to search for new borrowers, primarily small businesses. Banks became much more tied to property than in the past. These loans have not fared well during the 1990s. The size of the current bad loans problem is estimated to be on the order of 7% of GDP. We argue that the Big Bang will correct the aforementioned regulatory imbalances and therefore banks will have to fight to retain deposits. More importantly, we expect even more firms to migrate to capital market financing. Using the U.S. borrowing patterns as a guide, we present estimates showing that this impending shift implies a massive contraction in the size of the Japanese banking sector.

### Hsiao, Cheng

**TI** Estimation and Inference in Short Panel Vector Autoregressions with Unit Roots and Cointegration. **AU** Binder, Michael; Hsiao, Cheng; Pesaran, M. Hashem.

### Hsiao, William

**PD** July 2000. **TI** What Should Macroeconomists Know about Health Care Policy? A Primer. **AA** Harvard University. **SR** International Monetary Fund Working Paper: WP/00/136; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 69. **PR** not available. **JE** H51, I11, I18. **KW** Health Economics. Government Expenditure.

**AB** This primer aims to provide IMF macroeconomists with the essential information they need in situations where they must address issues concerning health sector policy and when they have significant macroeconomic implications. Such issues can also affect equity and growth and are fundamental to any strategy of poverty reduction. The primer highlights the appropriate roles for the state and market in health care financing and provision. It also suggests the situations in which macroeconomists should engage health sector specialists in policy formulation exercises. Finally, it illustrates the different health policy issues that confront countries at alternative stages of economic development and the range of appropriate policy options.

### Hu, Luoia

**PD** January 2000. **TI** Estimating a Censored Dynamic Panel Data Model with an Application to Earnings Dynamics. **AA** Princeton University. **SR** Princeton University, Industrial Relations Section Working Paper: 435; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 55. **PR** \$2.00. **JE** C23, C24, J31. **KW** Panel Data. Censored Regression. Earnings Dynamics.

**AB** This paper proposes a method for estimating a censored panel data model with a lagged latent dependent variable and individual-specific fixed effects. The main insight is to trim observations in such a way that a certain symmetry, which was destroyed by censoring, is restored. Based on the restored symmetry, orthogonality conditions are constructed and GMM estimation is implemented. The estimation method is used to study earnings dynamics using the matched data from the



Current Population Survey and Social Security Administration (CPS-SSA) Earnings Records.

**PD** October 2000. **TI** Who Gets Good Jobs? The Hiring Decisions and Compensation Structures of Large Firms. **AA** Princeton University. **SR** Princeton University, Industrial Relations Section Working Paper: 436; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 61. **PR** \$2.00. **JE** J31, J41. **KW** Firm Specific. Skills. Job Search. Compensation. Firm Size.

**AB** This paper demonstrates that large firms prefer to hire younger workers, which is implied by the firm-specific human capital investment theory. A simple model consistent with the implication is proposed to study large firms' hiring decisions and compensation structures. The main predictions of the model, which are broadly supported by the data, are: (1) the starting wage-hiring age profiles are flatter in large firms than in small firms; (2) the wage-tenure profiles are steeper in large firms than in small firms. Implications along the dimensions other than firm size are also tested.

### Huang, Cindy

**TI** Decentralization in Argentina. **AU** Ranis, Gustav; Habibi, Nadir; Huang, Cindy; Miranda, Diego; Murillo, Victoria; Sarkar, Mainak; Stewart, Frances.

### Huang, Haizhou

**PD** May 2000. **TI** Financial Institutions, Financial Contagion, and Financial Crises. **AU** Huang, Haizhou; Xu, Chenggang. **AA** Huang: International Monetary Fund. Xu: London School of Economics. **SR** International Monetary Fund Working Paper: WP/00/92; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 31. **PR** not available. **JE** E44, E58, F32, G21, G33. **KW** Financial Institutions. Financial Contagion. Financial Crises. Interbank Market.

**AB** Financial crises are endogenized through corporate and interbank market institutions. Single-bank financing leads to a pooling equilibrium in the interbank market. With private information about one's own solvency, the best illiquid banks will not borrow but rather will liquidate some premature assets. The withdrawals of the best banks from the interbank market may lead more solvent but illiquid banks to withdraw from the market, until the interbank market collapses. However, multi-bank financing leads to a separating equilibrium in the interbank market. Thus, bank runs are limited to illiquid and insolvent banks, and idiosyncratic shocks never trigger a contagious bank run.

### Huang, Ming

**TI** Prospect Theory and Asset Prices. **AU** Barberis, Nicholas; Huang, Ming; Santos, Tano.

### Hughes, Alan

**PD** September 2000. **TI** On Enlarging Employment by Promoting Small Enterprises. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP180; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 77.

**PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** M13, M21, O12. **KW** Small Firms. Medium-Sized Firms. Employment Generation. Management Organization.

**AB** This paper provides an overview of the role of Small and Medium Sized Enterprises (SMEs) in employment generation in both advanced and developing countries and a critique of the 'job generation' literature in both contexts. It sets out an analytical approach to the question of SME growth based on a synthesis of theories emphasizing internal management and external market failures as growth inhibitors in SMEs. The paper emphasizes the need for SMEs to develop efficient managerial and organizational strategies if sustained enterprise employment growth is to occur.

**TI** The Relationship Between Training and Employment Growth in Small and Medium-Sized Enterprises. **AU** Cosh, Andy D.; Hughes, Alan; Weeks, Melvyn.

**TI** Economic Efficiency and the Proceduralisation of Company Law. **AU** Deakin, Simon F.; Hughes, Alan.

**PD** September 1999. **TI** Rethinking Innovation Comparisons Between Manufacturing and Services: The Experience of the CBR SME Surveys in the UK. **AU** Hughes, Alan; Wood, Eric. **AA** Hughes: University of Cambridge. Wood: Graduate School of Business, Rondebosch, South Africa. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP140; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 14.

**PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** C81, L21, L22, L61. **KW** Innovation. Manufacturing. Business Services.

**AB** Most previous research comparing innovation activity in the manufacturing and service sectors has taken insufficient account of the variation in the intensity and nature of innovation activity within those sectors. This paper addresses this question using a simple sectoral split and applying it to manufacturing and the business service sector. The results indicate that in some respects there is greater variation in innovation activity within manufacturing and business services than between them. In addition, there is strong similarity between corresponding groupings in each sector. Clear distinctions in innovation patterns do exist between the manufacturing and business service sectors, and imply a considerable depth of technological innovation capability within both sectors. These results imply that the supposed differences in innovation between manufacturing and services may have been exaggerated in earlier research.

### Hunt, Alistair

**PD** November 1999. **TI** Measuring the Indirect Costs and Benefits of Greenhouse Gas Mitigation Options: A Methodology and a Case Study from Hungary. **AU** Hunt, Alistair; Mason, Pamela; Markandya, Anil. **AA** University of Bath, U.K. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 78/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 20. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D61, H40, Q25, Q28, Q48. **KW** Climate Change. Net Costs. Environmental Policy. Employment. Sustainability.

**AB** This paper considers the problem of how a government,

having decided to reduce greenhouse gas emissions, identifies the policy or mix of policies that achieves this reduction at the lowest possible net economic cost. This involves accounting for the fact that each potential policy for reducing GHGs has a different financial cost, and implies a different set of direct and indirect costs and benefits, each of which must be weighted according to the government's particular priorities. This paper reports on work that extends the existing analysis of the costs and benefits implied by different mitigation policies to include employment and income distribution effects, reduced air pollution and the achievement of environmental and economic sustainability. We outline an approach for compiling these elements into selection criteria that will help policymakers identify the lowest-cost mitigation policies. We present an application of the methodology to a prospective energy-saving project in Hungary. We argue that this methodology, although by no means precise at this stage, provides a useful decision-making tool.

#### Hunt, Benjamin

**TI** Inflation Targeting Under Potential Output Uncertainty.  
**AU** Gaiduch, Victor; Hunt, Benjamin.

#### Husain, Aasim M.

**TI** Centripetal Forces in China's Economic Take-Off.  
**AU** Dayal-Gulati, Anuradha; Husain, Aasim M.

#### Hutchison, Michael

**PD** July 1999. **TI** Are All Banking Crisis Alike? The Japanese Experience in International Comparison.  
**AU** Hutchison, Michael; McDill, Kathleen. **AA** University of California, Santa Cruz. **SR** National Bureau of Economic Research Working Paper: 7253; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 33. **PR** \$5.00. **JE** E44, G21. **KW** Banking Crises. Japan. Probit Analysis.

**AB** This paper examines episodes of banking sector distress for a large sample of developed and developing countries, highlighting the experience of Japan. Japan followed a clear international boom-and-bust pattern in terms of real output growth, credit growth and stock price movements. We estimate a multivariate probit model that links the likelihood of banking problems to a set of macroeconomic variables and institutional characteristics. The model predicts a high probability of banking sector distress in Japan in the early 1990s. In particular, the likelihood of an episode of banking distress rose in line with the sharp drop in asset prices, deepening recession and "moral hazard" problem (financial liberalization combined with explicit deposit insurance). The Japanese case is also noteworthy by the long duration of the banking crisis, the length of the coincident recession and general malaise over the economy, the slow regulatory response, and the long delay in the commitment of public funds to re-capitalize the banking sector.

#### Hylleberg, Svend

**PD** October 1998. **TI** Competition Policy With a Coasian Prior? **AU** Hylleberg, Svend; Overgaard, Per Baltzer. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 1998/17; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 11. **PR** no charge. **JE** K21,

L43, L44, L51. **KW** Competition Policy. Antitrust. Regulation.

**AB** In a recent report commissioned by the Norwegian government, a group of experts have presented a new framework for Norwegian competition analysis and policy (Von der Fehr, Norman, Reve and Ryssdal (1998)). The report represents a major contribution to the discussion of competition analysis and policy of the NCA, and is strongly recommended to all those interested in these topics. The proposed three-step incentive-based approach to analysis is particularly appealing in terms of its general perspective on competition policy. However, it is conjectured that the main challenge for the proponents of the procedure is not to convince economists and the economics profession about the advantage of an incentive-based approach, but rather to generate a similar consensus among all the different groups and agencies that shape antitrust regulation. The three-step incentive-based approach may be successfully implemented only if the whole system subscribes to its philosophical premises, and it may be hazardous to implement it without creating an understanding among the participants beforehand.

#### Idee, Takako

**TI** Distortionary Taxation, Excessive Price Sensitivity, and Japanese Land Prices. **AU** Nishimura, Kiyohiko G.; Yamazaki, Fukuju; Idee, Takako; Watanabe, Toshiaki.

**TI** Distortionary Taxation, Excessive Price Sensitivity, and Japanese Land Prices. **AU** Nishimura, Kiyohiko G.; Yamazaki, Fukuju; Idee, Takako; Watanabe, Toshiaki.

#### Inaba, Yushi

**PD** September 2000. **TI** Creating New Local Industry Through Inter-Organizational Collaboration: A Japanese Case. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP183; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 59. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** D21, M13, R11. **KW** Entrepreneurship. Collaboration. Technical Core. Regional Regeneration.

**AB** This paper looks at entrepreneurs' attempts to create a new local industry for regional regeneration in Japan, collaborating together beyond their own organizations. The case study suggests that successful collaboration requires a certain type of inter-organizational coordination ('collaboration mode'). The necessity of coordinating inter-organizational relations under the collaboration mode can be analyzed using the concept of 'technical core'. Inter-organizational collaboration can be described as the process of designing and operating a technical core jointly. Designing the technical core, creating and maintaining the fields of collaboration which encompass the technical core, and managing the collaboration mode are major tasks for the core organization of the collaboration.

#### Ireland, Peter N.

**PD** July 1999. **TI** Expectations, Credibility, and Time-Consistent Monetary Policy. **AA** Boston College and NBER. **SR** National Bureau of Economic Research Working Paper: 7234; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website:

www.nber.org. PG 31. PR \$5.00. JE D84, E31, E52, E61. KW Monetary Policy. Credibility. Expectations. Deflation.

AB This paper addresses the problem of multiple equilibria in a model of time-consistent monetary policy. It suggests that this problem originates in the assumption that agents have rational expectations and proposes several alternative restrictions on expectations that allow the monetary authority to build credibility for a disinflationary policy by demonstrating that it will stick to the policy even if it imposes short-run costs on the economy. Starting with these restrictions, the paper derives conditions that guarantee the uniqueness of the model's steady state; monetary policy in this unique steady state involves the constant deflation advocated by Milton Friedman.

### Ito, Takatoshi

PD July 1999. TI Japan's Big Bang and the Transformation of Financial Markets. AU Ito, Takatoshi; Melvin, Michael. AA Ito: Hitotsubashi University and NBER. Melvin: Arizona State University. SR National Bureau of Economic Research Working Paper: 7247; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 17. PR \$5.00. JE F36, G15. KW Japan. Foreign Exchange Market. Bid-Ask Spread.

AB A first step in the "big-bang" deregulation of Japanese financial markets was the deregulation of the foreign exchange market on April 1, 1998. This paper examines how the bid-ask spread and conditional volatility in the yen/dollar foreign exchange market changed around the time of the deregulation. Intra-day data are analyzed with the following results: (1) Holding constant the effects of volume and volatility, the deregulation was associated with a convergence of Japanese quoted spreads toward those of other banks. (2) Modeling the persistence in volatility reveals that deregulation lowered conditional volatility.

### Jacobsen, Rasmus Hojbjerg

PD September 2000. TI Why the ECB Should be Ultra-Liberal. AA University of Aarhus. SR Aarhus Department of Economics Working Paper: 2000/10; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.eco.aau.dk/afn. PG 20. PR no charge. JE E58, J51, H19. KW Monetary Institutions. Endogenous Policy. Labor Market Policy. Labor Union.

AB The statute of the ECB states that its primary target should be to maintain price stability. The theoretical foundation behind this target is that of a socially optimal conservative central banker. We challenge the robustness of this result in a model with endogenous labor market policy, decided upon by a politically motivated government. In this model, the socially optimal choice of central banker is an ultra-liberal, who eliminates both inflation and unemployment and removes the political distortion. Somewhat paradoxically, the labor union supports an ultra-conservative central banker, because this means a more generous labor market policy.

### Jadresic, Esteban

PD October 2000. TI Chile's Rapid Growth in the 1990s: Good Policies, Good Luck, or Political Change? AU Jadresic, Esteban; Zahler, Roberto. AA Jadresic: International Monetary Fund. Zahler: Zahler and Co.

SR International Monetary Fund Working Paper: WP/00/153; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 35. PR not available. JE O11, O54. KW Chile. Growth. Structural Reforms. Inflation. Democracy.

AB Chile's average economic growth between 1990 and 1998 was above 7 percent per year, more than double than in previous decades, and higher than in any other Latin American country in the same period. This paper assesses empirically the main hypotheses suggested in the literature about the factors underlying this rapid growth: good economic policies, good luck in the external sector, and the country's return to a democratic system of government. The statistical and quantitative results indicate that Chile's rapid growth during the 1990s was due to good policies and the improved political situation.

### Jaffe, Adam

TI Market Value and Patent Citations: A First Look. AU Hall, Bronwyn H.; Jaffe, Adam; Trajtenberg, Manuel.

### Jametti, Mario

TI Der Bericht der Expertengruppe: "Reform der Währungsordnung" Eine Kritische Würdigung. AU von Ungern-Sternberg, Thomas; Jametti, Mario.

### Jansson, Michael

PD December 1999. TI Consistent Covariance Matrix Estimation for Linear Processes. AA University of Aarhus. SR Aarhus Department of Economics Working Paper: 1999/29; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.eco.aau.dk/afn. PG 15. PR no charge. JE C13, C14, C51. KW Covariance Matrix Estimation. Kernel Estimator. Linear Process.

AB This note establishes consistency of kernel estimators of the long-run covariance matrix of a linear process under weak moment and memory conditions. In addition, it is pointed out that some published consistency proofs are in error as they stand.

### Jasiak, Joann

TI Nonlinear Persistence and Copersistence. AU Gouriéroux, Christian; Jasiak, Joann.

### Jeanne, Olivier

TI An Interest Rate Defense of a Fixed Exchange Rate? AU Flood, Robert P.; Jeanne, Olivier.

PD April 1999. TI Noise Trading and Exchange Rate Regimes. AU Jeanne, Olivier; Rose, Andrew K. AA Olivier: International Monetary Fund. Rose: University of California, Berkeley and NBER. SR National Bureau of Economic Research Working Paper: 7104; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 23. PR \$5.00. JE E42, E52, F31, F33, G15. KW Exchange Rate Regimes. Foreign Exchange. Noise Trading. Monetary Policy.

AB Both the literature and new empirical evidence show that exchange rate regimes differ primarily by the noisiness of the exchange rate, not by measurable macroeconomic fundamentals. This motivates a theoretical analysis of exchange rate regimes with noise traders. The presence of noise traders

can lead to multiple equilibria in the foreign exchange market. The entry of noise traders both creates and shares the risk associated with exchange rate volatility. In such circumstances, monetary policy can be used to lower exchange rate volatility without altering macroeconomic fundamentals.

#### Jenkinson, Tim

**PD** June 2000. **TI** New Evidence of the Impact of Dividend Taxation and on the Identity of the Marginal Investor. **AU** Jenkinson, Tim; Bell, Leonie. **AA** Jenkinson: Keble College, Oxford. Bell: University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 24; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 35. **PR** no charge. **JE** C12, G18. **KW** Dividends. Taxation. Equity Valuation. **AB** This paper examines the impact of a major change in dividend taxation introduced in the UK in July 1997. The reform was structured in such a way that the immediate impact fell almost entirely on the largest investor class in the UK, namely pension funds. We analyze the behavior of share prices around the ex-dividend day both before and after the reform to test clientele effects and the impact of taxation on the valuation of companies. We find strong clientele effects in the UK, which are consistent with the distortions introduced by the tax system (before the reform dividend income was tax-advantaged in the UK). We also find significant changes in the valuation of dividend income after the reform, in particular for high-yielding companies. These results provide strong support for the hypothesis that taxation affects the valuation of companies, and that pension funds were the effective marginal investors for high-yielding companies.

#### Jeppesen, Tim

**TI** Green Electricity Certificates -- A Supplement to the Flexible Mechanisms of the Kyoto Protocol. **AU** Nielsen, Lene; Jeppesen, Tim.

#### Johnson, Richard

**PD** December 2000. **TI** The Effect of Old-Age Insurance on Male Retirement: Evidence from Historical Cross-Country Data. **AA** Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/09; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 27. **PR** no charge. **JE** H55, J14, J21, J26. **KW** Social Security. Public Pensions. The Elderly. Labor Force. Employment. Retirement Policies. **AB** I examine the effect of Old-Age Insurance systems on the labor supply of older men. Male retirement ages are crucial to the solvency of OAI systems. Historical data on participation rates and OAI rules in thirteen developed countries show rapid falls in participation among men aged 60-64 after pensions were extended to them. I estimate participation elasticities of -0.06 with respect to replacement rates and 0.19 to the net-of-tax wage. It does not appear that endogenous OAI changes bias the regression coefficients. The growth of OAI explains about 11 percent of the reduction in participation of men aged 60-4 since 1920; greater wealth probably explains most of the remainder.

**PD** February 2001. **TI** Fiscal Reaction Rules in Numerical Macro Models. **AA** Federal Reserve Bank of

Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 01/01; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 18. **PR** no charge. **JE** C63, E17, E62, H21, H63. **KW** Computational Techniques. Forecasting. Simulation. Fiscal Policy. Optimal Taxation. Government Debt.

**AB** To avoid exploding government debt, numerical macro models require "fiscal reaction rules". Present rules impose arbitrary, backward-looking reaction of taxes to deviations of the debt ratio from a target. Arbitrary models may be poor guides to monetary policy. An optimizing fiscal policy-maker would look forward, and maximize an objective function. A simple optimizing model implies the future tax rate should be constant. I implement the constant-future-tax rule in the IMF's MULTIMOD model. Simulations show model outcomes' sensitivity to the choice of fiscal rule. A constant tax rate induces smoother and hence preferable consumption paths to MULTIMOD's existing rule.

#### Johnson, Susan

**PD** September 1999. **TI** Automatic Certification or Mandatory Representation Votes? How the Choice of Union Recognition Procedure Affects Union Certification Success. **AA** McMaster University. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP139; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 18. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J51, J58. **KW** Certification. Union Recognition. Mandatory Representation. Automatic Certification.

**AB** Union recognition procedures are about to be reformed in the UK. Current legislative reform proposes automatic certification. Business prefers mandatory representation votes. Will the choice of union recognition procedure affect certification success? This paper provides empirical evidence on the impact of the choice of recognition procedure on certification success. Cross-section time-series analysis of nine Canadian jurisdictions over 19 years is used to identify the effects of mandatory votes/automatic certification on certification success. The results indicate that mandatory votes reduce certification success rates by six to nine percentage points below what they would have been under automatic certification. This result is robust and significant at the 99% level.

#### Jolivaldt, Philippe

**TI** Testing for Hysteresis: Unemployment Persistence and Wage Adjustment. **AU** Feve, Patrick; Henin, Pierre-Yves; Jolivaldt, Philippe.

#### Jones, Ian

**PD** December 1999. **TI** The Development of Ethical Issues Facing Boards of Directors: A Model with Implications. **AU** Jones, Ian; Pollitt, Michael. **AA** Jones: London Business School. Pollitt: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP151; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England.

Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 17. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** M14, M21. **KW** Business Ethics. Corporate Governance. Whistleblowing.

**AB** This paper outlines a model of how ethical issues develop over time. It does this by outlining the concept of an ethical issue life cycle with three phases characterizing increasing degrees of seriousness with which industry responds to a given ethical issue. We illustrate the model with reference to a number of ethical issues currently facing UK boards of directors. We then use the Bible to further develop the model to suggest how company boards might respond to ethical issues as they progress. We conclude by highlighting the consequences of our model for society, the government and corporate governance.

### Juillard, Michel

**TI** Accuracy of Stochastic Perturbation Methods: The Case of Asset Pricing Models. **AU** Collard, Fabrice; Juillard, Michel.

### Jumah, Adusei

**PD** March 2000. **TI** The Long Run, Market Power and Retail Pricing. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 78; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 18. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C32, D43, L11, Q13. **KW** Market Power. Markup Pricing. Cointegration. Long Run.

**AB** The paper uses the Johansen cointegration approach to analyze long-run pricing strategies of pork and chicken retailers in Austria. Long-run retail pricing strategy is found to be dependent on market share and price elasticity of demand for product. A combination of mark-up pricing strategy for pork and a competitive pricing strategy for chicken is considered by retailers to yield maximum profit. Long-run price adjustment reveals linkages to pricing strategy. The versatility of the Johansen cointegration technique as a tool capable of analyzing both competitive and imperfect market situations is also revealed. The paper recommends meat policy to be product specific rather than holistic.

**PD** October 1999. **TI** The Effects of Dollar/Sterling Exchange Rate Volatility on Futures Markets for Coffee and Cocoa. **AU** Jumah, Adusei; Kunst, Robert M. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 73; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 29. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C32, C53, G15, Q14. **KW** Commodity Markets. Multivariate GARCH. Exchange Rates. Volatility. Forecasting. **AB** The paper investigates the extent to which the dollar/sterling exchange rate fluctuations affect coffee and cocoa futures prices on the London LIFFE and the New York CSE by means of multivariate GARCH models -- under the assumption that traders in perfectly competitive markets have equal access to all available information on changes in weather and in global demand and supply conditions. In three out of the four investigated cases, exchange rate posed as a main source of risk for the commodity futures price. The significance and form of volatility spill-over effects of a bilateral exchange rate

are shown to be specific for commodity and market. A forecasting comparison on the basis of the identified models suggests that possible gains in prediction accuracy may be small.

### Kaas, Leo

**PD** September 2000. **TI** Imperfectly Competitive Cycles with Keynesian and Walrasian Features. **AU** Kaas, Leo; Madden, Paul. **AA** Kaas: University of Vienna. Madden: Manchester University. **SR** Institute for Advanced Studies (IHS), Economics Series: 83; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 37. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D43, E32, E62. **KW** Endogenous Cycles. Business Cycles. Imperfect Competition. Stabilization Policy.

**AB** We consider a multi-sector overlapping generations model with imperfectly competitive firms in the output markets and wage setting trade unions in the labor markets. A coordination problem between firms creates multiple temporary equilibria which are either Walrasian or of the Keynesian unemployment type. There exist many deterministic and stochastic equilibrium cycles fluctuating between Keynesian recession and Walrasian boom periods with arbitrarily long phases in each regime. The cycles are in accordance with certain empirical regularities. Money is neutral and superneutral, but appropriate countercyclical fiscal policies stabilize the cycles in a textbook Keynesian way.

**PD** October 2000. **TI** Money and Growth in a Production Economy with Multiple Assets. **AU** Kaas, Leo; Weinrich, Gerd. **AA** Kaas: University of Vienna. Weinrich: Università Cattolica. **SR** Institute for Advanced Studies (IHS), Economics Series: 86; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 20. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D84, E52, O42. **KW** Monetary Policy. Endogenous Growth. Equity Premium.

**AB** We consider a Diamond-type model of endogenous growth in which there are three assets: outside money, government bonds, and equity. Due to productivity shocks, the equity return is uncertain, and risk averse investors require a positive equity premium. Typically, there exist two steady states, but only one of them is stable, both in the forward perfect foresight dynamics and under adaptive expectations. Tight monetary policy is harmful for growth in the stable steady state. These results hold under four different monetary policy strategies applied by the monetary authority. A monetary contraction increases the bond return, reduces the equity premium and thereby capital investment and growth.

**PD** June 1999. **TI** Equilibrium Involuntary Unemployment under Oligempory. **AU** Kaas, Leo; Madden, Paul. **AA** Kaas: Institute for Advanced Studies (IHS). Madden: Manchester University. **SR** Institute for Advanced Studies (IHS), Economics Series: 68; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 28. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D43, E24. **KW** Involuntary Unemployment. Multi-Stage Game. Imperfect Competition.

**AB** We show that equilibrium involuntary unemployment emerges in a multi-stage game model where all market power

resides with firms, on both the labor and the output market. Firms decide wages, employment, output and prices, and under constant returns there exists a continuum of subgame perfect equilibria involving unemployment. A firm does not undercut the equilibrium wage since then high wage firms would attract its workers, thus forcing the low wage firm out of both markets. Full employment equilibria may also exist, but only the involuntary unemployment equilibria are robust to decreasing returns.

### Kahn, Matthew E.

**TI** Power Couples: Changes in the Locational Choice of the College Educated, 1940-1990. **AU** Costa, Dora L.; Kahn, Matthew E.

### Kaiser, Regina

**PD** October 2000. **TI** An Application of TRAMO-SEATS: Changes in Seasonality and Current Trend-Cycle Assessment. The German Retail Trade Turnover Series. **AU** Kaiser, Regina; Maravall, Agustin. **AA** Kaiser: Universidad Carlos III. Maravall: Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0011; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 36. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C22, C51, C53, C87, E32. **KW** Seasonal Adjustment. Trend Estimation. Cycle Estimation. ARIMA Models. TRAMO. SEATS.

**AB** The paper details an application of programs TRAMO and SEATS to seasonal adjustment and trend-cycle estimation. The series considered is the German Retail Trade Turnover series, for which, when adjusting with X12-ARIMA, the Bundesbank had identified two problems. One had to do with heteroscedasticity in the seasonal component, associated with very different moving patterns for some of the months. The other one was related to the stability of the trend-cycle at the end of the series. It is seen how, starting with the fully automatic procedure and adding some simple modifications, the ARIMA-model-based approach of TRAMO-SEATS deals properly with both problems and provides good results that are stable and robust.

**PD** October 2000. **TI** Notes on Time Series Analysis, ARIMA Models and Signal Extraction. **AU** Kaiser, Regina; Maravall, Agustin. **AA** Kaiser: Universidad Carlos III. Maravall: Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0012; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. **Website:** [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 35. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C13, C22, C51, C53, C82. **KW** Seasonal Adjustment. Trend Estimation. Cycle Estimation. Filtering. ARIMA Models. Unobserved Components.

**AB** Applied time series work at economic policy or data producing agencies often relies on the use of moving average filters to estimate signals in time series, such as the seasonally adjusted series, the trend, or the cycle. This paper provides an informal introduction to the tools and concepts required by the analyst to understand the basic methodology behind filtering. The paper is aimed at analysts that do applied work in the field,

but have not had an advanced course in applied time series analysis; we hope that it will provide them with a useful tool to understand and improve their work. Emphasis is put on the model-based approach, although much of the material applies to ad-hoc filtering. The basic structure consists of modelling the series as a linear stochastic process, and estimating the components by means of "signal extraction", i.e., by optimal estimation of well-defined components.

### Kalemli-Ozcan, Sebnem

**PD** June 2000. **TI** Economic Integration, Industrial Specialization, and the Asymmetry of Macroeconomic Fluctuations. **AU** Kalemli-Ozcan, Sebnem; Sorensen, Bent E.; Yosha, Oved. **AA** Kalemli-Ozcan: University of Houston. Sorensen: Federal Reserve Bank of Kansas City. Yosha: Tel Aviv University. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/06; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. **Website:** [www.kc.frb.org/publicat/reswkpap/rwpmmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmmain.htm). **PG** 17. **PR** no charge. **JE** E32, F15. **KW** Regional Macroeconomics. Business Cycles. Risk Sharing. Monetary Union. Capital Market Integration.

**AB** We show empirically that regions with a more specialized production structure exhibit output fluctuations that are less correlated with those of other regions (less "symmetric" fluctuations). Combined with the causal relation running from capital market integration to regional specialization found in an earlier study, this finding supports the idea that higher capital market integration leads to less symmetric fluctuations. This mechanism counter-balances the effect of lower trade-barriers on the symmetry of fluctuations quantified by Frankel and Rose (1998). Deriving a simple closed form expression for the gains from risk sharing for CRRA utility is an independent contribution of the present article.

**PD** October 2000. **TI** Risk Sharing and Industrial Specialization: Regional and International Evidence. **AU** Kalemli-Ozcan, Sebnem; Sorensen, Bent E.; Yosha, Oved. **AA** Kalemli-Ozcan: University of Houston. Sorensen: Federal Reserve Bank of Kansas City. Yosha: University of Tel Aviv. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/06; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. **Website:** [www.kc.frb.org/publicat/reswkpap/rwpmmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmmain.htm). **PG** 26. **PR** no charge. **JE** F15, F21, F36, F43. **KW** Financial Integration. Regional Specialization. International Specialization. Finance. Macroeconomics.

**AB** We provide empirical evidence that risk sharing enhances specialization in production. First, we calculate an index of specialization for each of the European Community (EC) and non-EC OECD countries, U.S. states, Canadian provinces, Japanese prefectures, Latin American countries, and regions of Italy, Spain, and the United Kingdom. Then, we estimate the degree of capital market integration (risk sharing) within each of these groups of regions. Finally, we perform a regression of the specialization index on the degree of risk sharing, controlling for relevant economic variables and find a positive relation between the degree of specialization and the amount of risk sharing within a group. Instrumental variables regressions confirm that risk sharing is a causal determinant of specialization.

**Kalwij, Adriaan S.**

**PD** April 2000. **TI** Overtime Hours in Great Britain Over the Period 1975-1999: A Panel Data Analysis. **AU** Kalwij, Adriaan S.; Gregory, Mary. **AA** University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 27; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 23. **PR** no charge. **JE** C23, C33, C44, J22. **KW** Overtime Work. Contractual Hours. Panel Data. Tobit Model.

**AB** Around 40% of the male workforce regularly works 8 to 9 hours a week of paid overtime. This paper investigates the determinants of overtime hours in Britain over the period 1975-1999. For this purpose a panel data Tobit model is estimated using the very large panel of employees from the National Earnings Survey Dataset. The empirical results show that changes in the job-mix across the economy, from high to low overtime jobs rather than within job changes in the use of overtime, account for most of the apparent decline in the extent of overtime working over the 1990s. Within jobs, the GDP cycle has a significant impact on overtime work, while labor market conditions, represented by the unemployment rate, do not. The elasticity of total working hours with respect to wages is found to be close to zero and with respect to contractual hours close to unity. Furthermore the results show that the decline of unionization has not altered the use of overtime.

**TI** The Myth of Worksharing. **AU** Kapteyn, Arie; Kalwij, Adriaan S.; Zaidi, Asghar.

**Kandil, Magda**

**PD** July 2000. **TI** Cost of Living Adjustment and Business Cycles: Disaggregated Evidence. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/124; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 41. **PR** not available. **JE** E31, E32. **KW** Business Cycles. Nominal Flexibility.

**AB** For a sample of US industries, nominal wage and price inflation follow aggregate price inflation closely during economic expansions. Hence, fluctuations in profit markup and real output are moderate in the face of expansionary demand shocks. During recessions, however, industrial nominal wage deflation exceeds that of the aggregate price level. This is in contrast to producers' attempts to maintain, or even increase, industrial real price inflation during recessions. Consistently, the increase in the profit markup is correlated with an increase in output contraction and a reduction in workers' real standard of living during recessions.

**PD** August 2000. **TI** Wage Flexibility and Economic Performance: Evidence Across Industrial Countries. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/137; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 30. **PR** not available. **JE** E31, E32. **KW** Wage Flexibility. Demand Shocks. Energy Price Shocks. Productivity Shocks.

**AB** This paper provides new empirical evidence on the degree of nominal wage flexibility in a sample of nineteen industrial countries. Across countries, aggregate uncertainty increases the degree of wage flexibility in the face of various shocks. Wage flexibility stabilizes fluctuations in real output and guarantees workers a higher real standard of living in response to aggregate demand shocks. Wage flexibility in

response to energy price shocks guarantees workers higher real wages without exacerbating price inflation or output contraction. Nominal wage inflation decreases in response to productivity shocks, reinforcing output expansion.

**Kane, Thomas J.**

**PD** July 1999. **TI** Estimating Returns to Schooling When Schooling is Misreported. **AU** Kane, Thomas J.; Rouse, Cecilia Elena; Staiger, Douglas. **AA** Kane: Harvard University and NBER. Staiger: Dartmouth College and NBER. Rouse: Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7235; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 27. **PR** \$5.00. **JE** C13, C21, I21, J31, J33. **KW** Educational Attainment. Truth Telling. Measurement Error. Returns To Schooling.

**AB** We propose a general method of moments technique to identify measurement error in self-reported and transcript reported schooling using differences in wages, test scores and other covariates to discern the relative verity of each measure. We also explore the implications of such reporting errors for the both OLS and IV estimates of the returns to schooling. The results cast a new light on two common findings in the extensive literature on the returns to schooling: sheepskin effects and the recent IV estimates, relying on natural experiments to identify the payoff to schooling. First, respondents tend to self-report degree attainment more accurately than they report non-degree educational attainment. For instance, we estimate that more than 90 percent of those with associate or bachelor's degrees accurately report degree attainment, while only slightly over half of those with 1 or 2 years of college credits accurately report their educational attainment. As a result, OLS estimates tend to understate returns per year of schooling and overstate degree effects. Second, because the measurement error in educational attainment in non-classical, IV estimates also tend to be biased.

**Kapteyn, Arie**

**PD** July 2000. **TI** The Myth of Worksharing. **AU** Kapteyn, Arie; Kalwij, Adriaan S.; Zaidi, Asghar. **AA** Kapteyn: CentER, Tilburg University. Kalwij and Zaidi: University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 32; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 45. **PR** no charge. **JE** C33, E24, J21, J22, J31. **KW** Employment. Hours of Work. Panel Data.

**AB** Worksharing is considered by many as a promising public policy to reduce unemployment. In this paper we present a review of the most pertinent theoretical and empirical contributions to the literature on worksharing. In addition, we also provide new empirical evidence on this issue, by a cross country analysis exploiting aggregate data for 13 OECD countries. The conclusions of the literature survey are indecisive. Conclusions about the efficacy of worksharing as an employment enhancing policy tool depend heavily on the setting in which the analysis takes place. Our empirical analysis does not find an evidence for the proposition that worksharing would promote employment or reduce unemployment. In an appendix we present an overview of recent public policy experience of European Countries with respect to different

forms of worksharing. Also here the evidence is mixed.

### **Kapustkin, Vadim**

**PD** December 1999. **TI** Innovation, Investment and International Trade Performance of Russian Enterprises: A Study of St. Petersburg-Based Companies. **AA** St. Petersburg State University, Russia. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP147; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 18. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L21, L23, O31, O52, P31. **KW** Transition Economies. Innovation. Investment. Trade. Firm Behaviour.

**AB** We investigate the innovation, investment and international trade performance of Russian firms using questionnaire survey data of 150 enterprises in the St.-Petersburg area. The sample was stratified; half were newly set-up private firms and half were state-owned and privatized enterprises. A comparative analysis of both groups of enterprises showed that the newly set-up private firms had a better performance in terms of introducing new products, both actual and planned, and had on average a higher share of staff members that were active in research and development. In terms of investment growth and international trade involvement they performed better as well.

### **Kashyap, Anil**

**TI** The Japanese Banking Crisis: Where Did It Come From and How Will It End? **AU** Hoshi, Takeo; Kashyap, Anil.

### **Katz, Lawrence F.**

**PD** June 2000. **TI** Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment. **AU** Katz, Lawrence F.; Kling, Jeffrey R.; Liebman, Jeffrey B. **AA** Katz and Liebman: Harvard University and NBER. Kling: Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 441; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 54. **PR** \$2.00. **JE** H43, I18, J18. **KW** Well-Being. Health. Neighborhoods. Experiment.

**AB** We examine the short-run impacts of residential neighborhood on the well-being of low-income families, examining the experiences of households at the Boston site of the Moving To Opportunity demonstration. Families in high poverty public housing projects applied and were assigned by lottery to one of three groups: Experimental -- offered mobility counseling and Section 8 subsidies valid only low-poverty Census tracts; Section 8 Comparison -- offered geographically unrestricted Section 8 subsidies; or Control -- offered no new assistance. Households in both treatment groups experienced improvements in safety, improved health among household heads, and fewer behavior problems among boys, relative to the Control group. Experimental group children were also less likely to be a victim of a personal crime, to be injured, or to experience an asthma attack. There are no significant impacts of either treatment on the employment, earnings, or welfare receipt of household heads in the first three years after random assignment.

**TI** Education and Income in the Early 20th Century:

Evidence from the Prairies. **AU** Goldin, Claudia; Katz, Lawrence F.

### **Katz, Michael L.**

**TI** Corporate Diversification and Agency. **AU** Hermalin, Benjamin E.; Katz, Michael L.

### **Kaufmann, Daniel**

**PD** April 1999. **TI** Does "Grease Money" Speed Up the Wheels of Commerce? **AU** Kaufmann, Daniel; Wei, Shang-Jin. **AA** Kaufmann: The World Bank. Wei: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7093; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 16. **PR** \$5.00. **JE** D72, D73, F23, G38, O12. **KW** Bureaucracy. Bribery. Corruption. Rent Seeking. Capital Costs.

**AB** In an environment in which bureaucratic burden and delay are exogenous, an individual firm may find bribes helpful to reduce the effective red tape it faces. The "efficient grease" hypothesis asserts therefore that corruption can improve economic efficiency and that fighting bribery would be counter-productive. This need not be the case. In a general equilibrium model in which regulatory burden and delay can be endogenously chosen by rent-seeking bureaucrats, the effective (not just nominal) red tape and bribery may be positively correlated across firms. Using data from three worldwide firm-level surveys, we examine the relationship between bribe payment, management time wasted with bureaucrats, and cost of capital. Contrary to the "efficient grease" theory, we find that firms that pay more bribes are also likely to spend more, not less, management time with bureaucrats negotiating regulations, and face higher, not lower, cost of capital.

### **Kazarosian, Mark**

**TI** Product Differentiation and the Use of Information Technology: New Evidence from the Trucking Industry. **AU** Chakraborty, Atreya; Kazarosian, Mark.

### **Keeble, David**

**TI** Foreign and Indigenous Firms in the Media Cluster of Central London. **AU** Nachum, Lilach; Keeble, David.

**TI** Sources of Increasing Returns and Regional Innovation in the UK. **AU** Athreya, Suma S.; Keeble, David.

**TI** Neo-Marshallian Nodes, Global Networks and Firm Competitiveness: The Media Cluster of Central London. **AU** Nachum, Lilach; Keeble, David.

### **Keller, Godfrey**

**PD** August 1999. **TI** Market Experimentation in a Dynamic Differentiated-Goods Duopoly. **AU** Keller, Godfrey; Rady, Sven. **AA** Keller: London School of Economics. Rady: Stanford University. **SR** Stanford Graduate School of Business Research Paper: 1529R; Jackson Library Graduate School of Business, Stanford University, Stanford, CA 94305-5016. **PG** 24. **PR** no charge. **JE** C73, D43, D83, L13. **KW** Duopoly Experimentation. Bayesian Learning. Stochastic Games. Markov Perfect Equilibrium. Mixed Strategies.

**AB** We study the evolution of prices in a symmetric duopoly where firms are uncertain about the degree of product differentiation. Customers sometimes perceive the products as



close substitutes, sometimes as highly differentiated. Firms learn about their competitive environment from the quantities sold and a background signal. As the informativeness of the market outcome increases with the price differential, there is scope for active learning. In a setting with linear demand curves, we derive firms' pricing strategies as payoff-symmetric mixed or correlated Markov perfect equilibria of a stochastic differential game where the common posterior belief is the natural state variable. When information has low value, firms charge the same price as would be set by myopic players, and there is no price dispersion. When firms value information more highly, on the other hand, they actively learn by creating price dispersion. This market experimentation is transient, and most likely to be observed when the firms' environment changes sufficiently often, but not too frequently.

### Kern, Alexander

**PD** June 2000. **TI** The Role of Soft Law in the Legalization of International Banking Supervision: A Conceptual Approach. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP168; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. **Website:** www.cbr.cam.ac.uk. **PG** 27. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** K29, G15, F02, G21, F42. **KW** International Law. Banking Law. International Financial Markets. International Economic Order. Banks. Policy Coordination. International Transmission.

**AB** The process of legalization and the role of international soft law in developing international banking supervisory standards are extremely important for assessing the feasibility of establishing effective international rules for banking supervision. This paper analyses the concept of legalization at the international level and how it may be applied to the development of international "soft law" principles and rules that shape and constrain state behavior in international banking supervision. Legalization includes a wide range of normative and institutional arrangements, from binding "hard" law through various forms of non-binding soft law rules, to arrangements that share some characteristics of hard law but are not legally binding, though they have a normative impact on state practice. An analysis of the concept of legalization is necessary for determining whether non-binding international rules can be effective in reducing systemic risk in the international financial system.

### Keuschnigg, Christian

**PD** March 2000. **TI** Public Debt and Generational Balance in Austria. **AU** Keuschnigg, Christian; Keuschnigg, Mirela; Koman, Reinhard; Luth, Erik; Raffelhuschen, Bernd. **AA** Keuschnigg, C.: University of Saarland. Keuschnigg, M.: Saarbruecken. Koman: Institute for Advanced Studies (IHS). Luth: University of Freiburg. Raffelhuschen: University of Freiburg and University of Bergen. **SR** Institute for Advanced Studies (IHS), Economics Series: 80; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. **Website:** www.ihs.ac.at. **PG** 30. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** E62, H50, H61, H63. **KW** Fiscal Policy. Social Security. Public Debt. Generational Accounting. **AB** Based on Austria's fiscal stance in 1995, we compute the

generational accounts for currently living as well as future generations. The results reveal the existence of an enormous intergenerational imbalance in favor of currently living generations. Total public sector liabilities may be more than five times as high as the officially recorded level of public debt. Without any action, future generations would face life-time net taxes that are about 65 percent higher than the tax burden of a current newborn. If the government could fully and permanently retain the expenditure cutting and revenue raising effects of the 1996 fiscal consolidation package and the 1997 pension reform, then it might be able to significantly reduce the intergenerational liabilities. However, enacting both the recent tax reform 2000 and the reform of the family support scheme would increase again the fiscal imbalance and intergenerational inequity of fiscal policy in Austria.

### Keuschnigg, Mirela

**TI** Public Debt and Generational Balance in Austria. **AU** Keuschnigg, Christian; Keuschnigg, Mirela; Koman, Reinhard; Luth, Erik; Raffelhuschen, Bernd.

### Kim, Tae-Hwan

**PD** December 1999. **TI** Asymptotic and Bayesian Confidence Intervals for Sharpe Style Weights. **AU** Kim, Tae-Hwan; Stone, Douglas; White, Halbert. **AA** Kim: University of Nottingham. Stone: Nicholas Applegate Capital Management. White: University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/27; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. **Website:** econ.ucsd.edu/papers. **PG** 20. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** C11, C12, G11. **KW** Sharpe Regression. Non-Negativity. Linear-Quadratic. Prior Density. Bayesian Methods. Posterior Interval. **AB** Sharpe style regression has become a widespread analytic tool in the financial community. The style regression allows one to investigate such interesting issues as style composition, style sensitivity, and style change over time. All previous methods to obtain the distribution and confidence intervals of the style coefficients are statistically valid only in the special case in which none of the true style weights are zero or one. In practice it is quite plausible to have zero or one for the values of some style weights. In this paper we apply new results of Andrews (1997, 1999) and develop a comparable Bayesian method to obtain statistically valid distributions and confidence intervals regardless of the true values of style weights.

### Kimhi, Ayal

**TI** Supervision and Transaction Costs: Evidence from Rice Farms in Bicol, The Philippines. **AU** Evenson, Robert E.; Kimhi, Ayal; DeSilva, Sanjaya.

### King, Maxwell L.

**TI** The Exact Power Envelope of Tests for a Unit Root. **AU** Podivinsky, Jan M.; King, Maxwell L.

### Kling, Jeffrey R.

**TI** Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment. **AU** Katz, Lawrence F.; Kling, Jeffrey R.; Liebman, Jeffrey B.

**PD** January 2001. **TI** Costs, Benefits and Distributional Consequences of Inmate Labor. **AU** Kling, Jeffrey R.; Krueger, Alan B. **AA** Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 449; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. **Website:** www.irs.princeton.edu/pubs/working\_papers.html. **PG** 19. **PR** \$1.00. **JE** J45, J49. **KW** Criminal Offender. Employment. Recidivism.

**AB** We estimate that permitting inmate labor would likely increase national output, but by less than 0.2 percent of Gross Domestic Product. The largest social benefits from inmate labor are likely to come about from decreased recidivism, although the effect of inmate labor on subsequent crime and recidivism rates has not been adequately studied. The potential inmate workforce is low skilled. We estimate that permitting inmate labor could reduce wages of high school dropouts in the private workforce by 5 percent. To improve the economic contribution of inmate labor, we propose that private firms be allowed to bid for inmate labor, and that inmate workers be subject to all relevant labor legislation, including the right to collective representation. Alternative strategies for reducing recidivism and integrating offenders into mainstream society upon release, such as education and training, should also be considered, perhaps in conjunction with inmate labor.

**TI** The Labor Market Consequences of Incarceration. **AU** Western, Bruce; Kling, Jeffrey R.; Weiman, David F.

#### Koeva, Petya

**PD** August 2000. **TI** The Facts About Time-to-Build. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/138; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 22. **PR** not available. **JE** C81, D24, E22. **KW** Time-to-Build. Investment.

**AB** This paper presents new empirical evidence about the process of plant investment. Using newspaper and trade journal articles, the author collects and analyzes time-to-build data for a sample of Compustat firms. These data suggest that the average construction lead time for new plants is around two years in most industries. Business cycle fluctuations do not affect the length of time-to-build. The investment lead times are generally not sensitive to the size of the projects. Only nine percent of the firms in the sample deviate from their investment schedules and delay or abandon their projects.

#### Koman, Reinhard

**TI** Public Debt and Generational Balance in Austria. **AU** Keuschnigg, Christian; Keuschnigg, Mirela; Koman, Reinhard; Luth, Erik; Raffelhuschen, Bernd.

**TI** Public Debt and Generational Balance in Austria. **AU** Keuschnigg, Christian; Keuschnigg, Mirela; Koman, Reinhard; Luth, Erik; Raffelhuschen, Bernd.

**PD** September 1999. **TI** Human Capital and Macroeconomic Growth: Austria and Germany 1960- 1997 -- An Update. **AU** Koman, Reinhard; Marin, Dalia. **AA** Koman: Institute for Advanced Studies (IHS). Marin: University of Munich and CEPR. **SR** Institute for Advanced Studies (IHS), Economics Series: 69; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. **Website:** www.ihs.ac.at. **PG** 25. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17.

**JE** O11, O31, O41. **KW** Economic Growth. TFP. Human Capital. Technical Change. Growth Accounting.

**AB** In an influential paper Mankiw, Romer, and Weil (1992) argue that the evidence on the international disparity in per-capita income levels and growth rates is consistent with a standard Solow model, once it has been augmented to include human capital as an accumulable factor. In a study on Austria and Germany we augment the Solow model to allow for the accumulation of human capital. Based on a perpetual inventory procedure we construct measures of human capital stocks. We find that the time series evidence on Austria and Germany is not consistent with a human-capital-augmented Solow model. Factor accumulation appears to be less (and not more) able to account for the cross-country growth performance of Austria and Germany when human capital accumulation is included. Our results indicate that differences in technology are a driving factor in understanding cross-country growth between these two neighboring countries with similar political and institutional background.

#### Komunjer, Ivana

**PD** May 2001. **TI** Consistent Estimation for Aggregated GARCH Processes. **AA** HEC School of Management. **SR** University of California, San Diego, Department of Economics Working Paper: 2001/08; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. **Website:** econ.ucsd.edu/papers. **PG** 29. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** C13, C15, C32, C51. **KW** Aggregation. GARCH. QMLE.

**AB** We study the properties of a quasi-maximum likelihood (QML) for the parameters of a "weak" GARCH process obtained by contemporaneous aggregation of two independent "strong" GARCH processes. The inconsistency of the Gaussian quasi-likelihood estimator (QMLE) has already been reported by Nijman & Sentana (1996) but has not yet been solved. In this paper we identify the causes of inconsistency of QMLE in the "weak" GARCH case and compare the performance of QMLE when the innovations are assumed to have Gaussian, Laplace (double exponential) or alpha-stable distribution.

#### Kong, Qingying

**PD** August 2000. **TI** Predictable Movements in Yen/DM Exchange Rates. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/143; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 36. **PR** not available. **JE** F31, F47. **KW** PPP. Exchange Rates.

**AB** This paper examines the relevance of PPP, the adjustment channel of real exchange rate and the predictability of the movement in nominal exchange rate by studying the behavior of yen/DM exchange rate, using cointegration method. Results support PPP and find that the real exchange rate is mean-reverting. The change in the nominal exchange rate exhibits significant auto-regressive property. These findings imply that movements in the nominal yen/DM exchange rate is actually predictable. The error-correction model and a simple first order autoregressive model both outperform the random walk model in out-of- sample forecasting.

#### Konig, Ulrich

**TI** Gamblers' Rationality in Parimutuel Soccer Betting.

AU Hauser, Ursula; Konig, Ulrich; Krylova, Elizaveta.

**Konzelmann, Suzanne J.**

PD December 2000. TI Creative Work Systems in Destructive Markets. AU Konzelmann, Suzanne J.; Farrant, Robert. AA Konzelmann: Indiana University. Farrant: University of Massachusetts Lowell. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP187; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.cbr.cam.ac.uk. PG 45. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE D29, J53, J58, L61. KW Globalization. Corporate Restructuring. Production Flexibility. Shop-Floor Participation. Steel Processing. Metalworking. Jet Engine Production.

AB In the United States, the past twenty years have been marked by significant restructuring of both financial and physical corporate assets designed to strengthen firms' relative market position either voluntarily or in response to the threat of take-over. Firms have also restructured work systems in an effort to improve production efficiency, product quality and flexibility. While most studies find that these new workplace techniques generate substantive productivity and quality gains and financial results, they have proven difficult to maintain. Diffusion is slow and not extensive; and even the most promising cases have either failed or come under extreme pressure, both internal and external. Using the productive systems approach, our study examines the inter-relationship between "creative" work systems and "destructive" markets using a sample of U.S. manufacturing firms in the metalworking, jet engine production and steel processing industries.

PD September 1999. TI The Fragility of Functional Work Systems in American Steel. AU Konzelmann, Suzanne J.; Barnes, William. AA Konzelmann: Indiana University. Barnes: University of Notre Dame. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP137; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 46. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE J24, M12, O33. KW US Steel. Competitive Strategies. Work Systems.

AB The case of 1/N /Tek/1/N Kote steel plants offers insight into the interrelationship between work systems, living standards and performance. It demonstrates that a high road approach and functional work systems have a positive impact on stakeholders' lives, improve production efficiency and benefit the local and macro-level economies and societies in which they are embedded. It also shows that such work systems can be implemented on contexts with a history of adversarial labor-management relations. However, broader external forces can conspire to make it very difficult for firms to sustain functional work systems despite initial successes in specific contexts. Financial markets in particular make long-term commitment to stakeholder groups other than shareholders conditional on profit maximization and share price appreciation. Yet the logic of profit maximization for the benefit of shareholders leads to short-term decisions that undermine the very commitments that were so necessary for creating a new work system.

**Kortum, Samuel**

TI Trade in Capital Goods. AU Eaton, Jonathan; Kortum, Samuel.

TI Technology, Trade, and Growth: A Unified Framework. AU Eaton, Jonathan; Kortum, Samuel.

**Kouparitsas, Michael A.**

TI What Can Account for Fluctuations in the Terms of Trade? AU Baxter, Marianne; Kouparitsas, Michael A.

**Kozicki, Sharon**

PD April 2001. TI What Do You Expect? Imperfect Policy Credibility and Tests of the Expectations Hypothesis. AU Kozicki, Sharon; Tinsley, P. A. AA Kozicki: Federal Reserve Bank of Kansas City. Tinsley: University of Cambridge. SR Federal Reserve Bank of Kansas City Research Working Paper: RWP 01/02; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: www.kc.frb.org/publicat/reswkpap/rwpmmain.htm. PG 22. PR no charge. JE E43, E47, E52. KW Change-points. Expectations Hypothesis. Nonstationary Inflation. Shifting Endpoint.

AB The expectations hypothesis is a theory of the term structure of interest rates that describes a conventional view of the transmission mechanism of monetary policy. According to the expectations hypothesis, bond rates are related to current and expected movements in the policy-controlled rate. However, empirical rejections of the expectations hypothesis are commonplace and lead many to question this description of policy transmission. This paper argues that failure to account for imperfect policy credibility may explain empirical rejections. Empirical rejections may occur even when changing anticipations of future short rates are the primary source of variation in bond rates and the standard term structure transmission channel remains valid.

PD October 1999. TI Implications of Rounding and Rebased for Empirical Analyses Using Consumer Price Inflation. AU Kozicki, Sharon; Hoffman, Barak. AA Schreft: Federal Reserve Bank of Kansas City. Hoffman: U.S. Department of the Treasury. SR Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/08; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: www.kc.frb.org/publicat/reswkpap/rwpmmain.htm. PG 12. PR no charge. JE C82, E31, E32. KW Inflation Uncertainty. Inflation Variance.

AB Monthly CPI inflation rates can be spuriously choppy when constructed using the official CPI, rebased with 1982-84=100. The problem can be traced to rounding that occurs when only one digit after the decimal place is reported in rebased CPI data. This paper compares three CPI measures to illustrate how rounding and rebasing introduce distortions that affect variance properties, alter lag specification in autoregressive models, and "flip" results of unit root tests. To reduce distortions, the paper recommends using either original release data or the CPI rebased with 1967=100.

**Krashinsky, Harry A.**

PD May 2000. TI Do Marital Status and Computer Usage Really Change the Wage Structure? Evidence from a Sample of Twins. AA Princeton University. SR Princeton University, Industrial Relations Section Working Paper: 439;

Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). PG 31. PR \$1.50. JE C13, J31. KW Marriage. Computer. Wages. Measurement Error.

**AB** Both marital status and computer usage on the job have been found to increase earnings by as much as two additional years of schooling. If correct, these findings suggest that factors other than long-term human capital investments are key determinants of earnings. Data on identical twins are used in this paper to sweep out selection effects and examine the effect of marital status and computer usage on wages. Within-twin estimates indicate that, unlike education, job tenure and union status, neither marital status nor computer usage have a large or significant effect on wages.

### Kremp, Elizabeth

**TI** Ownership and Voting Power in France. **AU** Bloch, Laurence; Kremp, Elizabeth.

### Krueger, Alan B.

**PD** February 2000. **TI** The Digital Divide in Educating African-American Students and Workers. **AA** Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 434; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). PG 22. **PR** not available. **JE** I21, J15, J78. **KW** Digital Divide. Education. Information Technology. African-American.

**AB** Workers who use a computer at work are paid more than those who do not, and are more highly sought after by employers. The Commerce Department's 1999 report "Falling Through the Net: Defining the Digital Divide", highlighted that African-American workers are less likely than others to have access to information technology at home and at work. The Commerce Department report did not address the issue of training for African-American students and workers to use computer technology. This paper seeks to fill that void by exploring the magnitude of the racial divide in the use of computer technology among school children, and considering the consequences of the digital divide.

**PD** September 2000. **TI** Economic Considerations and Class Size. **AA** Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 447; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). PG 44. **PR** \$1.50. **JE** I21, J31. **KW** Class Size. Education. Production Function.

**AB** This paper examines evidence on the effect of class size on student achievement. When all studies in Hanushek's literature summary are given equal weight, resources are systematically related to student achievement. In addition, when studies are assigned weights in proportion to the "impact factor" of the journal in which they were published -- a crude measure of journal quality -- class size is systematically related to achievement. When studies are given weights in proportion to their number of estimates, however, resources and achievement are not systematically related. It is argued that assigning equal weights to studies, or weights according to quality, is preferable to assigning weights according to the number of estimates extracted from the studies, because study

quality is unlikely to be related to the number of estimates taken from the study, and because researcher discretion in selecting estimates is limited when studies are assigned equal weight. Second, a cost-benefit analysis of class size reduction is performed. Results of the Tennessee STAR class-size experiment suggest that the internal rate of return from reducing class size from 22 to 15 students is around 6 percent.

**TI** Costs, Benefits and Distributional Consequences of Inmate Labor. **AU** Kling, Jeffrey R.; Krueger, Alan B.

**PD** September 1999. **TI** The Effect of Attending a Small Class in the Early Grades on College-Test Taking and Middle School Test Results: Evidence from Project STAR. **AU** Krueger, Alan B.; Whitmore, Diane M. **AA** Krueger: Princeton University and NBER. Whitmore: Princeton University. **SR** Princeton University, Industrial Relations Section Working Paper: 427; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). PG 33. **PR** \$1.50. **JE** I21, I28. **KW** Class Size. STAR Experiment. College-Entrance Test.

**AB** This paper provides a long-term follow-up of students who participated in the Tennessee STAR experiment. The Tennessee STAR experiment randomly assigned 11,600 elementary school students and their teachers to a small class, regular-size class or regular-size class with a teacher-aide. The experiment began with the wave of students who entered kindergarten in 1985, and lasted for four years. After third grade, all students returned to regular-size classes. We analyze the effect of past attendance in a small class on standardized test scores through the eighth grade, on whether students took the ACT or SAT college entrance exam, and on how they performed on the ACT or SAT exam. The results suggest that attending a small class in the early grades is associated with somewhat higher performance on standardized tests, and an increase in the likelihood that students take a college-entrance exam, especially among minority students. Most significantly, being assigned to a small class appears to have narrowed the black-white gap in college-test taking by 54 percent.

**PD** November 1999. **TI** Labor Policy and Labor Research Since the 1960s: Two Ships Sailing in Orthogonal Directions? **AA** Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 428; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). PG 48. **PR** \$1.50. **JE** J28, J38. **KW** Labor Policy. Job Training. Regulation.

**AB** This paper summarizes trends in labor market policy, trends in research in labor economics, and the intersection between the two. Labor policy has moved strongly in the direction of regulating more aspects of the labor market since the 1960s. Legislation that expanded the scale and scope of labor market regulation includes the Civil Rights Act of 1964, the Age Discrimination in Employment Act, and Occupational Safety and Health Act. The number of Labor Department employees in regulatory agencies increased by almost 300 percent between 1969 and 1979. The number of employees involved in regulation decreased since 1979, despite continued expansion of labor market regulations, raising questions about the enforcement of many labor standards. Another policy shift is that the job training budget has declined considerably since

the late 1970s. Hypotheses for the shifts in labor policy since the 1960s are offered.

**PD** December 1999. **TI** Education for Growth: Why and For Whom? AU Krueger, Alan B.; Lindahl, Mikael. AA Krueger: Princeton University and NBER. Lindahl: Stockholm University. **SR** Princeton University, Industrial Relations Section Working Paper: 429; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 65.

**PR** \$2.00. **JE** I21, J24. **KW** Education. Growth.

**AB** This paper tries to reconcile evidence from the microeconomic and empirical macro growth literatures on the effect of schooling on income and GDP growth. Much microeconomic evidence suggests that education is an important causal determinant of income for individuals within countries. At a national level, however, recent studies have found that increases in educational attainment are unrelated to economic growth. This finding appears to be a spurious result of the extremely high rate of measurement error in first-differenced cross-country education data. After accounting for measurement error, the effect of changes in educational attainment on income growth in cross-country data is at least as great as microeconomic estimates of the rate of return to years of schooling. Another finding of the macro growth literature -- that economic growth depends positively on the initial stock of human capital -- is shown to result from imposing linearity and constant-coefficient assumptions on the estimates. These restrictions are often rejected by the data, and once either assumption is relaxed the initial level of education has little effect on economic growth for the average country.

### Krylova, Elizaveta

**TI** Gamblers' Rationality in Parimutuel Soccer Betting. AU Hauser, Ursula; Konig, Ulrich; Krylova, Elizaveta.

### Kugler, Maurice

**PD** September 2000. **TI** Checks and Balances: An Assessment of the Institutional Separation of Political Powers in Colombia. AU Kugler, Maurice; Rosenthal, Howard. AA Kugler: University of Southampton. Rosenthal: Princeton University. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0018; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 34. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** D72, E61, H11, H77, K40. **KW** Separation of Powers. Representativeness. Clientelism. Gridlock. Institutional Structure.

**AB** This paper evaluates the institutional and legal structure of the Colombian government. In particular, the authors want to assess how a system of institutional checks and balances can be structured to promote the rule of law, preserve property rights, and stimulate economic growth. The 1991 Constitution indeed makes commendable commitments to these objectives. Yet, due to its institutional structure, Colombia is governed in a manner that is both unchecked and unbalanced. The authors make recommendations for institutional reform, which aim to mitigate clientelist and populist trends in Colombian politics. To enhance policymaking by reducing the scope for gridlock, the authors propose measures such as long-term appointments and ballot accountability that eliminate distortions to the voting

incentives of both judges and lawmakers. Also, procedures are set forth to limit undue deliberations by the judiciary and to induce institutional status-quo bias. While the authors support constitutional provisions for the stability of a political process endowed with representativeness, they reject constitutional provisions that attempt to entrench one particular policy outcome. Stationary policy is likely to be both suboptimal and unsustainable in a stochastic and dynamic environment.

**PD** November 2000. **TI** The Diffusion of Externalities From Foreign Direct Investment: Theory Ahead of Measurement. AA University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0023; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 52. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** D62, F23, O33. **KW** Foreign Direct Investment. Externalities. Multinational Firms. Technological Change. Spillovers.

**AB** In this paper a structural estimation framework is developed to assess whether inward foreign direct investment (FDI) generates technological externalities. The econometric model is implemented in an empirical investigation with data from Colombia's Manufacturing Census. So far, evidence of new technological opportunities for host-country firms arising from the operations of multinational corporations (MNC's) has been rather scarce. This is due to serious limitations in the way in which spillovers have been measured. In particular, empirical research has focused almost exclusively on intra-industry externalities while no allowance has been made for inter-industry technological externalities. But, in theory, the optimal location and organizational strategies by a MNC are chosen to minimize the risk of losing profits due to the leakage of technical information to potential competitors. However, producers in other sectors may benefit, especially if the MNC outsources to local upstream suppliers. Hence, spillovers from FDI should be primarily inter-industry and not intra-industry. This conjecture is corroborated by testing of the multisectoral model of FDI spillover diffusion on Colombian manufacturing data.

**PD** November 2000. **TI** International Trade when Inequality Determines Aggregate Demand. AA University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0024; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 39. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** D31, F12, F15, O11, O31. **KW** Nonhomothetic Preferences. Inequality. Import Demand. International Trade. Income Distribution.

**AB** The model in this paper characterizes the pattern of international trade when preferences are nonhomothetic. By and large, models of international trade impose the assumption of unit income elasticity across goods. This assumption is relaxed to incorporate the fact that the budget share allocated to necessities falls with income. Preferences are introduced that rank goods according to a hierarchy of both needs and desires. As individual consumption depends on income, the composition of the aggregate consumption bundle in the integrated economy depends on both inter- and intra-national inequality. A demand channel is identified through which inequality affects the international trade pattern. Evidence from

a panel of bilateral trade data among 58 countries, for which adequate income distribution measures exist, and spanning three decades supports the conjecture that high inequality in a trading partner yields less bilateral trade flows through lower imports, after controlling for both observed and unobserved heterogeneity.

#### Kunst, Robert M.

**TI** The Effects of Dollar/Sterling Exchange Rate Volatility on Futures Markets for Coffee and Cocoa. **AU** Jumah, Adusei; Kunst, Robert M.

#### Ladipo, David

**PD** September 1999. **TI** Changing Midwifery: Working Conditions and the Quality of Care. **AU** Ladipo, David; Reed, Hannah; Wilkinson, Frank. **AA** Ladipo: University of Nottingham. Reed and Wilkinson: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP136; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 45. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J24, J28, J44, J45. **KW** Midwives. Working Conditions. Working Environment. Representation.

**AB** Maternity units have been expected to achieve, within constrained resources, significant improvements in the quality and continuity of care as required by government policy. These have been achieved by drawing on the professionalism and vocational commitment of midwives, and at the expense of their working conditions and sense of well-being. The increasing problems of recruitment, retention and falling morale within the profession suggest that it is not sustainable. In the longer term, if the improvements in care achieved so far are to be sustained, there is a need to reform midwives' working conditions and working environment. This is not to imply that the answer to the ongoing dilemmas facing the maternity services lies solely in improvements in the pay levels or pay structure for midwives. The solution is also dependent on the extent to which midwives are afforded the enhanced status and autonomy recognized a necessary for the improvement of maternity services.

#### Laffargue, Jean-Pierre

**PD** July 1999. **TI** Financing of a Decrease in Social Compensations on Unskilled Labor: A Study With the Computable General Equilibrium Model Julien 4. **AA** CEPREMAP and CED-TEAM. **SR** CEPREMAP Discussion Paper: 9913; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 39. **PR** 25 francs. **JE** E62, H25, J65, J68. **KW** Social Compensations. Unemployment. Skills. Taxation. Employment.

**AB** This paper investigates how a decrease in social compensations paid by employers on unskilled labor can be financed by an increase in other taxes, and what are the consequences of this policy on the economy. For all financing the decrease in social compensations on low wages has very favorable effects on employment and activity. Two means of financing are especially good for employment and activity, but bad for real wage rates: an increase in social compensations paid by firms on skilled labor and an increase in the CSG. An increase in the taxation of productive investment is better for

wages, less good for activity, and has a similar effect on employment. The taxation of the value added by firms and the VAT give slightly worse results.

**PD** November 1999. **TI** The Blanchard and Kahn's Conditions in a Macroeconometric Model With Perfect Foresight. **AA** CEPREMAP and TEAM-CED. **SR** CEPREMAP Discussion Paper: 9921; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 21. **PR** 25 francs. **JE** C30, C51, E17. **KW** Blanchard and Kahn. Perfect Foresight. Macroeconometric Models. Uniqueness. Existence. **AB** Many recent macroeconomic models assume perfect foresight. This choice was made possible by the development of simulation algorithms, which are powerful and easy to use. However, the existence and the uniqueness of a solution for these models are not warranted a priori. Blanchard and Kahn established local conditions for these properties, which are easy to check, in terms of eigenvalues computed at the steady state of the model. However, these conditions can only be used on linear models, with coefficients independent of time, and with exogenous variables taking constant values after some date. Unfortunately, macroeconomic models are non-linear, their linear approximation has coefficients which change over time, in the long run many variables grow at positive and different rates, and these models may present an hysteresis. This paper explains how to overcome these difficulties, and apply the Blanchard and Kahn's conditions to these kinds of models. Our results can also be applied to the study of the stability of more traditional macroeconomic models, which assume adaptive expectations, and when the current state of the economy does not depend on the future states foreseen by the model.

#### Lagunoff, Roger D.

**PD** January 1999. **TI** Financial Fragility with Rational and Irrational Exuberance. **AU** Lagunoff, Roger D.; Schreft, Stacey L. **AA** Lagunoff: Georgetown University. Schreft: Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/01; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 28. **PR** no charge. **JE** C73, E44, F36, G15. **KW** Financial Fragility. Contagion. Irrational Exuberance. Financial Crises.

**AB** This article formalizes investor rationality and irrationality, exuberance and apprehension, to consider the implications of belief formation for the fragility of an economy's financial structure. The model presented generates a financial structure with portfolio linkages that make it susceptible to contagious financial crises, despite the absence of coordination failures. Investors forecast the likelihood of loss from contagion and may shift preemptively to safer portfolios, breaking portfolio linkages in the process. The entire financial structure collapses when the last group of investors reallocates their portfolios. If some investors are irrationally exuberant, the financial structure remains intact longer. In fact, financial collapse occurs sooner when almost all investors are rationally exuberant than when they are irrationally exuberant. Additionally, a financial crisis initiated by real shocks is indistinguishable from one caused solely by the presence of rationally apprehensive investors in a fundamentally sound economy. Policies that make portfolio linkages more resilient can improve welfare.

**Laibson, David**

**TI** What is Social Capital? The Determinants of Trust and Trustworthiness. **AU** Glaeser, Edward L.; Laibson, David; Scheinkman, Jose A.; Soutter, Christine L.

**Lakonishok, Josef**

**TI** On Mutual Fund Investment Styles. **AU** Chan, Louis K. C.; Chen, Hsiu-Lang; Lakonishok, Josef.

**TI** The Stock Market Valuation of Research and Development Expenditures. **AU** Chan, Louis K. C.; Lakonishok, Josef; Sougiannis, Theodore.

**Lam, Ricky**

**PD** January 1999. **TI** Dictatorships as a Political Dutch Disease. **AU** Lam, Ricky; Wantchekon, Leonard. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 795; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. **Website:** [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 31. **PR** \$2.00 plus postage. **JE** P16, O13, Q32. **KW** Dutch Disease. Rent-Seeking. Influence Activities. Political Regimes.

**AB** We present a model to explain why natural resource windfalls tend not only to lead to slower economic growth but to generate and reinforce authoritarian tendencies in Third World political regimes. In the model, the political elite's power over the populace is derived both from its own wealth and its control over the process of rent distribution among members of the populace (distributive influence). We show that resource windfalls enhance the elite's distributive influence. An increase in the elite's distributive influence generates hegemonic political regimes and exacerbates the decline of the economy. We present wide-ranging empirical evidence to support our theoretical insights. In particular, we find the size of the natural resource sector, measured by the ratio of primary exports to GDP, to be a far more significant predictor of the nature of political regimes than the level of GDP, education, or income inequality.

**Lambelet, Jean-Christian**

**PD** January 2001. **TI** Refoulements et refugies en Suisse pendant la Deuxieme Guerre mondiale Critique des statistiques ... et d'une ou deux autres choses. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 01/01; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. **Website:** [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 23. **PR** no charge. **JE** F22, N44. **KW** History. World War II. Switzerland. Refugees. Bergier Commission.

**AB** Whereas the data on civilian refugees admitted by Switzerland during the war are accepted by all, the figures on persons turned away are much more uncertain. Everyone today uses the 1996 estimates by Guido Koller. It is shown that these estimates were calculated in a questionable manner and that they greatly inflate the number of civilian refugees who were turned away. If more recent and reliable figures are taken instead, the estimated admission rates turn out to be very high for the asylum candidates in general and even more so for the Jews among them; the conclusion being that Swiss practice vis-a-vis the refugees during the war was actually quite

generous. Therefore, it cannot be ruled out that Switzerland did the maximum of what it could reasonably be expected to do. A general policy model vis-a-vis the refugees (then) and vis-a-vis the asylum seekers (today) is presented and explained.

**PD** January 2001. **TI** A Critical Evaluation of the Bergier Report on "Switzerland and Refugees during the Nazi Era", With a New Analysis of the Issue. **AA** University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 01/03; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. **Website:** [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 76. **PR** no charge. **JE** F22, N44. **KW** History. World War II. Switzerland. Refugees. Bergier Commission.

**AB** The so-called second Bergier report offers a wealth of information as well as some useful and valuable analytical insights, but it also suffers from a number of shortcomings and weaknesses, some of which are quite serious. The significance of important facts is not worked out properly. The abundant numerical data remain unexploited. The analysis is often repetitious and sometimes inconsistent. Many interpretations are far-fetched. The general image of Switzerland's refugee policy it paints is difficult to reconcile with several central facts. Its severe judgements therefore seem to rest on fragile foundations. For all these reasons, a very different and, in part, a novel analysis of Switzerland's policy and practice vis-a-vis the refugees is proposed in a constructive spirit, an analysis that seems fully corroborated by the available information and numerical data.

**Lamoreaux, Naomi R.**

**PD** May 1999. **TI** Inventive Activity and the Market for Technology in the United States, 1840-1920. **AU** Lamoreaux, Naomi R.; Sokoloff, Kenneth L. **AA** University of California, Los Angeles and NBER. **SR** National Bureau of Economic Research Working Paper: 7107; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **Website:** [www.nber.org](http://www.nber.org). **PG** 38. **PR** \$5.00. **JE** N70, O31, O32, O34, O38. **KW** Innovation. Invention. Technological Change. Patent Rights. Economic History.

**AB** The growth of the U.S. economy over the nineteenth century was characterized by a sharp acceleration in the rate of inventive activity and a dramatic rise in the relative importance of highly specialized inventors as generators of new technological knowledge. Relying on evidence compiled from patent records, we argue that the evolution of a market for technology played a central role in these developments. Across both individuals and geographic areas, the expansion of opportunities to trade in patent rights was closely associated with increases in specialization at invention, as well as advances in rates of invention more generally. The patent system is often celebrated for the stimulus to invention provided by granting limited monopoly rights to inventors for the use of their discoveries, but its specification of tradable assets in technology has also been important.

**Lane, Christel**

**PD** December 2000. **TI** The Professions Between State and Market: A Cross-National Study of Convergence and Divergence. **AU** Lane, Christel; Potton, Margaret; Littek, Wolfgang. **AA** Lane and Potton: University of Cambridge.

Littek: Universitat Bremen, Germany. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP189; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 39. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L43, L84. **KW** Professions. Britain. Germany. State. Market.

**AB** This paper analyses the impact on the professions of changes in their institutional environment during the last two decades. A comparison is being made between two professions -- solicitors/advocates and pharmacists -- in the contrasting societal contexts of Britain and Germany. It is suggested that, despite common pressures from the state, the market and technology, there remains a significant degree of diversity between the two societies in the way professions provide their services. A contrast is drawn between British modernizers and German traditionalists. In both Britain and Germany, the combined effects of a more intrusive state, a less protected market and a more consumerist stance from clients have effected some loss of professional autonomy. Professional authority and privilege can no longer be taken for granted but have to be earned by proven performance and enhanced accountability.

#### Lane, Philip R.

**PD** August 2000. **TI** External Capital Structure: Theory and Evidence. **AU** Lane, Philip R.; Milesi-Ferretti, Gian Maria. **AA** Lane: Trinity College. Milesi-Ferretti: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/152; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 32. **PR** not available. **JE** F21, F34. **KW** Net Foreign Assets. Portfolio Equity. Foreign Direct Investment. External Debt.

**AB** Recent years have witnessed a change in the composition of capital flows to developing countries, and FDI and equity flows have been playing an increasing role. In this paper we discuss the challenges for international macroeconomics that these developments pose and characterize stylized facts associated with the structure of external liabilities in developing countries, focusing in particular on FDI and equity stocks.

#### Langot, Francois

**TI** A Structural Model For US Aggregate Job Flows. **AU** Collard, Fabrice; Feve, Patrick; Langot, Francois; Perraudin, Corinne.

**TI** A Structural Model For US Aggregate Job Flows. **AU** Collard, Fabrice; Feve, Patrick; Langot, Francois; Perraudin, Corinne.

#### Latcovich, Simon

**PD** October 2000. **TI** Sinking the Internet: Pricing, Sunk Costs, and Market Structure Online. **AU** Latcovich, Simon; Smith, Howard. **AA** Latcovich: Balliol College. Smith: University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 36; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk](http://www.economics.ox.ac.uk). **PG** 30. **PR** no charge. **JE** L15, L33, L81. **KW** Advertising. Books. E-Commerce. Endogenous Sunk Costs. Internet. Market Structure. Price

Discrimination. Price Dispersion. Retailing.

**AB** This paper evaluates alternative strategic models of competition and market structure in online retailing, and makes comparisons with traditional retailing. Online consumers are less concerned than traditional consumers about spatial characteristics and more concerned about hidden quality characteristics. Online retailers rely more on advertising than traditional retailers do, to inform consumers and to signal hidden quality attributes. Price competition may be imperfect, because of vertical product differentiation, incomplete consumer awareness, and perfect information exchange between retailers. Advertising and revenue data for the online book market reveal that consumers respond to advertising rather than low prices. As the market increases, advertising costs escalate and there is no new entry. Advertising to sales ratios and market concentration ratios are much higher than for traditional retailers. Using price and demand information for individual books over a number of weeks, we find counter-cyclical and cross-sectional price variation inconsistent with perfect price competition.

#### Laubach, Thomas

**TI** Monetary Policy in an Estimated Optimization-Based Model With Sticky Prices and Wages. **AU** Amato, Jeffery D.; Laubach, Thomas.

**TI** Forecast-Based Monetary Policy. **AU** Amato, Jeffery D.; Laubach, Thomas.

#### Laxton, Douglas

**TI** Life-Cycles, Dynasties, Saving: Implications for Closed and Small, Open Economies. **AU** Faruquee, Hamid; Laxton, Douglas.

#### Lee, In Ho

**PD** December 2000. **TI** Contagion and State Dependent Mutations. **AU** Lee, In Ho; Szeidl, Adam; Valentinyi, Akos. **AA** Lee: University of Southampton. Szeidl: Harvard University. Valentinyi: University of Southampton, Central European University, Institute of Economics, Hungarian Academy of Sciences and CEPR. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0027; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 22. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** C72, D83. **KW** Contagion. State Dependent Mutation. Risk Dominance. Local Interaction Games. Evolutionary Game Theory.

**AB** Early results of evolutionary game theory showed that the risk dominant equilibrium is uniquely selected in the long run by the best response dynamics with mutation. Bergin and Lipman (1996) qualified this result by showing that for a given population size the evolutionary process can select any strict Nash equilibrium if the probability of choosing a non-best reply is state-dependent. This paper shows that the unique selection of the risk dominant equilibrium is robust with respect to state dependent mutation in local interaction games. More precisely, for a given mutation structure there exists a minimum population size beyond which the risk dominant equilibrium is uniquely selected. Our result is driven by contagion and cohesion among players, which exist only in local interaction settings and favors the play of the risk dominant strategy. Our result strengthens the equilibrium selection result of



evolutionary game theory.

#### **Lehmann, Etienne**

**TI** Should Unemployment Benefits Decrease With Unemployment Spell? **AU** Cahuc, Pierre; Lehmann, Etienne.

#### **Levine, Phillip B.**

**PD** July 1999. **TI** Worklife Determinants of Retirement Income Differentials Between Men and Women. **AU** Levine, Phillip B.; Mitchell, Olivia S.; Phillips, John W. **AA** Levine: Wellesley College and NBER. Phillips: University of Pennsylvania. Mitchell: University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 7243; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 34. **PR** \$5.00. **JE** J16, J26. **KW** Retirement Incomes. Income by Sex.

**AB** Women enter retirement having spent fewer years in market, earned less over their lifetimes, and work in different jobs than men of the same age. This study examines whether these differences in work life experiences help explain why many women end with lower level of retirement income in old age. We use health and retirement study (HRS), which provide information on labor market histories along with the ability to predict retirement income from employer pensions, social security benefits, and investment returns. We document differences in anticipated retirement income by sex that exist largely between non-married men and women. Multivariate models show that 85 percent of this retirement income gap can be attributed to differences in lifetime labor market earnings, years worked, and occupational segregation by sex. Our results suggest that as women's work life experiences become more congruent with men's over time, the gap in retirement income between men and women may shrink.

#### **Levitt, Steven D.**

**PD** July 1999. **TI** Sample Selection in the Estimation of Air Bag and Seat Belt Effectiveness. **AU** Levitt, Steven D.; Porter, Jack. **AA** Levitt: University of Chicago and NBER. Porter: Harvard University. **SR** National Bureau of Economic Research Working Paper: 7210; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** \$5.00. **JE** C13, C20, L92, R40. **KW** Sample Selection. Estimation. Automotive Safety. Seat Belts. Air Bags.

**AB** Measurement of seat belt and air bag effectiveness is complicated by the fact that systematic data are collected only for crashes in which a fatality occurs. These data suffer from sample selection since seat belt and air bag usage influences survival rates which in turn determine whether a crash is included in the sample. Past researchers either ignored sample selection or adopted indirect estimation methods subject to other important biases. We propose a simple, but novel, solution to the selection problem: limiting the sample to crashes in which someone in a different vehicle dies. Under relatively weak conditions, consistent estimates can be obtained from this restricted sample. Empirically, we find seat belts to be more effective in saving lives than most previous estimates. Air bags, however, appear to be less effective than generally thought. If our coefficients can be generalized to all crashes, the cost per life saved with seat belts is approximately \$30,000, compared to \$1.6 million for air bags.

#### **Levy, Philip I.**

**PD** February 1999. **TI** Sanctions on South Africa: What Did They Do? **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 796; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: www.library.yale.edu/socsci/egcpage.html. **PG** 12. **PR** \$2.00 plus postage. **JE** F02, F14. **KW** Sanctions. South Africa. Political Economy. Trade.

**AB** This paper considers the economic sanctions that were applied in the mid-1980s to pressure the South African government to end apartheid. It asks what role those sanctions played in the eventual demise of the apartheid regime and concludes that the role was probably very small. An alternative explanation for the regime change is offered: the communist bloc combined to bring about the change. If one is to argue for the efficacy of sanctions, two key obstacles are their limited economic impact and the substantial lag between the imposition of sanctions and the political change. Since sanctions preceded the change of government, it is impossible to rule them out as a determinant. However, their principal effect was probably psychological. The implication is that the South African case should not serve as the lone major instance of effective sanctions.

#### **Licandro, Omar**

**TI** The Importance of the Embodied Question Revisited. **AU** Boucekkine, Raouf; Del Rio, Fernando; Licandro, Omar.

**TI** Vintage Capital and the Dynamics of the AK Model. **AU** Boucekkine, Raouf; Del Rio, Fernando; Licandro, Omar.

#### **Liebman, Jeffrey B.**

**TI** Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment. **AU** Katz, Lawrence F.; Kling, Jeffrey R.; Liebman, Jeffrey B.

#### **Lildholdt, Peter**

**TI** On the Robustness of Unit Root Tests in the Presence of Double Unit Roots. **AU** Haldrup, Niels; Lildholdt, Peter.

**TI** Local Power Functions of Tests for Double Unit Roots. **AU** Haldrup, Niels; Lildholdt, Peter.

#### **Lin, Cyril**

**PD** March 2000. **TI** Corporatisation and Corporate Governance in China's Economic Transition. **AA** St. Anthony's College, Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 20; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/. **PG** 31. **PR** no charge. **JE** G32, P31, O53. **KW** Chinese Economy. Corporate Governance. SOEs Reform. Transition.

**AB** China has sought to improve enterprise performance not through privatisation as in other transition economies, but through corporatisation as means of improving corporate governance. Actual governance practices of corporatised Chinese firms are however seriously defective, characterized by excessive power of CEO's, insider control and collusion, lack of safeguards for minority shareholders and weak transparency. These shortcomings are attributable to factors such as cultural and political traditions, uncompetitiveness of markets, poor legal enforcement, weak debt and equity markets, but above all

to continued state dominance in ownership and control of the corporate sector and listed companies. Corporatization, nevertheless, has created a regime conducive to implementing measures for improving corporate governance.

#### Lindahl, Mikael

**TI** Education for Growth: Why and For Whom? **AU** Krueger, Alan B.; Lindahl, Mikael.

#### Link, Albert N.

**TI** Universities as Research Partners. **AU** Hall, Bronwyn H.; Link, Albert N.; Scott, John T.

**TI** Barriers Inhibiting Industry from Partnering with Universities: Evidence from the Advanced Technology Program. **AU** Hall, Bronwyn H.; Link, Albert N.; Scott, John T.

**TI** Assessing the Impact of Organizational Practices on the Productivity of University Technology Transfer Offices: An Exploratory Study. **AU** Siegel, Donald; Waldman, David; Link, Albert N.

#### Lipsey, Robert E.

**PD** April 1999. **TI** The Role of Foreign Direct Investment in International Capital Flows. **AA** National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7094; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 25. **PR** \$5.00. **JE** F21, F23, O19. **KW** Foreign Direct Investment. Capital Flows. International Investment. Development.

**AB** Direct investment has accounted for about a quarter of total international capital outflows in the 1990s and appears to have grown, relative to other forms of international investment, since the 1970s. The United States was by far the major source of direct investment outflows in the early 1970s, but Europe caught up to the United States in the 1980s and Japan almost did, before fading in the 1990s. The United States shifted from being the largest net supplier of direct investment to absorbing much of the world's supply, especially in the late 1980s, and then reverted to its earlier net supplier role. Direct investment flows have been the least volatile source of international investment for most countries, the chief exception being the United States, which has flipped back and forth from dominant net supplier to dominant net recipient, and back to dominant net supplier. Particularly for developing countries, direct investment has been the most dependable source of foreign investment.

#### Littek, Wolfgang

**TI** The Professions Between State and Market: A Cross-National Study of Convergence and Divergence. **AU** Lane, Christel; Potton, Margaret; Littek, Wolfgang.

#### Liu, Olin

**PD** July 2000. **TI** Determinants of Inflation in the Islamic Republic of Iran -- A Macroeconomic Analysis. **AU** Liu, Olin; Adedeji, Olumuyiwa S. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/127; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 28. **PR** not available. **JE** E31, E41, O53. **KW** Iran. Money Demand. Exchange Rate. Output Gap. Inflation. Cointegration.

**AB** This study establishes a framework for analyzing the major determinants of inflation in the Islamic Republic of Iran. An empirical model was estimated by taking into consideration disequilibria in the markets for money, foreign exchange, and goods. Results strongly support the need for a sustained prudent monetary policy in order to reduce inflation and stabilize the foreign exchange market. The estimation shows that an excess money supply generates an increase in the rate of inflation that, in turn, intensifies asset substitution (from money to foreign exchange), thereby weakening real demand for money and exerting pressures on the foreign exchange market. The study also found that a permanent rise in real income tends to increase the real demand for money and reduces inflation in the long run.

#### Liuhto, Kari T.

**PD** July 1999. **TI** Learning New Productivity Criteria in Transition Economies: Evidence from 450 CIS Companies. **AA** Pan-European Institute, Turku School of Economics and Business Administration, Finland. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP141; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 29. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** O52, P41, P42, P52. **KW** Transition Economies. Ownership Structure. Productivity.

**AB** The empirical data suggest that the ownership structure of the CIS firms studied did not determine productivity improvements during the years 1995-97. Rather, improvement in organizational performance reflected the transition path, i.e. whether the transformation occurred via the reconstruction of the old or through developing a new organizational entity. The main difference between these two transition paths can be summarized as follows: the transition path of privatized companies can be characterized as organizational revolution whereas the transition path of private start-ups can be described as organizational evolution in a revolutionary business environment. Moreover, the empirical data indicate that there was a significant relationship between the youthfulness of the top manager and productivity improvement in a company. This finding suggests that adapting Soviet management culture into the post-Soviet environment can be a more complex task than merely learning new organizational practices.

**PD** September 1999. **TI** The Transformation of Soviet Enterprise and its Management: A Literature Review. **AA** Pan-European Institute, Turku School of Economics and Business Administration, Finland. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP146; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 49. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** M19, O52, P41. **KW** Soviet Enterprise. Management. Transformation.

**AB** This paper reviews literature on the transformation of the Soviet enterprise and its management. It finds that Soviet management was much more multidimensional than previously assumed on the basis of official management descriptions. According to the official descriptions, the position of the Soviet manager mainly corresponded to that of the plant director who was responsible for the internal production processes of the

factory. However, in reality, a Soviet manager's field of duties expanded from internal production management to struggling against the shortages of the centrally planned economy.

### Lopez-Cordova, J. Ernesto

**PD** November 2000. **TI** Exchange-Rate Regimes and International Trade: Evidence from the Classical Gold Standard Era. **AU** Lopez-Cordova, J. Ernesto; Meissner, Chris. **AA** Lopez-Cordova: Inter-American Development Bank; and Meissner: University of California, Berkeley. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/118; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. **Website:** www.haas.berkeley.edu/iber/wps/ciderwp.htm. **PG** 52. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** F33, N21, N23, N26. **KW** International Trade. Panel Data. Currency Union. Exchange Rate Regimes. Gold Standard. Gravity Model. History.

**AB** In this paper we show that the spread of the classical gold standard in the late nineteenth century increased international trade flows. This positive effect was compounded whenever a group of countries formed a monetary union. Applying the gravity model of trade to more than 1,100 country pairs during the 1870-1910 period, we find that two countries on gold would trade 60 percent more with each other than with countries on a different monetary standard. Moreover, a monetary union would more than double bilateral trade flows. Our findings are relevant for current discussions on alternative monetary arrangements for the twenty-first century.

### Lopez-Salido, J. David

**TI** Measuring the NAIRU in the Spanish Economy. **AU** Estrada, Angel; Hernando, Ignacio; Lopez-Salido, J. David.

**TI** Technology Shocks and Monetary Policy: Assessing the FED's Performance. **AU** Gali, Jordi; Lopez-Salido, J. David; Valles, Javier.

**TI** European Inflation Dynamics. **AU** Gali, Jordi; Gertler, Mark; Lopez-Salido, J. David.

### Loungani, Prakash

**PD** May 2000. **TI** Capital Mobility and the Output-Inflation Tradeoff. **AU** Loungani, Prakash; Razin, Assaf; Yuen, Chi-Wa. **AA** Loungani: International Monetary Fund. Razin: Tel Aviv University. Yuen: Hong Kong University. **SR** International Monetary Fund Working Paper: WP/00/87; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 22. **PR** not available. **JE** E31, E32, F41. **KW** Output-Inflation Tradeoff. Capital Mobility. Capital Controls. Openness.

**AB** Identifying determinants of the output-inflation tradeoff has long been a key issue in business cycle research. We provide evidence that in countries with greater restrictions on capital mobility, a given reduction in the inflation rate is associated with a smaller loss in output. This result is shown to be consistent with theoretical presumption from a version of the Mundell-Fleming model. Restrictions on capital mobility are measured using the IMF's Annual Report on Exchange Rate Arrangements and Exchange Restrictions. Estimates of the output-inflation tradeoff are taken from previous studies, viz., Lucas (1973) and Ball, Mankiw and Romer (1988).

### Lubotsky, Darren

**PD** August 2000. **TI** Chutes or Ladders? A Longitudinal Analysis of Immigrant Earnings. **AA** Princeton University. **SR** Princeton University, Industrial Relations Section Working Paper: 445; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. **Website:** www.irs.princeton.edu/pubs/working\_papers.html. **PG** 39. **PR** \$1.50. **JE** C24, J11, J15, J31, J61. **KW** Matched Records. Social Security. U. S. Immigrants. Earnings Progress.

**AB** This study uses Social Security earnings records matched to recent cross-sections of the SIPP and CPS to study the earnings progress of U.S. immigrants. The data show that immigrants' earnings grow 10 to 13 percent during their first twenty years in the U.S. relative to the earnings of natives with similar labor market experience. By comparison, estimates of immigrants' relative wage growth from cross-sections of the decennial Census are substantially higher. The divergent results reflect the selective outmigration of low-earning immigrants. The longitudinal earnings histories also show that 14 percent of immigrants have earnings in the U.S. prior to their most recent date of arrival, which points to a significant amount of back-and-forth migration between the U.S. and immigrants' home countries. The misclassification in previous work of these largely low-wage immigrants as recent arrivals accounts for close to one-third of the measured decline in the level of earnings of immigrant arrival cohorts between 1960 and 1980. The new evidence presented here, therefore, suggests that previous analyses had overestimated both the rate of earnings growth among immigrants who remain in the U.S. and the secular decline in the level of earnings across arrival cohorts.

### Lucas, Robert E. B.

**PD** November 2000. **TI** The Effects of Proximity and Transportation on Developing Country Population Migrations. **AA** Boston University. **SR** Boston University, Institute for Economic Development Discussion Paper: 111; IED, Boston University, 264 Bay State Road, Boston, MA 02215. **Website:** www.bu.edu/econ/ied/. **PG** 28. **PR** \$4.00. **JE** J61, O15, R23. **KW** Migration. Networks. Distance.

**AB** A substantial body of evidence indicates that distance deters migration, internally and internationally, in the industrialized as well as the developing economies. Despite this, distance plays almost no role either in the development literature or even the 'new' economic geography. After a brief overview of the types of evidence on the role of distance in affecting migration, the paper critically examines a number of hypotheses as to why distance might deter migration, then draws out some implications for the emergence and persistence of geographic poverty traps. The paper closes with a series of suggestions for additional research and data needs, to better inform policy decisions that impinge upon the geographic distribution of poverty, and hence upon the potential for trickle-down development.

### Lumby, Anthony B.

**PD** September 1999. **TI** Integrating Waste Disposal Policies into Energy Studies: The Case of Landfill Gas in South Africa. **AA** University of Natal, Durban, South Africa. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 64/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. **Website:** www.feem.it. **PG** 13. **PR** 10 papers minimum order at \$4.00 each; annual subscription at

\$250.00. **JE** N57, Q25, Q28, Q42, Q48. **KW** Waste Disposal. Energy. Landfill Gas. Environmental Policy. Renewable Resources.

**AB** Current research into the pattern of energy usage in South Africa reveals an extraordinarily heavy reliance on coal-fired electricity, a strategy that is not only unsustainable but which has resulted in serious air pollution problems. The paper argues that this development ought to be seen in the context of South Africa's harmful waste disposal policy. Some 85% of South Africa's municipal solid waste is landfilled, thereby generating a significant volume of landfill gas (LFG), which contains approximately 50% methane (CO<sub>3</sub>). As a "greenhouse" gas, CO<sub>3</sub> emissions carry serious implications for global warming in the Southern African region. The paper explores the use of LFG as a renewable energy source, and concludes that not only is LFG extraction for energy use technically feasible, but that it is economically feasible as well. By integrating LFG capture as an example of improved waste disposal policies into energy studies, it is possible to initiate a shift in South Africa's energy usage towards renewable energy technologies.

#### Lumsdaine, Robin L.

**TI** The Dynamics of Emerging Market Equity Flows. **AU** Bekaert, Geert; Harvey, Campbell R.; Lumsdaine, Robin L.

#### Lupi, Claudio

**TI** Widening Differences in Italian Regional Unemployment. **AU** Brunello, Giorgio; Lupi, Claudio; Ordine, Patrizia.

#### MacDonald, Ronald

**TI** Filtering the BEER: A Permanent and Transitory Decomposition. **AU** Clark, Peter B.; MacDonald, Ronald.

#### Mackowiak, Bartosz

**TI** Nominal Debt and the Dynamics of Currency Crises. **AU** Corsetti, Giancarlo; Mackowiak, Bartosz.

#### Madden, Paul

**TI** Imperfectly Competitive Cycles with Keynesian and Walrasian Features. **AU** Kaas, Leo; Madden, Paul.

**TI** Equilibrium Involuntary Unemployment under Oligempory. **AU** Kaas, Leo; Madden, Paul.

#### Malchow-Moller, Nikolaj

**PD** June 2000. **TI** A Dynamic Agricultural Household Model with Uncertain Income and Irreversible and Indivisible Investments under Credit Constraints. **AU** Malchow-Moller, Nikolaj; Thorsen, Bo Jellesmark. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/07; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 64. **PR** no charge. **JE** C61, D11, D91, Q12, O12, O13. **KW** Agriculture. Household Model. Credit Constraints. Uncertainty. Irreversibility. Indivisibility. Dynamic Programming.

**AB** A dynamic model of agricultural household behavior in less developed countries in the presence of credit constraints and income uncertainty is developed. The production side of

the model takes into account the irreversible and indivisible nature of non-stationary agricultural investment options, thereby combining the standard intertemporal consumption model with features from the real option pricing literature. The model framework represents an interesting dynamic alternative to the static household models in the literature. The model is solved with dynamic programming routines. Several interesting results emerge: First, the consumption policy functions of the agricultural household can become highly non-linear, violating the standard result that increased wealth implies increased consumption. Secondly, increasing uncertainty does not in general reduce the average propensity to consume, or increase the propensity to save. Thirdly, increased variation of income only to a limited extent carries through to variation in consumption. Fourthly, the effects of shocks to income depend crucially on the timing of shocks. And finally, reducing uncertainty does not reduce poverty significantly, whereas agricultural extension services and cash transfers are more likely to do so.

**PD** December 2000. **TI** Investment Under Uncertainty -- The Case of Repeated Investment Options. **AU** Malchow-Moller, Nikolaj; Thorsen, Bo Jellesmark. **AA** Malchow-Moller: University of Aarhus. Thorsen: Royal Veterinary and Agricultural University. **SR** Aarhus Department of Economics Working Paper: 2000/15; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 21. **PR** no charge. **JE** D91, D92, O31. **KW** Geometric BM. Indivisibility. Investment. Irreversibility. Repeated Options. Replacement. Uncertainty.

**AB** This paper considers optimal investment behavior when investment options evolve deterministically or stochastically over time and investments are irreversible and indivisible. It extends the standard investment-under-uncertainty set-up with a single investment option to the case of repeated options. Analytical solutions are derived for the deterministic case and for the case of a geometric Brownian motion. It is argued that when investment options are repeated, the simple net-present-value rule in general fares better as an investment criterion than the rule derived from the single-option approach. Furthermore, sensitivity analyses reveal that the effects of parameter changes are very different when using the repeated-options approach instead of the single-option approach.

#### Malcomson, James M.

**TI** Performance, Promotion, and the Peter Principle. **AU** Fairburn, James A.; Malcomson, James M.

**PD** October 2000. **TI** General Training by Firms, Apprentice Contracts, and Public Policy. **AU** Malcomson, James M.; Maw, James W.; McCormick, Barry. **AA** Malcomson: University of Oxford. Maw: University of Swansea Wales. McCormick: University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0021; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 47. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** D82, J24, J31, J38, J41. **KW** General Training. Contract Enforceability. Apprenticeships. Regulation. Human Capital.

**AB** Workers will not pay for general on-the-job training if contracts are not enforceable. Firms may if there are mobility

frictions. Private information about worker productivities, however, prevents workers who quit from receiving their marginal products elsewhere. Their new employers then receive external benefits from their training. Training firms increase profits by offering apprenticeships committing them to high wages for trainees retained on completion. At those wages, only good workers are retained, which signals their productivity and reduces the external benefits if they subsequently quit. Regulation of apprenticeship length (a historically important feature) can enhance efficiency, as can appropriate subsidies.

### Maloney, Tim

**TI** The Effects of Class Size on the Long Run Growth in Reading Abilities and Early Adult Outcomes in the Christchurch Health and Development Study. **AU** Booser, Michael; Maloney, Tim.

### Manzini, Paola

**PD** July 1999. **TI** A "Tragedy of the Clubs": Excess Entry in Exclusive Coalitions. **AU** Manzini, Paola; Mariotti, Marco. **AA** Manzini: Queen Mary and Westfield College, London. Mariotti: University of Exeter. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 58/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 40. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C72, C78, D71. **KW** Clubs. Coalition Formation. Multiperson Bargaining. Noncooperative Games.

**AB** We model club formation as a non-cooperative game of coalition formation and surplus division. We show how social norms and individual rationality sustain a particular form of collective inefficiency, namely excessive entry in the joint production and exploitation of an excludable good. We term this phenomenon the "tragedy of the clubs". The tragedy of the clubs is a pervasive equilibrium phenomenon.

### Maravall, Agustin

**TI** An Application of TRAMO-SEATS: Changes in Seasonality and Current Trend-Cycle Assessment. The German Retail Trade Turnover Series. **AU** Kaiser, Regina; Maravall, Agustin.

**TI** Notes on Time Series Analysis, ARIMA Models and Signal Extraction. **AU** Kaiser, Regina; Maravall, Agustin.

**PD** October 2000. **TI** An Application of TRAMO-SEATS: Model Selection and Out-of-Sample Performance. The Swiss CPI Series. **AU** Maravall, Agustin; Sanchez, Fernando J. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0014; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: www.bde.es/doctrab/doctrab.htm. **PG** 32. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C22, C49, C51, C82, C87, E39. **KW** Time Series. ARIMA Models. Seasonal Adjustment. Trend Estimation. Outliers.

**AB** This paper applies the programs TRAMO (Time Series Regression with ARIMA Noise, Missing Observations and Outliers) and SEATS (Signal Extraction in ARIMA Time Series) to seasonal adjustment of the Swiss monthly Consumer Price Index. It is shown how the results of the purely automatic procedure can be improved with two simple modifications: one that emerges from the TRAMO-SEATS diagnostics, and

another that uses "a-priori" information. In particular, the SEATS output is used to select a model among the ones that are equally compatible with the sample. Identification and estimation is done for data finishing in May 1999, and 10 additional observations are used to illustrate the out-of-sample performance of the TRAMO-SEATS procedure.

### Marin, Dalia

**TI** Human Capital and Macroeconomic Growth: Austria and Germany 1960- 1997 -- An Update. **AU** Koman, Reinhard; Marin, Dalia.

### Mariotti, Marco

**TI** A "Tragedy of the Clubs": Excess Entry in Exclusive Coalitions. **AU** Manzini, Paola; Mariotti, Marco.

### Markandya, Anil

**TI** Measuring the Indirect Costs and Benefits of Greenhouse Gas Mitigation Options: A Methodology and a Case Study from Hungary. **AU** Hunt, Alistair; Mason, Pamela; Markandya, Anil.

### Marsiliani, Laura

**PD** November 1999. **TI** Time Inconsistency in Environmental Policy: Tax Earmarking as a Commitment Solution. **AU** Marsiliani, Laura; Renstrom, Thomas I. **AA** CentER for Economic Research, Tilburg University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 76/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 23. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D62, D72, E62, H20, Q28. **KW** Tax Earmarking. Fiscal Policy. Redistributive Taxation. Time Inconsistency. Environmental Policy.

**AB** Tax earmarking imposes a constraint on government policymaking, and may be desirable if it solves a time-inconsistency problem in tax policy. In a two-period economy, in which the policy decisions regarding taxes, public goods provision, and pollution abatement are taken by a majority-elected individual, we show how the time-inconsistency problem in environmental policy arises. We demonstrate that the commitment equilibrium under no earmarking rules cannot be as fully implemented as a no-commitment equilibrium under earmarking rules. However, the earmarking rules do act as a partial commitment mechanism.

### Martin, Philippe

**PD** July 2000. **TI** Financial Super-Markets: Size Matters for Asset Trade. **AU** Martin, Philippe; Rey, Helene. **AA** Martin: CERAS-ENPC, Paris, and CEPR. Rey: LSE and CEPR. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/110; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: www.haas.berkeley.edu/iber/wps/ciderwp.htm. **PG** 28. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** F12, F41, G12. **KW** International Economics. Macroeconomics. Asset Trade. Transaction Costs. Incomplete Markets.

**AB** This paper presents a new theoretical framework to analyze financial markets in an international context. We build a two-country macroeconomic model in which agents are risk averse, assets are imperfect substitutes, the number of financial

assets is endogenous, and cross-border asset trade entails transaction costs. We show that demand effects have important implications for the link between market size, asset prices and financial market development. These effects are consistent with the existing empirical evidence. Due to co-ordination failures, the extent of financial market incompleteness is inefficiently high. We also analyze the impact of domestic transaction costs and issuing costs on financial markets and returns.

### Martin, Ron

**PD** September 2000. **TI** EMU Versus the Regions? Regional Convergence and Divergence in Euroland. **AA** University of Cambridge. **SR** University of Cambridge. **ESRC** Centre for Business Research Working Paper: WP179; **ESRC** Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 54. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F02, J61, R11, R12. **KW** EMU. Regions. Convergence. Divergence. Productivity. Employment.

**AB** Opinion is sharply divided over whether EMU is leading to regional economic convergence or regional economic divergence. This paper examines the theoretical arguments and empirical evidence for these opposing views, and presents some additional analysis of patterns of regional productivity trends and employment growth over the period 1975-1998. The picture that emerges is a complex one: whilst worker productivity shows only very weak convergence across the EU regions (a process which halted altogether after the mid-1980s), regional employment growth has been sharply divergent.

### Martinez Pages, Jorge

**TI** Credit Growth, Problem Loans and Credit Risk Provisioning in Spain. **AU** Fernandez de Lis, Santiago; Martinez Pages, Jorge; Saurina, Jesus.

### Mason, Pamela

**TI** Measuring the Indirect Costs and Benefits of Greenhouse Gas Mitigation Options: A Methodology and a Case Study from Hungary. **AU** Hunt, Alistair; Mason, Pamela; Markandya, Anil.

### Masson, Paul

**PD** July 2000. **TI** Fiscal Policy and Growth in the Context of European Integration. **AA** Brookings Institution. **SR** International Monetary Fund Working Paper: WP/00/133; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 31. **PR** not available. **JE** F22, H11, R51. **KW** European Union. Fiscal Federalism. Tax Competition. Social Security.

**AB** The paper considers the issue of whether a supranational fiscal policy in Europe is needed, and, if so, what responsibilities it should undertake. The literature on endogenous growth and the principle of subsidiarity suggest that such a policy should be limited to externalities or economies of scale not captured at the national level. These may include spending on research and development and transportation or knowledge networks, and harmonization of social security designed to enhance labor mobility. EU-wide stabilization policy or enhanced EU redistribution does not seem justified, however.

**PD** July 2000. **TI** Exchange Rate Regime Transitions. **AA** Brookings Institution. **SR** International Monetary Fund Working Paper: WP/00/134; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 17. **PR** not available. **JE** C15, F31, F33. **KW** Exchange Rates. Regimes. Pegs. Floating.

**AB** The "hollowing-out," or "two poles" hypothesis is tested in the context of a Markov chain model of exchange rate transitions. In particular, two versions of the hypothesis-that hard pegs are an absorbing state, or that fixes and floats form a closed set, with no transitions to intermediate regimes-are tested using two alternative classifications of regimes. While there is some support for the lack of exits from hard pegs (i.e., that they are an absorbing state), the data generally indicate that the intermediate cases will continue to constitute a sizable proportion of actual exchange rate regimes.

### Mateos-Planas, Xavier

**PD** December 2000. **TI** Schooling and Distortions in a Vintage Capital Model. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0030; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 40. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** F43, I21, O10, O33, O40. **KW** Learning by Doing. Education. Technology Adoption. Income Levels. Growth.

**AB** This paper integrates the analysis of choices on education and on technology adoption to study international economic disparities. Two candidate explanations are considered: differences in distortions that affect the cost of technology adoption and differences in the effectiveness of schools. The implications of these two factors for differences in output per capita, educational attainment, and the age of technologies across-countries are assessed in a vintage capital model with technology-specific learning-by-doing. Predictions are obtained for a parameterized economy that matches US aggregate observations and evidence on learning. Differences in investment distortions produce plausible correlations only if the major role of education is to improve the ability to learn technologies. On the other hand, differences in school effectiveness produce plausible results only if the role of education is to provide a productive ability that is independent of learning.

**PD** December 2000. **TI** The European Demographic Transition. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0031; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 52. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** I12, J11, J13, N30, O40. **KW** Altruism. Growth. Demographic Transition. Mortality. Fertility.

**AB** This paper investigates the factors that have shaped the demographic transition in some European countries since the mid 18th century. The analytical framework is a version of the neoclassical model of growth with dynastic preferences calibrated to match the Swedish experience. This set up is studied quantitatively to assess the contribution of mortality changes, technological progress, and the evolution of the cost of children to the explanation of the observed demographic patterns, both over time and across Sweden, England, and

France. The analysis suggests that the contribution of observed mortality rates and technology is only partial. A substantial part of the demographic-transition facts must be attributed to unobservable variation in the cost of children, both over time and across countries.

**PD** December 2000. **TI** Creative Destruction and Public Policy in a Vintage Model of Endogenous Growth. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0032; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 37. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** F13, H25, O31, O38, O40. **KW** Endogenous Growth. Obsolescence. Growth Policies. Technological Change. Productivity.

**AB** This paper extends a model of endogenous growth through the introduction of a productivity-augmenting component of knowledge that makes new technologies more productive than older vintages. The paper characterizes equilibrium transitional and long-run properties for the economy. The phenomenon of creative destruction, or obsolescence, of technologies underlies the growth process. In this set up, the growth-effects of various policies are analyzed. These policies include vintage-specific subsidies to firms that produce final output, a general lump-sum tax on final output firms, and openness to trade with a less developed country. The results show the existence of growth effects that are absent in previous literature.

**PD** December 2000. **TI** Technology Adoption with Finite Horizons. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0033; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 29. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** L20, O31, O32, O33. **KW** Technology Adoption. Learning by Doing. Sunk Costs. Innovation. Technological Change.

**AB** This paper analyzes the optimal sequence of technology upgrades by a firm that lives for a finite period of time. Other characteristics of the environment are the existence of technology-specific learning-by-doing, technology growth, and sunk costs. A finite planning horizon implies that the technology adoption problem is non-stationary and the frequency of adoptions changes over time. This paper provides results for the computation of the optimal plan and explores numerically the life-cycle pattern of technology switches.

#### **Mathieson, Donald J.**

**TI** The Currency Composition of Foreign Exchange Reserves: Retrospect and Prospect. **AU** Eichengreen, Barry; Mathieson, Donald J.

#### **Mauro, Paolo**

**PD** May 2000. **TI** Stock Returns and Output Growth in Emerging and Advanced Economies. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/89; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 34. **PR** not available. **JE** E44, G15. **KW** Leading Indicators. Stock Markets. Emerging Markets.

**AB** This paper studies the correlation between output growth and lagged stock returns in a panel of emerging market economies and advanced economies. It finds that the correlation is as strong in emerging market economies as in advanced economies. Asset prices therefore contain valuable information to forecast output also in emerging market economies. Moreover, the paper finds that the strength of the correlation between output growth and lagged stock returns is significantly related to a number of stock market characteristics, such as the number of listed domestic companies and initial public offerings and, especially, a high market capitalization to GDP ratio and English legal origin.

#### **Mavroidis, Petros C.**

**TI** The International Dimension of the Antitrust Practice in Poland, Hungary and the Czech Republic. **AU** Neven, Damien J.; Mavroidis, Petros C.

**TI** The Modernisation of EU Competition Policy: Making the Network Operate. **AU** Neven, Damien J.; Mavroidis, Petros C.

**PD** September 1999. **TI** International Competition Rules: The Existing Framework. **AA** University of Neuchatel, Switzerland. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 70/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 7. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** F13, K33, L40. **KW** International Competition. Competition Policy. Commercial Policy. Antitrust.

**AB** This paper argues that externalities stemming from inadequate use of domestic competition laws are hard to measure and if at all that practice shows that they are rather unimportant. On the other hand, the existing framework (unilateral/bilateral/multilateral), if used properly, can provide at least some answers to the questions raised by proponents of international competition rules. The next logical question would be why is the current system not used then? Even if good arguments can be advanced justifying the reticence of states to take recourse to the existing framework, the careful study of what exists will help interested parties to avoid the same mistakes in the future shaping of international competition rules. The paper adopts as a working hypothesis the agenda of the proponents of international competition rules and then tries to "match" the proposed agenda against the existing framework. It concludes that clarifications may be needed as far as the expression of current rules is concerned but, most importantly, that proponents of international competition rules should care more about the shaping of institutions to deal with those issues, rather than take it for granted that the existing multilateral framework can aptly accomplish the task.

#### **Maw, James W.**

**TI** General Training by Firms, Apprentice Contracts, and Public Policy. **AU** Malcomson, James M.; Maw, James W.; McCormick, Barry.

#### **McCallum, Bennett T.**

**PD** April 1999. **TI** Role of the Minimal State Variable Criterion. **AA** Carnegie Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 7087; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website:

www.nber.org. PG 29. PR \$5.00. JE C32, C63, E31, E52. KW Minimal State Variable. Rational Expectations. Bubbles. Saddle Path. Monetary Policy.

**AB** This paper concerns the minimal state variable (MSV) criterion for selection among solutions in rational expectations (RE) models that feature a multiplicity of paths that satisfy all of the model's conditions. It compares the MSV criterion with others that have been proposed, including the widely used saddle path (or dynamic stability) criterion. It is emphasized that the MSV criterion can be viewed as a classification scheme that delineates the unique solution that is free of bubble or sunspot components. This scheme is of scientific value as it (a) yields a single solution upon which a researcher can focus attention if desired and (b) provides the basis for a substantive hypothesis that actual market outcomes are generally of a bubble-free nature. In the process of demonstrating uniqueness of the MSV solution for a broad class of linear models, the paper exposit a convenient and practical computational procedure. Also, several applications to current issues regarding monetary policy are outlined.

**PD** April 1999. **TI** Recent Developments in Monetary Policy Analysis: The Roles of Theory and Evidence. **AA** Carnegie Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 7088; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 34. **PR** \$5.00. **JE** B-41, E32, E52, E58, E61. **KW** Monetary Policy. Monetary Economics. Real Business Cycles. Economic Methodology.

**AB** The present paper considers whether the various changes that have taken place since 1971-1973 in both academic thinking about monetary economics and the practice of monetary policy were influenced primarily by economic theory or by empirical evidence -- or by a combination of the two. Monetary economics like macroeconomics more generally, passed through the rational expectations period into one dominated by real business cycle (RBC) analysis, which denies monetary policy any significant role in the generation or the dampening of cyclical fluctuations in crucial real variables. Recently, however, the analysis of monetary policy by both academic and central bank economists has been increasingly conducted in small quantitative structural models that combine the optimizing aspect of RBC analysis with various assumptions implying real effects of monetary policy actions due to slow adjustment of nominal prices. These models therefore attempt to combine rather strict theoretical discipline with features that permit an enhanced degree of empirical veracity. It is apparent, accordingly, that both theoretical and empirical analysis have been essential in bringing about alterations in monetary policy analysis between 1971- 1973 and 1998.

#### **McClellan, Mark**

**TI** Pricing Heart Attack Treatments. **AU** Cutler, David M.; McClellan, Mark; Newhouse, Joseph P.; Remler, Dahlia.

#### **McCormick, Barry**

**PD** September 2000. **TI** Did Public Wage Premiums Fuel Agglomeration in LDCs? **AU** McCormick, Barry; Wahba, Jackline. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0020; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017

1BJ, England. Website: www.soton.ac.uk. **PG** 33. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** J45, J61, J68, R12, R23. **KW** Public Sector. Agglomeration. Migration. Development. Wage Premiums.

**AB** We build and test a model of how the growth of public jobs with wage premiums may help to explain the high and potentially inefficient level of urbanization in LDCs. The Harris-Todaro model suggests that wage premiums induce inefficient agglomeration, and assumes that wage premium jobs are allocated to favor local residents. In our two-region general equilibrium model, the existence of spatial mobility costs are shown to be sufficient for wage premiums to result in inefficient agglomeration in regions that are allocated wage premium jobs. This weakens the assumptions under which wage premiums promote agglomeration, and extends the idea to LDCs, where public jobs have, until recent reforms, offered substantial wage premiums, but are not allocated so as to favor local residents. We explore our hypothesis using Egyptian data and find that public jobs' growth has substantially altered the pattern of regional mobility and population shares, in a way that is consistent with this theory of agglomeration due to wage premiums and mobility friction.

**TI** General Training by Firms, Apprentice Contracts, and Public Policy. **AU** Malcomson, James M.; Maw, James W.; McCormick, Barry.

#### **McDill, Kathleen**

**TI** Are All Banking Crisis Alike? The Japanese Experience in International Comparison. **AU** Hutchison, Michael; McDill, Kathleen.

#### **Mckenzie, David**

**PD** May 2001. **TI** Consumption Growth in a Booming Economy: Taiwan 1976-96. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 823; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: www.library.yale.edu/socsci/egcpage.html. **PG** 28. **PR** \$2.00 plus postage. **JE** C23, E21, O12, O16.

**KW** Consumption Growth. Pseudo-Panel. Prudence. Taiwan. **AB** Consumption and income have both grown rapidly in Taiwan over the past forty years, with younger birth cohorts experiencing faster growth. The long upward trend in consumption presents a strong challenge to the consumption smoothing predictions of the Permanent Income Hypothesis. We investigate the extent to which consumption theory can account for this trend in an environment where a large majority of households have high savings rates. Household survey data from 1976-96 are used to estimate dynamic pseudo-panel models with inter-cohort heterogeneity. We evaluate the impacts on consumption of migration, mortality, household composition, liquidity constraints, unanticipated aggregate shocks, hyperbolic discounting, habit formation and precautionary saving. Taiwanese consumption growth is found to result from high levels of prudence, with the faster consumption growth of younger cohorts attributed to their greater participation in industries with more earnings risk.

#### **McKinsey, James W., Jr.**

**PD** August 1999. **TI** Technology -- Climate Interactions in the Green Revolution in India. **AU** McKinsey, James W., Jr.; Evenson, Robert E. **AA** McKinsey; Bryant College.



Evenson: Yale University. **SR** Yale Economic Growth Center Discussion Paper: 805; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 20.

**PR** \$2.00 plus postage. **JE** O32, O53. **KW** Green Revolution. India. HYV. Rice. Wheat. Agricultural Research.

**AB** This paper present a model of the Green Revolution in India, in which the development and diffusion of HYVs, the expansion of irrigation and the expansion of multiple-cropping are treated as endogenous responses to more basic investments in agricultural technology and infrastructure, as well as to climate and edaphic endowments. We incorporate explicit climate-technology interactions in the model, in order to identify climate effects on the diffusion of HYVs, irrigation and multiple-cropping, and on net revenue to agriculture. We find that climate affects technology development and diffusion, and that technology development and diffusion affect the impacts of climate on agricultural productivity in India.

**Meissner, Chris**

**TI** Exchange-Rate Regimes and International Trade: Evidence from the Classical Gold Standard Era. **AU** Lopez-Cordova, J. Ernesto; Meissner, Chris.

**Meitinger, Ingo**

**TI** The TRIPs Agreement Without a Competition Agreement? **AU** Cottier, Thomas; Meitinger, Ingo.

**Melvin, Michael**

**TI** Japan's Big Bang and the Transformation of Financial Markets. **AU** Ito, Takatoshi; Melvin, Michael.

**Menzies, Gordon Douglas**

**PD** October 2000. **TI** Debt Forgiveness: The Case for Hyper-Incentive Contracts. **AA** Jesus College, Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 37; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 26. **PR** no charge. **JE** F34, F35. **KW** Debt Overhang. Debt Forgiveness. Optimal Contracts. Moral Hazard.

**AB** We review two proposals for debt forgiveness; the Highly Indebted Poor Country Initiative (HIPC) and the Jubilee 2000 Coalition Initiative (J2K). We then consider the workhorse model of debt forgiveness (Krugman 1988). We show that the workhorse model solution is a sub-optimal contract, where the incentive parameter is set without regard to the cost of effort. A fully-optimal debt-overhang contract is derived, with an incentive parameter greater than the marginal social benefit of extra effort. The so-named Hyper-Incentive Contract eliminates the effects of moral hazard arising from hidden effort, and provides a fuller rationale for case-by-case debt-overhang contracts.

**Metcalfe, Gilbert E.**

**TI** A Tax on Output of the Polluting Industry is not a Tax on Pollution: The Importance of Hitting the Target. **AU** Fullerton, Don; Hong, Inke; Metcalfe, Gilbert E.

**Michaelowa, Axel**

**PD** July 1999. **TI** Early Crediting of Emissions Reduction -- A Panacea or Pandora's Box? **AU** Michaelowa, Axel;

Stronzik, Marcus. **AA** Michaelowa: Hamburg Institute for Economic Research, Germany. Stronzik: Centre for European Economic Research, Germany. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 48/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 13. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D61, K32, K33, Q25, Q28. **KW** Early Crediting. Emissions Trading. Joint Implementation. Clean Development. Climate Change.

**AB** The Kyoto Protocol sets legally binding emission targets for industrialized countries without accounting for reductions carried out prior to 2008, the beginning of the first commitment period. There exists only one exception, the project-based Clean Development Mechanism where credits accrue from 2000. Two other possible ways to allow crediting for early reductions are discussed in this paper, a domestic scheme and early Joint Implementation. Part of the emission budget is allocated to entities that prove pre-2008 emission reduction. The implications of these concepts are analyzed on a macro as well as on a micro level taking the domestic and international commitments into account.

**Milesi-Ferretti, Gian Maria**

**TI** External Capital Structure: Theory and Evidence. **AU** Lane, Philip R.; Milesi-Ferretti, Gian Maria.

**Miranda, Diego**

**TI** Decentralization in Argentina. **AU** Ranis, Gustav; Habibi, Nadir; Huang, Cindy; Miranda, Diego; Murillo, Victoria; Sarkar, Mainak; Stewart, Frances.

**TI** Decentralization in Argentina. **AU** Ranis, Gustav; Habibi, Nadir; Huang, Cindy; Miranda, Diego; Murillo, Victoria; Sarkar, Mainak; Stewart, Frances.

**Mishkin, Frederic S.**

**PD** April 1999. **TI** Lessons from the Asian Crisis. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 7102; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 22. **PR** \$5.00. **JE** D82, F31, F32, F33, F36. **KW** Financial Crises. Asymmetric Information. Lender of Last Resort. Capital Flows. Foreign Exchange.

**AB** This paper provides an asymmetric information analysis of the recent East Asian crisis. It then outlines several lessons from this crisis. First, there is a strong rationale for an international lender of last resort. Second, without appropriate conditionality for this lending, the moral hazard created by operation of an international lender of last resort can promote financial instability. Third, although capital flows did contribute to the crisis, they are a symptom rather than an underlying cause of the crisis, suggesting exchange controls are unlikely to be a useful strategy to avoid future crises. Fourth, pegged exchange-rate regimes are a dangerous strategy for emerging market countries and make financial crises more likely.

**Mitchell, Olivia S.**

**TI** Worklife Determinants of Retirement Income Differentials Between Men and Women. **AU** Levine, Phillip B.; Mitchell, Olivia S.; Phillips, John W.

**Mitina, Elena**

**TI** Financing Firm Start-up and Restructuring in Transition Countries: Evidence from Belarus, the Ukraine and Russia. **AU** Bilsen, Valentijn; Mitina, Elena.

**Mocan, H. Naci**

**TI** The Supply of Quality in Child Care Centers. **AU** Blau, David M.; Mocan, H. Naci.

**Modigliani, Franco**

**PD** May 1999. **TI** Security Versus Bank Finance: The Importance of a Proper Enforcement of Legal Rules. **AU** Modigliani, Franco; Perotti, Enrico C. **AA** Modigliani: MIT. Perotti: University of Amsterdam and CEPR. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 37/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 22. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** G15, G21, G32, K22, K42. **KW** Financial System. Enforcement of Law. Investor Protection. Corporate Finance. Banking.

**AB** We argue that in an unreliable enforcement regime, transactions tend to become intermediated through institutions or concentrated among agents bound by some form of private enforcement. Provision of funding shifts from risk capital to debt, and from markets to institutions with long term relations. When minority investors' rights are poorly protected, the ability of firms to raise equity capital is impaired, leading to less finance for new risky ventures. More generally, fewer firms will be financed with outside equity, resulting in a low capitalization relative to GNP and a predominance of internal (unlisted) equity and bank lending over traded securities.

**Mody, Ashoka**

**TI** Would Collective Action Clauses Raise Borrowing Costs? An Update and Additional Results. **AU** Eichengreen, Barry; Mody, Ashoka.

**Molina, Luis**

**TI** Fiscal Discipline & Exchange Rate Regimes: A Case for Currency Boards? **AU** Alberola, Enrique; Molina, Luis.

**Monks, James**

**PD** July 1999. **TI** The Impact of U.S. News & World Report College Rankings on Admission Outcomes and Pricing Decisions at Selective Private Institutions. **AU** Monks, James; Ehrenberg, Ronald G. **AA** Monks: Consortium on Financing Higher Education. Ehrenberg: Cornell Higher Education Research Institute and NBER. **SR** National Bureau of Economic Research Working Paper: 7227; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 10. **PR** \$5.00. **JE** I21, I22. **KW** College Admissions. Universities. Academic Rankings. Education.

**AB** Despite the widespread popularity of the U.S. News & World Report College rankings, there has been no empirical analysis of the impact of these rankings on applications, admissions, and enrollment decisions, as well as on institutions' pricing policies. Our analyses indicate that a less favorable rank leads an institution to accept a greater percentage of its applicants, a smaller percentage of its admitted applicants matriculate, and the resulting entering class is of lower quality, as measured by its average SAT scores. While tuition levels are

not responsive to less favorable rankings, institutions offer less visible price discounts in the form of slightly lower levels of expected self-help (loans and employment opportunities) and significantly more generous levels of grant aid. These decreases in net tuition are an attempt to attract additional students from their declining applicant pool.

**Montanes, Antonio**

**TI** Measurement Errors and Outliers in Seasonal Unit Root Testing. **AU** Haldrup, Niels; Montanes, Antonio; Sanso, Andreu.

**Montini, Massimiliano**

**PD** September 1999. **TI** Globalisation and International Antitrust Co-Operation. **AA** Fondazione Eni Enrico Mattei and University of Siena. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 69/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 20. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** F13, F42, K21, K33, L40. **KW** Globalization. Antitrust. International Cooperation. Competition Law. Commercial Policy.

**AB** Since the conclusion of the Uruguay Round and the establishment of the World Trade Organization (WTO), the attention of many scholars has focused on the trade and competition interplay. There is a growing awareness that trade and competition law and policies that for ages have been dealt with by separate bodies in different ways by most countries around the world, and which up to now have not received enough attention at the international level, should start being considered under the same global perspective. The basic assumption for the trade and competition debate is that trade and competition policies should become mutually supportive. However, up to now various attempts to reconcile at the international level the establishment of common competition law principles with the development of a new globalized trading regime have dramatically failed, and the only limited results that have been achieved are in the limited area of bilateral cooperation agreements. The present paper will investigate which are the concrete options for the development of a genuine multilateral cooperation in the field of competition law and policy, possibly within the framework of the WTO.

**Mookherjee, Dilip**

**PD** June 2000. **TI** Contractual Structure and Wealth Accumulation. **AU** Mookherjee, Dilip; Ray, Debraj. **AA** Mookherjee: Boston University. Ray: New York University and CSIC. **SR** Boston University, Institute for Economic Development Discussion Paper: 107; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: [www.bu.edu/econ/ied/](http://www.bu.edu/econ/ied/). **PG** 37. **PR** \$4.00. **JE** D31, D91, I32, O17, Q15. **KW** Poverty Traps. Credit Constraints. Savings. Moral Hazard. Inequality.

**AB** This paper examines whether historical wealth distributions can affect long run output and distribution despite rational saving behavior and absence of any technological nonconvexities or externalities. We consider a model of equilibrium short period financial contracts, where poor agents face credit constraints owing to moral hazard and limited liability. If agents have no bargaining power, poor agents have no incentive to save and poverty traps emerge; 'history' matters and the long run wealth distribution becomes polarized into two classes, with no middle class nor any interclass mobility. If

instead the market is 'competitive' and agents have all the bargaining power, strong saving incentives are generated: the wealth of poor and rich agents alike drift upward indefinitely and 'history' does not matter in the long run.

**PD** November 2000. **TI** Persistent Inequality. **AU** Mookherjee, Dilip; Ray, Debraj. **AA** Mookherjee: Boston University. Ray: New York University and CSIC. **SR** Boston University, Institute for Economic Development Discussion Paper: 108; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: [www.bu.edu/econ/ied/](http://www.bu.edu/econ/ied/). **PG** 51. **PR** \$4.00. **JE** D91, O15. **KW** Inequality. Imperfect Credit Markets. History Dependence. Multiple Steady States.

**AB** This paper studies the persistence of inequality and lack of intergenerational mobility in a human capital accumulation model with perfect certainty, missing credit markets, endogenous training costs and dynastic utility maximization by households. Persistent inequality and immobility in steady states arise under general conditions, irrespective of the divisibility of human capital. The multiplicity of steady states, however, does require indivisibilities in human capital, and widens in the presence of alternative forms of nonhuman wealth. Convergence to steady states and the comparative dynamic effects of redistributive policies are studied in a two occupation context.

**TI** Relative Capture of Local and Central Governments: An Essay in the Political Economy of Decentralization. **AU** Bardhan, Pranab; Mookherjee, Dilip.

### Morales, R. Armando

**PD** May 2000. **TI** Czech Koruna and Polish Zloty Currency Options: Information Content and EU-Accession Implications. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/91; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 36. **PR** not available. **JE** C22, F31, F36, G13. **KW** Exchange Rate. Volatility. Eastern Europe. Euro. Options. Integration.

**AB** Currency option implied volatility predicts exchange rate volatility more efficiently for the Polish zloty relative to the Czech koruna, reflecting differences in the frequency of central bank intervention in the foreign exchange market. A GARCH model shows a positive impact of the introduction of the Euro on exchange rate volatility for the Polish zloty (negative for the Czech koruna), related to its larger exposure to external shocks. For countries in transition to Euro integration, the implied trade-off between isolation from shocks and efficient signaling must be addressed based on the risk of exchange rate misalignment at the time of monetary conversion.

### Moretto, Michele

**TI** Dynamic Uncertainty and Global Warming Risk. **AU** Bosello, Francesco; Moretto, Michele.

### Mukerji, Sujoy

**PD** July 2000. **TI** Ambiguity Aversion and the Absence of Indexed Debt. **AU** Mukerji, Sujoy; Tallon, Jean-Marc. **AA** Mukerji: University of Oxford. Tallon: Universite Paris I. **SR** University of Oxford, Department of Economics Discussion Paper: 28; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 26.

**PR** no charge. **JE** D23, D82. **KW** Choquet Expected Utility. Ambiguity Aversion. Knightian Uncertainty. Contracts. Indexed Bonds. Indexation.

**AB** If agent's (subjective) beliefs are ambiguous then the beliefs may not be represented by a unique probability distribution in the standard Bayesian fashion but instead by a set of probabilities. Roughly put, an ambiguity averse decision maker evaluates an act by the minimum expected value that may be associated with it. In spite of wide and long-standing support among economists for indexation of loan contracts there has been relatively little use of indexation, except in situations of extremely high inflation. The object of this paper is to provide a (theoretical) explanation for this puzzling phenomenon based on the hypothesis that economic agents are ambiguity averse. The present paper considers a competitive general equilibrium model of goods, money and bond markets populated by agents with Choquet expected utility preferences, where both nominal and indexed bonds are available for trade and prices of all goods and bonds are determined endogenously. We obtain conditions that promote an endogenous cessation of trade in indexed bonds: i.e., conditions under which there is no trade in indexed bonds in any equilibrium; only nominal bonds are traded.

### Mullainathan, Sendhil

**TI** Agents With and Without Principals. **AU** Bertrand, Marianne; Mullainathan, Sendhil.

**TI** Do CEOs Set Their Own Pay? The Ones Without Principals Do. **AU** Bertrand, Marianne; Mullainathan, Sendhil.

### Mumssen, Christian

**TI** Determinants of Barter in Russia: An Empirical Analysis. **AU** Commander, Simon; Dolinskaya, Irina; Mumssen, Christian.

### Munch, Jakob Roland

**PD** January 2001. **TI** Mortality and Socio-Economic Differences in a Competing Risks Model. **AU** Munch, Jakob Roland; Svarer, Michael. **AA** Munch: Danish Economic Council. Svarer: University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/01; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 23. **PR** no charge. **JE** C41, I12. **KW** Mortality. Competing Risks Duration Model.

**AB** This paper presents evidence on how mortality in Denmark is related to different socio-economic indicators. By use of unique and extensive sample of the Danish population, we examine how mortality is related to factors such as education, occupation, skill level and income for the years 1992-97. We employ a competing risks proportional hazard model to allow for different causes of death. This turns out to be of importance as some factors have unequal (and sometimes opposite) influence on the cause-specific mortality rates. Particularly, we find that the often found inverse correlation between socio-economic status and mortality to a large degree is absent for women that die due to cancer.

### Munoz, Sonia

**PD** July 2000. **TI** The Breakdown of Credit Relations Under Conditions of a Banking Crisis: A Switching Regime

Approach. **AA** London School of Economics. **SR** International Monetary Fund Working Paper: WP/00/135; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 24. **PR** not available. **JE** C35, E44, E52, G21. **KW** Bank Credit. Banking Crises. Monetary Instruments.

**AB** This paper empirically analyzes the effects of a banking crisis on bank credit to the private sector for a panel of developing, developed, and transition economies for the period 1970-1998. The model illustrates how the behavior of the bank credit function changes during a banking crisis, reflecting a generalized disruption in the stability of behavioral parameters. Usual links such as interest rate signaling for lending, and synergy between deposits and loans, fall apart. Moreover, this study gives support to Third Generation Models in their ability to predict banking crises. Based on the empirical findings, the paper then provides policy implications for monetary policy.

### Murnane, Richard J.

**PD** April 1999. **TI** Do the Cognitive Skills of School Dropouts Matter in the Labor Market? **AU** Murnane, Richard J.; Tyler, John H.; Willet, John B. **AA** Murnane: Harvard Graduate School of Education and NBER. Tyler: Brown University. Willet: Harvard Graduate School of Education. **SR** National Bureau of Economic Research Working Paper: 7101; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 15. **PR** \$5.00. **JE** I21, J24, J31. **KW** Human Capital. Education. Cognitive Skills. Wages. High School Dropouts.

**AB** Does the U.S. labor market reward cognitive skill differences among high school dropouts, the members of the labor force with the least educational attainments? This paper reports the results of an exploration of this question, using a new data set that provides information on the universe of dropouts who last attempted the GED exams in Florida and New York between 1984 and 1990. The design of the sample reduces variation in unmeasured variables such as motivation that are correlated with cognitive skills. We examine the labor market returns to basic cognitive skills as measured by GED test scores. We explore whether the returns differ by gender and race. The results indicate quite large earnings returns to cognitive skills for both male and female dropouts, and for white and non-white dropouts. The earnings payoff to skills increases with age.

### Musinguzi, Polycarp

**PD** August 2000. **TI** Saving and Borrowing in Rural Uganda. **AU** Musinguzi, Polycarp; Smith, Peter. **AA** Musinguzi: Bank of Uganda. Smith: University of Southampton. **SR** University of Southampton. Discussion Paper in Economics and Econometrics: 0016; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton SO17 1BJ, England. Website: www.soton.ac.uk. **PG** 20. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** I32, O16, O55. **KW** Uganda. Sub-Saharan Africa. Poverty. Saving. Financial Markets.

**AB** Sub-Saharan Africa has languished in recent decades -- a period in which countries elsewhere in the world (especially in East and Southeast Asia) have made substantial progress in terms of economic and human development. It is widely recognized that high levels of savings, together with

investments in physical and human capital, have been among a number of key factors that have led to such success. Uganda is an economy in sub-Saharan Africa that has shown some promise of success in the 1990s. It is enjoying macroeconomic stability and a rapid rate of economic growth. However, in some other respects, the country retains features that give cause for concern for future development. Poverty in the rural areas remains widespread, and the domestic savings rate is amongst the lowest in the world. Drawing on the results of a survey carried out in 1997, this paper explores the reasons underlying the persistence of poverty in rural Uganda, and investigates aspects of saving and borrowing behavior in households. The potential role of microcredit arrangements in alleviating poverty (and in generating a flow of savings) is examined, and the conditions that may favor success in the operation of microcredit schemes are evaluated.

### Mwabu, Germano

**TI** The Effects of Agricultural Extension on Farm Yields in Kenya. **AU** Evenson, Robert E.; Mwabu, Germano.

### Nachum, Lilach

**PD** March 2000. **TI** Foreign and Indigenous Firms in the Media Cluster of Central London. **AU** Nachum, Lilach; Keeble, David. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP154; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 45. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F23; M21; M37. **KW** TNCs. Clusters. Media Industries.

**AB** This study uses the comparison between foreign and indigenous firms in localized clusters to gain insights into the behavior of the former in clusters. In-depth study of 49 foreign and indigenous media firms in the Soho district of Central London suggests a combination of differences and similarities between them in terms of their cluster behavior and the benefits they draw from their cluster participation. The major factor determining these differences and similarities is the extent to which internal linkages within TNCs substitute for cluster linkages.

**PD** June 2000. **TI** World Market Shares of Advertising TNCs: Intangible Comparative Advantage? **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP169; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 38. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F23, M21, M37. **KW** Intangible Advantage. Comparative Advantage. Competitiveness. Advertising. National Origin.

**AB** This study examines the link between the comparative location advantages of countries and the competitive position of national firms in world markets in industries in which competitive advantages are based entirely on intangible assets, which are not physically tied to any particular location. A model connecting world market shares as the explanatory variable with a set of potentially significant country intangible location advantages is tested on the advertising industry between 1977 and 1999. The findings show that the location

advantages of home countries possess significant explanatory power for the country patterns in advertising. The paper concludes by drawing implications of these findings for firms and policy makers.

**PD** September 1999. **TI** Neo-Marshallian Nodes, Global Networks and Firm Competitiveness: The Media Cluster of Central London. **AU** Nachum, Lilach; Keeble, David. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP138; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 37. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** L82, R12. **KW** Media Firms. Clusters. TNCs. Global Linkages.

**AB** The recent emphasis by some business scholars on processes taking place within locally-embedded production systems seems to undervalue the dynamics of global competition and the role played by TNCs in mobilizing tangible and intangible assets across localized clusters. Using the external linkages of firms as the theoretical framework, this paper examines the interplay between global and local influences on the competitiveness of the cluster of media firms in Central London. The main findings are that the locality indeed plays a vital role in influencing the capabilities of these firms, but it is by no means the only relevant geographical area. This localized cluster is bound tightly into world-wide webs of interdependence, with TNCs playing a major role in mediating between local and global linkages. The latter are vital for the ability of the firms studied to compete successfully in international markets.

**PD** December 1999. **TI** The Impact of Home Countries on the Competitiveness of Advertising TNCs. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP149; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 34. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** F23, M21, M37. **KW** International Competitiveness. Transnational Corporations. Advertising. Nationality.

**AB** This study seeks to examine the extent to which home countries affect the competitiveness of firms competing in the international market and how this impact is changing as firms extend their international activity. It links a set of competitive advantages of advertising TNCs from the US, the UK and France with specific conditions in the home markets of these firms, and examines differences in the nature and type of their competitive advantages. The findings suggest that the competitive advantages of advertising TNCs are only partly shaped by the conditions in their country of origin. The impact of home countries weakens as agencies expand their international activity.

### Nadal-De Simone, Francisco

**PD** October 2000. **TI** Forecasting Inflation in Chile Using State-Space and Regime-Switch Models. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/162; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 54. **PR** not available. **JE** C32, E31, E32, E52. **KW** Inflation Forecasting. State-

Space Models. Markov-Switching.

**AB** The paper estimates two time-varying parameter models of Chilean inflation: a Phillips curve model and a small open economy model. Their out-of-sample forecasts are compared with those of simple Box-Jenkins models. The main findings are: forecasts that include the pre-announced inflation target as a regressor are relatively better; the Phillips curve model outperforms the small open economy model in out-of-sample forecasts; and although Box-Jenkins models outperform the two models for short-term out-of-sample forecasts, their superiority deteriorates in longer forecasts. Adding a Markov-switching process to the models does not explain much of the conditional variance of the forecast errors.

### NaRanong, Viroj

**PD** April 1998. **TI** Gender, Credit Constraints, and Education in Rural Thailand. **AA** Thailand Development Research Institute. **SR** Yale Economic Growth Center Discussion Paper: 792; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 30. **PR** \$2.00 plus postage. **JE** J16, J24, O15. **KW** Credit Constraints. Education. Gender. Thailand.

**AB** The study examines the effects of gender and credit constraints on rural students' advancement to secondary education, which is arguably the major bottleneck in Thailand's education system. Credit constraints are measured indirectly through rainfall variation, availability of informal lenders in the village, and household specific variables especially titled land owned by the household. The empirical evidence from two provinces in Northern and Northeastern Thailand, based on the results of probit estimation, consistently confirms that gender differences affect investment in boys' and girls' secondary education differently. However, there are also some indications that the gender effect has been diminishing over time.

### Nash, David

**TI** The Employment Contract: From Collective Procedures to Individual Rights. **AU** Brown, William; Deakin, Simon F.; Nash, David; Oxenbridge, Sarah.

### Nechyba, Thomas J.

**PD** July 1999. **TI** A Model of Multiple Districts and Private Schools: The Role of Mobility, Targeting and Private School Vouchers. **AA** Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7239; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 36. **PR** \$5.00. **JE** H73, I22. **KW** Public Schools. Education Vouchers. School Quality.

**AB** This paper presents a multi-district model that can be calibrated to data reflecting housing market conditions, public school finance mechanisms and private school markets. Simulations are undertaken to investigate the impact of private school vouchers. Households that differ in both their income and in ability level of their children choose between the local and public school or menu of private school alternatives. Local public school quality within a district is endogenously determined by a combination of the average peer quality of public school attending children as well as local property and state income tax supported spending. Financial support (above a required state minimum) is set by local majority rule. Finally,

there exists the potential for a private school market composed of competitive schools that face production technologies similar to those of public schools but that set tuition and admissions policies to maximize profits. In this model, it is demonstrated that school district targeted vouchers are similar in their impact to non-targeted vouchers but vastly different from vouchers targeted to low income households. Furthermore, strong migration effects are shown to significantly improve the likely equity consequences of voucher programs.

**PD** July 1999. **TI** Social Approval, Values, and AFDC: A Re-Examination of the Illegitimacy Debate. **AA** Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7240; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 36. **PR** \$5.00. **JE** I38, J13. **KW** Illegitimacy. Social Approval. Birth Incentives.

**AB** This paper presents a model that establishes a mechanism through which Aid to Families with Dependent Children (AFDC) could in fact be the primary reason for observed levels of illegitimacy. The model is standard with one exception: How much utility individuals are able to obtain from having a child depends on the level of "social approval" that is associated with having out-of-wedlock children. This social approval is a function of the fraction of individuals in all previous generations who chose to have children out-of-wedlock, where the effect of each generation diminishes with time. While the model is successful in replicating the stylized facts on AFDC and illegitimacy and establishes a link between the two through a government induced change in "values," it also demonstrates that welfare reform aimed at reducing the incentives for poor women to have out-of-wedlock births may not be as effective as policy markers who believe in a casual link between AFDC and illegitimacy might suspect.

#### Neven, Damien J.

**PD** May 2000. **TI** The International Dimension of the Antitrust Practice in Poland, Hungary and the Czech Republic. **AU** Neven, Damien J.; Mavroidis, Petros C. **AA** Neven: University of Lausanne and CEPR. Mavroidis: University of Neuchatel and CEPR. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/16; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 42. **PR** no charge. **JE** L43, L44. **KW** Antitrust. Transition.

**AB** This paper analyses how the competition authorities in the Czech republic, Poland and Hungary (CPH) have dealt with the interface between trade and competition in their actual practice. The following findings emerge (i) the allocation of jurisdiction between CPH and the EU has not raised significant issues (ii) the definition of the relevant geographic market suffers from significant shortcomings in each country with a general bias in favor of narrow market definition. Problems are most severe in the Czech republic. (iii) Anti-trust agencies in CPH have attempted to advocate competition in the formulation of trade policy. Developments regarding the independence of the agencies are however mixed. (iv) anti-trust agencies in CPH could indeed be pursuing objectives of industrial policy in the exercise of merger control towards foreign firms. The situation is most severe in Poland where the suspicion arises that profitable market positions have been auctioned off to foreign buyers in exchange for commitments

that are unrelated to the competitive situation.

**PD** July 2000. **TI** How Should "Protection" be Evaluated in Art. III GATT Disputes? **AA** University of Lausanne and CEPR. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/15; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 32. **PR** no charge. **JE** F13, K33. **L19**. **KW** Protection. GATT. Market Definition.

**AB** This paper considers the economic analysis of protection in Art. We first observe that the appropriate measure of protection and the level of protection that is acceptable have hardly been discussed in the case law and that panels tend to presume that a strong substitution between domestic and foreign products always lead to substantial protection. Next, we consider a stylized model of trade and find that the ability to raise price is a robust measure of protection and that protection falls significantly (for a given barrier) with the degree of product differentiation but also with the degree of rivalry. We also observe that the effects of non-tariff barriers on import values in ambiguous so that imports are not a robust measure of protection. Our findings suggest that the distinction drawn in the case law between "like" and "directly competitive and substitutable" products is not helpful. Finally, we suggest a method to evaluate protection in trade disputes that is inspired by the definition of the relevant market in antitrust.

**PD** July 2000. **TI** The Modernisation of EU Competition Policy: Making the Network Operate. **AU** Neven, Damien J.; Mavroidis, Petros C. **AA** Neven: University of Lausanne and CEPR. Mavroidis: University of Neuchatel and CEPR. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/17; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 29. **PR** no charge. **JE** L40. **KW** Antitrust, Institution Design.

**AB** This paper analyses how the implementation of Art. 81 envisaged in the White Paper would operate. We identify two issues. In the proposed framework, simultaneous enforcement by several authorities is likely to occur and that the resulting system of enforcement does not allow for a balancing between positive and negative net benefits across member states. We suggest that in order to avoid these effects, some co-ordination between the members of the network should be organized. In particular, we advocate the re-emergence in the intra-EC context of a "positive comity" obligation and we suggest that a formal procedure for co-ordination between different institutions should be laid down (as in the US). We further observe that the accountability of antitrust authorities could deteriorate and suggest that institutional constraints like accountability and independence standards should be imposed on member states.

**PD** October 2000. **TI** Consumer Surplus vs. Welfare Standard in a Political Economy Model of Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik. **AA** Neven: University of Lausanne. Roller: Humboldt University. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 00/24; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland.

Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm).  
**PG** 22. **PR** no charge. **JE** K21, K22, L44.  
**KW** Political Economy. Merger Control. Institution Design.

**AB** This paper considers merger control in a common agency framework where firms and their competitors can influence the antitrust agency and where transparency -- while making lobbying less effective -- also implies real resource costs. We examine the performance of two alternative standards that can be assigned to the antitrust agency in the presence of these regulatory failures. We find that under a welfare standard, lobbying leads to the clearance of relatively inefficient mergers that decrease welfare (i.e. there is a type II error). By contrast, under a consumer surplus standard, the agency will ban relatively efficient mergers that would increase welfare (i.e. there is a type I error). Lobbying actually reduces the extent to which this occurs, albeit at a cost in terms of real resources. We also find that a consumer surplus standard is more attractive when mergers are large, when increasing the size of a merger greatly enhances industry profits, when there is little transparency, and when co-ordination costs amongst competitors are low.

**PD** October 2000. **TI** The Scope of Conflict in International Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik. **AA** Neven: University of Lausanne. Roller: Humboldt University. **SR** Université de Lausanne, Cahiers de Recherches Economiques: 00/25; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 14. **PR** no charge. **JE** K21, L44. **KW** International Antitrust. Merger Control. Extra-Territoriality.

**AB** In this paper, we analyze the scope for conflict between national merger control agencies which assert jurisdictions simultaneously. We consider a positive model of merger control in which market definition and the analysis of dominance are both explicitly specified. We find that conflict in international merger control is less likely to occur when economic integration is high. Hence, "globalisation" should alleviate rather than exacerbate conflict. In addition, we observe that conflict is less likely to arise between countries of different size and for extreme policy rules (very lenient or very strict) towards dominance.

#### Newhouse, Joseph P.

**TI** Pricing Heart Attack Treatments. **AU** Cutler, David M.; McClellan, Mark; Newhouse, Joseph P.; Remler, Dahlia.

**TI** Pricing Heart Attack Treatments. **AU** Cutler, David M.; McClellan, Mark; Newhouse, Joseph P.; Remler, Dahlia.

#### Nielsen, Carsten Krabbe

**PD** March 2001. **TI** Three Exchange Rate Regimes and a Monetary Union: Determinacy, Currency Crises, and Welfare. **AA** University of Copenhagen. **SR** Banco de Espana, Documentos de Trabajo: 0104; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 30. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** D52, D61, D84, F31, F42. **KW** Currency Crises. Exchange Rate Policies. Monetary Union. OLG Model. Sunspot.

**AB** We study three exchange rate regimes in a two country stochastic OLG model with free capital mobility. These regimes are characterized by the type of coordinated seignorage financed transfers in place and can be interpreted as respectively a laissez faire regime, floating exchange rates and a regime with fixed exchange rates. We are especially interested in knowing if any of the regimes allow for sunspot equilibria with real and/or nominal effects. The first regime does not lead to a Pareto optimal allocation and sunspots may have real effects. Under the second regime, typically, sunspots may have real effects, while under the third regime, sunspots only have nominal effects and Pareto optimality is always achieved. If a central bank unilaterally defends the exchange rate in order to avoid sunspot equilibria, it may experience a currency crisis.

#### Nielsen, Lene

**PD** July 1999. **TI** Green Electricity Certificates -- A Supplement to the Flexible Mechanisms of the Kyoto Protocol. **AU** Nielsen, Lene; Jeppesen, Tim. **AA** University of Southern Denmark, Odense. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 49/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 27. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** L51, L52, Q28, Q42, Q48. **KW** Renewable Energy. Regulation. Green Certificates. Electricity. Climate Change.

**AB** With the liberalization of the European electricity market, new instruments are searched for in order to coordinate climate change initiatives with competition. This paper analyzes the potential of a system of green electricity certificates to regulate the introduction of renewable energy sources. Based on Dutch experiences from a similar system of Green Labels, potential problems and possible solutions are presented. Furthermore, the system of Green Certificates is compared with the flexible mechanisms of the Kyoto Protocol in order to discuss their common features and assess the compatibility of these instruments.

#### Nishimura, Kiyohiko G.

**PD** July 1999. **TI** Distortionary Taxation, Excessive Price Sensitivity, and Japanese Land Prices. **AU** Nishimura, Kiyohiko G.; Yamazaki, Fukujyu; Idee, Takako; Watanabe, Toshiaki. **AA** Nishimura: University of Tokyo. Idee: Seikei University. Yamazaki: Sophia University. Watanabe: Tokyo Metropolitan University. **SR** National Bureau of Economic Research Working Paper: 7254; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 30. **PR** \$5.00. **JE** G12, G19, H31, H32, R33. **KW** Land Prices. Japan. Distortionary Taxes.

**AB** Japan has experienced turbulent behavior of land prices after World War II, especially after 1985. This paper first examines the explanatory power of a simple present-value model and shows its limitation. We then investigate two additional (not mutually exclusive) factors affecting the Japanese land price behavior: distortionary inheritance and capital-gains taxation, and excessive price sensitivity due to the non-Walrasian structure of the land market. Empirical results show that distortionary taxation is a major culprit of high residential land price, and that the non-Walrasian price behavior magnifies the effect of underlying change in the market fundamentals.

**Nunez, Soledad**

**PD** August 2000. **TI** La rama de servicios en Espana: un analisis comparado. **AU** Nunez, Soledad; Perez, Miguel. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0007; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 27. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** L80, O47, O57. **KW** International Comparisons. Service Productivity. Services Value Added. Service Employment.

**AB** The aim of this paper is to highlight the main characteristics of the Spanish services branch by comparing the behavior of several economic variables (value added, employment, productivity, deflators and labor costs) at three levels: temporal, international and sectoral. The analysis uses National Accounts data and covers the period 1980-1998. The paper concludes that Spanish services, as a whole, display the same general features characterizing services in other western economies: compared with manufacturing, services show higher inflation, lower productivity growth, greater employment creation and milder cyclical behavior. The paper also concludes that, with the exception of the countercyclical behavior of productivity, the economic branches making up services show the same characteristics in Spain as in the EU. The differences are more in terms of degree than of trend: in Spain most of the service branches display lower productivity growth than in the EU, greater employment creation and higher inflation.

**O Grada, Cormac**

**TI** Mortality in the North Dublin Union During the Great Famine. **AU** Guinnane, Timothy W.; O Grada, Cormac.

**Obstfeld, Maurice**

**PD** July 2000. **TI** The Six Major Puzzles in International Macroeconomics: Is There a Common Cause? **AU** Obstfeld, Maurice; Rogoff, Kenneth. **AA** Obstfeld: University of California, Berkeley and NBER. Rogoff: Harvard University and NBER. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/112; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/iber/wps/ciderwp.htm](http://www.haas.berkeley.edu/iber/wps/ciderwp.htm). **PG** 66. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** F15, F36. **KW** Transport Costs. Home Bias. Feldstein-Horioka Puzzle. International Consumption. Consumption Correlations.

**AB** By explicitly introducing costs of international trade (narrowly, transport costs but more broadly, tariffs, nontariff barriers and other trade costs), one can go far toward explaining the main empirical puzzles that international macroeconomists have struggled with over twenty-five years. Our approach elucidates J. McCallum's home bias in trade puzzle, the Feldstein-Horioka saving-investment puzzle, the French-Poterba equity home bias puzzle, and the Backus-Kehoe-Kydland consumption correlations puzzle. That one simple alteration to an otherwise canonical international macroeconomic model can help substantially to explain such a broad arrange of empirical puzzles, including some that previously seemed intractable, suggests a rich area for future research. We also address a variety of international pricing

puzzles, including the purchasing power parity puzzle emphasized by Rogoff, and what we term "the exchange rate disconnect puzzle." The latter category of riddles includes both the Meese-Rogoff exchange rate forecasting puzzle and the Baxter-Stockman neutrality of exchange rate regime puzzle.

**PD** September 2000. **TI** Perspectives on OECD Economic Integration: Implications for US Current Account Adjustment. **AU** Obstfeld, Maurice; Rogoff, Kenneth. **AA** Obstfeld: University of California, Berkeley. Rogoff: Harvard University. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/116; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/iber/wps/ciderwp.htm](http://www.haas.berkeley.edu/iber/wps/ciderwp.htm). **PG** 63. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** F15, F36. **KW** U. S. Current Account. US Dollar. Real Exchange Rate. Transport Costs. Home Bias.

**AB** The US current account deficit has been persistently large and has brought the country's ratio of foreign debt to GDP to 20%, high by historical standards. While US solvency is not a near-term constraint on ongoing deficits, the sheer size of the US economy makes it likely that its current account will have to approach balance within ten years. The paper surveys evidence suggesting that the US economy remains closed to external trade in products and capital, and suggests that costs of international trade in goods can explain the evidence. Given trade costs, substantial real depreciation of the dollar will be needed to close the US current account gap. If current-account adjustment is gradual, then the medium-term depreciation of the dollar would be approximately 12%. If the current account deficit is eliminated in a precipitous fashion, and the Fed attempts to maintain full employment, the depreciation could on the order of 40% to 50%.

**Odgers, Cameron W.**

**TI** The Effects of Unions on Research and Development: An Empirical Analysis Using Multi-Year Data. **AU** Betts, Julian R.; Odgers, Cameron W.; Wilson, Michael K.

**Onigkeit, Janina**

**PD** November 1999. **TI** A Different Perspective for Global Climate Policy: Combining Burden Sharing and Climate Protection. **AU** Onigkeit, Janina; Alcamo, Joseph. **AA** University of Kassel, Germany. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 77/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 10. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D63, E17, H40, Q25, Q28. **KW** Climate Protection. Stabilization Targets. Climate Policy. International Equity. Environmental Policy.

**AB** A method is presented for computing long-term greenhouse gas emission pathways for both industrial ("Annex B") countries and developing ("non-Annex B") countries. This method combines two main factors: (i) climate protection goals, in the form of targets for stabilizing CO<sub>2</sub> in the atmosphere, and (ii) the allocation of global emissions to industrial and developing countries based on a so-called "burden sharing" scheme. In this paper two CO<sub>2</sub> stabilization targets are investigated -- stabilization at 450 ppm in 2100 and 550 ppm in 2150. The burden sharing scheme is based on the following rules: A non-Annex B country increases its emissions according to a "baseline" no-policy scenario until its



national income reaches a specified "graduation" income level. After reaching this level it freezes its per capita emissions until they are equal to the average per capita emissions in Annex B countries. After this point, the per capita emissions of the non-Annex B country are the same as the average for Annex B countries.

### Oosterbeek, Hessel

**TI** A Review of Estimates of the Schooling/Earnings Relationship, with Tests for Publication Bias. **AU** Ashenfelter, Orley; Harmon, Colm; Oosterbeek, Hessel.

### Ordine, Patrizia

**TI** Widening Differences in Italian Regional Unemployment. **AU** Brunello, Giorgio; Lupi, Claudio; Ordine, Patrizia.

### Ortega, Eva

**PD** December 2000. **TI** Transmission of Shocks and Monetary Policy in the Euro Area. An Exercise with NIGEM. **AU** Ortega, Eva; Alberola, Enrique. **AA** Banco de Espana. **SR** Banco de Espana, Documentos de Trabajo: 0010; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 53. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** C32, E17. **KW** Macroeconometric Models. NIGEM. EMU. Simulations.

**AB** Global macroeconomic models can be a powerful tool for economic analysis and forecasting in various scenarios. This paper analyses the NIGEM model and its application to the Euro area, placing particular emphasis on the study of the relative situation of the member countries' economies. The findings of the paper show that NIGEM provides for different reactions by the European economies to common exchange- and interest-rate changes, owing to their different economic structures. Notwithstanding the potential interest of these findings, the design and evaluation of shocks in NIGEM may be seen to call for a high degree of caution if NIGEM is to be considered a reliable and useful instrument.

### Oslington, Paul

**PD** October 2000. **TI** Factor Market Linkages in a Global Economy. **AA** Deakin University, Australia. **SR** University of Oxford, Department of Economics Discussion Paper: 38; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 5. **PR** no charge. **JE** E24, F11. **KW** Integrated Equilibrium. Factor Price Equalization. Inequality. Unemployment.

**AB** This paper considers linkages between national labor markets in a global economy, extending the existing analyses to the empirically important case where factor price equalization does not hold. Removing the assumption of factor price equalization allows the divergent wage experience as well as unemployment experience of Europe and America to be explained. Europe's minimum wage forces it out of the labor intensive industry, leaving it specialized in the skill intensive industry, and with a lower return to skill than America. Under these conditions the entry of labor intensive NICs into world markets pushes down American wages and alters its economic

structure (which were unchanged under factor price equalization), and reduces European unemployment (which increased under factor price equalization).

### Ostergaard, Charlotte

**PD** November 2000. **TI** Consumption and Aggregate Constraints: Evidence from U.S. States and Canadian Provinces. **AU** Ostergaard, Charlotte; Sorensen, Bent E.; Yosha, Oved. **AA** Ostergaard: Norwegian School of Management. Sorensen: Federal Reserve Bank of Kansas City. Yosha: Tel Aviv University. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/04; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 16. **PR** no charge. **JE** E21, E44. **KW** Permanent Income. Regional Macroeconomics. Excess Sensitivity. Excess Smoothness. Risk Sharing.

**AB** State-level consumption exhibits excess sensitivity to lagged income to the same extent as US aggregate data, but state-specific (idiosyncratic) consumption exhibits substantially less sensitivity to lagged state-specific income—a result that also holds for Canadian provinces. We propose the following interpretation: borrowing and lending in response to changes in consumer demand is easier for an individual US state than it is for the US as a whole. The PIH may thus be a good model for describing the reaction of consumption to idiosyncratic disposable income shocks even if it fails at the aggregate US level. Further analysis, centered on the persistence of income shocks and on the consumption/income ratio, is consistent with this interpretation but suggests that the PIH still requires qualification. We contrast our results with tests of full interstate risk sharing.

### Ottaviano, Gianmarco I. P.

**PD** July 1999. **TI** Agglomeration and Trade Revisited. **AU** Ottaviano, Gianmarco I. P.; Thisse, Jacques-Francois. **AA** Ottaviano: University of Bologna, Universite Catholique de Louvain and CEPR. Thisse: Universite Catholique de Louvain, CERAS and CEPR. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 60/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it/](http://www.feem.it/). **PG** 24. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** F12, F23, L13, R12, R13. **KW** Agglomeration. Trade. Monopolistic Competition. Economic Geography.

**AB** The purpose of this paper is twofold. First, we present a new model of agglomeration and trade that displays the main features of the recent economic geography literature while allowing for the derivation of analytical results by means of simple algebra. Second, we show how this framework can be used in the context of a forward-looking approach to the dynamics of migration in the process of agglomeration instead of the simple Marshallian model used so far in the economic geography literature.

### Overgaard, Per Baltzer

**TI** Competition Policy With a Coasian Prior? **AU** Hylleberg, Svend; Overgaard, Per Baltzer.

### Oxenbridge, Sarah

**PD** March 2000. **TI** Trade Union Organising Among Low-Wage Service Workers: Lessons from America and New

Zealand. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP160; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 34. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE J51, N32, N37. KW Trade Unions. Organizing Model. USA. New Zealand.

**AB** This paper examines how American and New Zealand (NZ) unions have responded to the challenges of organizing workers in low-wage service sectors. Different approaches to organizing are examined, with particular focus on the "organizing" model of unionism. American and NZ unions were found to have developed both similar and contrasting approaches to organizing low-wage service workers, and the underlying factors are analyzed. The article concludes with a discussion of the relevance of organizing model methods for British unions in the context of the new Employment Relations Act.

**TI** The Employment Contract: From Collective Procedures to Individual Rights. AU Brown, William; Deakin, Simon F.; Nash, David; Oxenbridge, Sarah.

#### Pagano, Ugo

PD June 2000. **TI** Public Markets, Private Orderings and Corporate Governance. AA Universita di Siena, Italy. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP166; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 52. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE D23, K11, L22; P51. KW Public Markets. Private Orderings.

**AB** In the New Property Rights approach the degree of incompleteness of markets is taken independently of the cost of the public ordering and of their efficiency relative to private orderings. In this approach "public markets", like a Swiss cheese, are either assumed to be non-existent empty holes, or smooth and efficient (because of infinite or zero third party verification costs respectively). This paper questions these assumptions, arguing that private and public legal equilibria are not only substitutes but also complements. In examining GM's acquisition of Fisher Body we find that, contrary to the claims of the New Property Rights approach, the advantages of the acquisition cannot be due to the incentives of private property but should be rather related to the replacement of public markets by the new private ordering set up by Alfred Sloan.

#### Paldam, Martin

**TI** Public Versus Private Production: A Study of the Cost of School Cleaning in Denmark. AU Christoffersen, Henrik; Paldam, Martin; Wurtz, Allan.

#### Palomino, Frederic

PD November 2000. **TI** The Sport League's Dilemma: Competitive Balance versus Incentives to Win. AU Palomino, Frederic; Rigotti, Luca. AA Palomino: Tilburg University and CEPR. Rigotti: Tilburg University and UC Berkeley. SR University of California, Berkeley, Department of Economics Working Paper: E00/292; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922.

Website: www.haas.berkeley.edu/groups/iber/wps/econwp.html. PG 36. PR \$3.50 U.S.; \$7.50 International. JE L19, L83. KW Sport League. Revenue Sharing. Competitive Balance. Incentives to Win.

**AB** We analyze a dynamic model of strategic interaction between a professional sport league that organizes a tournament, the teams competing to win it, and the broadcasters paying for the rights to televise it. Teams and broadcasters maximize expected profits, while the league's objective may be either to maximize the demand for the sport or to maximize the teams' joint profits. Demand depends positively on symmetry among teams (competitive balance) and how aggressively teams try to win (incentives to win). Revenue sharing increases competitive balance but decreases incentives to win. Under demand maximization, a performance-based reward scheme (used by European sport leagues) may be optimal. Under joint profit maximization, full revenue sharing (used by many US leagues) is always optimal. These results reflect institutional differences among European and American sports leagues.

#### Pan, Jun

**TI** Transform Analysis and Asset Pricing for Affine Jump-Diffusions. AU Duffie, Darrell; Pan, Jun; Singleton, Kenneth.

#### Panigirtzoglou, Nikolaos

**TI** Liquidity Traps: How to Avoid Them and How to Escape Them. AU Buiters, Willem H.; Panigirtzoglou, Nikolaos.

#### Parker, Jonathan A.

PD July 1999. **TI** Spendthrift in America? On Two Decades of Decline in the U.S. Saving Rate. AA University of Wisconsin. SR National Bureau of Economic Research Working Paper: 7238; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG not available. PR \$5.00. JE D11, D91, E21. KW Real Consumption. Saving Rate.

**AB** During the past two decades, the personal saving rate in the United States has fallen from eight percent to below zero. This paper demonstrates that this change represents a major shift in the allocation of newly produced goods. The share of GDP that households consume rose by 6 percentage since 1980. This increase occurred concurrently with the a reduction in the growth rate of real consumption spending per person, high real rates of return, and an increasing ratio of aggregate wealth to income. Despite this last fact, wealth changes can explain little of the boom in consumption spending. The paper also finds that the changing age distribution of the U.S. population does not explain the consumption boom. The main findings of the paper are consistent with either an increase in the discount rate or with a general belief in better economic time in the future. Alternatively, the low rates of saving could be due to a combination of factors such as the increase in intergenerational transfers from the Social Security system raising the consumption of the elderly and increase in an access to credit and expanded financial instruments raising the consumption of the young.

#### Paterson, Iain

PD September 2000. **TI** New Models for Data Envelopment Analysis: Measuring Efficiency Outwith the VRS Frontier. AA Institute for Advanced Studies (IHS). SR Institute for Advanced Studies (IHS), Economics Series: 84; Institute for Advanced Studies (IHS), Library,

Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at. **PG** 12. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C14, C61, C88. **KW** Data Envelopment Analysis. Superefficiency. Universal Models. Variable RTS.

**AB** Some models are presented in this paper which extend the concept of measuring superefficiency to the useful case of variable returns-to-scales (VRS), thus enabling the ranking of efficient as well as inefficient units. Two models, namely the Universal Radial Model and the Universal Additive Model, are presented that also have strong invariance properties (units and translation invariance). For both of these models a method for normalizing the efficiency scores on a (0-1+) scale is presented. These models have been implemented in a software package and applied to the ranking of units in an industrial context.

**Patton, Andrew J.**

**TI** Impacts of Trades in an Error-Correction Model of Quote Prices. **AU** Engle, Robert F.; Patton, Andrew J.

**PD** June 2001. **TI** Modelling Time-Varying Exchange Rate Dependence Using the Conditional Copula. **AA** University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2001/09; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: econ.ucsd.edu/papers. **PG** 32. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** C32, C51, C52, F31. **KW** Time Series. Copulas. Exchange Rates. Dependence.

**AB** Linear correlation is only an adequate means of describing the dependence between two random variables when they are jointly elliptically distributed. When the joint distribution of two or more variables is not elliptical the linear correlation coefficient becomes just one of many possible ways of summarizing the dependence structure between the variables. In this paper we make use of a theorem due to Sklar (1959), which shows that an n-dimensional distribution function may be decomposed into its n marginal distributions, and a copula, which completely describes the dependence between the n variables. We verify that Sklar's theorem may be extended to conditional distributions, and apply it to the modelling of the time-varying joint distribution of the Deutsche mark -- U.S. dollar and Yen -- U.S. dollar exchange rate returns. We find evidence that the conditional dependence between these exchange rates is time-varying, and that it is asymmetric: dependence is greater during appreciations of the U.S. dollar against the mark and the yen than during depreciations of the U.S. dollar. We also find strong evidence of a structural break in the conditional copula following the introduction of the euro.

**Peek, Joe**

**PD** July 1999. **TI** Determinants of the Japan Premium: Actions Speak Louder Than Words. **AU** Peek, Joe; Rosengren, Eric S. **AA** Peek: Boston College. Rosengren: Federal Reserve Bank of Boston. **SR** National Bureau of Economic Research Working Paper: 7251; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 37. **PR** \$5.00. **JE** F33, F34, G21. **KW** Japan Premium. Interbank Loans.

**AB** Since August 1995, Japanese banks have had to pay a premium on Eurodollar and Euroyen interbank loans relative to their U.S. and U.K. competitors. This so-called "Japan premium" provides a market indicator of investor anxiety about

the ability of Japanese banks to repay loans. We examine the determinants of the Japan premium and find that government announcements not associated with concrete actions had little impact. On the other hand, announcements of concrete actions by the Japanese government, such as injections of funds into the banking system, tended to have an effect on the size of the Japan premium.

**Perez, Miguel**

**TI** La rama de servicios en Espana: un analisis comparado.

**AU** Nunez, Soledad; Perez, Miguel.

**Pericoli, Marcello**

**TI** Correlation Analysis of Financial Contagion: What One Should Know Before Running a Test. **AU** Corsetti, Giancarlo; Pericoli, Marcello; Sbracia, Massimo.

**Perotti, Enrico C.**

**PD** December 2000. **TI** Outside Finance, Dominant Investors and Strategic Transparency. **AU** Perotti, Enrico C.; von Thadden, Ernst-Ludwig. **AA** Perotti: University of Amsterdam. von Thadden: University of Lausanne. **SR** Universite de Lausanne, Cahiers de Recherches Economiques: 01/02; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm.

**PG** 35. **PR** no charge. **JE** D81, D82, G32, L22. **KW** Corporate Governance. Transparency. Bank Finance. Product Market Competition. Capital Structure.

**AB** This paper studies optimal financial contracts and product market competition under a strategic transparency decision. When firms seeking outside finance resort to actively monitored debt in order to commit against opportunistic behavior, the dominant lender can influence corporate transparency. More transparency about a firm's competitive position has both strategic advantages and disadvantages: in general, transparency results in higher variability of profits and output. Thus lenders prefer less information dissemination, as this protects firms when in a weak competitive position, while equity-holders prefer more disclosure to maximize profitability when in a strong position. We show that bank-controlled firms will be opaque, while shareholder-run firms prefer more transparency. In fact, we can predict a clustering of characteristics associated with bank dominance: opaqueness, low variability of profits, slightly reduced average profits, uncertainty about assets in place, and relatively high financing needs all should be observed jointly for bank controlled firms.

**TI** Security Versus Bank Finance: The Importance of a Proper Enforcement of Legal Rules. **AU** Modigliani, Franco; Perotti, Enrico C.

**PD** May 1999. **TI** Privatisation, Political Risk and Stock Market Development in Emerging Economies. **AU** Perotti, Enrico C.; van Oijen, Pieter. **AA** Perotti: University of Amsterdam and CEPR. Van Oijen: University of Amsterdam and Tinbergen Institute, Amsterdam. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 38/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 39. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** G15, G18, G38, O16, O20. **KW** Privatization. Political Risk. Stock Markets. Emerging Markets. Commitment.

**AB** This paper investigates whether privatization in emerging economies has a significant indirect effect on local stock market development through the resolution of political risk. We argue that a sustained privatization program represents a major political test which gradually resolves uncertainty over political commitment to a market-oriented policy as well as to regulatory and private property rights. We present evidence suggesting that progress in privatization is correlated with improvements in perceived political risk. These gains tend to be gradual over the privatization period and are significantly larger in privatizing countries than in nonprivatizing countries, suggesting that the resolution of such risk is endogenous to the privatization process. Our analysis shows further that changes in political risk in general tend to have a strong effect on local stock market development and excess returns in emerging economies, suggesting that political risk is a priced factor. We conclude that the resolution of political risk resulting from successful privatization has been an important source for the rapid growth of stock markets in emerging economies.

#### Persson, Torsten

**PD** April 1999. **TI** Political Economics and Public Finance. **AU** Persson, Torsten; Tabellini, Guido. **AA** Persson: Stockholm University and NBER. Tabellini: Bocconi University. **SR** National Bureau of Economic Research Working Paper: 7097; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 116. **PR** \$5.00. **JE** D72, E61, E62, H23, P16. **KW** Fiscal Policy. Political Processes. Median Voter. Redistribution. Special Interests.

**AB** Observed fiscal policy varies greatly across time and countries. How can we explain this variation across time and countries? This paper surveys the recent literature that has tried to answer this question. The authors adopt a unified approach in portraying public policy as the equilibrium outcome of an explicitly specified political process. They divide the material into three parts. In Part I, they focus on median-voter equilibria that apply to policy issues where disagreement between voters is likely to be one-dimensional. The authors thus study the general redistributive programs, which are typical of the modern welfare state: redistribution between rich and poor, young and old, employed and unemployed, resident of different regions, and labor and capital. In Part II the authors study special interest politics. Here the policy problem is multi-dimensional and they focus on specific political mechanisms: they study legislative bargaining, lobbying, and electoral competition, as well as the possible interactions between these different forms of political activity. Finally, Part III deals with a set of questions that can be brought under the label of comparative politics. Here the authors deal with policy choice under alternative political constitutions.

#### Pesaran, M. Hashem

**TI** Estimation and Inference in Short Panel Vector Autoregressions with Unit Roots and Cointegration. **AU** Binder, Michael; Hsiao, Cheng; Pesaran, M. Hashem.

#### Pesavento, Elena

**PD** September 2000. **TI** Analytical Evaluation of the Power of Tests for the Absence of Cointegration. **AA** University of California, San Diego and Emory University. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/24;

Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: [econ.ucsd.edu/papers](http://econ.ucsd.edu/papers). **PG** 25. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** C22, C32. **KW** Unit Root. Cointegration. Local Alternative.

**AB** This paper proposes a theoretical explanation to the common empirical results in which different tests for cointegration give different answers. Using local to unity parametrization I compute the analytical power of some tests for the null of no cointegration: The ADF test on the residuals of the cointegration regression, Johansen's maximum eigenvalue test, the t-test on the Error Correction term and Boswijk (1994) Wald test. The tests are shown to be functions of Brownian Motions and Ornstein-Uhlenbeck processes and to depend on a single nuisance parameter, which is, in turn determined by the correlation at frequency zero of the independent variables with the errors of the cointegration regression. Monte Carlo experiments show that the tests can have significantly different performances for different values of the nuisance parameter. An application to the money demand equation is presented.

#### Petit, Pascal

**PD** April 1999. **TI** The Hazards of Economic Growth in a Knowledge Based Economy. **AA** CEPREMAP and CNRS. **SR** CEPREMAP Discussion Paper: 9909; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 35. **PR** 25 francs. **JE** D80, E20, O11, O33, O40. **KW** Information. Growth. Market Performance. Technological Change. Structural Change.

**AB** How can the notion of an information economy characterize the growth pattern of contemporary economies? This work examines the market dynamics caused by the accumulation of knowledge and the diffusion of information and communication technologies. Ten propositions illustrate the causal threads that induce agents to take advantage, at various levels of production and exchange, of new information settings. Such perspective helps to outline various risks the control of which conditions the level and stability of economic growth.

**TI** Identifying the Structure of Institutions to Promote Innovation and Growth. **AU** Amable, Bruno; Petit, Pascal.

#### Phibbs, Ciaran

**TI** Is There Monopsony in the Labor Market? Evidence from a Natural Experiment. **AU** Staiger, Douglas; Spetz, Joanne; Phibbs, Ciaran.

#### Phillips, John W.

**TI** Worklife Determinants of Retirement Income Differentials Between Men and Women. **AU** Levine, Phillip B.; Mitchell, Olivia S.; Phillips, John W.

#### Pichelmann, Karl

**TI** Employment and Wage Adjustment in Euroland's Labour Market: A Bird's Eye View. **AU** Hofer, Helmut; Pichelmann, Karl.

#### Piehl, Anne Morrison

**PD** July 1999. **TI** Testing for Structural Breaks in the

Evaluation of Programs. **AU** Piehl, Anne Morrison; Cooper, Suzanne J.; Braga, Anthony A.; Kennedy, David M. **AA** Piehl and Braga: Harvard University and NBER. Cooper and Kennedy: Harvard University. **SR** National Bureau of Economic Research Working Paper: 7226; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** not available. **PR** \$5.00. **JE** C12, C22, H43, I12, K42. **KW** Program Evaluation. Structural Breaks. Time Series. Parameter Instability. Hypothesis Testing.

**AB** A standard methodology in program evaluation is to use time series variation to compare pre- and post-program outcomes. However, when the timing of a break in a statistical relationship can be determined only by looking at the data, then the usual distribution of the test statistic which assumes exogenous timing of the break is no longer valid. Tests for parameter instability provide a flexible framework for testing a range of hypotheses commonly posed in program evaluation. These tests help pinpoint the timing of maximal break and provide a valid test of statistical significance. These tests are particularly useful when the start date of the intervention and any effect is unclear and possibly endogenous due to implementation lags. A test of parameter instability is applied to the evaluation of the Boston Gun Project, a comprehensive effort to reduce youth homicide in Boston in the mid 1990s. The dynamics of gang violence meant that no parts of the city could be used as reasonable comparison sites, and thus time series analysis is the only feasible means of evaluating the program impact. The statistical procedure identifies a statistically significant discontinuity in youth homicide incidents shortly after the intervention was unveiled.

#### **Piketty, Thomas**

**PD** May 1999. **TI** Attitudes Toward Income Inequality in France: Do People Really Disagree? **AA** CEPREMAP, CNRS. **SR** CEPREMAP Discussion Paper: 9918; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 28. **PR** 25 francs. **JE** D31, D63, D64. **KW** Income Inequality. Political Attitudes. Social Justice.

**AB** These seminar notes report preliminary findings from a survey run in July 1998 in France on individual attitudes toward income inequality. The main finding is that people simply do not seem to disagree very much about the ideal pay scale and income ratios across individuals. Low-income individuals, as well as left-wing voters, do indeed tend to favor a more compressed income distribution than high-income individuals and right-wing supporters, but the point is that these disagreements are quantitatively very small. In particular, people seem to disagree much more about issues such as the death penalty, foreigners, the role of women, etc., than about income inequality.

#### **Podivinsky, Jan M.**

**PD** November 2000. **TI** The Exact Power Envelope of Tests for a Unit Root. **AU** Podivinsky, Jan M.; King, Maxwell L. **AA** Podivinsky: University of Southampton. King: Monash University. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0026; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 14. **PR** annual subscription 40 pounds (\$80); individual copies on application.

**JE** C12, C22. **KW** Power Envelope. Unit Root Tests.

**AB** We show how to obtain the exact power envelope of tests for a unit root against trend-stationary alternatives, under normality. This is in contrast to the asymptotic power envelope derived by Elliott, Rothenberg and Stock (1996), and is used to indicate the lack of power of unit root tests in fixed sample sizes.

#### **Pollitt, Michael**

**TI** The Development of Ethical Issues Facing Boards of Directors: A Model with Implications. **AU** Jones, Ian; Pollitt, Michael.

#### **Porter, Jack**

**TI** Sample Selection in the Estimation of Air Bag and Seat Belt Effectiveness. **AU** Levitt, Steven D.; Porter, Jack.

#### **Portes, Richard**

**PD** July 2000. **TI** The Determinants of Cross-Border Equity Flows: The Geography of Information. **AU** Portes, Richard; Rey, Helene. **AA** Portes: London Business School, DELTA, CEPR and NBER. Rey: London School of Economics and CEPR. **SR** University of California, Berkeley, Center for International and Development Economics Research (CIDER) Working Paper: C00/111; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website: [www.haas.berkeley.edu/iber/wps/ciderwp.htm](http://www.haas.berkeley.edu/iber/wps/ciderwp.htm). **PG** 47. **PR** no charge to academics; single issues \$3.50 U.S.; \$7.50 International. **JE** F12, F21, F36, G11. **KW** Equity Flows. Cross-Border Investment. Portfolio Investment. Information Asymmetries. Gravity Model.

**AB** We apply a new approach to a new panel data set on bilateral gross cross-border equity flows between 14 countries, 1989-96. The model integrates elements of the finance literature on portfolio composition and the international macroeconomics and asset trade literature. Gross asset flows depend on market size in both source and destination country as well as trading costs, in which both information and the transaction technology play a role. Distance proxies some information costs, and other variables explicitly represent information transmission, an information asymmetry between domestic and foreign investors, and the efficiency of transactions. The remarkably good results have strong implications for theories of asset trade. We find that the geography of information is the main determinant of the pattern of international transactions, while there is little support in our data for diversification and 'return-chasing' motives for transactions.

#### **Postel-Vinay, Fabien**

**TI** On Some Undesirable Consequences of Education and Growth. **AU** Cahuc, Pierre; Postel-Vinay, Fabien.

#### **Potton, Margaret**

**TI** The Professions Between State and Market: A Cross-National Study of Convergence and Divergence. **AU** Lane, Christel; Potton, Margaret; Littek, Wolfgang.

#### **Prati, Alessandro**

**TI** Banks' Reserve Management, Transaction Costs, and the Timing of Federal Reserve Intervention. **AU** Bartolini, Leonardo; Bertola, Giuseppe; Prati, Alessandro.

**Pratten, Stephen B.**

**TI** Reinventing the Market? Competition and Regulatory Change in Broadcasting. **AU** Deakin, Simon F.; Pratten, Stephen B.

**Quintyn, Marc**

**TI** The Benefits and Costs of Intervening in Banking Crises. **AU** Frydl, Edward J.; Quintyn, Marc.

**Rady, Sven**

**TI** Market Experimentation in a Dynamic Differentiated-Goods Duopoly. **AU** Keller, Godfrey; Rady, Sven.

**Ragot, Xavier**

**PD** April 2000. **TI** Growth by Division of Labor. **AA** CEPREMAP. **SR** CEPREMAP Discussion Paper: 2000/04; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. Website: [www.cepremap.cnrs.fr/](http://www.cepremap.cnrs.fr/). **PG** 30. **PR** 25 francs. **JE** D23, D24, L23, O30, O40. **KW** Division of Labor. Growth. Technological Change. Coordination Costs. Productivity.

**AB** This paper presents a growth model based on continuous increases in division of labor. Division of labor takes place within each firm. It raises the productivity of workers but it is limited by coordination costs. This division of labor generates innovation opportunities and allows for the introduction of new types of capital goods, which are produced by firms which divide work again. The continuous increase in the number of tasks performed within firms generates a balanced growth, because of the increase in the "roundaboutness" of the production method. We show that the market equilibrium generates a balanced growth path and that it allocates too few resources to the coordination of division of labor.

**Ramey, Garey**

**TI** Job Destruction and the Experiences of Displaced Workers. **AU** den Haan, Wouter J.; Ramey, Garey; Watson, Joel.

**Ranis, Gustav**

**PD** January 2000. **TI** Strategies for Success in Human Development. **AU** Ranis, Gustav; Stewart, Frances. **AA** Ranis: Yale University. Stewart: University of Oxford. **SR** Yale Economic Growth Center Discussion Paper: 808; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 26. **PR** \$2.00 plus postage. **JE** I12, I31, I32, O47. **KW** Development. Human Development.

**AB** This paper analyzes the various policy dimensions which have contributed to successful human development (HD) performance in developing countries over the past three decades. We identify the four best HD performers in each of the regions, taking their level of life expectancy and infant mortality, as well as improvements in these dimensions over time, as the indicators. Examining the elements underlying HD performance reveals that a variety of combinations of vigorous economic growth, government social expenditure ratios and equitable distribution of income can lead to successful human development. None of the 'successful' countries performed well in every dimension conducive to HD success; rather, it appears that doing well with respect to some elements can compensate for relative weakness in others, even weak

economic growth. It does appear, however, that one condition crucial in every case was a relatively high female primary enrolment ratio; in many cases the extent of female control over the family's income also proved significant.

**PD** May 2001. **TI** Decentralization in Argentina. **AU** Ranis, Gustav; Habibi, Nadir; Huang, Cindy; Miranda, Diego; Murillo, Victoria; Sarkar, Mainak; Stewart, Frances. **AA** Ranis, Habibi, Huang, Murillo and Sarkar: Yale University. Miranda: Harvard University. Stewart: University of Oxford. **SR** Yale Economic Growth Center Discussion Paper: 825; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 42. **PR** \$2.00 plus postage. **JE** O18, O54. **KW** Fiscal Decentralization. Human Development. Argentina.

**AB** Human development, reflected in the status of people's levels of health and education, affects future growth and, in turn, is affected by decentralization. Unlike earlier exclusive emphasis on budgetary issues, this study focuses on the impact of fiscal decentralization on the level of human development. It traces the origin and recent development of revenue-sharing arrangements across Argentina's provinces over time (1970-94). The study regresses two indicators of health and educational status on two decentralization measures. It highlights the link between decentralization and human development outcomes and suggests that devolutionary decentralization has a positive influence on the effectiveness of public policy directed towards an improvement in the level of human development. Decentralization is shown to reduce intra-regional disparities and increase levels of human development. While the paper also recognizes problems associated with decentralization, including addressing inter-regional disparities, the positive impact of decentralization schemes on human development is seen to be of relevance in evaluating the Argentine co-participation regime which is currently under negotiation.

**PD** May 2001. **TI** Growth and Human Development: Comparative Latin American Experience. **AU** Ranis, Gustav; Stewart, Frances. **AA** Ranis: Yale University. Stewart: Oxford University. **SR** Yale Economic Growth Center Discussion Paper: 826; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 45. **PR** \$2.00 plus postage. **JE** O18, O54. **KW** Human Development. Economic Growth. Latin America.

**AB** This paper seeks to examine the interdependence between economic growth (EG) and human development (HD). It is concerned with changes in per capita income and its two-way relationship with the basic societal objective of human development. Regressions across various Latin American countries are run for 1960-92. Country performance is separated into virtuous/vicious cycles or HD/EG lopsidedness. The study makes an attempt to correct the commonly held view that ensuring increases in economic growth automatically leads to advances in human development. Human development has to occur prior to or simultaneous with improvements in economic growth, if a country is to reach a virtuous cycle. The Latin American experience indicates that a balanced approach to development has to be adopted. It is imperative to focus on human development from the outset of any reform program, as policies that emphasize economic growth alone are futile in

sustaining high levels of human development.

**PD** May 2001. **TI** Group Behavior and Development: A Comparison of Farmers' Organisation in South Korea and Taiwan. **AU** Ranis, Gustav; Burmeister, Larry; Wang, Michael. **AA** Ranis: Yale University. Burmeister: University of Kentucky. Wang: Oxford University. **SR** Yale Economic Growth Center Discussion Paper: 828; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 33.

**PR** \$2.00 plus postage. **JE** O13, O17, O53. **KW** Farmers' Organization. Korea. Taiwan. Group Behavior.

**AB** This study presents a comparative analysis of farmers' organizations in Korea and Taiwan during 1950-80 in order to help us understand the role of group behavior in affecting development outcomes. It highlights the linkages between group behavior, parastatal organizational structures and economic performance. The paper examines the historical and political economy contexts that led to the creation of both countries' farmers' organizations and highlights the institutional characteristics that impacted their operational effectiveness. The study discusses elements in internal and external policies that affected group motivation and traces the implications of such differences in group behavior for bottom line performance. Though there existed many similarities in both organizational structure and operations, it is argued that differential intra-group behavioral dynamics led to differences in agricultural performance. Although, with the declining importance of agriculture, the relative importance of such organizations has declined in recent years, the study is relevant for developing countries at every stage of development.

### Rapisarda, Grazia

**PD** October 2000. **TI** Bank Equity Stakes in Borrowing Firms and Credit Market Competition. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0022; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton SO17 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 25. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** D44, D82, G21, G24, G32. **KW** Universal Banking. Asymmetric Auctions. Private Information. Credit Markets. Interest Rates.

**AB** In this paper we analyze the effect of banks holding equity stakes in borrowing firms on the equilibrium level of interest rates and on the tendency of the borrowing firm to establish tighter links with the shareholding bank. Equity claims are defined as rights to receive dividend payments as well as private information about the firm. By modeling competition as an asymmetric common value auction, we show that when one of the competing banks in the credit market holds an equity claim in the firm, the equilibrium expected cost of debt increases with the size of the equity stake and the firm tends to concentrate its credit relationships around the shareholding bank.

### Rappaport, Jordan

**PD** December 2000. **TI** Is the Speed of Convergence Constant? **AA** Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/10; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm).

**PG** 31. **PR** no charge. **JE** O41, O47. **KW** Economic Growth. Income Convergence. Cross-Country Growth. Growth Empirics.

**AB** Empirical attempts to measure the speed of convergence -- the rate at which a country's per capita income approaches its steady state relative to its distance from its steady state -- have started from the assumption that it is constant. In contrast, neoclassical models of capital accumulation usually predict that the speed of convergence decreases as income approaches its steady state. Estimating a flexible functional form which allows the speed of convergence to vary suggests that the speed of convergence actually increases as income approaches its steady state. An increasing speed of convergence calls into question structural interpretations of coefficients on conditioning variables in cross-sectional growth regressions. Instead, excluding initial income from cross-sectional growth regressions allows coefficients on exogenous variables to be interpreted as measuring changes in underlying structural relationships.

**PD** December 2000. **TI** How Does Openness to Capital Flows Affect Growth? **AA** Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/11; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 27. **PR** no charge. **JE** E21, F43, O41. **KW** Aggregative Models. Economic Growth. Open Economies. Growth Models.

**AB** An average adjustment cost that is convex with respect to the rate of gross investment successfully calibrates a neoclassical growth model to match real world observables including the transition paths of convergence speed, the shadow value of capital, interest rates, and savings rates. Comparing the open-economy and closed-economy versions of the calibrated model shows that relaxing the constraint that domestic savings finance domestic investment effects only a small increase in the growth rate of output per capita: less than one percentage point per year for an economy with current output 20 percent its steady-state level and less than one-half percentage point for an economy with current output 60 percent its steady-state level. Rather than higher growth, the main effect of openness to capital flows is higher current levels of consumption financed by large trade deficits.

### Rasmussen, Bo Sandemann

**PD** December 2000. **TI** Government Debt and Capital Accumulation in the Blanchard-Cass-Yaari OLG Model. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/14; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 10. **PR** no charge. **JE** E13, H63. **KW** OLG Model. Government Debt. Stability. Capital Accumulation.

**AB** It is shown that although government debt in principle has an ambiguous effect on the steady state capital stock in an OLG model of the Blanchard-Cass-Yaari variety, once stability of the steady state equilibrium is imposed there is an unambiguous negative relation between the level of government debt and the capital stock.

**PD** January 2001. **TI** Global Coordination of Capital Income Tax Policies. **AA** University of Aarhus.

**SR** Aarhus Department of Economics Working Paper: 2001/03; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 20. **PR** no charge. **JE** F21, H21, H25. **KW** Capital Income Taxation. Tax Competition. Tax Coordination. Partial Coordination.

**AB** Coordination of tax policies among policy makers is an often-considered remedy against inefficiently low taxes on mobile tax bases induced by tax competition. Tax coordination may, however, not be particularly successful if some countries do not take part in the coordination. The outcome of such "partial coordination" in capital income taxation is derived within a linear-quadratic tax competition model with imperfect capital mobility, and the results suggest that the critical mass of countries needed for partial coordination to matter significantly is likely to be a very large percentage of the economies of the world, with the main benefits accruing to countries not participating. This may call for implementation of a global capital income tax treaty administered along the lines of the WTO trade agreements.

#### Ratfai, Attila

**PD** December 2000. **TI** Relative Price Skewness and Inflation: A Structural VAR Framework. **AA** University of Southampton and Hungarian Academy of Sciences. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0028; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 39. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** C32, E31, E37. **KW** Inflation Dynamics. Pricing Models. Structural VAR. Vector Autoregression. Skewness.

**AB** This study evaluates the empirical significance of idiosyncratic pricing shocks in inflation dynamics. To this end, using store-level price data for a selected group of products and employing identification schemes dictated by (S,s) pricing theory, product-level Structural Vector Autoregressions comprised of inflation and relative price skewness are estimated. Robustly to alternative identification assumptions, definitions of the relative price and measures of asymmetry in relative price distributions, idiosyncratic shocks tend to explain about 25 to 30 percent of the forecast error variance in inflation rates at the 12-month horizon. They also lead to substantial build-up in inflation after about 3 to 5 months following the initial disturbance.

**PD** December 2000. **TI** The Size, Frequency and Synchronization of Price Adjustment: Microeconomic Evidence. **AA** University of Southampton and Hungarian Academy of Sciences. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0029; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 38. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** E31. **KW** Pricing Models. Microeconomic Evidence. Price Stickiness. Staggering.

**AB** This paper presents direct, non-parametric microeconomic evidence on stores' price setting behavior and evaluates the findings in light of theories of nominal price rigidity. The main issues include the durability of price quotations, the size, the frequency and the across-store and within-store synchronization of price changes. The analysis is

based on a unique, high frequency panel data set of consumer prices recorded between 1993 and 1996 in Hungary. The results indicate that basic price adjustment patterns tend to be consistent with implications of two-sided (S,s) pricing models. Other popular macroeconomic models of price setting are boldly violated by the data.

**PD** December 2000. **TI** A Note on the Independence of Central Banks in the Czech Republic, Hungary and Poland. **AA** University of Southampton and Hungarian Academy of Sciences. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0034; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 16. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** E52, E58. **KW** Central Banks. Economic Transition. Eastern Europe. Monetary Policy.

**AB** This essay evaluates the legal independence of central banks in three Eastern European countries: the Czech Republic, Hungary and Poland. It provides a descriptive account of monetary policy making in these countries and interprets the relevant central bank charters in light of arguments for central bank independence. Information found in the legal documents is summarized in quantitative indices. The main finding is that the three central banks exhibit a similar degree of legal independence, which does not differ from that of the Bundesbank.

**PD** December 2000. **TI** Linking Individual and Aggregate Price Changes. **AA** University of Southampton and Hungarian Academy of Sciences. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0035; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 32. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** E31, E37. **KW** Inflation. Forecasting. Pricing Theory.

**AB** Standard macroeconomic forecasting indicators and techniques tend to perform poorly in predicting inflation in the short-run. The present paper shows that microeconomic price data placed in an empirical model rooted in (S,s) pricing theory convey extra information on inflation dynamics. The empirical model designed to capture the deviation between target and actual price, potentially applicable in other contexts where lumpy adjustment is prevalent, is applied to a unique, highly disaggregated panel data set of consumer prices. Fluctuations in the shape of the cross-sectional density of price deviations are found to contribute to short-run inflation in the sample. Asymmetry in the density particularly matters. Idiosyncratic pricing shocks appear to impact on the size rather than the direction of inflation fluctuations.

#### Ray, Debraj

**TI** Contractual Structure and Wealth Accumulation. **AU** Mookherjee, Dilip; Ray, Debraj.

**TI** Persistent Inequality. **AU** Mookherjee, Dilip; Ray, Debraj.

#### Razin, Assaf

**TI** Capital Mobility and the Output-Inflation Tradeoff. **AU** Loungani, Prakash; Razin, Assaf; Yuen, Chi-Wa.



**Rebick, Marcus**

**PD** September 1999. **TI** Japanese Labour Markets: Can We Expect Significant Change? **AA** University of Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 21; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 27. **PR** no charge. **JE** J31, J32, J33, N35. **KW** Japan. Labor. Market. Personnel. Employment.

**AB** I examine recent changes in labor markets and employment practices in Japan. I find little evidence that Japan is converging towards an Anglo-American type labor market. Mobility rates continue to be low, and there is little indication that this will change greatly in the future. Large firms will continue to be reluctant to hire women into line management positions, and women will continue to dominate the continent workforce in Japan. There is likely to be a change in the nature of assessment and rewards leading to greater dispersion in pay, especially for managers.

**Recchia, Virginia**

**PD** November 1999. **TI** Risk Communication and Public Perception of Technological Hazards (Part One). **AA** Fondazione Eni Enrico Mattei. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 81/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 48. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** A14, D74, L15, Q20, Q30. **KW** Environment. Communication. Risk Management. Consensus Building. Technological Hazards.

**AB** Research on risk communication relates basic risk perception studies to the formulation of policies, the currently evolving legislation dealing with hazards, the key issues of public involvement, the risk and environmental management. Risk communication is a relatively new field based on a sociological approach. The discipline comes from risk perception studies, which try to investigate how the public is influenced by certain variables in perceiving risk as "acceptable" or not. Risk communication involves some aspects of risk analysis methodology. The research project includes two aspects: a theoretic approach on risk communication (Part one) and a case study (Part two). The analyzed case is relative to a movement plant of petroleum products. The method used for the analysis foresees a review of the main findings about risk perception and communication: mostly about the factors, which influence the public perception of risk. On the basis of these factors a content analysis of technical documents, of local newspapers, and of public documents and reports was carried out. The main objective of this project is to establish recommendations and proposals for a communication strategy aimed at consensual decision making.

**PD** November 1999. **TI** Risk Communication and Public Perception of Technological Hazards (Part Two). **AA** Fondazione Eni Enrico Mattei. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 82/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 64. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** A14, D74, L15, Q20, Q30. **KW** Environment. Communication. Risk Management. Consensus Building. Technological Hazards.

**AB** Research on risk communication relates basic risk perception studies to the formulation of policies, the currently evolving legislation dealing with hazards, the key issues of

public involvement, the risk and environmental management. Risk communication is a relatively new field based on a sociological approach. The discipline comes from risk perception studies, which try to investigate how the public is influenced by certain variables in perceiving risk as "acceptable" or not. Risk communication involves some aspects of risk analysis methodology. The research project includes two aspects: a theoretic approach on risk communication (Part one) and a case study (Part two). The analyzed case is relative to a movement plant of petroleum products. The method used for the analysis foresees a review of the main findings about risk perception and communication: mostly about the factors, which influence the public perception of risk. On the basis of these factors a content analysis of technical documents, of local newspapers, and of public documents and reports was carried out. The main objective of this project is to establish recommendations and proposals for a communication strategy aimed at consensual decision making.

**Reed, Hannah**

**TI** The Contested Meaning of Labour Market Flexibility: Economic Theory and the Discourse of European Integration. **AU** Deakin, Simon F.; Reed, Hannah.

**TI** Transcending the Flexibility Debate? Deregulation and Employment in Britain, 1979-1997. **AU** Deakin, Simon F.; Reed, Hannah.

**TI** Changing Midwifery: Working Conditions and the Quality of Care. **AU** Ladipo, David; Reed, Hannah; Wilkinson, Frank.

**Rendon, Silvio**

**PD** February 2001. **TI** Job Creation Under Liquidity Constraints: The Spanish Case. **AA** Universitat Pompeu Fabra. **SR** Banco de Espana, Documentos de Trabajo: 0101; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 26. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E22, G31, J23, J32. **KW** Job Creation. Employment. Investment. Adjustment Costs. Liquidity Constraints.

**AB** This paper shows that liquidity constraints restrict job creation even with flexible labor markets. In a dynamic model of labor demand, I show that under imperfect capital and imperfect labor markets, firms use temporary contracts to relax financial constraints. Evidence for the predictions of the model is presented using Spanish data from the CBBE (Balance Sheet data from the Bank of Spain). The creation of temporary contracts in 1984 implied an insufficient alleviation of liquidity constraints; consequently, permanent job creation remains slow. A job creation strategy should not only remove labor rigidities, but also financial constraints.

**Renstrom, Thomas I.**

**TI** Time Inconsistency in Environmental Policy: Tax Earmarking as a Commitment Solution. **AU** Marsiliani, Laura; Renstrom, Thomas I.

**Repullo, Rafael**

**TI** A Model of the Open Market Operations of the European Central Bank. **AU** Ayuso, Juan; Repullo, Rafael.

**TI** Why Did the Banks Overbid? An Empirical Model of the Fixed Rate Tenders of the European Central Bank.  
**AU** Ayuso, Juan; Repullo, Rafael.

### Revelt, David

**PD** May 2000. **TI** Customer-Specific Taste Parameters and Mixed Logit: Households' Choice of Electricity Supplier.  
**AU** Revelt, David; Train, Kenneth. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/274; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. Website:

[www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html).

**PG** 31. **PR** \$3.50 U.S.; \$7.50 International. **JE** C25, D12, L94. **KW** Energy Suppliers. Mixed Logit. Taste Parameters.

**AB** In a discrete choice situation, information about the tastes of each sampled customer is inferred from estimates of the distribution of tastes in the population. First, maximum likelihood procedures are used to estimate the distribution of tastes in the population using the pooled data for all sampled customers. Then, the distribution of tastes of each sampled customer is derived conditional on the observed data for that customer and the estimated population distribution of tastes (accounting for uncertainty in the population estimates.) We apply the method to data on residential customers' choice among energy suppliers in conjoint-type experiments. The estimated distribution of tastes provides practical information that is useful for suppliers in designing their offers. The conditioning for individual customers is found to differentiate customers effectively for marketing purposes and to improve considerably the predictions in new situations.

### Rey, Helene

**TI** Financial Super-Markets: Size Matters for Asset Trade.  
**AU** Martin, Philippe; Rey, Helene.

**TI** The Determinants of Cross-Border Equity Flows: The Geography of Information. **AU** Portes, Richard; Rey, Helene.

### Reynaud, Benedicte

**TI** Social Aspects of the Decrease in Working Hours in 19th Century France. **AU** Bourdieu, Jerome; Reynaud, Benedicte.

### Ribero, Rocio

**PD** July 2000. **TI** Family Structure, Fertility and Child Quality in Colombia. **AA** Universidad de Los Andes. **SR** Yale Economic Growth Center Discussion Paper: 818; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 21. **PR** \$2.00 plus postage. **JE** J12, J13. **KW** Family Structure. Fertility. Child Quality. Colombia.

**AB** This paper analyzes how family structure and fertility alter children quality in Colombia. Reduced form models to determine marital status of women and number of children ever born are estimated considering factors that affect women's bargaining powers inside the marriage. Tentative estimates of structural interdependence between these variables and children outcomes are outlined, revealing that marriage has a positive link with child quality and fertility has a negative link with child quality. Colombian national household survey data at rural and urban levels are used for the estimations.

**TI** Visitations and Transfers in Non Intact Households.  
**AU** Del Boca, Daniela; Ribero, Rocio.

**PD** November 1999. **TI** Earnings Effects of Household Investment in Health in Columbia. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 810; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 19. **PR** \$2.00 plus postage. **JE** I12, J24. **KW** Earnings. Height. Health Indicators.

**AB** This study considers the links between health and productivity in Colombia. Illness occurs more frequently for women, for less educated, for rural residents, and for older individuals, and better-educated individuals are considerably taller. I specify a log-earnings equation that includes health indicators as human capital. When health is treated as endogenous and measured with error and the model is estimated by instrumental variables [IV], it becomes significant with the expected sign. Controlling for socioeconomic characteristics, an increase of 50% on the average number of days disabled would reduce labor earnings by 11% for urban males, 8% for urban females, 13% for rural males and 7% for rural females. Height shows a positive and significant coefficient that increases with IV methods by an order of magnitude. Being one centimeter taller would increase urban female earnings by 4.7% and urban male earnings by 12%. Individual's wealth is linked with better health.

### Ricci, Francesco

**TI** The Growth-Environment Trade-Off: Horizontal vs Vertical Innovations. **AU** Grimaud, Andre; Ricci, Francesco.

### Rice, Patricia

**PD** September 2000. **TI** Participation in Further Education and Training: How Much Do Gender and Race Matter? **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0019; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 48. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** I21, J15, J16, J24. **KW** Human Capital. Education. Training. Ethnic Groups. Gender.

**AB** This paper examines the differences in participation rates in further education and training that persist across Britain's ethnic groups, and between males and females within a given group. A statistical model of choice of post-16 activity is estimated using data on a large sample of 16 year-olds in England and Wales. The analysis shows that a significant part of the gender gap in participation rates in further education is attributable to compositional differences, in particular differences in the distribution of academic attainment levels. However, differences in participation rates between the White majority group and the ethnic minority groups in Great Britain are primarily a result of differences in the behavior of otherwise identical individuals.

### Richardson, J. David

**PD** July 1999. **TI** Revealing Comparative Advantage: Chaotic or Coherent Patterns Across Time and Sector and U.S. Trading Partner? **AU** Richardson, J. David; Zhang, Chi. **AA** Richardson: Syracuse University and NBER. Zhang: Stanford University. **SR** National Bureau of Economic

Research Working Paper: 7212; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). PG 13. PR \$5.00. JE F12, F14, F17. KW Comparative Advantage. International Trade. Producer Goods. Consumer Goods.

**AB** The authors map United States comparative advantage between 1980 and 1995, by trading partner and region, using Balassa's export-based index of Revealed Comparative Advantage (RCA). They find: temporally stable and ubiquitous US comparative advantage in differentiated producer goods (except disadvantage in Japan); somewhat less stable and less sweeping US disadvantage in standardized producer goods; chaotic and diverse patterns of US RCA in consumer goods. The most significant findings are surprisingly sharp geographical differences in patterns of US RCA and surprisingly small differences across sub-sectors of 1, 2, and 3-digit SITC classifications -- regional, but not sectoral, "niche" specialization. The high overall variability across regions in RCA indexes seems unrelated to obvious explanations such as proximity or lingual/historical ties to the US. In producer goods, RCA variability across regions correlates somewhat better with accounts of trade diversion and of regional preferences for and discrimination against US exports. The authors find only scant evidence of high or increasing variability across disaggregated commodity sub-groups in US RCA indexes.

#### **Richardson, Matthew**

**TI** A Multifactor, Nonlinear, Continuous-Time Model of Interest Rate Volatility. AU Boudoukh, Jacob; Richardson, Matthew; Stanton, Richard; Whitelaw, Robert F.

**TI** Behavioralize This! International Evidence on Autocorrelation Patterns of Stock Index and Futures Returns. AU Ahn, Dong-Hyun; Boudoukh, Jacob; Richardson, Matthew; Whitelaw, Robert F.

**TI** Behavioralize This! International Evidence on Autocorrelation Patterns of Stock Index and Futures Returns. AU Ahn, Dong-Hyun; Boudoukh, Jacob; Richardson, Matthew; Whitelaw, Robert F.

#### **Richburg Hayes, Lashawn**

**PD** September 2000. **TI** Do the Poor Pay More? An Empirical Investigation of Price Dispersion in Food Retailing. **AA** Rutgers University. **SR** Princeton University, Industrial Relations Section Working Paper: 446; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). PG 46. PR \$1.50. JE D12, L11, L81. KW Supermarket. Price Dispersion. Inner-City-Consumers.

**AB** On the question of whether prices are higher in poor, urban neighborhoods, the prior research is decidedly mixed. This paper revisits the question by analyzing unpublished price-level data collected by the Bureau of Labor Statistics for construction of the Consumer Price Index. Using this large, statistically representative sample of stores in poor and affluent neighborhoods, I first estimate if a price difference exists. I then empirically test the major arguments in support of disparate prices such as differences in quality, operating and consumer search costs. I also explore the relationship between pricing strategies and the racial and ethnic composition of poor neighborhoods. I find that market prices are up to 6 percent less

in poor neighborhoods after controlling for a variety of covariates. In addition, I find that poor, predominantly white and Hispanic neighborhoods experience significant discounts, while market prices in poor, predominantly black neighborhoods are comparable to those in affluent white areas.

#### **Rigotti, Luca**

**TI** The Sport League's Dilemma: Competitive Balance versus Incentives to Win. AU Palomino, Frederic; Rigotti, Luca.

#### **Rioja, Felix K.**

**TI** International Transmission of Anticipated Inflation Under Alternative Exchange-Rate Regimes. AU Holman, Jill A.; Rioja, Felix K.

#### **Robins, Philip K.**

**TI** Financial Incentives for Increasing Work and Income Among Low-Income Families. AU Blank, Rebecca M.; Card, David; Robins, Philip K.

#### **Robson, Paul**

**TI** Business Advice: The Influence of Distance. AU Bennett, Robert; Bratton, William; Robson, Paul.

**TI** The Small Business Service: Business Support, Use, Fees and Satisfaction: Econometric Estimates. AU Bennett, Robert; Robson, Paul.

**TI** Government Advice Networks for SMEs: An Assessment of the Influence of Local Context on Business Link Use, Impact and Satisfaction. AU Bennett, Robert; Robson, Paul; Bratton, William.

**TI** The Influence of Location on the Use by SMEs of External Advice and Collaboration: Detailed Econometric Estimates. AU Bennett, Robert; Robson, Paul; Bratton, William.

**TI** Intensity of Interaction in Supply of Business Advice and Client Impact: A Comparison of Consultancy, Business Associations and Government Support Initiatives for SMEs. AU Bennett, Robert; Robson, Paul.

**PD** September 1999. **TI** The Use and Impact of Business Advice by SMEs in Britain: An Empirical Assessment using Logit and Ordered Logit Models. AU Robson, Paul; Bennett, Robert. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP143; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). PG 23. PR \$10.00 (5 pounds); checks payable to University of Cambridge. JE L15, L21, L23. KW Business Advice. Business Link. Consultancy. Logit. Ordered Logit.

**AB** This paper assesses the effect of differences of types of client on the use and impact of business advice by SMEs in Britain using new survey evidence from the Cambridge ESRC Centre for Business Research Survey of 1997. The Survey, covering over 2,500 respondents, is the largest and most definitive assessment available in Britain. Using multivariate logit models, we find that the size of the firm, rate of growth and innovation appear to be the main variables influencing the likelihood of firms seeking external advice, both from different

sources and from different fields. Other variables investigated include age, profitability, skill levels, manufacturer/services, and exporter/non-exporter. Ordered logit models of the impact of the advice demonstrate that there are significant differences between clients' perceived impact of advice and the sources of advice they use, chiefly as a result of firm size and to a lesser extent for growth, innovation and export levels.

### Rocheteau, Guillaume

**TI** The Role of Money in Double Coincidence Environments. **AU** Berentsen, Aleksander; Rocheteau, Guillaume.

**TI** On the Efficiency of Monetary Exchange: Why Divisibility of Money Matters. **AU** Berentsen, Aleksander; Rocheteau, Guillaume.

### Rogers, John H.

**TI** Violating the Law of One Price: Should We Make A Federal Case Out of It? **AU** Engel, Charles; Rogers, John H.

### Rogoff, Kenneth

**TI** The Six Major Puzzles in International Macroeconomics: Is There a Common Cause? **AU** Obstfeld, Maurice; Rogoff, Kenneth.

**TI** Perspectives on OECD Economic Integration: Implications for US Current Account Adjustment. **AU** Obstfeld, Maurice; Rogoff, Kenneth.

### Roller, Lars-Hendrik

**TI** Consumer Surplus vs. Welfare Standard in a Political Economy Model of Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik.

**TI** The Scope of Conflict in International Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik.

### Rose, Andrew K.

**TI** Noise Trading and Exchange Rate Regimes. **AU** Jeanne, Olivier; Rose, Andrew K.

### Rosengren, Eric S.

**TI** Determinants of the Japan Premium: Actions Speak Louder Than Words. **AU** Peek, Joe; Rosengren, Eric S.

### Rosenthal, Howard

**TI** Checks and Balances: An Assessment of the Institutional Separation of Political Powers in Colombia. **AU** Kugler, Maurice; Rosenthal, Howard.

### Rosett, Joshua G.

**PD** July 1999. **TI** Characteristics of TQM: Evidence from the RIT/USA Today Quality Cup Competition. **AU** Rosett, Joshua G.; Rosett, Richard N. **AA** Rosett, J.: Tulane University. Rosett, R.: Rochester Institute of Technology. **SR** National Bureau of Economic Research Working Paper: 7241; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 35. **PR** \$5.00. **JE** M11, M12, M21. **KW** Problem Solving. Devolving Authority.

**AB** This paper reports the results of a field study examining the use of TQM at 15 firms. The sample is drawn from winners and finalist of the RIT/USA Today Quality Cup. The authors

interviewed 75 employees (5 per firm) including 14 executives, 44 middle managers, and 17 front line workers. The interviews elicited information on the motives for adopting TQM, the role of leadership, the use of monitoring, the use of rhetoric, the extent and type of training, the basis for employee evaluation, compensation, and promotion, the use of teams, reallocation of authority, and the results of the TQM program. We use the data to provide a description of how TQM works in practice, including factors that determined patterns of use across firms. A major result is that team-based problem solving is used about as frequently as devolution of authority in our sample. We attribute this result to the higher cost of monitoring and corporate change associated with devolution relative to problem solving.

### Rosett, Richard N.

**TI** Characteristics of TQM: Evidence from the RIT/USA Today Quality Cup Competition. **AU** Rosett, Joshua G.; Rosett, Richard N.

### Rosholm, Michael

**PD** December 2000. **TI** Structurally Dependent Competing Risks. **AU** Rosholm, Michael; Svarer, Michael. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/11; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 10. **PR** no charge. **JE** C41, J64. **KW** Competing Risks. Structural Dependence. Recall Hazard. New Job Hazard.

**AB** In this paper, we specify and estimate a structurally dependent competing risks model for the transitions out of unemployment into either new job or recall. The recall probability is allowed to affect the search intensity for new jobs.

### Roson, Roberto

**TI** Carbon Emissions Trading and Equity in International Agreements. **AU** Bosello, Francesco; Roson, Roberto.

### Rouse, Cecilia Elena

**PD** January 2000. **TI** School Reform in the 21st Century: A Look at the Effect of Class Size and School Vouchers on the Academic Achievement of Minority Students. **AA** Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 440; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 44. **PR** \$1.50. **JE** I21, I22, I28. **KW** Class Size. School Vouchers. Student Achievement. African-American. Hispanic. **AB** Many argue schools that serve inner-city and rural children are in "crisis." This paper reviews the best available evidence on the effects of class size and school vouchers. Results from the Tennessee STAR experiment suggest smaller class sizes improve achievement, particularly for inner-city and minority children; results from the New York City voucher experiment and the Milwaukee Parental Choice program suggest there may be small achievement gains in mathematics for the African-American and Hispanic children who use vouchers. Although the reason of the achievement gains is unknown, one candidate is the smaller class sizes in the private schools.

**PD** April 2000. **TI** Using Market Valuation to Assess the Importance and Efficiency of Public School Spending. **AU** Rouse, Cecilia Elena; Barrow, Lisa. **AA** Barrow: Federal Reserve Bank of Chicago. Rouse: Princeton University and NBER. **SR** Princeton University, Industrial Relations Section Working Paper: 438; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 42. **PR** \$1.50. **JE** H41, H42, I21, I22, I23. **KW** Education Spending. Efficiency. Competition. Tiebout.

**AB** In this paper we take a "market-based" approach to examine whether potential residents value increased school expenditures and whether the current level of public school provision is inefficient. We do so by employing an instrumental variables strategy to estimate the effect of state education aid on residential property values. We find evidence that, on average, additional state aid is valued by potential residents and that school districts appear to spend efficiently or, if anything, under spend. We also find that school districts spend less efficiently in areas in which they face little or no competition from other public schools, in large districts, and in areas in which residents are poor or less educated. One interpretation of these results is that increased competition has the potential to increase school efficiency in some areas.

**TI** A Study of the Wage Impacts of Unions and Industrial Councils in South Africa. **AU** Butcher, Kristin F.; Rouse, Cecilia Elena.

**TI** Estimating Returns to Schooling When Schooling is Misreported. **AU** Kane, Thomas J.; Rouse, Cecilia Elena; Staiger, Douglas.

### Rowthorn, Robert

**PD** March 2000. **TI** The Political Economy of Full Employment in Modern Britain. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP164; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 56. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J63, J64, R11, R23. **KW** Unemployment. Structural Change. Migration. Regions.

**AB** This paper examines the regional aspects of structural change and unemployment in the UK. Manufacturing decline has severely hit the industrial conurbations of the North. Although reflecting long-run trends, poor macroeconomic management has exacerbated this decline. New service jobs have been created but most of these are in the South. This growing North-South divide is reflected in a southward drift of population. Northern decline is masked by government expenditures that help to maintain employment in depressed areas. But this is only a temporary solution. As population drifts away from the depressed areas, public expenditures will eventually be cut, causing further loss of employment and population in these areas. Using a simple export base model, the paper quantifies the underlying decline of the northern economy. In relative terms, this decline has been almost as fast in the 1990s as in the previous decade of industrial crisis.

### Ruge-Murcia, Francisco J.

**PD** March 2001. **TI** Inflation Targeting Under

Asymmetric Preferences. **AA** CRDE and Universite de Montreal. **SR** Banco de Espana, Documentos de Trabajo: 0106; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcalá, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 29. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** E52, E58, E61. **KW** Inflation Targeting. Asymmetric Preferences. Credibility.

**AB** This paper develops and estimates a game-theoretical model of inflation targeting where the central banker's preferences are asymmetric around the targeted rate. In particular, positive deviations from the target can be weighted more, or less, severely than negative ones in the central banker's loss function. It is shown that some of the previous results derived under the assumption of symmetry are not robust to the generalization of preferences. Estimates of the central banker's preference parameters for Canada, Sweden, and the United Kingdom are statistically different from the ones implied by the commonly used quadratic loss function. Econometric results are robust to different forecasting models for the rate of unemployment but not to the use of measures of inflation broader than the one targeted.

### Rumler, Fabio

**PD** September 1999. **TI** International Policy Transmissions Before and After Establishing a Monetary Union. **AA** Vienna University of Economics and Business Administration. **SR** Institute for Advanced Studies (IHS), Economics Series: 71; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 26. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** E63, F33, F42. **KW** Macroeconomic Policy Transmissions. Exchange Rate Regimes. EMU.

**AB** This paper analyzes the effects of the implementation of a monetary union on the international transmission of monetary and fiscal policies. A dynamic three-country general equilibrium model, exhibiting monopolistic competition and sticky prices, is used to show how asymmetric monetary and fiscal policy shocks affect the production and consumption decisions in the three countries. The international effects of asymmetric monetary and fiscal policy shocks are then compared with respect to the two situations -- before and after the implementation of a (two-country) monetary union. It is shown that all key economic variables of the two countries forming a monetary union react completely symmetrically to no longer independent monetary and fiscal policy shocks. Even the fiscal policies of the countries forming a monetary union themselves turn out to become symmetric, although, in principle, there is no particular need for government spending levels to be fully synchronized within a monetary union.

### Russo, Margherita

**PD** September 2000. **TI** The Challenges for the Next Decade: Notes on the Debate on the Development of the Emilia-Romagna Region. **AU** Russo, Margherita; Allari, Giorgio; Bertini, Silvano; Bonaretti, Paolo; De Leo, Elio; Fiorani, Giuseppe; Rinaldini, Gianni. **AA** Russo: University of Modena and Reggio Emilia, Italy. Allari: Regional Secretary of CAN, Bologna, Italy. Bertini and De Leo: Emilia-Romagna Region, Bologna, Italy. Bonaretti: ASTER, Bologna, Italy. Fiorani: META spa, Modena, Italy. Rinaldini: Regional

Secretary of CGIL-Emilia-Romagna, Bologna, Italy. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP176; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 39. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** I28, O12, O18, R58. **KW** Regional Policy. Industrial Dynamics. Local Development. Learning Regions. Technical Education. Vocational Education.

**AB** Facing exogenous changes and endogenous impasses, Emilia-Romagna, one of the richest regions in Europe, is undergoing transformation. In this paper, we outline the dynamics of change at the regional level, both in the changes in the interrelationships among the major actors, and the emergence of new phenomena such as demographic trends. Regional policy measures to foster local development are sketched by focusing on industrial policy, transport infrastructure plans and policy measures on learning processes, as they emerge in the changes undertaken at regional level in technical and vocational education.

#### Sanchez, Fernando J.

**TI** An Application of TRAMO-SEATS: Model Selection and Out-of-Sample Performance. The Swiss CPI Series. **AU** Maravall, Agustin; Sanchez, Fernando J.

#### Sanchis, Alicia

**TI** Estimating Liquidity Premia in the Spanish Government Securities Market. **AU** Alonso, Francisco; Blanco, Roberto; del Rio, Ana; Sanchis, Alicia.

#### Sanso, Andreu

**TI** Measurement Errors and Outliers in Seasonal Unit Root Testing. **AU** Haldrup, Niels; Montanes, Antonio; Sanso, Andreu.

#### Santos, Tano

**TI** Prospect Theory and Asset Prices. **AU** Barberis, Nicholas; Huang, Ming; Santos, Tano.

#### Sastre, Teresa

**TI** Mergers and Acquisitions in the Spanish Banking Industry: Some Empirical Evidence. **AU** Fuentes, Ignacio; Sastre, Teresa.

#### Saurina, Jesus

**TI** Credit Growth, Problem Loans and Credit Risk Provisioning in Spain. **AU** Fernandez de Lis, Santiago; Martinez Pages, Jorge; Saurina, Jesus.

#### Savatano, Miguel A.

**TI** Exchange Rates in Emerging Economies: What Do We Know? What Do We Need to Know? **AU** Edwards, Sebastian; Savatano, Miguel A.

#### Saxena, Sweta Chaman

**TI** What Caused the 1991 Currency Crisis in India? **AU** Cerra, Valeire; Saxena, Sweta Chaman.

#### Sbracia, Massimo

**TI** Correlation Analysis of Financial Contagion: What One

Should Know Before Running a Test. **AU** Corsetti, Giancarlo; Pericoli, Marcello; Sbracia, Massimo.

#### Scarpa, Riccardo

**PD** September 1999. **TI** Estimating WTP for Speed Reduction from Dichotomous-Choice CV Responses with Follow-Up: The Case of Rural Trunk Roads. **AU** Scarpa, Riccardo; Willis, Ken; Garrods, Guy. **AA** Scarpa: University of Tuscia, Italy and University of Newcastle upon Tyne, U.K. Willis and Garrods: University of Newcastle upon Tyne, U.K. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 73/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 33. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C14, C35, C42, D12, D62. **KW** Speed Reduction. Rural Trunk Roads. Traffic. Contingent Valuation. Survey Methods.

**AB** The authors present an empirical estimation of the distribution of Willingness-to-Pay (WTP) for effective speed reduction via implementation of local traffic calming schemes. Random samples are drawn from the populations of households of three villages intersected by main trunk roads with varying through-traffic conditions. The authors retrieve the underlying WTP distributions from discrete-choice responses to site-specific contingent valuation studies accounting for zero-bidders. They then test the hypothesis of different distributions across villages. The statistical analysis is first conducted by means of a parametric specification and then by a totally nonparametric one. Stated welfare changes for effective speed reduction are found to be sizable and the parameters of the random utility models are related to differences in objective speed measures.

#### Schankerman, Mark

**PD** April 1999. **TI** Damages and Injunctions in the Protection of Proprietary Research Tools. **AU** Schankerman, Mark; Scotchmer, Suzanne. **AA** Schankerman: London School of Economics. Scotchmer: University of California Berkeley. **SR** National Bureau of Economic Research Working Paper: 7086; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 24. **PR** \$5.00. **JE** K11, K20, O31, O34. **KW** Damages. Injunctions. Liability. Property Rights. Research and Development.

**AB** Profit on proprietary research tools is determined partly by the remedies for infringement, such as damages and injunctions. We investigate how damages under a liability rule and the opportunity for injunctions under a property rule can affect the incentives to develop research tools. We show that the prevailing legal doctrine of damages under a liability rule, called lost profit or reasonable royalty, suffers from a logical circularity which leads to an indeterminacy in permissible damages. This can create insufficient incentives to develop research tools. Incentives can be improved either by a property rule with injunctions or by a liability rule under the doctrine of unjust enrichment.

#### Scheibl, Fiona

**PD** September 1999. **TI** Can We Measure and Communicate the Benefits of Work-Life Policies More Effectively? **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP135; Centre for Business Research, Department of

Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 19. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J16, J22. **KW** Work-Life Programs. Action Research. Dissemination.

**AB** This paper reviews 21 different studies of work-life programs drawn from articles published in a range of academic and management journals and promotional documents aimed at businesses. The review was concerned to find out whether the use of control groups, or other rigorous forms of measurement, have become more widespread. It also highlights those studies that make a contribution by developing an interdisciplinary framework or make an effort to disseminate findings in a bilingual format. The paper finds that recent studies have used one of five different research designs to measure and evaluate the impact of work-life practices. The designs included: multivariate modelling; control groups; action research; business case calculations; and social surveys. The paper concludes that there has not been a wider application of control group methods. There is also evidence that the "action research" approach is leading the path toward a more interdisciplinary understanding of work-life conflict.

#### Scheinkman, Jose A.

**TI** What is Social Capital? The Determinants of Trust and Trustworthiness. **AU** Glaeser, Edward L.; Laibson, David; Scheinkman, Jose A.; Soutter, Christine L.

**TI** What is Social Capital? The Determinants of Trust and Trustworthiness. **AU** Glaeser, Edward L.; Laibson, David; Scheinkman, Jose A.; Soutter, Christine L.

#### Schellekens, Philip

**PD** July 2000. **TI** Costly Collateral and the Public Supply of Liquidity. **AA** Massachusetts Institute of Technology. **SR** International Monetary Fund Working Paper: WP/00/125; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 23. **PR** not available. **JE** E44, E51. **KW** Debt Finance. Collateral. Credit Constraints. Asset-Price Volatility.

**AB** This paper addresses two complications arising from the use of collateral requirements in debt contracts between wealth-constrained entrepreneurs and banks. First, costly asset liquidation is found to enhance the susceptibility of debt finance to interest rate volatility. Second, aggregate uncertainty in conjunction with limited bank capitalization is shown to produce excessive credit constraints that, under certain conditions, justify the public supply of liquidity. The paper suggests applications with respect to models of interest rate smoothing and self-fulfilling currency crises.

#### Schreft, Stacey L.

**TI** Financial Fragility with Rational and Irrational Exuberance. **AU** Lagunoff, Roger D.; Schreft, Stacey L.

**PD** February 1999. **TI** The Evolution of Cash Transactions: Some Implications for Monetary Policy. **AU** Schreft, Stacey L.; Smith, Bruce D. **AA** Schreft: Federal Reserve Bank of Kansas City. Smith: University of Texas at Austin. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 99/02; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 22. **PR** no charge. **JE** E31, E41,

E52, E58. **KW** Monetary Policy. Payments. Cash. Cashless Society.

**AB** This paper considers the implications for monetary policy of a decreasing demand for outside money. It finds that even perpetual declines in the demand for base money pose no threat to the traditional methods employed for conducting monetary policy. The effects of such reductions in the demand for central bank liabilities, however, do depend on how monetary policy is conducted. Four monetary policy regimes are analyzed. With a policy of nominal-interest-rate targeting, a secular decline in the volume of cash transactions unambiguously leads to accelerating inflation. A policy of maintaining a fixed composition of government liabilities leads to accelerating (decelerating) inflation if agents have sufficiently high (low) levels of risk aversion. Inflation targeting produces falling nominal and real interest rates, while a policy of fixing the rate of money growth can easily lead to indeterminacy and endogenous oscillation in interest rates. The relative merits of each approach are considered.

#### Schultz, T. Paul

**PD** January 1999. **TI** Women's Role in the Agricultural Household: Bargaining and Human Capital. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 803; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 71. **PR** \$2.00 plus postage. **JE** J16, J43, J24, Q12. **KW** Women. Agriculture. Household Bargaining. Human Capital.

**AB** This paper reviews the methods and empirical findings from economic analyses of women's contribution to social welfare and the determinants of their human capital. Three themes have emerged within the economics literature to illuminate women's roles in agricultural households. First is the conceptualization of the unified family as coordinator of production and consumption over the lifecycle. Second is the role of separability of production and consumption decisions in the agricultural household that depends on the equivalence of hired and of family labor and the existence of competitive factor markets. Third, is the exploration of individualistic Nash-bargaining or Pareto efficient collective coordination within the family that preserves the distinct preferences of individuals to be expressed in behavioral variation across families. The changing bargaining power of men and women is traced primarily to the increasing investment in women's human capital, in the forms of nutrition, health, schooling, mobility and family planning. This reduction in the gender gap in human capital is shown to be closely related to declines in mortality, fertility, and population growth in most studied populations and may importantly affect the intrahousehold distribution of resources.

**PD** February 1999. **TI** Health and Schooling Investments in Africa. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 801; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 32. **PR** \$2.00 plus postage. **JE** I11, I12, I21, I28, N37. **KW** Africa. Schooling. Health. Returns. Quality.

**AB** Regressions across countries from 1960 to 1995 are discussed to document African poor performance in terms of infant and child mortality, life expectation, and school

enrollment rates, controlling for national income, women's and men's schooling, and urbanization. It is concluded that intercountry regressions do not yet help us determine the consequences of this shortfall in these forms of human capital investments on the region's economic growth. The paper then examines microeconomic estimates based on household surveys of the productive payoff in Sub-Saharan Africa to nutrition and health, and to education. Political restrictions in South Africa before 1993 are interpreted as accounting for the low levels of educational attainment of nonwhites, and these quotas offer a supply explanation for the corresponding high rates of return to secondary and post-secondary schooling for those nonwhites who still managed to obtain such an education. Studies evidence is then considered on the wage returns to variation in the local quality of schooling, which appear to benefit disproportionately the above-average income households in Africa, as in most other low-income settings.

**PD** June 1999. **TI** Labor Market Reforms: Issues, Evidence and Prospects. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 802; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 46.

**PR** \$2.00 plus postage. **JE** J31, J41, O17. **KW** Labor Market Reform. Distortions. Labor Policies. Development.

**AB** The study of labor market segmentation and the estimation of the deadweight loss due to policy distortions reflected in wage structures require analyses of labor force surveys. These data are increasingly available in most countries. But evaluations of labor market reforms are uncommon. The lack of documented labor market reforms may reflect the difficulty of reducing wage distortions by direct policy measures, and the greater capacity of trade reforms and changes in industrial structure to erode wage distortions indirectly, and thereby promote efficiency and economic growth. The economic case for labor market reforms should nonetheless strengthen support for allied policies.

**PD** June 1999. **TI** The Impact of Institutional Reform from 1979 to 1987 on Fertility in Rural China. **AU** Schultz, T. Paul; Zeng, Yi. **AA** Schultz: Yale University. Zeng: Duke University. **SR** Yale Economic Growth Center Discussion Paper: 804; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 30. **PR** \$2.00 plus postage. **JE** J13, J43, O17. **KW** Fertility. China. Agricultural Reforms.

**AB** This empirical study brings together data on the local timing of the rural household responsibility system (HRS) reforms in China from 1979 to 1987, and assesses the association of the local reforms with individual parity-specific fertility changes as measured in the in-depth-fertility survey. Fertility appears to have increased slightly in 1982-84, but declined in 1985-87, in the wake of these significant economic reforms. It is hypothesized that the reforms increased the private monetary and opportunity cost of childbearing, intensified market competition for the adoption of new production technologies that encouraged parents to better educate their children, while increasing the mobility of the rural labor force and thereby discouraging and delaying childbearing among rural Chinese.

### Schwert, G. William

**PD** April 1999. **TI** Hostility in Takeovers: In the Eyes of the Beholder? **AA** University of Rochester. **SR** National Bureau of Economic Research Working Paper: 7085; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 33. **PR** \$5.00. **JE** G34. **KW** Takeovers. Hostile Takeovers. Public Disclosure. Negotiation.

**AB** The paper examines whether hostile takeovers can be distinguished from friendly takeovers, empirically based on accounting and stock performance data. Much has been made of this distinction in both the popular and the academic literature, where gains from hostile takeovers are typically attributed to the value of replacing incumbent managers and the gains from friendly takeovers are typically attributed to strategic synergies. Alternatively, hostility could reflect just a perceptual distinction arising from different patterns of public disclosure, where negotiated outcomes are the rule and transactions tend to be characterized as friendly when bargaining remains undisclosed throughout, and hostile when the public becomes aware of the negotiation before its resolution. Empirical tests show that most deals described as hostile in the press are not distinguishable from friendly deals in economic terms, and that negotiations are publicized earlier in hostile transactions.

### Scotchmer, Suzanne

**TI** Damages and Injunctions in the Protection of Proprietary Research Tools. **AU** Schankerman, Mark; Scotchmer, Suzanne.

### Scott, John T.

**TI** Universities as Research Partners. **AU** Hall, Bronwyn H.; Link, Albert N.; Scott, John T.

**TI** Barriers Inhibiting Industry from Partnering with Universities: Evidence from the Advanced Technology Program. **AU** Hall, Bronwyn H.; Link, Albert N.; Scott, John T.

### Segal, Uzi

**PD** November 2000. **TI** Min, Max, and Sum **AU** Segal, Uzi; Sobel, Joel. **AA** Segal: University of Western Ontario. Sobel: University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/29; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: [econ.ucsd.edu/papers](http://econ.ucsd.edu/papers). **PG** 24. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** D11, D69. **KW** Representation Theorems. Maxmin Criterion. Maxmax Criterion. Utilitarian Criterion.

**AB** This paper provides characterization theorems for preferences that can be represented by the minimum, the maximum, and the sum of components, or combinations of these forms. It contains a discussion of applications to social choice.

### Seroa da Motta, Ronaldo

**PD** July 1999. **TI** Integrating Brazilian National Priorities and Policies in Global Environmental Issues. **AA** Research Institute for Applied Economics, Brazil. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 50/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website:



www.feem.it. **PG** 25. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D62, F42, H40, Q25, Q28. **KW** Climate Change. Local Externalities. Market Mechanisms. Environmental Policy.

**AB** Adoption of climate change response options generates not only global carbon-saving benefits but also local externalities, here denominated as secondary benefits. So far funding for global warming response options, such as GEF, has discriminated against secondary benefits (SD) in their project analysis. SD, in this context, are benefits not specifically related to climate change which are locally captured. Projects in this way are ranked taking into account secondary benefits. Much of the discussion in the literature was on how many of these benefits should be deducted from funds of global warming control efforts since recipient countries would gain other benefits while reducing incremental costs. With the new Clean Development Mechanism (CDM), it is expected that high SDs, reflected by national priorities, will be generated together with low carbon-saving costs. This study is devoted to analyzing the national priorities in Brazil and their importance to define climate change response options in the country.

### Shapiro, Carl

**TI** Scale Economies and Synergies in Horizontal Merger Analysis. **AU** Farrell, Joseph; Shapiro, Carl.

### Sharma, Kishor

**PD** April 2000. **TI** Liberalization and Structural Change: Evidence From Nepalese Manufacturing. **AA** Yale University and Charles Sturt University, Australia. **SR** Yale Economic Growth Center Discussion Paper: 812; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 20.

**PR** \$2.00 plus postage. **JE** E13, F13, F14, F43, O41. **KW** Liberalization. Import Penetration. Export Intensity. TFP Growth. Nepal.

**AB** The consequences of liberalization on structural changes are examined using data from manufacturing industry in Nepal that is classified as a least developed country. This is important because doubts that liberalization may not solve the problems of low-income developing countries remain strong due mainly to low supply elasticities and the early stage of industrialization. Results suggest some structural changes in manufacturing output and trade orientation. However, no significant improvements were recorded in the overall productivity growth and spatial distribution of manufacturing which appear to be due mainly to the lack of basic infrastructure and the shortage of skilled manpower. Thus, appropriate investment policies, which channel resources to improve human capital and infrastructure, appear to be essential if the potential benefits of liberalization are to be fully achieved.

**PD** July 2000. **TI** Export Growth in India: Has FDI Played a Role? **AA** Charles Sturt University, Australia. **SR** Yale Economic Growth Center Discussion Paper: 816; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 18. **PR** \$2.00 plus postage. **JE** F13, F14, F21. **KW** Exports. Commercial Policy. Export Subsidies. Foreign Direct Investment. Exchange Rates. India.

**AB** Export growth in India has been much faster than GDP

growth over the past few decades. Several factors appear to have contributed to this phenomenon including foreign direct investment (FDI). However, despite increasing inflows of FDI especially in recent years there has not been any attempt to assess its contribution to India's export performance-- one of the channels through which FDI influences growth. Using annual data for 1970-98 we investigate the determinants of export performance in India in a simultaneous equation framework. Results suggest that demand for Indian exports increases when its export prices fall in relation to world prices. Furthermore, the real appreciation of the rupee adversely affects India's exports. Export supply is positively related to the domestic relative price of exports and higher domestic demand reduces export supply. Foreign investment appears to have statistically no significant impact on export performance although the coefficient of FDI has a positive sign.

**PD** December 1999. **TI** Pattern and Determinants of Intra-Industry Trade in Australian Manufacturing. **AA** Yale University and Charles Sturt University, Australia. **SR** Yale Economic Growth Center Discussion Paper: 813; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 14.

**PR** \$2.00 plus postage. **JE** F13, F14. **KW** Intra-Industry Trade. Trade Liberalization. Outward-Oriented. Australia.

**AB** This paper presents the pattern and determinants of intra-industry trade (IIT) in Australian manufacturing since the late 1970s. The results point to a sharp rise in IIT from the mid 1980s which appears to be linked with an outward-oriented policy. Industry level analysis indicates that industries which experienced a sharp fall in protection are the industries with the higher levels of IIT. These include textile, garments, rubber products, and machinery and equipment. An increasing trend in IIT suggests that the short-term adjustment costs associated with trade liberalization are likely to be lower, and that liberalization can proceed without huge short-term adjustment costs. Using a logit model the determinants of IIT are investigated. Results indicate that intra-industry trade is positively related to product differentiation and scale economies, and negatively related to the levels of protection and foreign ownership in the pre-liberalization period. In the post-liberalization period, however, it is scale economies that explain the inter-industry variations in IIT. R&D intensity and close economic integration appear to have no impact on IIT regardless of the nature of the policy regime.

### Shavell, Steven

**TI** Reconsidering Contractual Liability and the Incentive to Reveal Information. **AU** Bebchuk, Lucian Arye; Shavell, Steven.

### Shapiro, Daniel N.

**TI** The Economics of Vouchers. **AU** Bradford, David F.; Shapiro, Daniel N.

### Shen, Pu

**PD** November 2000. **TI** Market Makers' Supply and Pricing of Financial Market Liquidity. **AU** Shen, Pu; Starr, Ross M. **AA** Shen: Federal Reserve Bank of Kansas City. Starr: University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/28; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website:

econ.ucsd.edu/papers. **PG** 9. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** D45, G12. **KW** Liquidity. Market Maker. Bid-Ask Spread.

**AB** This study models the bid-ask spread in financial markets as a function of asset price variability and order flow. The market-maker is characterized as passively accepting orders to buy and to sell a security at the market's prevailing price (plus or minus half the bid-ask spread). The bid-ask spread adjusts to cover market-makers' average costs. The bid-ask spread then varies positively with: the security's price volatility, the volatility of order flow, and the absolute value of the market-maker's net inventory position. Each of these variables increases average cost and hence is priced in the bid-ask spread. Thus market liquidity (varying inversely with the bid-ask spread) declines with increasing price and volume volatility and with increasing size of market-maker net inventory positions. The model hence provides a particularly simple explanation for declining market liquidity during periods of large price movements and trading imbalances that increase the size of market-makers' net inventory.

**PD** November 2000. **TI** Market Makers' Supply and Pricing of Financial Market Liquidity. **AU** Shen, Pu; Starr, Ross M. **AA** Shen: Federal Reserve Bank of Kansas City. Starr: University of California, San Diego. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/03; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). **PG** 15. **PR** no charge. **JE** E44, G12. **KW** Liquidity. Bid-Ask Spreads.

**AB** See the abstract for Shen, Pu; Starr, Ross M., November 2000. "Market Makers' Supply and Pricing of Financial Market Liquidity". University of California, San Diego, Department of Economics Working Paper: 2000/28; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: [econ.ucsd.edu/papers](http://econ.ucsd.edu/papers).

### Shilpi, Forhad

**TI** The Spatial Division of Labor in Nepal. **AU** Fafchamps, Marcel; Shilpi, Forhad.

### Shogren, Jason

**PD** May 1999. **TI** Benefits & Costs of Kyoto. **AA** University of Wyoming. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 44/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 29. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** D60, F42, H23, Q25, Q28. **KW** Climate Change. Benefits. Costs. Technology. Environmental Policy.

**AB** The 1998 Kyoto protocol signaled a new earnestness of international intent toward addressing the perceived risk of climate change. Kyoto demands that developed nations turn their economies so as to hit differentiated, sub-1990 level carbon emission targets within the next decade or so. But when thinking of the Kyoto protocol imagine trying to turn a battleship on a dime with a third of the crew on-board. Improbable, but doable...but for what benefit...and at what cost? The magnitude depends on what you choose to believe about the answer to these questions: Are we on the cusp of a catastrophe? Will developing countries ever participate? What

will we do with any revenues that are raised in a trading system? Should nations be forced to reduce some fixed percentage of emissions at home? Can carbon sinks reduce costs? Will people adopt new energy-efficient technologies without a price hike in energy? The answers to these questions from economic analysis say that the catastrophes have to be exceedingly likely for Kyoto to make sense.

### Shorish, Jamsheed

**PD** March 2000. **TI** Quasi-Static Macroeconomic Systems. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/03; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 26. **PR** no charge. **JE** B41, E19. **KW** Quasi-Static Systems. Thermodynamics. Non-Arbitrage. Opportunity Cost. Conservative Systems.

**AB** This paper applies quasi-static analysis to a simple closed macroeconomy. It is shown that if the economy satisfies a conservation of income requirement, and the requirement that all equivalent investments generate the same rate of return (non-arbitrage), then there exists a state variable, which measures the opportunity cost of moving from one macroeconomic equilibrium to another. This state variable is an economic constraint, which measures the expenditure necessary to change equilibria. Central to this analysis is a definition of economic time, which is an invariant quantity with respect to the state variables used as a frame of reference.

### Shrestha, Sonu

**TI** Latin America and East Asia in the Context of an Insurance Model of Currency Crises. **AU** Chinn, Menzie D.; Dooley, Michael P.; Shrestha, Sonu.

### Siegel, Donald

**PD** July 1999. **TI** Assessing the Impact of Organizational Practices on the Productivity of University Technology Transfer Offices: An Exploratory Study. **AU** Siegel, Donald; Waldman, David; Link, Albert N. **AA** Siegel and Waldman: Arizona State University West. Link: University of North Carolina at Greensboro. **SR** National Bureau of Economic Research Working Paper: 7256; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 41. **PR** \$5.00. **JE** D23, L31, O31, O32. **KW** Technology Transfer. University Productivity. Organizational Practices.

**AB** We present quantitative and qualitative evidence (field research) on university technology transfer offices (TTOs). These offices negotiate licensing agreements with firms to commercialize university-based technologies. A stochastic frontier production function framework is used to assess the relative productivity of 113 university TTOs. Our field research provided a useful reality check on the specification of the econometric model. The empirical findings imply that licensing activity is characterized by constant returns to scale. Environmental and institutional factors appear to explain some of the variation in TTO efficiency. Relative productivity may also depend on organizational practices in university management of intellectual property. We present detailed information on the qualitative methods which we use to identify unobserved variables. This information may be useful to economists who are contemplating fieldwork. Based on 55 interviews of managers/entrepreneurs, scientists, and

administrators at five research universities, we conclude that the most critical organizational factors are likely to be reward systems for faculty, TTO staffing and compensation practices, and actions taken by administrators to extirpate informational and cultural barriers between universities and firms.

### Sigman, Hilary

**TI** Incentives to Settle Under Joint and Several Liability: An Empirical Analysis of Superfund Litigation. **AU** Chang, Howard F.; Sigman, Hilary.

### Singleton, Kenneth

**TI** Transform Analysis and Asset Pricing for Affine Jump-Diffusions. **AU** Duffie, Darrell; Pan, Jun; Singleton, Kenneth.

### Siotis, Georges

**PD** March 2000. **TI** Market Power, Total Factor Productivity Growth, and Structural Change: An Illustration for Spain, 1983-1996. **AA** Universidad Carlos III de Madrid. **SR** Banco de Espana, Documentos de Trabajo: 0001; Banco de Espana, Seccion de Publicaciones, Negociado de Distribucion y Gestion, Alcala, 50, 28014 Madrid, Spain. Website: [www.bde.es/doctrab/doctrab.htm](http://www.bde.es/doctrab/doctrab.htm). **PG** 21. **PR** single copy 430 pesetas; annual subscription 10,000 pesetas; payment accepted only in Spanish currency. **JE** L41, L69, O33. **KW** Solow Residual. Market Power. Instrumental Variables. GMM.

**AB** This paper analyses the evolution of total factor productivity growth and market power in Spain during the period 1983-1996. The data consists of a large firm level data set that encompasses all sectors of economic activity apart from financial institutions. The results show that traditional growth accounting yield poor results when applied to firm level data. It is argued that the presence of market power is the main culprit for these findings. Using different specifications and estimation techniques, the paper then goes on to identify the amount of market power found in the Spanish economy.

### Skott, Peter

**PD** December 2000. **TI** Demand Policy in the Long Run. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/17; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 17. **PR** no charge. **JE** E12, J64, O11, O41. **KW** Demand Policy. Long-Run Unemployment. Warranted Growth.

**AB** This paper analyses the use of aggregate demand policies to ensure full-employment growth in the long run. The results support Victoria Chick's warning in Macroeconomics after Keynes against the misapplication of short-run Keynesian policy prescriptions to long-run problems.

**TI** Skill Asymmetries, Increasing Wage Inequality and Unemployment. **AU** Auerbach, Paul; Skott, Peter.

### Slavova, Tatjana

**TI** DEA Problems Under Geometrical or Probability Uncertainties of Sample Data. **AU** Althaler, Karl S.; Slavova, Tatjana.

### Slinger, Giles

**PD** September 1999. **TI** Company Law as an Instrument

of Inclusion: Re-Regulating Stakeholder Relations in the Context of Takeovers. **AU** Slinger, Giles; Deakin, Simon F. **AA** Slinger: AT Kearney, London. Deakin: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP145; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 19. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** K22, L14. **KW** Company Law. Stakeholder Relations. Rights. Cooperation.

**AB** This paper considers a number of potential justifications for regulatory intervention aimed at overcoming "contractual failure" in stakeholder relations. Two distinct functions of stakeholding are identified, in terms of "contract" and "innovation" respectively. These conceptions are linked to two distinct approaches to the regulation of stakeholder relations, one based on "rights" and the other on "cooperation". The implications of an innovation-based approach for reform of the law relating to hostile takeovers in the UK are considered. The paper concludes by suggesting that the effectiveness of regulation will depend on the capacity of legal rules and procedures to promote cooperation within stakeholder relations, in particular by generating markets for information.

### Smith, Bruce D.

**TI** The Evolution of Cash Transactions: Some Implications for Monetary Policy. **AU** Schreft, Stacey L.; Smith, Bruce D.

### Smith, Howard

**TI** Sinking the Internet: Pricing, Sunk Costs, and Market Structure Online. **AU** Latcovich, Simon; Smith, Howard.

### Smith, Peter

**TI** Saving and Borrowing in Rural Uganda. **AU** Musinguzi, Polycarp; Smith, Peter.

### Sobel, Joel

**TI** Min, Max, and Sum **AU** Segal, Uzi; Sobel, Joel.

### Sokoloff, Kenneth L.

**TI** Inventive Activity and the Market for Technology in the United States, 1840-1920. **AU** Lamoreaux, Naomi R.; Sokoloff, Kenneth L.

### Sorensen, Bent E.

**TI** Economic Integration, Industrial Specialization, and the Asymmetry of Macroeconomic Fluctuations. **AU** Kalemli-Ozcan, Sebnem; Sorensen, Bent E.; Yosha, Oved.

**TI** Risk Sharing and Industrial Specialization: Regional and International Evidence. **AU** Kalemli-Ozcan, Sebnem; Sorensen, Bent E.; Yosha, Oved.

**TI** Consumption and Aggregate Constraints: Evidence from U.S. States and Canadian Provinces. **AU** Ostergaard, Charlotte; Sorensen, Bent E.; Yosha, Oved.

**PD** September 1999. **TI** Output Fluctuations and Fiscal Policy: U.S. State and Local Governments 1978-1994. **AU** Sorensen, Bent E.; Wu, Lisa; Yosha, Oved. **AA** Sorensen: Federal Reserve Bank of Kansas City. Wu: Department of Finance Canada. Yosha: Tel Aviv University. **SR** Federal Reserve Bank of Kansas City Research Working

Paper: RWP 99/05; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkpap/rwpmain.htm](http://www.kc.frb.org/publicat/reswkpap/rwpmain.htm). PG 35. PR no charge. JE E62, E65, H72. KW Budget Surplus. Balanced Budget Rules. Income Smoothing.

**AB** What are the cyclical properties of U.S. state and local government fiscal policy? The budget surplus of local and, in particular, state governments is procyclical, smoothing disposable income and consumption of state residents. This happens over both short- and medium-term horizons. Procyclical surpluses are the result of strongly procyclical revenues, and weakly procyclical expenditures. The budgets of trust funds and utilities are procyclical. Federal grants are procyclical, exacerbating the cyclical amplitude of state level income movements; although they smooth the idiosyncratic component of shocks to state output. State and local budget surpluses are affected by balanced budget rules at the short- but not at the medium-term horizon. Further, budgets are less procyclical in conservative states.

#### Sorensen, Jan Rose

**TI** Product Market Integration and European Labour Markets. AU Andersen, Torben M.; Haldrup, Niels; Sorensen, Jan Rose.

#### Sougiannis, Theodore

**TI** The Stock Market Valuation of Research and Development Expenditures. AU Chan, Louis K. C.; Lakonishok, Josef; Sougiannis, Theodore.

#### Spagnolo, Giancarlo

**PD** May 1999. **TI** Stock-Related Compensation and Product-Market Competition. AA Churchill College, Cambridge and Stockholm School of Economics. SR Fondazione Eni Enrico Mattei Note di Lavoro: 35/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). PG 40. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE D43, G30, J33, L13, L21. KW Compensation. Delegation. Collusion. Oligopoly. Managerial Incentives.

**AB** This paper shows that as long as the stock market has perfect foresight, some dividends are distributed, and incentives are paid more than once or are deferred, stock-related compensation packages are strong incentives for managers to support tacit collusive agreements in repeated oligopolies. The stock market anticipates the losses from punishment phases and discounts them on stock prices, reducing managers' short run gains from any deviation. When deferred, stock-related incentives may remove all managers' short-run gains from deviation making collusion supportable at any discount factor. The results hold with managerial contracts of any length.

**PD** September 1999. **TI** Multimarket Contact, Concavity and Collusion. AA Churchill College, Cambridge and Stockholm School of Economics. SR Fondazione Eni Enrico Mattei Note di Lavoro: 61/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). PG 22. PR 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. JE C72, D43, G34, L13, L21. KW Repeated Games. Oligopoly. Collusion. Cooperation. Conglomeration.

**AB** Following Bernheim and Whinston (1990), this paper addresses the effects of multimarket contact on firms' ability to

collude in repeated oligopolies. Managerial incentives, taxation and financial market imperfections tend to make firms' objective function strictly concave in profits and market games "interdependent"; firms' payoffs in each market depend on how they are doing in others. In this case multimarket contact always facilitates collusion, and may make it sustainable in all markets even when otherwise it would not be sustainable in any. The effects of conglomeration and horizontal mergers are discussed. The results extend to non-oligopolistic supergames with objective functions submodular in material payoffs.

#### Spetz, Joanne

**TI** Is There Monopsony in the Labor Market? Evidence from a Natural Experiment. AU Staiger, Douglas; Spetz, Joanne; Phibbs, Ciaran.

#### Spilimbergo, Antonio

**PD** July 2000. **TI** Real Effective Exchange Rate and the Constant Elasticity of Substitution Assumption. AU Spilimbergo, Antonio; Vamvakidis, Athanasios. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/00/128; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 29. PR not available. JE F17, F31. KW Foreign Exchange. Trade Forecasting. Trade Simulation.

**AB** The real effective exchange rate is an aggregation of several bilateral real exchange rates with respect to other countries. The aggregation is usually done under the assumption of constant elasticity of substitution (CES) between products from different countries. We investigate the validity of this assumption by estimating manufacturing export equations for 56 countries over 26 years. We find that the hypothesis of CES is rejected and that the export equations that contain two real effective exchange rates (one in relation to OECD countries and one in relation to non-OECD countries) perform on average considerably better than the traditional ones.

#### Srinivasan, Sylaja

**PD** August 2000. **TI** The Quality of Life in England and Wales. AU Srinivasan, Sylaja; Stewart, Geoff. AA University of Southampton. SR University of Southampton, Discussion Paper in Economics and Econometrics: 0017; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton SO17 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). PG 27. PR annual subscription 40 pounds (\$80); individual copies on application. JE H40, I31, R10, R20. KW Quality of Life. Amenities. Hedonic Prices. Pollution. Regional Economics.

**AB** Local amenities play an important role in determining where we choose to live and our overall quality of life. In many cases, however, amenities do not have prices and will therefore be underprovided by the market. In this paper, we use individual and county level data for England and Wales to estimate implicit amenity prices and to calculate an index of quality of life for each county. Among our findings is a large negative price on air pollution. The range in quality of life across counties is estimated to be in excess of two thousand pounds per year.

#### Srinivasan, T. N.

**PD** June 2001. **TI** India's Reform of External Sector Policies and Future Multilateral Trade Negotiations.

**AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 830; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 44. **PR** \$2.00 plus postage. **JE** F13, F14, F15, F21, F35, H54, K31, O34, O38, O53, P11. **KW** India. Antidumping. Development. Economic Reform. Export Performance. Foreign Direct Investment. Intellectual Property. Trade Negotiations. Quantitative Restrictions. Real Exchange Rate. Tariff Barriers. Non-Tariff Barriers. WTO. **AB** I evaluate India's transition from an inward-oriented development strategy to greater participation in the world economy. While tariff rates have decreased significantly over the past decade, India is still one of the more autarkic countries. Despite improvement over the past in export performance, India continues to lag behind its South- and East Asian neighbors. Second, official debt flows have been largely replaced by foreign direct investment (FDI) and portfolio investment in the 1990s. India's ability to attract FDI would be greatly enhanced by further reforms. I argue that participation in a future round of multilateral trade negotiations would benefit India. I outline the further reforms most needed: reform of labor and bankruptcy laws, real privatization, and fiscal consolidation. These involve taking on entrenched vested interests, including political parties and governments in states. Enacting them requires political courage and risk taking which in India, as in most societies, are rare.

**PD** September 1999. **TI** Outward-Oriented and Development: Are Revisionists Right? **AU** Srinivasan, T. N.; Bhagwati, Jagdish. **AA** Srinivasan: Yale University. Bhagwati: Columbia University. **SR** Yale Economic Growth Center Discussion Paper: 806; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 37. **PR** \$2.00 plus postage. **JE** E13, F11, F14, F43, O41, O57. **KW** Development. Economic Growth. International Trade. Openness. Import Substitution. Export Promotion. **AB** The costs of import substitution (IS) as a strategy for industrialization, which was deemed synonymous with economic development by many development economists of the fifties and sixties, were shown to be substantial in the influential and nuanced studies of the seventies and eighties under the auspices of OECD, NBER and World Bank. These studies played a critical role in shifting policies in several developing countries away from the IS strategy. Recently there has been a proliferation of cross country regressions as a methodology of analysis of issues relating to growth, trade and other issues. Both proponents (e.g. Sachs and Warner (1995)) and opponents (Rodriguez and Rodrik (1999)) of the view that openness to trade is linked to higher growth have relied on such regressions. The paper systematically reviews the theoretical and empirical studies on such linkage. It argues that the most compelling evidence on this issue can come only from careful case studies of policy regimes of individual entries such as those of OECD, NBER and World Bank. It concludes that the virtues of openness established in these nuanced in-depth studies remain unrefuted.

### Staiger, Douglas

**TI** Estimating Returns to Schooling When Schooling is Misreported. **AU** Kane, Thomas J.; Rouse, Cecilia Elena; Staiger, Douglas.

**PD** July 1999. **TI** Is There Monopsony in the Labor Market? Evidence from a Natural Experiment. **AU** Staiger, Douglas; Spetz, Joanne; Phibbs, Ciaran. **AA** Staiger: Dartmouth College and NBER. Spetz: Public Policy Institute of California. Phibbs: VA Medical Center and Stanford University School of Medicine. **SR** National Bureau of Economic Research Working Paper: 7258; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 35. **PR** \$5.00. **JE** I11, J42, L13. **KW** Monopsony. Veteran's Affairs. Nurses. **AB** A variety of recent theoretical and empirical advances have renewed interest in monopsonistic models of the labor market. However, there is little direct empirical support for these models, even in labor markets that are textbook examples of monopsony. We use an exogenous change in wages at Veterans Affairs hospitals as a natural experiment to investigate the extent of monopsony in the nurse labor market. In contrast to much of the prior literature, we estimate that labor supply to individual hospitals is quite inelastic, with short-run elasticity around 0.1. We also find that non-VA hospitals responded to the VA wage change by changing their own wages.

### Stanton, Richard

**TI** A Multifactor, Nonlinear, Continuous-Time Model of Interest Rate Volatility. **AU** Boudoukh, Jacob; Richardson, Matthew; Stanton, Richard; Whitelaw, Robert F.

**TI** A Multifactor, Nonlinear, Continuous-Time Model of Interest Rate Volatility. **AU** Boudoukh, Jacob; Richardson, Matthew; Stanton, Richard; Whitelaw, Robert F.

### Stark, Oded

**PD** July 2000. **TI** Counter-Compensatory Inter-Vivos Transfers and Parental Altruism: Compatibility or Orthogonality? **AU** Stark, Oded; Zhang, Junsen. **AA** Stark: University of Oslo. Zhang: Chinese University of Hong Kong. **SR** Institute for Advanced Studies (IHS), Economics Series: 82; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 16. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** D11, D31, D63, D64. **KW** Parental Altruism. Inter-Vivos. Transfers. **AB** The intersection of the standard altruism hypothesis with the quite strong evidence that bequests tend to be equal suggests that inter-vivos transfers should be strongly compensatory. Yet the available evidence is not in congruence with this implication. It has therefore been inferred that the motive underlying inter-vivos transfers is not parental altruism. In this paper we present an argument showing why parents who are equally altruistic toward their children optimally transfer more to the child whose earnings are higher. We show that rather than being orthogonal to parental altruism, counter-compensating transfers emanate from such altruism. A key point in the analysis is that parents and children are interlinked in a rich web of (vertical and possibly horizontal) transfers, reverse transfers, direct transfers, and indirect transfers.

**PD** October 2000. **TI** Dynasties and Destiny: On the Roles of Altruism and Impatience in the Evolution of Consumption and Bequests. **AU** Stark, Oded; Falk, Ita. **AA** Stark: University of Oslo and University of Vienna. Falk: Harvard University. **SR** Institute for Advanced Studies (IHS), Economics Series: 88; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria.

Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 19. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** A13, D11, D64, D91. **KW** Altruism. Impatience. Intergenerational Transfers. Dynasties. Consumption Evolution. Bequests Evolution.

**AB** We study the joint role of altruism and impatience, and the impact of evolution in the formation of long-term time preferences and in the determination of optimal consumption and optimal bequests. We show how the consumption paths of dynasties relate to altruism and to impatience and we reason that long-lived dynasties will be characterized by a higher degree of altruism and a lower degree of impatience than short-lived dynasties.

**PD** April 2001. **TI** Inducing Human Capital Formation: Migration as a Substitute for Subsidies. **AU** Stark, Oded; Wang, Yong. **AA** Stark: University of Oslo. Wang: Chinese University of Hong Kong. **SR** Institute for Advanced Studies (IHS), Economics Series: 100; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 18. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** F22, H23, J24, J61. **KW** Migration. Human Capital Formation. Externalities. Social Welfare.

**AB** When productivity is fostered by an individual's own human capital as well as by the economy-wide average level of human capital, individuals under-invest in human capital. The provision of subsidies for the formation of human capital, conditional on the subsidy being self-financed by tax revenues, can bring the economy to its socially optimal level of human capital. Yet a strictly positive probability of migration to a richer country, by raising both the level of human capital formed by optimizing individuals in the home country and the average level of human capital of non-migrants in the country, can enhance welfare and nudge the economy toward the social optimum. Indeed, under a well-controlled, restrictive migration policy the welfare of all workers is higher than in the absence of this policy.

**PD** March 1998. **TI** Human Capital Formation, Asymmetric Information, and the Dynamics of International Migration. **AU** Stark, Oded; Chau, Nancy H. **AA** Stark: University of Oslo and University of Vienna. Chau: Southern Illinois University at Carbondale. **SR** Institute for Advanced Studies (IHS), Economics Series: 52; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 34. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** F22, J24. **KW** Human Capital. Asymmetric Information. International Migration.

**AB** We consider the case in which the opening up of an economy to migration results in departure of skilled workers. Employers in the foreign country are neither perfectly informed nor equally informed over time about the skill levels of individual migrant workers as employers' experience of employing migrant workers accumulates. Our model gives rise to several interesting results. First, while migration is pursued by the relatively high-skilled, subsequent return migrants are drawn from both tails of the migrant skill distribution. Second, the fraction of the home-country workforce acquiring education in the presence of migration opportunities is higher than the fraction of the home-country workforce acquiring education in the absence of migration opportunities. Third, the intertemporal increase in the probability of discovery of individual skill levels prompts a sequence of migratory moves characterized by

a rising average skill level, until the probability of discovery arising from accumulation of migrant employment experience reaches its steady state equilibrium. Finally, under well-specified conditions, per capita output in a country vulnerable to migration of skilled members of its workforce is higher than per capita output in a country that is immune to migration.

**PD** June 1999. **TI** Siblings, Strangers, and the Surge of Altruism. **AA** University of Oslo and University of Vienna. **SR** Institute for Advanced Studies (IHS), Economics Series: 67; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 10. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** A13, D64. **KW** Evolution of Altruism. One-Shot Game. Prisoner's Dilemma. Siblings. Strangers.

**AB** We demonstrate how altruism can surge in a population of nonaltruists. We assume that each individual plays a one-shot prisoner's dilemma game with his or her sibling, or with a stranger, and that the probability that an individual survives to reproduce is proportional to his or her payoff in this game. We model the formation of couples and the rule of imitation of parents and of nonparents. We then ask what happens to the proportion of altruists in the population. We specify a case where the unique and stable equilibrium is one in which the entire population will consist of altruists.

### Starr, Ross M.

**PD** October 2000. **TI** Why Is There Money? Endogenous Derivation of 'Money' as the Most Liquid Asset: A Class of Examples. **AA** University of California, San Diego. **SR** University of California, San Diego, Department of Economics Working Paper: 2000/25; Department of Economics, 0508, University of California, San Diego, La Jolla, CA 92093-0508. Website: [econ.ucsd.edu/papers](http://econ.ucsd.edu/papers). **PG** 16. **PR** \$3.00 U.S. and Canada; \$7.00 Foreign; make checks payable to Regents, University of California. **JE** D51, E42. **KW** Money. Liquidity. Bid-Ask Spread. General Equilibrium. Transaction Cost. Medium of Exchange.

**AB** This essay derives the monetary character of trade, the existence of a common medium of exchange, as an outcome of the economic general equilibrium in a class of examples. The setting is a (non-monetary) Arrow-Debreu Walrasian model with the addition of two constructs: multiple budget constraints (one at each transaction) and transaction costs. The multiplicity of budget constraints creates a demand for a carrier of value between transactions. A common medium of exchange, money, arises endogenously as the most liquid (lowest transaction cost) asset. There may be several instruments with identical lowest transaction cost creating multiple money's. Scale economies in transaction cost account for uniqueness of the monetary instrument in equilibrium. The monetary structure of trade and the uniqueness of money in equilibrium can thus be derived from elementary price theory.

**TI** Market Makers' Supply and Pricing of Financial Market Liquidity. **AU** Shen, Pu; Starr, Ross M.

**TI** Market Makers' Supply and Pricing of Financial Market Liquidity. **AU** Shen, Pu; Starr, Ross M.

### Stewart, Frances

**TI** Strategies for Success in Human Development. **AU** Ranis, Gustav; Stewart, Frances.

**TI** Growth and Human Development: Comparative Latin American Experience. **AU** Ranis, Gustav; Stewart, Frances.

### Stewart, Geoff

**TI** The Quality of Life in England and Wales. **AU** Srinivasan, Sylaja; Stewart, Geoff.

### Stone, Douglas

**TI** Asymptotic and Bayesian Confidence Intervals for Sharpe Style Weights. **AU** Kim, Tae-Hwan; Stone, Douglas; White, Halbert.

### Strazzera, Elisabetta

**TI** A Sample Selection Model for Protest Votes in Contingent Valuation Analyses. **AU** Calia, Pinuccia; Strazzera, Elisabetta.

### Streb, Jochen

**PD** September 1999. **TI** How to Win Schumpeterian Competition. Technological Transfers in the German Plastics Industry from the 1930s to the 1970s. **AA** Heidelberg University, Germany. **SR** Yale Economic Growth Center Discussion Paper: 811; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpge.html](http://www.library.yale.edu/socsci/egcpge.html). **PG** 25.

**PR** \$2.00 plus postage. **JE** D83, L65, N64, O31. **KW** Technological Transfer. Schumpeterian Competition. Repeated Game. Plastics Industry. Germany.

**AB** Introducing the concept of innovation capital we will analyze conditions under which a national industry is able to succeed in international Schumpeterian competition. Then we will discuss the significance of this concept for the economic development of the German plastics industry from the 1930s to the 1970s. Using a repeated game model of technological cooperation we will especially focus on technological transfers from chemical firms to plastics fabricators. We will deploy both a microeconomic approach when viewing product innovations transferred by the so-called Kunststoffrohstoffabteilung (KURO) of chemical firm BASF, and a macroeconomic approach when looking at the development of total factor productivity in the German plastics fabricating industry. It will turn out that we can distinguish three subperiods with respect to technological cooperation in the German plastics industry: the beginning in the period of National Socialist dictatorship and post war reconstruction, the developing in the time of the West German economic miracle, and the ending in the decade of the two oil price shocks.

### Stronzik, Marcus

**TI** Early Crediting of Emissions Reduction -- A Panacea or Pandora's Box? **AU** Michaelowa, Axel; Stronzik, Marcus.

### Svarer, Michael

**TI** Structurally Dependent Competing Risks. **AU** Rosholm, Michael; Svarer, Michael.

**TI** Mortality and Socio-Economic Differences in a Competing Risks Model. **AU** Munch, Jakob Roland; Svarer, Michael.

### Szeidl, Adam

**TI** Contagion and State Dependent Mutations. **AU** Lee, In

Ho; Szeidl, Adam; Valentinyi, Akos.

### Tabellini, Guido

**TI** Political Economics and Public Finance. **AU** Persson, Torsten; Tabellini, Guido.

### Takeda, Yosuke

**PD** June 1999. **TI** Interest Rate Smoothing and Time-Varying Premium: Another Look at Debt Management in Japan. **AA** Yale University and Sophia University, Japan. **SR** Yale Economic Growth Center Discussion Paper: 800; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpge.html](http://www.library.yale.edu/socsci/egcpge.html). **PG** 20. **PR** \$2.00 plus postage. **JE** E42, E43, E52. **KW** Varying Term Premia. Interest Rate Smoothing. Regime Switching. ARCH Model. Debt Maturity. Reputation Equilibrium.

**AB** We argue a source of time-varying term premium (TVTP) in Japanese government bond market, and show that it is interest rate smoothing that causes empirical failures of expectation theory of term structure of interest rates. We estimate a regime switching ARCH model where an interest rate-smoothing regime can be identified. Based on a model of time-inconsistency by Missale and Blanchard (1994), we further focus on a role of debt maturity in TVTP, which is an alternative to an ARCH process. Our robust empirical evidences support the expectation theory in Japanese government bond market. Moreover, in comparison with the ARCH process, debt maturity turns out to be a reliable proxy for the TVTP. This shows a possibility of a debt management policy in Japan: fiscal authority takes advantage of the debt maturity for price stability that is a target of monetary policy. It sharply contrasts with an evidence for ineffectiveness of the U.S. debt management policy by Wallace and Warner (1996).

### Tallon, Jean-Marc

**TI** Ambiguity Aversion and the Absence of Indexed Debt. **AU** Mukerji, Sujoy; Tallon, Jean-Marc.

### Tansel, Aysit

**PD** February 1999. **TI** Public-Private Employment Choice, Wage Differentials and Gender in Turkey. **AA** Yale University and Middle East Technical University. **SR** Yale Economic Growth Center Discussion Paper: 797; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpge.html](http://www.library.yale.edu/socsci/egcpge.html). **PG** 17.

**PR** \$2.00 plus postage. **JE** J16, J31, J45. **KW** Public Wages. Private Wages. Gender. Turkey.

**AB** The main objective of this paper is to examine the factors which explain the employment choice and the wage differentials in the public administration, state owned enterprises and the formal private wage sector in Turkey. Selectivity corrected wage equations are estimated for each sector for men and women separately. Oaxaca decomposition of the wage differentials between sectors for men and women are carried out. For this purpose, results of the 1994 Household Expenditure Survey conducted by the State Institute of Statistics are used. The results indicate that when controlled for observed characteristics and sample selection, for men, public administration wages are at parity or lower than private sector wages in particular at the university level. State Economic Enterprise wages for men are higher than private sector wages

except at the university level. Opposite results are obtained for women: their wages are at par or higher in public administration than in the private sector. Further, while men's and women's wages are at parity in public administration, there is a large gender wage-gap in the private sector. Lower private returns to schooling are found in public than in the private sector.

#### **Taylor, Alan M.**

**TI** Business Cycles in International Historical Perspective. **AU** Basu, Susanto; Taylor, Alan M.

#### **Terrones, Marco**

**TI** Determinants of Dollarization: The Banking Side. **AU** Catao, Luis; Terrones, Marco.

#### **Thisse, Jacques-Francois**

**TI** Agglomeration and Trade Revisited. **AU** Ottaviano, Gianmarco I. P.; Thisse, Jacques-Francois.

#### **Thorsen, Bo Jellesmark**

**TI** A Dynamic Agricultural Household Model with Uncertain Income and Irreversible and Indivisible Investments under Credit Constraints. **AU** Malchow-Moller, Nikolaj; Thorsen, Bo Jellesmark.

**TI** Investment Under Uncertainty -- The Case of Repeated Investment Options. **AU** Malchow-Moller, Nikolaj; Thorsen, Bo Jellesmark.

#### **Timmins, Christopher**

**PD** November 1999. **TI** Estimating the Amenity Costs of Global Warming in Brazil: Getting the Most from Available Data. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 809; Economic Growth Center, Publications Office, Yale University, P.O. Box 208269, Yale Station, New Haven CT 06520-8269. Website: [www.library.yale.edu/socsci/egcpage.html](http://www.library.yale.edu/socsci/egcpage.html). **PG** 28. **PR** \$2.00 plus postage. **JE** C35, O54, R13, R14. **KW** Wage-Hedonics. Discrete-Choice Analysis. Climate Amenity. Global Warming.

**AB** This paper develops a theoretically consistent technique for valuing non-marketed local attributes using compensating income differentials in the absence of housing market data. The individual's indirect utility function is identified with aggregate data describing equilibrium location decisions, and this function is used in place of the unidentified equation describing how housing prices are determined. The model is used to value climate amenities in Brazil, where such data problems are prevalent. Similar problems arise in other developing countries, particularly when one looks outside of the largest cities.

#### **Tinsley, P. A.**

**TI** What Do You Expect? Imperfect Policy Credibility and Tests of the Expectations Hypothesis. **AU** Kozicki, Sharon; Tinsley, P. A.

#### **Titman, Sheridan**

**TI** Explaining the Cross-Section of Stock Returns in Japan: Factors of Characteristics? **AU** Daniel, Kent; Titman, Sheridan; Wei, John K. C.

#### **Tol, Richard S. J.**

**PD** May 1999. **TI** Equitable Cost-Benefit Analysis of Climate Change. **AA** Vrije Universiteit, Amsterdam and Carnegie Mellon University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 41/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 20. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C70, D61, D63, Q25, Q40. **KW** Climate Change. Greenhouse Gases. Emission Reduction. Efficiency. Equity.

**AB** The literature of welfare-maximizing greenhouse gas emission reduction strategies pays remarkably little attention to equity. This paper introduces three ways to consider efficiency and equity simultaneously. The first method, inspired by Kant and Rawls, maximizes net present welfare, without international co-operation, as if all regions share the fate of the region affected worst by climate change. Optimal emission abatement varies greatly depending on the spatial and temporal resolution, that is, the grid at which 'maximum impact' is defined. The second method is inspired by Varian's no-envy. Emissions are reduced so as to equalize total costs and benefits of climate change over the world and over time. Emission reductions are substantial. This method approximately preserves the inequities that would occur in a world without climate change. The third method uses non-linear aggregations of welfare (the utilitarian default is linear) in a co-operative setting. This method cannot distinguish between sources of inequity. The higher the aversion to inequity, the higher optimal greenhouse gas emission reduction.

#### **Toth, Ferenc L.**

**PD** July 1999. **TI** Integrated Assessments of Climate Change Policy: Intergenerational Equity and Discounting. **AA** Potsdam Institute for Climate Impact Research. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 52/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: [www.feem.it](http://www.feem.it). **PG** 18. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** C61, D61, D63, E13, Q25. **KW** Integrated Assessments. Climate Change. Intergenerational Equity. Discounting. Environment.

**AB** One of the key decisions that economists working on integrated studies of climate change face is the selection of the method of accounting for damages resulting from possible climate change across a long temporal scale and the method for the intertemporal comparison of the costs associated with possible greenhouse gas abatement strategies. Sensitivity tests show that the method applied and the resulting discount rate has a major impact on the optimal climate strategy. The paper provides a short review of the various techniques that have been proposed and applied in various integrated models of climate change. The underlying problem is the following dilemma: one can attempt to be consistent with the economic theory and empirical observations, but in this case the derived discount rate will be on the order of 5 to 8%. As a result, even possibly significant damages from climate change turn out to be negligible when considered at their present value. The artificially low discount rate based on ethical reasoning, on the other hand, makes our climate-related decisions and resource allocations inconsistent with the majority of other public policy decisions.



**Train, Kenneth**

**TI** Customer-Specific Taste Parameters and Mixed Logit: Households' Choice of Electricity Supplier. **AU** Revelt, David; Train, Kenneth.

**PD** May 2000. **TI** Halton Sequences for Mixed Logit. **AA** UC Berkeley. **SR** University of California, Berkeley, Department of Economics Working Paper: E00/278; UC Berkeley, IBER, F502 Haas #1922, Berkeley, CA 94720-1922. **Website:** [www.haas.berkeley.edu/groups/iber/wps/econwp.html](http://www.haas.berkeley.edu/groups/iber/wps/econwp.html). **PG** 19. **PR** \$3.50 U.S.; \$7.50 International. **JE** C15, C25. **KW** Mixed Logit. Halton.

**AB** The simulation variance in the estimation of mixed logit parameters is found, in our application, to be lower with 100 Halton draws than with 1000 random draws. This finding confirms Bhat's (1999a) results and implies significant reduction in run times for mixed logit estimation. Further investigation is needed to assure that the result is not quixotic or masking other issues.

**Trajtenberg, Manuel**

**TI** Market Value and Patent Citations: A First Look. **AU** Hall, Bronwyn H.; Jaffe, Adam; Trajtenberg, Manuel.

**Trau, Fabrizio**

**PD** March 2000. **TI** The Rise and Fall of the Size of Firms. **AA** Centro Studi Confindustria, Roma, Italy. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP156; Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. **Website:** [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 38. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** D21, L11, L22. **KW** Golden Age. Uncertainty. Competition. Information. Firm Size.

**AB** This paper tries to cast a theoretical bridge between two important phenomena which have characterized the evolution of advanced capitalist countries over the second half of the twentieth century: namely, the shift from the so-called Golden Age to the "unstable" macroeconomic environment of the '70s and the '80s, and the reversal of the long run pattern of development of the size distribution of industrial firms, firstly oriented towards a growing relevance of big business, and then turning into what has been called "the re-emergence of small scale production". Both phenomena seem to have had their turning point around the mid-Seventies. The aim of the paper is to find in economic theory the possible explanations of why they coincide, why in the face of those macroeconomic changes, business firms gave that answer to the organization of productive activity.

**Trionfetti, Federico**

**TI** Public Expenditure and International Specialisation. **AU** Brulhart, Marius; Trionfetti, Federico.

**Tulkens, Henry**

**TI** Simulating with RICE Coalitionally Stable Burden Sharing Agreements for the Climate Change Problem. **AU** Eyckmans, Johan; Tulkens, Henry.

**TI** The Kyoto Protocol: An Economic and Game Theoretic Interpretation. **AU** Chander, Parkash; Tulkens, Henry; van Ypersele, Jean-Pascal; Willems, Stephane.

**Tyler, John H.**

**TI** Do the Cognitive Skills of School Dropouts Matter in the Labor Market? **AU** Murnane, Richard J.; Tyler, John H.; Willet, John B.

**Udry, Christopher R.**

**TI** Learning About a New Technology: Pineapple in Ghana. **AU** Conley, Timothy G.; Udry, Christopher R.

**Ulph, Alistair**

**PD** December 2000. **TI** Environmental Liability and the Capital Structure of Firms. **AU** Ulph, Alistair; Valentini, Laura. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0036; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. **Website:** [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 24. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** G21, G28, G32, G33, Q28. **KW** Environmental Damages. Banking. Corporate Finance. Limited Liability. Lending.

**AB** This paper analyzes the impact of different environmental liability regimes on the capital structure of firms, and in particular with how much bank debt they will use. The authors use a simple theoretical model to show that introducing environmental liability only on firms who have limited liability will cause them to increase their use of bank debt (essentially to protect their shareholders); extending liability also to banks has an ambiguous effect on bank borrowing, but under plausible assumptions will lead to lower bank borrowing than with liability only on firms, but higher or lower bank borrowing than with no liability at all. The US has had the longest history of environmental liability legislation (CERCLA, 1980), and there have been differences over time in the extent to which banks have been held to be liable for environmental damages of insolvent firms. The authors use US industry-level data to estimate a reduced-form model of bank borrowing by polluters and show that the empirical model supports the theoretical findings. Their findings suggest that extending environmental liability to banks does not have drastic consequences for bank lending to firms.

**PD** December 2000. **TI** Environmental Regulation, Multinational Companies and International Competitiveness. **AU** Ulph, Alistair; Valentini, Laura. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0037; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. **Website:** [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 24. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** F13, F23, F42, Q28. **KW** Environmental Policy. Regulation. Multinational Firms. Policy Coordination.

**AB** Concerns have been expressed that in a global market place with mobile capital, national governments will have incentives to set weak environmental policies ("environmental dumping") to protect the international competitiveness of their domestic firms, that these incentives are particularly strong in industries where plants may be relatively footloose, so that governments are concerned to prevent "capital flight", and that footloose plants are particularly associated with multinational firms. It is then often suggested that appropriate policy responses seek to harmonize environmental regulations or impose minimum standards for environmental regulations. In

this paper the authors set out these concerns in terms of a number of more precisely made claims and then review recent developments in economic analysis (including some of their own work) and empirical evidence to show that the claims cannot be generally sustained and that the suggested policies may be harmful. However, devising more appropriate policies is by no means straightforward.

#### **Valentini, Laura**

**TI** Environmental Liability and the Capital Structure of Firms. **AU** Ulph, Alistair; Valentini, Laura.

**TI** Environmental Regulation, Multinational Companies and International Competitiveness. **AU** Ulph, Alistair; Valentini, Laura.

#### **Valentinyi, Akos**

**TI** Contagion and State Dependent Mutations. **AU** Lee, In Ho; Szeidl, Adam; Valentinyi, Akos.

#### **Valles, Javier**

**TI** Monetary Policy and Exchange Rate Behavior in the Fiscal Theory of the Price Level. **AU** Andres, J.; Ballabriga, F.; Valles, Javier.

**TI** Technology Shocks and Monetary Policy: Assessing the FED's Performance. **AU** Gali, Jordi; Lopez-Salido, J. David; Valles, Javier.

#### **Vamvakidis, Athanasios**

**TI** Real Effective Exchange Rate and the Constant Elasticity of Substitution Assumption. **AU** Spilimbergo, Antonio; Vamvakidis, Athanasios.

#### **van der Zwaan, Bob**

**TI** Discounting and Sustainability in Integrated Assessment Models. **AU** Gerlagh, Reyer; van der Zwaan, Bob.

#### **Van Maldegem, Peter**

**TI** Foreign Direct Investment and Enterprise Performance in Transition Countries: Evidence from Russia and the Ukraine. **AU** Bilsen, Valentijn; Van Maldegem, Peter.

#### **van Oijen, Pieter**

**TI** Privatisation, Political Risk and Stock Market Development in Emerging Economies. **AU** Perotti, Enrico C.; van Oijen, Pieter.

#### **van Reenen, John**

**TI** How Effective are Fiscal Incentives for R&D? A Review of the Evidence. **AU** Hall, Bronwyn H.; van Reenen, John.

#### **Van Reenen, John**

**TI** Skill Biased Organizational Change? Evidence from a Panel of British and French Establishments. **AU** Caroli, Eve; Van Reenen, John.

#### **Van Rijckeghem, Caroline**

**PD** May 2000. **TI** Spillovers Through Banking Centers: A Panel Data Analysis. **AU** Van Rijckeghem, Caroline; Weder, Beatrice. **AA** Van Rijckeghem: International Monetary Fund. Weder: University of Basel. **SR** International Monetary Fund Working Paper: WP/00/88;

International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 38. **PR** not available. **JE** F32, F34. **KW** Contagion. Currency Crisis. Financial Spillovers.

**AB** To test the role of bank lending in transmitting currency crisis we examine a panel of BIS data on bank flows to 30 emerging markets disaggregated by 11 banking centers. We find that bank exposures to a crisis country help predict bank flows in third countries after the Mexican and Asian crisis, but not after the Russian crisis. In the latter, there is evidence of a generalized outflow from emerging markets, rather than outflows linked to prior exposure to Russia.

#### **van Wincoop, Eric**

**TI** Borders and Business Cycles. **AU** Clark, Todd E.; van Wincoop, Eric.

#### **van Ypersele, Jean-Pascal**

**TI** The Kyoto Protocol: An Economic and Game Theoretic Interpretation. **AU** Chander, Parkash; Tulkens, Henry; van Ypersele, Jean-Pascal; Willems, Stephane.

**TI** The Kyoto Protocol: An Economic and Game Theoretic Interpretation. **AU** Chander, Parkash; Tulkens, Henry; van Ypersele, Jean-Pascal; Willems, Stephane.

#### **Verdier, Thierry**

**PD** January 2001. **TI** Racial Beliefs, Location and the Causes of Crime. **AU** Verdier, Thierry; Zenou, Yves. **AA** Verdier: CERAS-ENPC, DELTA-ENS and CEPR. Zenou: University of Southampton and CEPR. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0101; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton SO17 1BJ, England. Website: www.soton.ac.uk. **PG** 38. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** J15, K42, R14, R23. **KW** Self-Fulfilling Prejudices. Urban Black Ghettos. Crime. Illegal Behavior. Transportation Policy.

**AB** The aim of this paper is to show that both location and stereotype racial beliefs matter for explaining the high criminality rate among blacks in cities. In our model, blacks and whites are identical in all respects. However, if, for not economic but for extrinsic reasons, everybody (including blacks) believes that more blacks are criminals than whites, then we show that more blacks (for rational reasons) become criminals than whites, earn lower wages and reside in ghettos located far away from legal activities. There is a vicious circle in which blacks cannot escape because both location and labor market outcomes reinforce each other to imply high crime rates among blacks living in cities. In this context, we show that a transportation policy that subsidizes the "access" to legal activities for blacks can lead to a sharp decrease in their crime rate.

#### **Vermulst, Edwin**

**PD** September 1999. **TI** Competition and Anti-Dumping: Continued Peaceful Co-Existence? **AA** Vermulst & Waer, Brussels, Belgium. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 67/99; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 22. **PR** 10 papers minimum order at \$4.00 each; annual subscription at \$250.00. **JE** F13, K21, K33, L40. **KW** Anti-Dumping. Competition Policy. Market

Contestability. Market Access.

**AB** EU anti-dumping and competition policy overlap to a certain extent in their goals and means. However, there are many differences in the aims and means of both policies, which make the relationship between both policies a multifaceted one. This paper reviews the conceptual differences between both economic policies, and attempts to consider a recent large anti-dumping proceeding from the point of view of competition policy. The conclusion is that the facts of that proceeding would clearly not be actionable under competition law. The authors believe that market access policy might be a better replacement for competition policy.

### von Thadden, Ernst-Ludwig

**TI** Outside Finance, Dominant Investors and Strategic Transparency. **AU** Perotti, Enrico C.; von Thadden, Ernst-Ludwig.

### von Ungern-Sternberg, Thomas

**PD** May 2001. **TI** Der Bericht der Expertengruppe: "Reform der Währungsordnung" Eine Kritische Würdigung. **AU** von Ungern-Sternberg, Thomas; Jametti, Mario. **AA** University of Lausanne. **SR** Université de Lausanne, Cahiers de Recherches Economiques: 01/06; Ecole des HEC-DEEP, Department d'Econometrie et d'Economie Politique, University of Lausanne-BFSH 1--Dorigny, CH-1015 Lausanne, Switzerland. Website: [www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm](http://www.hec.unil.ch/depart/DEEP/cahiers/cah-list.htm). **PG** 20. **PR** no charge. **JE** E58, E59. **KW** Swiss National Bank. Accountability. Foreign Exchange Reserves. Profit Distribution.

**AB** The proposed new law for the Swiss National Bank (SNB) attempts to establish it as the entry, which is practically uncontrolled by the democratic institutions of our country. The proposal has to be fundamentally remodeled, taking into account the following principles: The more independence the SNB has, the stricter should be the rules on transparency and accountability. Decisions having a direct effect on the tax burden of the citizen cannot be left to the discretion of the SNB. A one shot transfer of ca. 20 billion francs should reduce the SNB's excess reserves. In future the SNB should distribute most of its profits (roughly 4 billion francs per year), rather than increase its already excessive stock of foreign exchange reserves.

### Wagner, Martin

**PD** May 1999. **TI** VAR Cointegration in VARMA Models. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 65; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 37. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C13, C15, C32. **KW** Cointegration. Johansen Procedure. Misspecification. Robustness. Simulation. Hausdorff Distance. **AB** The method for estimation and testing for cointegration put forward by Johansen assumes that the data are described by a vector autoregressive process. In this article we extend the data generating process to autoregressive moving average models without unit roots in the MA polynomial. We first extend some matrix algebraic relationships for I(1) processes and derive their implications for the structure theory of cointegration. Specifically we show that the cointegrating space is invariant to MA errors which have no unit roots in the MA

polynomial. The above results permit to prove the robustness of the Johansen estimates of the cointegrating space in a Gaussian vector autoregressive framework when the true model is vector autoregressive moving average, without unit roots in the MA polynomial. The small sample properties of the theoretical results are examined through a small simulation study.

**PD** June 1999. **TI** Capital and Goods Market Integration and the Inequality of Nations. **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 66; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 22. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** F12, F15. **KW** Globalization. Trade. Market Imperfections. Integration.

**AB** A two-country model with two groups of agents, workers and capitalists is presented in which economic integration results in an initial phase of catch-up, where the less industrialized country experiences the rise in both capital and labor income. Then, after a certain level of integration has been reached, the less industrialized country is completely de-industrialized. This has detrimental effects on the income of this country's workers, but the capital owners of this country gain from specialization, as do the workers in the industrialized country. Both the capital and the goods markets are subject to imperfections. The structure of the equilibrium sets during integration is characterized completely.

**PD** October 1999. **TI** Bierens' and Johansen's Method -- Complements or Substitutes? **AA** Institute for Advanced Studies (IHS). **SR** Institute for Advanced Studies (IHS), Economics Series: 74; Institute for Advanced Studies (IHS), Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: [www.ihs.ac.at](http://www.ihs.ac.at). **PG** 25. **PR** Individuals: ATS 80.00 -- EUR 5.81; Institutions: ATS 250.00 -- EUR 18.17. **JE** C13, C15, C32. **KW** Cointegration. Johansen Procedure. Bierens Method. Robustness. Simulation. Hausdorff Distance.

**AB** The paper compares the cointegration methods of Johansen and Bierens by means of simulations and a real world example. Drawing on the fact developed in a companion paper that the Johansen procedure has robustness properties against ARMA systems and the Bierens procedure is designed for ARMA systems a comparison between the two to find out in which cases the Bierens procedure outperforms the Johansen procedure seems to be reasonable exercise. It turns out that generally the Johansen procedure outperforms the Bierens procedure in terms of the quality of the tests as well as the approximation quality of the estimated cointegrating space to the true cointegrating space.

### Wahba, Jackline

**TI** Did Public Wage Premiums Fuel Agglomeration in LDCs? **AU** McCormick, Barry; Wahba, Jackline.

**PD** November 2000. **TI** Returns to Education and Regional Earnings Differentials in Egypt. **AA** University of Southampton. **SR** University of Southampton, Discussion Paper in Economics and Econometrics: 0025; Discussion Paper Secretary, Department of Economics, University of Southampton, Southampton S017 1BJ, England. Website: [www.soton.ac.uk](http://www.soton.ac.uk). **PG** 31. **PR** annual subscription 40 pounds (\$80); individual copies on application. **JE** J24, J31, O18, O53, R23. **KW** Wage Differentials. Earnings Inequality. Developing Countries. Education. Regional Economics.

**AB** This paper presents an empirical investigation of the

determinants of labor market earnings in Egypt. Using a human capital model, the determinants of regional earnings and returns to education by region are examined. The relative importance of individual and regional effects on earnings inequality is assessed. The main findings of the paper are: (i) the estimated rates of return to education increase with rising educational levels; this is different to the common pattern found in most developing countries; (ii) there are substantial variations in returns to education across regions; (iii) estimates point to the importance of credentials in the Egyptian labor market.

#### Waldman, David

**TI** Assessing the Impact of Organizational Practices on the Productivity of University Technology Transfer Offices: An Exploratory Study. **AU** Siegel, Donald; Waldman, David; Link, Albert N.

#### Wang, Michael

**TI** Group Behavior and Development: A Comparison of Farmers' Organisation in South Korea and Taiwan. **AU** Ranis, Gustav; Burmeister, Larry; Wang, Michael.

#### Wang, Yong

**TI** Inducing Human Capital Formation: Migration as a Substitute for Subsidies. **AU** Stark, Oded; Wang, Yong.

#### Wantchekon, Leonard

**TI** Dictatorships as a Political Dutch Disease. **AU** Lam, Ricky; Wantchekon, Leonard.

#### Watababe, Takayuki

**TI** Tax Policy and Consumer Spending: Evidence from Japanese Fiscal Experiments. **AU** Watanabe, Katsunori; Watababe, Takayuki; Watanabe, Tsutomu.

#### Watanabe, Katsunori

**PD** July 1999. **TI** Tax Policy and Consumer Spending: Evidence from Japanese Fiscal Experiments. **AU** Watanabe, Katsunori; Watababe, Takayuki; Watanabe, Tsutomu. **AA** Watanabe, Katsunori and Watanabe, Takayuki: Bank of Japan. Watanabe, Tsutomu: Hitotsubashi University. **SR** National Bureau of Economic Research Working Paper: 7252; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: [www.nber.org](http://www.nber.org). **PG** 38. **PR** \$5.00. **JE** E21, H31. **KW** Japanese Consumers. Consumer Spending.

**AB** This paper studies the extent to which the impact of tax policy on consumer spending differs between temporary and permanent, as well as anticipated and unanticipated tax changes. To discriminate between these, we use institutional information such as legal distinction between temporary permanent tax changes, as well as timing of policy announcement and implementation. We find that the impact temporary changes is significantly smaller than the impact of permanent changes. We also find more than 80 percent of the Japanese consumers, including at the time of their implementation and not at the time of a policy announcement. We suggest an interpretation that these consumers follow a near rational decision rule.

#### Watanabe, Tsutomu

**TI** Tax Policy and Consumer Spending: Evidence from

Japanese Fiscal Experiments. **AU** Watanabe, Katsunori; Watababe, Takayuki; Watanabe, Tsutomu.

#### Watson, Joel

**TI** Job Destruction and the Experiences of Displaced Workers. **AU** den Haan, Wouter J.; Ramey, Garey; Watson, Joel.

#### Watson, Nadine

**TI** Are There Economies of Scale in the Demand for Money by Firms? Some Panel Data Estimates. **AU** Bover, Olympia; Watson, Nadine.

#### Webb, Anthony

**TI** The Impact of 401(k) Plans on Retirement. **AU** Friedberg, Leora; Webb, Anthony.

#### Weder, Beatrice

**TI** Spillovers Through Banking Centers: A Panel Data Analysis. **AU** Van Rijckeghem, Caroline; Weder, Beatrice.

**TI** Do Corrupt Governments Receive Less Foreign Aid? **AU** Alesina, Alberto; Weder, Beatrice.

#### Weeks, Melvyn

**TI** The Relationship Between Training and Employment Growth in Small and Medium-Sized Enterprises. **AU** Cosh, Andy D.; Hughes, Alan; Weeks, Melvyn.

#### Wei, John K. C.

**TI** Explaining the Cross-Section of Stock Returns in Japan: Factors of Characteristics? **AU** Daniel, Kent; Titman, Sheridan; Wei, John K. C.

#### Wei, Shang-Jin

**TI** Does "Grease Money" Speed Up the Wheels of Commerce? **AU** Kaufmann, Daniel; Wei, Shang-Jin.

#### Weiman, David F.

**TI** The Labor Market Consequences of Incarceration. **AU** Western, Bruce; Kling, Jeffrey R.; Weiman, David F.

#### Weinrich, Gerd

**TI** Money and Growth in a Production Economy with Multiple Assets. **AU** Kaas, Leo; Weinrich, Gerd.

#### Western, Bruce

**TI** Round Up the Usual Suspects: The Decline of Unions in the Private Sector, 1973-1998. **AU** Farber, Henry S.; Western, Bruce.

**PD** January 2001. **TI** The Labor Market Consequences of Incarceration. **AU** Western, Bruce; Kling, Jeffrey R.; Weiman, David F. **AA** Western and Kling: Princeton University. Weiman: Russell Sage Foundation. **SR** Princeton University, Industrial Relations Section Working Paper: 450; Industrial Relations Section A-18H, Firestone Library, Princeton University, Princeton, New Jersey 80544-2098. Website: [www.irs.princeton.edu/pubs/working\\_papers.html](http://www.irs.princeton.edu/pubs/working_papers.html). **PG** 30. **PR** \$1.50. **JE** J31, J49, J69. **KW** Criminal Offender. Inmate. Employment. Earnings.

**AB** Rapid growth in the incarceration rate over the last two decades has made prison time a routine event in the life course

of young economically disadvantaged, black and Hispanic men. Although incarceration may now have large effects on economic inequality, only a few studies systematically examine the labor market experiences of ex-offenders. We review the mechanisms that plausibly link incarceration to employment and earnings and discuss the challenges of causal inference for a highly self-selected sample of criminal offenders. There is little consensus about the labor market effects of a variety of justice system sanctions, but there is consistent evidence for the negative effects of prison time on earnings, particularly among older or white-collar offenders. The labor market effects of incarceration are not yet well understood, but prior research suggests several promising avenues for future work.

### Whincop, Michael

**PD** December 2000. **TI** An Empirical Investigation of the Terms of Corporate Charters and Influences on Term Standardization in a Laissez-Faire Environment. **AA** Griffith University, Australia. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP186; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 34. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** K22, K49. **KW** Corporate Charters. Directors' Duties. Legislation. Standardization.

**AB** More than fifty years before the debate about the contractibility of corporate law in the United States, English and then Australian lawmakers truncated what had been substantial scope for contracting around directors' duties. Legislation imposed mandatory rules concerning conflicts of interest and release of officer liability that substantially survive to this day. This article offers evidence on the form that corporate governance contracts took in Australia prior to the introduction of this legislation. Evidence demonstrates pervasive alteration of default rules. Although there is evidence of increasing standardization in the terms selected and of the extent of previous adoptions influencing the choice of terms, the evidence does not support the distinctive lock-in claims made by theories of network externalities. The paper also demonstrates the critical role of precedents manuals in contract innovation.

### White, Halbert

**TI** Maximum Likelihood and the Bootstrap for Nonlinear Dynamic Models. **AU** Goncalves, Silvia; White, Halbert.

**TI** Asymptotic and Bayesian Confidence Intervals for Sharpe Style Weights. **AU** Kim, Tae-Hwan; Stone, Douglas; White, Halbert.

### Whitmore, Diane M.

**TI** The Effect of Attending a Small Class in the Early Grades on College-Test Taking and Middle School Test Results: Evidence from Project STAR. **AU** Krueger, Alan B.; Whitmore, Diane M.

### Wilkinson, Frank

**TI** Capabilities, Spontaneous Order, and Social Rights. **AU** Deakin, Simon F.; Wilkinson, Frank.

**PD** September 2000. **TI** Human Resource Management and Business Objectives and Strategies in Small and Medium

Sized Business. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP184; ESRC Centre for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk). **PG** 39. **PR** \$10.00 (5 pounds); checks payable to University of Cambridge. **JE** J52, J53, L11, L23. **KW** Medium Sized Firms. Human Resources. Management. Training Strategies. Business Strategies.

**AB** There is growing evidence of the importance of co-operation between managers and workers for improving industrial performance. One manifestation is the growing use of human resource management (HRM) strategies to increase the involvement of employees. A survey of small and medium sized businesses revealed that a substantial majority used HRM methods. The employment of HRM was positively associated with a commitment to non-price competition, longer term business objectives, the intensity of training, innovation, external collaboration and partnerships and the use and effectiveness of externally provided business services and advice. Whilst no causal relation can be necessarily implied from these statistical associations, it is instructive that a significant larger proportion of firms that used HRM practices, particularly in combination and together with training, innovation and external partnership and collaboration, traded in the more fiercely competitive overseas markets and were growing.

**TI** Changing Midwifery: Working Conditions and the Quality of Care. **AU** Ladipo, David; Reed, Hannah; Wilkinson, Frank.

### Willet, John B.

**TI** Do the Cognitive Skills of School Dropouts Matter in the Labor Market? **AU** Mumane, Richard J.; Tyler, John H.; Willet, John B.

### Williams, John C.

**TI** Transition Dynamics in Vintage Capital Models: Explaining the Postwar Catch-Up of Germany and Japan. **AU** Gilchrist, Simon; Williams, John C.

### Williamson, Jeffrey G.

**TI** Explaining Inequality the World Round: Cohort Size, Kuznets Curves, and Openness. **AU** Higgins, Matthew; Williamson, Jeffrey G.

### Willis, Jonathan L.

**PD** December 2000. **TI** Estimation of Adjustment Costs in a Model of State-Dependent Pricing. **AA** Federal Reserve Bank of Kansas City. **SR** Federal Reserve Bank of Kansas City Research Working Paper: RWP 00/07; Public Affairs, Federal Reserve Bank of Kansas City, 925 Grand Blvd., Kansas City, MO 64198. Website: [www.kc.frb.org/publicat/reswkppap/rwprmain.htm](http://www.kc.frb.org/publicat/reswkppap/rwprmain.htm). **PG** 26. **PR** no charge. **JE** D43, E31, L11. **KW** State-Dependent Pricing. Menu Costs. Price Adjustment. Indirect Inference.

**AB** This paper provides a framework for direct analysis of the underlying price adjustment costs in an industry. A dynamic programming problem is specified for monopolistically competitive firms that face idiosyncratic costs of price adjustment. A numerical solution is calculated using value

function iteration. We estimate the structural parameters of the model using data on magazine cover prices. Among the parameters estimated are the mean, variance, and persistence of the adjustment cost process. The estimated distribution of adjustment costs is nondegenerate, and the average adjustment cost paid by firms is large in comparison to other results in the literature.

#### Willis, Ken

**TI** Estimating WTP for Speed Reduction from Dichotomous-Choice CV Responses with Follow-Up: The Case of Rural Trunk Roads. **AU** Scarpa, Riccardo; Willis, Ken; Garrods, Guy.

#### Wilson, John D.

**TI** Tax Structure and Government Behavior: Implications for Tax Policy. **AU** Gordon, Roger H.; Wilson, John D.

#### Wilson, Michael K.

**TI** The Effects of Unions on Research and Development: An Empirical Analysis Using Multi-Year Data. **AU** Betts, Julian R.; Odgers, Cameron W.; Wilson, Michael K.

#### Wood, Eric

**TI** Rethinking Innovation Comparisons Between Manufacturing and Services: The Experience of the CBR SME Surveys in the UK. **AU** Hughes, Alan; Wood, Eric.

#### Wu, Lisa

**TI** Output Fluctuations and Fiscal Policy: U.S. State and Local Governments 1978-1994. **AU** Sorensen, Bent E.; Wu, Lisa; Yosha, Oved.

#### Wurtz, Allan

**TI** Public Versus Private Production: A Study of the Cost of School Cleaning in Denmark. **AU** Christoffersen, Henrik; Paldam, Martin; Wurtz, Allan.

#### Xu, Chenggang

**TI** Financial Institutions, Financial Contagion, and Financial Crises. **AU** Huang, Haizhou; Xu, Chenggang.

#### Xue, Licun

**PD** April 2000. **TI** A Notion of Consistent Rationalizability -- Between Weak and Pearce's Extensive Form Rationalizability. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/04; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.eco.aau.dk/afn. **PG** 21. **PR** no charge. **JE** C72, D81, D82, D84. **KW** Rationality. Beliefs. Extensive Games. Rationalizability.

**AB** Ben-Porath (1997) characterizes the strategies consistent with common certainty of rationality (CCR) and the origin of a generic game of perfect information. More generally, the notion of "weak extensive form rationalizability" (weak EFR) captures the implications initial CCR in an extensive form game. We go one step further by ascertaining at which additional information sets initial CCR can be maintained "consistently". Our consistency notion has two aspects: we examine whether there is "internal consistency" in assuming CCR at a given collection of information sets by using

Battigalli and Siniscalchi's (1999) recent result while we introduce "external consistency" to account for all reachable information sets. For a class of games, including all belief-consistent games [cf. Reny (1993)], we identify a unique collection of information sets and hence a unique set of strategy profiles; moreover, we show that in this case our notion is outcome-equivalent to Pearce's (1984) EFR. But in general our notion is between weak and Pearce's EFR.

**TI** Farsighted Stability in Hedonic Games. **AU** Diamantoudi, Effrosyni; Xue, Licun.

**PD** December 2000. **TI** Agreements in Infinitely Repeated Games. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/13; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.eco.aau.dk/afn. **PG** 18. **PR** no charge. **JE** C72, C73. **KW** Repeated Games. Renegotiation. Self-Enforcing Agreements. Coalitions.

**AB** This paper studies infinitely repeated games where players can form coalitions to coordinate their actions via self-enforcing agreements. The proposed notion of "stable agreements" extends a characterization of the set of subgame perfect equilibrium paths by Greenberg (1989, 1990) to account for self-enforcing coalitional deviations. An agreement is stable if no coalition can deviate in such a way that by solely coordinating the actions of its own members, it guarantees a higher payoff for each member. Existence of the proposed notion is established and its relation to other notions is investigated.

**PD** December 1999. **TI** Negotiation-Proof Nash Equilibrium. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 1999/27; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.eco.aau.dk/afn. **PG** 23. **PR** no charge. **JE** C71, C72. **KW** Coalition. Negotiation. Nash Equilibrium. Self-Enforcing Agreement. Perfect Foresight.

**AB** This paper defines "negotiation-proof Nash equilibrium", a notion that applies to environments where players can negotiate openly and directly prior to the play of a non-cooperative game. It recognizes the possibility that a group of self-interested players may choose, voluntarily and without binding agreement, to coordinate their choice of strategies and make joint objections; moreover, it takes the perfect foresight of rational players fully into account. The merit of the notion of negotiation-proof Nash equilibrium is twofold: (1) It offers a way to rectify the nestedness assumption and myopia embedded in the notion of coalition-proof Nash equilibrium. (2) The negotiation process is formalized by a "graph", which serves as a natural extension to the approach that models preplay communication by an extensive game.

#### Yamada, Toshio

**TI** An Epochal Change...But Uncertain Futures: The Japanese Capitalism in Crisis A "Regulationist" Interpretation. **AU** Boyer, Robert; Yamada, Toshio.

#### Yamazaki, Fukujyu

**TI** Distortionary Taxation, Excessive Price Sensitivity, and Japanese Land Prices. **AU** Nishimura, Kiyohiko G.; Yamazaki, Fukujyu; Idee, Takako; Watanabe, Toshiaki.

**Yndgaard, Ebbe**

**PD** May 2000. **TI** Labour, An Equivocal Concept for Economic Analyses. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2000/05; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: [www.eco.aau.dk/afn](http://www.eco.aau.dk/afn). **PG** 16. **PR** no charge. **JE** E19, J31, J64. **KW** Heterogenous Labor. Measurement and Mathematical Representability. Economic Methodology.

**AB** Ever since the adoption of the symbiosis of mathematical analytical methods and marginalism in economics, there has been a tendency toward negligence. The dual question: what are the fundamental assumptions on which the above approach is resting and are they worthwhile is seldom asked? In a rather informal form we try to address some aspects of these basic questions. The main result is to raise doubts when where mainstream results, relying naively on a one-dimensional concept of homogenous labor. Most of the standard results built upon this foundation -- including those of unemployment -- are ambiguous, at best.

**Yosha, Oved**

**TI** Economic Integration, Industrial Specialization, and the Asymmetry of Macroeconomic Fluctuations. **AU** Kalemli-Ozcan, Sebnem; Sorensen, Bent E.; Yosha, Oved.

**TI** Risk Sharing and Industrial Specialization: Regional and International Evidence. **AU** Kalemli-Ozcan, Sebnem; Sorensen, Bent E.; Yosha, Oved.

**TI** Consumption and Aggregate Constraints: Evidence from U.S. States and Canadian Provinces. **AU** Ostergaard, Charlotte; Sorensen, Bent E.; Yosha, Oved.

**TI** Output Fluctuations and Fiscal Policy: U.S. State and Local Governments 1978-1994. **AU** Sorensen, Bent E.; Wu, Lisa; Yosha, Oved.

**Yuen, Chi-Wa**

**TI** Capital Mobility and the Output-Inflation Tradeoff. **AU** Loungani, Prakash; Razin, Assaf; Yuen, Chi-Wa.

**Zahler, Roberto**

**TI** Chile's Rapid Growth in the 1990s: Good Policies, Good Luck, or Political Change? **AU** Jadresic, Esteban; Zahler, Roberto.

**Zaidi, Asghar**

**PD** March 2000. **TI** Trends in Consumption-Based Poverty and Inequality in the European Union During the 1980s. **AU** Zaidi, Asghar; de Vos, Klaas. **AA** Zaidi: St. Anthony's College, Oxford. De Vos: CentER, Tilburg University. **SR** University of Oxford, Department of Economics Discussion Paper: 35; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. Website: [www.economics.ox.ac.uk/](http://www.economics.ox.ac.uk/). **PG** 28. **PR** no charge. **JE** D31, I32. **KW** Poverty. Inequality. European Union.

**AB** Most recent studies on poverty and inequality in developed countries focus on income. In contrast, this paper presents trends in consumption-based poverty and inequality in nine member countries of the European Union. During the 1980 both poverty and inequality increased in Italy, France, the

United Kingdom, Germany and Belgium, while decreases in both poverty and inequality are observed for Spain and Portugal. In Greece only inequality increased. For most countries for which income-based results are available, these move in the same direction as the consumption-based results. However, this sensitivity analysis yields considerable differences in the ranking of countries and the magnitude of the changes.

**TI** The Myth of Worksharing. **AU** Kapteyn, Arie; Kalwij, Adriaan S.; Zaidi, Asghar.

**Zanforlin, Luisa**

**TI** Technological Adaptation, Trade, and Growth. **AU** Chong, Alberto; Zanforlin, Luisa.

**Zeng, Yi**

**TI** The Impact of Institutional Reform from 1979 to 1987 on Fertility in Rural China. **AU** Schultz, T. Paul; Zeng, Yi.

**Zenou, Yves**

**TI** Racial Beliefs, Location and the Causes of Crime. **AU** Verdier, Thierry; Zenou, Yves.

**Zettelmeyer, Jeromin**

**PD** August 2000. **TI** The Impact of Monetary Policy on the Exchange Rate: Evidence from Three Small Open Economies. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/141; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 45. **PR** not available. **JE** E52, E58, F31, F41. **KW** Monetary Policy. Interest Rates. Exchange Rates.

**AB** This paper studies the impact effect of monetary policy shocks- identified by the reaction of three month market interest rates to policy announcements-on the exchange rate in Australia, Canada, and New Zealand during the 1990s. The main results are that (i) on average, a 100 basis point contractionary shock will appreciate the exchange rate by 2-3 percent on impact; (ii) seemingly "perverse" reactions of the exchange rate to monetary policy are mainly attributable to reverse causality; (iii) in a few instances, there were true "perverse" reactions of exchange rates to policy-generally, appreciations following expansionary shocks.

**Zhang, Chi**

**TI** Revealing Comparative Advantage: Chaotic or Coherent Patterns Across Time and Sector and U.S. Trading Partner? **AU** Richardson, J. David; Zhang, Chi.

**Zhang, Junsen**

**TI** Counter-Compensatory Inter-Vivos Transfers and Parental Altruism: Compatibility or Orthogonality? **AU** Stark, Oded; Zhang, Junsen.

**Zitzewitz, Eric**

**PD** August 2000. **TI** Domestic Competition, Cyclical Fluctuations, and Long-Run Growth in Hong Kong SAR. **AA** Massachusetts Institute of Technology. **SR** International Monetary Fund Working Paper: WP/00/142; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 40. **PR** not available. **JE** E31, E32, L13, L16. **KW** Competitiveness. Cyclical

**Fluctuations. Growth.**

**AB** This paper provides an empirical assessment of the degree of competition in Hong Kong SAR using industry-level data. Although due to data limitations only approximate measures of competitiveness can be estimated, the results do suggest that Hong Kong SAR is as competitive as a typical OECD economy. The dramatic shift of the economy toward services over the last decade has also made it slightly less competitive on average. Imperfect competition is not leading to counter-cyclical markups and slower price adjustment as some theories predict, however, since markups are more pro-cyclical than in OECD countries. Lastly, markups are sufficiently imperfectly competitive in both Hong Kong SAR and the OECD to significantly downwardly bias growth accounting estimates of total factor productivity in Asian NICs vis-a-vis OECD countries.

**Zizzo, Daniel John**

**PD** September 2000. **TI** Money Burning and Stealing in the Laboratory: How Conflicting Ideologies Emerge. **AA** Christ Church, Oxford. **SR** University of Oxford, Department of Economics Discussion Paper: 40; Working Paper Co-ordinator, Department of Economics, Manor Road Building, Oxford OX1 3UQ, England. **Website:** www.economics.ox.ac.uk/. **PG** 21. **PR** no charge. **JE** C72, C91. **KW** Interdependent Preferences. Fairness. Desert. Egalitarianism. Ideology.

**AB** Three experiments on utility interdependence are discussed. Subjects receive money by betting and possibly by arbitrary assignments. They can then pay to reduce and, possibly, redistribute the steal money; in one case, only the decisions of a randomly determined dictator are implemented. The behavior of 80% of burners and redistributors was rank egalitarian. However, arbitrarily advantaged and disadvantaged subjects developed conflicting views of desert: arbitrarily disadvantaged subjects targeted arbitrarily assigned money; arbitrarily advantaged subjects did not care about how money was gained, and, if stealing was allowed, were twice as aggressive against earned money than against money assigned arbitrarily.

**Zucker, Lynne G.**

**TI** Local Academic Science Driving Organizational Change: The Adoption of Biotechnology by Japanese Firms. **AU** Darby, Michael R.; Zucker, Lynne G.

**Zylberberg, Andre**

**TI** Redundancy Payments, Incomplete Labor Contracts, Unemployment and Welfare. **AU** Cahuc, Pierre; Zylberberg, Andre.

**TI** Job Protection, Minimum Wage and Unemployment.

**AU** Cahuc, Pierre; Zylberberg, Andre.