ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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Acemoglu, Daron

PD October 2000. **TI** Changes in the Wage Structure, Family Income, and Children's Education. **AU** Acemoglu, Daron; Pischke, Jorn-Steffen. **AA** Acemoglu: MIT and NBER. Pischke: London School of Economics and NBER. **SR** National Bureau of Economic Research Working Paper: 7986; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 11. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I21, J31. **KW** Education. Wages. Family Income.
AB We exploit the changes in the distribution of family income to estimate the effect of parental resources on college education. Our strategy exploits the fact that families at the bottom of the income distribution were much poorer in the 1990s than they were in the 1970s, while the opposite is true for families in the top quartile of the distribution. Our estimates suggest large effects of family income on enrollments. For example, we find that a 10 percent increase in family income is associated with a 1.4 percent increase in the probability of attending a four-year college.

PD November 2002. **TI** The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth. **AU** Acemoglu, Daron; Johnson, Simon; Robinson, James A. **AA** Acemoglu and Johnson: MIT. Robinson: University of California, Berkeley. **SR** MIT, Department of Economics Working Paper: 02/43; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=355880. **PG** 45. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** F15, N13, O11. **KW** Capitalism. Economic Growth. Institutions. Political Economy. Social Conflict. Trade.
AB This paper documents that the Rise of (Western) Europe between 1500 and 1850 is largely accounted for by the growth of European nations with access to the Atlantic, and especially by those nations that engaged in colonialism and long distance oceanic trade. Moreover, Atlantic ports grew much faster than other West European cities, including Mediterranean ports. Atlantic trade and colonialism affected Europe both directly and indirectly by inducing institutional changes. In particular, the growth of New World, African, and Asian trade after 1500 strengthened new segments of the commercial bourgeoisie, and enabled these groups to demand, obtain, and sustain changes in institutions to protect their property rights. Furthermore, the most significant institutional changes and consequently the most substantial economic gains occurred in nations where existing institutions placed some checks on the monarchy and particularly limited its control of overseas trading activities, thus enabling new merchants in these countries to benefit from Atlantic trade. Therefore, the Rise of Europe was largely the result of capitalist development driven by the interaction of late medieval institutions and the economic opportunities offered by "Atlantic trade.".

PD November 2002. **TI** Why Not a Political Coase Theorem? Social Conflict, Commitment and Politics. **AA** MIT. **SR** MIT, Department of Economics Working Paper: 02/44; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=355900. **PG** 39. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** H21, N10, N40. **KW** Political Economy. Commitment. Social Conflict. Belief Differences. Colonialism.
AB Do societies choose inefficient policies and institutions, in contrast to what would be suggested by a reasoning extending the Coase Theorem to politics? Do societies choose inefficient policies and institutions because of differences in the beliefs and ideologies of their peoples or leaders? Or are inefficiencies in politics and economics the outcome of social and distributional conflicts? This paper discusses these various approaches to political economy, and develops the argument that there are strong empirical and theoretical grounds for believing that inefficient policies and institutions are prevalent, and that they are chosen because they serve the interests of politicians or social groups holding political power, at the expense of the society at large. At the center of the theoretical case are the commitment problems inherent in politics: parties holding political power cannot make commitments to bind their future actions because there is no outside agency with the coercive capacity to enforce such arrangements.

PD December 2002. **TI** Labor- and Capital-Augmenting Technical Change. **AA** MIT. **SR** MIT, Department of Economics Working Paper: 03/02; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=372820. **PG** 27. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** E25, O14, O31, O33. **KW** Economic Growth. Endogenous Growth. Factor Shares. Technical Change.
AB This paper analyzes an economy in which firms can undertake both labor- and capital-augmenting technological improvements. In the long run, the economy resembles the standard growth model with purely labor-augmenting technical change, and the share of labor in gross domestic product is constant. Along the transition path, however, there is capital-augmenting technical change and factor shares change. Tax policy and changes in labor supply or savings typically change factor shares in the short run, but have no or little effect on the long-run factor distribution of income.

Adao, Bernardino

AB We derive principles of optimal short run monetary policy in a real business cycles model, with money and with monopolistic firms that set prices one period in advance. The only distortionary policy instruments are the nominal interest rates and the money supplies. In this environment it is feasible to undo both the cash in advance and the price setting restrictions. We show that the optimal allocation is achieved under the Friedman rule. We also show that, in general, it is not optimal to undo the restriction that prices are set one period in advance. Sticky prices provide the planner with tools to improve upon a distorted flexible prices allocation.

Aidt, Toke S.

AB In the past 15 years, incentive-based environmental policy instruments, such as pollution taxes and tradeable pollution permits, have become an important supplement to traditional command-and-control instruments in Europe and the U.S. This paper proposes a positive theory of environmental instrument choice that can be used to explain this trend. We imagine a democratic society that seeks to lower the level of pollution from industrial production to a pre-specified target. The target can be implemented by one of three instruments: [Q]: quantity controls; [P]: tradeable permits; and [T]: pollution taxes. We characterize political equilibrium as an evolving policy compromise between special interests representing polluters, and the electorate. We identify three factors that play a key role in explaining the recent trend in instrument choice: increasingly ambitious environmental targets, learning-by-doing driven reductions in transaction costs associated with permit trading, and (abatement) cost-reducing technological progress.

Ait-Sahalia, Yacine

AB This paper evaluates the return on equity using novel data on the consumption of luxury goods. Specifying household utility as a non-homothetic function of the consumption of both a luxury good and a basic good, we derive and evaluate the riskiness of equity in such a world. Household survey and national accounts consumption data overstate the risk aversion necessary to match the observed equity premium because they contain basic consumption goods. The risk aversion implied by equity returns and the consumption of luxury goods is more than an order of magnitude less than found using national accounts consumption data. For the very rich, the equity premium is much less of a puzzle.

Albano, Gian Luigi

AB We consider two ascending auctions and show that many of the (unwanted) collusive or signaling equilibria studied in the literature in the framework of the SEAMO (simultaneous English auction for multiple objects) don't have a counterpart in the JAMO (Japanese auction for multiple objects). We show however that certain retaliatory equilibria do exist in both auctions.

Alberini, Anna

AB We present the results of two contingent valuation surveys conducted in Hamilton, Canada and nation-wide in the US to elicit WTP for reductions in one's risk of death. We find that the Values of a Statistical Life implied by WTP are very similar across the two studies, and range from $930,000 to $4.8 million (2000 US dollars). WTP increases with the size of the risk reduction, but varies little with the age of the respondents: people older than 70 years of age hold WTP values that are about one-third lower than those of other respondents. This effect is significant in Canada but not in the US. Health status of the respondent has limited effect on WTP. In general, these results provide little or no evidence that VSL used in environmental policy analyses should be adjusted for the age or health status of people whose lives are saved by environmental

policies.

Albrecht, Johan

PD April 2001. **TI** Schumpeter and the Rise of Modern Environmentalism. **AU** Albrecht, Johan; Gobbin, Niko. **AA** Gent University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 18/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 30. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** A14, B31, Q29, Q39. **KW** Environmental Policy. Economic Development.

AB In Capitalism, Socialism and Democracy (CSD, 1942), Schumpeter presents his paradoxical thesis that capitalism will destroy its own foundation, not by failure but by its success. He argues that the emergence of unfavorable circumstances will activate strong opposition from social critics and intellectuals. The recent growth in environmental legislation and the subsequent emergence of ecological concepts like sustainable development and the precautionary principle both challenge commonly held views about economic growth. One could argue that modern environmentalism will dramatically alter capitalism as we know it. Did Schumpeter foresee this evolution and what are the mechanisms that did lead to this situation? We discuss aspects of the Schumpeterian issue of entrepreneurship and relate these to theories on the emergence of environmental regulation, the expansion of environmental organizations, the use of new instruments in environmental policy, and pro-active business strategies. Where possible, recent developments in climate policy, acid rain policy and biotechnology policy are integrated in the analysis.

Alesina, Alberto

PD January 2003. **TI** Fairness and Redistribution: U.S. versus Europe. **AU** Alesina, Alberto; Angeletos, George-Marios. **AA** Alesina: Harvard University, NBER, IGIER, and CEPR. Angeletos: MIT and NBER. **SR** MIT, Department of Economics Working Paper: 02/37; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=346545. **PG** 38. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** D71, E62, H11. **KW** Inequality. Redistribution. Fairness. Political Economy. Median Voter.

AB Different beliefs about how fair social competition is and what determines income inequality, influence the redistributive policy chosen democratically in a society. But the composition of income in the first place depends on equilibrium tax policies. If a society believes that individual effort determines income, and that all have a right to enjoy the fruits of their effort, it will choose low redistribution and low taxes. In equilibrium, effort will be high, the role of luck limited, market outcomes will be quite fair, and social beliefs will be self-fulfilled. If instead a society believes that luck, birth, connections and/or corruption determine wealth, it will tax a lot, thus distorting allocations and making these beliefs self- sustained as well. We show how this interaction between social beliefs and welfare policies may lead to multiple equilibria or multiple steady states. We argue that this model can contribute to explain US vis-a-vis continental European perceptions about income inequality and choices of redistributive policies.

Alpay, Savas

PD July 2001. **TI** Can Environmental Regulations be Compatible with Higher International Competitiveness? Some New Theoretical Insights. **AA** Bilkent University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 56/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 33. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D29, F18, F23, L60, O31. **KW** Environmental Regulations. Competitiveness. Innovation. Emissions Permit.

AB Recently, the conventional view that stricter environmental regulations at home will affect the international competitiveness of the domestic firms negatively, has been challenged under the conditions that the regulated firms engage in innovation and that the environmental regulation is incentive-based (This revisionist idea is known as the Porter hypothesis). The considerable amount of empirical work in this literature as summarized in Jaffe and et al (1995) has not been able to generate evidence for either of these two views. Theoretical work is relatively limited and does not give much credit to the Porter hypothesis. We present some pro-revisionist theoretical evidence in a two-country model which incorporates Tradable Emissions Permit as environmental regulatory regime. In such a model, firms subject to stricter environmental regulation can offset regulatory costs through innovation and/or permit revenues by abating more and selling extra permits. Finally, as a new idea, we suggest that consumers may have preference for the good that is produced in a relatively cleaner way, and thus, imposition of higher environmental standards at home can increase the demand for domestic production, and opens up a road towards increased competitiveness. Incorporation of this idea into our model brings further evidence for revisionist school.

Alston, Lee J.

PD November 2000. **TI** Evolution and Revolution in the Argentine Banking System Under Convertibility: The Roles of Crises and Path Dependence. **AU** Alston, Lee J.; Gallo, Andres. **AA** Alston: University of Illinois at Urbana-Champaign and NBER. Gallo: University of Illinois at Urbana-Champaign. **SR** National Bureau of Economic Research Working Paper: 8008; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** E52, E58, G21, G28. **KW** Banking Sector. Crises. Privatization. Convertibility. Central Bank.

AB We provide an analytical narrative of the political and economic causes and consequences of institutional changes in the Argentine banking system. We devote most of our attention to the privatization of the provincial banks. Our story differs from the prevailing wisdom in its stress on the key roles played by convertibility and an independent Central Bank rather than the Fondo Fiduciario.

PD September 2001. **TI** Land Reform Policies, The Sources of Violent Conflict and Implications for Deforestation in the Brazilian Amazon. **AU** Alston, Lee J.; Libecap, Gary D.; Mueller, Bernardo. **AA** Alston: University of Illinois and NBER. Libecap: University of Arizona and NBER. Mueller: Universidade de Brasilia. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 70/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 33. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00.

JE D23, N50, Q20. KW Land Reform Policies. Deforestation. Brazilian Amazon. Conflict. Property Rights.
AB We examine land reform policies and their implications for violent conflict over land and resource use in the Brazilian Amazon. We identify the protagonists (land owners and squatters), derive their incentives to use violence, and show the role of legal inconsistencies as a basis for conflict. Although civil law guarantees title for land owners, the Brazilian Constitution adds a beneficial use criterion as a condition for title enforcement. This provision is part of a land reform or redistribution effort and it provides authorization for transfers to squatters. We describe the government agency involved in land reform, INCRA, and show that its intervention critically affects the actions of both squatters and land owners. Further, we point out the resource use effects of land reform policies and associated insecure property rights to land.

Alvarez, Fernando

PD October 2000. TI Using Asset Prices to Measure the Cost of Business Cycles. AU Alvarez, Fernando; Jermann, Urban J. AA Alvarez: University of Chicago and NBER. Jermann: Federal Reserve Bank of Minneapolis, University of Pennsylvania and NBER. SR National Bureau of Economic Research Working Paper: 7978; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 38. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E32, G12. KW Asset Prices. Welfare. Marginal Cost. Economic Fluctuations. Uncertainty.
AB We propose a method to measure the welfare cost of economic fluctuations that does not require full specification of consumer preferences and instead uses asset prices. The method is based on the marginal cost of consumption fluctuations, the per unit benefit of marginal reduction in consumption fluctuations expressed as a percentage of consumption. We show that this measure is an upper bound for the benefit of reducing all consumption fluctuations. We also clarify the link between the cost of consumption uncertainty, the equity premium, and the slope of the real term structure. To measure the marginal costs of fluctuations, we fit a variety of pricing kernels that reproduce key asset pricing statistics. We find that consumers would be willing to pay a very high price for a reduction in overall consumption uncertainty. However, for consumption fluctuations corresponding to business cycle frequencies, we estimate the marginal cost to be about 0.55 percent of lifetime consumption based on the period 1889-1997 and about 0.30 percent based on 1954-97.

Alvarez-Pelaez, Maria J.

PD January 2002. TI Too Little or Too Much R&D? AU Alvarez-Pelaez, Maria J.; Groth, Christian. AA Alvarez-Pelaez: Universidad de Malaga. Groth: University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/01; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 29. PR no charge. JE O33, O41. KW Endogenous Growth. Research and Development. Product Variety. Specialization.
AB According to the first generation models of endogenous growth based on expanding product variety, the market economy unambiguously generates too little R&D. Later, by disentangling returns to specialization from the market power parameter, it was shown that with sufficiently low returns to

specialization too much R&D can occur. The present paper takes a step further, disentangling the market power parameter from the capital share in final output. We show that this helps finding too much R&D as well. In addition, by differentiating between net and gross returns to specialization it is demonstrated what drives the differing inefficiency results in this literature. The decisive factor behind excessive R&D is the implicit presence of negative externalities of increased specialization. Empirically, an advantage of the more general framework is better agreement with the observed level of markups and the observed falling tendency of the patent/R&D ratio.

Amir, Rabah

PD October 2002. TI Market Selection and Survival of Investment Strategies. AU Amir, Rabah; Evstigneev, Igor V.; Hens, Thorsten; Schenk-Hoppe, Klaus Reiner. AA Amir: Universite Catholique de Louvain. Evstigneev: University of Manchester School of Economic Studies. Hens: University of Zurich. Schenk-Hoppe: University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/16; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 22. PR no charge. JE D52, D81, D83, G11. KW Evolutionary Finance. CAPM. Investment Strategies. Market Selection. Incomplete Markets.
AB This paper analyzes the process of market selection of investment strategies in an incomplete market of short-lived assets. In the model under study, asset payoffs depend on exogenous random factors. Market participants use dynamic investment strategies taking account of available information about current and previous events. It is shown that an investor allocating wealth across the assets according to their conditional expected payoffs eventually accumulates total market wealth, provided the investor's strategy is asymptotically distinct from the portfolio rule suggested by the Capital Asset Pricing Model. This assumption turns out to be essentially necessary for the result.

Andersen, Erling B.

PD October 2001. TI Some Simple ML-Estimators in Stochastic Differential Equations. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 01/10; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 12. PR no charge. JE C50. KW Stochastic Differential Equations. ML Estimates. Financial Models.
AB For many stochastic differential equations often met in financial theory, it is the drift and the dispersion which are the principal parameters of the model. In such cases it is shown that the parameters can be estimated by ordinary methods from normal distribution theory.

Anderson, James E.

PD January 2001. TI Gravity with Gravitas: A Solution to the Border Puzzle. AU Anderson, James E.; van Wincoop, Eric. AA Anderson: Boston College and NBER. Wincoop: Federal Reserve Bank of New York. SR National Bureau of Economic Research Working Paper: 8079; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 28. PR $10.00 per

copy (plus $10.00 per order for shipping outside U.S.). JE F15, F17. KW Gravity Model. Trade Flows. Border Effect. US and Canada.

AB The gravity model has been widely used to infer substantial trade flow effects of institutions such as customs unions and exchange rate mechanisms. McCallum (1995) found that the US-Canada border led to trade between provinces that is a factor 22 (2,200%) times trade between states and provinces, a spectacular puzzle in light of the low formal barriers on this border. We show that the gravity model usually estimated does not correspond to the theory behind it. We solve the "border puzzle" by applying the theory seriously. We find that national borders reduce trade between the US and Canada by about 44%, while reducing trade among other industrialized countries by about 30%. McCallum's spectacular headline number is the result of a combination of omitted variables bias and the small size of the Canadian economy.

Anderson, Ronald W.

AB This paper considers the impact of financial contracting on growth by exploring a model where entrepreneurs initially do R&D but subsequently need both outside investors to provide funds for capital investments and outside managers to operate the firm efficiently some time after assets are in place. The source of contracting inefficiency is that insiders can divert cash flows for their own benefit. We employ a repeated game framework which allows us to model outside equity as well as inside equity and debt. We call our framework the two-stage model of firm growth. A key finding is that outside equity promotes ex- post efficiency at the expense of ex-ante efficiency, while debt works the opposite way. This is because equity promotes replacement of the entrepreneur, while debt promotes entrenchment. Furthermore, equity is fragile, in the sense that moral hazard may be so high that investors will not finance the firm, regardless of the discount rate. A prediction of the model is that in a cross-section of firms, we should observe a preponderance of highly levered, closely-held firms which have stagnated after an early growth phase.

Andersson, Fredrik

AB This Paper compares educational investment in closed and open economies without government and with a benevolent government. Closed economies suffer from a hold-up problem of excessive redistribution, and governments use education policy as a second-best tool. Globalization that increases labor mobility reduces governments' incentives to provide subsidized education and increases private individuals' incentives for investment in their human capital. Globalization can improve welfare, and even restore full efficiency. Governments' scope for redistribution -- which is a substitute for private income insurance -- is reduced, and whether efficiency is restored depends on how private insurance markets react to the change in redistribution policy.

Ando, Albert

AB A review of the Japanese National Accounts (NA) reveals that the Japanese household sector has apparently suffered a capital loss of some 400 trillion-yen in 1990 consumption prices since 1970. This loss is large enough to explain most of the Japanese recession of the 1990's. We can trace some three-fourths of this capital loss to the loss in the market value of Japanese corporations relative to their accounting value. While some plausible explanations for this loss can be offered, they are subject to serious doubts because of difficulties encountered in working with the NA data. Similarly, we find total government expenditures reported in fiscal statistics difficult to interpret, and the difference between this total and total expenditures for the general government sector hard to identify and understand. Until the relationship between the budget totals and the corresponding figures is fully clarified, we are unable to say what the actual history of Japanese fiscal policy has been. We conclude the paper with a set of suggestions for improving the Japanese government's fiscal statistics and its NA. We also hope that our discussion will serve as a guide for users of these statistics as to where they must be cautious.

Andrews, Donald W. K.

AB In this paper, we prove the validity of an Edgeworth expansion to the distribution of the Whittle maximum likelihood estimator for stationary long-memory Gaussian models with unknown parameter theta in Theta subset $R^{\wedge}\{d\_\{theta\}\}$. The error of the (s-2)-order expansion is shown to be $o(n^{\wedge}\{-(s-2)/2\})$ --the usual iid rate -- for a wide range of models, including the popular ARFIMA (p,d,q) models. The expansion is valid under mild assumptions on the behavior of

spectral density and its derivatives in the neighborhood of the origin. As a by-product, we generalize a theorem by Fox and Taqqu (1987) concerning the asymptotic behavior of Toeplitz matrices.

PD April 2002. TI End-of-Sample Instability Tests. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1369; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 43. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C12, C52. KW Instrumental Variable Estimator. Least Squares Estimator. Parameter Change. Structural Instability Test. Structural Change.
AB This paper considers tests for structural instability of short duration, such as at the end of the sample. The key feature of the testing problem is that the number, m, of observations in the period of potential change is relatively small -- possibly as small as one. The well-known F test of Chow (1960) for this problem only applies in a linear regression model with normally distributed iid errors and strictly exogenous regressors, even when the total number of observations, n + m, is large. We generalize the F test to cover regression models with much more general error processes, regressors that are not strictly exogenous, and estimation by instrumental variables as well as least squares. In addition, we extend the F test to nonlinear models estimated by generalized method of moments and maximum likelihood. Asymptotic critical values that are valid as n goes to infinity with m fixed are provided using a subsampling-like method. The results apply quite generally to processes that are strictly stationary and ergodic under the null hypothesis of no structural instability.

PD April 2002. TI The Block-Block Bootstrap: Improved Asymptotic Refinements. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1370; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 50. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C12, C13, C15. KW Asymptotics. Block Bootstrap. Block Statistics. Edgeworth Expansion. Extremum Estimator.
AB The asymptotic refinements attributable to the block bootstrap for time series are not as large as those of the nonparametric iid bootstrap of the parametric bootstrap. One reason is that the independence between the blocks in the block bootstrap sample does not mimic the dependence structure of the original sample. This is the join-point problem. In this paper, we propose a method of solving this problem. The idea is not to alter the block bootstrap. Instead, we alter the original sample statistics to which the block bootstrap is applied. We introduce block statistics that possess join-point features that are similar to those of the block bootstrap versions of these statistics. We refer to the application of the block bootstrap to block statistics as the block-block bootstrap. The asymptotic refinements of the block-block bootstrap are shown to be greater than those obtained with the block bootstrap and close to those obtained with the nonparametric iid bootstrap and parametric bootstrap.

Angeletos, George-Marios
TI Fairness and Redistribution: U.S. versus Europe. AU Alesina, Alberto; Angeletos, George-Marios.

PD February 2003. TI Idiosyncratic Production Risk, Growth, and the Business Cycle. AU Angeletos, George-Marios; Calvet, Laurent E. AA Angeletos: MIT and NBER. Calvet: Harvard University and NBER. SR MIT, Department of Economics Working Paper: 02/10R; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=303180. PG 16. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D91, E32, O11. KW Incomplete Markets. Entrepreneurial Risk. Investment. Growth. Fluctuations. Precautionary Savings.
AB We introduce a neoclassical growth economy with idiosyncratic production risk and incomplete markets. Each agent is an entrepreneur operating her own neoclassical technology with her own capital stock. The general equilibrium is characterized in closed form. Idiosyncratic production shocks introduce a risk premium on private equity and reduce the demand for investment. The steady state is characterized by a lower capital stock due to entrepreneurial risk and a lower interest rate due to precautionary savings as compared to complete markets. The private equity premium is endogenously countercyclical: the anticipation of low savings and high interest rates in the future feed back to high risk premia and low investment in the present. Countercyclicality in risk taking slows down convergence to the steady state and amplifies the magnitude and persistence of the business cycle. These results, which contrast sharply with those obtained in Bewley models, highlight the macroeconomic significance of missing markets in production and investment risk.

Angelucci, Manuella
PD February 2002. TI The Determinants of Privatized Enterprise Performance in Russia. AU Angelucci, Manuella; Bevan, Alan; Estrin, Saul; Fennema, Julian A.; Kuznetsov, Boris; Mangiarotti, Giovanni; Schaffer, Mark E. AA Angelucci: University of London and University College London. Bevan: European Bank for Reconstruction and Development and University of London. Estrin: University of London and CEPR. Fennema and Mangiarotti: Heriot-Watt University. Kuznetsov: Bureau of Economic Analysis. Schaffer: CEPR and IZA. SR CEPR Discussion Paper: 3193; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE D21, G34, L11, P31. KW Privatization. Enterprise Performance. Competition. Corporate Governance. Investment. Russia.
AB Using data from a large enterprise-level panel designed to address this issue, we account for enterprise performance in Russia. We link performance to four aspects of the economic environment outlined in the literature: enterprise ownership; corporate governance; market structures and competition; and financial constraints. We conclude that private ownership and better performance are not correlated, though restructuring is positively associated with the competitiveness of the market environment. These findings on private ownership support those of previous studies, e.g. Earle and Estrin (1997). Moreover, we find only limited evidence that financially unconstrained firms are better in their undertaking of restructuring measures then financially constrained firms. Further analysis suggests that causality runs from restructuring to financial constraint, rather than the reverse. Finally, our findings indicate strong complementarities between the four factors influencing improved company performance,

confirming the view that these factors need to be considered jointly.

Angrist, Joshua

PD December 2000. TI Consequences of Imbalanced Sex Ratios: Evidence from America's Second Generation. AA MIT and NBER. SR National Bureau of Economic Research Working Paper: 8042; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 29. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE J12, J16, N31. KW Marriage Market. Immigrants. Sex Ratios.

AB A combination of changing migration patterns and US immigration restrictions acted to shift the male-female balance in many ethnic groups in the early 20th Century. I use this variation to study the consequences of changing sex ratios for the children of immigrants. Immigrant sex ratios affected the second generation for a number of reasons, most importantly because immigrants and their children typically married in the same ethnic group. The results suggest that higher sex ratios, defined as the number of men per woman, had a large positive impact on the likelihood of female marriage. More surprisingly, second-generation male marriage rates were also an increasing function of immigrant sex ratios. The results also suggest that higher sex ratios raised male earnings and the incomes of parents with young children. The interpretation of these findings is complicated by changes in extended family structure associated with changing sex ratios. On balance, however, the results are consistent with theories where higher sex ratios increase male competition for women in the marriage market.

PD February 2002. TI Protective or Counter-Productive? European Labour Market Institutions and the Effect of Immigrants on EU Natives. AU Angrist, Joshua; Kugler, Adriana. AA Angrist: MIT. Kugler: Universitat Pompeu Fabra and CEPR. SR CEPR Discussion Paper: 3196; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE J23, J61, O52. KW Immigrant Absorption. European Unemployment. Labor Market Flexibility. Entry Costs.

AB We estimate the effect of immigrant flows on native employment in Western Europe, and then ask whether the employment consequences of immigration vary with institutions that affect labor market flexibility. Reduced flexibility may protect natives from immigrant competition in the near term, but our theoretical framework suggests that reduced flexibility is likely to increase the negative impact of immigration on equilibrium employment. In models without interactions, ordinary least squares estimates for a panel of European countries in the 1980s and 1990s show small, mostly negative immigration effects. To reduce bias from the possible endogeneity of immigration flows, we use the fact that many immigrants arriving after 1991 were refugees from the Balkan wars. An IV strategy based on variation in the number of immigrants from former Yugoslavia generates larger though mostly insignificant negative estimates. We then estimate models allowing interactions between the employment response to immigration and institutional characteristics including business entry costs. These results, limited to the sample of native men, generally suggest that reduced flexibility increases the negative impact of immigration. Many of the estimated interaction terms are significant, and imply a

significant negative effect on employment in countries with restrictive institutions.

Aron, Janine

PD December 2000. TI Personal and Corporate Saving in South Africa. AU Aron, Janine; Muellbauer, John. AA University of Oxford. SR CEPR Discussion Paper: 2656; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE E21, E52, E62, G35. KW Corporate Payout Policy. Corporate Profit Share. Corporate Saving. Fiscal and Monetary Policy. Personal Saving.

AB Low domestic saving rates in South Africa may perpetuate a low-growth trap. The decline in government saving, a major reason for the overall decline in saving, is now being reversed. However, personal saving rates have fallen since 1993, and corporate rates since 1995, and both may decline further with lower real interest rates. It is important to understand both personal and corporate saving behavior to formulate policies to raise the domestic saving rate. This article summarizes our previous work on the household sector, emphasizing the role of financial liberalization, assets, and income expectations, and it explains sectoral links and policy implications. Further, it analyses South Africa's corporate saving rate in detail. Models are developed both for the share of profits in national income, and for the share of corporate saving in profits. Corporate saving is remarkably under-researched, given its importance in many economies. This research thus puts the saving and growth concerns of Kaldor into a modern empirical context.

Arozamena, Leandro

PD January 2001. TI Investment Incentives in Procurement Auctions. AU Arozamena, Leandro; Cantillon, Estelle. AA Arozamena: Universidad de San Andres. Cantillon: Harvard University. SR CEPR Discussion Paper: 2676; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE C72, D44. KW Asymmetric Auctions. Endogenous Distributions. Investment Incentives.

AB We investigate firms' incentives for cost reduction in the first price sealed bid auction, a format largely used for procurement. A central feature of the model is that we allow firms to be heterogeneous. Though private value first price auctions are not games with monotonic best responses, we find that for comparative statistic purposes they behave like these games. In particular, firms will tend to underinvest in cost reduction because they anticipate fiercer head-on competition. Using the second price auction as a benchmark, we also find that the first price auction will elicit less investment from market participants. Moreover, both auction formats tend to favor investment by the current market leader and are therefore likely to reinforce asymmetries among market participants.

Assuncao, Lucas

TI Domestic Climate Policies and the WTO. AU Zhang, Zhong Xiang; Assuncao, Lucas.

Attari, Mukarram

AB This paper derives arbitrage trading strategies taking into account the fact that the actions of arbitrageurs impact prices. This avoids the difficulty of having to rely on exogenous position limits to prevent infinite arbitrage profits. When arbitrageurs are financially constrained their trading strategies can be expressed as feedback functions of their capital, which in turn depends on the optimal amount traded. An important component of the trading by financially constrained arbitrageurs is done to guarantee future financial flexibility. It is this hedging component that explains why price deviations persist in spite of arbitrage. Financial constraints are also responsible for periods of excessively volatile prices and for the time variation in the correlation of price deviation across markets. The fact that the actions of regulated firms can influence the dynamics of prices on which minimum capital requirements are based raises important implications for the regulation of securities firms.

Auer, Matthew R.

AB For more than ten years, formerly centrally-planned economies of Central and Eastern Europe (CEE) have endeavored to redress their environmental problems. For most CEE countries, the record of accomplishments is mixed. One of the least successful areas of reform has been cleanup and restoration of state-owned properties that were severely contaminated during the Communist era. In the early 1990s, concern was expressed that prospective foreign investors would shy away from these damaged properties for fear of incurring liabilities for cleanup and third party damages. The authors show that while aggregate levels of foreign direct investment (FDI) to CEE have not been greatly affected by environmental liability, prospective foreign purchasers have avoided investing in dirty industries and in sites harboring serious contamination. To manage the cleanup of past pollution effectively, CEE governments must consider prospects for brownfields revitalization. The authors have shown previously that the public resource requirements for brownfields revitalization are impractical in the CEE context. In light of these constraints, in the near future, the most promising sources of financing for cleanup of past pollution are from external public actors. Several of these actors and their relevant programs are considered.

Autor, David H.

AB Between 1984 and 2000, the share of non-elderly adults receiving benefits from the Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) programs rose from 3.1 to 5.3 percent. We trace this growth to reduced screening stringency and, due to the interaction between growing wage inequality and a progressive benefits formula, a rising earnings replacement rate. We explore the implications of these changes for the level of labor force participation among the less skilled and their employment responses to adverse employment shocks. Following program liberalization in 1984, DI application and recipiency rates became two to three times as responsive to plausibly exogenous labor demand shocks. Contemporaneously, male and female high school dropouts became increasingly likely to exit the labor force rather than enter unemployment in the event of an adverse shock. The liberalization of the disability program appears to explain both facts. Accounting for the role of disability in inducing labor force exit among the low-skilled unemployed, we calculate that the U.S. unemployment rate would be two-thirds of a percentage point higher at present if it were not for the liberalized disability system.

AB We apply an understanding of what computers do-the execution of procedural or rules-based logic-to study how computer technology alters job skill demands. We contend that computer capital (1) substitutes for workers in carrying out a limited and well-defined set of cognitive and manual activities, those that can be accomplished by following explicit rules (what we term "routine tasks"); and (2) complements workers in accomplishing non-routine problem solving and communications tasks. Provided these tasks are imperfect substitutes, our model implies measurable changes in the content of work, which we explore using representative data on job task input over the period 1960 to 1998. We show that computerization is associated with reduced relative demand for labor input of routine manual and routine cognitive tasks and increased relative demand for non-routine cognitive tasks. Demand shifts are evident within detailed industries, within detailed occupations, and within education groups within industries. Translating changes in job task content into

education demand, the sum of within- industry and within-occupation shifts can account for forty percent of the estimated relative demand shift favoring college versus non-college labor during 1970 to 1998. Changes in task content within nominally identical occupations account for the largest component of this impact.

PD November 2002. **TI** The Costs of Wrongful-Discharge Laws. **AU** Autor, David H.; Donohue, John J., III..; Schwab, Stewart J. **AA** Autor: MIT and NBER. Donohue: Stanford Law School and NBER. Schwab: Cornell Law School. **SR** MIT, Department of Economics Working Paper: 02/41; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=355861. **PG** 30. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** J32, J38, J83, K12, K31. **KW** Employment Protection. Wrongful Discharge. Unjust Dismissal. Labor Law.
AB We estimate the effects on employment and wages of wrongful- discharge protections in the United States. Over the last three decades, most U.S. state courts have adopted one or more common law wrongful-discharge doctrines that limit employers' discretion to terminate workers at-will. Using this cross-state variation with a difference-in-difference framework, we find robust evidence of a modest negative impact (-0.8 to -1.6 percentage points) of one wrongful- discharge doctrine, the implied-contract exception, on employment to population rates in state labor markets. The short-term impact is most pronounced for female, younger, and less-skilled workers, while the longer term costs appear to be borne by older and more-educated workers -- those most likely to litigate under this doctrine. We find no robust employment or wage effects of two other widely recognized wrongful- discharge laws: the public-policy and good-faith exceptions. Published findings in the literature range from no effect to very large negative effects. We re-analyze the two leading studies and find the discrepancies can be explained by methodological shortcomings in the one case and limitations in the coding of key court decisions in the other.

Aw, Bee Yan

PD February 2002. **TI** Productivity, Output, and Failure: A Comparison of Taiwanese and Korean Manufacturers. **AU** Aw, Bee Yan; Chung, Sukkyun; Roberts, Mark J. **AA** Aw: Pennsylvania State University. Chung: Ministry of Information and Communication. Roberts: Pennsylvania State University and NBER. **SR** National Bureau of Economic Research Working Paper: 8766; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D21, D24, L60, N65. **KW** Taiwan. Korea. Output Distribution. Entry Costs.
AB Industry cost and demand conditions can vary across countries leading to differences in industry market structure, including the distribution of output and productivity across firms and the magnitude of entry and exit flows. It has been argued that despite many outward similarities, two of the most successful Southeast Asian economies, Taiwan and South Korea, differ systematically in the nature of entry costs, the competitiveness of output markets, and the working of their capital markets. In this paper we use micro panel data for producers in seven two-digit manufacturing industries in South Korea and Taiwan and identify a number of systematic differences in industry structure between the two countries. Our

empirical findings indicate that, relative to their counterparts in Korea, Taiwanese industries are characterized by less concentrated market structure, more producer turnover, smaller within-industry productivity dispersion across producers, a smaller percentage of plants operating at low productivity levels, and smaller productivity differentials between surviving and failing producers. These patterns are consistent with strong competitive pressures in Taiwan that lead to market selection based on productivity differences. In contrast, the patterns in Korea are consistent with the presence of some impediments to exit or entry that insulate inefficient producers from market pressures.

Ayres, Robert U.

PD May 2000. **TI** Products as Service Carriers: Should we Kill the Messenger -- Or Send it Back? **AA** INSEAD. **SR** INSEAD Working Paper: 2000/36/EPS/CMER; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 9. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** M11, M14, Q01. **KW** Product Recovery. Reuse of Materials.
AB This paper describes a 4BR strategy for dematerializing the economy by conserving the value-added to materials to the maximum extent. The four R's in order of priority are: re-use, repair/renovation, remanufacturing and recycling. All of these, taken together, constitute a system for converting products into services.

Bagwell, Kyle

PD November 2000. **TI** GATT-Think. **AU** Bagwell, Kyle; Staiger, Robert W. **AA** Bagwell: Columbia University and NBER. Staiger: University of Wisconsin and NBER. **SR** National Bureau of Economic Research Working Paper: 8005; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 81. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** F02, F11, F13, F15. **KW** GATT. Trade Agreements. Protection. Terms-of-Trade Externality. Tariffs.
AB We describe recent work on the theory of trade agreements that speaks to the purpose and design of GATT. First, we examine the purpose of a trade agreement. Second, we consider the origin and design of GATT. Finally, we review the theoretical literature that interprets and evaluates the institutional features found in GATT. Specifically, we report findings that indicate that the principles of reciprocity and non-discrimination work in concert to remedy the inefficiency created by the terms-of-trade externality. We also extract a variety of predictions from the literature on enforcement and trade policy, and we argue that these predictions are broadly compatible with both the design of GATT and certain historical experiences in trade-policy conduct. We thus interpret the literature reviewed here as providing a strong presumption for the view that GATT can be understood as an institution whose central principles are well-designed to assist governments in their attempt to escape from a terms-of-trade-driven Prisoners' Dilemma. Our review therefore supports the terms-of-trade theory as an appropriate framework within which to interpret and evaluate GATT.

Baiocchi, Giovanni

AB This paper investigates the existence and shape of the Environmental Kuznets Curve (EKC) by means of nonparametric methods. We also investigate the issues involved in the choice of nonparametric estimator. We find that the nature of the economic relationship and the quality of environmental data can considerably impact estimates and therefore the implied policy recommendations. The flexible nature of nonparametric estimation allows us to develop a nonparametric test in the spirit of Silverman's (1981) bootstrap test to test whether the Kuznets curve exists and what shape it takes. We also estimate the nonparametric elasticity with respect to per capita income. We find evidence of asymmetric behavior of the curve before and after the turning point.

Baker, Malcolm

AB We use a simple model of corporate investment to determine when investment will be sensitive to non-fundamental movements in stock prices. The key cross-sectional prediction of the model is that stock prices will have a stronger impact on the investment of firms that are equity dependent -- firms that need external equity to finance their marginal investments. Using an index of equity dependence based on the work of Kaplan and Zingales (KZ) (1997), we find strong support for this prediction. In particular, firms that rank in the top quintile of the KZ index have investment that is almost three times as sensitive to stock prices as firms in the bottom quintile. We also verify several other predictions of the model.

Baker, Michael

AB Survey reports of the incidence of chronic conditions are considered by many researchers to be more objective, and thus preferable, measures of unobserved health status than self-assessed measures of global well being. The former are 1) responses to specific questions about different ailments, which may constrain the likelihood that respondents rationalize their own behavior through their answers, and 2) more comparable across respondents. In this paper we evaluate this hypothesis by exploring measurement error in these "objective, self-reported" measures of health. Our analysis makes use of a unique data set that matches a variety of self-reports of health with respondents' medical records. Our findings are striking. For example, the ratio of the error variance to the total variance ranges from just over 30 percent for the incidence of diabetes to over 80 percent for the incidence of arthritis. Furthermore, for many conditions the error is significantly related to individuals' labor market activity, as hypothesized in the literature. In the final section of the paper we compare estimates of the effect of these different measures of health on labor market activity.

Bakshi, Gurdip

AB This article presents a framework for modeling defaultable debt under alternative recovery conventions (for a wide class of processes describing recovery rates and default probability). These debt models have the ability to differentiate the impact of recovery rates and default probability, and can be utilized to invert the market expectation of recovery rates implicit in bond prices. Among potential applications, the framework can be used for pricing and hedging credit derivatives that are contingent on the default event and/or recovery levels. Empirical implementation of these models suggests two central findings. First, the recovery concept that specifies recovery as a fraction of the discounted par value has broader empirical support. Second, parametric debt valuation models can provide a useful assessment of recovery rates embedded in bond prices. This article has attempted to model recovery and comprehend their impact on debt values.

Baldwin, Richard E.

AB "Regulatory protection" or technical barriers to trade (TBT) are two names for the myriad of cost-raising, behind-the-border measures that substantially inhibit trade. This paper argues that TBTs are important and their liberalization will

continue. This liberalization will involve "hegemonic harmonization" or mutual recognition of rules and test. Such liberalization will almost surely entail preferential arrangements among rich nations, creating in essence, a two-tier system of market access with developing nations in the second tier. Importantly, this discrimination will be higher for advanced products (which are naturally subject to more regulations and standards), so the discrimination may have an "escalating" feature, much as tariffs did in the early post-war period. Consequently, the WTO should address the potentially discriminatory aspects of regional TBT liberalization initiatives. In particular, rules of origin should not be allowed.

PD February 2002. **TI** Entry and Asymmetric Lobbying: Why Governments Pick Losers. **AU** Baldwin, Richard E.; Robert-Nicoud, Frederic. **AA** Baldwin: Graduate Institute of International Studies, Geneva and NBER. Robert-Nicoud: LSE. **SR** National Bureau of Economic Research Working Paper: 8756; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F14, L11, L52. **KW** Lobbying. Entry. Ailing Sectors.

AB Governments frequently intervene to support domestic industries, but a surprising amount of this support goes to ailing sectors. We explain this with a lobbying model that allows for entry and sunk costs. Specifically, policy is influenced by pressure groups that incur lobbying expenses to create rents. In expanding industry entry tends to erode such rents, but in declining industries, sunk costs rule out entry as long as the rents are not too high. This asymmetric appropriability of rents means losers lobby harder. Thus it is not that government policy picks losers, it is that losers pick government policy.

Ball, Laurence

PD October 2000. **TI** Near-Rationality and Inflation in Two Monetary Regimes. **AA** Johns Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 7988; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E31, E42. **KW** Monetary Regimes. Inflation. Near-Rational Expectations. Backward- Looking Models.

AB Sticky-price models with rational expectations fail to capture the inertia in U.S. inflation. Models with backward-looking expectations capture current inflation behavior, but are unlikely to fit other monetary regimes. This paper seeks to overcome these problems with a near-rational model of expectations. In the model, agents make univariate forecasts of inflation: they use information on past inflation optimally, but they ignore other variables. The paper tests sticky-price models with near-rational expectations for two periods in U.S. history, the post-1960 period of persistent inflation and the period from 1879 to 1914, when inflation was not persistent. The models fit the data for both periods; in contrast, both rational-expectations and backward-looking models fail for at least one period.

PD August 2001. **TI** Productivity Growth and the Phillips Curve. **AU** Ball, Laurence; Moffitt, Robert A. **AA** Johns Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 8421; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E31, E32, J64. **KW** Productivity Growth. Phillips Curve. Wage Growth.

AB We present a model in which workers' aspirations for wage increases adjust slowly to shifts in productivity growth. The model yields a Phillips curve with a new variable: the gap between productivity growth and an average of past wage growth. Empirically, this variable shows up strongly in the U.S. Phillips curve. Including it explains the otherwise puzzling shift in the unemployment-inflation tradeoff since 1995.

Banerjee, Abhijit V.

PD May 2002. **TI** Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program. **AU** Banerjee, Abhijit V.; Duflo, Esther. **AA** Banerjee: MIT. Duflo: MIT, NBER, and CEPR. **SR** MIT, Department of Economics Working Paper: 02/25; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=316587. **PG** 28. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** G21, O16. **KW** Banking. Credit Constraints. India. Directed Credit. Lending Programs.

AB We begin the paper by laying out a simple methodology that allows us to determine whether firms are credit constrained, based on how they react to changes in directed lending programs. The basic idea is that while both constrained and unconstrained firms may be willing to absorb all the directed credit that they can get (because it may be cheaper than other sources of credit), constrained firms will use it to expand production, while unconstrained firms will primarily use it as a substitute for other borrowing. We then apply this methodology to firms in India that became eligible for directed credit as a result of a policy change in 1998. Using firms that were already getting this kind of credit before 1998 to control for time trends, we show that there is no evidence that directed credit is being used as a substitute for other forms of credit. Instead the credit was used to finance more production -- there was significant acceleration in the rate of growth of sales and profits for these firms. We conclude that many of the firms must have been severely credit constrained.

PD June 2002. **TI** History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India. **AU** Banerjee, Abhijit V.; Iyer, Lakshmi. **AA** MIT. **SR** MIT, Department of Economics Working Paper: 02/27; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=321721. **PG** 26. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** N55, O11, P16, P51. **KW** Land Tenure. Development. India. Property Rights.

AB Do historical institutions have a persistent impact on economic performance? We analyze the colonial institutions set up by the British to collect land revenue in India, and show that differences in historical property rights institutions lead to sustained differences in economic outcomes. Areas in which proprietary rights in land were historically given to landlords have significantly lower agricultural investments, agricultural productivity and investments in public goods in the post-Independence period than areas in which these rights were given to the cultivators. We verify that these differences are not driven by omitted variables or endogeneity of the historical institutions, and argue that they probably arise because differences in institutions lead to very different policy choices.

Bansal, Ravi

AB We model dividend and consumption growth rates as containing a small long-run predictable component and economic uncertainty (i.e., growth rate volatility) as being time-varying. The magnitudes of the predictable variation and changing volatility in growth rates, as in the data, are quite small. These growth rate dynamics, for which we provide empirical support, in conjunction with plausible parameter configurations of the Epstein and Zin (1989) preferences can explain key observed asset markets phenomena. In particular, we show that the model can justify the observed equity premium, the low risk free rate, and the ex-post volatilities of the market return, real risk free rate, and the price-dividend ratio. As in the data, the model also implies that the dividend yields predict returns and that market return volatility is stochastic. The main economic insight we capture is that news about growth rates significantly alter agent's perceptions regarding long run expected growth rates and growth rate uncertainty -- in equilibrium, this leads to a large equity risk premium, a low risk free interest rate, and large market volatility.

AB We develop a term structure model where the short interest rate and the market price of risks are subject to discrete regime shifts. Empirical evidence from Efficient Method of Moments estimation provides considerable support for the regime shifts model. Standard models, which include affine specifications with up to three factors, are sharply rejected in the data. Our diagnostics show that only the regime shifts model can account for the well documented violations of the expectations hypothesis, the observed conditional volatility, and the conditional correlation across yields. We find that regimes are intimately related to business cycles.

Barbera, Salvador

AB A decision-maker exhibits preference for flexibility if he prefers any set of alternatives to its subsets. Desire for flexibility can be explained by a two-stage process, where the agent must first pre-select a subset of alternatives from which he has to make a final choice later on. We assume: (1) the agent attaches a subjective probability to the survival of each subset of alternatives, and (2) the agent makes a best choice out of any set which becomes available, and ranks sets ex-ante in terms of the expected utility of the best choices within them. We prove that any total ordering respecting set inclusion is rationalizable in these terms. However, without further restrictions on the admissible distributions of survival probabilities, the underlying utilities can be arbitrary. Hence we assume that the survival probabilities of individual alternatives are independently distributed. We prove that this reduces significantly the class of set rankings, which can be rationalized.

Barberis, Nicholas

AB We study asset prices in an economy where some investors classify risky assets into different styles and move funds back and forth between these styles depending on their relative performance. Our assumptions imply that news about one style can affect the prices of other apparently unrelated styles, that assets in the same style will commove too much while assets in different styles commove too little, and that high average returns on a style will be associated with common factors for reasons unrelated to risk. They also lead to a rich pattern of own- and cross-autocorrelations, sample premia that can be very different from true premia, and imply that style momentum strategies will be profitable. We use our model to shed light on many puzzling features of the data.

Barbier, Edward

Baron, Richard

AB We consider the class of (finite) spatial games. We show that the problem of determining whether there exists a Nash equilibrium in which each player has a payoff of at least k is NP-complete as a function of the number of players. When each player has two strategies and the base game is an anti-

coordination game, the problem is decidable in polynomial time.

Barsky, Robert

PD August 2001. **TI** What can the Price Gap between Branded and Private Label Products Tell Us about Markups? **AU** Barsky, Robert; Bergen, Mark; Dutta, Shantanu; Levy, Daniel. **AA** Barsky: University of Michigan and NBER. Bergen: University of Minnesota. Dutta: University of Southern California. Levy: Bar-Ilan University and Emory University. **SR** National Bureau of Economic Research Working Paper: 8426; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 40. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** L11. **KW** Markups. Branded Products. Private Label Products.

AB We investigate the size of markups for nationally branded products sold in the U.S. retail grocery industry. We compute several measures of upper and lower bounds on markup ratios for over 230 nationally branded products in 19 categories. Our method is based on the insight that retail and wholesale prices of private label products provide information on marginal costs that are also applicable to the appropriately matched nationally branded products. Under reasonable assumptions, the wholesale price of a private label product is an upper bound for the marginal manufacturing cost of its nationally branded equivalent, while the retailer's margin on the national brand is an upper bound on the retailer's marginal handling cost for both the brand and private label versions. We find that lower bounds on the "full" markup ratio range from 3.44 for toothbrushes and 2.23 for soft drinks to about 1.15-1.20 for canned tuna and frozen entrees, with the majority of categories falling in the range 1.40-2.10. Lower bounds on manufacturers' markups are even higher. Thus the data indicate that markups on nationally branded products sold in U.S. supermarkets are large.

Basu, Kaushik

PD June 2002. **TI** Punctuality: A Cultural Trait as Equilibrium. **AU** Basu, Kaushik; Weibull, Jorgen W. **AA** Basu: Cornell University and MIT. Weibull: Boston University and CESifo. **SR** MIT, Department of Economics Working Paper: 02/26; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=317621. **PG** 16. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C72, D29, O12, Z10. **KW** Punctuality. Coordination Games. Culture. Norms.

AB A people's culture, norms and habits are important determinants not just of the quality of social life but of economic progress and growth. In this paper we take the view that while the importance of culture is undeniable, the innateness of culture is not. We work here with a single example and demonstrate how a human trait which is widely believed to be cultural is at the same time a matter of choice. The example that we shall work with concerns punctuality. We show that punctuality may be simply an equilibrium response of individuals to what they expect others to do. The same society can get caught in a punctual equilibrium or a non-punctual equilibrium.

Beaudry, Paul

PD February 2002. **TI** Why has the Employment-Productivity Tradeoff Among Industrialized Countries been so Strong? **AU** Beaudry, Paul; Collard, Fabrice. **AA** Beaudry: University of British Columbia and NBER. Collard: CNRS- GREMAQ and Universite de Toulouse I. **SR** National Bureau of Economic Research Working Paper: 8754; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** O33, O41. **KW** Labor Productivity. Technological Revolution. Employment Growth. Open Economy.

AB This paper is motivated by a set of cross-country observations on labor productivity growth among industrial countries over the period 1960-1997. In particular, we show that over this period, the speed of convergence among industrialized countries has decreased substantially while the negative effect of a country's own employment growth on labor productivity has increased dramatically. The main contribution of the paper is to show how these observations are consistent with the view that industrialized countries have been undergoing a particularly drastic technological revolution over the recent past. In effect, we show how the process of endogenous technological adoption, following the diffusion of a general purpose technology, can explain these observations by causing the emergence of an AK accumulation phase where demographic factors temporarily become an major determinant of labor productivity growth. Our estimation of the model shows that the AK phase has been in effect since the early to mid-seventies, but that this phase may now be coming to an end. The paper also analyzes growth experiences across advanced industrialized countries within an open economy framework.

Bebchuk, Lucian Arye

PD January 2001. **TI** The Overlooked Corporate Finance Problems of a Microsoft Breakup. **AU** Bebchuk, Lucian Arye; Walker, David I. **AA** Bebchuk: Harvard Law School and NBER. Walker: Harvard Law School. **SR** National Bureau of Economic Research Working Paper: 8089; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G32, G34, G38, K21, K22, L42. **KW** Microsoft Breakup. Ownership Structure. Shareholder Value.

AB This paper identifies problems with the ordered breakup of Microsoft that the government, the judge, and the commentators seem to have overlooked. The breakup order prohibits Bill Gates and other large Microsoft shareholders from owning shares in both of the companies that would result from the separation. Given this prohibition, we show, dividing the securities in the resultant companies among the shareholders is not as straightforward as the government has suggested. Any method of distributing the securities that would comply with this mandate would either (i) impose a significant financial penalty on Microsoft's large shareholders that is not contemplated by the order, or (ii) create a risk of a substantial transfer of value between Microsoft's shareholders. In addition to identifying the difficulties and costs involved in the two distribution methods that would comply with the cross-shareholding prohibition, we examine how the breakup order could be refined to reduce these difficulties and costs. The problems that we identify should be addressed if a breakup is ultimately to be pursued and should be taken into account in

making the basic decision of whether to break up Microsoft at all.

Bell, Linda A.
PD December 2000. TI   The Incentive for Working Hard: Explaining Hours Worked. AU Bell, Linda A.; Freeman, Richard B. AA Bell: Haverford College. Freeman: NBER, LSE, Harvard University. SR   National Bureau of Economic Research Working Paper: 8051; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   21. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   D31, J21, J22, J23. KW Earnings Inequality. Labour Supply. Germany. America. Hours Worked.

AB   This paper seeks to explain the greater hours worked by Americans compared to Germans in terms of forward-looking labor supply responses to differences in earnings inequality between the countries. We argue that workers choose current hours of work to gain promotions and advance in the distribution of earnings. Since US earnings are more unequally distributed than German earnings, the same extra work pays off more in the US, generating more hours worked. Supporting this inequality-hours hypothesis, we show that in both countries hours worked is positively related to earnings inequality in cross section occupational contrasts and that hours worked raises future wages and promotion prospects in longitudinal data.

Benabou, Roland
PD October 2000. TI   Self-Confidence and Social Interactions. AU Benabou, Roland; Tirole, Jean. AA Benabou: Princeton University and CEPR. Tirole: Universite des Sciences Sociales de Toulouse and CEPR. SR   CEPR Discussion Paper: 2579; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   A12, C71, C72, D19, D69, J22. KW Incentives. Motivation. Psychology and Economics. Rewards. Self-Confidence.

AB   This paper studies the interactions between an individual's self-esteem and his social environment -- in the workplace, at school, and in personal relationships. Because a person generally has only imperfect knowledge of his own abilities, people who derive benefits from his performance (parent, spouse, friend, teacher, manager, etc.) have incentives to manipulate his self-confidence. We first study situations where an informed principal chooses an incentive structure, such as offering payments or rewards, delegating a task, or giving encouragement. We show that extrinsic rewards may have hidden costs -- as stressed by psychologists -- in that they undermine intrinsic motivation. More generally, we identify when the hidden costs of rewards are a myth or a reality. We next consider situations where people criticize or downplay the performance of their spouse, child, colleague, or subordinate. We formalize ego-bashing as reflecting battles for dominance or authority within the relationship. Finally, we turn to the self-presentation strategies of privately informed agents. We study in particular how depressed individuals may engage in self-deprecation as a way of seeking leniency (a lowering of expectancies) or a "helping hand" on various obligations.

PD October 2000. TI   Self-Confidence: Intrapersonal Strategies. AU Benabou, Roland; Tirole, Jean. AA Benabou: Princeton University and CEPR. Tirole: Universite des Sciences Sociales de Toulouse and CEPR. SR   CEPR Discussion Paper: 2580; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   A12, C79, D69, D91. KW Memory. Motivation. Psychology and Economics. Self-Confidence. Self-Control.

AB   This paper explains why people value self-confidence, and how this concern shapes their informational strategies and intertemporal decisions. The theory has applications in areas as diverse as labor supply, savings and investment, or education and career decisions. People generally have imperfect knowledge about their abilities, which in most tasks are complementary to effort. Self-confidence thus enhances motivation, and this gives a time-inconsistent individual a strong incentive to build up the self-esteem of his future selves, so as to limit their procrastination. The benefits of confidence-maintenance must, however, be traded off against the risks of overconfidence. Moreover, rational inference implies that the individual cannot systematically fool himself. The model explains why people often choose to remain ignorant about their true abilities, or "blind" to important signals from their work, personal or market environment; and why they sometimes deliberately impair their own performance or choose overambitious tasks in which they are sure to fail (self-handicapping). It also provides a formal account of (endogenously) selective memory or awareness, such as the tendency to remember one's successes more than one's failures. This result, in turn, helps explain why most people have overoptimistic assessments of their own abilities and accomplishments (self-serving beliefs).

PD August 2001. TI   Mobility as Progressivity: Ranking Income Processes According to Equality of Opportunity. AU Benabou, Roland; Ok, Efe A. AA Benabou: Princeton University and NBER. Ok: New York University. SR   National Bureau of Economic Research Working Paper: 8431; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   20. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   D31, D63, H20, J62. KW Mobility. Progressive Taxation. Opportunity. Welfare Analysis. Equality.

AB   Interest in economic mobility stems largely from its perceived role as an equalizer of opportunities, though not necessarily of outcomes. In this paper we show that this view leads very naturally to a methodology for the measurement of social mobility which has strong parallels with the theory of progressive taxation. We characterize opportunity -- equalizing mobility processes, and provide simple criteria to determine when one process is more equalizing than another. We then explain how this mobility ordering relates to social welfare analysis, and how it differs from existing ones. We also extend standard indices of tax progressivity to mobility processes, and illustrate our general methodology on intra- and intergenerational mobility data from the United States and Italy.

Benigno, Pierpaolo
PD January 2001. TI   How is the Debt Managed? Learning from Fiscal Stabilizations. AU Benigno, Pierpaolo; Giavazzi, Francesco; Missale, Alessandro. AA Benigno: New York University and CEPR. Giavazzi: Universita Bocconi,

Milano. **SR** CEPR Discussion Paper: 2655; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** E63, H63. **KW** Credibility. Debt Maturity. Public Debt Management. Stabilization.

AB This Paper provides evidence on the behavior of public debt managers during fiscal stabilizations. Such episodes provide valuable information on the way debt instruments are chosen because they allow the problem of policymakers' expectations of interest rates not generally being observable to be overcome. We find that governments increase the share of fixed-rate long-term debt denominated in the domestic currency, causing the conditional volatility of short-term interest rates to rise, long-term interest rates to fall, and the fall in long-term rates, that follows the announcement of the stabilization program, to become stronger. In contrast, conventional measures of the relative cost of issuing long-term debt, such as the long-short interest-rate spread, are not significant. This evidence suggests that debt managers tend to prefer long to short maturity debt because they are concerned with the risk of refinancing at higher than expected interest rates. However, when long-term rates are high relative to their expectations, they issue short maturity debt to minimize borrowing costs.

Ber, Hedva

PD February 2002. **TI** Monetary Policy in an Open Economy: The Differential Impact on Exporting and Non-Exporting Firms. **AU** Ber, Hedva; Blass, Asher; Yosha, Oved. **AA** Ber and Blass: Bank of Israel. Yosha: Tel Aviv University. **SR** CEPR Discussion Paper: 3191; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** E44, E52. **KW** Interest Rate. Investment. Corporate Finance. Leverage. Liquidity. Tobin's Q. Publicly Traded Firms.

AB Using firm-level data, we provide evidence that, although monetary policy affects real investment, the effect operates differentially: the greater its export intensity the less a firm is affected by tight money. We examine several interpretations and conclude that the impact is transmitted primarily through the supply side due to differential access to credit markets. This finding lends support to the commonplace view that monetary policy is less effective the more open the economy.

Bergen, Mark

TI What can the Price Gap between Branded and Private Label Products Tell Us about Markups? **AU** Barsky, Robert; Bergen, Mark; Dutta, Shantanu; Levy, Daniel.

Berger, Allen N.

PD August 2001. **TI** The Ability of Banks to Lend to Informationally Opaque Small Businesses. **AU** Berger, Allen N.; Klapper, Leora F.; Udell, Gregory F. **AA** Berger: Board of Governors of the Federal Reserve System and Wharton Financial Institutions Center. Klapper: The World Bank. Udell: Indiana University. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/34; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 30. **PR** no

charge. **JE** G15, G21, G34. **KW** Banks. Mergers. Foreign Ownership. Financial Distress. Multiple Lenders.

AB We test hypotheses about the effects of bank size, foreign ownership, and distress on lending to informationally opaque small firms using a rich new data set on Argentinean banks, firms, and loans. We also test hypotheses about borrowing from a single bank versus multiple banks. Our results suggest that large and foreign-owned institutions may have difficulty extending relationship loans to opaque small firms. Bank distress appears to have no greater effect on small borrowers than on large borrowers, although even small firms may react to bank distress by borrowing from multiple banks, raising borrowing costs and destroying some relationship benefits.

PD August 2001. **TI** The Effects of Dynamic Changes in Bank Competition on the Supply of Small Business Credit. **AU** Berger, Allen N.; Goldberg, Lawrence G.; White, Lawrence J. **AA** Berger: Board of Governors of the Federal Reserve System and Wharton Financial Institutions Center. Goldberg: University of Miami. White: New York University. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/35; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 19. **PR** no charge. **JE** G21, G34. **KW** Banks. Mergers. Small Business.

AB We study the effects of structural changes in banking markets on the supply of credit to small businesses. Specifically, we examine whether bank mergers and acquisitions (M&As) and entry have "external" effects on small business loans by other banks in the same local markets. The results suggest modest positive external effects from these dynamic changes in competition, except that large banks may reduce small business lending in reaction to entry. We confirm bank size and age as important determinants of this lending, and show that the measured age effect does not appear to be driven by local market M&A activity.

PD August 2001. **TI** Small Business Credit Availability and Relationship Lending: The Importance of Bank Organizational Structure. **AU** Berger, Allen N.; Udell, Gregory F. **AA** Berger: Board of Governors of the Federal Reserve System and Wharton Financial Institutions Center. Udell: Indiana University. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/36; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 25. **PR** no charge. **JE** G21, G34, L23. **KW** Banks. Small Business. Mergers. Relationship Lending. Organizational Structure.

AB This paper models the inner workings of relationship lending, the implications for bank organizational structure, and the effects of shocks to the economic environment on the availability of relationship credit to small businesses. Relationship lending depends on the accumulation over time by the loan officer of "soft" information. Because the loan officer is the repository of this soft information, agency problems are created throughout the organization that are best resolved by structuring the bank as a small, closely-held organization with few managerial layers. The shocks analyzed include technological innovations, regulatory regime shifts, banking industry consolidation, and monetary policy shocks.

PD February 2002. **TI** Does Function Follow Organizational Form? Evidence from the Lending Practices of

Large and Small Banks. AU Berger, Allen N.; Miller, Nathan H.; Petersen, Mitchell A.; Rajan, Raghuram G.; Stein, Jeremy C. AA Berger and Miller: Board of Governors of the Federal Reserve System. Petersen: Northwestern University. Rajan: University of Chicago and NBER. Stein: Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 8752; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 36. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D21, D23, G21. KW Banking. Incomplete Contracting. Soft Information. Size. AB Theories based on incomplete contracting suggest that small organizations may do better than large organizations in activities that require the processing of soft information. We explore this idea in the context of bank lending to small firms, an activity that is typically thought of as relying heavily on soft information. We find that large banks are less willing than small banks to lend to informationally "difficult" credits, such as firms that do not keep formal financial records. Moreover, controlling for the endogeneity of bank-firm matching, large banks lend at a greater distance, interact more impersonally with their borrowers, have shorter and less exclusive relationships, and do not alleviate credit constraints as effectively All of this is consistent with small banks being better able to collect and act on soft information than large banks.

Bergstresser, Daniel

PD September 2002. TI Asset Allocation and Asset Location: Household Evidence from the Survey of Consumer Finances. AU Bergstresser, Daniel; Poterba, James. AA Bergstresser: Harvard Business School. Poterba: MIT and NBER. SR MIT, Department of Economics Working Paper: 03/34; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=334741. PG 21. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE G11, H24, H31. KW Asset Location. Retirement Saving. Capital Income Taxation.
AB Many households with substantial assets in both taxable and tax- deferred accounts must decide where to locate assets, as well as whether or not to hold them at all. This paper investigates how many households have enough assets in both taxable and tax-deferred accounts to face significant asset location choices. It also investigates the asset location decisions of these households. In 1998, 45 percent of households had at least some assets in a tax-deferred account, and more than ten million households had at least $25,000 in both a taxable and a tax-deferred account. Many households hold equities in their tax- deferred accounts, but not in their taxable accounts, while also holding taxable bonds in their taxable accounts. Most of these households could reduce their taxes by relocating heavily-taxed fixed income assets to their tax-deferred account. A shift of less than $10,000 in financial assets can move most households to a tax-efficient allocation.

Berkowitz, Jeremy

PD July 2001. TI How Accurate are Value-at-Risk Models at Commercial Banks? AU Berkowitz, Jeremy; O'Brien, James. AA Berkowitz: University of California, Irvine. O'Brien: Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/31; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 14. PR no charge. JE G21, G28. KW Market Risk. Portfolio Models. Value-at-Risk. Volatility.
AB In recent years, the trading accounts at large commercial banks have grown substantially and become progressively more diverse and complex. We provide descriptive statistics on the trading revenues from such activities and on the associated Value-at-Risk forecasts internally estimated by banks. For a sample of large bank holding companies, we evaluate the performance of banks' trading risk models by examining the statistical accuracy of the VaR forecasts. Although a substantial literature has examined the statistical and economic meaning of Value- at-Risk models, this article is the first to provide a detailed analysis of the performance of models actually in use.

Bernard, Andrew B.

PD November 2000. TI Who Wins the Olympic Games: Economic Development and Medal Totals. AU Bernard, Andrew B.; Busse, Meghan R. AA Bernard: Dartmouth College and NBER. Busse: Yale University. SR National Bureau of Economic Research Working Paper: 7998; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 19. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE L83, O10. KW Economic Development. Olympic Games. Population.
AB This paper examines determinants of Olympic success at the country level. Does the U.S. win its fair share of Olympic medals? Why does China win 6 percent of the medals even though it has 1/5 of the world's population? We consider the role of population and economic development in determining medal totals from 1960-1996. We also provide out of sample predictions for the 2000 Olympics in Sydney.

PD January 2001. TI Factor Price Equality and the Economies of the United States. AU Bernard, Andrew B.; Jensen, J. Bradford; Schott, Peter K. AA Bernard: Tuck School of Business. Jensen: Bureau of the Census. Schott: Yale School of Management. SR National Bureau of Economic Research Working Paper: 8068; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 30. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F11, F16. KW Heckscher-Ohlin. Relative Factor Prices. Intra-National.
AB Do New York and Nashville face the same pressures from increased trade? This paper considers the role of international trade in shaping the product mix and relative wages for regions within the US. Using the predictions from a Heckscher-Ohlin trade model, we ask whether all the regions in the US face the same relative factor prices. Using the production side of the HO model, we derive a general test of relative factor price equality that is robust to unobserved regional productivity differences, unobserved regional factor quality differences, and variations in production technology across industries. Using data from 1972-1992, we reject the hypothesis that all regions face the same relative factor prices in favor of an alternative with at least three distinct factor price cones. Sorting regions into cones with similar relative factor prices, we find that industry mix varies systematically across the groups. Regions that switch cones over time have more churning of industries.

Bertola, Giuseppe

PD October 2000. TI Wages and the Size of Firms in Dynamic Matching Models. AU Bertola, Giuseppe; Garibaldi, Pietro. AA Bertola: European University Institute and CEPR. Garibaldi: Universita Commerciale Luigi Bocconi and CEPR. SR CEPR Discussion Paper: 2576; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE J31, J63, J64. KW Firm Size Distribution. Recruiting. Wage Dispersion.

AB This paper studies the joint distribution of wages and employment levels in simple matching models of job creation and destruction with costly search and firm-specific labor demand shocks. Existing evidence on the relationship between employer size, the mean and variance of employees' wages, and the character of gross job creation and destruction by continuing firms are broadly consistent with decreasing returns in firm-level production and hiring technologies.

PD February 2002. TI Sorting and Private Education in Italy. AU Bertola, Giuseppe; Checchi, Daniele. AA Bertola: European University Institute and CEPR. Checchi: Universita degli Studi di Milano. SR CEPR Discussion Paper: 3198; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE I21, P41. KW Education Quality. Education Reform. Italy. Secondary Schools.

AB This paper discusses reforms of Italian secondary schools' curriculum and funding in light of theoretical considerations, of the experience of other countries, and of empirical evidence. We briefly review socio-economic views on the schooling system's role in shaping the social structure and productive potential of new generations. The current structure of the Italian secondary school system lets the student population sort itself, on the basis of individuals' financial and cultural background, along both vocational versus comprehensive and public versus private dimensions. We characterize the outcome of this sorting, and its relationship to further educational experience, with a statistical analysis of a sample of University students. Not surprisingly, we find that in Italy, Catholic private schools play a different role from that of their American counterparts, which have been found to improve the performance of relatively poor students. Italian confessional and other private schools appear to cater to the needs of relatively less talented students from relatively rich family backgrounds.

Bertrand, Marianne

PD September 2002. TI Pyramids. AU Bertrand, Marianne; Mullainathan, Sendhil. AA Bertrand: University of Chicago, CEPR, and NBER. Mullainathan: MIT and NBER. SR MIT, Department of Economics Working Paper: 02/32; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=339480. PG 26. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE G32, G34. KW Pyramids. Corporate Governance. Development. Shareholders. Ownership Structure.

AB Most corporate finance models of firm behavior study the typical US corporation: one firm with a large set of dispersed shareholders. In contrast, in many countries around the world, firms are often held in groups with complicated ownership structures. These groups are often referred to as pyramids and raise very distinct questions about firm behavior. The questions are especially relevant for developing countries where these groups are most prevalent. In this paper, we first describe some empirical research we have performed on the nature of agency problems within pyramids. We then discuss a variety of questions, both theoretical and empirical, that remain to be unexplored.

Bertsimas, Dimitris

TI Moment Problems via Semidefinite Programming: Applications in Probability and Finance. AU Popescu, Ioana; Bertsimas, Dimitris.

PD July 1999. TI Optimal Inequalities in Probability Theory: A Convex Optimization Approach. AU Bertsimas, Dimitris; Popescu, Ioana. AA Popescu: INSEAD. Bertsimas: MIT. SR INSEAD Working Paper: 2000/28/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 42. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C12, C61. KW Moment inequalities. Convex Optimization.

AB We address the problem of deriving optimal inequalities for a multivariate random variable X that has given collection of moments. Our goal in this paper is twofold: First, to present the beautiful interplay of probability and optimization related to moment inequalities, from a modern, optimization based, perspective. Our second aim is to understand the complexity of deriving tight moment inequalities, search for efficient algorithms in a general framework, and, when possible, derive simple closed-form bounds. For the univariate case we provide an optimal inequality for a single random variable X, when its first k moments are known, as a solution of semidefinite optimization problem in k plus 1 dimensions. We generalize to multivariate settings the classical Markov and Chebyshev inequalities, when moments up to second order are known, and the set S is convex.

PD July 1999. TI On the Relation Between Option and Stock Prices: A Convex Optimization Approach. AU Bertsimas, Dimitris; Popescu, Ioana. AA Popescu: INSEAD. Bertsimas: MIT. SR INSEAD Working Paper: 2000/29/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 37. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C12, C61, G12. KW Moment inequalities. Convex Optimization. Options Pricing.

AB The idea of investigating the relation of option and stock prices just based on the no-arbitrage assumption, but without assuming any model for the underlying price dynamics has a long history in the financial economics literature. We introduce convex, and in particular semidefinite, optimization methods, duality, and complexity theory to shed new light on this relationship. For the single stock problem, given moments of the prices of the underlying assets, we show that we can find best possible bounds on option prices with general payoff functions efficiently either algorithmically (solving a semidefinite optimization problem) or in closed form. Conversely, given observable option prices, we provide best possible bounds on moments of the prices of the underlying

assets, as well as on the prices of other options on the same asset by solving linear optimization problems. For options that are affected by multiple stocks either directly (the payoff of the option depends on multiple stocks) or indirectly (we have information on correlations between stock prices), we find non-optimal bounds using convex optimization methods. We extend our results to incorporate transactions costs.

Beullens, Patrick
TI   The Impact of Product Recovery on Logistics Network Design.   AU   Fleischmann, Moritz; Beullens, Patrick; Bloemhf-Ruwaard, Jacqueline M.; Van Wassenhove, Luk N.

Bevan, Alan
TI   The Determinants of Privatized Enterprise Performance in Russia.   AU   Angelucci, Manuella; Bevan, Alan; Estrin, Saul; Fennema, Julian A.; Kuznetsov, Boris; Mangiarotti, Giovanni; Schaffer, Mark E.

Biais, Bruno
PD   February 2002.   TI   Psychological Traits and Trading Strategies.   AU   Biais, Bruno; Hilton, Denis; Mazurier, Karine; Pouget, Sebastien.   AA   Biais: Universite des Sciences Sociales de Toulouse and CEPR. Hilton and Mazurier: Universite de Toulouse le Mirail. Pouget: Universite des Sciences Sociales de Toulouse and Georgia State University.   SR   CEPR Discussion Paper: 3195; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org.   PG   not available.   PR   5 pounds, $5 or 8 euros + postage and handling.   JE   C91, D82.   KW   Social Intelligence. Self-Monitors. Trading Strategies. Psychological Traits.
AB   In this paper we measure psychological traits and show that they significantly affect behavior and performance in a financial context. Based on the answers of 184 subjects to a psychological questionnaire we measured their degree of overconfidence, i.e. the extent to which they overestimate the precision of their information, and self- monitoring, which is a form of social intelligence. The subjects also participated in an experimental financial market under asymmetric information in the spirit of Plott and Sunder (1988). In line with the hypothesis that they suffer from the winner's curse, overconfident subjects are found to earn relatively low trading profits. In contrast, our finding that high self-monitors earn relatively large trading profits is consistent with the hypothesis that they are relatively good at anticipating the trading motivations of the other traders.

Bilodeau, Jean-Francois
TI   Simulation-Based Exact Jump Tests in Models with Conditional Heteroskedasticity.   AU   Khalaf, Lynda; Saphores, Jean-Daniel; Bilodeau, Jean-Francois.

Binmore, Kenneth
PD   February 2002.   TI   The Biggest Auction Ever: The Sale of the British 3G Telecom Licences.   AU   Binmore, Kenneth; Klemperer, Paul.   AA   Binmore: University College London. Klemperer: University of Oxford and CEPR.   SR   CEPR Discussion Paper: 3214; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org.   PG   not available.   PR   5 pounds, $5 or 8 euros + postage and handling.   JE   D44, L96.

KW   Auctions. Telecommunications. Spectrum Auctions. Mobile Phones. Bidding.
AB   This paper reviews the part played by economists in organizing the British third-generation mobile-phone license auction that concluded on 27 April 2000. It raised 22 1/2 billion pounds (2 1/2% of GNP) and was widely described at the time as the biggest auction ever. We discuss the merits of auctions versus "beauty contests", the aims of the auction, the problems we faced, the auction designs we considered, and the mistakes that were made.

Blank, Rebecca M.
PD   August 2001.   TI   The Clinton Legacy for America's Poor.   AU   Blank, Rebecca M.; Ellwood, David T.   AA   Blank: University of Michigan and NBER. Ellwood: Harvard University and NBER.   SR   National Bureau of Economic Research Working Paper: 8437; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.   PG   56.   PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.).   JE   H53, I31, I32, I38.   KW   Clinton Era. Social Policy. Poverty. Welfare.
AB   This paper examines the impact of Clinton era social policy changes on the poor. It explores shifts in incentives, behavior, and incomes and discusses the role Clinton did or did not play in influencing the policy mix and the nature of the political debate surrounding poverty. Policy changes included a radical shift in welfare policy, a sizable expansion in supports for low income workers with children, new child support enforcement measures, more restricted support for immigrants, and altered housing policies. Partly as a result of these policies, but also in part due to the strong economy, welfare use plummeted, work rose dramatically among single parents, and poverty was reduced. At the same time, there are indications that some families are doing worse than before and that some working families are not getting health and food benefits to which they are entitled. Significant questions remain about what will happen to poor families in the next recession.

Blass, Asher
TI   Monetary Policy in an Open Economy: The Differential Impact on Exporting and Non-Exporting Firms.   AU   Ber, Hedva; Blass, Asher; Yosha, Oved.

Bloemhf-Ruwaard, Jacqueline
TI   The Impact of Product Recovery on Logistics Network Design.   AU   Fleischmann, Moritz; Beullens, Patrick; Bloemhf-Ruwaard, Jacqueline M.; Van Wassenhove, Luk N.

Bloise, Gaetano
PD   January 2001.   TI   Inflation and Welfare in an OLG Economy with a Privately Provided Public Good.   AU   Bloise, Gaetano; Currarini, Sergio; Kikidis, Nicholas.   AA   Bloise and Kikidis: CORE. Currarini: University of Venice and FEEM.   SR   Fondazione Eni Enrico Mattei Note di Lavoro: 12/2001; "Publication Office", 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   D91, E52, H41.   KW   Optimal Inflation. Public Goods. Voluntary Contributions, Overlapping Generations.
AB   In this paper we study the welfare effects of monetary policy in a simple overlapping generation economy in which

agents voluntarily contribute to a public good. Inflation has two effects at equilibrium: it increases voluntary contributions and it misallocates private consumption across time. We show that the aggregate effect is a Pareto improvement for "not too large" inflation rates. Moreover, there exists an optimal inflation rate.

Blouin, Jennifer L.

PD November 2000. TI The Impact of Capital Gains Taxes on Stock Price Reactions to S&P 500 Inclusion. AU Blouin, Jennifer L.; Raedy, Jana Smith; Shackelford, Douglas A. AA Blouin and Raedy: University of North Carolina. Shackelford: University of North Carolina and NBER. SR National Bureau of Economic Research Working Paper: 8011; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 24. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE G12, G14, H22, H24. KW Capital Gains Taxes. Stock Prices. S&P 500.
AB This paper contributes to our understanding of the determinants of price responses to inclusion in the S&P 500 by providing evidence consistent with capital gains tax planning impacting stock reactions. Tests are conducted on 426 additions from 1978-1999. We regress the returns on the first trading day following announcement on a capital gains tax measure and controls. The evidence is consistent with the share prices of appreciated firms being temporarily bid up to compensate individual shareholders for any unanticipated capital gains taxes triggered when they sell to index funds and the share prices of depreciated firms being temporarily diminished when individual shareholders sell because buyers and sellers share the tax savings associated with deductible capital losses. We infer from these findings that in rebalancing their portfolios after S&P 500 additions, index funds share individual shareholders' capital gains taxes (or tax savings) through sales price adjustments. Consistent with temporary price pressure, further analysis shows that much of the price reaction unwinds over the following week's trading. Finding that personal capital gains taxes affect stock returns in a setting that does not bias toward taxes mattering suggest that capital gains tax capitalization may be a pervasive feature in equity valuation.

Bollerslev, Tim

PD November 2001. TI Estimating Stochastic Volatility Diffusion Using Conditional Moments of Integrated Volatility. AU Bollerslev, Tim; Zhou, Hao. AA Bollerslev: Duke University. Zhou: Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/49; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 19. PR no charge. JE C13, C22. KW Volatility Diffusions. Integrated Volatility. Quadratic Variation. Realized Volatility. High-Frequency Data. Exchange Rates. GMM Estimation.
AB We exploit the distributional information contained in high-frequency intraday data in constructing a simple conditional moment estimator for stochastic volatility diffusions. The estimator is based on the analytical solutions of the first two conditional moments for the latent integrated volatility, the realization of which is effectively approximated by the sum of the squared high-frequency increments of the process. Our simulation evidence indicates that the resulting

GMM estimator is highly reliable and accurate. Our empirical implementation based on high-frequency five-minute foreign exchange returns suggests the presence of multiple latent stochastic volatility factors and possible jumps.

Bonin, Holger

PD February 2002. TI Participation Behaviour of East German Women After German Unification. AU Bonin, Holger; Euwals, Rob. AA Bonin: University of Bonn. Euwals: CPB, The Netherlands. SR CEPR Discussion Paper: 3201; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE C33, J21, J31. KW Transitional Economies. Labor Force Participation. Panel Data. East Germany.
AB The paper studies the determinants of labor force participation by East German women after unification. To isolate the role of preferences on labor force participation from individual characteristics, we develop a panel data model that simultaneously explains participation, employment and wages. The model, estimated for East and West Germany on the basis of the German Socio-Economic Panel, indicates that distinct preferences could explain the regional difference in participation rates at unification. Afterward East German women became less willing to participate, but the negative labor supply trend was offset on the aggregate level by changes in characteristics and wages promoting participation.

Bontempi, Elena

PD October 2001. TI Capital Heterogeneity: Does it Matter? Fundamental Q and Investment on a Panel of Italian Firms. AU Bontempi, Elena; Del Boca, Alessandra; Franzosi, Alessandra; Galeotti, Marzio; Rota, Paola. AA Bontempi: University of Bologna. Del Boca: University of Brescia. Franzosi: Borsa Italiana Spa. Galeotti: University of Bergamo. Rota: University of Modena and Reggio Emilia. SR Fondazione Eni Enrico Mattei Note di Lavoro: 88/2001; "Publication Office", 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 C33, C34, D24. KW Investment. Q. Heterogeneous Capital. VAR Estimation. Panel Data.
AB In this paper we study the determinants of investment decisions at the firm level with heterogeneous capital goods. We exploit a newly developed panel dataset of small and medium-sized firms which allows us to distinguish between purchases, sales, and net acquisitions of capital goods. We distinguish between equipment and structures and test the assumption of convex adjustment costs. Since our firms are mostly unlisted, the standard Q model based on stock market valuation is no longer appropriate. Instead, we use the fundamental Q approach proposed by Abel and Blanchard (1986) and Gilchrist and Himmelberg (1995) and extend it to the case of several capital inputs. The results show that the standard convex costs model fits very well equipment and but not structures. We find evidence for non-convexities in the case of structures.

Bontemps, Christophe

PD October 2001. TI Is the Irrigation Water Demand Really Convex? AU Bontemps, Christophe; Couture,

Stephane; Favard, Pascal. **AA** Bontemps and Couture: ESR-INRA. Favard: Universite de La Rochelle, LASER and LEERNa. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 82/2001; "Publication Office", 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** D81, Q15. **KW** Seasonal Irrigation. Water Demand. Uncertainty. Regulation Policy.

AB We estimate the irrigation water demand for a season under uncertainty using a dynamic programming model and a crop-growth simulation model (EPIC-PHASE) linked to a CRRA utility function representing the farmer's objective function. We use this model to generate the data allowing the estimation of irrigation water demand by a nonparametric procedure. An application shows that demand functions present four main areas: for very small quantities, the demand is inelastic. In the second area, where water is no longer an essential input and is not yet a risk reducing input, the demand is elastic. However, we find a third, non-intuitive, area for larger quantities where the water is a risk reducing input and the demand becomes inelastic again. In the last area, the water demand is obviously elastic for important total water quantities. This result is of great importance to analyze a regulation policy.

Bordo, Michael D.

PD January 2001. **TI** From the Exchange Stabilization to the International Monetary Fund. **AU** Bordo, Michael D.; Schwartz, Anna J. **AA** Bordo: Rutgers University and NBER. Schwartz: NBER. **SR** National Bureau of Economic Research Working Paper: 8100; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** B22, F33. **KW** US ESF. Harry Dexter White. Financial Architecture. IMF.

AB We highlight the elements of the operation of the U.S. Exchange Stabilization Fund that Harry Dexter White, who directed the Treasury's division of monetary research, transferred to his plan for the operation of the International Monetary Fund. The elements included the principle that all currencies were equivalent and the goal of the international fund, like that of the U.S. fund, was to stabilize exchange rates. The ESF also influenced White's vision for the International Bank for Reconstruction and Development. The IBRD, however, represented a reaction by White against key elements of ESF stabilization loans, which were very short term, paid above market interest rates, and required collateral. Had White carried forward to the IMF the ESF elements pertaining to interest rates and collateral, its operations would have evolved in a markedly different direction from the one that they have taken.

PD August 2001. **TI** The Inter-War Gold Exchange Standard: Credibility and Monetary Independence. **AU** Bordo, Michael D.; MacDonald, Ronald. **AA** Bordo: Rutgers University and NBER. MacDonald: Strathcylde University. **SR** National Bureau of Economic Research Working Paper: 8429; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F31, G15, N23. **KW** Central Banks. Monetary Policy. Inter-war Period. Monetary Independence.

AB In this paper we analyze the operation of the inter-war gold exchange standard to see if the evident credibility of the system conferred on participating central banks the ability to pursue independent monetary policies. To answer this question we econometrically analyze two key parity, or arbitrage, conditions, namely uncovered interest rate parity and a yield gap relationship. We find that there were both long- and short-run deviations from the arbitrage conditions. The use to which this policy independence was put is analyzed in the context of a multivariate system, which includes reaction function variables.

Bortolotti, Bernardo

PD April 2001. **TI** Sources of Performance Improvement in Privatised Firms: A Clinical Study of the Global Telecommunications Industry. **AU** Bortolotti, Bernardo; D'Souza, Juliet; Fantini, Marcella; Megginson, William L. **AA** Bortolotti: University of Turin and FEEM. D'Souza: University of Georgia. Fantini: FEEM. Megginson: University of Oklahoma. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 26/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 49. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** G38, L33, L52, L96. **KW** Privatization. Regulation. Corporate Governance. Telecommunications.

AB This paper examines the financial and operating performance of 31 national telecommunication companies in 25 countries that were fully or partially privatized through public share offering between October 1981 and November 1998. Using conventional pre- versus post-privatization comparisons, we find that profitability, output, operating efficiency and capital investment spending increase significantly after privatization, while employment and leverage decline significantly. However, these univariate comparisons do not account for separate regulatory and ownership effects (retained government stake), and almost all telecoms are subjected to material new regulatory regimes around the time they are privatized. We examine these separate effects using both random and fixed-effect panel data estimation techniques for a seven-year period around privatization. We verify that privatization is significantly related to higher profitability, output and efficiency, and with significant declines in leverage. However, we also find numerous separable effects for variables measuring regulation, competition, retained government ownership and foreign listing (on U.S. and U.K. exchanges). On balance, we conclude that the financial and operating performance of telecommunications companies improves significantly after privatization, but that a sizeable fraction of the observed improvement results from regulatory changes -- alone or in combination with ownership changes -- rather than from privatization alone.

PD June 2001. **TI** Privatisation, Large Shareholders, and Sequential Auctions of Shares. **AA** Universita di Torino and FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 37/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 26. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D44, D82, D83, L33. **KW** Privatization. Auctions. Asymmetric Information.

AB We study the government's decision to sell a state-owned enterprise to strategic investors in a common value auction setting. The government can choose to sell his control stake all at once, or to design a sequential auction of shares. The sequential auction allows information transmission, so that the

winner of the first stake receives a signal about the value of control rights which will be sold at the second and final auction. We show that if bidders are symmetric, the sequential auction and the block auction are revenue equivalent. If instead one of the bidders has private information, the sequential auction is more profitable for the government. By disseminating information, the sequential auction forces the informed bidder to bid more aggressively, raising expected revenues.

PD October 2001. TI Privatisation Around the World: New Evidence from Panel Data. AU Bortolotti, Bernardo; Fantini, Marcella; Siniscalco, Domenico. AA Bortolotti: University of Torino and FEEM. Fantini: University of Bergamo and FEEM. Siniscalco: University of Torino, CESifo and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 77/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 36. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D72, K12, K22, L33. KW Privatisation. Public Finance. Political Economy. Law and Finance. Capital Markets.

AB This paper presents new evidence about privatisation processes and their determinants from a panel of 34 countries over the 1977-99 period. The empirical analysis shows that privatization takes place typically in wealthy and democratic countries, endowed with deep and liquid stock markets, and is affected by the governing political majority and public sector budget constraints. The extent of privatisation in terms of revenues and stakes sold appears more limited in civil law countries, where shareholders are poorly protected, banks are powerful, and capital markets are less developed.

Bosello, Francesco

PD June 2001. TI Can Equity Enhance Efficiency? Lessons from the Kyoto Protocol. AU Bosello, Francesco; Buchner, Barbara; Carraro, Carlo; Raggi, Davide. AA Bosello, Raggi, and Buchner: FEEM. Carraro: University of Venice and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 49/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 31. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE H23, H30, Q31, Q38. KW Climate. Incentives. Agreements. Equity. Environmental Policy.

AB This paper analyses the relationship between different equity rules and the incentives to sign and ratify a climate agreement. A widespread conjecture suggests that a more equitable ex-ante distribution of the burden of reducing emissions would provide the right incentives for more countries -- particularly big emitters -- to accept an emission reduction scheme defined within an international climate agreement. This paper shows that this conjecture is only partly supported by the empirical evidence that can be derived from the Kyoto Protocol. Even though more equitable burden sharing rules provide better incentives to sign and ratify a climate agreement than the burden-sharing rule implicit in the Kyoto Protocol, a stable global agreement cannot be achieved. A possible strategy to achieve a global agreement without free-riding incentives is a policy mix in which global emission trading is coupled with a transfer mechanism designed to offset ex-post incentives to free ride.

Bosetti, Valentina

PD January 2001. TI Quasi Option Value and Irreversible

Choices. AU Bosetti, Valentina; Messina, E. AA University of Bicocca. SR Fondazione Eni Enrico Mattei Note di Lavoro: 14/2001; "Publication Office", 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 D81, Q24, Q32. KW Uncertainty. Irreversibility. Environment. Land Allocation.

AB In this paper we are concerned with optimal investment decisions when dealing with land allocation problems. We aim to emphasize the importance of flexible modeling in order to capture irreversibility. In particular, we stretch a discrete model, first developed in Coggins and Ramezani (1998), to cover a more realistic and complex scenario. Both environmental and economic uncertainty are included in the model and treated using an integrated approach in which decision analysis techniques and option pricing theory are jointly applied to evaluate development versus conservation opportunities. We take explicit account of how uncertainty interacts with two types of irreversibility: sunk costs associated with investment in developing decisions, including environmental and social costs due to environmental degradation, as well as sunk costs associated with environmental regulation and conservation. Finally, we use Quasi Option Value to derive decision rules that account for different levels of flexibility of land allocation possibilities.

Bosi, Stefano

PD April 2001. TI Optimal Privatisation Design and Financial Markets. AU Bosi, Stefano; Girmans, Guillaume; Guillard, Michel. AA EPEE, Universite d'Evry, France. SR Fondazione Eni Enrico Mattei Note di Lavoro: 23/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 29. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE E44, G18, H42, L33. KW Privatization. Public Goods. Public Sector Inefficiency.

AB In this paper we consider various privatization mechanisms in a general equilibrium model. We show that privatization has no real effects if the public sector is efficient and lump-sum taxes are implemented. The free distribution of public assets is financially neutral, whereas the sale of public assets is not. If taxes are not available, there is a privatization mix allowing the economy to reach the first best. The maintenance of some public property rights is justified, even if the public efficiency is removed.

Boskin, Michael J.

PD December 2000. TI Generalized Solow-Neutral Technical Progress and Postwar Economic Growth. AU Boskin, Michael J.; Lau, Lawrence J. AA Boskin: Stanford University and NBER. Lau: Stanford University. SR National Bureau of Economic Research Working Paper: 8023; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 36. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE D24, O33, O40. KW Economic Growth. Technical Progress. Capital. Labor.

AB Using annual post-World War II data from the G-7 countries, we estimate and test alternative explanations of the structure of economic growth in a model with three inputs -- tangible capital, labor, and human capital -- which permits the identification of the magnitudes of and biases in both returns to

scale and technical progress. We find: 1. Technical progress is simultaneously purely tangible capital and human capital augmenting, that is, "generalized Solow-neutral." This finding provides an alternative explanation of the slow pace of convergence in real GDP per capita: the benefits from technical progress depend directly on the levels of tangible and human capital; countries with higher levels of capital realize higher rates of technical progress. 2. Technical progress has been capital, not labor, saving and thus is not a cause of systemic structural unemployment. 3. Technical progress accounts for more than 50 percent of the economic growth of the G-7 countries except Canada. 4. The most important source of the growth slowdown since the mid-1970's, accounting for between one-third and one-half, is a decline in the rate of capital (both tangible and human)-augmenting technical progress.

Bossaerts, Peter

PD October 2000. **TI** Basic Principles of Asset Pricing Theory: Evidence from Large-Scale Experimental Financial Markets. **AU** Bossaerts, Peter; Plott, Charles. **AA** Bossaerts: California Institute of Technology and CEPR. Plott: California Institute of Technology. **SR** CEPR Discussion Paper: 2578; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** D51, G12. **KW** Arrow-Debreu Equilibrium. Asset Pricing. CAPM. Experimental Finance. General Equilibrium. Convergence.
AB We report on six large-scale financial markets experiments that were designed to test two of the most basic propositions of modern asset pricing theory, namely, that the interaction between risk averse agents in a competitive market leads to equilibration, and that, in equilibrium, risk premia are solely determined by covariance with aggregate risk. We designed the experiments within the framework suggested by two theoretical models, namely, Arrow and Debreu's complete-markets model, and the Sharpe-Lintner-Mossin Capital Asset Pricing Model (CAPM). This framework enabled us to measure how far our markets were from equilibrium at any point in time, thereby allowing us to gauge the success of the models. The distance measures do not require knowledge of the (uncontrollable) level and dispersion of risk aversion among subjects, and adjust for the impact of progressive trading on the eventual equilibrium. We discovered swift convergence towards equilibrium prices. Sometimes, however, the equilibrium was not found to be robust, with markets readily veering away, apparently as a result of deviations of subjective beliefs from objective probabilities. In each experiment, we formally test and reject the hypothesis that prices are a random walk, in favor of convergence towards CAPM and Arrow-Debreu equilibrium.

Botticini, Maristella

PD November 2002. **TI** From Farmers to Merchants: A Human Capital Interpretation of Jewish Economic History. **AU** Botticini, Maristella; Eckstein, Zvi. **AA** Botticini: Boston University. Eckstein: Tel Aviv University, University of Minnesota, and CEPR. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 28/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website:

econ.tau.ac.il/research/search_workingPapers.asp. **PG** 40. **PR** no charge. **JE** J11, J24, N35, O11. **KW** Jewish Economic History. Human Capital. Religion. Social Norms. Migration. Occupational Choice.
AB Since the Middle Ages the Jews have been engaged primarily in urban, skilled occupations, such as crafts, trade, finance, and medicine. This distinctive occupational selection occurred between the seventh and the ninth centuries in the Muslim Empire and then it spread to other locations. We argue that this transition was the outcome of the widespread literacy among Jews prompted by an educational reform in the first century CE. Based on the growing nexus between education and Judaism in the first half of the millennium, we build a model in which Jewish men choose education, occupation, religion, and location. The model predicts that when urbanization expands (as it did in the Muslim Empire), Jews move to new cities due to their comparative advantage in urban, skilled occupations. Furthermore, before urbanization a proportion of Jewish farmers are predicted to convert to other religions. The predictions of the model regarding conversions, migrations, and reduction in the size of the Jewish population are consistent with the historical evidence about the first millennium provided by the historians. Hence, our study presents evidence for the long-term economic implications of changes in social norms.

Bou-Zeid, E.

TI Climate Change and Water Resources in the Middle East: Vulnerability, Socio-Economic Impacts, and Adaptation. **AU** El-Fadel, Mutasem; Bou-Zeid, E.

Bound, John

PD October 2000. **TI** Accounting for Recent Declines in Employment Rates among the Working-Aged Disabled. **AU** Bound, John; Waidmann, Timothy. **AA** Bound: University of Michigan and NBER. Waidmann: The Urban Institute. **SR** National Bureau of Economic Research Working Paper: 7975; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 17. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I31, I38, J20, J21. **KW** Employment Rates. Disabled. Disability Insurance. Working Age Population.
AB During the 1990s, while overall employment rates for working-aged men and women either remained roughly constant (men) or rose (women), employment rates for the disabled fell. During the same period the fraction of the working-aged population receiving Social Security Disability Insurance (DI) benefits increased quite dramatically. We present simple time series and cross-state evidence suggesting that the growth in the DI program can account for much of the decline in the relative employment position of the disabled.

Boyd, John H.

PD January 2001. **TI** The Stock Market's Reaction to Unemployment News: Why Bad News is Usually Good for Stocks. **AU** Boyd, John H.; Hu, Jian; Jagannathan, Ravi. **AA** Boyd: University of Minnesota. Hu: Fannie Mae. Jagannathan: Northwestern University and NBER. **SR** National Bureau of Economic Research Working Paper: 8092; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** $10.00 per copy (plus $10.00 per order for

shipping outside U.S.). JE E32, G14. KW Rising Unemployment. Stock Prices. Event Study.

AB We find that on average an announcement of rising unemployment is "good news" for stocks during economic expansions and "bad news" during economic contractions. Thus stock prices usually increase on news of rising unemployment, since the economy is usually in an expansion phase. We provide an explanation for this phenomenon. Unemployment news bundles two primitive types of information relevant for valuing stocks: information about future interest rates and future corporate earnings and dividends. A rise in unemployment typically signals a decline in interest rates, which is good news for stocks, as well as a decline in future corporate earnings and dividends, which is bad news for stocks. The nature of the bundle -- and hence the relative importance of the two effects -- changes over time depending on the state of the economy. For stocks as a group, and in particular for cyclical stocks, information about interest rates dominates during expansions and information about future corporate earnings dominates during contractions.

Boyer, Cecile

PD 2001. TI Ajustements des Prix bid et ask en Presence d'Information Privee. AU Boyer, Cecile; Gourieroux, Christian; Le Fol, Gaelle. AA Boyer: Universite de Cergy-Pontoise and CREST. Gourieroux: CREST and CEPREMAP. Le Fol: Universite de Paris 1 and CREST. SR INSEE Documents de Travail du CREST: 2001/24; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 27. PR no charge. JE D43, D49, D82, G14. KW Microstructure. Asymmetric Information. Learning. Bid and Ask Prices. Liquidity.

AB We consider the market for a financial asset, where different investors trade either for exogenous reasons or to take advantage of private information. We explain how the market maker updates his expectations and the bid and ask prices given the information included in the trading history. We study the existence and uniqueness of a dynamic equilibrium and discuss the induced dynamic relationships between the prices, trading dates, and portfolio allocations of the agents. This paper is written in French.

Bradford, David F.

PD November 2000. TI The Environmental Kuznets Curve: Exploring a Fresh Specification. AU Bradford, David F.; Schlieckert, Rebecca; Shore, Stephen H. AA Bradford: Princeton University and NBER. Shore: Harvard University. Schlieckert: Black Rock Financial Management. SR National Bureau of Economic Research Working Paper: 8001; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 20. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE C40, N50, O13, Q50. KW Environmental Kuznets Curve. Income Level. Pollution. Fixed Effects Estimation.

AB Using a new specification, we reanalyze the data on worldwide environmental quality investigated by Gene Grossman and Alan Krueger in a well-known paper on the environmental Kuznets curve (which postulates an inverse U shaped relationship between income level and pollution). The new specification enables us to draw conclusions from fixed effects estimation. In general, we find support for the

environmental Kuznets curve for some pollutants and for its rejection in other cases. The fresh specification offers some promise for analysis of such phenomena.

Braila, Peghe

PD July 2001. TI Undiversifiable Returns in a CAPM Economy. AU Braila, Peghe; Wampach, Claude. AA Braila: University of Copenhagen. Wampach: Banque Generalle du Luxembourg. SR University of Copenhagen, Institute of Economics Discussion Paper: 01/08; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 20. PR no charge. JE D50, D52, G11, G12. KW General Equilibrium. Incomplete Markets. Portfolio Choice. Capital Asset Pricing Model.

AB The effects of endogenous undiversifiable investment and market structure changes on security pricing are analyzed within the GEI-CAPM (General Equilibrium with Incomplete Markets Capital Asset Pricing Model). Both the mutual fund and security market line theorems are extended conditional to a redefinition of the market portfolio. Relative prices of securities are still determined by covariances with the aggregate endowment but they fail to preserve the "standard" invariance result of the CAPM with quadratic utilities. Asset prices may change in response to financial innovation.

Branstetter, Lee

PD November 2000. TI Is Foreign Direct Investment a Channel of Knowledge Spillovers? Evidence from Japan's FDI in the United States. AA UC Davis and NBER. SR National Bureau of Economic Research Working Paper: 8015; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 34. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE F21, L20, O30. KW FDI. Knowledge Spillovers. Trade. Japan. U. S.

AB Recent empirical work has examined the extent to which international trade fosters international "spillovers" of technological information. FDI is an alternated, potentially equally important channel for the mediation of such knowledge spillovers. This paper introduces a framework for measuring international knowledge spillovers at the firm level, and uses this framework to directly test the hypothesis that FDI is a channel of knowledge spillovers for Japanese multinationals undertaking direct investments in the United States. Using an original firm-level data set on Japanese firms' FDI and innovative activity, this paper finds evidence that FDI increases the flow of knowledge spillovers both from and to the investing Japanese firms.

Brau, Rinaldo

PD April 2001. TI Participation Incentives and the Design of Voluntary Agreements. AU Brau, Rinaldo; Carraro, Carlo; Golfetto, Giulio. AA Brau and Golfetto: FEEM. Carraro: University of Venice and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 19/2001; "Publication Office", 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 D21, K32, Q28. KW Voluntary Agreement. Voluntary Approach. Environmental Protection. Free-Riding. Emissions Tax.

AB This paper analyses the conditions under which a group

of firms has the incentive to sign a Voluntary Agreement (VA) to control its emission flows in the presence of free-riding by other firms in the industry. For the purpose of this paper it is assumed that free-riders cannot be completely excluded from the expected benefits of the VA, which increase with the number of signatory firms and with the abatement level achieved. The paper focuses on policy design by discussing the features that a VA should possess to increase its economic and environmental effectiveness. The results support some important conclusions. First, VAs cannot emerge in the case of a pure public good, i.e. when spillovers are such that all firms benefit from the abatement of the signatory firms. Second, even in the case of partial spillovers, the regulator has to impose a minimum participation constraint for the VA to be signed. In this case, if the minimum participation constraint is met, all firms have an incentive to sign the VA. Third, a VA with a minimum amount of regulation improves welfare with respect to a VA in which firms are free to set their profit maximizing abatement level.

Brochier, Frederic

PD April 2001. TI Climate Change Impacts on the Mediterranean Coastal Zones. AU Brochier, Frederic; Ramieri, Emiliano. AA Brochier: FEEM. Ramieri: Thetis, Venice, Italy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 27/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 81. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE O13, Q25. KW Coastal Zones. Climate Change. Impacts. Mediterranean Basin. Sea Level Rise.
AB Climate change is widely recognized as a serious threat to the world's environment. The Mediterranean basin is considered as a unique scaled down model to assess the severity of potential climate change impacts on coastal zones. The paper examines the regional differences in the vulnerability of Mediterranean coastal zones from existing studies and projections for the future. The objective is to work within the uncertainty constraints associated with local projections and quantitative impact assessments in order to provide a complete picture of potential impacts and also to identify possible response measures. Major impacts such as increased erosion, intensification of floods, saltwater intrusion and loss of habitat will be of particular concern on deltas, islands, wetlands and historic coastal cities. However, although Mediterranean coasts will experience greater stress produced by non climatic factor -- population increase, urbanization, tourism -- the paper highlights the necessity to combine efforts to minimize damage and to integrate adaptation strategies in a broad "Integrated Coastal Zone Management" program.

PD December 2001. TI Integrated Coastal Zone Management in the Venice Area Potentials of the Integrated Participatory Management Approach. AU Brochier, Frederic; Giupponi, Carlo; Sors, Julie Catherine. AA Brochier: FEEM. Giupponi: University of Padova and FEEM. Sors: fomerly at FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 99/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 14. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D72, O21, Q24, Q25. KW Participatory Management. Integrated Management. Coastal Zone.
AB There is now broad consensus about the importance of

actively involving stakeholders and local people for achieving a sound management of coastal zones. However, the nature and extent of public input is generally left to the discretion of local authorities and is often limited. In the Venice Lagoon in particular, the analysis of the local situation made clear some substantial gaps in co-ordination among the various administrative bodies in charge of planning and management at various scale and in different sectors. The paper aims to explore the concepts of participatory management and the tools, techniques and phases to implement it. In particular, participation and collaboration issues are analyzed with reference to the Integrated Coastal Zone Management (ICZM) context. The paper also examines specific requirements and constraints for the complex case of the Venice Lagoon System where participatory management should be initiated with limited demonstrative cases.

PD December 2001. TI Integrated Coastal Zone Management in the Venice Area: A Methodological Framework. AU Brochier, Frederic; Giupponi, Carlo. AA Brochier: FEEM. Giupponi: University of Padova and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 100/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 17. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE O21, Q01, Q24, Q25. KW Coastal Planning. Sustainable Development. Policy. Integrated Management. Venice Lagoon System.
AB Recent years have seen an increasing consensus on the Integrated Coastal Zone Management (ICZM) principles and structure, and the widespread recognition of its effectiveness in dealing with multiple and interconnected coastal issues. A successful ICZM program adjusted to a specific context will incorporate systems of governance, culture and tradition, needs and expectations and will be built as much as possible on existing organization and arrangements. This paper aims at defining the methodological basis for an ICZM framework suitable for an operational application in the socio-economic and environmental context of the Venetian area. The first section of the paper defines the basic concepts involved in coastal planning. The second section reviews methodological requirements and constraints. In the third section the paper analyses the procedure, the stages, and the steps within those stages that are generally necessary to implement ICZM programs. Finally, the concluding remarks identify further research requirements that will contribute to a concrete proposal for the Venice Lagoon System.

Brock, William A.

PD December 2000. TI Growth Economics and Reality. AU Brock, William A.; Durlauf, Steven N. AA Brock: University of Wisconsin. Durlauf: University of Wisconsin and NBER. SR National Bureau of Economic Research Working Paper: 8041; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 42. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE C51, C52, O47. KW Growth. Econometric Assumptions. Heterogeneity Uncertainty.
AB This paper questions current empirical practice in the study of growth. We argue that much of the modern empirical growth literature is based on assumptions concerning regressors, residuals, and parameters which are implausible both from the perspective of economic theory as well as from

the perspective of the historical experiences of the countries under study. A number of these problems are argued to be forms of violations of an exchangeability assumption which underlies standard growth exercises. We show that relaxation of these implausible assumptions can be done by allowing for uncertainty in model specification. Model uncertainty consists of two types: theory uncertainty, which relates to which growth determinants should be included in a model, and heterogeneity uncertainty, which relates to which observations in a data set comprise draws from the same statistical model. We propose ways to account for both theory and heterogeneity uncertainty. Finally, using an explicit decision-theoretic framework, we describe how one can engage in policy-relevant empirical analysis.

Brown, Jeffrey R.

PD November 2000. **TI** Does the Internet Make Markets More Competitive? **AU** Brown, Jeffrey R.; Goolsbee, Austan. **AA** Brown: Harvard University and NBER. Goolsbee: University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7996; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G22, L11, O33, O40. **KW** Internet. Competition. Search Costs. Life Insurance.
AB The Internet has the potential to significantly reduce search costs by allowing consumers to engage in low-cost price comparisons online. This paper provides empirical evidence on the impact that the rise of Internet comparison shopping sites has had for the prices of life insurance in the 1990s. Using micro data on individual life insurance policies, the results indicate that, controlling for individual and policy characteristics, a 10 percent increase in the share of individuals in a group using the Internet reduces average insurance prices for the group by as much as 5 percent. Further evidence indicates that prices did not fall with rising Internet usage for insurance types that were not covered by the comparison websites, nor did they in the period before the insurance sites came online. The results suggest that growth of the Internet has reduced term life prices by 8 to 15 percent and increased consumer surplus by $115-215 million per year and perhaps more. The results also show that the initial introduction of the Internet search sites is initially associated with an increase in price dispersion within demographic groups, but as the share of people using the technology rises further, dispersion falls.

PD February 2002. **TI** Is a Bird in Hand Worth More than a Bird in the Bush? Intergenerational Transfers and Savings Behavior. **AU** Brown, Jeffrey R.; Weisbenner, Scott J. **AA** Brown: Harvard University and NBER. Weisbenner: University of Illinois. **SR** National Bureau of Economic Research Working Paper: 8753; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D91, E21, H31. **KW** Household Wealth Decomposition. Life-Cycle Savings. Transfer Wealth.
AB This paper provides new evidence on the decomposition of aggregate household wealth into life-cycle and transfer wealth. Using the 1998 Survey of Consumer Finances, it finds that transfer wealth accounts for approximately one-filth to one-quarter of aggregate wealth, suggesting a larger role for life-cycle savings than some previous estimates. Despite the

smaller aggregate size of transfer wealth, its concentration among a small number of households suggests that it can still have an important effect on the savings decisions of recipients. Estimates suggest that past receipts of transfer wealth reduce life- cycle savings by as much as dollar-for-dollar, while expected future transfers do not produce such a crowd-out effect.

Browning, Martin

PD April 2001. **TI** Caring and Sharing: Tests Between Alternative Models of Intra- Household Allocation. **AU** Browning, Martin; Lechene, Valerie. **AA** Browning: University of Copenhagen. Lechene: Oxford University. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 01/07; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 41. **PR** no charge. **JE** D12, D13. **KW** Intra-Household Allocation. Altruism. Cooperative Behaviour. Non Cooperative Behaviour.
AB Several models of intra-household decision making have been suggested in the literature. We present a framework that includes all suggested models and variants as special cases. We derive the theoretical predictions of these models for the relationship between expenditures on goods and the intra-household distribution of income. We estimate and test between these relationships using Canadian household expenditure data. We conclude that there is evidence that both husbands and wives care for each other in the sense that with an unequal distribution of incomes the high income partner behaves as a "Becker dictator" and there is local income pooling. We further find that for about half of the households in our sample (those with more equal incomes) a re-distribution of income would lead to changes in budget allocations. We conclude that the data are consistent with a collective model with caring partners.

Broze, Laurence

PD October 1999. **TI** Efficient Use of High Order Autocorrelations for Estimating Autoregressive Processes. **AU** Broze, Laurence; Francq, Christian; Zakoian, Jean-Michel. **AA** Broze: Universite de Lille 3. Francq: Universite du Littoral-Cote d'Opale. Zakoian: Universite de Lille 1 and CREST. **SR** INSEE Documents de Travail du CREST: 9956; Mme Nadine GUEDJ, INSEE- CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 12. **PR** no charge. **JE** C13, C32. **KW** Autoregressive Process. Efficiency Gains. Empirical Autocorrelations. Yule-Walker Estimator.
AB The Yule-Walker estimator is commonly used in time-series analysis, as a simple way to estimate the coefficients of an autoregressive process. Under strong assumptions on the noise process (i.i.d. or martingale difference), this estimator possesses the same asymptotic properties as the Gaussian maximum likelihood estimator. However, when the noise is a weak one, other estimators based on higher-order empirical autocorrelations can provide substantial efficiency gains. This is illustrated by means of a first-order autoregressive process with a Markov-switching white noise. We show how to optimally choose a linear combination of a set of estimators based on empirical autocorrelations. The asymptotic variance of the optimal estimator is derived. Empirical experiments based on simulations show that the new estimator performs

well on the illustrative model.

Brunello, Giorgio

AB By focusing on the Italian experience, we ask whether the relationship between labor taxes and unemployment varies across regions. In spite of similar national labor market institutions, we show that this relationship is significantly stronger in the highly industrialized North than in the underdeveloped South, where unemployment is much higher. An important source of variation in the regional responsiveness of unemployment originates from the fact that regional gross wages in the North increase more than in the South in response to a hike in labor taxes. Regional wage setting affects regional employment (and unemployment) both directly and indirectly, via its impact on regional profits and the capital stock.

AB Individual absolute risk aversion is measured for a sample of 1373 male household heads, using the 1995 wave of the Survey on the Income and Wealth of Italian households. This measure, conditional on financial and real wealth and household income, is used as an instrument for attained education in a standard log earnings equation. I find that, in line with the literature, the gap between IV and OLS estimates of the returns to education is large.

AB This paper is an empirical investigation of the complementarity between education and training in 13 European countries, based on the European Community Household Panel (ECHP). After confirming the standard result that training incidence is higher among individuals with more education, I find that the relationship between individual educational attainment and training incidence varies significantly across countries and birth cohorts. I show that individuals have a higher training incidence in countries with a

more educated labor force, a less stratified schooling system, a higher union density, stronger employment protection and a lower value of the Kaitz index. I also find evidence that individuals with more education and relatively little labor market experience enjoy higher private returns from recent training than individuals with the same experience and less education. More experienced individuals with higher education, however, have lower returns from recent training than less educated workers with the same experience.

Buchner, Barbara

AB This paper investigates the occurrences at the Sixth Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change (UNFCCC) which took place in The Hague, The Netherlands, from the 13th to 25th November of 2000. Since the conference did not reach an agreement there exists a broad interest in knowing what really happened during the negotiations. The aim of the analysis is to give greater insight into reasons for the climate talks' failure and to examine the progress made during the negotiations. Following the discussions of the issues surrounding the talks in The Hague, the paper will also look forward to possible solutions and ideas for an eventual agreement.

Budd, John W.

AB In the literature on rent sharing in the labor market, many studies have documented a robustly positive correlation between wages for various micro-units -- firms, individuals, union-firm bargaining units -- with profits per worker at the level of that micro-unit's industry, where industry profits are interpreted as prosperity in the product market enjoyed by firms and available for sharing with workers. But these industry studies delineated product markets by the same country as that of the micro-units, and this implicitly closed-economy perspective may miss important international aspects of wage setting. In this paper we examine how profit sharing may be conditioned by the international linkages which help shape economic openness, by analyzing negotiated contract wages for a sample of over 1000 Canadian labor contracts spanning all manufacturing from 1980 through 1992. Our central finding is that the relevant measure of product-market prosperity, and

thus the pattern of rent or profit sharing, varies significantly across international linkages including multinational ownership, union type, and trade barriers. There seems to be international rent sharing, with profit sharing across borders conditioned by institutions at both the firm and industry level.

Buiter, Willem H.

PD August 2001. TI The Liquidity Trap in an Open Economy. AA European Bank for Reconstruction and Development and CEPR. SR CEPR Discussion Paper: 2923; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE E41, E42, E43, E52, F41. KW International Capital Mobility. Liquidity Trap. Taxing Money. Open Economy.
AB The paper studies the implications of the zero lower bound on the short nominal rate of interest for the conduct of monetary policy in a small open economy with a floating exchange rate and perfect international capital mobility. Monetary policy affects aggregate demand through the real exchange rate. When monetary policy follows a simplified Taylor rule for the short nominal interest rate, there exists a unique solution orbit that leads to the normal steady state. For any initial inflation rate below the target inflation rate, there also exists a continuum of other solution orbits that do not converge to the normal steady state. For some solution orbits, nominal interest rates are at the zero lower bound for all maturities -- the pure liquidity trap case. For others, nominal interest rates beyond a certain maturity will be positive. By adopting a rule for the short nominal interest rate on currency that systematically keeps it below the short nominal interest rate on non-monetary securities, the lower bound on the short nominal interest rate on non-monetary securities is eliminated and the liquidity trap disappears. This rule may involve taxing currency.

Bulow, Jeremy

PD June 2002. TI The British Petroleum/ARCO Merger: Alaskan Crude Oil. AU Bulow, Jeremy; Shapiro, Carl. AA Bulow: Stanford University. Shapiro: University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC02/28; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 27. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE G34, G38, J42, L40. KW Antitrust. Mergers. Competition. Gasoline Prices. FTC.
AB The merger of British Petroleum and Atlantic Richfield initially would have made BP the sole operator and 70 percent owner of Alaska's oil fields. The Federal Trade Commission challenged the merger partly out of concern for higher West Coast gasoline prices, and required a divestiture ARCO's entire Alaskan business. However, West Coast crude prices are governed by the cost of the marginal source of supply to the region, imported crude oil. Because any cutback in sales of Alaskan crude oil on the West Coast could be offset with higher imports, with minimal impact on the import price, even under the most pessimistic assumptions the merger would have raised crude prices by tenths of a penny per gallon. The impact on

consumer prices was even more tenuous. More serious concerns, which were given less attention, were that BP might gain monopsony power in bidding for oil leases on Alaska's North Slope.

Buonanno, Paolo

PD September 2001. TI Endogenous Induced Technical Change and the Costs of Kyoto. AU Buonanno, Paolo; Carraro, Carlo; Galeotti, Marzio. AA Buonanno: LSE and FEEM. Carraro: University of Venice and FEEM. Galeotti: University of Bergamo and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 64/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 29. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE O30, Q50. KW Climate Policy. Environmental Modeling. Technical Change. Kyoto Protocol.
AB Many predictions and conclusions in the climate change literature have been made and drawn on the basis of theoretical analyses and quantitative models that are either static or that allow for simple forms of changes in technology, often along exogenously given time paths. It is therefore not clear a priori whether those conclusions and policy recipes still hold in the more realistic case of endogenously evolving technologies. This paper presents a quantitative tool with the features of an endogenous growth model, which also accounts for the possibility that technical change can be induced by environmental policy measures. Both the output production technology and the emission-output ratio depend upon the stock of knowledge, which accumulates through R&D activities. Two versions of this climate model are studied, one with endogenous technical change but exogenous environmental technical change and the other with both endogenous and induced technical change. Finally, a third version of the model also captures technological spillover effects. As an application, the three versions of the model are simulated allowing for trade of pollution permits as specified in the Kyoto Protocol and assessing the implications in terms of cost efficiency, economic growth and R&D efforts.

Burda, Michael C.

PD October 2000. TI Complementarity of Labor Market Institutions, Equilibrium Unemployment and the Persistence of Business Cycles. AU Burda, Michael C.; Weder, Mark. AA Humboldt Universitat zu Berlin and CEPR. SR CEPR Discussion Paper: 2592; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE E24, E32. KW Business Cycles. European Labor Markets. Indeterminacy. DGE.
AB This paper evaluates complementarities of labor market institutions and the business cycle in the context of a stochastic dynamic general equilibrium model economy. Matching between workers and vacancies with endogenous time spent in search, Nash-bargained wages, payroll taxation, and differential support for unemployed labor in search and leisure are central aspects of the model. For plausible regions of the policy and institutional parameter space, the model exhibits more persistence than standard RBC models and can exhibit indeterminacy of rational expectation paths without increasing returns in production. Furthermore, labor market institutions act in a complementary fashion in generating these.

Burstein, Ariel
AB This paper studies the behavior of inflation after nine large post- 1990 contractionary devaluations. A salient feature of the data is that inflation is low relative to the rate of devaluation. We argue that distribution costs and substitution away from imports to lower quality local goods can account quantitatively for the post-devaluation behavior of prices.

Busse, Meghan R.

Bussolo, Maurizio
AB In this paper we investigate the potential costs and benefits of a comprehensive green fiscal reform in Italy. Using a Computable General Equilibrium (CGE) model for the country, we simulate scenarios of progressive reduction of emissions for 13 polluting substances. It is shown that the introduction of a tax targeted to one single pollutant decreases not. only the directly targeted emissions but those of other pollutants. We show that the costs of the green tax, increased distortions and forgone production, are quite low. This important result depends on the assumption of a certain degree of flexibility in the production processes that allows polluters to switch to cleaner technologies when the tax is implemented. This assumption closely reflects observed economic behavior especially when a decade or more is the period of analysis, as in our case. Finally, when green tax revenues are used to reduce wage taxes, in a revenue neutral fiscal swap, a positive employment double dividend emerges.

Caballero, Ricardo J.
Financial Resources. Financial Development.
AB Emerging economies are exposed to severe and sudden shortages of international financial resources. Yet domestic agents seem not to undertake enough precautions against these sudden stops. Following our previous work, we highlight in this paper the central role played by limited domestic development in ex-ante (insurance) and ex-post (spot) financial markets in generating this collective undervaluation of external resources and insurance. Within this structure, this paper studies several canonical policies to counteract the external under insurance. We do this by first solving for the optimal mechanism given the constraints imposed by limited domestic financial development, and then considering the main -- in terms of the model and practical relevance -- implementations of this mechanism.

AB Emerging economies are prone to crises triggered by external shocks. During these crises, should the central bank stabilize the currency or domestic interest rates? If the choice is outside the central bank's control, as in a currency board, are there good policy substitutes? We argue that these questions are best analyzed in a "vertical" framework, where the supply of external funds faced by the country is inelastic during the crisis and monetary policy affects mostly the domestic cost of scarce international liquidity. In this view, raising domestic interest rates during a crisis has relatively limited output consequences, while not doing so causes a sharp exchange rate overshooting. This asymmetry naturally leads to the widely observed fear of floating. However, while this response is ex-post rationalizable, it has negative ex-ante consequences as it exacerbates the structurally insufficient private sector incentives to insure against crises. Ex-ante, optimal monetary policy is countercyclical, and increasingly so as financial development falls.

AB With traditional domestic imbalances long under control, the Chilean business cycle is driven by external shocks. Most importantly, Chile's external vulnerability is primarily a financial problem. A decline in the Chilean terms-of-trade, for example, is associated to a decline in real gross domestic product that is many times larger than one would predict in the presence of perfect financial markets. The financial nature of this excess-sensitivity has two central dimensions: a sharp contraction in Chile's access to international financial markets when it needs it the most; and an inefficient reallocation of this

scarce access across domestic borrowers during external crises. This paper characterizes this financial mechanism and argues that Chile's aggregate volatility can be reduced significantly by fostering the private sector's development of financial instruments that are contingent on Chile's main external shocks. As a first step, the Central Bank or international financial institutions could issue a benchmark instrument contingent on these shocks. The paper also advocates a countercyclical monetary policy but mainly for incentive -- that is, as a substitute for taxes on capital inflows and equivalent measures -- rather than for ex-post liquidity purposes.

PD February 2002. **TI** A Dual Liquidity Model for Emerging Markets. **AU** Caballero, Ricardo J.; Krishnamurthy, Arvind. **AA** Caballero: MIT and NBER. Krishnamurthy: Northwestern University. **SR** National Bureau of Economic Research Working Paper: 8758; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 8. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E44, E52, F34, G15. **KW** Emerging Markets. Financial Constraints. Dual Liquidity. Financial Crises.
AB The last few years have seen a significant re-evaluation of the models used to analyze crises in emerging markets. Recent models typically stress financial constraints or distorted financial incentives. While this certainly represents progress, these models share a weakness with the earlier work: neither is uniquely about emerging markets. Adaptations of the Mundell-Fleming model represent Argentina as a Belgium with larger external shocks. Likewise, emerging market models of financial constraints are adaptations of developed economy ones with tighter financial constraints. In our work, we have advocated a model which distinguishes between the financial constraints affecting borrowing and lending among agents within an emerging economy, and those affecting borrowing from foreign lenders. This "dual liquidity" model offers a parsimonious description of the behavior of firms, governments, and asset prices during financial crises. It also provides prescriptions for optimal policy responses to these crises.

PD November 2002. **TI** Speculative Growth. **AU** Caballero, Ricardo J.; Hammour, Mohammad L. **AA** Caballero: MIT and NBER. Hammour: DELTA and CEPR. **SR** MIT, Department of Economics Working Paper: 02/45; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=355901. **PG** 40. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** E21, E22, E32, G12. **KW** Bubbles. Cost of Capital. Growth-Saving Feedback. Dynamic Inefficiency. New Economy. Spillovers.
AB We propose a framework for understanding recurrent historical episodes of vigorous economic expansion accompanied by extreme asset valuations, as exhibited by Japan in the 1980s and the U.S. in the 1990s. We interpret this phenomenon as a high-valuation equilibrium with a low effective cost of capital based on optimism about the future availability of funds for investment. The key to the sustainability of such an equilibrium is feedback from increased growth to an increase in the supply of funding. We show that such feedback arises naturally when the expansion is concentrated in a "new economy" sector and when it is supported by sustained fiscal surpluses -- both of which would constitute an integral part, as cause and consequence, of a "speculative growth" equilibrium. The high-valuation equilibrium we analyze may take the form of a stock market

bubble. In contrast to classic bubbles on non-productive assets, the bubbles in our model encourage real investment, boost long-run savings, and may appear in dynamically efficient economies.

PD January 2003. **TI** The Future of the IMF. **AA** MIT. **SR** MIT, Department of Economics Working Paper: 03/03; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=372840. **PG** 11. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** E52, F33, F34, G15, O23. **KW** Capital Flows. Crises. Hedging. Insurance. Contingent Markets. International Monetary Fund. Monetary Rules.
AB Capital flows to emerging markets remain highly volatile. This has enormous economic and social costs for developing economies. Most of the proposals to reform the international financial architecture and the International Monetary Fund (IMF) in particular are aimed at dealing with the most extreme cases of crises -- run-like crises and bankruptcy. While this is good, it leaves unaddressed a significant fraction of the costs associated to capital flow reversals. Many countries experience deep contractions but no open crises, and many of the countries that end up in extreme crises go first through a prolonged period of sharply reduced access to international capital markets. To deal with these situations, this paper proposes a market solution: the creation of hedging and insurance markets against capital flow volatility. The role of the IMF and other international monetary institutions in this context is to facilitate the creation and functioning of these markets, and supervise/advise countries on the management of fiscal, monetary, and liquidity-requirement policies in this mega-insurance context.

Calvet, Laurent E.
TI Idiosyncratic Production Risk, Growth, and the Business Cycle. **AU** Angeletos, George-Marios; Calvet, Laurent E.

Calvo, Guillermo A.
PD November 2000. **TI** Fear of Floating. **AU** Calvo, Guillermo A.; Reinhart, Carmen M. **AA** University of Maryland and NBER. **SR** National Bureau of Economic Research Working Paper: 7993; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F31, F33, F41. **KW** Floating Exchange Rates. Financial Crises. Fear of Floating.
AB In recent years, many countries have suffered severe financial crises, producing a staggering toll on their economies, particularly in emerging markets. One view blames fixed exchange rate -- "soft pegs" -- for these meltdowns. Adherents to that view advise countries to allow their currency to float. We analyze the behavior of exchange rates, reserves, the monetary aggregates, interest rates, and commodity prices across 154 exchange rate arrangements to assess whether "official labels" provides an adequate representation of actual country practice. We find that, countries that say they allow their exchange rate to float mostly do not -- there seems to be an epidemic case of "fear of floating." Since countries that are classified as having a free or a managed float mostly resemble noncredible pegs -- the so-called "demise of fixed exchange rates" is a myth -- the fear of floating is pervasive, even among some of the developed countries. We present an analytical

framework that helps to understand why there is fear of floating.

PD November 2000. **TI** Fixing for Your Life. **AU** Calvo, Guillermo A.; Reinhart, Carmen M. **AA** University of Maryland and NBER. **SR** National Bureau of Economic Research Working Paper: 8006; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** F31, F41. **KW** Financial Crises. Exchange Rate Regimes. Emerging Markets. Soft Pegs. Credit Ratings.
AB The Asian crisis took place against a background of exchange rate regimes that were characterized as soft pegs. This had led many analysts to conclude that "the peg did it" and that emerging markets (EMs) should "just say no" to pegged exchange rates. We present evidence that EMs are very different from developed economies in key dimensions that play a key role when it comes to the choice of exchange rate regime -- floating for EMs is no panacea. In EMs currency crashes are contractionary, the adjustments in the current account are far more acute. Credibility and market access, as captured in the behavior of credit ratings and interest rates, is adversely affected by devaluations or depreciations. Exchange rate volatility is more damaging to trade and the passthrough from exchange rate swings to inflation is far higher in EMs. These differences between emerging and developed economies may explain EMs' reluctance to tolerate large exchange rate movements. In a simple framework we illustrate why large exchange rate swings are feared when access to international credit may be lost.

Calzolari, Giacomo
PD June 2001. **TI** Regulation at Home, Competition Abroad: A Theoretical Framework. **AU** Calzolari, Giacomo; Scarpa, Carlo. **AA** Calzolari: University of Bologna. Scarpa: University of Brescia and FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 39/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 27. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D82, F23, L51, L97. **KW** Regulation. Asymmetric Information. Multinational Firms.
AB This paper analyses in a hidden characteristic set-up the design of the optimal price for a firm that is a monopolist at home but competes abroad against foreign firms. As long as diseconomies of scope are not too significant, the optimal price is identified. The price rule depends on the sign of the technological relationship between home output and foreign output. With economies of scope, the regulator should set a price below marginal cost to help the firm in the foreign market, and vice-versa with diseconomies of scope. Informational asymmetry introduces a distortion in the price rule, which is usually amplified by the existence of a foreign market.

Campos, Nauro F.
PD December 2000. **TI** Back to the Future: The Growth Prospects of Transition Economies Reconsidered. **AA** University of Newcastle and CEPR. **SR** CEPR Discussion Paper: 2654; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not

available. **PR** 5 pounds, $8 or 8 euros. **JE** E23, O49, P27, P52. **KW** Economic Growth. Growth Prospects. Transition Economies.
AB How many years will the average transition economy need to reach the income level of the average OECD country? The favored methodology in use to answer such questions is referred to as the BLR approach, because it uses specifications from Barro, and Levine and Renelt. The literature has so far refrained from identifying and testing the underlying assumptions of the BLR approach. This paper attempts to fill this gap. Our results contrast sharply with the assumptions and findings from the BLR approach, questioning its might and challenging our understanding of the transition process in its key dimension.

Cantillon, Estelle
PD January 2001. **TI** The Effect of Bidders' Asymmetries on Expected Revenues. **AA** Harvard University and CEPR. **SR** CEPR Discussion Paper: 2675; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** D44, D82. **KW** Anonymous Mechanisms. Asymmetries. Auctions. Benchmark. Reduced Competition.
AB Bidders' asymmetries are widespread in auction markets. Yet, their impact on behavior and, ultimately, revenue and profits is still not well understood. In this paper, I define a natural benchmark auction environment to compare any private value auction with asymmetrically distributed valuations. I show that the expected revenue from the benchmark auction always dominates that from the asymmetric auction, both in the first price auction and the second price auction. These results formalize and make transparent the idea that competition is reduced by bidders' asymmetries. The paper also contributes to a better understanding of competition and the nature of rents in auction markets. Anonymity of the allocation mechanism seems to be an important factor.

TI Investment Incentives in Procurement Auctions. **AU** Arozamena, Leandro; Cantillon, Estelle.

Canzoneri, Matthew B.
PD February 2002. **TI** The Need for International Policy Coordination: What's Old, What's New, What's Yet to Come? **AU** Canzoneri, Matthew B.; Cumby, Robert E.; Diba, Behzad T. **AA** Canzoneri and Diba: Georgetown University. Cumby: Georgetown University and NBER. **SR** National Bureau of Economic Research Working Paper: 8765; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E42, E52, F41, F42. **KW** Macroeconomic Interdependence. Policy Coordination. Productivity.
AB Fifty years ago, the Chicago School argued that flexible exchange rates would insulate employment from foreign economic disturbances: there is no need for policy coordination; flexible exchange rates suffice. Twenty five years later, the Bretton Woods system was gone, and the first generation of policy coordination models was introduced. Chicago School arguments not withstanding, these Old-Keynesian models provided a theoretical rational for policy coordination. Now, a new generation of policy coordination models is emerging. These New- Keynesian models incorporate optimizing households, monopolistic competition and nominal

inertia. Here, we examine macroeconomic interdependence and the scope for policy coordination in a tractable second generation model that has received much recent attention. We relate our discussion to the old Chicago School arguments, to earlier analyses of first generation models, to recent empirical work on productivity, and to recent theoretical work on closed economy models. We conclude that second generation models may have more scope for policy coordination than did the first, and we identify the empirical work that is needed to give a serious answer to the question.

Caplin, Andrew

PD October 2000. TI The Social Discount Rate. AU Caplin, Andrew; Leahy, John V. AA Caplin: New York University and NBER. Leahy: Boston University and NBER. SR National Bureau of Economic Research Working Paper: 7983; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 24. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D60, D91, D99, E61. KW Welfare. Consumption. Social Planner. Representative Agent. Social Discount Rate.
AB In welfare theory it is standard to pick the consumption stream that maximizes the welfare of the representative agent. We argue against this position, and show that a benevolent social planner will generally place a greater weight on future consumption than does the representative agent. Our analysis has immediate implications for public policy: agents discount the future too much and the government should promote future oriented policies.

Cappelli, Peter

PD October 2000. TI Computers, Work Organization, and Wage Outcomes. AU Cappelli, Peter; Carter, William. AA Center for Human Resources and NBER. SR National Bureau of Economic Research Working Paper: 7987; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 24. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE J24, J31. KW Computers. Wages. Work Organization. Human Capital.
AB We examine two factors frequently thought to be changing the U.S. workplace, high performance work practices and computer use, and their relationships with pay using a national probability sample of U.S. establishments. The analysis controls for both organizational and individual characteristics and finds that higher wages are associated with several practices, particularly computer use and teamwork, for front-line workers who are the targets of most high performance work practices. Not surprisingly, relationships are not as strong for other occupations and are very weak in the non-manufacturing sector. Computer use is a particularly important influence on the wages of managers and supervisors, although it is computer use by their subordinates that is the important factor. The most unusual result may be the consistently negative and significant relationship between wages and job rotation where additional analyses suggest that job rotation in isolation from other high performance practices may proxy lower skill jobs. Some of the positive relationships vanish when various controls for human capital are added, suggesting that those wage premiums are a return to human capital and may be driven by greater skill requirements.

Cappuccio, Nunzio

PD April 2001. TI Comments on the Investment-Uncertainty Relationship in a Real Option Model. AU Cappuccio, Nunzio; Moretto, Michele. AA Cappuccio: University of Padova. Moretto: University of Padova and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 28/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 14. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D81, E22, G31. KW Investment. Choice Under Uncertainty. Real Options.
AB The paper considers the problem of evaluating the probability of investing as a measure of the uncertainty-investment relationship in a real option model. We model the opportunity to invest is as an American call option with expiring time using contingent claims analysis. We show that an increase in the uncertainty of the project may have positive or negative effects on the probability of investing depending on which market parameters are called to restore the asset price equilibrium condition.

Carlton, Dennis W.

PD January 2001. TI Free Riding and Sales Strategies for the Internet. AU Carlton, Dennis W.; Chevalier, Judith A. AA University of Chicago. SR National Bureau of Economic Research Working Paper: 8067; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 20. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE L14, L22, L81. KW Online Retailing. Free-Riding. Promotion.
AB We examine manufacturers' decisions of whether and how to offer their products for sale over the Internet. Manufacturers that rely on promotion of their products by brick and mortar retailers must consider the possibility that internet retailers can free ride off of that promotional effort. This creates an incentive for manufactures to limit the availability of their products over the Internet and to control the pricing of their products over the Internet. We examine three categories of products: fragrances, DVD players, and side by side refrigerators. Our evidence suggests that manufacturers that limit distribution in the physical world also use various mechanisms to limit distribution online. In particular, we find evidence that these manufacturers attempt to prevent the sale of their products by online retailers who sell goods at deep discounts. Furthermore, we show that manufacturers who distribute their goods directly through manufacturer websites tend to charge very high prices for the products, consistent with the hypothesis that manufacturers internalize free rider issues. While our main focus is on free riding, our evidence on pricing practices is germane to the growing literature on price dispersion on the internet.

PD January 2001. TI Competition, Monopoly, and Aftermarkets. AU Carlton, Dennis W.; Waldman, Michael. AA Carlton: University of Chicago and NBER. Waldman: Cornell University. SR National Bureau of Economic Research Working Paper: 8086; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 38. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE L13, L42. KW Aftermarkets. Competition Policy.
AB Consider a durable goods producer that potentially has market power in the aftermarkets associated with its products.

An important question is to what extent, if any, should the antitrust laws restrict the firm's behavior in these aftermarkets? In this paper, we explore a number of models characterized by either competition or monopoly in the new-unit market, and show that a variety of behaviors that hurt competition in aftermarkets can, in fact, be efficient responses to potential inefficiencies that can arise in aftermarkets. Our results should give courts pause before intervening in aftermarkets.

Carpenter, Seth B.

PD   November 2001. TI   Capital Requirements, Business Loans, and Business Cycles: An Empirical Analysis of the Standardized Approach in the New Basel Capital Accord. AU   Carpenter, Seth B.; Whitesell, William; Zakrajsek, Egon. AA   Board of Governors of the Federal Reserve System. SR   Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/48; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG   34. PR   no charge. JE   E32, G18, G21. KW   New Basel Capital Accord. Standardized Approach. C&I Loans. Business Cycles.
AB   In the current regulatory framework, capital requirements are based on risk-weighted assets, but all business loans carry a uniform risk weight, irrespective of variations in credit risk. The proposed new Capital Accord of the Bank for International Settlements provides for a greater sensitivity of capital requirements to credit risk, raising the question of whether, and to what extent, the new capital standards will intensify business cycles. In this paper, we evaluate the potential cyclical effects of the "standardized approach" to risk evaluation in the new Accord, which involves the ratings of external agencies. We combine Moody's data on changes in U.S. borrowers' credit ratings since 1970 with estimates of the risk profile of business loans at commercial banks from the Survey of Terms of Business Lending, and also a risk profile estimated by Treacy and Carey (1998). We find that the level of required capital against business loans would be noticeably lower under the new Accord compared with the current regime. We do not find evidence of any substantial additional cyclicality in required capital levels under the standardized approach of the new Accord relative to the current regime.

Carraro, Carlo

TI   Participation Incentives and the Design of Voluntary Agreements. AU   Brau, Rinaldo; Carraro, Carlo; Golfetto, Giulio.

TI   Can Equity Enhance Efficiency? Lessons from the Kyoto Protocol. AU   Bosello, Francesco; Buchner, Barbara; Carraro, Carlo; Raggi, Davide.

PD   July 2001. TI   Science vs. Profit in Research Lessons from the Human Genome Project. AU   Carraro, Carlo; Pome, Alessandra; Siniscalco, Domenico. AA   Carraro: University of Venice, CEPR, CESifo and FEEM. Pome: University of Turin and FEEM. Siniscalco: University of Turin, CESifo and FEEM. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 60/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   34. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   D78, H40, O32, O38. KW   Science.   Technology.   Allocation   Mechanisms. Intellectual Property Rights. Welfare.

AB   This paper elaborates on the recent race to sequence the human genome. Starting from the debate on public vs. private research arising from the genome case, the paper shows that in some fundamental research areas, where knowledge externalities play an important role, market and non-market allocation mechanisms do coexist and should coexist in order to ensure socially desirable achievements. A game-theoretic model makes it possible to demonstrate the above results and to characterize some features of an optimal research policy.

TI   Endogenous Induced Technical Change and the Costs of Kyoto. AU   Buonanno, Paolo; Carraro, Carlo; Galeotti, Marzio.

Carroll, Robert

PD   October 2000. TI   Personal Income Taxes and the Growth of Small Firms. AU   Carroll, Robert; Rider, Mark; Holtz-Eakin, Douglas; Rosen, Harvey S. AA   Carroll: Main Treasury Building. Rider: Kennesaw State University. Holtz-Eakin: Syracuse University and NBER. Rosen: Princeton University and NBER. SR   National Bureau of Economic Research Working Paper: 7980; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   21. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   H24, H25, J23, M13. KW   Entrepreneurship. Personal Income Taxes. Firm Growth Rates.
AB   This paper investigates the effect of entrepreneurs' personal income tax situations on the growth rates of their enterprises. We analyze the personal income tax returns of a large number of sole proprietors before and after the Tax Reform Act of 1986 and determine how the substantial reductions in marginal tax rates associated with that law affected the growth of their firms as measured by gross receipts. We find that individual income taxes exert a statistically and quantitatively significant influence on firm growth rates. Raising the sole proprietor's tax price (one minus the marginal tax rate) by 10 percent increases receipts by about 8.4 percent. This finding is consistent with the view that raising income tax rates discourages the growth of small businesses.

Carter, William

TI   Computers, Work Organization, and Wage Outcomes. AU   Cappelli, Peter; Carter, William.

Case, Anne

PD   December 2000. TI   Understanding Child Support Trends: Economic, Demographic, and Political Contributions. AU   Case, Anne; Lin, I-Fen; McLanahan, Sara. AA   Case: Princeton University and NBER. McLanahan: Princeton University. Lin: Bowling Green State University. SR   National Bureau of Economic Research Working Paper: 8056; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   26. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   I38, J12, J13, J18. KW   Child Support Payments. PSID. Wage Withholding. Marital Status.
AB   We use data from the Panel Study of Income Dynamics (PSID) to examine trends in child support payments over the past thirty years and to assess five different explanations for these trends: inflation, the shift to unilateral divorce, changes in marital status composition, changes in men's and women's earnings, and ineffective child support laws. We find that during the 1970s and early 1980s, three factors -- high inflation,

increase in non-marital childbearing, and shifts to unilateral divorce -- exerted downward pressure on child support payments. Throughout this time period, child support policies were weak, and average real payments declined sharply. Our findings indicate that two child support policies -- legislative guidelines for awards and universal wage withholding -- are important for insuring child support payments. Finally, our analyses suggest that further gains in child support payments will rest with our ability to collect child support for children born to unwed parents. These children are the fastest growing group of children in the US, and they are the least likely to receive child support. To date, child support policies have been ineffective in assuring child support for never married mothers.

Casella, Alessandra

PD December 2000. **TI** Games for Central Bankers: Markets v/s Politics in Public Policy Decisions. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 8026; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** E50, F33, H41, P16. **KW** Central Banks. Public Policy. Politics. Monetary Policy. Market Mechanisms.
AB This paper questions the link between the establishment of a common currency among several countries and the necessity of political coordination. It begins by discussing why conducting a single monetary policy is thought to be easier within a single political unit. It then proceeds to enquire whether market mechanisms could be used to choose optimally the common policy of heterogeneous actors, and thus provide an alternative to political decision-making. The advantage of market mechanisms is that they are transparent, predictable, and usually more efficient. In particular, the paper studies a simple game through which national representatives could choose the monetary policy of a single, multinational central bank. There are no fundamental logical objections or impossible practical obstacles to such market games, and even if they are rejected in principle they are useful in suggesting desirable amendments to traditional voting schemes.

PD January 2001. **TI** Market Mechanisms for Policy Decisions. **AA** Columbia University, GREQAM, and CEPR. **SR** CEPR Discussion Paper: 2667; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** H41, P16. **KW** European Union. Policy Coordination. Stability Pact. Voting.
AB The thesis of this paper is that more transparent, rule-bound and subtle mechanisms for policy coordination will be needed to ensure the success of an enlarged European Union. A common policy is a public good with distributional implications. Economists have developed a large number of plausible market mechanisms for the efficient provision of public goods and the European Union, with its limited number of members and relative ease of information, is a promising ground for such schemes. An important open area of applied research is thus the tailoring of incentive schemes to the specific needs of the European Union and its policy choices. The paper discusses two possible examples: a system of tradable deficit permits to implement the fiscal constraints imposed by the Maastricht treaty; and a rule allowing country

representatives to shift their own votes intertemporally when deliberations are taken by vote in periodic committee meetings.

Casella, George

PD January 2000. **TI** Mixture Models, Latent Variables and Partitioned Importance Sampling. **AU** Casella, George; Robert, Christian P.; Wells, Martin T. **AA** Casella and Wells: Cornell University. Robert: CREST-INSEE. **SR** INSEE Documents de Travail du CREST: 2000/03; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 16. **PR** no charge. **JE** C11, C15. **KW** Monte Carlo Methods. Bayesian Estimation. Partition Decomposition. Posterior Probabilities. Gibbs Sampling.
AB Gibbs sampling has had great success in the analysis of mixture models. In particular, the "latent variable" formulation of the mixture model greatly reduces computational complexity. However, one failing of this approach is the possible existence of almost-absorbing states, called trapping states, as it may require an enormous number of iterations to escape from these states. Here we examine an alternative approach to estimation in mixture models, one based on a Rao-Blackwellization argument applied to a latent-variable-based estimator. From his derivation we construct an alternative Monte Carlo sampling scheme that avoids trapping states.

Caselli, Francesco

PD October 2000. **TI** The World Technology Frontier. **AU** Caselli, Francesco; Coleman, Wilbur John, II.. **AA** Caselli: Harvard University and CEPR. **SR** CEPR Discussion Paper: 2584; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** O11, O14, O33, O49. **KW** Appropriate Technology. Cross-Country. Income Distribution. Development Trap.
AB We define a country's technology as a triple of efficiencies: one for unskilled labor, one for skilled labor, and one for capital. We find a negative cross-country correlation between the efficiency of unskilled labor and the efficiencies of skilled labor and capital. We interpret this finding as evidence of the existence of a World Technology Frontier. On this frontier, increases in the efficiency of unskilled labor are obtained at the cost of declines in the efficiency of skilled labor and capital. We estimate a model in which firms in each country optimally choose from a menu of technologies, i.e. they choose their technology subject to a Technology Frontier. The optimal choice of technology depends on the country's endowment of skilled and unskilled labor, so that the model is one of appropriate technology. The estimation allows for country-specific technology frontiers, due to barriers to technology adoption. We find that poor countries tend disproportionately to be inside the World Technology Frontier.

Castelnuovo, Efrem

PD September 2001. **TI** Global Warming, Uncertainty and Endogenous Technical Change: Implications for Kyoto. **AU** Castelnuovo, Efrem; Moretto, Michele; Vergalli, Sergio. **AA** Castelnuovo: Bocconi University and FEEM. Moretto: University of Padua and FEEM. Vergalli: FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 61/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso

Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 19. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D80, D90, F18, O20, O30. KW Climate Change. Endogenous Technical Change. Uncertainty. Global Warming. Kyoto Agreement.

AB This paper tries to describe the role of uncertainty and technical change in an environmental context. Which impact does ecological uncertainty have on physical and R&D investments decisions? How are pollution trajectories modified when uncertainty is taken into account? To reply these questions we modify the ETC-RICE model described in Buonanno et al. (2000) by embedding in it the "hazard rate function" approach as in Bosello and Moretto (1999). With such a model we are also able to study some consequences of the implementation of the Kyoto agreement under different policy options -- i.e. with or without different degrees of introduction of one of the so-called "flexibility mechanisms" -- in order to assess its impact on agents' behavior in terms of domestic abatement, consumption, physical and environmental investment, trading of emissions rights. The results show that uncertainty strongly influences agents' behavior; in particular, agents calm down the increase of temperature via lower emissions. In addition, R&D expenditures are a mean exploited in order to trigger the "engine of growth" only when environmental endogenous technical change is allowed. However, even if uncertainty may stimulate technical change, long-run growth is negatively affected by its presence as predicted by theory.

PD October 2001. TI Model Uncertainty, Optimal Monetary Policy and the Preferences of the Fed. AU Castelnuovo, Efrem; Surico, Paolo. AA Castelnuovo: Bocconi University and FEEM. Surico: Bocconi University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 89/2001; "Publication Office", 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 E52, E58. KW Interest Rate Smoothing. Fed Policy Preferences. Optimal Monetary Policy.

AB Monetary policy in the US is characterized by a substantial degree of inertia. While in principle this may be the outcome of an optimizing central bank behavior, the ability of any derived policy rule to match the data relies on implausibly large weights for interest rate smoothing in policy makers' preferences. In this paper, we investigate whether such a puzzle can be interpreted as resulting from the concern of monetary authorities for potential misspecifications of the macroeconomic dynamics. Accordingly, we propose a novel thick modeling approach that incorporates model uncertainty into the identification of central bank's preferences. The thick robust policy rule shows the kind of smoothness observed in the data without resorting to implausible values for the preference parameters.

Cazzavillan, Guido

PD September 2001. TI Transitional Dynamics and Uniqueness of the Balanced-Growth Path in a Simple Model of Endogenous Growth with an Environmental Asset. AU Cazzavillan, Guido; Musu, Ignazio. AA Universita Ca Foscari di Venezia, Italy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 65/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 11. PR 10 papers minimum

order at $4.00 each; annual subscription at $250.00. JE F18, H23, O40. KW Sustainable Growth. Emission Taxes. Capital Accumulation. Direct Social Utility Value.

AB We present an optimal endogenous growth model with an environmental asset which delivers a direct social utility value. The efficiency of the production services provided by the environmental asset directly depend on past capital accumulation. Such an assumption corresponds to assuming that past capital accumulation embodies new technologies requiring lower and lower environmental pressure per unit of output. We show that a sustainable balanced growth, where output and capital both grow at a constant positive rate, and the environmental asset remains constant over time, exists, is unique and is saddle-point stable. We discuss the implications of the optimal balanced growth path for environmental policy and show that emission taxes can be used to support subsidies on capital required to make the competitive endogenous growth rate equal to the socially optimal growth rate.

Chan, Sewin

PD January 2001. TI Retirement Incentives and Expectations. AU Chan, Sewin; Stevens, Ann Huff. AA Chan: New York University. Stevens: Yale University and NBER. SR National Bureau of Economic Research Working Paper: 8082; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 29. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE J14, J26. KW Retirement. Pension Wealth. Fixed Effects.

AB This paper investigates the responsiveness of individuals' retirement expectations to forward-looking measures of pension wealth accumulations. While most of the existing literature on retirement has used cross-sectional variation to identify the effects of pension and Social Security wealth on retirement behavior, we estimate fixed-effects regressions to control for unobserved heterogeneity that might be correlated with retirement plans and wealth. As expected, we find significant effects of future pension wealth accumulations on retirement expectations, but the magnitude of these effects differs substantially between OLS and fixed-effects estimation. Coefficients from fixed-effects estimation are at most half the magnitude of similar OLS regressions. Our results point to potentially large biases from the failure to control for unobserved heterogeneity in empirical models of retirement-related outcomes.

Chander, Parkash

PD June 2001. TI Limits to Climate Change. AU Chander, Parkash; Tulkens, Henry. AA Chander: Indian Statistical Institute, Delhi. Tulkens: Center for Operations Research & Econometrics, Louvain-la-Neuve. SR Fondazione Eni Enrico Mattei Note di Lavoro: 42/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 10. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C71, C73, Q29. KW Climate Change. Dynamic Models. Steady States. Optimality. Cooperation.

AB The paper proves the existence and uniqueness of a noncooperative steady state in the context of a model of climate change. It also explores the possibility of cooperation and attainment of an optimal steady state. It is shown that the problem is similar to that in the static model (Chander and

Tulkens (1997)).

Chattopadhyay, Amitava
TI   Rethinking Marketing Programs for Emerging Markets.
AU   Dawar, Niraj; Chattopadhyay, Amitava.

Chattopadhyay, Raghabendra
PD   September 2001. TI   Women's Leadership and Policy Decisions: Evidence from a Nationwide Randomized Experiment in India. AU   Chattopadhyay, Raghabendra; Duflo, Esther. AA   Chattopadhyay: Indian Institute of Management, Calcutta. Duflo: MIT and NBER. SR   Boston University, Institute for Economic Development Discussion Paper: 114; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: www.bu.edu/econ/ied/dptable2.htm. PG   26. PR $4.00; send purchase requests by email to ied@bu.edu. JE   D72, D78, N45. KW   India. Women's Leadership. Political Reservations.

AB   This paper uses political reservations for women in India to study the impact of women's leadership on policy decisions. In 1998, one third of all leadership positions of Village Councils in West Bengal were randomly selected to be reserved for a woman: in these councils only women could be elected to the position of head. Village Councils are responsible for the provision of many local public goods in rural areas. Using a data set we collected on 165 Village Councils, we compare the type of public goods provided in reserved and unreserved Villages Councils. We show that women invest more in infrastructure that is directly relevant to the needs of rural women (water, fuel, and roads), while men invest more in education. Women are more likely to participate in the policy-making process if the leader of their village council is a woman.

Checchi, Daniele
TI   Sorting and Private Education in Italy. AU   Bertola, Giuseppe; Checchi, Daniele.

Chen, Ming
PD   December 2001. TI   Environmental Indices for the Chinese Grain Sector. AU   Chen, Ming; Karp, Larry. AA   UC Berkeley. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 94/2001; "Publication Office", 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   C32, C43, Q01, Q21. KW   Chinese Agriculture. Dynamic Production. Environmental Indices. Sustainability. Kalman Filter.

AB   Increased population pressure and political decisions have led to more intensive agricultural practices in China. As in other regions of the world, these practices can damage natural capital. We use the Kalman filter and Chinese panel data to estimate an index of environmental productivity (natural capital), together with the parameters of environmental dynamics and the production function. These estimates show that intensive practices are likely to have had persistent, substantial, and statistically significant negative effects on productivity. Ignoring these effects can cause substantial misallocation of resources. The results illustrate the possibility of estimating sectoral environmental indices using data commonly available.

Chevalier, Judith A.
TI   Free Riding and Sales Strategies for the Internet.
AU   Carlton, Dennis W.; Chevalier, Judith A.

Chirinko, Robert S.
PD   November 2002. TI   A Revealed Preference Approach to Understanding Corporate Governance Problems: Evidence from Canada. AU   Chirinko, Robert S.; Schaller, Huntley. AA   Chirinko: Emory University. Schaller: Carleton University and MIT. SR   MIT, Department of Economics Working Paper: 02/46; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=359180. PG   25. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE   E22, G34. KW   Corporate Governance. Business Investment. Discount Rates. Canadian Firms.

AB   Empire-building by managers implies that they use a lower effective discount rate in making investment decisions. We use actual investment decisions to measure the gap between the manager's effective discount rate and the market rate. Our empirical work is based on panel data for 193 Canadian firms. Distinctive institutional features, such as interrelated groups of Canadian firms and concentrated share ownership, allow us to quantify the sensitivity of effective discount rates and governance problems to these institutional control mechanisms. For the firms most likely to be affected by the agency problems highlighted by Jensen (1986), estimated discount rates are 350-400 basis points less than the market rate, supporting the Free Cash Flow view that unresolved corporate governance problems distort firm behavior. Firms in our sample that face Free Cash Flow problems have a stock of fixed capital approximately 7% to 22% higher than would prevail under value maximizing behavior.

Choe, Hyuk
PD   January 2001. TI   Do Domestic Investors Have More Valuable Information About Individual Stocks Than Foreign Investors? AU   Choe, Hyuk; Kho, Bong-Chan; Stulz, Rene M. AA   Choe and Kho: Seoul National University. Stulz: Ohio State University and NBER. SR   National Bureau of Economic Research Working Paper: 8073; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   22. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   G11, G14. KW   Private Information. Asset Pricing. Domestic Advantage.

AB   Using trade data from Korea from December 1996 to November 1998, we find evidence that domestic individual investors have a short-lived private information advantage for individual stocks over foreign investors, but almost no evidence that domestic institutional investors have such an advantage. Foreign investors trade at worse prices than resident investors for large trades, for smaller stocks, and more so for sales than for purchases. Foreign investors sell to domestic investors before a stock has a large positive abnormal return and buy from domestic investors before a stock has a large negative abnormal return. Using intraday data, the large trades of domestic individual investors have more information than the large trades of foreign investors or of domestic institutional investors.

Chone, Philippe
PD   2000. TI   Un Modele de Regulation du Systeme de

Sante: La Concurrence Entre "Operateurs De Soins". AU Chone, Philippe; Grignon, Michel; Mahieu, Ronan. AA Chone and Maheiu: INSEE. Grignon: CREDES. SR INSEE Documents de Travail du CREST: 2000/08; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 22. PR no charge. JE I11, I18. KW Managed Care. Competition in Health Care.

AB Implementing managed care techniques seems highly desirable to improve productive efficiency on health care markets. We describe an abstract regulatory framework featuring "health care operators" competing in a fully state-financed system. In our model, the state provides health insurance for the whole population but each individual freely chooses his operator on a quality basis. The operators receive a risk-adjusted premium for each customer and contract for services with health care providers. We compare this model with current experiments in Europe and the United-States. We analyze the tradeoff between efficiency and selection in this context and evaluate regulatory costs of the model.

PD August 2001. TI Optimal Incentives for Labor Force Participation. AU Chone, Philippe; Laroque, Guy. AA INSEE and CNRS. SR INSEE Documents de Travail du CREST: 2001/25; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 22. PR no charge. JE D63, H21. KW Rawls. Optimal Taxation. Participation.

AB Optimal taxation is analyzed under a Rawlsian criterion in an economy where the only decision of the agents is to participate, or not, to the labor force. The model allows for heterogeneity both in agents' productivities and aversions to work. First best optimal schedules involve zero taxation at the margin: the marginal agent who decides to work pockets all of her productivity, while being just compensated for her work aversion. When the planner does not observe work aversion, financial compensation for work is lower than productivity. The theory provides a potential justification for (locally) negative marginal tax rates.

Chowdhry, Bhagwan

PD January 2002. TI Information Aggregation, Security Design and Currency Swaps. AU Chowdhry, Bhagwan; Grinblatt, Mark; Levine, David. AA Chowdhry and Levine: UCLA. Grinblatt: UCLA and NBER. SR National Bureau of Economic Research Working Paper: 8746; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 22. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE G14, G32. KW Security Design. Information Aggregation. Alignment. Currency Swaps. Adverse Selection.

AB A model of security design based on the principle of information aggregation and alignment is used to show that (i) firms needing to finance their operations should issue different securities to different groups of investors in order to aggregate their disparate information and (ii) each security should be highly correlated (closely aligned) with the private information signal of the investor to whom it is marketed. This alignment reduces the adverse selection penalty paid by a firm with superior information. Adverse selection costs are often contingent on ex post publicly observable and contractible state variables such as exchange rates. In such cases, debt contracts are dominated by currency swaps. Moreover, optimal securities are derivative contracts that are contingent on state variables that influence adverse selection costs. This is because the netting of cash flows in these derivative contracts, in effect, alters the state-by-state seniority of different claims in a desirable way.

Chung, Kim-Sau

PD December 2000. TI Efficient and Dominance Solvable Auctions with Interdependent Valuations. AU Chung, Kim-Sau; Ely, Jeffrey C. AA Northwestern University. SR Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1313; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. PG 37. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. JE D44, D82. KW Auctions. Vickrey Auction. Private Information. VCG.

AB In auction environments in which agents have private values, the Vickrey auction induces agents to truthfully reveal their preferences and selects the efficient allocation accordingly. When the agents' valuations are interdependent, various generalizations of the Vickrey auction have been found which provide incentives for truthful revelation of all private information and preserve efficiency. However, these mechanisms generally do not provide the bidders with dominant strategies. The existing literature has therefore used a stronger equilibrium solution concept. In this paper we show that while the generalized VCG mechanism admits a multiplicity of equilibria, many of which are inefficient, the efficient equilibrium is often the unique outcome of iterative elimination of ex post weakly dominated strategies.

Chung, Sukkyun

TI Productivity, Output, and Failure: A Comparison of Taiwanese and Korean Manufacturers. AU Aw, Bee Yan; Chung, Sukkyun; Roberts, Mark J.

Church, Jeffrey

PD December 2002. TI Indirect Network Effects and Adoption Externalities. AU Church, Jeffrey; Gandal, Neil; Krause, David. AA Church: University of Calgary. Gandal: Tel Aviv University and CEPR. Krause: University of Lethbridge. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 30/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 25. PR no charge. JE L11, L13. KW Network Externalities. Network Effects. Software. Hardware.

AB The conventional wisdom is that indirect network effects, unlike direct network effects, do not give rise to externalities. In this paper we show that under very general conditions, indirect network effects lead to adoption externalities. In particular, we show that in markets where consumption benefits arise from hardware/software systems, adoption externalities will occur when there are (i) increasing returns to scale in the production of software, (ii) free- entry in software, and (iii) consumers have a preference for software variety. The private benefit of the marginal hardware purchaser is less than the social benefit

since the marginal hardware purchaser does not internalize the welfare improving response of the software industry, particularly the increase in software variety, on inframarginal purchasers when the market for hardware expands.

Ciorba, Umberto

PD   January 2001. TI   Kyoto Commitment and Emission Trading: A European Union Perspective. AU   Ciorba, Umberto; Lanza, Alessandro; Pauli, Francesco. AA   Ciorba and Pauli: ENEA. Lanza: Eni, CRENoS. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 07/2001; "Publication Office", 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   C53, Q38, Q41, Q48. KW   Environmental Policy. Kyoto Protocol. International Agreements. Carbon Monoxide Emission. Emission Trading. Abatement Costs.
AB   This paper presents an estimation of the cost of reducing carbon monoxide emissions as agreed in Kyoto by Annex I countries. Unlike most of the existing literature, this paper focuses on European Union countries' abatement costs and, using a simple model, estimates the role of each EU country within a EU market as well as an Annex 1 market. We present marginal (and total) abatement costs for each EU country as well as the EU total cost. We also draw some conclusions on the redistribution of income among market participants related to the trading system.

PD   December 2001. TI   Kyoto Protocol and Emission Trading: Does the US Make a Difference? AU   Ciorba, Umberto; Lanza, Alessandro; Pauli, Francesco. AA   Ciorba and Pauli: ENEA. Lanza: Eni, S.p.A. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 90/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   19. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   C53, Q25, Q41, Q48. KW   Environmental Policy. Kyoto Protocol. International Agreements. CO2 Emission. Emission Trading. Marginal Abatement Cost.
AB   This paper presents an estimate of the costs of reducing CO2 emissions as agreed to in Kyoto by Annex 1 countries. Unlike most of the existing literature, this paper uses an Almost Ideal Demand System model for energy products to estimate the role of each country within the Annex 1 market. A major result is the provision of marginal (and total) abatement costs for each. We also discuss the recent position of the US and show the cost of some alternative outcomes.

Clemens, Michael A.

PD   December 2000. TI   Where did British Foreign Capital Go? Fundamentals, Failures and the Lucas Paradox: 1870-1913. AU   Clemens, Michael A.; Williamson, Jeffrey G. AA   Clemens: Harvard University and CID. Williamson: Harvard University, NBER, and CID. SR   National Bureau of Economic Research Working Paper: 8028; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   28. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE   F21, N20, O11, O16. KW   Foreign Capital. Lucas Paradox. Fundamentals. Productivity.
AB   A decade has passed since Lucas asked why capital does not flow from rich to poor countries. Lucas used a contemporary example to illustrate his Paradox, the very

modest flow of capital from the U.S. to India during the second great global capital market boom, after 1970. Had he paid more attention to the first great global capital market boom, after 1870, he might have been less surprised. Very little of British capital exports went to poor, labor-abundant countries. Indeed, about two-thirds of it went to the labor-scarce New World, and only about a quarter of it went to labor-abundant Asian and Africa. Why? Was it caused by some international market failure, or was it due to some shortfall in underlying economic, demographic or geographic fundamentals that made capital's productivity low in poor countries? This paper constructs a panel data set for 34 countries who as a group got 92 percent of British capital, and uses it to conclude that international capital market failure (including whether the country was on or off the Gold Standard) was not involved. It then ranks the three big fundamentals that mattered -- schooling, natural resources and demography.

Coleman, Wilbur John, II.

TI   The World Technology Frontier. AU   Caselli, Francesco; Coleman, Wilbur John, II..

Collard, Fabrice

TI   Why has the Employment-Productivity Tradeoff Among Industrialized Countries been so Strong? AU   Beaudry, Paul; Collard, Fabrice.

Comte, F.

PD   July 2001. TI   Asymptotic Theory for Multivariate GARCH Processes. AU   Comte, F.; Lieberman, Offer. AA   Comte: University of Paris VI. Lieberman: Technion-Israel Institute of Technology and Yale University. SR   Yale Cowles Foundation Discussion Paper: 1349; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG   23. PR   no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE   C10, C13. KW   Asymptotic Normality. BEKK. Consistency. GARCH. Martingale CLT.
AB   We provide in this paper asymptotic theory for the multivariate GARCH(p,q) process. Strong consistency of the quasi-maximum likelihood estimator (MLE) is established by appealing to conditions given in Jeantheau (19) in conjunction with a result given by Boussama (9) concerning the existence of a stationary and ergodic solution to the multivariate GARCH (p,q) process. We prove asymptotic normality of the quasi-MLE when the initial state is either stationary of fixed.

Conde Ruiz, Jose Ignacio

PD   October 2000. TI   Early Retirement. AU   Conde Ruiz, Jose Ignacio; Galasso, Vincenzo. AA   Conde Ruiz: Universitat Pompeu Fabra. Galasso: Universidad Carlos III de Madrid. SR   CEPR Discussion Paper: 2589; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   D72, H53, H55. KW   De-Industrialization. Policy Persistence. Social Security.
AB   Generous early retirement provisions account for a large proportion of the drop in the labor force participation of elderly workers. The aim of this paper is to provide a political-economic explanation of the wide spread adoption of early retirement. We suggest that the political support for generous early retirement provisions relies on: (i) the existence of an

initial, significant group of redundant elderly workers with incomplete working history, who are not entitled to an old age pension; and (ii) the policy persistence that this provision introduces by inducing low-ability workers to retire early. The majority that supports a social security system with early retirement in a bidimensional voting game is composed of elderly workers with incomplete working history and low-ability workers. A descriptive analysis of eleven OECD countries confirms the relevance of the initial group of redundant elderly workers. Early retirement provisions were adopted during the deindustrialization process, almost always, immediately after the first severe decrease in industrial employment.

Conning, Jonathan H.

PD February 2002. TI Land Reform and the Political Organization of Agriculture. AU Conning, Jonathan H.; Robinson, James A. AA Conning: Willams College. Robinson: University of California, Berkeley and CEPR. SR CEPR Discussion Paper: 3204; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE D72, O12. KW Agrarian Organization. Political Economy. Land Reform. Property Rights.
AB The modem theory of agrarian organization has studied how the economic environment determines organizational form under the assumption of stable property rights to land. The political economy literature has modeled the endogenous determination of property rights. In this paper we propose a model in which the economic organization of agriculture and the political equilibrium determining the distribution of property rights are jointly determined. In particular, because the form of organization may affect the probability and distribution of benefits from agrarian reform, it may be determined in anticipation of this impact. The model offers a reason for why tenancy, despite its economic advantages, has been so little used in countries where agrarian reform is a salient political issue. We argue that this in particular helps to understand the dearth of tenancy and the relative failure of land reform in Latin America.

Conrad, Klaus

PD April 2001. TI Locational Competition Under Environmental Regulation When Input Prices and Productivity Differ. AA Mannheim University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 25/2001; "Publication Office", 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 F11, F22, Q38, R38. KW Locational Competition. Environmental Policy.
AB The purpose of the paper is to outline an analytical framework which captures the ample scope of locational competition: cost differences, resulting from differences in factor prices including taxes, human capital, infrastructure services and total factor productivity. If cost differences are small, locational competition controls excessive government power. We have modeled locational competition by assuming that governments have a vital interest to keep mobile factors of production at home. We represent this aspect by restricting the usage of environmental instruments such that they will at most exhaust the cost difference to a competing foreign firm. If cost differences are large enough, there is no binding restriction for the cost-benefit calculus of a national environmental policy. The tax will be below marginal damage due to strategic reasons of rent shifting. If small international cost differences do not allow taxation in accordance with marginal damage considerations, then locational competition restricts the size of the tax rate such that the firm is indifferent in relocating or staying at home. If no cost differences exist, it is even possible that both governments will subsidize the pollution intensive input in order to make the domestic location attractive.

Cooper, Richard N.

PD July 2001. TI The Kyoto Protocol: A Flawed Concept. AA Harvard University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 52/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 29. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE Q21, Q28. KW Emissions Trading. Global Climate Change. Greenhouse Gases. Kyoto Protocol.
AB The framework of the Kyoto Protocol, an agreement for the world's rich countries to reduce their greenhouse gas emissions, is deeply flawed. This paper explains why. The Protocol lacks essential country coverage, provides an inadequate basis for allocating emission rights, lacks provision for monitoring and enforcement, and implies politically unacceptable transfers among governments under a (necessary and desirable) arrangement for trading emission rights. In addition, it would by itself do little to limit climate change. An alternative approach to limiting greenhouse gas emissions is suggested, focusing on international agreement on common actions to reduce emissions. And contingency plans for adaptation to climate change and for sequestration greenhouse gases are urged.

Corsetti, Giancarlo

PD August 2001. TI Nominal Debt and the Dynamics of Currency Crises. AU Corsetti, Giancarlo; Mackowiak, Bartosz. AA Corsetti: Universita di Roma III and Yale University and CEPR. SR CEPR Discussion Paper: 2929; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE E58, F31, F33. KW Currency Crisis. Fiscal Theory of the Price Level. Speculative Attacks. Nominal Debt.
AB This paper proposes a new framework for interpreting a currency crisis associated with a fiscal imbalance, which we find appropriate for the analysis of contemporary economies with outstanding public debt. Unlike the first-generation literature on speculative attacks, we do not assume that money growth finances the imbalance and that governments face exogenous borrowing constraints. In our model, the cause of a devaluation is a fiscal policy switch, from a policy-backing government debt fully with taxes, to one using taxes and unanticipated inflation. Its timing depends on the interaction of fiscal and monetary policy, where the latter is modeled in terms of interest rate rules. Real debt acts as leverage, and the rate of devaluation is smaller when nominal liabilities are a larger fraction of the total. The focus of our analysis of currency crises is on currency of denomination and maturity of government debt; the government's willingness to tolerate high

interest rates; the possibility of coordination problems among holders of government debt.

Costa, Dora L.

PD November 2000. **TI** Understanding Mid-Life and Older Age Mortality Declines: Evidence from Union Army Veterans. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8000; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** I12, J11, J14, N30. **KW** Mortality. Public Health. Medical Care. Urbanization.

AB During the twentieth century the 17-year survival rate of 50-64 year old men rose by 24 percentage points. This paper examines waiting time until death from all natural causes and from all chronic, all acute, respiratory, stomach, infectious, all heart, ischemic, and myocarditis disease. The effect of specific early life infections on older age mortality depended upon the cause of death that was being investigated but all of these infections reduced cause-specific longevity. Men who grew up in a large city faced an elevated mortality risk from all causes of death controlling for later residence. The immediate effect of reduced infectious disease rates and reduced mortality from acute disease accounts for 62 percent of the twentieth century increase in survival rates and the long-run effect of reduced early life infectious disease rates accounts for 12 percent of the increase. The findings imply that although the current effects of improved public health and medical care are larger than the cohort effects, cost-benefit analyses and forecasts of future mortality still need to account for long-run effects; that mortality in populations in which infectious, respiratory, and parasitic deaths are common is best described by a competing risks model.

Courtois, Pierre

PD October 2001. **TI** An Evolutionary Approach to the Climate Change Negotiation Game. **AU** Courtois, Pierre; Pereau, Jean,Christophe; Tazdait, Tarik. **AA** Courtois: CIRED and University of Paris. Pereau: University of Marne-la-Vallee. Tazdait: CIRED and University of Marne-la-Vallee. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 81/2001; "Publication Office", 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** D74, Q28. **KW** Environmental Negotiation. Coalition. Unilateral Commitment. Evolutionary Process.

AB This paper describes an evolutionary game theoretic model aiming at representing the climate change negotiation. We use the model to examine the outcome of climate change negotiations in a framework that seeks to closely represent negotiation patterns. The evolutionary setting allows us to consider a decision making structure characterized by agents with bounded knowledge practicing mimics and learning from past events and strategies. We show in that framework that a third significant alternative to the binary coordination-defection strategies needs to be considered: a unilateral commitment as a precautionary strategy. As a means to widen cooperation, we examine the influence of linking environmental and trade policies via the implementation of a trade penalty on non-cooperative behaviors.

Couture, Stephane

TI Is the Irrigation Water Demand Really Convex? **AU** Bontemps, Christophe; Couture, Stephane; Favard, Pascal.

Cressie, Noel

TI Spatial Mixture Models Based on Exponential Family Conditional Distributions. **AU** Kaiser, Mark S.; Cressie, Noel; Lee, Jaehyung.

Cropper, Maureen

TI The Willingness To Pay for Mortality Risk Reductions: A Comparison of the United States and Canada. **AU** Alberini, Anna; Krupnick, Alan; Cropper, Maureen; Simon, Nathalie; Cook, Joseph.

Cukierman, Alex

PD November 2002. **TI** The Choice of Exchange Rate Regime and Speculative Attacks. **AU** Cukierman, Alex; Goldstein, Itay; Spiegel, Yossi. **AA** Cukierman: Tel Aviv University and CentER, Tilburg University. Goldstein: Duke University. Spiegel: Tel Aviv University. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 25/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. **PG** 48. **PR** no charge. **JE** F34, F36, F41. **KW** Currency Crises. Exchange Rate Regime. Speculators. Tobin Tax. Global Games. Reputation.

AB We develop a framework for studying the choice of exchange rate regime in an open economy where the local currency is vulnerable to speculative attacks. The framework makes it possible to study, for the first time, the strategic interaction between the ex-ante choice of regime and the probability of ex-post currency attacks. The optimal regime is determined by a policymaker who trades off the loss from nominal exchange rate uncertainty, against the cost of maintaining a given regime. This cost is affected in turn by the likelihood of a speculative attack. Searching for the optimal regime within the class of exchange rate bands, we show that the optimal regime is either a peg (a zero-width band), a free float (an infinite-width band), or a non- degenerate finite width band. Our framework generates several novel predictions and shows that when the endogeneity of the exchange rate regime is recognized explicitly, conventional wisdom may be reversed. For instance, the imposition of a Tobin tax, by inducing policymakers to set less flexible regimes, may raise the likelihood of speculative attacks.

PD November 2002. **TI** The Inflation Bias Revisited: Theory and Some International Evidence. **AU** Cukierman, Alex; Gerlach, Stefan. **AA** Cukierman: Tel Aviv University, CentER, Tilburg University, and CEPR. Gerlach: Hong Kong Institute for Monetary Research, University of Basel, and CEPR. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 26/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. **PG** 28. **PR** no charge. **JE** E31, E52, E61, E64. **KW** Inflation Bias. Recession Aversion. Asymmetric Objectives. State

Uncertainty.

AB The Kydland-Prescott, Barro-Gordon inflation bias result relies on the presumption that policy-makers aim at achieving a level of employment above potential. This presumption has been recently questioned by both academics and policymakers on the ground of realism. We show that even if policymakers are content with the normal level of employment there is an inflation bias if the central bank is uncertain about the future state of the economy and is more sensitive to policy misses leading to employment below the normal level than to policy misses leading to employment above it. This new view of the inflation bias implies that there should be a positive association between average inflation and the variance of shocks to output. Cross sectional empirical evidence from twenty one developed economies supports this implication. The paper also discusses the consequences for the transparency of monetary policy and for central bank reform.

Cumby, Robert E.

TI The Need for International Policy Coordination: What's Old, What's New, What's Yet to Come? **AU** Canzoneri, Matthew B.; Cumby, Robert E.; Diba, Behzad T.

Cummins, Jason G.

PD October 2001. **TI** Optimal Investment with Fixed Refinancing Costs. **AU** Cummins, Jason G.; Nyman, Ingmar. **AA** Cummins: Board of Governors of the Federal Reserve System. Nyman: Hunter College. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/40; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 21. **PR** no charge. **JE** D21, E22, G31. **KW** Financial Xenophobia. Investment. Corporate Cash Holdings.

AB Case studies show that corporate managers seek financial independence to avoid interference by outside financiers. We incorporate this financial xenophobia as a fixed cost in a simple dynamic model of financing and investment. To avoid refinancing in the future, the firm alters its behavior depending on the extent of its financial xenophobia and the realization of a revenue shock. With a sufficiently adverse shock, the firm holds no liquidity. Otherwise, the firm precautionarily saves and holds both liquidity and external finance and investment always responds to neoclassical fundamentals, but responds to cash flow only when the firm holds no liquidity.

Currarini, Sergio

PD January 2001. **TI** A Sequential Approach to the Characteristic Function and the Core in Games with Externalities. **AU** Currarini, Sergio; Marini, Marco. **AA** Currarini: University of Venice and FEEM. Marini: University of Urbino. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 11/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 19. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C71, C72, L13. **KW** Core. Cooperative Games. Externalities.

AB This paper proposes a formulation of coalitional payoff possibilities in games with externalities, based on the assumption that forming coalitions can exploit a "first mover advantage". We derive a characteristic function and show that when outside players play their best response non-cooperatively, the core is always nonempty when the game has

strategic complementarities. We apply this result to cartel formation in Bertrand oligopoly and in Shapley-Shubik (1977) strategic market games.

TI Inflation and Welfare in an OLG Economy with a Privately Provided Public Good. **AU** Bloise, Gaetano; Currarini, Sergio; Kikidis, Nicholas.

Currie, Janet

PD December 2000. **TI** Longer Term Effects of Head Start. **AU** Currie, Janet; Garces, Eliana; Thomas, Duncan. **AA** Currie: UCLA and NBER. Garces: UCLA. Thomas: RAND and UCLA. **SR** National Bureau of Economic Research Working Paper: 8054; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** HeadStart. PSID. African Americans. Schooling Attainment. Criminal Activity. **KW** H31, H43, I22, J24.

AB Little is known about the long-term effects of participation in Head Start. This paper draws on unique non-experimental data from the Panel Study of Income Dynamics to provide new evidence on the effects of participation in Head Start on schooling attainment, earnings, and criminal behavior. Among whites, participation in Head Start is associated with a significantly increased probability of completing high school and attending college, and we find some evidence of elevated earnings in one's early twenties. African Americans who participated in Head Start are significantly less likely to have been charged or convicted of a crime. The evidence also suggests that there are positive spillovers from older children who attended Head Start to their younger siblings.

PD January 2001. **TI** Accidents Will Happen? Unintentional Injury, Maternal Employment, and Child Care Policy. **AU** Currie, Janet; Hotz, V. Joseph. **AA** University of California, Los Angeles and NBER. **SR** National Bureau of Economic Research Working Paper: 8090; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 32. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I18, I19. **KW** Accidents. Children. Maternal Employment. Child Care Regulation.

AB In western countries, accidents are the leading cause of death and injury among children, far surpassing diseases as a health threat. We examine the effect of maternal employment and child care policy on rates of accidental injury using both micro data from the National Longitudinal Survey of Youth (NLSY) and Vital Statistics records. We find that the effects of maternal employment on unintentional injuries to children vary by demographic group, with the effects being positive for blacks and negative for whites in models that control for child-specific fixed effects. Estimates from both individual-level NLSY and Vital Statistics data suggest that the effects of maternal employment may be mediated by child care regulations. Most notably, requiring training beyond high school for caregivers reduces the incidence of both fatal and non-fatal accidents. Other types of regulation have mixed effects on unintentional injuries, suggesting that child care regulations create winners and losers. In particular, while some children may benefit from safer environments, others that appear to be squeezed out of the more expensive regulated sector and are placed at higher risks of injury.

D'Souza, Juliet

TI Sources of Performance Improvement in Privatised Firms: A Clinical Study of the Global Telecommunications Industry. **AU** Bortolotti, Bernardo; D'Souza, Juliet; Fantini, Marcella; Megginson, William L.

Danthine, Jean-Pierre

PD December 2000. **TI** European Financial Markets After EMU: A First Assessment. **AU** Danthine, Jean-Pierre; Giavazzi, Francesco; von Thadden, Ernst-Ludwig. **AA** Danthine and von Thadden: Universite de Lausanne and CEPR. Giavazzi: Universita Bocconi. **SR** National Bureau of Economic Research Working Paper: 8044; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 41. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E44, F21, F36, G15. **KW** EMU. Capital Markets. Euro. **AB** This paper reviews the first evidence on the impact of the European Monetary Union on European capital markets, one year after the launch of the single currency. Our assessment of this evidence is very favorable. On almost all counts the EMU has either already drastically changed the European financial landscape or has the potential to do so in the future. We argue that this is less due to the well-known direct effects of the EMU, such as the elimination of intra-European currency risk, than to a number of indirect consequences through feedback mechanisms that seem to have been triggered by the EMU.

Darolles, Serge

PD April 2000. **TI** Nonparametric Instrumental Regression. **AU** Darolles, Serge; Florens, Jean-Pierre; Renault, Eric. **AA** Darolles: University Paris I and CREST. Florens: IDEI and GREMAQ. Renault: CREST-ENSAI and University Paris IX. **SR** INSEE Documents de Travail du CREST: 2000/17; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 18. **PR** no charge. **JE** C14, C39. **KW** Instrumental Variables. Integral Equation. Ill-Posed Problem. Tikhonov Regularization. Kernel Smoothing. **AB** The focus of the paper is the nonparametric estimation of an instrumental regression function defined by conditional moment restrictions stemming from a structural econometric model and involving endogenous variable Y and Z and instruments W. The function is the solution of an ill-posed inverse problem and we propose an estimation procedure based on Tikhonov regularization. The paper analyses identification and overidentification of this model and presents asymptotic properties of the estimated nonparametric instrumental regression function.

PD April 2000. **TI** Kernel Based Nonlinear Canonical Analysis and Time Reversibility. **AU** Darolles, Serge; Florens, Jean-Pierre; Gourieroux, Christian. **AA** Darolles: University Paris I and CREST. Florens: GREMAQ and IDEI. Gourieroux: CEPREMAP and CREST. **SR** INSEE Documents de Travail du CREST: 2000/18; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 13. **PR** no charge. **JE** C14, C22, C49. **KW** Canonical Analysis. Nonlinear Analysis. Kernel Estimators. Reversibility Hypothesis. Diffusion Equations. High Frequency Data. **AB** We consider a kernel based approach to nonlinear canonical correlation analysis and its implementation for time series'. We deduce a test procedure of the reversibility hypothesis. The method is applied to the analysis of stochastic differential equations from high frequency data on stock returns.

Datta, Debabrata

PD April 2001. **TI** Undercut-Proof Subgame Perfect Equilibrium of a Pricing Game. **AU** Datta, Debabrata; Roy, Jaideep. **AA** Datta: Calcutta University. Roy: University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 01/04; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 15. **PR** no charge. **JE** C73, D43, L13. **KW** Sequential Pricing. Fixed Price. Royalty. Subgame Perfect Equilibrium. **AB** Two firms selling a homogenous product to two types of buyers are involved in a sequential pricing game with zero costs. The pricing strategy available involves a fixed price and a royalty. It is shown that there exists a unique subgame perfect equilibrium with positive profits to both firms if and only if buyers differ significantly in their willingness to pay. In particular, the incumbent sets a positive royalty and sells to the low demand buyer while the entrant only charges a fixed price and sells to the high demand buyer, resulting in an undercut-proof subgame perfect equilibrium.

Davis, Steven J.

PD August 2001. **TI** The Quality Distribution of Jobs and the Structure of Wages in Search Equilibrium. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 8434; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E24, J24, J31, J64. **KW** Wages. Matching. Job Quality. Job Search. Worker Quality. **AB** When match formation is costly and wage determination is decentralized, privately optimal investments in job and worker quality diverge from socially efficient outcomes. To explore this issue, this paper considers search equilibrium environments with endogenous quality distributions for jobs and workers. This paper shows that a search equilibrium with decentralized wage setting exhibits excessive relative supplies of inferior jobs and inferior workers. Moreover, there are fundamental tensions between the standard wage setting condition for an efficient total supply of jobs (and workers) in two-sided search models and the conditions required for efficient mixes of jobs and workers. This paper also derives the efficient wage structure, contrast its properties to the decentralized wage structure and evaluate the welfare and productivity gains of moving to an efficient wage structure. Numerical exercises show that centralized bargaining between a labor union and an employer confederation over the structure of wages can improve productivity and welfare by compressing job-related wage differentials.

Dawar, Niraj

PD 2000. **TI** Rethinking Marketing Programs for Emerging Markets. **AU** Dawar, Niraj; Chattopadhyay, Amitava. **AA** Dawar: University of Western Ontario. Chattopadhyay: INSEAD. **SR** INSEAD Working Paper: 2000/47/MKT; INSEAD, Research Development, Boulevard de

Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 20. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** M31, M37. **KW** Multinationals. Emerging Markets. Marketing Strategies.

AB We point to a fundamental inconsistency in the emerging market strategies of multinational firms: On the one hand, they seek billions of new consumers in the emerging markets of China, India, Indonesia, and Latin America; on the other, their marketing programs are scarcely adapted to the emerging conditions. The result is low market penetration, low market shares, and poor profitability. These multinationals are trapped by their own devices in gilded cages, serving the affluent few and ignoring the potential of billions of new consumers that attracted them in the first place. In this paper, we propose that, to fulfill the promise of serving billions of new consumer, the marketing programs of multinationals need to be rethought. We identify three key factors that characterize emerging markets: (1) low incomes, (2) variability in consumers and infrastructure, and (3) the relative cheapness of labor, which is often substituted for capital. We draw on numerous case studies from around the world to illustrate how marketing programs can be designed from the ground up to incorporate these realities. We conclude with a discussion of the implications of such an approach for the multinational's core strategic assumptions.

De Grauwe, Paul

PD October 2000. **TI** Exchange Rates in Search of Fundamentals: The Case of the Euro-Dollar Rate. **AA** Katholieke Universiteit Leuven and CEPR. **SR** CEPR Discussion Paper: 2575; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F33, F36, F42. **KW** Anchoring. Exchange Rates. Monetary Policy. Rational Beliefs.

AB The decline of the euro against the dollar during 1999-2000 was mostly unrelated to observable news about the underlying fundamentals. This corroborates a general finding from the empirical literature testing the traditional exchange rate models, i.e. that exchange rate movements are disconnected from the underlying fundamentals. We formulate a hypothesis allowing us to understand this phenomenon. The core of this hypothesis is that movements in the exchange rates "anchor" agents' beliefs and lead them to search for fundamentals that will justify these beliefs. We also analyze the implications of this view for the transmission of monetary shocks.

De Meyer, Arnoud

TI Preliminary Information, Interdependence and Task Concurrency in Product Development. **AU** Terwiesch, Christian; Loch, Christoph H.; De Meyer, Arnoud.

TI Project Uncertainty and Management Styles. **AU** Loch, Christoph H.; Pich, M. T.; De Meyer, Arnoud.

Deaton, Angus

PD January 2001. **TI** Relative Deprivation, Inequality, and Mortality. **AA** Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 8099; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

PG 32. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I19, I39. **KW** Mortality. Income Inequality. Relative Deprivation. Health.

AB I present a model of mortality and income that integrates the "gradient," the negative relationship between income and mortality, with the Wilkinson hypothesis, that income inequality poses a risk to health. Individual health is negatively affected by relative deprivation within a reference group. The theory predicts that within reference groups, which may be as large as whole populations, a mean-preserving increase in the spread of incomes raises the risk of mortality for everyone. Between reference groups (e.g. states or countries) mortality is independent of the level of average income, but depends on the gini coefficient of income inequality, as does actual aggregate mortality across US states. Individual data from the National Longitudinal Mortality Study show that the relative deprivation theory provides a good account of the mortality gradient within states, but actually fails to account for interstate correlation between mortality and income inequality. Further analysis of the aggregate data shows that the effect of income inequality is not robust to the inclusion of other controls, particularly the fraction of blacks in the population.

Decker, Sandra

PD February 2002. **TI** Medicare and Disparities in Women's Health. **AU** Decker, Sandra; Rapaport, Carol. **AA** Decker: International Longevity Center and NBER. Rapaport: Federal Reserve Bank of New York. **SR** National Bureau of Economic Research Working Paper: 8761; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I18, I19. **KW** Health Insurance. Medicare Program. Breast Cancer.

AB We investigate the effect of universal health insurance on health outcome and the use of health services by exploiting a natural experiment that changes the insurance status of most Americans at age 65; that is, eligibility for the U.S. Medicare program. We compare inequalities in health and health care use just before and after the age of universal Medicare coverage (65) in the United States. We focus in this paper on the use of services related to breast cancer. We test whether Medicare improves the use of early detection services and ultimately stage of diagnosis of breast cancer particularly for groups shown to be more likely to be uninsured prior to age 65, such as black women or women with less than a high school education. Our results show that education differences in mammography and breast exam receipt and ultimately in stage of diagnosis of breast cancer lessen after the age of 65 for white women. We also find that turning 65 significantly increases the chance that a black woman, especially a less educated black woman, has had a mammogram. We do not find comparable evidence that stage of diagnosis is improved for black women after the age of 65.

Dee, Thomas S.

PD August 2001. **TI** Teachers, Race and Student Achievement in a Randomized Experiment. **AA** Swarthmore College and NBER. **SR** National Bureau of Economic Research Working Paper: 8432; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I21, J15.

KW Education. Race.

AB Recommendations for the aggressive recruitment of minority teachers are based on hypothesized role-model effects for minority students as well as evidence of racial biases among non-minority teachers. However, prior empirical studies have found little or no association between exposure to an own-race teacher and student achievement. This paper presents new evidence on this question by evaluating the test score data from Tennessee's Project STAR class-size experiment, which randomly matched students and teachers within participating schools. Empirical results based on these data confirm that the racial pairings of students and teachers in this experiment were independently given. Models of student achievement indicate that a one-year assignment to an own-race teacher significantly increased the math and reading achievement of both black and white students by roughly three to four percentile points.

Del Boca, Alessandra

TI Capital Heterogeneity: Does it Matter? Fundamental Q and Investment on a Panel of Italian Firms. AU Bontempi, Elena; Del Boca, Alessandra; Franzosi, Alessandra; Galeotti, Marzio; Rota, Paola.

Denny, Kevin

PD February 2002. TI Cross Country Evidence on the Returns to Education: Patterns and Explanations. AU Denny, Kevin; Harmon, Colm; Lydon, Raemonn. AA Denny: University College Dublin. Harmon: University College Dublin, CEPR, IZA, and University College London. Lydon: University of Warwick. SR CEPR Discussion Paper: 3199; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE F18, I21, J11. KW Returns to Education. Cross-Country Variation. Trade Volume.

AB This paper examines cross-country variations in the return to schooling for men and women and considers some of the stylized facts that have emerged from the extensive international literature on private returns to schooling. We examine the relationship across countries between these returns and a range of controls that can be grouped into three broad areas (i) supply factors, (ii) demand factors, and (iii) governmental policies and institutional factors. We find that the returns are decreasing in both labor force participation and, in some cases, in the average level of schooling in the population. In the multivariate analysis the only education variables that consistently matter are the proportions completing primary or third level education, which has negative and positive effects respectively. Standard measures of openness such as trade volume have positive effects, and we also find that measures of protection raise the return to schooling. Net inflows of foreign investment are associated with lower schooling returns -- a result difficult to reconcile with the argument that capital is complementary to high skill labor and hence increases the skill premium.

Deri, Catherine

TI What do Self-Reported, Objective Measures of Health Measure? AU Baker, Michael; Stabile, Mark; Deri, Catherine.

Desai, Mihir A.

PD November 2000. TI The Uneasy Marriage of Export Incentives and the Income Tax. AU Desai, Mihir A.; Hines, James R., Jr.. AA Desai: Harvard University and NBER. Hines: University of Michigan and NBER. SR National Bureau of Economic Research Working Paper: 8009; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 48. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE F13, H25, H87. KW Exports. Income Tax. Tax Exemption. Export Subsidies.

AB This paper investigates the economic impact of tax incentives for American exports. These incentives include a partial tax exemption for export profits, and the allocation of some export profits to foreign source income for purposes of U.S. taxation. The analysis highlights three important aspects of these policies. First, official figures appear to understate dramatically the tax expenditures associated with some U.S. export incentives. Correctly measured, total export benefits provided through the income tax are equivalent to a one percent ad valorem subsidy. Second, the 1984 imposition of more rigorous requirements for obtaining tax benefits through Foreign Sales Corporations is contemporaneous with a significant change in the pattern of U.S. exports. Estimates imply that the 1984 changes reduced U.S. manufacturing exports by 3.1 percent. Third, there were significant market reactions to the 1997 event in which the European Union charged that U.S. income tax provisions are inconsistent with World Trade Organization rules prohibiting export subsidies. Filing of the European complaint coincides with a 0.1 percent fall in the value of the U.S. dollar and steep drops in the share prices of major American exporters.

PD August 2001. TI Foreign Direct Investment in a World of Multiple Taxes. AU Desai, Mihir A.; Hines, James R., Jr.. AA Desai: Harvard Business School and NBER. Hines: University of Michigan Business School and NBER. SR National Bureau of Economic Research Working Paper: 8440; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 34. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F23, H25, H87. KW Foreign Direct Investment. Taxes. Multinationals.

AB While governments have multiple tax instruments available to them, studies of the effect of tax policy on the locational decisions of multinationals typically focus exclusively on host country corporate income tax rates and their interaction with home country tax rules. This paper examines the impact of indirect (non-income) taxes on the location and character of foreign direct investment by American multinational firms. Indirect tax burdens significantly exceed foreign income tax obligations for these firms and appear to influence strongly their behavior. The influence of indirect taxes is shown to be partly attributable to the inability of American investors to claim foreign tax credits for indirect tax payments. Estimates imply that 10 percent higher indirect tax rates are associated with 9.2 percent lower reported income of American affiliates and 8.6 percent lower capital/labor ratios. These estimates carry implications for efficient tradeoffs between direct and indirect taxation in raising revenue while attracting mobile capital.

Desdoigts, Alain

PD June 2001. TI Multiple Politico-Economic Regimes,

Inequality and Growth. AU Desdoigts, Alain; Moizeau, Fabien. AA Desgoits: EPEE, Universite d'Evry-Val d'Essonne, France. Moizeau: EUREQua, Paris, France. SR Fondazione Eni Enrico Mattei Note di Lavoro: 41/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 47. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D31, H23, I22, J62, P16. KW Income Distribution. Human Capital. Redistribution. Social Mobility.

AB In this paper, we assume that redistribution modifies the community structure of an economy and generates both intra and intergenerational mobility. In a world in which neighborhood attributes and family backgrounds are important in determining the investment in and the productivity of education, we abandon the stylized median voter in favor of more nuanced pressure-group modeling. We study the conflicts of material interest, as well as both the income distribution and growth dynamics. We find multiple politico-economic regimes where the pressure for redistribution is highly non-linear depending on social affinity. In some range of inequality, those in the tails of the distribution may oppose rates of redistribution as high as those preferred by the middle class more unequal and segmented economies may redistribute less, not more. Our framework displays multiple steady states describing either a situation of equality and integration or segregation with persistent inequality depending on historical economic discrimination. Re-distribution increases the number of candidates for the integrated equilibrium, but an economy's institutions will have first to overcome ranges of inequality in which voting cycles are likely to emerge.

di Falco, Salvatore

TI Investigating the Shape of the EKC: A Nonparametric Approach. AU Baiocchi, Giovanni; di Falco, Salvatore.

Diamond, Peter A.

PD July 2002. TI An Assessment of the Proposals of the President's Commission to Strengthen Social Security. AU Diamond, Peter A.; Orszag, Peter R. AA Diamond: MIT. Orszag: The Brookings Institutions. SR MIT, Department of Economics Working Paper: 02/28; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=322040. PG 47. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE E62, H55. KW Social Security. Individual Accounts. Actuarial Balance. Benefit Reductions.

AB Two of the Social Security Commission's plans restore actuarial balance without their individual accounts, primarily or entirely through benefit reductions. Both have voluntary carve-out individual accounts, with one requiring (subsidized) add-on contributions for opening accounts. "Liability accounts" track diverted payroll taxes (with interest) and are repaid by reducing traditional benefits. The diverted payroll worsens Trust Fund finances because the liability accounts carry sub-market interest rates and because of cash-flow problems. If all eligible workers (two-thirds) open accounts, general revenue transfers over 75 years are 1.2 to 1.5 (0.8 to 1.2) percent of payroll. Preserving disability benefits at their scheduled levels raises transfers to 1.5 to 1.7 (1.1 to 1.3) percent. Nevertheless, expected combined benefits are significantly reduced (and risk-adjusted benefits more so). In 75 years, account assets are 53 to 66 (35 to 44)

percent of gross domestic product (GDP), and liability accounts exceed 20 (15) percent of GDP.

PD September 2002. TI Optimal Taxation and the Le Chatelier Principle. AU Diamond, Peter A.; Mirrlees, James A. AA Diamond: MIT. Mirrlees: University of Cambridge. SR MIT, Department of Economics Working Paper: 02/30; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=331300. PG 12. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE H21, J24. KW Optimal Taxation. Le Chatelier Principle. Human Capital.

AB It is a natural presumption that there should be less distorting taxation when there are more decisions based on the prices distorted by taxation. This note shows the need for an additional assumption in order to reach the conclusion. We consider a competitive model with one consumption good, labor, and human capital. We contrast the situation where human capital is chosen with that where the human capital level is a parameter, using the Le Chatelier principle. The assumption that the income derivative of human capital is small relative to its substitution effect is sufficient to obtain the presumptive result.

Diba, Behzad T.

TI The Need for International Policy Coordination: What's Old, What's New, What's Yet to Come? AU Canzoneri, Matthew B.; Cumby, Robert E.; Diba, Behzad T.

Dierker, Egbert

PD September 2001. TI Small Income Effects Destroy the Constrained Efficiency of All Equilibria in Finance Economies with Production. AU Dierker, Egbert; Dierker, Hildegard; Grodal, Birgit. AA Dierker, E. and Dierker, H.: Universitat Wien. Grodal: University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 01/11; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 14. PR no charge. JE D20, D52, D61, G10. KW Incomplete Markets. Production. Constrained Efficiency. Income Effects.

AB We consider economies with incomplete markets, one good per state, private ownership of initial endowments, a single firm, and no assets other than shares in this firm. In this simple framework, arbitrarily small income effects can render every market equilibrium resulting from some production decision constrained inefficient. Thus, even if all utility functions are approximately quasilinear, the stock market can be unable to achieve a constrained efficient allocation given the agents' characteristics. Moreover, the phenomenon persists when the efficiency requirements are substantially weakened.

Dierker, Hildegard

TI Small Income Effects Destroy the Constrained Efficiency of All Equilibria in Finance Economies with Production. AU Dierker, Egbert; Dierker, Hildegard; Grodal, Birgit.

Dijkgraaf, Elbert

PD September 2001. TI A Note on Testing for Environmental Kuznets Curves with Panel Data. AU Dijkgraaf, Elbert; Vollebergh, Herman R. J. AA Erasmus University. SR Fondazione Eni Enrico

Mattei Note di Lavoro: 63/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 21. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C33, O50, Q40, Q50. **KW** Environmental Kuznets Curves. Panel Data. Heterogeneity. GDP. Pollution.

AB This paper casts doubt on empirical results based on panel estimations of an "inverted-U" relationship between per capita GDP and pollution. Using a new data set for OECD countries on carbon dioxide emissions for the period 1960-1997, we find that the crucial assumption of homogeneity across countries is problematic. Decisively rejected are model specifications that feature even weaker homogeneity assumptions than are commonly used. Furthermore, our results challenge the existence of an overall Environmental Kuznets Curve for carbon dioxide emissions.

Dittmar, Robert

PD February 2002. **TI** Stochastic Capital Depreciation and the Comovement of Hours and Productivity. **AU** Dittmar, Robert; Dueker, Michael; Fischer, Andreas M. **AA** Dittmar and Dueker: Federal Reserve Bank of St Louis. Fischer: Swiss National Bank and CEPR. **SR** CEPR Discussion Paper: 3192; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** E22, E32. **KW** Markov Switching. Non-Linear Decision Rules. Hours Worked. Labor Productivity.

AB In this article, we demonstrate that a small degree of stochastic variation in the depreciation rate of capital can greatly reduce the comovement between hours worked and labor productivity in a neoclassical growth model. The depreciation rate is modeled as a Markov process to place a strict upper bound and to ensure that variation and not the level of the rate is driving the result. Markov switching implies non-linear decision rules in the dynamic stochastic general equilibrium model (DSGE). Our contribution to DSGE solution methodologies in the presence of Markov switching is to apply Judd's (1998) projection method to non-linear decision rules. This approach allows for non-linear decision rules in a richer set of models with many more state variables than can be solved with grid-based approximations. The results presented here suggest that Markov switching parameters offer a powerful extension to DSGE models.

Donohue, John J., III.

TI The Costs of Wrongful-Discharge Laws. **AU** Autor, David H.; Donohue, John J., III..; Schwab, Stewart J.

Dooley, Michael P.

PD November 2000. **TI** Private Inflows when Crises are Anticipated: A Case Study of Korea. **AU** Dooley, Michael P.; Shin, Inseok. **AA** Dooley: UC Santa Cruz and NBER. Shin: Korea Development Institute. **SR** National Bureau of Economic Research Working Paper: 7992; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G21, G28. **KW** Financial Crises. Deregulation. Capital Inflows. Korea. Banking Sector.

AB Models of financial crises based on distortions in capital markets have strong implications for the behavior of investors leading up to crises. In this paper, we evaluated the hypothesis that deregulation of financial markets in Korea provided the incentives and opportunities for a sequence of capital inflows and crisis. We show that deregulation was associated with a sharp decline in the franchise value of Korean banks. Banks responded by expanding their balance sheets and accumulating high risk, high return assets. The regulatory mechanism appears to have failed because of the failure to consolidate onshore and offshore activities of banks. Foreign banks that supplied deposits to Korean banks behaved as if they were insured in that they did not discriminate between weak and strong Korean banks. Finally, this expectation was validated at the time of crisis by government intervention that allowed foreign banks to liquidate their claims on Korean banks.

Doria, Paola

PD January 2001. **TI** The Decision Making Process in Defining and Protecting Critical Natural Capital. **AU** Doria, Paola; Pettenella, Davide. **AA** FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 02/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 15. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** Q38, Q01. **KW** Critical Natural Capital. Sustainability. Advocacy Coalition Theory. Italy.

AB The concept of Critical Natural Capital (CNC) is a general reference concept derived from the implementation of the strong sustainability criterion guiding the formulation of environmental protection policies. The paper presents the steps characterizing the decision making process related to the definition of CNV. An inventory of different components of CNC based on the legislative framework in Italy is presented. The different actors involved and the conflicts arising in Critical Natural Capital definition are highlighted by means of three case studies. The decision making process is analyzed implementing the Advocacy Coalition theory.

Dosi, Cesare

PD October 2001. **TI** Global Warming and Financial Umbrellas. **AU** Dosi, Cesare; Moretto, Michele. **AA** University of Padova. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 87/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 12. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** G19, Q25. **KW** Global Warming. Climate Variability. Insurance Coverage. Weather Derivatives.

AB A new instrument for hedging weather risks has made its appearance in the financial arena. Trade in "weather derivatives" has taken off in the US, and interest is growing elsewhere. Whilst such contracts may be simply interpreted as a new tool for solving a historical problem, the question addressed in this paper is if, besides other factors, the appearance of weather derivatives is somehow related to anthropogenic climate change. Our tentative answer is positive. Since "global warming" does not simply mean an increase in averaged temperatures, but increased climate variability, and increased frequency and magnitude of weather extremes, derivative contracts may potentially become a useful tool for hedging some weather risks, insofar as they may provide coverage at a lower cost than standard insurance schemes.

Doyle, Suzanne

AB In this paper we derive and compare the value of life annuity products in an international context. Our specific goal is to assess the money's worth and adverse selection impact of annuities in two countries -- Singapore and Australia -- that have mandatory DC-type retirement plans. This similarity in plan type is offset by differences in the two countries' national retirement policies. Our comparison therefore exploits the natural experiment in annuity pricing and purchase behavior under alternative retirement regimes. The results show that after controlling for administrative loadings, there appear to be important differences in measured adverse selection across countries. Specifically, selection appears to be far stronger in the presence of a generous public benefit scheme that provides a first line of defense against the risk of old-age poverty.

Drazen, Allan

AB The rationale for fiscal rules (rules that put quantitative rules on fiscal policy or change the procedure by which fiscal policy is made) is considered, especially "deficit bias," the inherent bias towards fiscal deficits in many countries. The paper considers why legislated restrictions may have an effect on government policy and make policy more credible, as well as how it may be made more credible that rules themselves will not be changed.

AB The relation between International Monetary Fund (IMF) conditionality and country ownership of assistance programs is considered from a political economy perspective, focusing on the question of why conditionality is needed if it is in a country's best interests to undertake the reform program. It is argued that heterogeneity of interests must form the basis of any discussion of conditionality and ownership. The paper stresses a conflict between a reformist government and domestic interest groups that oppose reform, leading to a distinction between government and country ownership of a program. A model of lending and policy reform is presented that illustrates the effects of unconditional and conditional assistance first without and then with political constraints. It is shown that conditionality can play a key role even when the Fund and authorities agree on the goals of an assistance program.

Drudi, Francesco

AB This study tests the behavior of informed dealers in Italian Treasury bonds around auction time, analyzing jointly their strategies on the primary and secondary markets. The analysis uses a unique dataset that covers both markets with detailed information broken down at a single dealer's level. In particular, the joint availability of information on dealers' behavior on both markets around auction time allows us to identify the informed dealers, to test their strategies, and to understand how they exploit their informational advantage. We show that the information generated at the auction is gradually released to the secondary market during the interval between the submission of the demand schedules and the announcement of the results of the auction by the Treasury. The release of information is due to the trading strategies of t he informed dealers. We find that informed dealers hide their informational advantage before the auction through a reduction in the volume of trade on the secondary market. They then bid aggressively at the auction and exploit their information immediately after the deadline for the submission of the demand schedules to the Treasury, winding down their trading and going back to the normal level after the auction.

Druilhet, Pierre

AB The purpose of this paper is to establish some results on optimal criteria in experimental designs. Some relationships between optimality criteria are shown. We prove the Yeh (18) conjecture that gives a necessary and sufficient condition for a design to be universally optimal. We also give a similar result based on the eigenvalue of the information matrix.

Dubey, Pradeep

PD April 2002. **TI** From Nash to Walras via Shapley-Shubik. **AU** Dubey, Pradeep; Geanakoplos, John. **AA** Dubey: State University of New York. Geanakoplos: Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1360; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 11. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. **JE** C72, D40, D41. **KW** Nash Equilibrium. Walrasian Equilibrium. Shapley-Shubik Trading-Post Game. Money.
AB We derive the existence of a Walras equilibrium directly from Nash's theorem on noncooperative games. No price player is involved, nor are generalized games. Instead we use a variant of the Sahpley-Shubik trading-post game.

Dueker, Michael

TI Stochastic Capital Depreciation and the Comovement of Hours and Productivity. **AU** Dittmar, Robert; Dueker, Michael; Fischer, Andreas M.

Duflo, Esther

PD December 2000. **TI** Grandmothers and Granddaughters: Old Age Pension and Intra-Household Allocation in South Africa. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8061; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D13, H55, I12, O15. **KW** Gender. South Africa. Nutritional Status. Children. Pension.
AB This paper studies whether the impact of a cash transfer on child nutritional status is affected by the gender of its recipient. In the early 1990's, the benefits and coverage of the South African social pension program were expanded for the black population. In 1993, the benefits were about twice the median income per capita in rural areas. Over a quarter of black South African children under age five live with a pension recipient. My estimates suggest that pensions received by women had a large impact on the anthropometric status of girls (it improved their weight given height by 1.19 standard deviations, and their height given age by 1.16 standard deviations), but little effect on that of boys. In contrast, I found no similar effect for pensions received by men. This suggests that the household does not function as a unitary entity, and that the efficiency of public transfer programs may depend on the gender of the recipient.

TI Women's Leadership and Policy Decisions: Evidence from a Nationwide Randomized Experiment in India. **AU** Chattopadhyay, Raghabendra; Duflo, Esther.

TI Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program. **AU** Banerjee, Abhijit V.; Duflo, Esther.

Duggan, Mark

TI The Rise in Disability Recipiency and the Decline in Unemployment. **AU** Autor, David H.; Duggan, Mark.

Durham, J. Benson

PD October 2001. **TI** The Effect of Monetary Policy on Monthly and Quarterly Stock Market Returns: Cross-Country Evidence and Sensitivity Analyses. **AA** Board of Governors of the Federal Reserve System. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/42; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 19. **PR** no charge. **JE** E52, G14. **KW** Monetary Policy. Stock Market Returns.
AB Several studies report an empirical link between changes in monetary policy and stock market performance in the United States. Such findings are germane both to the study of market determinants and to monetary policy transmission mechanisms. Previous univariate time-series results on long-run data, which use the discount rate as the main policy indicator, seem robust to alternative specifications of stock price returns given data on 16 countries from 1956 through 2000. However, out- of-sample tests indicate that the relation has largely decreased over time. Also, panel regressions, which notably include cross-sectional variance and therefore are particularly relevant to market participants, suggest that the relation is less sturdy, and consideration of excess as opposed to raw equity price returns in time-series regressions indicates no relation. Finally, alternative measures of central bank policy suggest a weaker and a diminished correlation between monetary policy changes and long-run stock market performance.

PD November 2001. **TI** Sacrifice Ratios and Monetary Policy Credibility: Do Smaller Budget Deficits, Inflation-Indexed Debt, and Inflation Targets Lower Disinflation Costs? **AA** Board of Governors of the Federal Reserve System. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/47; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 26. **PR** no charge. **JE** E31, E32, E52, E58. **KW** Monetary Policy. Sacrifice Ratios.
AB A growing empirical literature addresses the determinants of the sacrifice ratio, an imperfect measure of the tradeoff between inflation and aggregate output. This study endeavors to advance previous studies in three ways. First, the literature does not satisfactorily examine key fiscal and monetary policy practices that arguably affect policymaking credibility. These include the stock (and flow) of government debt, the issuance of inflation-indexed bonds, and the existence of explicit inflation targets. Second, previous studies unfortunately exclude non- OECD countries. Third, the literature is divided with respect to research design, and therefore this study produces sensitivity analyses of previous results. Given these addenda, the results generally suggest that credibility proxies are largely sensitive to research design. However, some data do support the hypothesis that governments with an incentive, rather than perhaps a publicized objective, to lower inflation achieve lower sacrifice ratios.

Durieu, Jacques

TI Finding a Nash Equilibrium in Spatial Games is an NP-Complete Problem. **AU** Baron, Richard; Durieu, Jacques; Haller, Hans; Solal, Philippe.

Durlauf, Steven N.

TI Growth Economics and Reality. **AU** Brock, William A.; Durlauf, Steven N.

Dutta, Jayasri

TI Transitional Politics: Emerging Incentive-Based Instruments in Environmental Regulation. AU Aidt, Toke S.; Dutta, Jayasri.

Dutta, Shantanu

TI What can the Price Gap between Branded and Private Label Products Tell Us about Markups? AU Barsky, Robert; Bergen, Mark; Dutta, Shantanu; Levy, Daniel.

Earnhart, Dietrich

PD September 2000. TI Liability for Past Environmental Contamination and Privatization. AA University of Kansas and CEPR. SR CEPR Discussion Paper: 2571; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D83, K32. KW Environmental. Cleanup Costs. Contamination. Liability. Privatization. Risk.
AB This paper examines the role of liability for past environmental contamination in the privatization processes of Central and Eastern Europe. The theoretical section establishes a link between a risk-averse investor's amount of information regarding the extent of past environmental contamination (and its cleanup costs) and the investor's willingness to pay for a particular enterprise, i.e., bid. As the investor obtains a more precise estimate of the uncertain cleanup costs, the investor faces less risk; therefore, the investor's risk premium falls and the investor's bid rises. This link generates four hypotheses regarding a privatization agency's responses to the investor's knowledge of cleanup costs. The empirical section of this paper proposes to test these hypotheses with forthcoming analysis using data from the Czech Republic.

Echenique, Federico

PD May 2002. TI Mixed Equilibria in Games of Strategic Complements are Unstable. AU Echenique, Federico; Edlin, Aaron. AA Echenique: Universidad Torcuato Di Tella and Universidad de la Republica. Edlin: University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC02/27; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 24. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE C72, C73. KW Mixed-Strategy Equilibrium. Learning. Supermodular Games. Strategic Complementarities. Equilibrium Selection.
AB In games with strict strategic complementarities, properly mixed Nash equilibria -- equilibria that are not in pure strategies -- are unstable for a broad class of learning dynamics.

Eckstein, Zvi

TI From Farmers to Merchants: A Human Capital Interpretation of Jewish Economic History. AU Botticini, Maristella; Eckstein, Zvi.

Edlin, Aaron

TI Mixed Equilibria in Games of Strategic Complements are Unstable. AU Echenique, Federico; Edlin, Aaron.

Edmonds, Eric

PD February 2002. TI Does Globalization Increase Child Labor? Evidence from Vietnam. AU Edmonds, Eric; Pavcnik, Nina. AA Edmonds: Dartmouth College. Pavcnik: Dartmouth College and NBER. SR National Bureau of Economic Research Working Paper: 8760; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 33. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F14, F15, J82. KW Globalization. Child Labor. Trade Liberalization. Vietnam.
AB This paper considers the impact of liberalized trade policy on child labor in a developing country. While trade liberalization entails an increase in the relative price of the exported product, trade theory provides ambiguous predictions on how this price change affects the incidence of child labor. In this paper, we exploit regional and intertemporal variation in the real price of rice to examine the relationship between price movements of a primary export and the economic activities of children. Using a panel of Vietnamese households, we find that reductions in child labor are increasing with rice prices. Declines in child labor are largest for girls of secondary school age, and we find a corresponding increase in school attendance for this group. Overall, rice price increases can account for almost half of the decline in child labor that occurs in Vietnam in the 1990s. Greater market integration, at least in this case, appears to be associated with less child labor. Our results suggest that the use of trade sanctions on exports from developing countries to eradicate child labor is unlikely to yield the desired outcome.

Edwards, Sebastian

PD January 2001. TI Capital Mobility and Economic Performance: Are Emerging Economies Different? AA UCLA and NBER. SR National Bureau of Economic Research Working Paper: 8076; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 16. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F21, F32, O11. KW Capital Mobility. Growth. Capital Account.
AB In this paper I use a new cross-country data set to investigate the effects of capital mobility on economic growth. The new indicator of capital mobility used in this analysis is superior to previously used indexes in two respects: (1) It allows for intermediate situations, where a country's capital account is semi-open; and (2) it is available for two different periods in time. The results obtained suggest that, after controlling for other variables (including aggregate investment), countries with a more open capital account have outperformed countries that have restricted capital mobility. There is also evidence, however, suggesting that an open capital account positively affects growth only after a country has achieved a certain degree of economic development. This provides support to the view that there is an optimal sequencing for capital account liberalization.

Eeckhout, Jan

PD December 2002. TI Institutional Change in the Non-Market Economy: Endogenous Matching in Chennai's Chit Fund Auctions. AU Eeckhout, Jan; Munshi, Kaivan. AA Eeckhout: University of Pennsylvania. Munshi: University of Pennsylvania MIT. SR MIT, Department of Economics Working Paper: 03/01; Linda Woodbury, MIT

Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=572801. PG 33. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D44, O12, O17. KW Non-Market Institutions. Endogenous Matching. Financial Intermediation.
AB This paper tests the proposition that non-market institutions can respond flexibly to changes in the economic environment that they operate in, using data from Chennai's chit fund auctions. These auctions bring borrowers and lenders together in small groups, and starting from September 1993, legal restrictions exogenously capped the amount that could be bid in the auctions. A theory of endogenous matching is proposed, in which borrowers and lenders sort themselves into groups with different characteristics, which also predicts how the participants will re-sort following the policy experiment. Data collected before and after the experiment reveals that this non-market institution settles remarkably quickly into its new equilibrium. Consistent with the theory, a completely different composition of borrowers and lenders in the groups, and a completely different group structure is observed.

Ehrhart, Karl-Martin
PD January 2001. TI Budget Processes: Theory and Experimental Evidence. AU Ehrhart, Karl-Martin; Gardner, Roy J.; Keser, Claudia; von Hagen, Jurgen. AA Ehrhart: Karlsruhe University. von Hagen: Bonn University. SR CEPR Discussion Paper: 2661; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D72, H61. KW Budget Processes. Experimental Economics. Structurally Induced. Equilibrium.
AB This Paper studies budget processes, both theoretically and experimentally. We compare the outcomes of bottom-up and top-down budget processes. It is often presumed that a top-down budget process leads to a smaller overall budget than a bottom-up budget process. We show, using structurally induced equilibrium theory, that this need not be the case. To test the implications for budget processes of structurally induced equilibrium theory, we conduct a series of experiments. The evidence from these experiments supports the predictions of structurally induced equilibrium theory, both at the aggregate and at the individual level.

Eichenbaum, Martin
TI Why Are Rates of Inflation So Low After Large Devaluations? AU Burstein, Ariel; Eichenbaum, Martin; Rebelo, Sergio.

Eichengreen, Barry
PD December 2000. TI The EMS Crisis in Retrospect. AA UC Berkeley and NBER. SR National Bureau of Economic Research Working Paper: 8035; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 46. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE F30, N10. KW European Monetary System. Emerging Markets. Financial Crises. Capital Mobility.
AB This paper reconsiders the 1992-3 crisis in the European Monetary System in light of its emerging market successors. That episode was a predecessor of the Mexican and Asian crises in the sense that both capital movements and domestic financial fragility placed important roles. The output effects of this currency crisis resemble those of the typical emerging market crisis as much as they do the moderate effects of the typical industrial-country event of this kind to take place in an environment of fully free capital mobility. "Leading indicator models" constructed using data from the Tequila and the Asian flu are shown to do a surprisingly good job at "backcasting" which European countries suffered currency instability in 1992-3, although these models also point to what was distinctive about the European case.

Ejarque, Joao
PD October 2002. TI Do Financial Market Imperfections Affect the Cyclicality of Employment? AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/10; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 15. PR no charge. JE E22, J63, J64. KW Employment Volatility. Investment. Q Theory. Liquidity Constraint.
AB This paper shows that the idea that firms faced with a liquidity constraint display "excess sensitivity" of employment to shocks is not correct. The employment decision is independent of the financing constraint and artificial data shows that there is no such excess sensitivity.

El-Fadel, Mutasem
PD June 2001. TI Climate Change and Water Resources in the Middle East: Vulnerability, Socio-Economic Impacts, and Adaptation. AU El-Fadel, Mutasem; Bou-Zeid, E. AA El-Fadel: American University of Beirut. Bou-Zeid: John Hopkins University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 46/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 14. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE Q01, Q25. KW Climate Change. Water Resources. Water Balance. Middle East.
AB While the extent of human induced global warming is inconclusive, the vulnerability of natural systems to rapid changes in climate patterns is regarded as one of the most challenging issues in recent years. Water resources are a main component of natural systems that might be affected by climate change. This paper characterizes water resources in several Middle Eastern countries and evaluates regional climate predictions for various scenarios using General Circulation Models. Adaptation measures are assessed with a focus on no-regret actions in the context of local socio-economic and environmental frameworks.

Eliaz, Kfir
PD October 2002. TI Anticipatory Feelings and Attitudes to Information. AU Eliaz, Kfir; Spiegler, Ran. AA Eliaz: NYU. Spiegler: Tel Aviv University and Princeton University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 23/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 25. PR no charge. JE D81, D83. KW Anticipatory Feelings. Utility from Beliefs. Information Aversion. Anxiety.
AB The well-being of agents is often directly affected by their beliefs, in the form of anticipatory feelings such as

anxiety. Economists have tried to incorporate such effects by introducing beliefs as arguments in decision makers' Von Neumann-Morgenstern utility function. Intuition suggests that anticipatory feelings lead to anomalous attitudes to information. We explore this intuition by studying the class of attitudes to information, which is consistent with the extended expected utility model. Our findings suggest that the anomalous behavior associated with anticipatory feelings cannot be captured by expected utility from beliefs.

Elliott, Kimberly Ann

PD January 2001. TI White Hats or Don Quixotes? Human Rights Vigilantes in the Global Economy. AU Elliott, Kimberly Ann; Freeman, Richard B. AA Elliott: Institute for International Economics. Freeman: Harvard University, NBER, and LSE. SR National Bureau of Economic Research Working Paper: 8102; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 36. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F23, J81, M14. KW Corporate Responsibility. Labour Standards. Multinational Firms. Working Conditions.

AB With the continuing expansion of global economic integration, labor standards in developing countries have become a hot button issue. One result has been a proliferation of efforts to use the market to put pressure directly on multinational corporations to improve wages and working conditions in their overseas operations and to insist that their suppliers do so as well. This paper analyzes the dynamics of these efforts in terms of a "market for standards" in which consumers, stimulated by human rights activists, demand that corporations improve working conditions in supplier factories. The paper presents evidence that such a consumer demand exists and analyzes the incentives corporations face to respond to it. It examines the nature of the critical intermediary role played by activities in stimulating consumer demands and assesses the outcomes in the major anti-sweatshop campaigns of the 1990s. The paper also addresses the limitations of such consumer-based campaigns and the concern expressed by some that these activist campaigns may do more harm than good, by deterring investment in and trade with poor countries. It concludes with an overall assessment of when "doing good" actually does good.

Ellwood, David T.

PD December 2000. TI The Middle Class Parent Penalty: Child Benefits in the U.S. Tax Code. AU Ellwood, David T.; Liebman, Jeffrey B. AA Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 8031; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 31. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE H24, J12, J13, J22. KW Child Benefits. Marginal Tax Rates. Family Income. Marriage.

AB Low-income families with children receive large tax benefits from the Earned Income Tax Credit, while high income taxpayers receive large tax benefits from dependent exemptions (whose value is greater to those in higher tax brackets). In contrast, middle-income parents receive substantially smaller tax benefits associated with children. This U-shaped pattern of benefits by income, which we call the "middle-class parent penalty," not only raises issues of fairness; it also generates

marginal tax rates and marriage penalties for moderate income families that are as high or higher than those facing more well-to-do taxpayers. This paper documents how the tax benefits of children vary with income, and illustrates their impact on marginal tax rates and marriage penalties. It then examines five options for reducing or eliminating the middle-class parent penalty and the high marginal tax rates and marriage penalties it produces.

TI The Clinton Legacy for America's Poor. AU Blank, Rebecca M.; Ellwood, David T.

Ely, Jeffrey C.

TI Efficient and Dominance Solvable Auctions with Interdependent Valuations. AU Chung, Kim-Sau; Ely, Jeffrey C.

PD April 2001. TI Evolution with Diverse Preferences. AU Ely, Jeffrey C.; Sandholm, William H. AA Ely: Northwestern University. Sandholm: University of Wisconsin. SR Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1317; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. PG 47. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. JE C11, C70. KW Evolution. Diverse Preferences. Bayesian Analysis.

AB We introduce best response dynamics for settings where players' preferences are diverse. Under these dynamics, which are defined on the space of Bayesian strategies, rest points and Bayesian Nash equilibria are identical. We prove the existence and uniqueness of solution trajectories to these dynamics, and provide methods of analyzing the dynamics which are based on aggregation. Finally, we apply these techniques to prove a dynamic version of Harsanyi's (1973) purification theorem.

Engel, Charles M.

PD January 2001. TI Currency Unions and International Integration. AU Engel, Charles M.; Rose, Andrew K. AA Engel: University of Wisconsin. Rose: University of California, Berkeley. SR CEPR Discussion Paper: 2659; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE F15, F33. KW Business Cycle. Common Currency Area. Integration.

AB This paper characterizes the integration patterns of international currency unions (such as the CFA Franc zone and the East Caribbean Currency Area). We empirically explore different features of currency unions, and compare them both to countries with sovereign monies, and to regions within nations. We ask: are countries within international currency unions as integrated as regions within political unions? We do this by examining the criteria for Mundell's concept of an optimum currency area. We find that members of currency unions are more integrated than countries with their own currencies, but less integrated than regions within a country. For instance, we find that currency union members have more trade and less volatile real exchange rates than countries with their own monies, but less trade and more volatile exchange rates than regions within individual countries. Similarly, business cycles are more highly synchronized across currency union countries

than across countries with sovereign monies, but not as synchronized as regions of a single country. Finally, currency union membership is not associated with significantly greater risk sharing, although risk sharing is widespread within countries.

Engel, Eduardo

PD February 2002. TI How to Auction an Essential Facility When Underhand Integration is Possible. AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander. AA Engel: Yale University and NBER. Fischer and Galetovic: University of Chile. SR Yale Cowles Foundation Discussion Paper: 1353; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 20. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE D44, L12, L92. KW Auctions. Demsetz Auctions. Hidden Action. Monopoly Regulation. ertical Integration.
AB Regulating seaports is difficult in general, even more so for the weak regulatory institutions common in developing countries. For this reason some countries have awarded these facilities via Demsetz auctions, to the port operator that bids the lowest cargo-handling fee. A major concern with Demsetz auctions in this context, is that the winning operator may integrate with a shipper and monopolize the shipping market, by worsening the service quality for competing shippers. The standard policy recommendation against service quality discrimination is to ban the seaport from operating in the shipping market. The effectiveness of such prohibitions is suspect, however, because they can be circumvented by an (illegal) underhand agreement between the port operator and the shipper. In this paper we show that a ban on integration increases welfare if it is combined with a (sufficiently high) floor on the cargo-handling fee that operators can bid in the auction. In the absence of such a floor, however, a Demsetz auction is worse than no regulation at all of the bottleneck monopoly. The results only require that profits with underhand vertical integration agreements be less than with legal vertical integration.

PD February 2002. TI Highway Franchising and Real Estate Values. AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander. AA Engel: Yale University and NBER. Fischer and Galetovic: University of Chile. SR Yale Cowles Foundation Discussion Paper: 1354; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 18. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE D44, H40, H54, R42, R48. KW Demsetz Auctions. Highway Concessions. Private Participation in Infrastructure.
AB It has become increasingly common to allocate highway franchises to the bidder that offers to charge the lowest toll. Often, building a highway increases the value of land held by a small group of developers, an effect that is more pronounced with lower tolls. We study the welfare implications of highway franchises that benefit large developers, focusing on the incentives developers have to internalize the effect of the toll they bid on the value of their land. We study how participation by developers in the auction affects equilibrium tolls and welfare. We find that large developers bid more aggressively than construction companies that own no land. As long as land ownership is sufficiently concentrated, allowing developers in the auction leads to lower tolls and higher welfare. Moreover,

collusion among developers is socially desirable. We also analyze the case when the franchise holder can charge lower tolls to those buying her land ("toll discrimination"). Relative to uniform tolls, discrimination decreases welfare when land is highly concentrated, but increases welfare otherwise. Finally, we consider the welfare implications of subsidies and bonuses for proposing new highway projects.

PD March 2002. TI Competition In or For the Field: Which is Better? AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander. AA Engel: Yale University. Fischer and Galetovic: University of Chile. SR Yale Cowles Foundation Discussion Paper: 1358; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 14. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE D44, L12. KW Demsetz Auction. Monopoly. Procurement. Dealerships. Royalty Contracts.
AB In many circumstances, a principal, who wants prices to be as low as possible, must contract with agents who would like to charge the monopoly price. This paper compares a Demsetz auction, which awards an exclusive contract to the agent bidding the lowest price (competition for the field) with having two agents provide the good under (imperfectly) competitive conditions (competition in the field). We obtain a simple sufficient condition showing unambiguously which option is best. The condition depends only on the shapes of the surplus function of the principal and the profit function of agents, and is independent of the particular duopoly game played ex-post. We apply this condition to three canonical examples -- procurement, royalty contracts and dealerships -- and find that whenever marginal revenue for the final good is decreasing in the quantity sold, a Demsetz auction is best. Moreover, a planner who wants to maximize social surplus also prefers a Demsetz auction.

Engelen, Guy

PD April 2000. TI Desertification and Land Degradation in Mediterranean Areas: From Science to Integrated Policy Making. AA RIKS -- Research Institute for Knowledge Systems. SR Fondazione Eni Enrico Mattei Note di Lavoro: 15/2001; "Publication Office", 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 O13, O18, O21, O52, Q38, R14. KW Policy Support. Land Degradation. Desertification. Climate Change.
AB In the domain of desertification and climate change an important amount of new knowledge and research material has been obtained from the many projects carried out in the EU-DG12 Environment and Climate program. However, little effort has gone into making this scientific material available as part of practical planning or management tools for regional public policy makers. In this paper, we examine the practical and scientific lessons learned from developing a generic spatial Decision Support System (DSS) as well as the difficulties involved in adapting scientific material to the needs of integrated policy-making. The experiences are taken from a two year EC-project, MODULUS. This project integrates models and scientific material from four past EU-projects that represent the climatological, physical, economic and social aspects of land degradation and desertification in the Northern Mediterranean.

Engen, Eric M.

PD December 2000. TI The Effects of 401(k) Plans on Household Wealth: Differences Across Earnings Groups. AU Engen, Eric M.; Gale, William G. AA Engen: Federal Reserve Board. Gale: The Brookings Institution. SR National Bureau of Economic Research Working Paper: 8032; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 35. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE D31, D91, E20, J26. KW Household Wealth. 401(k) Plans. Earnings Level. Private Saving.

AB This paper provides a new econometric specification and new evidence on the impact of 401(k) plans on household wealth. We allow the impact of 401(k) to vary over both time and earnings groups. Our specification -- motivated by a variety of theoretical considerations and data patterns -- generalizes earlier work in the literature, and we show that the modeling constraints imposed by previous authors are rejected by the data. Using data from 1987 and 1991 from the Survey of Income and Program Participation, we find that the effects of 401(k)s on household wealth vary significantly by earnings level. Our analysis implies that 401(k)s held by groups with low earnings, who hold a small portion of 401(k) balances, are more likely to represent additions to net wealth than 401(k)s held by high-earning groups, who hold the bulk of 401(k) assets. Overall, between 0 and 30 percent of 401(k) balances represent net additions to private saving in the sample period.

Epstein, Roy J.

PD November 2001. TI Merger Simulation: A Simplified Approach with New Applications. AU Epstein, Roy J.; Rubinfeld, Daniel. AA Epstein: LECG, Inc. Rubinfeld: University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/26; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 45. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE L40. KW Antitrust. Merger Simulation. Unilateral Effects. Empirical Methods.

AB Merger simulation is growing in importance as a tool to evaluate the unilateral competitive effects of mergers. This paper offers a relatively non-technical description of the principles of merger simulation. In addition, it introduces PCAIDS, a new and highly flexible "calibrated-demand" merger simulation methodology that is based on a simplified version of AIDS. PCAIDS can be implemented using market shares and two price elasticities; scanner or transaction-level data are not required. The paper offers some applications of merger simulation with PCAIDS that include comparisons with other simulation models. It also shows how PCAIDS can be applied to the analysis of efficiencies, divestiture, and product repositioning/entry. Finally, the paper offers an analysis of the Merger Guidelines safe harbors. A detailed mathematical appendix is included.

Erceg, Christopher J.

PD October 2001. TI Imperfect Credibility and Inflation Persistence. AU Erceg, Christopher J.; Levin, Andrew T. AA Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/45; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 21. PR no charge. JE E31, E32, E52. KW Monetary Policy. Disinflation. Sacrifice Ratio. Signal Extraction.

AB In this paper, we formulate a dynamic general equilibrium model with staggered nominal contracts, in which households and firms use optimal filtering to disentangle persistent and transitory shifts in the monetary policy rule. The calibrated model accounts quite well for the dynamics of output and inflation during the Volcker disinflation, and implies a sacrifice ratio very close to the estimated value. Our approach indicates that inflation persistence and substantial costs of disinflation can be generated in an optimizing-agent framework, without relaxing the assumption of rational expectations or relying on arbitrary modifications to the aggregate supply relation.

Estrin, Saul

TI The Determinants of Privatized Enterprise Performance in Russia. AU Angelucci, Manuella; Bevan, Alan; Estrin, Saul; Fennema, Julian A.; Kuznetsov, Boris; Mangiarotti, Giovanni; Schaffer, Mark E.

Eudey, Gwen

PD July 2001. TI Production Synergies, Technology Adoption, Unemployment, and Wages. AU Eudey, Gwen; Molico, Miguel. AA Eudey: Board of Governors of the Federal Reserve System. Molico: University of Western Ontario. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/29; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 19. PR no charge. JE J31, O14. KW Search Frictions. Technology Adoption.

AB Recent empirical work reveals considerable heterogeneity in the use of technologies within industries, suggesting technology adoption depends on factors other than industry type. We present a model in which the factors that lead to heterogeneous technology adoption play a key economic role in explaining other aspects of the U.S. economy that have been the focus of recent theoretical work, including wage and technology dispersion within and between skill groups and the U-shaped pattern of measured productivity that many other researchers have attributed to learning economies or to production externalities.

Euwals, Rob

TI Participation Behaviour of East German Women After German Unification. AU Bonin, Holger; Euwals, Rob.

Evstigneev, Igor V.

TI Market Selection and Survival of Investment Strategies. AU Amir, Rabah; Evstigneev, Igor V.; Hens, Thorsten; Schenk-Hoppe, Klaus Reiner.

Eyckmans, Johan

PD September 2001. TI Simulating Coalitionally Stable Burden Sharing Agreements for the Climate Change Problem. AU Eyckmans, Johan; Tulkens, Henry. AA Eyckmans: Katholieke Universiteit. Tulkens: CORE, Universite Catholique

de Louvain. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 75/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 31. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C71, C73, D62, F42, Q25. **KW** Environmental Economics. Climate Change. Burden Sharing. Simulations. Core of Cooperative Games.

AB In this paper we introduce the CLIMNEG World Simulation (CWS) model for simulating cooperative game theoretic aspects of global climate negotiations. The model is derived from the seminal RICE model by Nordhaus and Yang (1996). We first state the necessary conditions that determine optimal investment and emission abatement paths under alternative cooperation regimes, and then we test empirically with a numerical version of the CWS model whether the cooperative game theoretic "core" property of the transfer scheme advocated by Germain, Toint and Tulkens (1997) holds. Under this transfer scheme no individual country, nor any subset of countries, should have an interest in leaving the international environmental agreement. For the numerical specification of the CWS model used here, we obtain the result that this is indeed the case.

Fagart, Marie-Cecille

PD 2001. **TI** Risk Mutualization and Competition in Insurance Market. **AU** Fagart, Marie-Cecille; Fombaron, Nathalie; Jeleva, Meglena. **AA** Fagart: Universite de Rouen. Fombaron: Universite de Paris X- Nanterre. Jeleva: Universite de Nantes. **SR** INSEE Documents de Travail du CREST: 2001/23; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 19. **PR** no charge. **JE** G22, L13. **KW** Insurance Market. Mutual Firms. Network Externalities.

AB The aim of this paper is to analyze the impact of mutual firms on the competitive process in the insurance market. We distinguish between two actors in this market: mutual firms that belong to their pooled members and traditional companies belonging to shareholders. Our approach differs from the literature by a crucial assumption: the expected utility of the consumers depends on the size of their insurance firm. Thus, the choice of a contract results in a trade-off between the premium level and the probability that the premium is ex post adjusted. The optimal contract offered by mutual firms involves a systematic ex post adjustment (negative or positive) while the contracts a company proposes imply a fixed premium possibly negatively adjusted at the end of the contractual period. In an oligopoly, we show that three types of configuration can arise at equilibrium: either only a mutual or a company is active, or a mixed structure emerges in which two or more companies share the market with or without a mutual firm. Even in situations where mutual firms are not active, they prevent companies from offering premia that are too large and therefore their presence is beneficial for insurees.

Falk, Armin

PD August 2001. **TI** Appropriating the Commons -- A Theoretical Explanation. **AU** Falk, Armin; Fehr, Ernst; Fischerbacher, Urs. **AA** Falk and Fehr: Universitat Zurich and CEPR. **SR** CEPR Discussion Paper: 2925; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website:

www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** C70, D63, H41. **KW** Common Pool Resources. Experiments. Fairness. Fairness Models. Game Theory.

AB We show that a simple model of fairness preferences explains major experimental regularities of common pool resource (CPR) experiments. The evidence indicates that in standard CPR games without communication and without sanctioning possibilities inefficient excess appropriation is the rule. When communication or informal sanctions are available, however, appropriation behavior is more efficient. Our analysis shows that these regularities arise naturally when a fraction of the subjects exhibits reciprocal preferences.

Fankl, Paolo

TI An Application of Technology Diffusion Models to Forecast Long-Term PV Market Penetration. **AU** Masini, Andrea; Fankl, Paolo.

Fantini, Marcella

TI Sources of Performance Improvement in Privatised Firms: A Clinical Study of the Global Telecommunications Industry. **AU** Bortolotti, Bernardo; D'Souza, Juliet; Fantini, Marcella; Megginson, William L.

TI Sources of Performance Improvement in Privatised Firms: A Clinical Study of the Global Telecommunications Industry. **AU** Bortolotti, Bernardo; D'Souza, Juliet; Fantini, Marcella; Megginson, William L.

TI Privatisation Around the World: New Evidence from Panel Data. **AU** Bortolotti, Bernardo; Fantini, Marcella; Siniscalco, Domenico.

Farrell, Joseph

PD August 2001. **TI** Competition or Predation? Schumpeterian Rivalry in Network Markets. **AU** Farrell, Joseph; Katz, Michael L. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Competition Policy Center Working Paper: CPC01/23; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. **PG** 37. **PR** free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". **JE** K21, L12, L41. **KW** Predation. Competition. Price Floors. Predatory Behavior. Network Markets.

AB We explore the logic of predation and rules designed to prevent it in markets subject to network effects. Although, as many have informally argued, predatory behavior is plausibly more likely to succeed in such markets, we find that it is particularly hard to intervene in network markets in ways that improve welfare. We find that imposition of the leading proposals for rules against predatory pricing may lower or raise consumer welfare, depending on conditions that may be difficult to identify in practice.

Farzin, Y. Hossein

TI An Information-Theoretical Analysis of Budget-Constrained Nonpoint Source Pollution Control. **AU** Kaplan, Jonathan D.; Howitt, Richard E.; Farzin, Y. Hossein.

Favard, Pascal
TI Is the Irrigation Water Demand Really Convex? AU Bontemps, Christophe; Couture, Stephane; Favard, Pascal.

Favero, Carlo A.
PD October 2000. TI Looking for Contagion: The Evidence from the ERM. AU Favero, Carlo A.; Giavazzi, Francesco. AA Favero: Universita Bocconi, Milano and CEPR. Giavazzi: Universita Bocconi, Milano and CEPR. SR CEPR Discussion Paper: 2591; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE F36, F41. KW Contagion. ERM. Interdependence.
AB This paper applies a full-information technique to test for the presence of contagion across the money markets of ERM members. We show that whenever it is possible to estimate a model for interdependence, a test for contagion based on a full information technique is more powerful. We test for the presence of contagion after having identified episodes of country-specific shocks, whose effect on other European markets is significantly different from those predictable from the estimated channels of interdependence. Using data on three-month interest rate spreads on German rates for seven countries over the period 1988-1992, we are unable to reject the null of contagion. Our evidence suggests that contagion within the ERM was a general phenomenon not limited to a subset of weaker countries, the exception in our sample being France. Our result are mute as to the question of what lies behind these episodes of contagion; they show, however, that it is not always that one only detects contagion when one applies poor statistical techniques.

Fayard, Anne-Laure
PD 2000. TI With a Little Help from your Friends: Diffuse Collaboration in Mundane Activity. AU Fayard, Anne-Laure; Henderson, Austin. AA Fayard: INSEAD. Henderson: Rivendael Consulting & Design, Inc. SR INSEAD Working Paper: 2000/45/TM; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 5. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE M11, M14. KW Copier Machines. Collaboration.
AB Using an office copier is usually thought of as an individual act, with little place for collaboration. However, in mini-ethnographies of three offices, a great deal of collaboration is observed: some of this involves operating the machine, but most of it is collaboration on supporting tasks, those tasks that make operating the machine possible, including knowing, modifying and managing. Thus we see collaboration as playing a much larger role in apparently individual tasks than we originally might expect. As a result, support for making copies, a task usually done by individuals and requiring little or no collaboration, in fact requires considerable collaboration for the supporting tasks that make the apparently individual task possible.

Feenstra, Robert C.
PD January 2001. TI Intermediaries in Entrepot Trade: Hong Kong Re-Exports of Chinese Goods. AU Feenstra, Robert C.; Hanson, Gordon H. AA Feenstra: University of California, Davis and NBER. Hanson: University of Michigan and NBER. SR National Bureau of Economic Research Working Paper: 8088; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 31. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F14, L11. KW Hong Kong. Trade Intermediation. China. Markup. Re-exporation.
AB In this paper, we examine Hong Kong's role in intermediating trade between China and the rest of the world. Hong Kong distributes a large fraction of China's exports. Net of customs, insurance, and freight charges, re-exports of Chinese goods are much more expensive when they leave Hong Kong than when they enter. Hong Kong markups on re-exports of Chinese goods are higher on differentiated products, products with higher variance in exports prices, products sent to China for further processing, and products shipped to countries which have less trade with China. These results are consistent with quality-sorting models of intermediation and with the outsourcing of production tasks from Hong Kong to China. Additional results suggest that Hong Kong traders price discriminate across destination markets and use transfer pricing to shift income from high-tax countries to Hong Kong.

Fehr, Ernst
TI Appropriating the Commons -- A Theoretical Explanation. AU Falk, Armin; Fehr, Ernst; Fischerbacher, Urs.

Fennema, Julian A.
TI The Determinants of Privatized Enterprise Performance in Russia. AU Angelucci, Manuella; Bevan, Alan; Estrin, Saul; Fennema, Julian A.; Kuznetsov, Boris; Mangiarotti, Giovanni; Schaffer, Mark E.

TI The Determinants of Privatized Enterprise Performance in Russia. AU Angelucci, Manuella; Bevan, Alan; Estrin, Saul; Fennema, Julian A.; Kuznetsov, Boris; Mangiarotti, Giovanni; Schaffer, Mark E.

Fermanian, Jean-David
PD February 2000. TI Lower Bounds in Hazard Estimation. AA CREST-ENSAE. SR INSEE Documents de Travail du CREST: 2000/09; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 29. PR no charge. JE C14, C24, C34. KW Hazard Functions. Bandwidth Selection. Asymptotic Lower Bounds. Integrated Squared Error. Right-Censoring.
AB In the setting of nonparametric hazard estimation under right random censorship by the kernel method, asymptotic lower bounds for bandwidth selection are provided. If the error criterion is the Integrated Squared Error (ISE), and if the distribution function of the underlying lifetime is sufficiently regular, then it is shown that the relative error of any data-driven bandwidth selector cannot be reduced below order $n^{(-1/10)}$ asymptotically. On the other hand, if the error criterion is the Mean Integrated Squared Error (MISE), the relative error of bandwidth selection can be reduced to order $n^{(-1/2)}$, when the hazard function is sufficiently smooth. Possible extensions to the multivariate setting are pointed out. These results are similar with those obtained by Hall and Marron (1991) in

univariate density estimation without censoring.

Fernandez, Raquel
PD January 2001. TI Sorting, Education and Inequality. AA New York University and NBER. SR National Bureau of Economic Research Working Paper: 8101; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 44. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE I21, I22, J12, J31. KW Sorting. Human Capital. Inequality. Educational Finance.
AB This paper examines the education literature through the lens of sorting. It argues that how individuals sort across neighborhoods, schools and households (spouses), can have important consequences for the acquisition of human capital and inequality. It discusses the implications of different education finance systems for sorting and analyzes the efficiency and welfare properties of these in static and dynamic frameworks.

Fershtman, Chaim
PD August 2002. TI A Behavioral Explanation of the Relative Performance Evaluation Puzzle. AU Fershtman, Chaim; Hvide, Hans K.; Weiss, Yoram. AA Fershtman and Weiss: Tel Aviv University. Hvide: Norwegian School of Economics and Business. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 20/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 14. PR no charge. JE D31, J31. KW Competitive Preferences. Status. Relative Performance Contracts.
AB We study the effects of competitive preferences, where Chief Executive Officers (CEOs) compare their wage to the wage of other CEOs within the same industry, and derive additional utility from being ahead of them. We show that such concerns work in the direction of CEO wages being positively correlated, in contrast to the Relative Performance Evaluation hypothesis, but consistent with several empirical studies.

Fevrier, Philippe
PD 2000. TI Coordination in Sender-Receiver Games with no Common Language. AU Fevrier, Philippe; Kramarz, Francis. AA CREST-INSEE. SR INSEE Documents de Travail du CREST: 2000/06; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 23. PR no charge. JE C72, C73, D83. KW Sender-Receiver Game. Language. Coordination. Common Interests.
AB In this article, we study the emergence of coordination in repeated Sender-Receiver games with common interests when the messages have no common meaning before the game starts. We define axiomatic interpretation rules of the histories and study the resulting language- free signaling equilibria whenever they exist. We prove that such coordination, and therefore, a common understanding of the messages, is possible whenever the game has, at least, three types and tree actions. In such a situation, there exists a unique language-free signaling equilibrium. In Sender-Receiver games with common interest and two types and two actions, language-free equilibria are payoff-equivalent to equilibria in which no messages are sent.

PD March 2000. TI A Study of Consumer Behavior Using Laboratory Data. AU Fevrier, Philippe; Visser, Michael. AA CREST. SR INSEE Documents de Travail du CREST: 2000/12; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 25. PR no charge. JE C91, D12. KW Consumer Behavior. Demand Function. Experimental Economics. Non- rational Behaviour.
AB This paper reports the results of an experiment on individual consumer behavior. The experiment was designed to address the following questions. Do participants behave as utility-maximizing agents? Are there variables (socio-economic characteristics, experimental conditions) that have an effect on the probability of being non- rational? And finally, to what extent does the presence of non-rational individuals affect the estimation results of systems of demand equations? Revealed preference tests indicate that 29% of the individuals do not behave as utility-maximizing agents. Gender and the time spent on performing experimental tasks affect the likelihood of being non-rational, but the level of remuneration does not. The estimated parameters of the demand equations and tests of the Slutsky restrictions are not influenced by the presence of non-rationals. The Slutsky restrictions are accepted for a PIGLOG model but rejected for the translog model. The rejection of the Slutsky conditions is therefore a consequence of a specification problem rather than an irrationality problem.

Figlio, David N.
PD October 2000. TI Do High Grading Standards Affect Student Performance? AU Figlio, David N.; Lucas, Maurice E. AA Figlio: University of Florida and NBER. Lucas: School Board of Alachua County. SR National Bureau of Economic Research Working Paper: 7985; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 21. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE I21. KW Grading Standards. Student Performance. Education.
AB This paper explores the effects of high grading standards on student test performance in elementary school. While high standards have been advocated by policy-makers, business groups, and teacher unions, very little is known about their effects on outcomes. Most of the existing research on standards is theoretical, generally finding that standards have mixed effects on students. However, very little empirical work has been completed on this topic. This paper provides the first empirical evidence on the effects of grading standards, measured at the teacher level. Using an exceptionally rich set of data including every third, fourth, and fifth grader in a large school district over four years, we match students' test score gains and disciplinary problems to teacher- level grading standards. In models in which we control for student- level fixed effects, we find substantial evidence that higher grading standards benefit students. We find that these effects are not uniform: High-achieving students apparently benefit most from high standards when in a relatively low-achieving class, and low-achieving students benefit most from high standards when in a relatively high-achieving class.

Finkelstein, Amy
PD December 2000. TI Adverse Selection in Insurance Markets: Policyholder Evidence from the U.K. Annuity Market.

AU Finkelstein, Amy; Poterba, James. AA MIT and NBER. SR National Bureau of Economic Research Working Paper: 8045; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 33. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D82, G22. KW Insurance Market. Annuities. Mortality Rates. Adverse Selection.

AB This paper presents new evidence on the importance of adverse selection in insurance markets. We use a unique data set, consisting of all annuity policies sold by a large U.K. insurance company since the early 1980s, to analyze mortality differences across groups of individuals who purchased different types of policies. We find systematic relationships between ex-post mortality and annuity policy characteristics. These mortality patterns are consistent with models of asymmetric information in insurance markets. We find no evidence of mortality differences, however, across annuities of different size, as measured by the initial annual payment from the annuity. We also study differences in the pricing of different annuity products, and find that the pricing of various features of annuity contracts is consistent with the self-selection patterns we find in mortality rates. Our results therefore suggest that many specific features of insurance contracts can serve as screening mechanisms. This implies that insurance markets may be characterized by adverse selection, even when stratifying policyholders by the amount of payment in case of a claim does not support the existence of selection effects.

Finus, Michael

PD June 2001. TI Endogenous Coalition Formation in Global Pollution Control. AU Finus, Michael; Rundshagen, Bianca. AA University of Hagen, Germany. SR Fondazione Eni Enrico Mattei Note di Lavoro: 43/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 56. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C72, Q20. KW Environmental Agreements. Coalition Formation. Global Pollution. Noncooperative Games.

AB We extend the work on coalition formation in global pollution control by allowing for multiple coalitions. Equilibrium coalitions are derived under different "rules of the game" and compared with each other. We consider internal & external equilibria and equilibrium binding agreements in the cartel formation game, coalition-proof and strong Nash equilibria in the open-membership game and in the exclusive membership D- and G-games, subgame-perfect equilibria in the sequential move unanimity game, and equilibria in the equilibrium binding agreement game. We show that farsightedness and exclusive membership leads to more concentrated coalition structure, implying lower global emissions and higher global welfare. Moreover, we evaluate the different coalition formation games with respect to their ability to explain existing international environmental agreements and with respect to their theoretical consistency.

Fischer, Andreas M.

TI Stochastic Capital Depreciation and the Comovement of Hours and Productivity. AU Dittmar, Robert; Dueker, Michael; Fischer, Andreas M.

Fischer, Ronald

TI How to Auction an Essential Facility When Underhand Integration is Possible. AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander.

TI Highway Franchising and Real Estate Values. AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander.

TI Competition In or For the Field: Which is Better? AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander.

Fischerbacher, Urs

TI Appropriating the Commons -- A Theoretical Explanation. AU Falk, Armin; Fehr, Ernst; Fischerbacher, Urs.

Fleischman, Charles A.

PD June 2001. TI Employment Persistence. AU Fleischman, Charles A.; Gallin, Joshua. AA Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/25; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 26. PR no charge. JE E24, E32, J64. KW Hysteresis. Employment Persistence. Panel Data.

AB The recent U.S. expansion has provided employment opportunities that otherwise would not have been available to individuals at the bottom end of the skill distribution. Will these opportunities bestow lasting benefits, in terms of greater future employability, or will those who benefited most from the tight labor market also lose the most when labor demand softens? To answer this question, we construct synthetic cohorts from the Current Population Survey in order to identify persistence in cohort-level employment rates in excess of persistence in aggregate macroeconomic conditions. Our method allows us to abstract away from changes in the composition of the labor force by focusing on particular demographic groups. In addition, we control for some important unobserved influences, such as a possible decline in the quality of a high school education. We find little evidence of persistence in cohorts' employment rates; the effects of aggregate shocks are essentially dissipated within three years. However, we find that the average lifetime employment rate of cohorts of less-educated men is significantly associated with the economic conditions that prevailed when the cohorts first entered the labor market. At a more disaggregated level, we find the persistence of labour market shocks varies across demographic groups.

Fleischmann, Moritz

PD 2000. TI The Impact of Product Recovery on Logistics Network Design. AU Fleischmann, Moritz; Beullens, Patrick; Bloemhf-Ruwaard, Jacqueline M.; Van Wassenhove, Luk N. AA Fleischmann and Bloemhf-Ruwaard: Erasmus University. Beullens: Centre for Industrial Management. Van Wassenhove: INSEAD. SR INSEAD Working Paper: 2000/33TM/CIMSO/11; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 15. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE M11, M14, Q01. KW Product Recovery.

Reverse Logistics.
AB Reverse logistics is a quickly growing trend. Driven by environmentally conscious customers, regulation, and economic benefits, companies are taking back used products to recover added value and materials. Efficient implementation requires setting up an appropriate logistics structure for the arising flows of used and recovered products. In this paper we consider logistics network design in a reverse logistics context. We present a generic facility location model and discuss differences with traditional logistics settings. While product recovery may efficiently be integrated in existing logistics structures in many cases, other examples require a more comprehensive approach redesigning a company's logistics network in an integral way.

Flipo, Anne
PD October 2000. **TI** Is the Household Demand for In-Home Services Sensitive to Tax Reductions? The French Case. **AU** Flipo, Anne; Fougere, Denis; Olier, Lucile. **AA** Flipo: INSEE. Fougere: CREST. **SR** CEPR Discussion Paper: 2577; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** D13, J12. **KW** Household Demand. In-Home Services. Labor Cost. Tax Reduction. France.
AB Our paper assesses the impact of tax reductions on the demand for services in the home. We consider the particular case of the French legislation voted in 1991. This law allows households employing paid help in the home to deduct 50 percent of the sums paid out from their income tax, subject to an annual ceiling. Did the reduction in overall cost of stimulate demand for these services? We estimate a structural model of demand for in-home services using household individual data collected by INSEE (Paris) in 1996. We find that the relative marginal effect of a price variation on the probability of a strictly positive demand for in-home services is negative; its absolute value decreases with the educational level and with the income level of the household. It is generally higher for households without children less than 6 years old. These results suggest that a differentiated tax reduction, varying with the household income level and with the presence of young children in the household, should have a higher effect on the demand for in-home services than a uniform tax credit, such as the one granted in France since 1991.

Florens, Jean-Pierre
TI Nonparametric Instrumental Regression. **AU** Darolles, Serge; Florens, Jean-Pierre; Renault, Eric.

TI Kernel Based Nonlinear Canonical Analysis and Time Reversibility. **AU** Darolles, Serge; Florens, Jean-Pierre; Gourieroux, Christian.

Fombaron, Nathalie
TI Risk Mutualization and Competition in Insurance Market. **AU** Fagart, Marie-Cecille; Fombaron, Nathalie; Jeleva, Meglena.

Fortin, Bernard
PD March 2000. **TI** The Effects of Welfare Benefits on the Duration of Welfare Spells: Evidence from a Natural Experiment in Canada. **AU** Fortin, Bernard; Fougere, Denis;

Lacroix, Guy. **AA** Fortin and Lacroix: University Laval and CIRANO. Fougere: CREST- INSEE and CNRS. **SR** INSEE Documents de Travail du CREST: 2000/14; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 13. **PR** no charge. **JE** C14, C41, I38. **KW** Welfare System. Incentives. Natural Experiment. Duration Models. Welfare Spells.
AB In this study we evaluate some effects of the province of Quebec's welfare system reform of August 1989. This reform abolished the discrimination based on age that applied to the benefits to which single individuals and childless couples below the age of 30 were entitled. With the reform, their monthly benefits increased by 88% for singles and by 145% for childless couples. Nonparametric analysis shows that the only transition rates that were affected, at least temporarily, by the reform were the rates of exit from the welfare state. The estimation of flexible duration model with time-varying covariates such as the welfare benefits, the minimum wage rate, and the local unemployment rate, shows that the reform increased the expected duration of welfare spells from 2 to 4.5 months for eligible recipients.

Fougere, Denis
TI The Effects of Welfare Benefits on the Duration of Welfare Spells: Evidence from a Natural Experiment in Canada. **AU** Fortin, Bernard; Fougere, Denis; Lacroix, Guy.

PD March 2000. **TI** Moduler les Cotisations Employeurs a l'Assurance Chomage: Les Experiences de Bonus-Malus aux Etats-Unis (Indexing Employer Payroll Taxes to Unemployment: Experience Rating in the United States). **AU** Fougere, Denis; Margolis, David N. **AA** Fougere: CREST-INSEE. Margolis: Universite Paris 1. **SR** INSEE Documents de Travail du CREST: 2000/16; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 38. **PR** no charge. **JE** H25, J23, J32, J65. **KW** Experience Rating. Unemployment. US-France Comparisons.
AB In this paper, we summarize the results of many studies concerning the policy of experience rating (the indexing of an employer's payroll tax rate to its past record of insured unemployment generation) in the Untied States, and present a few considerations relevant to the French case. We begin with a brief summary of the history of the policy, and then describe the three main methods by which it is implemented in the United States. We then discuss the theoretical models that have been used to analyze the impact of experience rating on unemployment. After describing the results of empirical analyses performed on American data, we highlight the specificities of the French legislation and labor market that could influence the manner in which such a policy would work in France. Finally, we use INSEE data from the labor force survey (Enquete Emploi) to provide an empirical framework for discussion of the French situation. This paper is written in French.

TI Is the Household Demand for In-Home Services Sensitive to Tax Reductions? The French Case. **AU** Flipo, Anne; Fougere, Denis; Olier, Lucile.

Francois, Joseph

PD January 2001. TI Market Structure, Trade
Liberalization, and the GATS. AU Francois, Joseph; Wooton,
Ian. AA Francois: Erasmus University Rotterdam and CEPR.
Wooton: University of Glasgow. SR CEPR Discussion
Paper: 2669; Centre for Economic Policy Research, Discussion
Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United
Kingdom. Website: www.cepr.org. PG not available.
PR 5 pounds, $8 or 8 euros. JE F12, F13, F23.
KW Imperfect Competition. Market Access. Services Trade.
Trade Liberalization.
AB In this paper we examine the interaction between the
different modes of market access commitments in services
(cross-border and establishment) market structure, and
regulation. In this context, we focus on the impact of improved
domestic market access for a foreign service provider on a
domestic service market. We work with a model where the
domestic industry is assumed to be imperfectly competitive
and, as a result of domestic regulation, is able to act as a cartel.
We also examine the incentives for the domestic firms to
accommodate the entry of the foreign firm by inviting it to join
the cartel.

Francq, Christian

TI Efficient Use of High Order Autocorrelations for
Estimating Autoregressive Processes. AU Broze, Laurence;
Francq, Christian; Zakoian, Jean-Michel.

PD October 1999. TI Linear-Representations Based
Estimation of Switching-Regime GARCH Models.
AU Francq, Christian; Zakoian, Jean-Michel. AA Francq:
Universite du Littoral-Cote d'Opale. Zakoian: Universite de
Lille 1 and CREST. SR INSEE Documents de Travail du
CREST: 9957; Mme Nadine GUEDJ, INSEE- CREST, 15
Boulevard Gabriel Peri, 92245 Malakoff Cedex, France.
Website: www.crest.fr/doctravail/documents.html. PG 18.
PR no charge. JE C13, C32. KW ARMA
Representation. Least Squares Estimator. Asymptotic
Normality. Markov-Switching GARCH Models.
AB In this paper, we consider the problem of estimating
Switching- regime GARCH Models. The likelihood being in
general intractable, we propose an estimation method based on
linear representations. We first establish necessary and
sufficient conditions for the existence of moments. We then
show that the squared Markov-switching GARCH (p, q)
process admits an ARMA representation whose orders are
functions of p, q and the model coefficients. This extends a
well-known property for standard GARCH models. In the case
of p=q=1, we show that any power of the squared process
admits an ARMA representation. Under an identifiability
assumption, we use the one-to-one reparameters via the
maximization of a least-squares criterion. The asymptotic
properties of the estimator are established. Its performance in
the finite-sample case is evaluated by simulation.

Franzosi, Alessandra

TI Capital Heterogeneity: Does it Matter? Fundamental Q
and Investment on a Panel of Italian Firms. AU Bontempi,
Elena; Del Boca, Alessandra; Franzosi, Alessandra; Galeotti,
Marzio; Rota, Paola.

TI Capital Heterogeneity: Does it Matter? Fundamental Q
and Investment on a Panel of Italian Firms. AU Bontempi,
Elena; Del Boca, Alessandra; Franzosi, Alessandra; Galeotti,
Marzio; Rota, Paola.

Freeman, Richard B.

PD December 2000. TI The Anatomy of Employee
Involvement and Its Effects on Firms and Workers.
AU Freeman, Richard B.; Kleiner, Morris M.; Ostroff, Cheri.
AA Freeman: NBER, LSE, and Harvard University. Kleiner:
University of Minnesota and NBER. Ostroff: Columbia
University. SR National Bureau of Economic Research
Working Paper: 8050; Working Papers, NBER, 1050
Massachusetts Avenue, Cambridge, MA 02138-5398. Website:
www.nber.org. PG 20. PR $10.00 per copy (plus $10.00
per order for shipping outside U.S.). JE J54, M54.
KW Employee Involvement. Profit-sharing. Employee Well-
being.
AB A great many American firms have organized workplace
decision-making in new ways to get employees more involved
in their jobs -- using policies like self-directed work teams,
total quality management, quality circles, profit-sharing, and a
diversity of other programs. This paper uses a firm-based data
set and employee-based information to illuminate several
aspects of the locus and economic impacts of employee
involvement (EI). Having information from employees as well
as from firms allows us to ask not only what EI does for firms,
the principal question in the literature on the subject, but what
EI does for workers; and to examine EI from the "bottom up"
perspective of participants rather than managers. We find that
EI practices are linked in a hierarchal structure that provides a
natural scaling of EI activities and the intensity of the EI effort.
Firms that have EI are also more likely to have profit-sharing
and other forms of shared compensation. Though, EI has a
weak and poorly specified effect on output per worker, it has a
strong and positive impact on employee well-being.

TI The Incentive for Working Hard: Explaining Hours
Worked. AU Bell, Linda A.; Freeman, Richard B.

PD December 2000. TI Wages Around the World: Pay
Across Occupations and Countries. AU Freeman, Richard
B.; Oostendorp, Remco H. AA Freeman: NBER, LSE, and
Harvard University. Oostendorp: Vrije Universiteit.
SR National Bureau of Economic Research Working Paper:
8058; Working Papers, NBER, 1050 Massachusetts Avenue,
Cambridge, MA 02138-5398. Website: www.nber.org.
PG 20. PR $10.00 per copy (plus $10.00 per order for
shipping outside U.S.). JE F16, J31. KW Wage
Differentials. Cross-Country. Skill Differentials.
AB This study transforms the "October Inquiry" Survey of
wages conducted by the International Labor Organization into a
consistent data file on pay in 161 occupations in over 150
countries from 1983 to 1998 to examine the pattern of pay
across occupations and countries. The new file tells us that:
1.Skill differentials vary inversely with gross domestic product
per capita. During the 1980s-1990s, they fell modestly in
advanced countries; fell more sharply in upper middle income
countries while rising markedly in countries moving from
communism to free markets and in lower middle income
countries. 2. Wages in the same occupation vary greatly across
countries measured by common currency exchange rates and
measured by purchasing power parity. Cross-country
differences in pay for comparable work increased, despite
increased world trade. 3. The principal forces that affect the
occupational wage structure around the world are the level of
gross domestic product per capita and unionization/wage-

setting institutions.

TI White Hats or Don Quixotes? Human Rights Vigilantes in the Global Economy. AU Elliott, Kimberly Ann; Freeman, Richard B.

French, Mark W.

PD September 2001. TI Estimating Changes in Trend Growth of Total Factor Productivity: Kalman and H-P Filters Versus a Markov-Switching Framework. AA Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/44; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 23. PR no charge. JE C13, O47. KW Markov Switching. Total Factor Productivity. Multifactor Productivity.
AB Trend growth in total factor productivity (TFP) is unobserved; it is frequently assumed to evolve continuously over time. That assumption is inherent in the use of the Hodrick-Prescott or Bandpass filter to extract trend. Similarly, the Kalman filter/unobserved-components approach assumes that changes in the trend growth rate are normally distributed. In fact, however, innovations to the trend growth rate of total factor productivity are far from normal. The distribution is fat-tailed, with large outliers in 1973. Allowing for those outliers, the estimated trend growth rate changes only infrequently. A nonlinear filtering approach is probably better suited to capturing the infrequent past and possible current shifts in trend growth of TFP. One such approach is the Markov-switching model, which is estimated and tested in this paper. The Markov-switching approach appears to have several advantages over repeated Andrews' tests.

Friedman, Benjamin M.

PD December 2000. TI The Role of Interest Rates in Federal Reserve Policymaking. AA Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 8047; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 32. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E52, E58. KW Interest Rate Policy. Nominal Anchor. Federal Reserve System.
AB Most central banks, including the U.S. Federal Reserve system, implement their monetary policy by setting interest rates. This paper reviews the major changes that have taken place along the way from the Federal Reserve's interest rated-based policy structure of the 1960s to the interest rate-based structure in place today. It then goes on to consider three open questions that this way of conducting monetary policy presents: (1) whether there is a "nominal anchor" problem, and if so whether explicit inflation targeting would solve it, (2) whether their is a role in this policymaking process for interest rates other than whatever particular rate the Federal Reserve chooses to set, and (3) to what extent the electronic revolution now under way in banking threatens the efficacy of an interest rate-based monetary policy. The paper concludes by considering the implications of the rules-versus- discretion debate for the role of interest rates in monetary policymaking.

PD December 2000. TI Monetary Policy. AA Harvard University and NBER. SR National Bureau of Economic

Research Working Paper: 8057; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 30. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E52, E58. KW Monetary Policy. Inflation. Interest Rate Policy.
AB Monetary policy is one of the two principal means (the other being fiscal policy) by which government authorities in a market economy regularly influence the pace and direction of overall economic activity. Important developments both in research and in the actual conduct of monetary policy in recent decades have revolved around the choice of a short-term interest rate versus a reserve quantity as the central bank's direct operating instrument, whether to use some measure of money as an intermediate target, whether to constrain the central bank to follow some fairly simple policy rule, what degree of political independence a central bank should have, and whether to target inflation. Some key areas of ongoing research in this area are whether the behavioral process by which monetary policy affects nonfinancial economic activity centers more on money or on credit, quantitative measurement of whatever is the mechanism at work, the trade-off between price inflation and real aspects of economic activity like output and employment, and why the public in most industrialized countries is as averse to inflation as is apparently the case.

Frydman, Roman

PD November 2002. TI Imperfect Knowledge, Temporal Instability and an Uncertainty Premium: Towards a Resolution of the Excess-Returns Puzzle in the Foreign Exchange Market. AU Frydman, Roman; Goldberg, Michael D. AA Frydman: New York University. Goldberg: University of New Hampshire. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/17; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 33. PR no charge. JE D80, F31, G12. KW Exchange Rates. Forward Premium Anomaly. Instability. Imperfect Knowledge. Risk Premium.
AB This paper offers a refinement and explores a resolution of the excess-returns puzzle in the foreign exchange market. We find that the predictions of the forward premium are not negatively biased throughout the three decades of floating, as commonly believed, but rather are sometimes positively biased, negatively biased, unbiased or possess no predictive content depending on the sub-period examined. To explain this modified puzzle, the paper makes use of a recently developed model of the risk premium, which we have called an aggregate uncertainty premium. Our model employs an alternative approach to modelling exchange rate expectations, dubbed Imperfect Knowledge Expectations (IKE), which recognizes that rational agents do form expectations based on imperfect knowledge. Our model also makes use of a dynamic extension of the assumption of myopic loss aversion. We find that our IKE-based approach can account for the pattern of positive and negative biases estimated over three decades of floating rates.

Fullerton, Don

PD August 2001. TI A Framework to Compare Environmental Policies. AA University of Texas and NBER. SR National Bureau of Economic Research Working Paper: 8420; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 28. PR $10.00 per copy (plus $10.00 per order for

shipping outside U.S.). JE H20, H23, Q21, Q28. KW Environmental Policies. Efficiency. Distributional Effects. AB This paper builds a single model that can be used to show efficiency and distributional effects of eight different types of environmental policies (including taxes, subsidies, regulations, permits, and legal liability). All eight approaches can be designed to have the same efficiency effects, even while they have different distributional effects. For further evaluation of these policies, the paper discusses other criteria outside the simple model (including administrative efficiency, enforcement capabilities, and political feasibility). The paper ends with a discussion of likely trade-offs among these often- competing objectives of environmental policy.

Galasso, Vincenzo
TI Early Retirement. AU Conde Ruiz, Jose Ignacio; Galasso, Vincenzo.

Gale, William G.
TI The Effects of 401(k) Plans on Household Wealth: Differences Across Earnings Groups. AU Engen, Eric M.; Gale, William G.

Galeotti, Marzio
TI Endogenous Induced Technical Change and the Costs of Kyoto. AU Buonanno, Paolo; Carraro, Carlo; Galeotti, Marzio.

PD September 2001. TI Desperately Seeking (Environmental) Kuznets: A New Look at the Evidence. AU Galeotti, Marzio; Lanza, Alessandro; Pauli, Francesco. AA Galeotti: University of Bergamo and FEEM. Lanza: Eni S.p.A. Pauli: ENEA. SR Fondazione Eni Enrico Mattei Note di Lavoro: 67/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 17. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C12, C23, O13, Q32, Q50. KW Environment. Growth. CO_2 Emissions. Panel Data. Kuznets Curve.
AB The number of studies seeking to empirically characterize the reduced-form relationship between a country economic growth and the quantity of pollutants produced in the process has recently increased significantly. In several cases researchers have found evidence pointing to an inverted-U "environmental Kuznets" curve. In the case of a major greenhouse gas, CO_2, however, the evidence is at best mixed. This paper attempts to shed further light on this issue by using a newly developed dataset on emissions and by employing a new highly flexible functional form.

Galetovic, Alexander
TI How to Auction an Essential Facility When Underhand Integration is Possible. AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander.

TI Highway Franchising and Real Estate Values. AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander.

TI Competition In or For the Field: Which is Better? AU Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander.

Gali, Jordi
PD February 2002. TI New Perspectives on Monetary Policy, Inflation, and the Business Cycle. AA CREI and

NBER. SR National Bureau of Economic Research Working Paper: 8767; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 38. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E42, E52. KW Monetary Policy. Nominal Rigidities. Inflation. Business Cycle.
AB The present paper provides an overview of recent developments in the analysis of monetary policy in the presence of nominal rigidities. The paper emphasizes the existence of several dimensions in which the recent literature provides a new perspective on the linkages among monetary policy, inflation, and the business cycle. It is argued that the adoption of an explicitly optimizing, general equilibrium framework has not been superfluous; on the contrary, it has yielded many insights which, by their nature, could hardly have been obtained with earlier non-optimizing models.

PD February 2002. TI Technology Shocks and Monetary Policy: Assessing the Fed's Performance. AU Gali, Jordi; Lopez-Salido, Jose David; Valles, Javier. AA Gali: CREI and NBER. Lopez-Salido and Valles: Banco de Espana. SR National Bureau of Economic Research Working Paper: 8768; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 15. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E31, E58. KW Technology Shocks. Monetary Policy. Federal Reserve Performance. Inflation.
AB The purpose of the present paper is twofold. First, we characterize the Federal Reserves systematic response to technology shocks and its implications for U.S. output, hours and inflation. Second, we evaluate the extent to which those responses 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 Feds) 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. Our evidence reinforces recent results in the literature suggesting an improvement in the Fed's performance.

PD February 2002. TI New Perspectives on Monetary Policy, Inflation and the Business Cycle. AA CREI, Universitat Pompeu Fabra, and CEPR. SR CEPR Discussion Paper: 3210; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE E42, E52. KW Nominal Rigidities. Monetary Policy. Phillips Curve. Policy Rules.
AB See the abstract for Gali, Jordi. February 2002, "New Perspectives on Monetary Policy, Inflation, and the Business Cycle". National Bureau of Economic Research Working Paper: 8767; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

PD February 2002. TI Technology Shocks and Monetary Policy: Assessing the Fed's Performance. AU Gali, Jordi; Lopez-Salido, Jose David; Valles, Javier. AA Gali: Universitat Pompeu Fabra, New York University, NBER, and

CEPR. Lopez-Salido: Bank of Spain and CEPR. Valles: Bank of Spain. **SR** CEPR Discussion Paper: 3211; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** E31, E52, E58. **KW** Optimal Monetary Policy. Monetary Targeting. Taylor Rule. Fed Behavior.
AB See the abstract for Gali, Jordi; Lopez-Salido, Jose David; Valles, Javier. February 2002,"Technology Shocks and Monetary Policy: Assessing the Fed's Performance". National Bureau of Economic Research Working Paper: 8768; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

PD February 2002. **TI** Markups, Gaps and the Welfare Costs of Business Fluctuations. **AU** Gali, Jordi; Gertler, Mark; Lopez-Salido, Jose David. **AA** Gali: Universitat Pompeu Fabra, New York University, NBER, and CEPR. Gertler: New York University and NBER. Lopez-Salido: Bank of Spain and CEPR. **SR** CEPR Discussion Paper: 3212; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** E32, E37. **KW** Business Cycles. Countercyclical Markups. Welfare Costs.
AB In this paper we present a simple, theory-based measure of the variations in aggregate economic efficiency associated with business fluctuations. We decompose this indicator, which we refer to as "the gap", into two constituent parts: a price markup and a wage markup, and show that the latter accounts for the bulk of the fluctuations in our gap measure. Finally, we derive a measure of the welfare costs of business cycles that is directly related to our gap variable, and which takes into account explicitly the existence of a varying aggregate inefficiency. When applied to postwar US data, for plausible parameterizations, our measure suggests welfare losses of fluctuations that are of a higher order of magnitude than those derived by Lucas (1987). It also suggests that the major postwar recessions involved substantial efficiency costs.

Gallin, Joshua
TI Employment Persistence. **AU** Fleischman, Charles A.; Gallin, Joshua.

Gallo, Andres
TI Evolution and Revolution in the Argentine Banking System Under Convertibility: The Roles of Crises and Path Dependence. **AU** Alston, Lee J.; Gallo, Andres.

Galluccio, Giulia
TI Environmental Issues and Financial Reporting Trends: A Survey in the Chemical and Oil & Gas Industries. **AU** Salomone, Roberta; Galluccio, Giulia.

Gandal, Neil
PD September 2002. **TI** The Effect of Native Language on Internet Usage. **AA** Tel Aviv University. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 21/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. **PG** 14. **PR** no charge. **JE** D12, L86. **KW** Language. Internet Use. Network Effects. First Mover Advantage.
AB This paper explores the relationship between native language and use of the Internet and examine whether English is likely to retain its first-mover advantage of a large installed base of English language websites. The paper examines this issue empirically using a unique data set on (home) Internet use at the individual level in Quebec from Media Metrix. The results suggest that English language websites are less of a barrier for French-speaking youths than for French-speaking adults in Quebec. To the extent that the younger generation drives the dynamics of the Internet, the results provide some support for the hypothesis that English will retain its first mover advantage of a large installed base of English language websites. The paper also examines the effect of bilingualism on Internet use and finds that among native French speakers, bilingual individuals use English language websites significantly more than their monolingual counterparts.

TI Indirect Network Effects and Adoption Externalities. **AU** Church, Jeffrey; Gandal, Neil; Krause, David.

Garces, Eliana
TI Longer Term Effects of Head Start. **AU** Currie, Janet; Garces, Eliana; Thomas, Duncan.

Garcia, Rene
PD April 2000. **TI** Latent Variable Models for Stochastic Discount Factors. **AU** Garcia, Rene; Renault, Eric. **AA** Garcia: Universite de Montreal, CRDE, and CIRANO. Renault: CREST and Paris IX Dauphine. **SR** INSEE Documents de Travail du CREST: 2000/19; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 39. **PR** no charge. **JE** C24, C34, G12. **KW** Stochastic Discount Factor. Latent Variables. Conditional Beta Pricing. Conditional Factor Models. Asset Pricing.
AB Latent variable models in finance originate both from asset pricing theory and time series analysis. These two strands of literature appeal to two different concepts of latent structures, which are both useful to reduce the dimension of a statistical model specified for a multivariate time series of asset prices. In the CAPM or APT beta pricing models, the dimension reduction is cross-sectional in nature, while in time-series state-space models, dimension is reduced longitudinally by assuming conditional independence between consecutive returns given a small number of state variables. In this chapter, we use the concept of a Stochastic Discount Factor (SDF) or pricing kernel as a unifying principle to integrate these two concepts of latent variables. We provide this unifying analysis in the context of conditional equilibrium beta pricing as well as asset pricing with stochastic volatility, stochastic interest rates and other state variables.

Gardner, Roy J.
TI Budget Processes: Theory and Experimental Evidence. **AU** Ehrhart, Karl-Martin; Gardner, Roy J.; Keser, Claudia; von Hagen, Jurgen.

Garibaldi, Pietro

TI Wages and the Size of Firms in Dynamic Matching Models. AU Bertola, Giuseppe; Garibaldi, Pietro.

Garicano, Luis

PD November 2000. TI The Effects of Business-to-Business E-Commerce on Transaction Costs. AU Garicano, Luis; Kaplan, Steven N. AA Garicano: University of Chicago. Kaplan: University of Chicago and NBER. SR National Bureau of Economic Research Working Paper: 8017; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 39. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE D23, D40, L10, O33. KW E-commerce. Transaction Costs. Coordination Costs. Motivation Costs.

AB In this paper, we study the changes in transaction costs from the introduction of the Internet in transactions between firms (i.e., business-to-business (B2B) e-commerce). We begin with a conceptual framework to organize the changes in transaction costs that are likely to result when a transaction is transferred from a physical marketplace to an Internet-based one. Following Milgrom and Roberts (1992), we differentiated between the impact on coordination costs and motivation costs. We argue that it is likely that B2B e-commerce reduces coordination costs and increases efficiency. We classify these efficiencies into three broad categories: (1) process improvements; (2) marketplace benefits; and (3) indirect improvements. At the same time, B2B e-commerce affects incentive costs. In particular, we discuss the impact of the introduction of e-commerce on informational asymmetries. We implement this framework by analyzing detailed internal data from one Internet-based firm to measure process improvements, marketplace benefits, and motivation costs. We present less detailed data and analyses for one other firm. Our results suggest that process improvements and marketplace benefits are potentially large. We find little evidence that informational asymmetries are more important in the electronic marketplace we study than in the existing physical ones.

Garrido, Alberto

TI An Economic Drought Management Index to Evaluate Water Institutions' Performance Under Uncertainty and Climate Change. AU Iglesias, Eva; Garrido, Alberto; Gomez, Almudena.

Garrod, Guy, D.

TI Valuing Local Public Goods with Advanced Stated Preference Models: Traffic Calming Schemes in Northern England. AU Scarpa, Riccardo; Garrod, Guy, D.; Willis, Kenneth, G.

Gatsios, Konstantine

PD October 2000. TI Terms of Trade Shocks and Domestic Prices under Tariffs and Quotas: A Note. AA Athens University of Economics and Business and CEPR. SR CEPR Discussion Paper: 2593; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE F13, F16. KW Import Restrictions. Terms of Trade. Variable Labor Supply.

AB The paper develops a two-good, small country, general equilibrium trade model with endogenous labor supply, where trade is restricted by a tariff or an import quota. Within this framework, it is shown that, contrary to Anam (1989), under an import quota domestic and world prices may vary in the same direction. This is due to the possible positive employment effects of terms of trade shocks. In such a case, compared to fixed labor supply, variable labor supply is likely to make the domestic prices less sensitive to foreign price volatility.

Gautier, Axel

PD October 2001. TI What Do Internal Capital Markets Do? Redistribution vs.Incentives. AU Gautier, Axel; Heider, Florian. AA Gautier: IRES, Universite Catholique de Louvain. Heider: FMG-LSE, IRES and FNRS. SR Fondazione Eni Enrico Mattei Note di Lavoro: 76/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 38. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE G31, G34, L23. KW Internal Capital Markets. Conglomerates. Agency Problems. Headquarters. Divisional Managers.

AB In this paper we explain the apparent "diversification discount" of conglomerates without assuming inefficient-cross subsidization through internal capital markets. Instead, we assume that an internal capital market efficiently redistributes scarce resources across a conglomerate's divisions between successive production periods. The need for redistribution arises from resources sometimes being produced by divisions that happen to be successful in an earlier production stage but that do not have the best investment opportunities in future production stages. In contrast to the existing literature, we consider explicitly the incentive problem between corporate headquarters and divisional managers using a standard Moral-Hazard framework. We show that although a complete incentive contract can be written bilaterally between headquarters and divisional managers, the redistribution of resources across divisions creates additional agency costs in a conglomerate. Moreover, assuming that no complete contract can govern the interim redistribution policy by headquarters, we show how the agency problem with divisional managers constrains headquarters' interim redistribution to be ex ante inefficient.

Geanakoplos, John

TI From Nash to Walras via Shapley-Shubik. AU Dubey, Pradeep; Geanakoplos, John.

Genius, Margarita

PD June 2001. TI Model Selection and Tests for Non Nested Contingent Valuation Models: An Assessment of Methods. AU Genius, Margarita; Strazzera, Elisabetta. AA Genius: University of Crete. Strazzera: DRES and CRENoS, University of Cagliari. SR Fondazione Eni Enrico Mattei Note di Lavoro: 34/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 35. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C15, C52, H43. KW Contingent Valuation. Maximum Likelihood. Non Nested Models. Model Selection. Model Testing.

AB When competing hypotheses are non nested, the choice of the model is often based on heuristic grounds, or, at most, on deterministic selection model criteria such as Akaike's (1973).

In the context of the evaluation of public projects, we study two alternative approaches to checking model specification: the model selection testing proposed by Vuong (1989) and the non nested model test proposed by Cox, in the simulated approach of Pesaran and Pesaran (1993). Like Akaike's, both these approaches are based on the Kullback-Leibler Information Criterion (KLIC):). The three approaches are confronted by comparing their performance in selecting among different models applied to simulated contingent valuation data. Our results seem to warrant the use of the Cox test for medium-large size samples, while for small size samples its performance is less satisfactory. When the data set is small, use of a model selection method may be preferred to model testing. In this case, the Vuong model selection testing is recommended as an alternative to the deterministic approach of the Akaike criterion.

TI The Effect of Protest Votes on the Estimates of Willingness to Pay for Use Values of Recreational Sites. AU Strazzera, Elisabetta; Genius, Margarita; Scarpa, Riccardo; Hutchinson, George.

Geraats, Petra M.

PD October 2000. TI Why Adopt Transparency? The Publication of Central Bank Forecasts. AA University of Cambridge. SR CEPR Discussion Paper: 2582; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE E52, E58. KW Monetary Policy. Transparency.
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 a reputation. To achieve these benefits of transparency it is generally necessary to publish the conditional central bank forecasts for both inflation and output.

Gerlach, Stefan

TI The Inflation Bias Revisited: Theory and Some International Evidence. AU Cukierman, Alex; Gerlach, Stefan.

Germano, Fabrizio

TI On Some Collusive and Signaling Equilibria in Ascending Auctions for Multiple Objects. AU Albano, Gian Luigi; Germano, Fabrizio; Lovo, Stefano.

Gersbach, Hans

PD October 2002. TI Competitive Markets, Collective Decisions and Group Formation. AU Gersbach, Hans; Haller, Hans. AA Gersbach: University of Heidelberg. Haller: Virginia Polytechnic Institute and State University. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/11; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 54. PR no charge. JE D10, D50, D62, D70. KW Household Behavior. Household Formation. Collective Decision Making. General Equilibrium.

AB We consider a general equilibrium model where households operating in a competitive market environment can have several members and make efficient collective consumption decisions. Individuals have the option to leave the household and make it on their own or join another household. We study the effect of these outside options on household formation, household stability, equilibrium existence, and equilibrium efficiency.

Gertler, Mark

TI Markups, Gaps and the Welfare Costs of Business Fluctuations. AU Gali, Jordi; Gertler, Mark; Lopez-Salido, Jose David.

Geyer, Roland

PD 2000. TI Product Take-Back and Component Reuse. AU Geyer, Roland; Van Wassenhove, Luk N. AA INSEAD. SR INSEAD Working Paper: 2000/34/TM/CIMSO/12; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 16. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE M11, M14, Q01. KW Product Recovery. Reuse of Materials.
AB A manufacturer setting up a product take-back scheme needs a sound product recovery strategy. An important option of product recovery management is component reuse. Under certain conditions the component can be reused for the remanufacturing of a perfect substitute of the original product. But the reuse potential of components is limited due to wear and tear and the fact that in most take-back schemes only a certain percentage of the sold products will return to an original equipment manufacturer. This paper investigates how the relationship between component durability, return rate of the post-consumer products and cost structure of the reuse and remanufacturing operations impacts the cost-efficiency of this added-value recovery. A systems approach is used to derive some general results about the attainable efficiency of the reuse operations and to investigate under which conditions component reuse leads to production cost savings for an original equipment manufacturer.

Giavazzi, Francesco

TI Looking for Contagion: The Evidence from the ERM. AU Favero, Carlo A.; Giavazzi, Francesco.

TI European Financial Markets After EMU: A First Assessment. AU Danthine, Jean-Pierre; Giavazzi, Francesco; von Thadden, Ernst-Ludwig.

TI How is the Debt Managed? Learning from Fiscal Stabilizations. AU Benigno, Pierpaolo; Giavazzi, Francesco; Missale, Alessandro.

Gilbert, Richard J.

PD May 2001. TI An Economist's Guide to U.S. v. Microsoft. AU Gilbert, Richard J.; Katz, Michael L. AA University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/19; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 32. PR free copies available electronically through website; hardcopies $8.00

check or money order payable to "Regents of the University of California". JE K21, L12, L41. KW Microsoft Antitrust Policy. Monopolization. Network Effects.

AB We analyze the central economic issues raised by U.S. v. Microsoft. Network effects and economies of scale in applications programs created a barrier to entry for new operating system competitors, which the combination of Netscape Navigator and the Java programming language potentially could have lowered. Microsoft took actions to eliminate this threat to its operating system monopoly, and some of Microsoft's conduct very likely harmed consumers. While we recognize the risks of the government's proposed structural remedy of splitting Microsoft in two, we are pessimistic that a limited conduct remedy would be effective in this case.

PD May 2001. TI Is Innovation King at the Antitrust Agencies? The Intellectual Property Guidelines Five Years Later. AU Gilbert, Richard J.; Tom, Willard K. AA Gilbert: University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/20; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 48. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE K21, L12, L40, O31, O38. KW Innovation. Intellectual Property. Mergers. Antitrust Policy. Monopolization.

AB The Microsoft antitrust case focused public attention on the role of antitrust enforcement in preserving the forces of innovation in high-technology markets. Traditionally, regulators focused on whether companies artificially hiked prices of reduced output. Now, they're increasingly likely to look first at whether corporate behavior aids or impedes innovation. In this paper, we examine whether innovation has displaced short-term price effects as the focus of antitrust enforcement by the Department of Justice and the Federal Trade Commission and, to the extent that it has, whether enforcement actions are any different as a result. We also ask whether enforcement actions in the area of intellectual property and innovation have been consistent with the 1995 DOJ/FTC Antitrust Guidelines for the Licensing of Intellectual Property [IP Guidelines]. Finally, we consider whether recent enforcement actions identify key areas in which additional guidance from the agencies would be desirable. We address these questions first in merger cases and then in non-merger cases.

PD June 2001. TI Vertical Integration in Gasoline Supply: An Empirical Test of Raising Rivals' Costs. AU Gilbert, Richard J.; Hastings, Justine. AA University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/21; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 55. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE L13, L22, L72. KW Vertical Integration. Oligopoly. Market Power. Gasoline.

AB This paper explores the relationship between the structure of the market for the refining and distribution of gasoline and the wholesale price of unbranded gasoline sold to independent gasoline retailers. Theoretically, the effect of an increase in vertical integration is ambiguous because opposing forces act to increase and decrease wholesale prices. We empirically examine the effects of vertical and horizontal market structures on wholesale prices using both a broad panel and an event analysis. The panel covers twenty-six metropolitan areas from January 1993 through June 1997. The event is a merger of Tosco and Unocal in 1997 that changed the vertical and horizontal structure of thirteen West Coast metropolitan areas. Both data sets show that an increase in the degree of vertical integration is associated with higher wholesale prices.

Girmans, Guillaume

TI Optimal Privatisation Design and Financial Markets. AU Bosi, Stefano; Girmans, Guillaume; Guillard, Michel.

Giupponi, Carlo

PD June 2001. TI The Substitution of Hazardous Molecules in Production Processes: The Atrazine Case Study in Italian Agriculture. AA Universita degli Studi di Padova and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 35/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 17. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE I18, Q16, Q18, Q25. KW Hazardous Molecules. Environmental Policy. Groundwater Pollution.

AB This paper summarizes the results of the Sphere+ Project (Substitution Projects for Health and Environment, Lessons from Results and Experiences) and in particular the outcomes of FEEM's contribution in the field of substituting hazardous molecules used to control weeds to preserve the quality of water resources. The story of the study case started in Italy, in the mid 80's, with the introduction of the EC Directive 80/778 concerning drinking water. The acceptable limits for pesticide concentrations were so low that most of the groundwater sources for northern Italian towns' aqueducts became unsuitable for human consumption, quite often because of high concentrations of the herbicide Atrazine (commonly used for maize cultivation). This paper examines the substitution of Atrazine with alternatives less detrimental to the environment, focusing on the comparison between end users' and institutional perspectives, policy implications, as well as the relationship between communication, political strategies, and the research sector.

TI Integrated Coastal Zone Management in the Venice Area Potentials of the Integrated Participatory Management Approach. AU Brochier, Frederic; Giupponi, Carlo; Sors, Julie Catherine.

TI Integrated Coastal Zone Management in the Venice Area: A Methodological Framework. AU Brochier, Frederic; Giupponi, Carlo.

Glaeser, Edward L.

PD December 2000. TI The Social Consequences of Housing. AU Glaeser, Edward L.; Sacerdote, Bruce. AA Glaeser: Harvard University and NBER. Sacerdote: Dartmouth College and NBER. SR National Bureau of Economic Research Working Paper: 8034; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge,

MA 02138-5398. Website: www.nber.org. PG 18. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE R10, R20, R31, Z13. KW Housing. Social Capital. Social Connection.

AB The social capital literature documents a connection between social connection and economic outcomes of interest ranging from government quality to economic growth. Popular authors suggest that housing and architecture are important determinants of social connection. This paper examines the connection between housing structure and social connection. We find that residents of large apartment buildings are more likely to be socially connected with their neighbors, perhaps because the distance between neighbors is lower in apartment buildings. Apartment residents are less involved in local politics, presumably because they are less connected with the public infrastructure and space that surrounds them. Street crime (robbery, auto theft) is also more common around big apartment buildings and we believe that this also occurs because there is less connection between people in apartments and the streets that surround them.

Glewwe, Paul

PD November 2000. TI Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya. AU Glewwe, Paul; Kremer, Michael; Moulin, Sylvie; Zitzewitz, Eric. AA Glewwe: Univesity of Minnesota and the World Bank. Kremer: Harvard University and NBER. Moulin: The World Bank. Zitzewitz: MIT. SR National Bureau of Economic Research Working Paper: 8018; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 19. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE I21, N37. KW Education. Kenya. Omitted Variable Bias. Differences-In-Differences Estimator. Developing Countries.

AB This paper compares retrospective and prospective analyses of the effect of flip charts on test scores in rural Kenyan schools. Retrospective estimates that focus on subjects for which flip charts are used suggest that flip charts raise test scores by up to 20 percent of a standard deviation. Controlling for other educational inputs does not reduce this estimate. In contrast, prospective estimators based on a study of 178 schools, half of which were randomly selected to receive charts, provide no evidence that flip charts increase test scores. One interpretation is that the retrospective results were subject to omitted variable bias despite the inclusion of control variables. If the direction of omitted variable bias were similar in other retrospective analyses of educational inputs in developing countries, the effects of inputs may be even more modest than retrospective studies suggest. Bias appears to be reduced by a differences-in- differences estimator that examines the impact of flip charts on the relative performance of students in flip chart and other subjects across schools with and without flip charts, but it is not clear that this approach is applicable more generally.

Gobbin, Niko

TI Schumpeter and the Rise of Modern Environmentalism. AU Albrecht, Johan; Gobbin, Niko.

Goetzmann, William N.

PD 2000. TI Behavioral Factors in Mutual Fund Flows. AU Goetzmann, William N.; Massa, Massimo; Rouwenhorst,

K. Geert. AA Goetzmann and Rouwenhorst: Yale University. Massa: INSEAD. SR INSEAD Working Paper: 2000/42/FIN; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 21. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE G12, G19, G20, G23. KW Money Market Funds. Mutual Funds. Asset Correlations.

AB Using a sample of daily net flows to nearly 1,000 U.S. mutual funds over 18 months, we identify a set of systematic factors that explain a significant amount of the variation in flows. This suggests the existence of a common component to mutual fund investor behavior and indicates which asset classes may be regarded as economic substitutes by the participants in the market for mutual fund shares. We find that flows into equity funds-are negatively correlated with flows to money market funds and precious metals funds. This suggests that investor rebalancing between cash and equity explains a significant amount of trade in mutual fund shares. The negative correlation of equities to metals suggests that this timing is not simply due to liquidity concerns, but rather to sentiment about the equity premium. We address the question of whether behavioral factors spread returns by using the mutual fund flow factors as pre-specified regressors in a Fama-MacBeth asset pricing framework. We find that the factors derived from flows alone explain as much as 45 percent of the cross-sectional variation in mutual fund returns.

PD December 1999. TI Daily Momentum and Contrarian Behavior of Index Fund Investors. AU Goetzmann, William N.; Massa, Massimo. AA Goetzmann: Yale University. Massa: INSEAD. SR INSEAD Working Paper: 2000/38/FIN; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 27. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE G11, G12. KW Market Polarization. Dispersion of Beliefs. Momentum Investors. Contrarian Investors.

AB We use a two-year panel of individual accounts in an S&P 500 index mutual fund to examine the trading and investment behavior of more than 91 thousand investors who have chosen a low-cost, passively managed vehicle for savings. This allows us to characterize investors' heterogeneity in terms of their investment patterns. In particular, we identify positive feedback traders as well as contrarians whose activities are conditional upon preceding day stock market moves. We test the consistency and profitability of these conditional strategies over time. We find that more frequent traders are typically momentum investors, while infrequent traders are more contrarians. The dynamics of these investor classes help us to partially examine the question of the marginal investor over the period of our study. We find that the behavior of momentum investors is typically more correlated to changes in the S&P 500 and we trace its dynamics over time. We also use the behavior of momentum and contrarian investors to build a measure of "market polarization". This captures the dispersion of beliefs among the investors and helps to account for asset pricing better than standard measures of dispersion of beliefs.

Goldberg, Lawrence G.

TI The Effects of Dynamic Changes in Bank Competition on the Supply of Small Business Credit. AU Berger, Allen N.; Goldberg, Lawrence G.; White, Lawrence J.

Goldberg, Michael D.

TI Imperfect Knowledge, Temporal Instability and an Uncertainty Premium: Towards a Resolution of the Excess-Returns Puzzle in the Foreign Exchange Market. AU Frydman, Roman; Goldberg, Michael D.

Goldberg, Pinelopi

PD August 2001. TI Market Integration and Convergence to the Law of One Price: Evidence from the European Car Market. AU Goldberg, Pinelopi; Verboven, Frank. AA Goldberg: Yale University. Verboven: Catholic University of Leuven. SR CEPR Discussion Paper: 2926; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE F15, L62. KW Law of One Price. Market Integration. Price Convergence. Car Market. AB This paper exploits the unique experiment of European market integration to investigate the relationship between integration and price convergence in international markets. Using a panel data set of car prices we examine how the process of integration has affected cross-country price dispersion in Europe. We find surprisingly strong evidence of convergence towards both the absolute and the relative versions of Purchasing Power Parity. Our analysis illuminates the main sources of segmentation in international markets and suggests the type of institutional changes that can successfully reduce it.

Goldstein, Itay

PD February 2002. TI Demand Deposit Contracts and the Probability of Bank Runs. AU Goldstein, Itay; Pauzner, Ady. AA Goldstein: Duke University. Pauzner: Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 16/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 41. PR no charge. JE C72, D82. KW Bank Runs. Multiple Equilibria. Panic-Based Runs.
AB We study a model of bank runs based on Diamond and Dybvig (1983). We assume that agents do not have common knowledge regarding the fundamentals of the economy, but rather receive slightly noisy signals. The new model has a unique equilibrium in which the fundamentals determine whether a bank run will occur. This lets us compute the ex- ante probability of a bank run and relate it to the parameters of the demand deposit contract. We find that offering a higher return to agents who demand early withdrawal makes the bank more vulnerable to runs. We construct an optimal demand deposit contract that trades off the benefits from risk sharing against the costs of bank runs. Under this contract, there is a positive probability of panic-based bank runs. Nevertheless, it improves welfare relative to the autarkic regime. Finally, being able to make welfare computations, we assess the desirability of regimes that are intended to prevent bank runs; suspension of convertibility and deposit insurance.

TI The Choice of Exchange Rate Regime and Speculative Attacks. AU Cukierman, Alex; Goldstein, Itay; Spiegel, Yossi.

Golfetto, Giulio

TI Participation Incentives and the Design of Voluntary Agreements. AU Brau, Rinaldo; Carraro, Carlo; Golfetto, Giulio.

Gomez, Almudena

TI An Economic Drought Management Index to Evaluate Water Institutions' Performance Under Uncertainty and Climate Change. AU Iglesias, Eva; Garrido, Alberto; Gomez, Almudena.

Goodfriend, Marvin

PD August 2001. TI The Case for Price Stability. AU Goodfriend, Marvin; King, Robert G. AA Goodfriend: Federal Reserve Bank of Richmond. King: Boston University and NBER. SR National Bureau of Economic Research Working Paper: 8423; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 52. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E30, E52, E61. KW Price Stability. Monetary Policy. Business Cycles. Inflation.
AB Reasoning within the New Neoclassical Synthesis (NNS) we previously recommended that price stability should be the primary objective of monetary policy. We called this a neutral policy because it keeps output at its potential, defined as the outcome of an imperfectly competitive real business cycle model with a constant markup of price over marginal cost. We explore the foundations of neutral policy more fully in this paper. Using the principles of public finance, we derive conditions under which markup constancy is optimal monetary policy. Price stability as the primary policy objective has been criticized on a number of grounds which we evaluate in this paper. We show that observed inflation persistence in U.S. time series is consistent with the absence of structural inflation stickiness as is the case in the benchmark NNS economy. We consider reasons why monetary policy might depart from markup constancy and price stability, but we argue that optimal departures are likely to be minor. Finally, we argue that the presence of nominal wage stickiness in labor markets does not undermine the case for neutral policy and price stability.

Goolsbee, Austan

TI Does the Internet Make Markets More Competitive? AU Brown, Jeffrey R.; Goolsbee, Austan.

Gordon, Robert J.

PD February 2002. TI Technology and Economic Performance in the American Economy. AA Northwestern University and CEPR. SR CEPR Discussion Paper: 3213; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE O33, O47, O51. KW Productivity. New Economy. Technological Leadership.
AB This paper examines the sources of the US macroeconomic miracle of 1995-2000 and attempts to distinguish among permanent sources of American leadership in high-technology industries, as contrasted with the particular post-1995 episode of technological acceleration, and with other independent sources of the economic miracle unrelated to technology. The core of the American achievement was the

maintenance of low inflation in the presence of a decline in the unemployment rate to the lowest level reached in three decades. The post-1995 technological acceleration, particularly in information technology (IT) and accompanying revival of productivity growth, directly contributed both to faster output growth and to holding down the inflation rate. In turn low inflation allowed the Fed to maintain an easy monetary policy that fueled rapid growth in real demand, profits, and stock prices, which fed back into growth of consumption in excess of growth in income.

Gottardi, Piero

PD August 2001. TI Efficiency Properties of Rational Expectations Equilibria with Asymmetric Information. AU Gottardi, Piero; Rahi, Rohit. AA Rahi: London School of Economics. SR CEPR Discussion Paper: 2922; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D52, D60, D82. KW Asymmetric Information. Incomplete Markets. Rational Expectations Equilibrium.

AB This paper provides a characterization of the welfare properties of rational expectations equilibria of economies in which, prior to trading, agents have some information over the realization of uncertainty. We study a model with asymmetrically informed agents. Trade takes place in asset markets that may or may not be complete. We show that equilibria are characterized by two forms of inefficiency, price inefficiency and spanning inefficiency, and that generically both of them are present. Price inefficiency arises whenever equilibrium prices reveal some information. It formalizes and generalizes the so-called Hirshleifer effect, by showing that generically an interim Pareto improvement is possible even conditional on the information that is available to agents in equilibrium. Spanning inefficiency, on the other hand, arises if prices are not fully revealing and markets are incomplete relative to the uncertainty faced by agents in equilibrium. In this case, an ex-post improvement can generically be implemented by providing agents with more information, thus expanding their risk- sharing opportunities and reducing informational asymmetries, even though this additional information restricts the set of allocations that are incentive compatible and individually rational.

Gourieroux, Christian

PD January 2000. TI Sensitivity Analysis of Values at Risk. AU Gourieroux, Christian; Laurent, Jean-Paul; Scaillet, Olivier. AA Gourieroux: CREST and CEPREMAP. Laurent: Universite de Lyon I and CREST. Scaillet: Universite Catholique de Louvain. SR INSEE Documents de Travail du CREST: 2000/05; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 16. PR no charge. JE C14, G11. KW Value at Risk. Risk Management. VaR Efficient Portfolio. IsoVaR. Kernel Estimators. Quantile.

AB The aim of this paper is to analyze the sensitivity of Value at Risk (VaR) with respect to portfolio allocation. We derive analytical expressions for the first and second derivatives of the Value at Risk, and explain how they can be used to simplify statistical inference and to perform a local analysis of the Value at Risk. An empirical illustration of such an analysis is given for a portfolio of French stocks.

TI Kernel Based Nonlinear Canonical Analysis and Time Reversibility. AU Darolles, Serge; Florens, Jean-Pierre; Gourieroux, Christian.

TI Ajustements des Prix bid et ask en Presence d'Information Privee. AU Boyer, Cecile; Gourieroux, Christian; Le Fol, Gaelle.

Gradstein, Mark

PD August 2001. TI Public Education and the Melting Pot. AU Gradstein, Mark; Justman, Moshe. AA Gradstein: Ben Gurion University of the Negev and CEPR. SR CEPR Discussion Paper: 2924; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE I21, I22, O15. KW Cultural Assimilation. Education Vouchers. Public Education.

AB This paper proposes a theoretical framework that combines the role of education as a cultural melting pot with its function as an instrument of human capital accumulation. It highlights the important role of public education in promoting social cohesion: requiring minority parents to pay twice for culturally distinct private education is a powerful incentive for cultural assimilation through public education. Conversely, subsidizing private schooling through vouchers or tax credits increases social polarization, which may partly explain the strong opposition to voucher experiments. Public education is especially effective in promoting the cultural assimilation of poorer immigrants, but may not be effective in dealing with large numbers of high-income immigrants.

Green, Peter J.

PD March 2000. TI Bayesian Analysis of Poisson Mixtures. AU Green, Peter J.; Richardson, Sylvia; Viallefont, Valerie. AA Green: University of Bristol. Richardson: INSERM. Viallefont: CREST-INSEE. SR INSEE Documents de Travail du CREST: 2000/13; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 15. PR no charge. JE C11, C15, C16. KW Reversible Jump. Heterogeneity. Markov Chain Monte Carlo. Poisson Mixtures. Poisson Distribution. Bayesian Inference.

AB The modeling of rare events via a Poisson distribution sometimes reveals substantial over-dispersion, indicating that some unexplained discontinuity arises in the data. We suggest modeling this over- dispersion by a Poisson mixture. In a hierarchical Bayesian model, the posterior distributions of the unknown quantities in the mixture (number of components, weights, and Poisson parameters) are estimated by MCMC algorithms, including reversible jump algorithms that permit varying the dimension of the mixture. We focus on the difficulty of finding a weakly informative prior for the Poisson parameters: different priors are detailed and compared. Then, the performances of different moves created for changing dimension will be investigated. The model is extended by the introduction of covariates, with homogenous or heterogeneous effect. Simulated data sets are designed for the different comparisons, and the model is finally illustrated on real data.

Greenan, Nathalie

PD January 2001. TI Information Technology and Research and Development Impacts on Productivity and Skills:

Looking for Correlations on French Firm Level Data. AU Greenan, Nathalie; Mairesse, Jacques; Topiol-Bensaid, Agnes. AA Greenan and Topiol-Bensaid: not available. Mairesse: CREST and NBER. SR National Bureau of Economic Research Working Paper: 8075; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 15. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D24, L63, O33. KW Information Technology. Total Factor Productivity.

AB The main objective of the study is descriptive. We set out to explore the (cor)relations between five IT and R&D indicators and measures of labor and total factor productivity, average wage and skills composition, on four panel data samples of French manufacturing and services firms over the two five years periods 1986-1990 and 1990- 1994. Our first indicator is the ratio of the gross book value of office and computing equipment to the gross book value of total physical assets. The four other indicators are constructed using detailed information on the occupational and skill structure of the firm. They are the shares of total employees of the four categories of specialized workers that we can gather under the headings of "computer staff", "electronics staff", "research staff" and "analysis staff". The only significant finding in the time-series dimension of the data is the relation between an increase in all five indicators and a decrease in the share of blue collar-workers. In the cross-sectional dimension of the data we observe strong evidence of positive correlations between productivity, average wage, and the share of administrative managers, as well as negative ones with the share of blue-collar workers.

Grignon, Michel
TI Un Modele de Regulation du Systeme de Sante: La Concurrence Entre "Operateurs De Soins". AU Chone, Philippe; Grignon, Michel; Mahieu, Ronan.

Grinblatt, Mark
PD January 2002. TI What Do We Really Know About the Cross-Sectional Relation. AU Grinblatt, Mark; Moskowitz, Tobias J. AA Grinblatt: UCLA and NBER. Moskowitz: University of Chicago and NBER. SR National Bureau of Economic Research Working Paper: 8744; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 34. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE G12, G18. KW Stock Returns. Tax Environment. Cross-Sectional Relation.

AB Multihorizon temporal relationships between stock returns are complex due to confounding sources of return premia, microstructure effects, and changes in the relationship over various horizons. We find the relation to be further complicated by the sign and consistency of the past return that also varies, somewhat sensibly, with the season and the tax environment. Accounting for these additional effects using a parsimonious technical trading rule generates surprisingly large abnormal returns, despite controlling for microstructure effects, transaction costs, and data-snooping biases. The documented variation in profits across stock characteristics, season, and tax environment appear inconsistent with existing theory, but may point to future explanations for the relation between past and expected returns.

PD January 2002. TI Tax-Loss Trading and Wash Sales.

AU Grinblatt, Mark; Keloharju, Matti. AA Grinblatt: UCLA and NBER. Keloharju: Helsinki School of Economics. SR National Bureau of Economic Research Working Paper: 8745; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 25. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE G12, G15. KW Finland. Stock Returns. Calendar Effects. Wash Sales.

AB An analysis of trades in the Finnish stock market around the turn of the year shows that Finnish investors tend to realize losses more than gains towards the end of December. They also buy back the same stocks they recently sold, with a repurchase rate that depends on the size of the capital loss and how close the sale is to the end of December. The resulting net buying pressure from these "wash sale" repurchases is greater for stocks with small market capitalizations and has a calendar pattern that is similar to that of stock returns.

TI Information Aggregation, Security Design and Currency Swaps. AU Chowdhry, Bhagwan; Grinblatt, Mark; Levine, David.

Grodal, Birgit
TI Small Income Effects Destroy the Constrained Efficiency of All Equilibria in Finance Economies with Production. AU Dierker, Egbert; Dierker, Hildegard; Grodal, Birgit.

TI Preference for Flexibility and the Opportunities of Choice. AU Barbera, Salvador; Grodal, Birgit.

Grossman, Gene M.
PD June 2002. TI Outsourcing Versus FDI in Industry Equilibrium. AU Grossman, Gene M.; Helpman, Elhanan. AA Grossman: Princeton University. Helpman: Harvard University, Tel Aviv University, and CIAR. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 13/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 14. PR no charge. JE D23, F12, F23, L22. KW Outsourcing. Foreign Direct Investment. Multinational Corporations. Imperfect Contracting.

AB We study the determinants of the extent of outsourcing and of direct foreign investment in an industry in which producers need specialized components. Potential suppliers must make a relationship-specific investment in order to serve each prospective customer. Such investments are governed by imperfect contracts. A final-good producer can manufacture components for itself, but the per-unit cost is higher than for specialized suppliers. We consider how the size of the cost differential, the extent of contractual incompleteness, the size of the industry, and the relative wage rate affect the organization of industry production.

Groth, Christian
TI Too Little or Too Much R&D? AU Alvarez-Pelaez, Maria J.; Groth, Christian.

Gruber, Jonathan
PD November 2000. TI How Elastic is the Firm's Demand for Health Insurance? AA MIT and NBER. SR National Bureau of Economic Research Working Paper:

8021; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** G22, H51, I18. **KW** Health Insurance. Elasticity of Demand. Subsidies. Taxes. Benefits.

AB We investigate the impact of tax subsidies on the firm's decision to offer insurance, and on conditional firm spending on insurance. We do so using the micro-data underlying the Employee Compensation Index, which has a major advantage for this exercise: the matching of very high quality compensation data with information on a sample of workers in the firm. We find that, overall, there is a modest elasticity of insurance offering with respect to after-tax prices (elasticity of -0.31 to -0.41), but a larger elasticity of insurance spending (elasticity of -0.66 to -0.99). We also find that the spending is more elastic in large firms. We provide some evidence on how the aggregation of worker preferences determines benefits provision decisions. In particular, we find evidence to support a median voter model of benefits determination, along with some additional influence for the most highly compensated workers in the firm. Our simulation results suggest that major tax reform could lead to an enormous reduction in employer-provided health insurance spending.

PD January 2001. **TI** An International Perspective on Policies for an Aging Society. **AU** Gruber, Jonathan; Wise, David. **AA** Gruber: MIT and NBER. Wise: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8103; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H55, I38, J13, J18, J26. **KW** Aging Population. Fiscal Policy. OECD. Retirement. Poverty Amid Elderly.

AB The single most important long run fiscal issue facing the developed world is the aging of its populations. The purpose of our paper is to provide an international perspective on public policies directed towards the elderly, and to discuss the implications of these policies for both the elderly and for government budgets. We begin by briefly reviewing the panoply of public programs targeted to the elderly, and document wide variation among the otherwise similar OECD nations in government spending directed towards the elderly. We provide some suggestive evidence that public spending on the elderly is doing little to raise their incomes on average, perhaps due to increased early retirement, but that it is significantly protecting them against poverty. We then ask what the demographic transition bodes for the future: if countries do not change their behavior, what is the likely path for their fiscal situations? We also show that, if the past is any guide, the burden of paying these high fiscal bills is likely to be paid through reduced spending elsewhere, particularly on programs for the non-elderly.

Gruener, Hans Peter

PD February 2002. **TI** How Much Should Central Banks Talk? A New Argument. **AA** Universitat Mannheim and CEPR. **SR** CEPR Discussion Paper: 3194; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** E31, E58. **KW** Central Banks. Communication. Inflation Uncertainty.

AB The openness of central bank decision making has recently received new attention in the literature. It has been argued that more openness reduces uncertainty for players on financial markets and makes future decisions more transparent. This paper argues that the opposite may be the case. The argument is based on a model that studies the interaction of major macroeconomic players with the central bank. The paper makes a distinction between (i) uncertainty about the central banks objectives and (ii) inflation uncertainty. It assumes that the disclosure of information affects the degree of uncertainty about central bank objectives. Actual inflation uncertainty is, however, affected by these objectives and by the actions of all macroeconomic players. More uncertainty about future monetary policy leads to more wage discipline, which in turn lowers average inflation. In equilibrium, the variance of inflation may be reduced as well.

Guegan, Nathalie

PD March 2000. **TI** Growth Entrepreneurship and Venture Capital in Israel. **AA** INSEAD. **SR** INSEAD Working Paper: 2000/43/ENT/3i-4; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 11. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** G31, O53. **KW** Israel. New Economy. Venture Capital.

AB With 6 million inhabitants and an area half the size of the Netherlands, Israel has demonstrated an impressive ability to adapt to changes in a multicultural and multi-religious environment. As is the case with most industrial countries, there has been an increasing interest in recent months in the topic of the New Economy and Israel has not escaped it. This process has happened in an environment which may not, at a first glance, be considered particularly suitable. We will not tackle here the political issues, even though they undoubtedly have an impact on the economic life of the country, but rather we will look at a variety of indicators to better understand the climate for entrepreneurship and business creation at the present time. After a brief review of the general context, we will comment on some key points as follows: availability of resources (venture capital), government assistance, and the path to value creation through stock markets.

Guide, V. Daniel R., Jr.

PD 2000. **TI** Managing Product Returns for Remanufacturing. **AU** Guide, V. Daniel R., Jr.; Van Wassenhove, Luk N. **AA** Guide: Duquesne University. Van Wassenhove: INSEAD. **SR** INSEAD Working Paper: 2000/35/TM/CIMSO/13; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 18. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** M11, M14, Q01. **KW** Product Recovery. Reuse of Materials.

AB Firms are often encouraged to offer environmentally friendly products as part of corporate citizenship; being a good citizen environmentally. However, this is an unrealistic expectation since a rational firm will only engage in profitable ventures; those that increase shareholder wealth. We develop a framework for analyzing the profitability of reuse activities, and show how the management of product returns influences operational requirements. We show that the acquisition of used products is the control lever for the management and

profitability of reuse activities. These activities, termed product acquisition management, affect several important business decisions. First, if a firm is to pursue reuse activities, these activities must be value-creating. Second, if a firm is to compete by offering remanufactured products then we show how to maximize profits via product returns management. Third, operational issues are strongly influenced by the approach used to manage product returns. Finally, product acquisition management must address the creation of new markets for reused goods and products.

Guillard, Michel

TI Optimal Privatisation Design and Financial Markets. AU Bosi, Stefano; Girmans, Guillaume; Guillard, Michel.

Gunnarsson, Jan

PD September 2002. TI Communication Between Public and Private Interests and the Europeanisation at the Regional Level. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/14; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 33. PR no charge. JE H70, L50. KW Multi-Level Governance. Cross-Border Cooperation. Communication. European Union.
AB This paper tries to shed light on the way in which sovereignty may be transferred from the state to the sub-national level as a result of European integration. It is flavored with empirical evidence of cross- border cooperation in the Southern Baltic region (the Greater Copenhagen area and Scania in Southern Sweden). The paper poses the question whether communication links between public organizations and private companies could improve the "bottom up" drive from the regional level in multi-level governance and thereby improve the legitimacy of the EU. The paper looks into this question by considering crucial differences between Denmark and Sweden with regard to institutions in domestic politics. Empirically, the paper investigates policies pursued by regional authorities with respect to public services to private companies and how these policies affiliate with the overall policies of EU-focused regional associations. Theoretically, it is argued that the establishment of a regional role in the EU can be explained by an approach based on evolutionary theory of institutional change. The notion of "output-based legitimacy" is applied to clarify the legitimizing force of political actions channelled through industrial networks.

Guo, Binbin

TI Efficient Regression in Time Series Partial Linear Models. AU Phillips, Peter C. B.; Guo, Binbin; Xiao, Zhijie.

Gylfason, Thorvaldur

PD October 2000. TI Natural Resources, Education, and Economic Development. AA University of Iceland and CEPR. SR CEPR Discussion Paper: 2594; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE O11, O13. KW Economic Development. Natural Resources.
AB Economic growth since 1965 has varied inversely with the share of natural capital in national wealth across countries. Four main channels of transmission from abundant natural resources to stunted economic development are discussed: (a) the Dutch disease, (b) rent seeking, (c) overconfidence, and (d) neglect of education. Public expenditure on education relative to national income, expected years of schooling for girls, and gross secondary-school enrolment are all shown to be inversely related to the share of natural capital in national wealth across countries. Natural capital appears to crowd out human capital, thereby slowing down the pace of economic development.

Haaland, Jan

PD January 2001. TI Multinational Firms: Easy Come, Easy Go? AU Haaland, Jan; Wooton, Ian. AA Haaland: Norwegian School of Economics and Business Administration, Bergen and CEPR. Wooton: University of Glasgow. SR CEPR Discussion Paper: 2660; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D92, F12, F23. KW Entry. Exit. Multinational Firms. Subsidies. Uncertainty.
AB Although many countries welcome inward investments by multinational firms (MNEs), it is often perceived that MNEs readily close down production in bad times. We study the choice of an MNE in deciding whether to establish a branch plant within a region, explicitly taking into account exit, as well as entry, costs. Protecting workers by having strict lay-off rules deters potential investment while subsidies attract it. We examine the policy trade-off for a host government and investigate how uncertainty affects the attractiveness of investment in a particular location. Just how much does the ease of exit influence the entry decision?.

Hagem, Cathrine

PD January 2001. TI Climate Policy, Asymmetric Information and Firm Survival. AA CICERO. SR Fondazione Eni Enrico Mattei Note di Lavoro: 10/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 21. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D82, Q25. KW Climate Policy. Tradable Permits. Emission Taxes. Voluntary Agreements. Asymmetric Information.
AB The purpose of this paper is to compare the effect of different domestic climate policy instruments under asymmetric information when the regulator wants to secure the survival of a specific firm. It is a well-known result that emission taxes lead to a cost-effective distribution of abatement across polluters. However, if the regulator wants to ensure the survival of a specific firm, it may need to design policy instruments that reduce the firm's costs of complying with an emission tax regime. The policy instruments considered in this paper are tradable emission permits with distribution of free permits, emission taxes in combination with a fixed subsidy, and two types of voluntary agreements. We demonstrate that for the distribution of free tradable permits to have a preventative effect, the allocation of permits has to be made contingent on production. We further show that a voluntary agreement where a specific abatement target is set by the regulator can prevent a shutdown but leads to lower welfare than the use of emission taxes in combination with a fixed subsidy. Finally we illustrate that a voluntary agreement designed as a menu of abatement contracts increases social welfare relative to an emission tax regime.

Haller, Hans

TI Competitive Markets, Collective Decisions and Group Formation. **AU** Gersbach, Hans; Haller, Hans.

TI Finding a Nash Equilibrium in Spatial Games is an NP-Complete Problem. **AU** Baron, Richard; Durieu, Jacques; Haller, Hans; Solal, Philippe.

Haltiwanger, John C.

PD November 2000. **TI** Wages, Productivity, and the Dynamic Interaction of Businesses and Workers. **AU** Haltiwanger, John C.; Lane, Julia I.; Spletzer, James R. **AA** Haltiwanger: University of Maryland and NBER. Lane: Urban Institute. Spletzer: Bureau of Labor Statistics. **SR** National Bureau of Economic Research Working Paper: 7994; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 36. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D24, J23, J31. **KW** Productivity. Wages. Worker Mix. New Businesses.
AB This paper exploits a new matched universal and longitudinal employer-employee database at the US Census Bureau to empirically investigate the link between firms' choice of worker mix and the implied relationships between productivity and wages. We particularly focus on the decision making process of new firms and examine the role of both learning and selection. Our key empirical results are: (i) We find substantial and persistent differences in earnings per worker, output per worker, and worker mix across businesses within narrowly defined industries, which remain even after controlling for other observable characteristics. (ii) We find that new businesses exhibit even greater heterogeneity in earnings and productivity than do mature businesses, but that they adjust to the mature business pattern as they age. The adjustment process, while different for earnings and productivity, is consistent both with firms learning as they age and with the exit of "mistake" prone firms. (iii) The dynamics of the reduction in productivity heterogeneity of new firms as they age is both complex and very different from the dynamic reduction of earnings heterogeneity.

Hamermesh, Daniel S.

PD August 2001. **TI** "Hall of Fame" Voting: The Econometric Society. **AU** Hamermesh, Daniel S.; Schmidt, Peter. **AA** Hamermesh: University of Texas and NBER. Schmidt: Michigan State University. **SR** National Bureau of Economic Research Working Paper: 8435; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 11. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** A14, D71. **KW** Voting. Election.
AB We examine the determinants of election as Fellow of the Econometric Society, an example of voting within a group to confer honor on some members and perhaps achieve additional status for the entire group. Using data from annual elections from 1990-2000, we find that objective measures of quality help determine elections, as do attestations of quality by previous honorees. What one might view as ascriptive characteristics, such as candidates' subspecialty or institutional affiliation/location, also affect their electoral success.

PD February 2002. **TI** International Labor Economics. **AA** University of Texas and NBER. **SR** National Bureau of Economic Research Working Paper: 8757; Working Papers,

NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F42, J48. **KW** Labor Market. Labor Demand. Policy Evaluation.
AB This paper argues for increased reliance on non-U.S. data and policy evaluations to understand basic labor-market parameters and to predict the effects of changes in U.S. labor-market policies. Foreign experiences generate exogenous shocks to labor costs that create unusual opportunities to measure impacts on labor demand. Foreign policies often provide more variation in the underlying parameters in systems that are often structured like their American counterparts. Foreign data sets are often larger and better suited to inferring behavior. An examination of empirical studies in labor economics shows the effect of the location of the author, data set and journal on the subsequent impact of the research on other scholars.

Hammour, Mohammad L.

TI Speculative Growth. **AU** Caballero, Ricardo J.; Hammour, Mohammad L.

Hannan, Timothy H.

PD October 2001. **TI** To Surcharge or Not to Surcharge: An Empirical Investigation of ATM Pricing. **AU** Hannan, Timothy H.; Kiser, Elizabeth K.; Prager, Robin A.; McAndrews, James J. **AA** Hannan, Kiser, and Prager: Board of Governors of the Federal Reserve System. McAndrews: Federal Reserve Bank of New York. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/38; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 24. **PR** no charge. **JE** G21, L11. **KW** ATM. Surcharge. Bank. Pricing.
AB This paper investigates depository institutions' decisions whether or not to impose surcharges (direct usage fees) on non-depositors who use their ATMs. In addition to documenting patterns of surcharging, we examine motives for surcharging, including both direct generation of fee revenue and the potential to attract deposit customers who wish to avoid incurring surcharges at an institution's ATMs. Consistent with expectations, we find that the probability of surcharging increases with both the institution's share of market ATMs and the time since surcharging was first allowed in the state, and decreases with the local ATM density. Further, we find evidence consistent with the use of surcharges to attract deposit customers who are new to the local banking market, but find no evidence that larger banks use surcharges as a means to attract existing customers away from smaller local competitors.

PD October 2001. **TI** The Competitive Implications of Multimarket Bank Branching. **AU** Hannan, Timothy H.; Prager, Robin A. **AA** Board of Governors of the Federal Reserve System. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/43; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 27. **PR** no charge. **JE** G21, L11. **KW** Bank. Pricing. Multimarket.
AB Regulators and research economists typically view retail banking markets as locally limited, spanning an area that can often be approximated by a metropolitan area or rural county.

However, recent studies have found evidence that large multimarket banking organizations tend to offer uniform interest rates for retail deposit accounts of a particular type throughout the area that they serve, at least within a given state. This uniform pricing phenomenon raises questions about the continued relevance of the concept of local banking markets for both research and antitrust purposes. We address this issue by developing a model to determine the effects of the presence of multimarket banks in a local geographic market on the deposit interest rates offered by single- market banks serving that same local market. Empirical analysis based on this model yields two key findings. First, deposit interest rates offered by single-market banks tend to be lower in local markets in which multimarket banks account for a greater share of market deposits. Second, even with multimarket banks present in the market, local market concentration influences the pricing behavior of single-market banks.

Hansen, B. O.

PD November 2002. **TI** On the Possibility of a Bridge Between CBA and CEA: Comments on a paper by Dolan and Edlin. **AU** Hansen, B. O.; Hougaard, Jens Leth; Keiding, Hans; Osterdal, L. P. **AA** Hansen: Copenhagen Business School. Hougaard, Keiding, and Osterdal: University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/21; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 12. **PR** no charge. **JE** I10. **KW** Cost-Benefit Analysis. Cost-Effectiveness Analysis. Aggregation of Preferences.
AB In a recent work by Dolan and Edlin it is concluded that no link can be established between cost-benefit analysis (CBA) and cost- effectiveness analysis (CEA). However, the conclusion seems to depend rather heavily on what is understood by a link between CBA and CEA as well as on the exact meaning of the latter two terms. We argue that there is at least one approach to CBA and CEA in which the two are very intimately linked. On the other hand, the limitations in the access to preference information have consequences for the kind of questions that can be meaningfully addressed in both CBA and CEA.

Hansen, Zeynep K.

TI U.S. Land Policy, Property Rights, and the Dust Bowl of the 1930s. **AU** Libecap, Gary D.; Hansen, Zeynep K.

Hanson, Gordon H.

PD November 2000. **TI** Scale Economies and the Geographic Concentration of Industry. **AA** University of Michigan and NBER. **SR** National Bureau of Economic Research Working Paper: 8013; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** J60, R10, R30. **KW** Scale Economies. Spatial Agglomeration. Externalities. Industry Growth.
AB In recent empirical literature on spatial agglomeration, many papers find evidence consistent with location-specific externalities of some sort. Our willingness to accept evidence of agglomeration economies depends on how well key estimation problems have been addressed. Three issues are particularly troublesome for identifying agglomeration effects: unobserved regional characteristics, simultaneity in regional data, and multiple sources of externalities. Two empirical results appear to be robust to problems created by the first two issues: (a) individual wages are increasing in the presence of more-educated workers in the local labor force, which is consistent with localized human-capital externalities, and (b) long-run industry growth is higher in locations with a wider range of industrial activities, which suggest that firms benefit from being in more diverse urban environments. Other evidence is supportive of agglomeration effects related to regional demand linkages and short-run, industry-specific externalities.

TI Intermediaries in Entrepot Trade: Hong Kong Re-Exports of Chinese Goods. **AU** Feenstra, Robert C.; Hanson, Gordon H.

PD August 2001. **TI** Expansion Strategies of U.S. Multinational Firms. **AU** Hanson, Gordon H.; Mataloni, Raymond J., Jr..; Slaughter, Matthew J. **AA** Hanson: University of San Diego and NBER. Mataloni: U.S. Bureau of Economic Analysis. Slaughter: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8433; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 33. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F10, F21, F23. **KW** Multinationals. Foreign Direct Investment.
AB Recent theoretical work tends to characterize multinational enterprises as arising through either horizontal or vertical foreign direct investment (FDI). Empirical research tends to find stronger support for the former than for the latter. In this paper, we use recent, detailed data on U.S. multinational firms to revisit the question of why multinationals go abroad. We examine three types of foreign activities of U.S. multinationals: global outsourcing, the use of export platforms, and wholesale trading. Our results suggest that vertical FDI is more common than previous research suggests, and more generally that the foreign affiliates of multinationals span a diverse set of activities that each respond to policies and characteristics of host countries in quite different ways.

Harmon, Colm

TI Cross Country Evidence on the Returns to Education: Patterns and Explanations. **AU** Denny, Kevin; Harmon, Colm; Lydon, Raemonn.

Harrison, Ann E.

PD August 2001. **TI** Does Direct Foreign Investment Affect Domestic Firms' Credit Constraints? **AU** Harrison, Ann E.; McMillan, Margaret S. **AA** Harrison: University of California, Berkeley and NBER. McMillan: Tufts University. **SR** National Bureau of Economic Research Working Paper: 8438; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F21, G31, G32. **KW** Credit Constraints. Direct Foreign Investment.
AB Firms in developing countries cite credit constraints as one of their primary obstacles to investment. Direct foreign investment may ease domestic firms' credit constraints. Alternatively, if foreign firms borrow heavily from domestic banks, they may exacerbate domestic firms' credit constraints by crowding them out of domestic capital markets. One plausible mechanism by which this may happen is indirect.

Foreign firms may be more experienced and have better financial ratios and thus, be a safer bet for lending institutions. In this paper, we test the following hypotheses: (1) domestic firms are more credit constrained than foreign firms and (2) borrowing by foreign firms exacerbates the credit constraints of domestic firms. Results suggest that domestic firms are significantly more credit constrained than foreign firms and that borrowing by foreign firms aggravates domestic firms' credit constraints. By splitting the sample into state-owned (SOE) and privately owned domestic enterprises (POE) we are able to show that SOEs are less financially constrained than other domestic enterprises, consistent with the notion of a "soft budget constraint". Borrowing by foreign firms affects only POEs. Finally, we explore possible explanations for the crowding out effect.

Hart, Oliver

PD November 2002. TI A Theory of Firm Scope. AU Hart, Oliver; Holmstrom, Bengt. AA Hart: Harvard University and NBER. Holmstrom: MIT and NBER. SR MIT, Department of Economics Working Paper: 02/42; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=355860. PG 34. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D21, D23. KW Property Rights. Non-Transferable Benefits. Profit Diversion. Firm Scope.
AB The existing literature on firms, based on incomplete contracts and property rights, emphasizes that the ownership of assets is determined in such a way as to encourage relationship-specific investments by the appropriate parties. It is generally accepted that this approach applies to owner-managed firms better than large companies. In this paper we attempt to broaden the scope of the property rights approach by developing a simpler model with three key ingredients: (a) decisions are non-contractible, but transferable through ownership, (b) managers enjoy private benefits that are non-transferable, and (c) owners can divert a firm's profit. With these assumptions, firm boundaries matter. Nonintegrated firms fail to account for the external effects that their decisions have on other firms. An integrated firm can internalize such externalities, but it does not put enough weight on the private benefits of managers and workers. We explore this trade-off first in a basic model that focuses on the difficulties companies face in cooperating through the market if benefits are unevenly distributed; therefore they may sometimes end up merging. We then extend the analysis to study industrial structure in a model with intermediate production. This analysis sheds light on industry consolidation in times of excess capacity.

Haruvy, Ernan

TI Sequential Decision Making: How Prior Choices Affect Subsequent Valuations. AU Ofek, Elie; Yildiz, Muhamet; Haruvy, Ernan.

Hastings, Justine

TI Vertical Integration in Gasoline Supply: An Empirical Test of Raising Rivals' Costs. AU Gilbert, Richard J.; Hastings, Justine.

Heider, Florian

TI What Do Internal Capital Markets Do? Redistribution vs.Incentives. AU Gautier, Axel; Heider, Florian.

Heifetz, Aviad

PD September 2000. TI Backward Induction with Players Who Doubt Others' Faultlessness. AU Heifetz, Aviad; Pauzner, Ady. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 17/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 19. PR no charge. JE C72, C73. KW Game Theory. Doubts. Backward Induction.
AB In extensive form games of complete information, common knowledge of rationality implies the backward induction outcome. We consider a slight deviation from this assumption: When a player contemplates the best action at a future decision node, she assigns some small probability to the event that other players may reach a different conclusion when they carry out the same analysis. We show that there are cases in which players' doubts affect the results considerably. For example, the prediction that players in a long centipede game will not cooperate fails to hold if there is a small probability of mismatch. Importantly, this result does not depend on forward induction or reputation reasoning, and thus applies also to finite horizon overlapping generations models with fiat money. This shows that the prediction that money can have no value hinges on the assumption that all players are absolutely confident in their conclusions regarding others' reasoning.

PD June 2002. TI Escalation and Delay in Long International Conflicts. AU Heifetz, Aviad; Segev, Ella. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 12/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 24. PR no charge. JE C78, P16. KW Bargaining. Asymmetric Information. Escalation. Delay. International Relations. Negotiation.
AB Why do escalations in long international conflicts sometimes hasten the pace of negotiations? And why is it sometimes the case that the resulting terms of agreement were deemed unacceptable to one or both sides before the escalation? We analyze these issues in a game-theoretic setting with asymmetric information, in which the delay a party exercises before it makes an acceptable offer is served to signal credibly its true stand, of which the other side is initially uncertain. The implications of escalation are twofold. First, escalation makes both sides more eager to settle than before. Thus escalation increases the overall gains from agreement, and one side or both may eventually yield to terms they wouldn't accept at the outset, in order to put an end to the increased level of damages that they suffer. Second, escalation shortens the delay each side needs to exercise in order to credibly portray its genuine stand to the opponent. The combination of these "constructive" effects may tempt one or both sides to escalate. However, it turns out that the larger is the overall increase in violence implied by escalation, the higher are also the chances that the aggressor will eventually regret its decision to escalate.

PD October 2002. TI What to Maximize if you Must. AU Heifetz, Aviad; Shannon, Chris; Spiegel, Yossi. AA Heifetz and Spiegel: Tel Aviv University. Shannon:

University of California, Berkeley. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 27/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 43. PR no charge. JE C72, C73. KW Dispositions. Evolution of Preferences. Selection Dynamics. Imperfect Observability.

AB The assumption that decision makers choose actions to maximize their preferences is a central tenet in economics. This assumption is often justified either formally or informally by appealing to evolutionary arguments. In contrast, this paper shows that in almost every game, payoff maximization cannot be justified by appealing to such arguments. We show that in almost every game, for almost every distortion of a player's actual payoffs, some extent of this distortion is beneficial to the player because of the resulting effect on opponents' play. Consequently, such distortions will not be driven out by any evolutionary process involving payoff-monotonic selection dynamics, in which agents with higher actual payoffs proliferate at the expense of less successful agents. In particular, under any such selection dynamics, the population will not converge to payoff-maximizing behavior. We also show that payoff-maximizing behavior need not prevail even when preferences are imperfectly observed.

Hellwig, Martin F.

PD August 2001. TI Wage Growth, Productivity Growth, and the Evolution of Employment. AU Hellwig, Martin F.; Irmen, Andreas. AA Hellwig: Universitat Mannheim. Irmen: Harvard University and Universitat Mannheim. SR CEPR Discussion Paper: 2927; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D24, D92, E20, E24, J30. KW Employment. Endogenous Technical Change. Perfect Competition. Productivity Growth. Wages.

AB This paper studies the impact of wage growth on the evolution of employment in an intertemporal general-equilibrium model with endogenous productivity growth. For real wage growth above laissez-faire levels, we obtain steady-state equilibria in which productivity grows at the same rate as wages, the real interest rate is below the laissez-faire level, and so is the common growth rate of consumption, demand, and output. In these steady-state equilibria employment contracts at a constant rate equal to the difference between the growth rates of productivity and output. This contrasts with the view that equality of wage growth and productivity growth is a condition for constant employment.

Helpman, Elhanan

TI Outsourcing Versus FDI in Industry Equilibrium. AU Grossman, Gene M.; Helpman, Elhanan.

Heltberg, Rasmus

PD July 2002. TI How Parental Education Affects Child Human Capital: Evidence from Mozambique. AU Heltberg, Rasmus; Johannesen, Niels. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/04; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 35. PR no charge.

JE D19, I10, I20, O10. KW Human Capital. Fertility. Education. Health. Mozambique.

AB This paper analyses how parental education affects child human capital outcomes, using household survey data from Mozambique. Four indicators of human capital are examined: height-for-age of children below 5 years of age, children's rate of survival, children's education, and total fertility of adult women. Education of the parents, and especially of the mother, is found to impact in a strong and significant manner on human capital outcomes. For education, gender of the child matters: Mothers' schooling and literacy has a stronger effect on girls' education, and fathers' schooling and literacy has a larger impact on the education of boys. It is concluded that programs to expand literacy, especially of women, are likely to have a high payoff in terms of improved human capital and reduced fertility.

Hendel, Igal

PD September 2001. TI Sales and Consumer Inventory. AU Hendel, Igal; Nevo, Aviv. AA Hendel: University of Wisconsin, Madison and NBER. Nevo: University of California, Berkeley and NBER. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/25; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 37. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE D11, D12. KW Consumer Behavior. Consumer Choice. Stockpiling. Inventory. Sales.

AB Temporary price reductions (sales) are quite common for many goods and usually result in an increase in the quantity sold. We explore whether the data support the hypothesis that these increases are, at least partly, due to dynamic consumer behavior: at low prices consumers stockpile for future consumption. This effect, if present, has broad implications for interpretation of demand estimates. We construct a dynamic model of consumer choice and use it to derive testable predictions. We test the implications of the model using two years of store-level scanner data and data on the purchases of a panel of households over the same time. The results support the existence of household stockpiling behavior.

Henderson, Austin

TI With a Little Help from your Friends: Diffuse Collaboration in Mundane Activity. AU Fayard, Anne-Laure; Henderson, Austin.

Hens, Thorsten

TI Market Selection and Survival of Investment Strategies. AU Amir, Rabah; Evstigneev, Igor V.; Hens, Thorsten; Schenk-Hoppe, Klaus Reiner.

PD December 2002. TI Markets Do Not Select For a Liquidity Preference as Behavior Towards Risk. AU Hens, Thorsten; Schenk-Hoppe, Klaus Reiner. AA Hens: University of Zurich. Schenk-Hoppe: University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/18; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 10. PR no charge. JE D81, E41, G11. KW Demand for Money. Portfolio Theory. Evolutionary Finance. Risk.

AB Tobin (1958) has argued that in the face of potential capital losses on bonds it is reasonable to hold cash as a means to transfer wealth over time. It is shown that this assertion cannot be sustained taking into account the evolution of wealth of cash holders versus non cash holders. Cash holders will be driven out of the market in the long run by traders who only use a (risky) long-lived asset to transfer wealth.

Hepp, Ralf

AB We provide empirical estimates of the risksharing and redistributive properties of fiscal equalization among the states of the German federation. Fiscal equalization serves as a mechanism to insure state budgets against asymmetric revenue shocks, but provides almost no insurance against regional income shocks. Equalization responds only weakly to income differentials but strongly to tax revenue differentials across states. A further result is that the correlation of state tax revenues with state GDPs has declined over time. This may reflect a weakening in state tax efforts in response to the adverse incentive effects of fiscal equalization.

Hercowitz, Zvi

AB This paper is motivated by the observation that investment tends to accelerate when output is around trend. The model used to explain this observation is based on the capacity-constrained production setup in Hansen and Prescott (2001), where capacity is constant over time, and on capital being owned by a fraction of the agents in the economy. When capacity is reached, and thus capacity income becomes positive, the concentration of capital ownership leads to an acceleration of investment -- generated by the desire of capital owners to smooth consumption -- as well as to a deceleration of total consumption. The results from the calibrated model contribute, although only partially, to the explanation of the observed behavior.

Herings, P. Jean-Jacques

AB Transaction costs in financial markets may have important consequences for volumes of trade, asset pricing and welfare. In the economic literature they are often given as one reason for the incompleteness of asset markets, which is a striking example of their potential impact on volumes of trade. We argue that analytical results on the impact of transaction costs are hard to obtain and a computational approach is needed. This paper introduces the first algorithm for the computation of equilibria in the general equilibrium model with incomplete asset markets and linear transaction costs on the financial markets. The algorithm is based on the homotopy principle and is able to deal with the two major technical difficulties of the model, namely the existence of non-differentiabilities of agents' asset demands as a function of the asset prices and the existence of locally non-unique equilibria. Several numerical examples are used to illustrate the algorithm. We find that the comparative statics of transaction costs for volumes of trade and prices can be rather complicated even for very simple examples of small economic models.

Herrendorf, Berthold

AB This paper explores the stability properties of the steady state in the standard two-sector real business cycle model with a sector- specific externality in the capital-producing sector. When the steady state is stable then equilibrium is indeterminate and stable sunspots are possible. We find that capital adjustment costs of any size preclude stable sunspots for every empirically plausible specification of the model parameters. More specifically, we show that when capital adjustment costs of any size are considered, a necessary condition for the existence of stable sunspots is an upward-sloping labor demand curve in the capital-producing sector, which in turn requires an implausibly strong externality. This result contrasts sharply with the standard result that when we abstract from capital adjustment costs, stable sunspots occur in the two-sector model for a wide range of plausible parameter values.

Hilton, Denis

Hines, James R., Jr.

TI Foreign Direct Investment in a World of Multiple Taxes.
AU Desai, Mihir A.; Hines, James R., Jr..

Holmstrom, Bengt
TI A Theory of Firm Scope. **AU** Hart, Oliver; Holmstrom, Bengt.

Holtz-Eakin, Douglas
TI Personal Income Taxes and the Growth of Small Firms. **AU** Carroll, Robert; Rider, Mark; Holtz-Eakin, Douglas; Rosen, Harvey S.

Horta Correia, Isabel
TI Gaps and Triangles. **AU** Adao, Bernardino; Horta Correia, Isabel; Teles, Pedro.

Hotz, V. Joseph
PD November 2000. **TI** The Long-Term Gains From GAIN: A Re-Analysis of the Impacts of the California GAIN Program. **AU** Hotz, V. Joseph; Imbens, Guido W.; Klerman, Jacob A. **AA** Hotz and Imbens: UCLA and NBER. Klerman: RAND. **SR** National Bureau of Economic Research Working Paper: 8007; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 44. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** I38, J24. **KW** GAIN Programs. Welfare. Human Capital Acquisition. Work-First Programs.
AB As part of recent reforms of the welfare programs in the U.S., many states and localities have refocused their Welfare-to-Work programs from an emphasis on human capital acquisition (HCA) to an emphasis on "work-first." This change in emphasis has been motivated, in part, by results from the experimental evaluation of California's Greater Avenues to Independence (GAIN) programs during the early 1990s. The evaluation found that the work-first program was cheaper per recipient than the other programs. This paper reexamines the GAIN programs from two complementary perspectives. First, we extend the earlier analysis through nine years post-randomization. Second, we develop and implement methods to allow the comparison of programs implemented by random assignment in different places despite striking differences in the composition of the participant populations. Our reexamination of the GAIN experiment lead us to conclude that although the work-first programs were more successful than the HCA programs in the early years, this relative advantage disappears in later years. On a methodological level, our results suggest that these methods are a promising approach both for the estimation of program effects from non-experimental data and for extrapolating program results from one location to a different location with a different population mix.

PD January 2001. **TI** The Earned Income Tax Credit. **AU** Hotz, V. Joseph; Scholz, John Karl. **AA** Hotz: University of California, Los Angeles and NBER. Scholz: University of Wisconsin-Madison and NBER. **SR** National Bureau of Economic Research Working Paper: 8078; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 63. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H31, I38. **KW** EITC. Anti-poverty Program. Hours of Work. Labour Force Participation.
AB Since its inception in 1975, the Earned Income Tax Credit (EITC) has grown into the largest, Federally-funded means-tested cash assistance program in the United States. In this chapter, we review the political history of the EITC, its rules and goals and provide a broad set of program statistics on its growth and coverage. We summarize conceptual underpinnings of much of the recent economic research on the EITC, discussing participation in the credit and compliance with its provisions, and its effects on labor force participation and hours of work, marriage and fertility, skill formation and consumption. We then summarize the existing empirical research on the behavioral effects of the EITC, paying particularly emphasis to the effects of the 1986, 1990, and 1993 expansions of the credit on labor force participation and hours of work. The literature provides consistent evidence, generated from a variety of empirical approaches, that the EITC positively affects labor force participation. The literature also finds smaller, negative effects on hours of work for people already in the labor market and for secondary workers. We conclude the chapter with a discussion of the ongoing EITC-related policy debates and highlight what, if any, critical economic issues underlie these debates.

TI Accidents Will Happen? Unintentional Injury, Maternal Employment, and Child Care Policy. **AU** Currie, Janet; Hotz, V. Joseph.

Hougaard, Jens Leth
PD February 2001. **TI** The Existence of Maximal Elements: Generalized Lexicographic Relations. **AU** Hougaard, Jens Leth; Tvede, Mich. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 01/05; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 9. **PR** no charge. **JE** D11. **KW** Maximal Elements. Binary Relations. Lexicographic Relations.
AB In this paper, the existence of maximal elements for binary relations are studied. Generalized lexicographic relations are introduced and some results on existence of maximal elements are provided. A simple example shows that economies with "lexicographic consumers" need not have equilibria even though demand functions associated with generalized lexicographic relations may be continuous for positive prices.

PD February 2001. **TI** Benchmark Selection: An Axiomatic Approach. **AU** Hougaard, Jens Leth; Tvede, Mich. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 01/06; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 20. **PR** no charge. **JE** C60, D20, L20, M20. **KW** Benchmarking. Production Economics. Selection.
AB Within a production theoretic framework, this paper considers an axiomatic approach to benchmark selection. It is shown that two simple and weak axioms: efficiency and comprehensive monotonicity characterize a natural family of benchmarks which typically becomes unique. Further axioms are added in order to obtain a unique selection.

PD October 2002. **TI** Selling Digital Goods on the Internet. **AU** Hougaard, Jens Leth; Lindeneg, Klavs; Tvede, Mich. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/09;

Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 21. **PR** no charge. **JE** D40, G14, H40, L86. **KW** Information Goods. Public Goods. Selling Mechanism. Internet.
AB Information goods are essentially public goods as soon as they are made available in digital form on the Internet. Therefore, firms (or providers) of information goods are forced to consider alternative payment schemes to eliminate the free rider problem. The present paper introduces a mechanism by which a profit maximizing vendor announces a total price for making some information good available and potential users are making voluntary contributions. It is shown that this mechanism eliminates the free rider problem under the assumption of complete information. The informational requirements are examined with respect to practical application and the mechanism is compared to a similar payment scheme launched by author Stephen King in an attempt to sell his novel "The Plant" exclusively on the Web. Finally, a small field experiment will shed further light on the applicability of the proposed mechanism.

TI On the Possibility of a Bridge Between CBA and CEA: Comments on a paper by Dolan and Edlin. **AU** Hansen, B. O.; Hougaard, Jens Leth; Keiding, Hans; Osterdal, L. P.

House, Christopher L.
PD December 2000. **TI** An sS Model with Adverse Selection. **AU** House, Christopher L.; Leahy, John V. **AA** House: Boston University. Leahy: Boston University and NBER. **SR** National Bureau of Economic Research Working Paper: 8030; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** D82, E21, L15. **KW** Adverse Selection. Secondary Markets. Adjustment Costs. Lemons Problem.
AB We present a model of the market for used cars in which agents face a fixed cost of adjustment, the magnitude of which depend on the degree of adverse selection in the secondary market. We find that, unlike typical models, the sS bands in our model contract as the variance of the shock process increases. We also analyze a dynamic version for the model in which agents are allowed to make decisions that are conditional on the age of a used car. We find that, as a car ages, the lemons problem tends to decline in importance, and the sS bands contract.

Howitt, Richard E.
TI An Information-Theoretical Analysis of Budget-Constrained Nonpoint Source Pollution Control. **AU** Kaplan, Jonathan D.; Howitt, Richard E.; Farzin, Y. Hossein.

Hu, Jian
TI The Stock Market's Reaction to Unemployment News: Why Bad News is Usually Good for Stocks. **AU** Boyd, John H.; Hu, Jian; Jagannathan, Ravi.

Hu, Ling
PD September 2001. **TI** Nonstationary Discrete Choice. **AU** Hu, Ling; Phillips, Peter C. B. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1364; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 37. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. **JE** C13, C22, C25. **KW** Brownian Motion. Brownian Local Time. Discrete Choice Models. Extended Arc Sine Laws. Maximum Likelihood Estimation.
AB This paper develops an asymptotic theory for time series discrete choice models with explanatory variables generated as integrated processes and with multiple choices and threshold parameters determining the choices. The theory extends recent work by Park and Phillips (2000) on binary choice models. As in this earlier work, the maximum likelihood (ML) estimator is consistent and has a limit theory with multiple rates of convergence ($n^{3/4}$ and $n^{1/4}$) and mixture normal distributions where the mixing variates depend on Brownian local time as well as Brownian motion. An extended arc sine limit law is given for the sample proportions of the various choices. The new limit law exhibits a wider range of potential behavior that depends on the values taken by the threshold parameters.

PD May 2002. **TI** Dynamics of the Federal Funds Target Rate: A Nonstationary Discrete Choice Approach. **AU** Hu, Ling; Phillips, Peter C. B. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1365; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 34. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. **JE** C22, C25, E43, E52. **KW** Extended Arc Sine Laws. Federal Funds Target Rate. Interest Rates. Monetary Policy. Nonstationary Discrete Choice.
AB We apply a discrete choice approach to model the empirical behavior of the Federal Reserve in changing the federal funds target rate, the benchmark of short term market interest rates in the US. Our methods allow the explanatory variables to be nonstationary as well as stationary. This feature is particularly useful in the present application as many economic fundamentals that are monitored by the Fed and are believed to affect decisions to adjust interest rate targets display some nonstationarity over time. The empirical model is determined using the PIC criterion (Phillips and Ploberger, 1996; Phillips, 1996) as a majority of the target rate changes during the time period considered (1985-2001) and helps to explain strings of similar intervention decisions by the Fed. Based on the model-implied optimal interest rate, our findings suggest that there is a lag in the Fed's reaction to economic shocks and that the Fed is more conservative in raising interest rates than in lowering rates.

Hughes Hallett, Andrew
PD January 2001. **TI** Credibility, Transparency and Asymmetric Information in Monetary Policy. **AU** Hughes Hallett, Andrew; Viegi, Nicola. **AA** Hughes Hallett: Vanderbilt University and CEPR. **SR** CEPR Discussion Paper: 2671; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** E52, E63. **KW** Accountability. Policy Transparency. Political Uncertainty. Reputation.
AB The literature has often commented on, but seldom explicitly analyzed, the effects of a lack of transparency in monetary policy. Using a standard theoretical model where there are also opportunities for fiscal intervention, we argue that the effects of a lack of transparency will be very different

depending on whether they reflect preference or goal uncertainties: that is, whether they represent a lack of political transparency or a lack of economic transparency. The former allows the Central Bank to create and exploit a "strategic" reputation to its own advantage; the latter does not. The test that distinguishes the two cases is whether inflation forecasts are published or not. We also find that transparency is a partial, but strictly limited substitute for accountability.

Hughes, James W.
TI   The Health Care Consequences of Smoking and its Regulation. AU   Moore, Michael J.; Hughes, James W.

Hurn, Merrilee
PD   March 2000. TI   Estimating Mixtures of Regressions. AU   Hurn, Merrilee; Justel, Ana; Robert, Christian P. AA   Hurn: University of Bath. Justel: Universidad Autonoma de Madrid. Robert: Universite de Rouen, and CREST-INSEE. SR   INSEE Documents de Travail du CREST: 2000/15; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245   Malakoff   Cedex,   France.   Website: www.crest.fr/doctravail/documents.html. PG   23. PR   no charge. JE   C11, C15, C59. KW   Bayesian Inference. Birth-and-Death   Process.   Label   Switching.   Logistic Regression. Loss Functions. MCMC Algorithms. Poisson Regression. Switching Regression.
AB   This paper shows how Bayesian inference for switching regression models and their generalizations can be achieved by the specification of loss functions which overcome the label switching problem common to all mixture models. We also derive an extension to models where the number of components in the mixture is unknown, based on the birth-and- death technique of Stephens (2000). The methods are illustrated on various real datasets.

Hvide, Hans K.
TI   A Behavioral Explanation of the Relative Performance Evaluation Puzzle. AU   Fershtman, Chaim; Hvide, Hans K.; Weiss, Yoram.

Iglesias, Eva
PD   June 2001. TI   An Economic Drought Management Index to Evaluate Water Institutions' Performance Under Uncertainty and Climate Change. AU   Iglesias, Eva; Garrido, Alberto; Gomez, Almudena. AA   Univ. Politenica de Madrid. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 47/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   36. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   Q15, Q25. KW   Water Resources. Irrigation. Stocks Management. Climate Change.
AB   This paper proposes a new Economic Drought Management Index (EDMI) that could assist water managers to inter-temporally manage water reservoirs. The index's main appeal is that it can be easily interpreted and that it encompasses in a single number hydrological processes, structural constraints, water institutions' rules and the economic benefits of the customers served by the supply system. An empirical application of EDMIs is performed for two irrigation districts in Andalusia (Southern Spain), that are managed under different institutional arrangements. EDMIs are then re-evaluated and estimated for various scenarios of climate change, and for an 8-year period, which includes three

consecutive drought years. Results show that the region's vulnerability to drought could be reduced following the interpretation of the EDMIs. EDMIs under climate change scenarios suggest that the water stocks' management criteria should be vastly reformed. Lastly, EDMIs evaluated for the actual period of 1990-98 indicate that the severe drought suffered by the region could have been partially avoided, or at least delayed, if water managers had followed the recommendations that are warranted by the EDMIs evaluated for those years.

Imbens, Guido W.
TI   The Long-Term Gains From GAIN: A Re-Analysis of the Impacts of the California GAIN Program. AU   Hotz, V. Joseph; Imbens, Guido W.; Klerman, Jacob A.

Inderst, Roman
PD   February 2002. TI   Venture Capital Contracts and Market Structure. AU   Inderst, Roman; Mueller, Holger M. AA   Inderst: LSE and CEPR. Mueller: New York University. SR   CEPR Discussion Paper: 3203; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $5 or 8 euros + postage and handling. JE   C78, D41, G24, G32. KW   Venture Capital. Optimal Contracting. Market Structure.
AB   We examine the relation between optimal venture capital contracts and the supply and demand for venture capital. Both the composition and type of financial claims held by the venture capitalist and entrepreneur depend on the market structure. Moreover, different market structures involve different optimal forms of transferring utility: sometimes it is optimal to transfer utility via equity stakes, and sometimes it is optimal to use debt. Transferring utility via equity stakes affects incentives. Consequently, the net value created, the success probability, the market (or initial public offering) value, and the performance of venture-capital backed investments all depend on the supply and demand for capital. Similarly, venture capitalists face different incentives to screen projects ex ante if the capital supply is low or high. We then endogenize the capital supply and study the relation between venture capital contracts   and   entry   costs,   public   policy,   investment profitability, and market transparency. Finally, we show that entry by inexperienced investors creates a negative externality for the value creation in ventures financed by (regular) venture capitalists.

Ingpen, Jamie
TI   GSEs, Mortgage Rates, and the Long-Run Effects of Mortgage Securitization. AU   Passmore, Wayne; Sparks, Roger; Ingpen, Jamie.

Ionascu, Delia
PD   August 2001. TI   Free Trade versus Strategic Trade as a Choice Between Two "Second- best" Policies: A Symmetric versus Asymmetric Information Analysis. AU   Ionascu, Delia; Zigic, Kresimir. AA   CERGE-EI, Prague. SR   CEPR Discussion Paper: 2928; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   F13. KW   Second-Best Policy. Free Trade. Commitment. Signaling. Strategic Trade Policy.

AB In this paper, we analyze the following policy dilemma: strategic trade policy versus free trade when the domestic government is bound to intervene only after the domestic firm's strategic variable is chosen. This intervention allows the domestic firm to manipulate the domestic government and results in a socially inefficient choice of the strategic variable. Commitment to free trade leads, however, to foregoing the benefits from profit shifting. Yet, from the social point of view, free trade may be optimal even under the assumption of symmetric information. Due to costly signaling, this result is reinforced in the case of asymmetric information.

Irmen, Andreas
TI Wage Growth, Productivity Growth, and the Evolution of Employment. **AU** Hellwig, Martin F.; Irmen, Andreas.

Irwin, Douglas A.
PD February 2002. **TI** Did Import Substitution Promote Growth in the Late Nineteenth Century? **AA** Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8751; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F16, F18, N70. **KW** Growth. Import Tariffs. Resource Transfer. Agriculture. Manufacturing.
AB The positive correlation between import tariffs and *economic growth across countries in the late nineteenth century* suggests that tariffs may have played a causal role in promoting growth. This paper seeks to determine if high tariffs stimulated growth by shilling resources out of agriculture and into manufacturing. The most rapidly growing countries were indeed those that reduced the share of employment in agriculture. Tariffs in agricultural exporting (importing) countries may have promoted (retarded) this shill, although two high tariff, high growth, agricultural-exporting outliers (Argentina and Canada) experienced export-oriented growth and did not pursue import substitution policies. This raises the question of whether economic growth led to changes in the structure of employment rather than changes in employment leading to economic growth.

Iyer, Lakshmi
TI History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India. **AU** Banerjee, Abhijit V.; Iyer, Lakshmi.

Jagannathan, Ravi
TI The Stock Market's Reaction to Unemployment News: Why Bad News is Usually Good for Stocks. **AU** Boyd, John H.; Hu, Jian; Jagannathan, Ravi.

PD January 2001. **TI** Empirical Evaluation of Asset Pricing Models: A Comparison of the SDF and Beta Methods. **AU** Jagannathan, Ravi; Wang, Zhenyu. **AA** Jagannathan: Northwestern University and NBER. Wang: Columbia University. **SR** National Bureau of Economic Research Working Paper: 8098; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 31. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C51, G12. **KW** Stochastic Discount Factor. Asset Pricing. Estimation Efficiency. Beta Method.

AB The stochastic discount factor (SDF) method provides a unified general framework for econometric analysis of asset pricing models. It has recently been pointed out that the generality of the SDF method may come at the cost of estimation efficiency. We show that there is no need for this concern. The SDF method is as efficient as the classical beta method for estimating risk premia. In addition, the SDF method has an advantage -- the classical beta method, unlike the SDF method, substantially understates the effect of sampling errors when the estimated unanticipated changes in macroeconomics variables are used as pervasive factors.

Jain, Neelam
PD February 2002. **TI** Debt, Managerial Incentives and Learning. **AA** Rice University. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/03; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 34. **PR** no charge. **JE** D80, G32, J30. **KW** Debt. Learning. Managerial Incentives. Uncertainty. Asymmetric Information.
AB Using a dynamic model with uncertainty and asymmetric information, we study the impact of debt on managerial compensation and performance targets. In this model, compensation has two roles to play -- providing incentives to the manager and learning about his type. We show that debt acts as a substitute of compensation in both dimensions. If uncertainty is not too low, the incentive role of debt dominates the learning role. Thus in the presence of debt, compensation contracts can be more effective in learning about the manager. As debt increases, the pay-performance sensitivity falls and learning increases. We also examine the choice of debt and derive conditions under which a positive level of debt is optimal. We also conduct comparative statistics with respect to the degree of asymmetric information and uncertainty.

Jeleva, Meglena
TI Risk Mutualization and Competition in Insurance Market. **AU** Fagart, Marie-Cecille; Fombaron, Nathalie; Jeleva, Meglena.

Jensen, J. Bradford
TI Factor Price Equality and the Economies of the United States. **AU** Bernard, Andrew B.; Jensen, J. Bradford; Schott, Peter K.

Jensen, Jesper
PD October 2001. **TI** What are the Gains from a Multi-Gas Strategy? **AU** Jensen, Jesper; Thelle, Martin Hvidt. **AA** Copenhagen Economics. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 84/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 30. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** Q25, Q49. **KW** CO_2 Emissions. Gas Abatement Strategy. EDGE Model.
AB The Kyoto Protocol assigns limits for the aggregate emissions of six greenhouse gases, but most economic analyses focus on CO_2 abatement. What are the potential gains if policy makers exploit the flexibility in a multi-gas abatement strategy? We extend the EDGE model to include sinks and non-CO_2 gases and show that a multi-gas strategy reduces costs by 20-35% in the Western Annex B countries. Marginal abatement

costs decrease around 30%, and the cost-effective abatement mix involves relatively more abatement of the non-CO2 gases, which offers many low costs abatement options. Lower marginal abatement costs decrease domestic action by reducing the costs of emissions imports, whereas more low cost abatement options increases domestic action. The net effect of a multi-gas strategy on domestic action is therefore ambiguous a priori. We show that a multi-gas strategy reduces domestic action around 2 percent in the United States and increases domestic action by around 8 percent in European Union. Finally, our sensitivity analyses show that the relatively weak growth in non-CO2 baseline emissions accounts for a large share of the savings associated with a multi-gas strategy.

Jermann, Urban J.
TI   Using Asset Prices to Measure the Cost of Business Cycles. AU   Alvarez, Fernando; Jermann, Urban J.

Johannesen, Niels
TI   How Parental Education Affects Child Human Capital: Evidence from Mozambique. AU   Heltberg, Rasmus; Johannesen, Niels.

Johansen, Soeren
PD   January 2001. TI   Controlling Inflation in a Cointegrated Vector Autoregressive Model with an Application to US Data. AU   Johansen, Soeren; Juselius, Katarina. AA   Johansen: European University Institute. Juselius: University of Copenhagen. SR   University of Copenhagen, Institute of Economics Discussion Paper: 01/03; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG   41. PR   no charge. JE   C32, E31, E52, E58. KW   Inflation Target. Monetary Instruments. Control Rules. Cointegrated VAR.
AB   The notions of instrument, intermediate target and final target are defined in the context of the cointegrated VAR. A target variable is said to be controllable if it can be made stationary around a desired target value by using the instrument. This can be expressed as a condition on the long-run impact matrix. Applying a control rule to intervene in the market changes the dynamics of the process and the properties of the new controlled process have to be derived. The theoretical results are applied to US monetary data on a daily and monthly basis. The empirical results do not provide support for the widely held belief that the Federal Reserve Bank can bring US CPI inflation down by increasing the federal funds rate.

Johnson, Simon
TI   The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth. AU   Acemoglu, Daron; Johnson, Simon; Robinson, James A.

Jovanovic, Boyan
PD   February 2002. TI   Moore's Law and Learning-By-Doing. AU   Jovanovic, Boyan; Rousseau, Peter L. AA   Jovanovic: University of Chicago and NBER. Rousseau: Vanderbilt University and NBER. SR   National Bureau of Economic Research Working Paper: 8762; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   26. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.).

JE   N10, O33. KW   Computer Prices. Obsolete Capital. Moore's Law.
AB   We model Moore's Law as efficiency of computer producers that rises as a by-product of their experience. We find that because computer prices fall much faster than the prices of electricity-driven and diesel-driven capital ever did, growth in the coming decades should be very fast, and that the obsolescence of firms today occurs faster than before, partly because the physical capital they own becomes obsolete faster.

Juhl, Ted
PD   October 2001. TI   Partially Linear Models with Unit Roots. AU   Juhl, Ted; Xiao, Zhijie. AA   Juhl: University of Kandas. Xiao: University of Illinois and Yale University. SR   Yale Cowles Foundation Discussion Paper: 1359; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG   51. PR   no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. JE   C12, C14, C22. KW   Nonparametric. Partially Linear Model. Semiparametric. Unit Root.
AB   This paper studies the asymptotic properties of a nonstationary partially linear regression model. In particular, we allow for covariates to enter the unit root (or near unit root) model in a nonparametric fashion, so that our model is an extension of the semiparametric model analyzed in Robinson (1988). It is proven that the autoregressive parameter can be estimated at rate N even though part of the model is estimated nonparametrically. Unit root tests based on the semiparametric estimate of the autoregressive parameter have a limiting distribution which is a mixture of a standard normal and the Dickey- Fuller distribution. A Monte Carlo experiment is conducted to evaluate the performance of the tests for various linear and nonlinear specifications.

Juselius, Katarina
PD   January 2001. TI   Unit Roots and the Demand for Cigarettes in Turkey: Pitfalls and Possibilities. AA   University of Copenhagen. SR   University of Copenhagen, Institute of Economics Discussion Paper: 01/02; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG   18. PR   no charge. JE   C32, E30. KW   Partial Adjustment Models. Cointegrated VAR. Intervention Dummies. Data Transformations. Identification.
AB   The partial adjustment model for cigarette demand in Tansel (1993) is formulated as a restriction on the more general VAR model. The question whether the Tansel estimation results are spurious as claimed by Cameron and Collins (1998) is addressed in this framework. The role of intervention dummies and data transformations for the cointegration results is discussed in some detail. Finally, a more general model is estimated and two steady-state relations measuring demand and supply behaviour in the cigarette market are identified.

TI   Controlling Inflation in a Cointegrated Vector Autoregressive Model with an Application to US Data. AU   Johansen, Soeren; Juselius, Katarina.

PD   October 2002. TI   High Inflation, Hyperinflation and Explosive Roots: The Case of Yugoslavia. AU   Juselius, Katarina; Mladenovic, Zorica. AA   Juselius: University of Copenhagen. Mladenovic: University of Belgrade. SR   University of Copenhagen, Institute of Economics

Discussion Paper: 02/23; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 32. **PR** no charge. **JE** C32, C51, E31, E41. **KW** Explosive Roots. Hyperinflation. Cointegration. Transition Economies.

AB The focus is on "explosive root VAR" modelling of money, prices, wages, and exchange rates applied to the Yugoslav high inflation/hyperinflation transition period from a centrally planned economy to a more market oriented economy. The I(2) model, which has previously been used to estimate the Cagan model for hyperinflation, is shown to yield incorrect inference when there are explosive roots in the data. The paper develops an econometric framework for the empirical analysis of hyperinflationary episodes and illustrates the importance of exploiting the system dynamics of all the variables in the system for a full understanding of the hyperinflationary mechanisms. The empirical results suggest that excessive nominal wage claims, inflationary expectations and the rate of currency depreciation were the main causes to the Yugoslav hyperinflation rather than the financing of government debt by money printing.

Justel, Ana
TI Estimating Mixtures of Regressions. **AU** Hurn, Merrilee; Justel, Ana; Robert, Christian P.

Justman, Moshe
TI Public Education and the Melting Pot. **AU** Gradstein, Mark; Justman, Moshe.

Kaiser, Mark S.
PD January 2000. **TI** Spatial Mixture Models Based on Exponential Family Conditional Distributions. **AU** Kaiser, Mark S.; Cressie, Noel; Lee, Jaehyung. **AA** Kaiser and Lee: Iowa State University. Cressie: Ohio State University. **SR** INSEE Documents de Travail du CREST: 2000/04; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 26. **PR** no charge. **JE** C15, C16, C21, C31. **KW** Spatial Models. Exponential Distribution.

AB Spatial statistical models are applied in many problems for which dependence in observed random variables is not easily explained by a direct scientific mechanism. In such situations there may be a latent spatial process that acts to produce the observed spatial pattern. Scientific interest centers on the latent spatial process, and the degree of dependence that characterizes it. Such latent processes may be modeled in the form of a spatial mixing distribution. We present methods for the specification of flexible joint mixing distributions to model spatial processes through multi-parameter exponential family conditional distributions. One approach to the analysis of these models is Monte Carlo maximum likelihood, and an approach based on independence psuedo-models is presented for formulation importance sampling distributions that allow such an analysis. The methods developed are applied to a problem of forest health monitoring, where the numbers of affected trees in spatial field plots are modeled using a spatial beta-binomial mixture.

Kalai, Ehud
PD November 2000. **TI** Private Information in Large Games. **AA** Northwestern University. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1312; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 25. **PR** $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** C11, C70, D82. **KW** Private Information. Bayesian Equilibrium. Information Proof. Bayesian Games.

AB This paper identifies a type of Bayesian equilibrium, called information proof, defined for n-player simultaneous-move one-shot Bayesian games. This equilibrium is immune to changes in the prior probability of types, in the probabilities of mixing pure actions, in the order of play, information leakage and the possibility of revisions. While information proof equilibrium does not exist in many games, in large anonymous games that satisfy continuity and independence conditions all the equilibria are approximately information proof. With properties similar to rational expectations equilibrium, information proof equilibrium may be used to model ongoing rational interaction, as opposed to just instantaneous one-shot play.

Kangas, Kari
PD July 2001. **TI** Trade Liberalization, Changing Forest Management and Roundwood Trade in Europe. **AA** European Forest Institute. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 53/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 15. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** F14, F15, L73, P33, Q23. **KW** European Union. Accession Candidates. Roundwood. Exports. Imports.

AB This paper analyses the development of roundwood trade in Europe in the context of changes in supply and trading patterns due to liberalization in European transitional economies (CEEC), nature-oriented forest management as well as prospective EU enlargement. First, it is studied whether roundwood imports have extended their share in apparent consumption in the EU and whether liberalization in CEEC has changed the geographical composition of imports. Next, the development of the export structure of EU accession candidates is examined. Finally, rough assessments of the sustainability of roundwood production in CEEC as well as future of the trade flows in Europe are provided.

Kaplan, Jonathan D.
PD June 2001. **TI** An Information-Theoretical Analysis of Budget-Constrained Nonpoint Source Pollution Control. **AU** Kaplan, Jonathan D.; Howitt, Richard E.; Farzin, Y. Hossein. **AA** Kaplan: United States Department of Agriculture. Howitt and Farzin: UC Berkeley. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 31/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 35. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D81, D83, Q28. **KW** Nonpoint Source Pollution. Pollution Control. Information Acquisition. Treatment Effectiveness.

AB This paper analyses budget-constrained, nonpoint source (NPS) pollution control with costly information acquisition and learning. To overcome the inherent ill-posed statistical problem in NPS pollution data, the sequential entropy filter is applied to

the sediment load management program for Redwood Creek, which flows through Redwood National Park in northwestern California. We simulate the dynamic budget-constrained management model with information acquisition and learning, and compare the results with those from the current policy. The analysis shows that the manager can reallocate resources from treatment effort to information acquisition, which in turn increases overall treatment effectiveness, and reduces sediment-related damage.

Kaplan, Steven N.
TI   The Effects of Business-to-Business E-Commerce on Transaction Costs. AU   Garicano, Luis; Kaplan, Steven N.

PD   February 2002. TI   Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses. AU   Kaplan, Steven N.; Stromberg, Per. AA   Kaplan: University of Chicago and NBER. Stromberg: University of Chicago. SR   National Bureau of Economic Research Working Paper: 8764; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   30. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   G24, G32. KW   Venture Capital. Control Rights. Monitoring. Financial Contracting.
AB   We study the investment analyses of 67 portfolio investments by 11 venture capital (VC) firms. VCs consider the attractiveness and risks of the business, management, and deal terms as well as expected post- investment monitoring. We then consider the relation of the analyses to the contractual terms. Greater internal and external risks are associated with more VC cash flow rights, VC control rights; greater internal risk, also with more contingencies for the entrepreneur; and greater complexity, with less contingent compensation. Finally, expected VC monitoring and support are related to the contracts. We interpret these results in relation to financial contracting theories.

Karp, Larry
TI   Environmental Indices for the Chinese Grain Sector. AU   Chen, Ming; Karp, Larry.

PD   December 2001. TI   Controlling a Stock Pollutant with Endogenous Investment and Asymmetric Information. AU   Karp, Larry; Zhang, Jiangfeng. AA   UC Berkeley. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 95/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   34. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   C61, H21, Q28. KW   Pollution Control. Investment. Uncertainty. Rational Expectations. Choice of Instruments.
AB   Non-strategic firms with rational expectations make investment and emissions decisions. The investment rule depends on firms' beliefs about future emissions policies. We compare emissions taxes and quotas when the (strategic) regulator and (nonstrategic) firms have asymmetric information about abatement costs, and all agents use Markov Perfect decision rules. Emissions taxes create a secondary distortion at the investment stage, unless a particular condition holds; emissions quotas do not create a secondary distortion. We solve a linear-quadratic model calibrated to represent the problem of controlling green-house gases. The endogeneity of investment favors taxes, and it increases abatement.

Katz, Lawrence F.
PD   October 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   National Bureau of Economic Research Working Paper: 7973; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   42. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   H43, I18, J18. KW   Mobility. Public Housing. Lotteries.
AB   This paper examines the short-run impacts of a change in residential neighborhood on the well-being of low-income families, using evidence from the Moving to Opportunity (MTO) program in which eligibility for a housing voucher was determined by random lottery. Applicants in high poverty public housing projects were assigned by lottery to one of three groups: Experimental -- offered mobility counseling and a voucher valid only in a low-poverty Census tract; Section 8 Comparison -- offered geographically unrestricted voucher; or Control -- offered no new assistance, but continued eligibility for public housing. Our quantitative analyses of program impacts at the Boston site of MTO uses data on 540 families. 48 percent of the Experimental group and 62 percent of the Section 8 Comparison group moved through the MTO program. Households in both treatment groups experienced improvements in multiple measures of well-being relative to the Control group including increased safety, improved health among household heads, and fewer behavior problems among boys. There were no significant short-run impacts of either MTO treatment on employment, earnings, or welfare receipt. Experimental group children were less likely to be personally victimized by crime, to be injured, or to experience an asthma attack.

Katz, Michael L.
TI   An Economist's Guide · to U.S. v. Microsoft. AU   Gilbert, Richard J.; Katz, Michael L.

TI   Competition or Predation? Schumpeterian Rivalry in Network Markets. AU   Farrell, Joseph; Katz, Michael L.

Kayalica, M. Ozgur
PD   July 2001. TI   Strategic Environmental Policies in the Presence of Foreign Direct Investment. AU   Kayalica, M. Ozgur; Lahiri, Sajal. AA   Kayalica: Sakarya University. Lahiri: University of Essex. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 55/2001; "Publication Office", 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   F18, F21, H20. KW   Environment. Foreign Direct Investment. Trade. Pollution.
AB   We analyze strategic environmental standards in the presence of foreign direct investment (FDI). A foreign firm located in a host country competes with a domestic firm in another country to export a homogeneous good to a third country. We also extend the model to allow the number of FDI to be endogenous. When the number of foreign firms is exogenous, the FDI host country always applies stricter environmental regulation. However, under free entry and exit of foreign firms, the FDI host country may apply lower standards under both non-cooperative and cooperative equilibrium.

Keiding, Hans
TI On the Possibility of a Bridge Between CBA and CEA: Comments on a paper by Dolan and Edlin. AU Hansen, B. O.; Hougaard, Jens Leth; Keiding, Hans; Osterdal, L. P.

Keller, R. Godfrey
PD August 2001. TI Price Dispersion and Learning in a Dynamic Differentiated-Goods Duopoly. AU Keller, R. Godfrey; Rady, Sven. AA Keller: University of Oxford. Rady: Universitat Munchen. SR CEPR Discussion Paper: 2919; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE C73, D43, D83. KW Bayesian Learning. Correlated Equilibrium. Duopoly Experimentation. Markov Perfect Equilibrium. Stochastic Differential Game.
AB We study the evolution of prices set by duopolists who are uncertain about the perceived degree of product differentiation. Customers sometimes view the products as close substitutes, sometimes as highly differentiated. As the informativeness of the quantities sold increases with the price differential, there is scope for active learning by firms. When information has low value to the firms, they 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. Such price dispersion arises in a cyclical fashion, and is most likely to be observed when the firms' environment changes sufficiently often, but not too frequently. Firms' payoffs are higher when they use correlated pricing strategies. Contrary to what one might expect such coordination need not hurt consumers, provided they are sufficiently impatient.

Keloharju, Matti
TI Tax-Loss Trading and Wash Sales. AU Grinblatt, Mark; Keloharju, Matti.

Kemfert, Claudia
PD September 2001. TI Economy-Energy-Climate Interaction The Model Wiagem. AA University of Oldenburg. SR Fondazione Eni Enrico Mattei Note di Lavoro: 71/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 31. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C68, D58, Q40, Q50. KW Integrated Assessment Modelling. Kyoto Mechanisms. Energy. Climate.
AB This paper presents an integrated economy-energy-climate model WIAGEM (World Integrated Assessment General Equilibrium Model). In order to evaluate market and non-market costs and benefits of climate change, WIAGEM combines an economic approach with a special focus on the international energy market and integrates climate interrelations by temperature changes and sea level variations. The representation of the economic relations is basedf on an intertemporal general equilibrium approach and contains the international markets for oil, coal and gas. The model incorporates all greenhouse gases (GHG) which influence the potential global temperature, the sea level variation and the assessed probable impacts in terms of costs and benefits of climate change. Market and non-market damages are evaluated due to the damage costs approaches of Tol (2001).

Additionally, this model includes net changes in GHG emissions from sources and removals by sinks resulting from land use change and forest activities. As a result, climate change impacts do matter within the next 50 years, developing regions face high economic losses in terms of welfare and GDP losses. The inclusion of sinks and other GHG changes results significantly.

PD October 2001. TI Economic Impact Assessment of Alternative Climate Policy Strategies. AA University of Oldenburg. SR Fondazione Eni Enrico Mattei Note di Lavoro: 86/2001; "Publication Office", 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 D52, Q25. KW Impacts of Climate Change. Integrated Assessment.
AB This paper investigates the economic implications of climate change policy strategies, especially the evaluation of impacts by an implementation of Clean Development Mechanisms, Joint Implementation, and Emissions Trading with an integrated assessment model. Of special interest in this context are the welfare spill over and competitiveness effects that result from diverse climate policy strategies. In particular, this study compares multi gas policy strategies and explores the impacts of the inclusion of sinks. Because of the recent adoption of a unilateral climate change policy by the United States, we examine the economic impacts on all world regions of the non cooperative and free rider position of the USA. It turns out that Clean Development Mechanisms and Joint Implementation show evidence of improvement in the economic development in the host countries and increase the share of new applied technologies. The decomposition of welfare effects demonstrates that the competitiveness effects including the spill over effects from trade are the most important because of the intense trade relations between countries. Climatic effects have a significant impact within the next 50 years, cause considerable welfare losses to world regions, and will intensify if nations like the USA do not reduce their emissions.

Keser, Claudia
TI Budget Processes: Theory and Experimental Evidence. AU Ehrhart, Karl-Martin; Gardner, Roy J.; Keser, Claudia; von Hagen, Jurgen.

Keuschnigg, Christian
PD October 2000. TI Tax Policy, Venture Capital, and Entrepreneurship. AU Keuschnigg, Christian; Nielsen, Soren Bo. AA Keuschnigg: University of Saarland, CEPR, and CESifo. Nielson: Copenhagen Business School, EPRU, CEPR and CESifo. SR National Bureau of Economic Research Working Paper: 7976; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 54. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D82, G24, H24, H25. KW Venture Capital. Entrepreneurship. Tax Policy. Equity Finance. Income Taxes.
AB The paper studies the effects of tax policy on venture capital activity. Entrepreneurs pursue a single high risk project each but have no own resources. Financiers provide equity finance. They must structure the entrepreneur's profit share and base salary to assure their incentives for full effort. In addition to providing equity finance, venture capitalists assist with valuable business advice to enhance survival rates. Within a

general equilibrium framework with a traditional and an entrepreneurial sector; the paper investigates the effects of taxes on the equilibrium level of entrepreneurship and managerial advice. It considers differential wage and capital income taxes, a comprehensive income tax, incomplete loss offset, progressive taxation as well as investment and output subsidies to the entrepreneurial sector.

Khalaf, Lynda

PD September 2002. TI Simulation-Based Exact Jump Tests in Models with Conditional Heteroskedasticity. AU Khalaf, Lynda; Saphores, Jean-Daniel; Bilodeau, Jean-Francois. AA Khalaf and Bilodeau: Universite Laval. Saphores: University of California, Irvine. SR University of California, Irvine, Department of Economics Working Paper: 02/03/04; Lynda Harford-Clarke, Department of Economics, University of California, Irvine, 3151 Social Science Plaza, Irvine, CA 92697. Website: aris.ss.uci.edu/econ/econ.html. PG 38. PR $3.00 U.S. and Canada; $7.00 foreign; make checks payable to Regents, University of California. JE C15, C32, G12. KW Monte-Carlo Test. Bounds Test. Exact Test. Jump Process. Conditional Heteroscedasticity.

AB In models which allow for random jumps, statistical tests for jumps are typically non-standard and nuisance parameter-dependent. To handle these problems, we combine bounds and Monte-Carlo (MC) simulation techniques to derive nuisance-parameter-free bounds and obtain level- exact p-values for a wide class of processes with random jumps and time varying heteroskedasticity. When identified nuisance parameters are absent under the null, we show that MC p-values are finite sample, level-exact. To illustrate this easy-to-implement approach, we analyze the spot prices of four commodities (Aluminum, Copper, Gold and Lead) and the closing prices of four technology stocks (Intel, Microsoft, Oracle and Sun). We find significant jumps in these time series. Our approach can easily be extended to other nuisance-parameter dependent tests.

Khawlie, Mohamad R.

PD June 2001. TI The Impacts of Climate Change on Water Resources of Lebanon-Eastern Mediterranean. AA National Centre for Remote Sensing (of NCSR). SR Fondazione Eni Enrico Mattei Note di Lavoro: 45/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 10. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE Q01, Q24. KW Climate Change. Water Supply. Lebanon.

AB Contrary to current notions about water abundance in Lebanon, the country is facing serious problems of unavailability, both in quantity and quality, geographical and sectoral. The new dimension of climate change is unfortunately adding to the water problems in the country. Water balance is overall still positive, but deficits are commonly felt locally. The projection in ten to fifteen years, however, predicts an annual deficit of up to 88m.c.m. under a business as usual scenario. The expected results of climate change on resources, natural settings, and human settings are directly related to water. The former includes, in addition to water itself, forestry, biodiversity and fisheries. The latter two categories encompass inland and coastal zones as well as all the productive sectors. Cross impact structural analysis can reveal which socio-economic variables are most influenced. A driving power/dependency chart can then reveal four types of strong or weak drivers, or otherwise. In view of the above, adaptation measures are given at population and individual levels with different opportunities from short, medium, and long-term horizons.

Kho, Bong-Chan

TI Do Domestic Investors Have More Valuable Information About Individual Stocks Than Foreign Investors? AU Choe, Hyuk; Kho, Bong-Chan; Stulz, Rene M.

Kikidis, Nicholas

TI Inflation and Welfare in an OLG Economy with a Privately Provided Public Good. AU Bloise, Gaetano; Currarini, Sergio; Kikidis, Nicholas.

Kiley, Michael T.

PD October 2001. TI An Analytical Approach to the Welfare Cost of Business Cycles and the Benefit from Activist Monetary Policy. AA Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/41; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 25. PR no charge. JE E32, E52, E63, G12. KW Non-Expected Utility. Business Cycles. Stabilization Policy. Asset Pricing. Equity Premium Puzzle.

AB Typical dynamic general-equilibrium (DGE) models with stochastic productivity, consumers with state-separable (expected utility) preferences, and capital accumulation imply a small welfare cost of business cycles and a small market price of risk (i.e., equity premium). I present an analytical solution to quantity and asset-price movements in a DGE model with preferences that are either state-separable or non- state-separable; non-state separable preferences leave the response of quantities to productivity shocks unaltered from the solutions under expected utility, but can raise substantially the welfare cost of fluctuations or the equity premium implied by the model. I then show that a large welfare loss to business cycles does not imply a large gain from an activist monetary policy. These results highlight an important distinction between recent new-Keynesian or neo-Monetarist models of business cycles and older Keynesian-style models: In the recent literature, economic fluctuations are largely an efficient response to shocks to the economy. In the older literature, fluctuations were viewed as inherently inefficient. In both literatures, this distinction is largely assumed rather than discovered, and the proper view of this distinction is the key determinant of the potential benefit of stabilization policy.

King, Robert G.

TI The Case for Price Stability. AU Goodfriend, Marvin; King, Robert G.

Kiser, Elizabeth K.

TI To Surcharge or Not to Surcharge: An Empirical Investigation of ATM Pricing. AU Hannan, Timothy H.; Kiser, Elizabeth K.; Prager, Robin A.; McAndrews, James J.

Klapper, Leora F.

TI The Ability of Banks to Lend to Informationally Opaque Small Businesses. AU Berger, Allen N.; Klapper, Leora F.; Udell, Gregory F.

Kleiner, Morris M.
TI The Anatomy of Employee Involvement and Its Effects on Firms and Workers. AU Freeman, Richard B.; Kleiner, Morris M.; Ostroff, Cheri.

Klemperer, Paul
PD October 2000. TI Why Every Economist Should Learn Some Auction Theory. AA University of Oxford and CEPR. SR CEPR Discussion Paper: 2572; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D42, D43, D44, G14, K41, L13, L81, L94, L96. KW Auction Theory. Auctions. Bertrand. Bidding. Brand Loyalty.
AB This is a preliminary draft of an Invited Symposium paper for the World Congress of the Econometric Society to be held in Seattle in August 2000. We discuss the strong connections between auction theory and "standard" economic theory, and argue that auction-theoretic tools and intuitions can provide useful argument and insights in a broad range of mainstream economic settings that do not, at first sight, look like auctions. We also discuss some more obvious applications, especially to industrial organization.

PD October 2000. TI What Really Matters in Auction Design. AA University of Oxford and CEPR. SR CEPR Discussion Paper: 2581; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D43, D44, L13, L41, L96. KW Antitrust. Auction Theory. Auctions. Bidding. Collusion.
AB The most important issues in auction design are the traditional concerns of competition policy-preventing collusive, predatory, and entry deterring behavior. Ascending and uniform-price auctions are particularly vulnerable to these problems (we discuss radiospectrum and football TV-rights auctions, electricity markets, and takeover battles), and the Anglo-Dutch auction -- a hybrid of the sealed-bid and ascending auctions may often perform better. However, everything depends on the details of the context; the circumstances of the recent UK mobile-phone license auction made an ascending format ideal. We also discuss the current 3G spectrum auctions in Germany and the Netherlands. Auction design is a matter of "horses for courses," not "one size fits all.".

TI The Biggest Auction Ever: The Sale of the British 3G Telecom Licences. AU Binmore, Kenneth; Klemperer, Paul.

PD February 2002. TI How (Not) to Run Auctions: The European 3G Telecom Auctions. AA University of Oxford and CEPR. SR CEPR Discussion Paper: 3215; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE D44, L96. KW Auctions. Telecommunications. Spectrum Auctions. Bidding.
AB There were enormous differences in the revenues from the European "third generation" (3G, or "MTS") mobile-phone license auctions, from 20 Euros per capita in Switzerland to 650 Euros per capita in the UK, though the values of the licenses sold were similar. Poor auction designs in some countries facilitated collusion between firms and failed to attract entrants.

The sequencing of the auctions was also crucial. We discuss the auctions in the UK, Netherlands, Germany, Italy, Austria, Switzerland, Belgium, Greece and Denmark.

Klerman, Jacob A.
TI The Long-Term Gains From GAIN: A Re-Analysis of the Impacts of the California GAIN Program. AU Hotz, V. Joseph; Imbens, Guido W.; Klerman, Jacob A.

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 October 2000. TI Interpreting Instrumental Variables Estimates of the Returns to Schooling. AA Princeton University and NBER. SR National Bureau of Economic Research Working Paper: 7989; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 17. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE I21, J30. KW Schooling Choice. Instrumental Variables Estimates.
AB This paper synthesizes economic insights from theoretical models of schooling choice based on individual benefits and econometric work interpreting instrumental variables estimates as weighted averages of individual-specific causal effects. Linkages are illustrated using college proximity to instrument for schooling. After characterizing groups differentially affected by the instrument according to family background, the paper directly computes weights underlying estimation of the overall return. In analyzing the level of schooling at which individuals change their behavior in response to the instrument, the paper demonstrates that this instrument has its greatest impact on the transition from high school to college. Specification robustness is also examined.

Knetter, Michael M.
PD November 2000. TI Macroeconomic Factors and Antidumping Filings: Evidence from Four Countries. AU Knetter, Michael M.; Prusa, Thomas J. AA Knetter: Dartmouth College and NBER. Prusa: Rutgers University and NBER. SR National Bureau of Economic Research Working Paper: 8010; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 28. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE F13, F31. KW Antidumping. Exchange Rates. GDP Growth.
AB This paper examines the relationship between antidumping filings and macroeconomic factors. We show that real exchange rate fluctuations affect the two criteria for dumping in opposite ways, making the overall effect on filing ambiguous in theory. Interestingly, no such ambiguity is evidenced in the data. Examining the filing patterns of the four major users of AD law during the 1980-98 period, we find that real exchange rates and domestic real GDP growth both have statistically significant impacts on filings. Bilateral filing data indicate that a one-standard deviation real appreciation of the domestic currency increases filings by 33% while a one-standard deviation fall in domestic real GDP increases filings by 23%.

Kongsted, Hans Christian
.PD March 2002. TI Testing the Nominal-to Real

Transformation. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/06; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 26. PR no charge. JE C32, C51, C52, E41. KW Cointegration. Stochastic Trend. I(2). Price Homogeneity. Monte Carlo Experiment.

AB Nominal-to-real data transformations are routinely used in empirical work. A common example is the transformation of nominal money and prices to real money and the rate of inflation. This paper establishes the necessary and sufficient condition for a transformation to reduce the order of integration of an I(2) vector process while retaining the cointegrating relations among the variables. A particular direction in which the condition potentially fails is often treated by assumption in applied work. In this case, the transformed process satisfies a well-specified vector equilibrium model, yet I(1) inference and interpretation based on the real transformed system is invalidated. An easy-to-implement sequential test of the transformation based on I(1) cointegration methods is suggested. It demonstrates good size and power properties in a small-scale simulation experiment. An empirical example illustrates the need to test the nominal-to-real transformation.

PD November 2002. TI Analyzing I(2) Systems by Transformed Vector Autoregressions. AU Kongsted, Hans Christian; Nielsen, Heino Bohn. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/20; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 20. PR no charge. JE C32, C51, C52, F41. KW Cointegration. Stochastic Trend. Price Homogeneity. VAR.

AB We characterize the restrictions imposed by the minimal I(2)-to-I(1) transformation that underlies much applied work, e.g. on money demand relationships or open-economy pricing relationships. The relationship between the parameters of the original I(2) vector autoregression, including the coefficients of polynomially cointegrating relationships, and the transformed I(1) model is characterized. We discuss estimation of the transformed model subject to restrictions as well as the more commonly used approach of unrestricted reduced rank regression. Only a minor loss of efficiency is incurred by ignoring the restrictions in the empirical example and a simulation study. A properly transformed vector autoregression thus provides a practical and effective means for inference on the parameters of the I(2) model.

Konings, Jozef

PD October 2000. TI The Effects of Direct Foreign Investment on Domestic Firms: Evidence from Firm Level Panel Data in Emerging Economies. AA Katholieke Universiteit Leuven and CEPR. SR CEPR Discussion Paper: 2586; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D24, F23, O52, P31. KW Emerging Countries. Foreign Investment. Panel Data. Spillovers.

AB This paper uses firm level panel data to investigate empirically the effects of foreign direct investment (FDI) on the productivity performance of domestic firms in three emerging economies of Central and Eastern Europe, Bulgaria, Romania, and Poland. To this end a unique firm level panel data set is used with detailed information on foreign ownership at the firm level. Two main questions are addressed: (1) Do foreign firms perform better than their domestic counterparts? and (2) Do foreign firms generate spillovers to domestic firms? The estimation technique in this paper takes potential endogeneity of ownership, spillovers and other factors into account by estimating a fixed effects model using instrumental variables in the general methods of moment technique for panel data. Only in Poland do I find that foreign firms perform better than firms without foreign participation. Moreover, for all three countries studied here, I find no evidence of positive spillovers to domestic firms on average. In contrast, on average there are negative spillovers to domestic firms in Bulgaria and Romania, while there are no spillovers to domestic firms in Poland. This suggests a negative competition effect that dominates a positive technology effect.

Konrad, Kai A.

TI Globalization and Human Capital Formation. AU Andersson, Fredrik; Konrad, Kai A.

Koutsougeras, Leonidas C.

PD October 2002. TI Convergence to No Arbitrage Equilibria in Market Games. AA University of Manchester. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/12; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 23. PR no charge. JE C72, D43, D50. KW Multiple Posts. Arbitrage. Law of One Price. Market Games.

AB For market games which feature multiple posts for each commodity we show the following: (i) the "law of one price" obtains asymptotically as the number of market participants becomes infinite, irrespectively of the characteristics of market participants; (ii) as the number of markets increases the set of equilibria is nested upwards.

Kramarz, Francis

TI Coordination in Sender-Receiver Games with no Common Language. AU Fevrier, Philippe; Kramarz, Francis.

PD February 2000. TI The Impact of Differential Payroll Tax Subsidies on Minimum Wage Employment. AU Kramarz, Francis; Philippon, Thomas. AA Kramarz: CREST-INSEE, CNRS, and CEPR. Philippon: MIT. SR INSEE Documents de Travail du CREST: 2000/10; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 23. PR no charge. JE J23, J31, J64. KW Minimum Wage. Total Labor Costs. Tax Subsidies. Employment. Unemployment. Transition.

AB In this article, we study the impact of changes of total labor costs on employment of low-wage workers in France in a period, 1990 to 1998, that saw sudden and large changes in these costs. We use longitudinal data from the French Labor Force survey to understand the consequences of real decreases and increases in labor cost. We examine the transition probabilities from employment to unemployment and from unemployment to employment. In particular, we compare the transition probabilities of the workers that were directly affected by the changes ("between" workers) with the transition probabilities of workers closest in the wage distribution to those directly affected ("marginal" workers). Comparing years

of increasing and decreasing minimum cost, difference-in-difference estimates imply that an increase of 1% of the cost implies roughly an increase of 1.5% in the probability of transiting from employment to unemployment for the treated workers. Results for the transitions from unemployment to employment are more ambiguous.

Krause, David
TI Indirect Network Effects and Adoption Externalities. AU Church, Jeffrey; Gandal, Neil; Krause, David.

Kremer, Michael
TI Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya. AU Glewwe, Paul; Kremer, Michael; Moulin, Sylvie; Zitzewitz, Eric.

Krishnamurthy, Arvind
TI Smoothing Sudden Stops. AU Caballero, Ricardo J.; Krishnamurthy, Arvind.

TI A "Vertical" Analysis of Crises and Intervention: Fear of Floating and Ex-ante Problems. AU Caballero, Ricardo J.; Krishnamurthy, Arvind.

TI A Dual Liquidity Model for Emerging Markets. AU Caballero, Ricardo J.; Krishnamurthy, Arvind.

Krupnick, Alan
TI The Willingness To Pay for Mortality Risk Reductions: A Comparison of the United States and Canada. AU Alberini, Anna; Krupnick, Alan; Cropper, Maureen; Simon, Nathalie; Cook, Joseph.

Kubler, Felix
PD June 2001. TI Stationary Equilibria in Asset-Pricing Models with Incomplete Markets and Collateral. AU Kubler, Felix; Schmedders, Karl. AA Kubler: Stanford University. Schmedders: Northwestern University. SR Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1319; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. PG 24. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. JE C61, C63, D52, G12. KW Stationary Equilibria. Collateral. Incomplete Markets. Asset Pricing.
AB We consider an infinite-horizon exchange economy with incomplete markets and collateral constraints. As in the two-period model of Geanakoplos and Zame (1998) households can default on their liabilities at any time without any utility penalties or loss of reputation. Financial securities are therefore only traded if the promises associated with these securities are backed by collateral. We examine an economy with a single perishable consumption good where the only collateral available consists of productive assets. In this model competitive equilibria always exist and we show that under the assumption that all exogenous variables follow a Markov-chain there also exist stationary equilibria. These equilibria can be characterized by a mapping from the exogenous shock and the current distribution of financial wealth to prices and portfolio choices. We develop an algorithm to approximate this mapping numerically and give details on how to implement the algorithm in practice. Two computational examples

demonstrate the performance of the algorithm and show some quantitative features of equilibria in models with collateral and default.

Kugler, Adriana
TI Protective or Counter-Productive? European Labour Market Institutions and the Effect of Immigrants on EU Natives. AU Angrist, Joshua; Kugler, Adriana.

PD February 2002. TI From Severance Pay to Self-Insurance: Effects of Severance Payments Savings Accounts in Colombia. AA Universitat Pompeu Fabra and CEPR. SR CEPR Discussion Paper: 3197; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE E21, J33, J65. KW Tax Shifting. Unemployment Insurance. Consumption Smoothing. Crowding Out. Columbia.
AB In 1990 Colombia replaced its traditional system of severance payments with a new system of severance payments savings accounts (SPSAs). Although severance payments often are justified on the grounds that they provide insurance against earnings loss, they also increase costs for employers and distort employment decisions. The impact of severance payments depends largely on how much of the costs to employers can be shifted to workers. The theoretical analysis in this paper shows that, in contrast to a traditional system of severance payments, the system of SPSAs facilitates the shifting of severance payments costs to workers in the form of lower wages. Empirical results using the Colombian National Household Surveys indicate that the introduction of SPSAs shifted around 80% of the total severance payments contributions to wages and had a positive effect on weekly hours. Results using the 1997 Colombian Living Standards Measurement Survey suggest that, although SPSAs in part replaced employer insurance with self-insurance, SPSAs continue to play a consumption smoothing role for the non-employed.

Kuik, Onno J.
PD July 2001. TI Lessons from the Southern Enlargement of the EU for the Environmental Dimensions of Eastern Enlargement, in particular for Poland. AU Kuik, Onno J.; Oosterhuis, Frans H. AA Vrije Universiteit. SR Fondazione Eni Enrico Mattei Note di Lavoro: 59/2001; "Publication Office", 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 F15, F18, Q20. KW EU Enlargement. Environment. Poland. CEE. Technique effect.
AB This paper analyses the environmental dimensions of the past accession of Greece, Portugal and Spain to the EU in order to draw lessons for the current accession of countries of Central and Eastern Europe. A distinction is made between scale, composition and technique effects. Two major conclusions are drawn. First, the impacts of accession differed significantly among accession countries, due to economic, social, political and geographical factors. Second, the composition effect was relatively unimportant and the technique effect was positive due to the modernization of production and the implementation of the environmental acquis. A negative scale effect dominated in the areas of consumption and transport. Accession also led to growing disparities at the regional level. At the time of

accession, Greece, Portugal and Spain showed similarities with present-day Eastern European countries. Lessons from the southern enlargement are drawn for the current accession, in particular for Poland.

Kwast, Myron L.
TI   Systemic Risk and Financial Consolidation: Are They Related? AU   Nicolo, Gianni De; Kwast, Myron L.

La Porta, Rafael
PD   February 2002. TI   The Guarantees of Freedom. AU   La Porta, Rafael; Lopez-de-Silanes, Florencio; Pop-Eleches, Cristian; Shleifer, Andrei. AA   La Porta and Shleifer: Harvard University and NBER. Lopez-de- Silanes: Yale University and NBER. Pop-Eleches: Harvard University. SR   National Bureau of Economic Research Working Paper: 8759; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   26. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   K40, N40, P17. KW   Constitutional Rules. Freedom. Judicial Independence. AB   Hayek (1960) distinguishes the institutions of English freedom, which guarantee the independence of judges from political interference in the administration of justice, from those of American freedom, which allow judges to restrain law-making powers of the sovereign through constitutional review. We create a data base of constitutional rules in 71 countries that reflect these institutions of English and American freedom, and ask whether these rules predict economic and political freedom in a cross-section of countries. We find that the English institutions of judicial independence are strong predictors of economic freedom and weaker predictors of political freedom. The American institutions of checks and balances are strong predictors of political but not of economic freedom. Judicial independence explains half of the positive effect of common law legal origin on measures of economic freedom.

Lacroix, Guy
TI   The Effects of Welfare Benefits on the Duration of Welfare Spells: Evidence from a Natural Experiment in Canada. AU   Fortin, Bernard; Fougere, Denis; Lacroix, Guy.

Lafontaine, Francine
PD   August 2001. TI   Targeting Managerial Control: Evidence from Franchising. AU   Lafontaine, Francine; Shaw, Kathryn L. AA   Lafontaine: University of Michigan Business School and NBER. Shaw: Carnegie Mellon University and NBER. SR   National Bureau of Economic Research Working Paper: 8416; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   43. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   L19, L20. KW   Franchising. Ownership. Managerial Control. AB   This paper shows that established franchisors manage their portfolio of company and franchised units to maintain a particular target level of corporate control and ownership of outlets. On average, established franchisors maintain about 15 percent of their outlets as company owned -- with the other 85 percent owned by franchisees. Interestingly, the rate of company ownership does not rise or fall within firms as they gain experience or learn, or as they succeed or fail. However, the targeted rate does vary considerably across firms. Given

strong evidence that firms target specific, but different, rates of company ownership, what factors determine firms' optimal targeted rates? We find that brandname value is an important determinant: franchisors with high brandname value, target high rates of company ownership. We argue that targeting high rates of company ownership is desirable in chains with more valuable brands because individual franchisees have incentives to free ride on brandname value. Consequently, high-value franchisors need to exert more direct managerial control over outlets in their chain. In addition, high company ownership rates give franchisors better incentives to maintain the value of their brand.

Lahiri, Sajal
TI   Strategic Environmental Policies in the Presence of Foreign Direct Investment. AU   Kayalica, M. Ozgur; Lahiri, Sajal.

Lane, Julia I.
TI   Wages, Productivity, and the Dynamic Interaction of Businesses and Workers. AU   Haltiwanger, John C.; Lane, Julia I.; Spletzer, James R.

Lane, Philip
PD   October 2000. TI   External Capital Structure: Theory and Evidence. AU   Lane, Philip; Milesi-Ferretti, Gian Maria. AA   Lane: Trinity College, Dublin and CEPR. Milesi-Ferretti: International Monetary Fund and CEPR. SR   CEPR Discussion Paper: 2583; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   F21, F34. KW   External Debt. Foreign Direct Investment. Net Foreign Assets. Portfolio Equity. AB   Recent years have witnessed a change in the composition of capital flows to developing countries; 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.

Lange, Joe
PD   May 2001. TI   Anticipations of Monetary Policy in Financial Markets. AU   Lange, Joe; Sack, Brian; Whitesell, William. AA   Board of Governors of the Federal Reserve System. SR   Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/24; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG   20. PR   no charge. JE   E43, E52. KW   Term Structure. Policy Expectations. Funds Rate. Monetary Policy. AB   In recent years, financial markets appear better able to anticipate FOMC policy changes. Beginning in the late 1980s and early 1990s, longer-term interest rates and futures rates have tended to incorporate movements in the federal funds rate several months in advance, in contrast to the largely contemporaneous response typically observed before that time. After identifying these emerging trends, the paper parses the enhanced predictability into a component that can be attributed to the autoregressive behavior of the funds rate and a non-autoregressive component. The paper considers institutional

developments in FOMC policy making that may have contributed to each of these components, including gradualism in adjusting the federal funds rate target and transparency regarding the setting of the target and future policy intentions.

Langen, Christian
TI The Fight for the Alpha Position: Channeling Status Competition in Organizations. AU Loch, Christoph H.; Yaziji, Michael; Langen, Christian.

Lanza, Alessandro
TI Kyoto Commitment and Emission Trading: A European Union Perspective. AU Ciorba, Umberto; Lanza, Alessandro; Pauli, Francesco.

TI Desperately Seeking (Environmental) Kuznets: A New Look at the Evidence. AU Galeotti, Marzio; Lanza, Alessandro; Pauli, Francesco.

TI Kyoto Protocol and Emission Trading: Does the US Make a Difference? AU Ciorba, Umberto; Lanza, Alessandro; Pauli, Francesco.

Lapre, Michael A.
PD February 2000. TI Creating and Transferring Knowledge for Productivity Improvement in Factories. AU Lapre, Michael A.; Van Wassenhove, Luk N. AA Lapre: Boston University. Van Wassenhove: INSEAD. SR INSEAD Working Paper: 2000/48/TM/CIMSO/14; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 24. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D83, O31. KW Learning Curve. Total Factor Productivity. Learning by Doing. Formal Learning. Technological Knowledge. Knowledge Transfer. Replication.
AB How can a firm accelerate its learning curve if knowledge about the production function is incomplete? This paper identifies a production line specifically set up to create technological knowledge. Formal learning resulted in huge productivity improvements. Replication of this organizational structure on three production lines in other plants within the same firm fell short of expectations. Formal learning did not result in productivity improvements. Conditions that seem to be critical for creating technological knowledge include management buy-in, a high quality ore to mine, and cross-functional absorptive capacity. Further, we found evidence of transfer of learning by doing to one production line, whereas formal learning was not transferred. We relate this finding to the recipient's absorptive capacity.

Laroque, Guy
TI Optimal Incentives for Labor Force Participation. AU Chone, Philippe; Laroque, Guy.

Lasserre, Pierre
PD October 2001. TI A Ricardian Model of the Tragedy of the Commons. AU Lasserre, Pierre; Soubeyran, Antoine. AA Lasserre: Universite du Quebec a Montreal, GREQAM and CIRANO. Soubeyran: Universite de la Mediterranee and GREQAM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 80/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 26. PR 10 papers minimum order at

$4.00 each; annual subscription at $250.00. JE D23, D62, K11. KW Property Rights. Institutions. Tragedy of the Commons. Convexity. General Equilibrium. Bounded Rationality.
AB This paper revisits the tragedy of the commons when agents have different capabilities in both production and encroachment activities, and can allocate their time between them. Under fairly general assumptions on production and encroachment technologies, an individual's expected income is convex with respect to his actions so that individuals specialize. Consequently, in equilibrium, the economy is divided into at most two homogeneous groups: encroachers and producers. The partition obeys a relative advantage criterion. Several equilibria may exist. The "tragedy of the commons" equilibrium without production always does; the Pareto optimal allocation of activities may not be an equilibrium. We show that minute changes in property right enforcement may lead to drastic improvements for society. We argue that, in convex games such as this paper's role choice game, bounded rationality is a natural assumption, and the concept of local Nash equilibrium is the natural analytical tool to handle it.

Lau, Lawrence J.
TI Generalized Solow-Neutral Technical Progress and Postwar Economic Growth. AU Boskin, Michael J.; Lau, Lawrence J.

Laurent, Jean-Paul
TI Sensitivity Analysis of Values at Risk. AU Gourieroux, Christian; Laurent, Jean-Paul; Scaillet, Olivier.

Lazear, Edward P.
PD January 2001. TI The Peter Principle: Promotions and Declining Productivity. AA Stanford University and NBER. SR National Bureau of Economic Research Working Paper: 8094; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 27. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE M12, M51, M52. KW Peter Principle. Promotion. Productivity.
AB Many have observed that individuals perform worse after having received a promotion. The most famous statement of the idea is the Peter Principle, which states that people are promoted to their level of incompetence. There are a number of possible explanations. Two are explored. The most traditional is that the prospect of promotion provides incentives that vanish after the promotion has been granted; thus, tenured faculty slack off. Another is that output as a statistical matter is expected to fall. Being promoted is evidence that a standard has been met. Regression to the mean implies that future productivity will decline on average. Firms optimally account for the regression bias in making promotion decisions, but the effect is never eliminated. Both explanations are analyzed. The statistical point always holds; the slacking off story holds only under certain compensation structures.

Le Fol, Gaelle
TI Ajustements des Prix bid et ask en Presence d'Information Privee. AU Boyer, Cecile; Gourieroux, Christian; Le Fol, Gaelle.

Leahy, John V.
TI The Social Discount Rate. AU Caplin, Andrew; Leahy, John V.

TI An sS Model with Adverse Selection. AU House, Christopher L.; Leahy, John V.

Lechene, Valerie
TI Caring and Sharing: Tests Between Alternative Models of Intra- Household Allocation. AU Browning, Martin; Lechene, Valerie.

Lee, Jaehyung
TI Spatial Mixture Models Based on Exponential Family Conditional Distributions. AU Kaiser, Mark S.; Cressie, Noel; Lee, Jaehyung.

Legros, Patrick
PD October 2000. TI Competing for Ownership. AU Legros, Patrick; Newman, Andrew. AA Legros: Universite Libre de Bruxelles and CEPR. Newman: University College London and CEPR. SR CEPR Discussion Paper: 2573; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D23, D31, G34, L22. KW Contract Theory. Mergers. Ownership. Shocks to Distribution.
AB We provide a simple framework for analyzing how organizations are designed in a competitive economy. We focus on the allocation of rights of control and show that in the presence of liquidity constraints, transferring authority can serve as an effective means of transferring surplus, although this may entail some efficiency loss. The efficiency and organizational structure of a typical firm will depend on the liquidity of the "marginal" agent in the market and not just on the liquidity and technology of the members of the firm. Liquidity changes in a small fraction of the population can lead to restructuring of ownership throughout the economy.

Lehmann, Markus A.
PD December 2000. TI The Impact of Voluntary Environmental Agreements on Firms' Incentives for Technology Adoption. AA Max-Planck Project Group 'Law and Common Goods', Bonn, Germany. SR Fondazione Eni Enrico Mattei Note di Lavoro: 110/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 49. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C78, D78. KW Voluntary Agreements. Technology Adoption. Porter Hypothesis.
AB The paper reconsiders the Porter hypothesis in an offer/counter- offer bargaining model, in which a welfare-maximizing regulator and an industry representative negotiate over which regulatory instrument to apply with which stringency. The possibility to contest planned regulation in the political arena is given as an outside option of the bargaining model. Policy instruments differ in their impacts on firms' profits and market shares, which yields different incentives for technology adoption. Furthermore, means of direct regulation may lead to an implicit cartelisation of the industry. This latter feature shapes the actors' equilibrium threat position, which, in turn, influences incentives to contest the regulation and the

subsequent regulatory outcome. Depending on the parties' respective position in the political contest, the implementation of voluntary agreements or of other (negotiated or mandatory) policy instruments, as well as their impact on the technology adoption incentives, is endogenously derived within this single model.

Levin, Andrew T.
PD August 2001. TI The Performance of Forecast-Based Monetary Policy Rules under Model Uncertainty. AU Levin, Andrew T.; Wieland, Volker; Williams, John C. AA Levin and Williams: Board of Governors of the Federal Reserve System. Wieland: Goethe University Frankfurt and European Central Bank. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/39; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 39. PR no charge. JE E31, E52, E58, E61. KW Inflation Targeting. Optimal Monetary Policy. Multiple Equilibria.
AB We investigate the performance of forecast-based monetary policy rules using five macroeconomic models that reflect a wide range of views on aggregate dynamics. We identify the key characteristics of rules that are robust to model uncertainty: such rules respond to the one-year ahead inflation forecast and to the current output gap, and incorporate a substantial degree of policy inertia. In contrast, rules with longer forecast horizons are less robust and are prone to generating indeterminacy. In light of these results, we identify a robust benchmark rule that performs well in all five models over a wide range of policy preferences.

TI Imperfect Credibility and Inflation Persistence. AU Erceg, Christopher J.; Levin, Andrew T.

Levine, David
TI Information Aggregation, Security Design and Currency Swaps. AU Chowdhry, Bhagwan; Grinblatt, Mark; Levine, David.

Levine, Paul L.
PD February 2002. TI Price Regulation, Investment and the Commitment Problem. AU Levine, Paul L.; Rickman, Neil. AA University of Surrey. SR CEPR Discussion Paper: 3200; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE D82, L51. KW Under Investment. Commitment. Price Regulation. Asymmetric Information.
AB We consider a dynamic model of price regulation with asymmetric information where strategic delegation is available to the regulator. Firms can sink non- contractible, cost-reducing investment but regulators cannot commit to future price levels. We fully characterize the Perfect Bayesian equilibria and show that, with incentive contracts but without delegation, under- and over-investment can occur. We then show that delegation to a suitable regulator can both improve investment incentives and ameliorate the ratchet effect by credibly offering the firm future rent. Simulations indicate significant welfare gains from these two effects and that a wide range of regulatory preferences can achieve this result.

Levy, Daniel

TI What can the Price Gap between Branded and Private Label Products Tell Us about Markups? **AU** Barsky, Robert; Bergen, Mark; Dutta, Shantanu; Levy, Daniel.

Levy, Frank

TI The Skill Content of Recent Technological Change: An Empirical Exploration. **AU** Autor, David H.; Levy, Frank; Murnane, Richard.

Levy, Gilat

PD July 2002. **TI** A Model of Political Parties. **AA** Tel Aviv University and London School of Economics. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 14/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. **PG** 35. **PR** no charge. **JE** D72, D78. **KW** Political Parties. Multidimensional Policy Space.
AB This paper offers a new explanation for the existence of parties, by highlighting their function as commitment mechanisms for politicians. The paper then attempts to identify the structural features of the democratic political process which require the establishment of parties. It demonstrates that, as long as politicians are mainly ideologically driven, parties may be redundant when the political debate is one-dimensional. Conversely, it shows that parties may be effective and stable in a multi-dimensional policy space, where they tend to reduce the number of conflicts and redefine them.

Libecap, Gary D.

PD September 2001. **TI** U.S. Land Policy, Property Rights, and the Dust Bowl of the 1930s. **AU** Libecap, Gary D.; Hansen, Zeynep K. **AA** University of Arizona. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 69/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 48. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D23, L50, N40, N50, Q20. **KW** Property Rights. Coase. Dust Bowl. Government Intervention.
AB The process of assigning property rights to land in the American Great Plains resulted in farms that were too small to be economically viable. These farms were prime contributors to the Dust Bowl of the 1930s. The path dependence resulting from the initial assignment of property rights on the Great Plains was slow to be corrected. The transactions costs of property rights reallocation from homesteads to larger farms were high, in part due to government intervention. Local politicians sought to retain the dense, Midwest-like population base that homestead settlement had fostered, and they successfully lobbied the Federal Government for subsidies to maintain small family farms. The result was a halting process of farm size adjustment between 1920 and 1982. This case illustrates the difficult economic problems that can be raised by an inappropriate assignment of property rights. It cannot be assumed that a more efficient allocation of rights with fewer negative effects will occur quickly.

TI Land Reform Policies, The Sources of Violent Conflict and Implications for Deforestation in the Brazilian Amazon.

AU Alston, Lee J.; Libecap, Gary D.; Mueller, Bernardo.

Lichtenberg, Frank R.

PD February 2002. **TI** Sources of U.S. Longevity Increase, 1960-1997. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 8755; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 17. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H51, I12, L65, O33. **KW** Health. Life Expectancy. Longevity. Medical Innovation.
AB Between 1960 and 1997, life expectancy at birth of Americans increased approximately 10 percent -- from 69.7 to 76.5 years -- and it has been estimated that the value of life extension during this period nearly equaled the gains intangible consumption. We investigate whether an aggregate health production function can help to explain the substantial fluctuations in the rate of increase in longevity since 1960. We view longevity as the output of the health production function, and output fluctuations as the consequence of fluctuations in medical inputs and technology. We estimate longevity models using life expectancy, health expenditure, and medical innovation. Reliable annual data are available for only one type of innovation -- new drugs -- but pharmaceutical research and development (R&D) accounts for a significant fraction of total biomedical research. The empirical analysis provides strong support for the hypothesis that both medical innovation and expenditure on medical care contributed to longevity increase during the period 1960-1997.

Lieberman, Offer

TI Asymptotic Theory for Multivariate GARCH Processes. **AU** Comte, F.; Lieberman, Offer.

PD December 2001. **TI** Penalized Maximum Likelihood Estimation for Fractional Gaussian Processes. **AA** Technion-Israel Institute of Technology and Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1348; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 14. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C10, C13. **KW** ARFIMA. Firth's Formula. Fractional Differencing. Approximate Modification.
AB We apply and extend Firth's (1993) modified score estimator to deal with a class of stationary Gaussian long-memory processes. Our estimator removes the first order bias of the maximum likelihood estimator. A small simulation study reveals the reduction in the bias is considerable, while it does not inflate the corresponding mean squared error.

PD January 2002. **TI** Valid Asymptotic Expansions for the Maximum Likelihood Estimator of the Parameter of a Stationary, Gaussian, Strongly Dependent Process. **AU** Lieberman, Offer; Rousseau, Judith; Zucker, David M. **AA** Lieberman: Technion-Israel Institute of Technology and Yale University. Rousseau: CREST-ENSAE. Zucker: Hebrew University. **SR** Yale Cowles Foundation Discussion Paper: 1351; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 30. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C10, C13. **KW** Edgeworth Expansion. Long Memory Processes. ARFIMA Models.

AB We establish the validity of an Edgeworth expansion to the distribution of the maximum likelihood estimator of the parameter of a stationary, Gaussian, strongly dependent process. The result covers ARFIMA type models, including fractional Gaussian noise. The method of proof consists of three main ingredients: (i) verification of a suitably modified version of Durbin's (1980) general conditions for the validity of the Edgeworth expansion to the joint density of the log- likelihood derivatives; (ii) appeal to a simple result of Skovgaard (1986) to obtain from this an Edgeworth expansion for the joint distribution of the log-likelihood derivatives; (iii) appeal to and extension of arguments of Bhattacharya and Ghosh (1978) to accomplish the passage from the result on the log-likelihood derivatives to the result for the maximum likelihood estimators. We develop and make extensive use of a uniform version of Dahlhaus's (1989) Theorem 5.1 on products of Toeplitz matrices; the extension of Dahlhaus's result is of interest in its own right. A small numerical study of the efficacy of the Edgeworth expansion is presented for the case of fractional Gaussian noise.

TI Valid Edgeworth Expansions for the Whittle Maximum Likelihood Estimator for Stationary Long-Memory Gaussian Time Series. AU Andrews, Donald W. K.; Lieberman, Offer.

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.

TI The Middle Class Parent Penalty: Child Benefits in the U.S. Tax Code. AU Ellwood, David T.; Liebman, Jeffrey B.

Lin, I-Fen
TI Understanding Child Support Trends: Economic, Demographic, and Political Contributions. AU Case, Anne; Lin, I-Fen; McLanahan, Sara.

Lindeneg, Klavs
TI Selling Digital Goods on the Internet. AU Hougaard, Jens Leth; Lindeneg, Klavs; Tvede, Mich.

Linton, Oliver
PD February 2002. TI Consistent Testing for Stochastic Dominance: A Subsampling Approach. AU Linton, Oliver; Maasoumi, Esfandiar; Whang, Yoon-Jae. AA Linton: London School of Economics. Maasoumi: Southern Methodist University. Whang: Ewha University. SR Yale Cowles Foundation Discussion Paper: 1356; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 36. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C12, C14, C15, C52. KW Bootstrap. Prospect Theory. Stochastic Dominance.
AB We propose a procedure for estimating the critical values of the Klecan, McFadden, and McFadden (1990) test for first and second order stochastic dominance in the general k-prospect case. Our method is based on subsampling bootstrap. We show that the resulting test is consistent. We allow for correlation amongst the prospects and for the observations to be auto-correlated over time. Importantly, the prospects may be the residuals from certain conditional models.

Lipsey, Robert E.
PD January 2001. TI Foreign Direct Investors in Three Financial Crises. AA NBER, Queens College, and CUNY. SR National Bureau of Economic Research Working Paper: 8084; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 17. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F21, F23. KW Financial Crises. Exchange Rate Crises. U. S. Manufacturing. Direct Investment Flows.
AB In each of three financial and exchange rate crises, Latin America in 1982, Mexico in 1994, and East Asia in 1997, direct investment inflows into the affected countries have behaved differently from other forms of investment, and U.S. manufacturing affiliates have behaved differently from other firms in their host countries. Inflows of direct investment into the crisis countries have been much more stable than inflows of portfolio or other forms of investment. U.S. manufacturing affiliates have switched their sales from host-country to export markets to a greater extent and for a longer period than other host- country firms. They have switched markets partly by more sharply curtailing their local sales, at least in terms of U.S. dollar values. In the cases where we have the data, U.S. affiliates have also tended to sustain their capital expenditure levels during the crises.

Lise, Wietze
PD June 2001. TI Negotiating Climate Change as a Social Situation. AU Lise, Wietze; Tol, Richard S. J.; van der Zwaan, Bob. AA Lise and van der Zwaan: Vrije Universiteit. Tol: Hamburg University, Vrije Universiteit, and Carnegie Mellon University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 44/2001; "Publication Office", 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, F42, Q29. KW Coalitions. Coalitional Moves. Cooperation. Social Situations. International Negotiations. Climate Change.
AB This paper applies the theory of social situations to international environmental agreements on greenhouse gas emission reduction. The usual pessimism on the size of stable coalitions among world regions is challenged for two alternative cases, namely by introducing farsightedness and by introducing coalitional moves with commitment. This is an extension of stability in the cartel game, where a cartel symbolizes a coalition among world regions for reducing greenhouse gas emissions. It is a special case of the commitment situation, which has been proposed in the theory of social situations.

PD June 2001. TI Impact of Climate on Tourist Demand. AU Lise, Wietze; Tol, Richard S. J. AA Lise: Vrije Universiteit. Tol: Hamburg University, Vrije Universiteit, and Carnegie Mellon University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 48/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 29. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D12, Q26, R19. KW Tourist Demand. Climate Change. Factor Analysis. Regression Analysis. Cross-Section Analysis.
AB Tourism, being volatile and situation-specific, is responsive to climate change. A cross-section analysis is conducted on destinations of OECD tourists and a factor and

regression analysis on holiday activities of Dutch tourists, to find optimal temperatures at travel destination for different tourists and different tourist activities. Globally, OECD tourists prefer a temperature of 21 degrees Celsius (average of the hottest month of the year) at their choice of holiday destination. This indicates that, under a scenario of gradual warming, tourists would spend their holidays in different places than they currently do. The factor and regression analysis suggests that preferences for climates at tourist destinations differ among age and income groups.

Litan, Robert E.

PD July 2001. TI Antitrust Policy During the Clinton Administration. AU Litan, Robert E.; Shapiro, Carl. AA Litan: Brookings Institution. Shapiro: University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/22; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 73. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE G34, K21, L40. KW Antitrust Policy. Clinton Administration. Mergers. Intellectual Property.
AB This paper begins by outlining the basic antitrust laws in Section 2, and the agencies that enforce them in Section 3. It then proceeds in Section 4 to provide a brief history of antitrust enforcement, concentrating especially on the two decades preceding the 1990s. This discussion provides the predicate for the heart of the paper, the discussion of the Clinton antitrust enforcement record. After an introduction to the Clinton record in Section 5, the authors explore the three key areas of antitrust enforcement: criminal prosecutions (Section 6), civil non-merger enforcement activity (Section 7), and review of mergers (Section 8). The paper then provides a discussion of the increased level of international cooperation and extraterritorial enforcement of U.S. antitrust laws in Section 9. The paper concludes in Section 10 with its assessment of the Clinton antitrust record and by offering some thoughts about the future of antitrust, intellectual property, and high-tech.

Loch, Christoph H.

PD 2000. TI The Fight for the Alpha Position: Channeling Status Competition in Organizations. AU Loch, Christoph H.; Yaziji, Michael; Langen, Christian. AA Loch and Yaziji: INSEAD. Langen: IhrPreis.deAG. SR INSEAD Working Paper: 2000/30/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 18. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE M12, M54. KW Status-seeking. Employee Motivation.
AB A long-standing debate on incentive and reward schemes has taught us that employees are not motivated by money and resources alone. A fundamental emotional motivator is the seeking for status and recognition. Traditional conceptualizations of status-seeking behavior viewed it as a rational means by which to attain resources. The managerial implications were that by breaking the connection between status and resources -- by making it clear that status would not lead to resources, managers could eliminate status-seeking behavior. However, the new research suggests that status is

emotionally sought as an end in itself. The quest for status is deeply embedded, pervasive and powerful. It cannot be repressed, as was previously suggested. Status competition can lead employees and managers to counterproductive behavior, such as suppressing others, withholding information, or wasting resources. But all is not lost; conscientious management can also actively channel the status-seeking energy in positive directions, by manipulating the environment and the criteria and symbols of status within the organization. Rather than being a source of politicking and inter-group squabbles, the drive for status can be turned into a powerful motivator serving the interests of the group.

TI Preliminary Information, Interdependence and Task Concurrency in Product Development. AU Terwiesch, Christian; Loch, Christoph H.; De Meyer, Arnoud.

PD April 2000. TI Project Uncertainty and Management Styles. AU Loch, Christoph H.; Pich, M. T.; De Meyer, Arnoud. AA INSEAD. SR INSEAD Working Paper: 2000/31/TM/CIMSO/10; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 29. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D81, M11. KW Project Management. Project Uncertainty.
AB The purpose of this article is to develop a framework for analyzing project types and determining a set of appropriate project management styles. We begin by proposing a rigorous definition of uncertainty. It is based on conceptualizing a project in terms of success influence parameters rather than activities, as in the previous literature. An underlying probability space represents available information about the influence factors. Based on this general model of project uncertainty, we propose a complete classification of project uncertainty into five types: complexity, variation, risk, ambiguity, and chaos. We link these types to different project management methods that have previously been scattered across unconnected literatures, such as the critical path method, GERT, activity buggers, decision trees, and iteration. Our study allows placing a variety of project management approaches and decision tools from different literatures in one consistent framework. This first approximation of a unification of existing approaches is an important contribution to project management theory. In addition, we offer the project manager a diagnostic tool to determine the most appropriate emphasis on different project management styles, based on project characteristics that can be estimated at the outset.

Lopez-de-Silanes, Florencio

TI The Guarantees of Freedom. AU La Porta, Rafael; Lopez-de-Silanes, Florencio; Pop-Eleches, Cristian; Shleifer, Andrei.

Lopez-Salido, Jose David

TI Technology Shocks and Monetary Policy: Assessing the Fed's Performance. AU Gali, Jordi; Lopez-Salido, Jose David; Valles, Javier.

TI Technology Shocks and Monetary Policy: Assessing the Fed's Performance. AU Gali, Jordi; Lopez-Salido, Jose David; Valles, Javier.

TI Markups, Gaps and the Welfare Costs of Business Fluctuations. AU Gali, Jordi; Gertler, Mark; Lopez-Salido,

Jose David.

Lovo, Stefano
TI On Some Collusive and Signaling Equilibria in Ascending Auctions for Multiple Objects. AU Albano, Gian Luigi; Germano, Fabrizio; Lovo, Stefano.

Lucas, Maurice E.
TI Do High Grading Standards Affect Student Performance? AU Figlio, David N.; Lucas, Maurice E.

Lupi, Claudio
TI Beyond National Institutions: Labour Taxes and Regional Unemployment in Italy. AU Brunello, Giorgio; Lupi, Claudio; Ordine, Patrizia; Parisi, Maria Luisa.

Lydon, Raemonn
TI Cross Country Evidence on the Returns to Education: Patterns and Explanations. AU Denny, Kevin; Harmon, Colm; Lydon, Raemonn.

Maasoumi, Esfandiar
TI Consistent Testing for Stochastic Dominance: A Subsampling Approach. AU Linton, Oliver; Maasoumi, Esfandiar; Whang, Yoon-Jae.

MacDonald, Ronald
TI The Inter-War Gold Exchange Standard: Credibility and Monetary Independence. AU Bordo, Michael D.; MacDonald, Ronald.

Mackowiak, Bartosz
TI Nominal Debt and the Dynamics of Currency Crises. AU Corsetti, Giancarlo; Mackowiak, Bartosz.

Madan, Dilip
TI Recovery in Default Risk Modeling: Theoretical Foundations and Empirical Applications. AU Bakshi, Gurdip; Madan, Dilip; Zhang, Frank.

Mahieu, Ronan
TI Un Modele de Regulation du Systeme de Sante: La Concurrence Entre "Operateurs De Soins". AU Chone, Philippe; Grignon, Michel; Mahieu, Ronan.

Mairesse, Jacques
TI Information Technology and Research and Development Impacts on Productivity and Skills: Looking for Correlations on French Firm Level Data. AU Greenan, Nathalie; Mairesse, Jacques; Topiol-Bensaid, Agnes.

Manasse, Paolo
PD February 2002. TI Wage Premia and Skill Upgrading in Italy: Why Didn't the Hound Bark? AU Manasse, Paolo; Stanca, Luca; Turrini, Alessandro. AA Manasse: Bocconi University and Universita degli Studi di Bologna. Stanca: University of London. Turrini: European Commission and CEPR. SR CEPR Discussion Paper: 3202; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE F12, F16, J31.

KW Wage Differentials. Technological Change. International Trade. Italian Manufacturing.
AB This paper presents firm level evidence on the dynamics of non- manual wage premia and employment shares in Italian manufacturing during the nineties. We find that the relative stability of aggregate wage premia and employment shares hides offsetting disaggregate forces. First, while technical progress raises the relative demand for skilled labor within firms, demand changes associated with exports reduce the relative demand for skills. Second, within the class of non-manual workers, wage premia and employment shares of executives rise substantially, whereas those of clerks fall in a similar proportion. We also find that the export status of firms plays a key role in explaining labor market dynamics, as exporters account for most of both demand-related and technology-related shifts. Overall, our results for Italy question the general validity of the conventional view that emphasizes the role of labor market institutions, as opposed to trade and technology, in determining wage and employment dynamics in continental Europe.

Margolis, David N.
TI Moduler les Cotisations Employeurs a l'Assurance Chomage: Les Experiences de Bonus-Malus aux Etats-Unis (Indexing Employer Payroll Taxes to Unemployment: Experience Rating in the United States). AU Fougere, Denis; Margolis, David N.

PD October 1999. TI Worker Displacement in France. AA CNRS, Universite de Paris 1, and CREST. SR INSEE Documents de Travail du CREST: 2000/01; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 49. PR no charge. JE J22, J31, J63, J64. KW Displaced Workers. Earnings Losses. Unemployment Duration. Part-Year Work. Matched Firm-Worker. Panel Data. France.
AB In this paper, we consider the impact of displacement (defined as separation from a stable job due to firm closure) on workers in France. We find that a large share of displaced workers find new jobs without experiencing any interruption in their employment histories, and that falling into unemployment seems to be a more transitory phenomenon for displaced workers than other separators. Earnings changes for displaced workers in France seem to reflect a major difference between those who find new jobs quickly and those who do not. There is an annual earnings penalty of an additional 28 percent (relative to continuously employed workers) for those men who do not find new jobs in the year following their displacement, and this penalty is 47 percent for displaced women. However, this annual earnings penalty seems driven largely by people working fewer days per year, as the slow job finding penalty on average daily earnings is only 4 percent for displaced men and 20 percent for displaced women.

Marini, Marco
TI A Sequential Approach to the Characteristic Function and the Core in Games with Externalities. AU Currarini, Sergio; Marini, Marco.

Markowitz, Sara
PD October 2000. TI An Economic Analysis of Alcohol, Drugs, and Violent Crime in the National Crime Victimization Survey. AA NBER. SR National Bureau of Economic

Research Working Paper: 7982; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 31. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I12, I18, K14, K32, K42. **KW** Alcohol. Drugs. Violent Crime. Substance Prices. Taxes.

AB The purpose of this paper is to examine the direct relationship between the prices of alcohol and drugs and the incidence of criminal violence. The positive association between substance use and violence is well documented, as is the negative relationship between the quantity of alcohol or drugs consumed and their prices. These two relationships together form the principal hypothesis examining whether increases in substance prices will directly decrease the incidence of criminal violence. Violence is measured by assault, rape/sexual assault and robbery. Measures of alcohol or drug involved violent crimes are also considered. A reduced form model is estimated in which the probability of being a victim of a violent crime is determined by the full prices of alcohol and illegal drugs, the arrest rates for violent crimes, and characteristics of the respondent. Individual-level fixed effects are also employed in some models. Results from the preferred specifications indicate that higher beer taxes lead to a lower incidence of assault, but not rape or robbery. Higher beer taxes will also lead to lower probabilities of alcohol- or drug-involved assault. Decriminalizing marijuana will result in a higher incidence of assault and robbery, while higher cocaine prices will decrease these crimes.

Martinez-Alier, Joan

TI Embodied Pollution in Trade: Estimating the "Environmental Load Displacement" of Industrialised Countries. **AU** Muradian, Roldan; O'Connor, Martin; Martinez-Alier, Joan.

Mas, Andre

PD 2000. **TI** The Central Limit Theorem in the Space of Nuclear Operators. **AA** CREST and Universite Paris VI. **SR** INSEE Documents de Travail du CREST: 2000/02; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 5. **PR** no charge. **JE** C29, C49. **KW** Nuclear Operators. Weak Convergence. Measures on Banach Spaces.

AB We find a condition for the normalized sequence of independent and identically distributed random nuclear operators to satisfy the Central Limit Theorem.

Masini, Andrea

PD May 2000. **TI** An Application of Technology Diffusion Models to Forecast Long-Term PV Market Penetration. **AU** Masini, Andrea; Fankl, Paolo. **AA** Masini: INSEAD. Frankl: Universita degli Studi di Roma I "La Sapienza". **SR** INSEAD Working Paper: 2000/44/TM/CMER; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 12. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** Q39, Q42, Q43. **KW** PV diffusion. Environmental Technology.

AB This paper aims at examining the diffusion process of PV in southern Europe in the next four decades. Towards this end, it first undertakes a detailed bottom-up analysis of the PV

market in five European countries and it identifies the segments that are most appropriate for PV applications. Then it stimulates PV penetration under four macroeconomic scenarios. The analysis suggests that already today there are opportunities for PV diffusion in many islands of the Mediterranean region, which may trigger sufficient scale-economies to render the technology competitive in largest markets. The results also show that the diffusion process could be dramatically accelerated through the implementation of carbon-tax policies that support initial penetration. The environmental benefits (net avoided carbon dioxide emissions over the system life cycle) associated with the forecasted penetration are also evaluated.

Massa, Massimo

TI Behavioral Factors in Mutual Fund Flows. **AU** Goetzmann, William N.; Massa, Massimo; Rouwenhorst, K. Geert.

PD April 2000. **TI** Can Strategic Market Making Explain Asset Pricing? A Microstructure Analysis of the Treasury Bond Market. **AU** Massa, Massimo; Simonov, Andrei. **AA** INSEAD. **SR** INSEAD Working Paper: 2000/40/FIN; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 25. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** D52, G11, G12. **KW** Strategic Behavior. Dealership Market. Asset Pricing. Informed Trading and Volatility.

AB How much asset volume and volatility can be explained in terms of dealers' strategic interaction and through which channel does this effect take place? In the present paper we address these issues by using a unique dataset on the Treasury bond market. By identifying dealers in terms of their reaction to the informational content of trade, we show that the same type of trade, on the same asset, in the same market can generate different volume and volatility patterns, depending on the type of the dealers who are intermediating it. We identify the "marginal traders" as the class of dealers that affects market conditions. We show that the marginal traders who have the greatest impact in the short run differ from those who have the greatest impact in the long run. We also show that the class of marginal traders is never the largest, nor does it generate the highest volume of trade. We argue that these results have strong implications in terms of forecastability of future returns and volatility, by showing that most of the explanatory power of trades is due to the marginal traders.

TI Asymmetric Information and Trading Strategies: Testing Dealers' Behavior on the Primary and Secondary Treasury-Bond Markets around Auction Days. **AU** Drudi, Francesco; Massa, Massimo.

PD November 1999. **TI** The Sneaky, the Sleepy and the Skeptic: A Behavioral Model of Market Making. Evidence of Strategic Market Making on the Treasury Bond Market. **AU** Massa, Massimo; Simonov, Andrei. **AA** INSEAD. **SR** INSEAD Working Paper: 2000/39/FIN; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 37. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** D82, D83, G14. **KW** Market Maker. Interdealer Market. Strategic Behavior. Learning. Trading

Strategies.
AB   We study the behavior of market makers in the Treasury bond market, by using a unique dataset that allows us to observe market makers' strategies jointly on the primary and secondary markets. We show that market makers actively learn from the dealers they are trading with. This allows them to react strategically to the information content of the orders they receive. Unlike the standard inventory or asymmetric information models, we allow market makers to place orders directly with other market makers. We identify two main types of strategic reaction to the informational content of trade: "hiding" and "experimenting". In particular, some market makers selectively choose the other market makers they place orders with in order to minimize the price impact of their trade. Others choose their counterparts so as to learn the true quality of their information by observing the way they react to their trade. We also show that the information acquired by trading in the secondary market affects market makers' behavior in the primary market. Bidding aggressiveness and dispersion of bids are a function of market makers' learning.

TI   Daily Momentum and Contrarian Behavior of Index Fund Investors. AU   Goetzmann, William N.; Massa, Massimo.

Mataloni, Raymond J., Jr.
TI   Expansion Strategies of U.S. Multinational Firms. AU   Hanson, Gordon H.; Mataloni, Raymond J., Jr..; Slaughter, Matthew J.

Maurin, Eric
PD   February 2000. TI   The European Paradox: Do Flexible Contracts Create Rigid Labor Markets? AA   CREST. SR   INSEE Documents de Travail du CREST: 2000/07; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245   Malakoff   Cedex,   France.   Website: www.crest.fr/doctravail/documents.html. PG   27. PR   no charge. JE   J23, J41, J64. KW   Fixed-Term Contracts. Adjustment Costs. Dynamic Labor Demand. Job Mobility.
AB   This paper analyses the effects of introducing fixed-term labor contracts (FTC) on employment and economic mobility. The model takes into account both the low-termination cost and no-renewal clause features of fixed-term contracts in Europe. When we focus on situations that resemble a typical continental European unskilled-labor market (i.e., with relatively high minimum wages and layoff costs) we find that the FTCs increase economic mobility, reduce discounted inequalities between unemployed and employed people, and do not create the dual labor market that is described in the labor demand literature or the matching literature.

Mayeres, Inge
PD   January 2001. TI   Should Diesel Cars in Europe Be Discouraged? AU   Mayeres, Inge; Proost, Stef. AA   CES. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 01/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   17. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   D58, H21, H23, R41. KW   Transportation Policies. Transportation Externalities. Optimal Taxation. Tax Reform. Gasoline and Diesel.
AB   This paper examines the rationale for the different tax treatment of gasoline and diesel cars currently observed in Europe. First, we analyze possible justifications for a different

tax treatment: pure tax revenue considerations, externality considerations and constraints on the tax instruments used for cars and trucks. Next, an applied general equilibrium model is used to assess the welfare effects of revenue neutral changes in the vehicle and fuel taxes on diesel and gasoline cars. The model integrates the effects on tax revenue, environmental externalities, road congestion, accidents, and income distribution.

Mazurier, Karine
TI   Psychological Traits and Trading Strategies. AU   Biais, Bruno; Hilton, Denis; Mazurier, Karine; Pouget, Sebastien.

McGrattan, Ellen R.
PD   January 2001. TI   Is the Stock Market Overvalued? AU   McGrattan,   Ellen   R.;   Prescott,   Edward   C. AA   McGrattan: Federal Reserve Bank of Minneapolis and NBER. Prescott: University of Minnesota and NBER. SR   National Bureau of Economic Research Working Paper: 8077; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge,   MA   02138-5398.   Website: www.nber.org. PG   30. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   E13, E22, G12. KW   Equity Valuation. Aggregate Valuation.
AB   The value of U.S. corporate equities in the first half of 2000 was close to 1.8 times U.S. gross national income. Some stock market analysts have argued that the market is overvalued at this level. We use standard economic theory and find that the market is correctly valued. In theory, the market value of equity plus debt liabilities should equal the value of productive assets plus debt assets. Since the net value of debt is currently low, the market value of equity should be approximately equal to the market value of productive assets. We find that the market value of productive assets is roughly 1.8 GNPs and is therefore in line with the market value of equity.

McGuckin, Robert H.
PD   August 2001. TI   The Composite Index of Leading Economic Indicators: How to Make It More Timely. AU   McGuckin, Robert H.; Ozyildirim, Ataman; Zarnowitz, Victor. AA   McGuckin and Ozyildirim: The Conference Board. Zarnowitz: The Conference Board and NBER. SR   National Bureau of Economic Research Working Paper: 8430; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge,   MA   02138-5398.   Website: www.nber.org. PG   21. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   E10, E17. KW   Leading Indicators. Forecasting. Predictive Ability.
AB   A major shortcoming of the U.S. leading index is that it does not use the most recent information for stock prices and yield spreads. The index methodology ignores these data in favor of a time-consistent set of components (i.e., all of the components must refer to the previous month). An alternative is to bring the series with publication lags up- to-date with forecasts and create an index with a complete set of most recent components. This study uses tests of ex-ante predictive ability of the U.S. leading index to evaluate the gains to this new "hot box" procedure of statistical imputation. We find that, across a variety of simple forecasting models, the new approach offers substantial improvements.

McLanahan, Sara
TI   Understanding Child Support Trends: Economic,

Demographic, and Political Contributions. AU Case, Anne; Lin, I-Fen; McLanahan, Sara.

McMillan, Margaret S.
TI Does Direct Foreign Investment Affect Domestic Firms' Credit Constraints? AU Harrison, Ann E.; McMillan, Margaret S.

Mello, Antonio S.
TI Arbitrage with Inelastic Liquidity Demand and Financial Constraints. AU Attari, Mukarram; Mello, Antonio S.

PD January 2001. TI Diversity in Organizations. AU Mello, Antonio S.; Ruckes, Martin. AA Mello: University of Wisconsin, Madison. SR CEPR Discussion Paper: 2673; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D23, M54. KW Authority. Conflicts. Diversity. Economics of Organizations.
AB This paper develops a theory of diversity in work groups within organizations. Diversity is determined by the group members' differences in backgrounds. Diverse teams possess more information than homogeneous ones. If beliefs and preferences are expressed openly, diverse teams can reach better decisions. However, due to their members' heterogeneous backgrounds, diverse teams are more prone to conflict. The paper shows that the relative performance of heterogeneous and homogeneous groups depends on the leader's authority to make personnel decisions, especially whether the leader can replace team members. A number of implications follow regarding the shaping and composition of organizations.

Menneteau, Ludovic
PD March 2000. TI Large Deviations for Local Empirical Measures. AA CREST-INSEE and Universite de Paris VI. SR INSEE Documents de Travail du CREST: 2000/11; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 17. PR no charge. JE C59, C69. KW Local Empirical Measure. Large Deviations. Functional Law. Iterated Logarithm.
AB We consider the local empirical measure indexed by a function class. Under some regularity assumptions, we give a large deviations principle for this process. A non standard functional law of the iterated logarithm is inferred from our large deviations principle.

Messina, E.
TI Quasi Option Value and Irreversible Choices. AU Bosetti, Valentina; Messina, E.

Michelini, Maurizio
PD October 2001. TI IPCC "Summary for Policymakers" in TAR: Do its Results Give a Support Always Adequate to the Urgencies of Kyoto Global Negotiations? AA ENEA -- Casaccia Research Centre. SR Fondazione Eni Enrico Mattei Note di Lavoro: 85/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 6. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00.

JE C53, Q25. KW Kyoto Protocol. World Energy Scenarios. CO2 Emissions.
AB One of the most important reasons the Kyoto negotiations suffered a setback at the COP 6 conference may be the unsatisfactory state of the previsions of Global Warming. This lack of knowledge may have had such an influence on the formation of human opinion that we should not be surprised that policymakers did not find a common mind to proceed in the fulfillment of the Kyoto protocol. Of course, the uncertainties in the scientific knowledge cannot be avoided. However, the presentation of the complex results obtained by IPCC during many years of work has not received adequate attention. In our opinion the Summary's description of the Global Warming by means of simulations stopped at year 2100 does not appear to be suitable to induce a correct risk perception. A preliminary simulation is described which may clarify this concept.

Milesi-Ferretti, Gian Maria
TI External Capital Structure: Theory and Evidence. AU Lane, Philip; Milesi-Ferretti, Gian Maria.

PD January 2001. TI Good, Bad or Ugly? On the Effects of Fiscal Rules with Creative Accounting. AA International Monetary Fund and CEPR. SR CEPR Discussion Paper: 2663; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE E62, H61, H62. KW Budget Deficits. Budget Transparency. Creative Accounting. Fiscal Rules.
AB Do fiscal rules likely lead to fiscal adjustment, or do they encourage the use of "creative accounting?" This question is studied with a model in which fiscal rules are imposed on "measured" fiscal variables, which can differ from "true" variables because there is a margin for creative accounting. The probability of detecting creative accounting depends on its size and the transparency of the budget. The model studies the effects on fiscal policy of different rules, separating structural from cyclical effects, and examines how these effects depend on the underlying fiscal distortion and on the degree of transparency of the budget.

Miller, Nathan H.
TI Does Function Follow Organizational Form? Evidence from the Lending Practices of Large and Small Banks. AU Berger, Allen N.; Miller, Nathan H.; Petersen, Mitchell A.; Rajan, Raghuram G.; Stein, Jeremy C.

Millock, Katrin
PD December 2000. TI Collective Environmental Agreements: An Analysis of the Problems of Free-Riding and Collusion. AU Millock, Katrin; Salanie, Francois. AA CIRED, LEERNA, INRA-Toulouse. SR Fondazione Eni Enrico Mattei Note di Lavoro: 108/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 26. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D62, L51, Q28. KW Voluntary Agreements. Free Riding. Collusion. Cost-Effectiveness.
AB Collective environmental agreements (CEAs) refer to agreements negotiated between a group of polluting firms and a public regulatory body. The article analyses some potential

problems with CEAs. First, we study free-riding. We show how the maximum feasible emission reduction under a CEA is determined. Second, we show that cooperation on a different activity can reduce the incentives to free-ride, since firms can threaten to stop cooperating to deter deviations. This effect could explain why some CEAs may be successful. However, we also show that reciprocally the adoption of a CEA increases the possibilities for cooperation on other activities. This might be socially harmful if it translates into price collusion, for example. Finally, we explore the issue of how firms might allocate the abatement effort toward the collective target. We show that a CEA can help firms to coordinate on a reduction of quantity and a consequent price increase and benefit from implicit cartel profits. Our findings thus provide some cautionary arguments against the use of CEAs.

PD December 2000. **TI** The Combined Use of Taxation and Voluntary Agreements for Energy Policy. **AA** CIRED, EHESS-CNRS. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 109/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 21. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D82, Q48. **KW** Voluntary Agreements. Energy Policy. Asymmetric Information. Transaction Costs.
AB The paper models the combined use of taxation and voluntary agreements when there is asymmetric information between the regulator and industry on the firms' actual emissions. The model incorporates the following features: 1) the regulator does not know the firm's production characteristics or actual emissions; 2) the regulator offers a policy into which firms self-select according to type; 3) energy audits are costly; 4) systematic factors determine whether a firm choose to sign a voluntary agreement or not. The paper shows how the combined use of emission taxation and voluntary agreements can act as a mechanism to deal with asymmetric information about companies' emissions. The analysis distinguishes itself from the existing literature by incorporating the transaction costs of voluntary agreements. We obtain conditions that determine the characteristics of firms that opt to sign a voluntary agreement.

Mirman, Leonard J.

PD September 2002. **TI** Lattice-Theoretic Foundations of the Consumer's Problem. **AU** Mirman, Leonard J.; Ruble, Richard. **AA** Mirman: University of Virginia. Ruble: Michigan State University. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/07; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 40. **PR** no charge. **JE** C00, D11. **KW** Consumer's Problem. Income Effects. Lattice Programming. Super- Extremal.
AB This paper provides an introduction to and discussion of the application of lattice-theoretic methods to classic problems in consumer theory. General characterizations of income effects with two goods, and with an arbitrary number of goods, as well as examples of comparative statics over densities and consumer types are also presented.

Mirrlees, James A.

TI Optimal Taxation and the Le Chatelier Principle. **AU** Diamond, Peter A.; Mirrlees, James A.

Mishkin, Frederic S.

PD January 2001. **TI** Financial Policies and the Prevention of Financial Crises in Emerging Market Countries. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 8087; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 36. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F33, G28. **KW** Financial Policies. Financial Crises. Emerging Markets. Liberalization. Supervision.
AB This paper outlines a set of financial policies that can help make financial crises less likely in emerging markets. To justify these policies, the paper first explains what a financial crisis is, the factors that promote a financial crisis, and the dynamics of a financial crisis. It then examines twelve basic areas of financial policies to prevent financial crises: 1) prudential supervision, 2) accounting and disclosure requirements, 3) legal and judicial systems, 4) market-based discipline, 5) entry of foreign banks, 6) capital controls, 7) reduction of the role of state-owned financial institutions, 8) restrictions on foreign-denominated debt, 9) elimination of too-big-to-fail in the corporate sector, 10) sequencing financial liberalization, 11) monetary policy and price stability, and 12) exchange rate regimes and foreign exchange reserves.

Missale, Alessandro

TI How is the Debt Managed? Learning from Fiscal Stabilizations. **AU** Benigno, Pierpaolo; Giavazzi, Francesco; Missale, Alessandro.

Mitchell, Olivia S.

TI Annuity Values in Defined Contribution Retirement Systems: The Case of Singapore and Australia. **AU** Doyle, Suzanne; Mitchell, Olivia S.; Piggott, John.

Mladenovic, Zorica

TI High Inflation, Hyperinflation and Explosive Roots: The Case of Yugoslavia. **AU** Juselius, Katarina; Mladenovic, Zorica.

Mocan, H. Naci

PD October 2000. **TI** Nonprofit Sector and Part-Time Work: An Analysis of Employer- Employee Matched Data of Child Care Workers. **AU** Mocan, H. Naci; Tekin, Erdal. **AA** Mocan: University of Colorado at Denver and NBER. Tekin: University of North Carolina at Chapel Hill. **SR** National Bureau of Economic Research Working Paper: 7977; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** J22, J31, J50, L30. **KW** Child Care. Nonprofit Sector. Wages. Human Capital. Part-Time Work.
AB This paper uses a rich employer-employee matched data set to investigate the existence and the extent of nonprofit and part-time wage and compensation differentials in child care. The empirical strategy adjusts for workers' self-selection into the for-profit or nonprofit sectors, into full-time or part-time work, as well as unobserved worker heterogeneity using a discrete factor model. We find differences between the regimes (full-time for-profit, full-time nonprofit, part-time for-profit, part-time nonprofit) in the way in which human capital of the workers are rewarded. There is substantial variation in wages as

a function of employee characteristics, and there is variation in wages within sectors. The results indicate that part- time jobs are "good" jobs in center-based child care. Furthermore, despite the evidence supporting the labor donation hypothesis, our results indicate the existence of nonprofit wage and compensation premiums, which support the property rights hypothesis.

Moffitt, Robert A.

TI Productivity Growth and the Phillips Curve. **AU** Ball, Laurence; Moffitt, Robert A.

PD February 2002. **TI** The Temporary Assistance for Needy Families Program. **AA** Johns Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 8749; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 80. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I31, I38. **KW** Welfare Programs. Needy Families. Financing Structure. **AB** The Temporary Assistance for Needy Families (TANF) program was created in 1996 from what was previously named the Aid to Families with Dependent Children (AFDC) program. The TANF program is intended to serve low-income families, primarily those with only a single parent present, as did the AFDC program. The TANF program is distinguished from AFDC by strong work requirements, time limits on receipt, options for the provision of non-cash assistance, and by a block grant financing structure. This paper reviews the rules of the TANF program and the research that has been conducted on it and on the AFDC program.

Moizeau, Fabien

TI Multiple Politico-Economic Regimes, Inequality and Growth. **AU** Desdoigts, Alain; Moizeau, Fabien.

Molico, Miguel

TI Production Synergies, Technology Adoption, Unemployment, and Wages. **AU** Eudey, Gwen; Molico, Miguel.

Moore, Michael J.

PD October 2000. **TI** The Health Care Consequences of Smoking and its Regulation. **AU** Moore, Michael J.; Hughes, James W. **AA** Moore: University of Virginia and NBER. Hughes: Bates College. **SR** National Bureau of Economic Research Working Paper: 7979; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 33. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H23, I18. **KW** Health Care. Regulation. Smoking. Taxes. **AB** The literature on the health economics of smoking presents two principal facts: that smoking increases health care costs, and that restrictions on smoking lead to reductions in smoking prevalence and intensity. Some researchers have hypothesized that these two facts, in combination, allow the inference that restricting smoking will lower health care costs. For a variety of reasons, however, observed associations between smoking and health care use on the one hand, and regulations and smoking on the other, do not imply a casual effect of the restrictions on health care. This paper extends the literature by examining whether cigarette tax increases lead to lower health care costs. It reproduces the principal results in the

literature on smoking, taxes, and health care utilization, and estimates the effects of tobacco taxes on health care. The results indicate that once one controls for endogenous quits, the health care benefits of smoking cessation are greater than previously believed. There is weak evidence that tax increases lead to higher cessation rates. These results suggest that, in addition to providing a source for funding excess health care costs, tax increases may lower health care costs directly by inducing smokers to quit.

Moretto, Michele

TI Comments on the Investment-Uncertainty Relationship in a Real Option Model. **AU** Cappuccio, Nunzio; Moretto, Michele.

TI Global Warming, Uncertainty and Endogenous Technical Change: Implications for Kyoto. **AU** Castelnuovo, Efrem; Moretto, Michele; Vergalli, Sergio.

TI Global Warming and Financial Umbrellas. **AU** Dosi, Cesare; Moretto, Michele.

PD December 2001. **TI** On the Opportunity Cost of Nontradable Stock Options. **AU** Moretto, Michele; Rossini, Gianpaolo. **AA** Moretto: University of Padua. Rossini: University of Bologna. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 96/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 15. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** G13, J33. **KW** Employee Stock Options. Opportunity Cost. Nontradable Options. **AB** Firms grant to their employees non-tradable stock options as an incentive device. Is the opportunity cost of issuing these options equal to the amount the company would receive if it sold the same options to outside investors? No, it is not, since the options granted to employees are non tradable, due to the incentive scheme to which they are related, and their value, i.e. the opportunity cost, may be lower or larger than the value of the corresponding tradable option.

Morris, Stephen

PD December 2001. **TI** Coordination Risk and the Price of Debt. **AU** Morris, Stephen; Shin, Hyun Song. **AA** Morris: Yale University. Shin: London School of Economics. **SR** Yale Cowles Foundation Discussion Paper: 1241R; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 27. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. **JE** C72, G12, G13. **KW** Common Knowledge. Debt Pricing. Credit Risk. Default. **AB** Creditors of a distressed borrower face a coordination problem. Even if the fundamentals are sound, fear of premature foreclosure by others may lead to pre-emptive action, undermining the project. Recognition of this problem lies behind corporate bankruptcy provisions across the world, and it has been identified as a culprit in international financial crises, but has received scant attention from the literature on debt pricing. Without common knowledge of fundamentals, the incidence of failure is uniquely determined provided that private information is precise enough. This affords a way to price the coordination failure. Comparative statics on the unique equilibrium provides several insights on the role of information and the incidence of inefficient liquidation.

Moskowitz, Tobias J.
TI What Do We Really Know About the Cross-Sectional Relation. AU Grinblatt, Mark; Moskowitz, Tobias J.

Moulin, Sylvie
TI Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya. AU Glewwe, Paul; Kremer, Michael; Moulin, Sylvie; Zitzewitz, Eric.

Muellbauer, John
TI Personal and Corporate Saving in South Africa. AU Aron, Janine; Muellbauer, John.

Mueller, Bernardo
TI Land Reform Policies, The Sources of Violent Conflict and Implications for Deforestation in the Brazilian Amazon. AU Alston, Lee J.; Libecap, Gary D.; Mueller, Bernardo.

Mueller, Holger M.
TI Venture Capital Contracts and Market Structure. AU Inderst, Roman; Mueller, Holger M.

Mullainathan, Sendhil
TI Pyramids. AU Bertrand, Marianne; Mullainathan, Sendhil.

PD September 2002. TI Media Bias. AU Mullainathan, Sendhil; Shleifer, Andrei. AA Mullainathan: MIT and NBER. Shleifer: Harvard University and NBER. SR MIT, Department of Economics Working Paper: 02/33; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=335800. PG 21. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D23, L82. KW Media Bias. Spin. Ideological Bias.
AB There are two different types of media bias. One bias, which we refer to as ideology, reflects a news outlet's desire to affect reader opinions in a particular direction. The second bias, which we refer to as spin, reflects the outlet's attempt to simply create a memorable story. We examine competition among media outlets in the presence of these biases. Whereas competition can eliminate the effect of ideological bias, it actually exaggerates the incentive to spin stories.

Munshi, Kaivan
TI Institutional Change in the Non-Market Economy: Endogenous Matching in Chennai's Chit Fund Auctions. AU Eeckhout, Jan; Munshi, Kaivan.

Muradian, Roldan
PD July 2001. TI Embodied Pollution in Trade: Estimating the "Environmental Load Displacement" of Industrialised Countries. AU Muradian, Roldan; O'Connor, Martin; Martinez-Alier, Joan. AA Muradian and Martinez-Alier: Universitat Autonoma de Barcelona. O'Connor: Universite de Versailles-St Quentin. SR Fondazione Eni Enrico Mattei Note di Lavoro: 57/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 32. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE F18, Q52. KW Environmental Terms of Trade. Pollution. Ecologically Unequal Exchange. International Trade. BEET.

AB This paper sets out to aid in the development of "environmental load displacement" indicators. Developing the notion of the "environmental memory" of physical flows, we estimated embodied pollution in trade of 18 industrialized countries with a) the rest of the world and b) developing countries, from 1976 to 1994. We found that in the last years of analysis, total imports of Japan, US and Western Europe have entailed, in general, larger air pollutant emissions than local exports. The balance of embodied emissions in trade (BEET) seems to follow an inverted-U shape across time in Japan and Western Europe, and an N-shape in the US. In the period of analysis, Japanese and European environmental terms of trade with developing countries have "improved", whereas American environmental terms of trade with developing countries tended to "deteriorate" over time. Although there is no statistical trend between income and embodied emissions in imports in a cross-sectional analysis, there does seem to be a positive relationship between both variables at a national level. The results suggest that, despite many shortcomings, this type of assessment of embodied environmental pressures in inter-country physical flows may shed useful insights on the international aspects of sustainable development.

Murnane, Richard
TI The Skill Content of Recent Technological Change: An Empirical Exploration. AU Autor, David H.; Levy, Frank; Murnane, Richard.

Musu, Ignazio
TI Transitional Dynamics and Uniqueness of the Balanced-Growth Path in a Simple Model of Endogenous Growth with an Environmental Asset. AU Cazzavillan, Guido; Musu, Ignazio.

Neary, J. Peter
PD October 2000. TI True Multilateral Indexes for International Comparisons of Real Income: Theory and Empirics. AA University College Dublin and CEPR. SR CEPR Discussion Paper: 2590; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE D63, F49. KW Exchange Rates. GAIA System. Geary Method. Indexing. International Comparisons. Real Incomes.
AB I introduce a utility-consistent benchmark for international comparisons of real income, the GAIA ("Geary-Allen International Accounts") System. It coincides with the Geary method (which underlies the Penn World Table) when preferences are Leontief and with the EKS method (favored by OECD) when preferences are homogeneous quadratic. The Geary method seems preferable since it gives an (possibly poor) approximation to a consistent set of international comparisons, whereas the EKS method gives a good approximation to an inconsistent set. An illustrative empirical application, using estimates of a QUAIDS demand system, suggests that both methods impose excessive "convergence" on the data.

Nelson, Edward
PD January 2001. TI Direct Effects of Base Money on Aggregate Demand: Theory and Evidence. AA Bank of England and CEPR. SR CEPR Discussion Paper: 2666;

Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** E41, E51, E52. **KW** Monetary Base. Monetary Policy Rules. Transmission Mechanism. Interest Rates.

AB Meltzer (1999a) shows that real monetary base growth is a significant determinant of consumption growth in the United States, controlling for the short-term real interest rate. In this paper, I show that the same property of base money holds for total output (relative to trend or potential) in both the United States and the United Kingdom. The standard optimizing IS-LM model cannot account for this result, but I show that it can once the long-term nominal interest rate is included in the money demand function. Because the long-term real rate matters for aggregate demand, the presence of the long-term nominal rate in the money demand function increases the effect of nominal money stock changes on real aggregate demand when prices are sticky.

PD August 2001. **TI** UK Monetary Policy 1972-97: A Guide Using Taylor Rules. **AA** Bank of England and CEPR. **SR** CEPR Discussion Paper: 2931; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** E31, E43, E52, E58. **KW** Inflation. Interest Rate Rules. Taylor Rules. UK Monetary Policy.

AB In the period from the floating of the exchange rate in 1972 to the granting of independence to the Bank of England in 1997, UK monetary policy went through several regimes, including: the early 1970s, when monetary policy was subordinate to incomes policy as the primary weapon against inflation; Sterling M3 targeting in the late 1970s and early 1980s; moves in the late 1980s toward greater exchange rate management, culminating in the UK's membership of the ERM from 1990-92; and inflation targeting from October 1992. This paper estimates simple interest rate reaction functions, or "Taylor rules," for different UK monetary policy regimes. The inflation targeting regime that began in 1992 appears to be the only period that is characterized by the "Taylor principle," namely a greater than one-for-one response of interest rates to fluctuations in inflation. In contrast to the US case, the early 1980s disinflation in the UK appears best characterized as an increase in the intercept of the authorities' interest rate rule rather than by an increased systematic response of monetary policy to inflation.

Nevo, Aviv

PD August 2001. **TI** New Products, Quality Changes and Welfare Measures Computed from Estimated Demand Systems. **AA** University of California, Berkeley and NBER. **SR** National Bureau of Economic Research Working Paper: 8425; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E30, L15. **KW** Demand. Quality. Welfare Measures. Price Index.

AB This paper examines the construction of a price index based on an estimated demand system. In principle the method examined can produce a price index that accounts for introduction of new products and quality changes in existing products. However, this paper isolates two key assumptions that have to be made in order to interpret the demand estimates into welfare measures. Using estimates of a brand-level demand system for ready-to-eat cereal, this paper demonstrates the empirical importance of the assumptions. For the data this paper uses, depending on the interpretation of the demand estimates, a price index can range between a 35% percent increase over the five years examined to a 2.4% decrease.

TI Sales and Consumer Inventory. **AU** Hendel, Igal; Nevo, Aviv.

Newman, Andrew

TI Competing for Ownership. **AU** Legros, Patrick; Newman, Andrew.

Nicolo, Gianni De

PD June 2001. **TI** Systemic Risk and Financial Consolidation: Are They Related? **AU** Nicolo, Gianni De; Kwast, Myron L. **AA** Nicolo: International Monetary Fund. Kwast: Board of Governors of the Federal Reserve System. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/33; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 18. **PR** no charge. **JE** G21, G28. **KW** Systemic Risk. Banks. Consolidation.

AB The creation of a number of very large and sometimes increasingly complex financial institutions, resulting in part from the on-going consolidation of the financial system, has raised concerns that the degree of systemic risk in the financial system may have increased. We argue that firm interdependencies, as measured by correlations of stock returns, provide an indicator of systemic risk potential. We analyze the dynamics of the stock return correlations of a sample of U.S. large and complex banking organizations (LCBOs) over 1988-1999, and find a significant positive trend in stock return correlations. This finding is consistent with the view that the systemic risk potential in the financial sector appears to have increased over the last decade. In addition, we relate firms' return correlations to their consolidation activity by estimating measures of the consolidation elasticity of correlation. Consolidation at the sample LCBOs appears to have contributed to LCBOs interdependencies. However, consolidation elasticities of correlation exhibit substantial time variation, and likely declined in the latter part of the decade. Thus, factors other than consolidation have also been responsible for the upward trend in return correlations.

Nielsen, Heino Bohn

PD January 2001. **TI** An I(2) Cointegration Analysis of Price and Quantity Formation in Danish Manufactured Exports. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 01/01; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 20. **PR** no charge. **JE** C32, F14, F41. **KW** Cointegration. I(2). Export Pricing. Market-Shares. Small Open Economy.

AB The long-run and short-run structure of the Danish manufacturing export sector is analyzed within a cointegrated vector autoregressive model. The price variables of the analysis can be characterized as integrated of second order, I(2), but long-run homogeneity seems to cancel the I(2)-trend allowing the analysis of a transformed data set to take place within the cointegrated I(1) framework. Two long-run relations are found

and identified as a demand-relation for Danish exports and a polynomially cointegrated price relation. In the price formation a large weight to foreign prices and an effect from the rate of inflation to the steady-state markup are found. The latter effect is interpreted as an element of caution in the price setting in an inflationary environment. To characterize the short-run behavior of the Danish export-sector a structural representation of the model is developed.

TI Analyzing I(2) Systems by Transformed Vector Autoregressions. AU Kongsted, Hans Christian; Nielsen, Heino Bohn.

Nielsen, Soren Bo
TI Tax Policy, Venture Capital, and Entrepreneurship. AU Keuschnigg, Christian; Nielsen, Soren Bo.

Nijkamp, Peter
TI Ecological-Economic Analysis and Valuation of Biodiversity. AU Nunes, Paulo A. L. D.; van den Bergh, Jeroen C. J. M.; Nijkamp, Peter.

Nordhaus, William D.
PD January 2001. TI Alternative Methods for Measuring Productivity Growth. AA Yale University and NBER. SR National Bureau of Economic Research Working Paper: 8095; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 15. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE C82, D24. KW Productivity Growth. Measurement.
AB The present study is a contribution to the theory of the measurement of productivity growth. First, it examines the welfare-theoretic basis for measuring productivity growth and shows that the ideal welfare- theoretic measure is a chain index of productivity growth rates of different sectors which uses current output weights. Second, it lays out a technique of decomposing productivity growth which separates aggregate productivity growth into three factors -- the pure productivity effect, the effect of changing shares, and the effect of different productivity levels. Finally, it shows how to apply the theoretically correct measure of productivity growth and indicates which of the three different components should be included in a welfare-oriented measure of productivity growth. The study concludes that none of the measures generally used to measure productivity growth is consistent with the theoretically correct measure.

PD January 2001. TI Productivity Growth and the New Economy. AA Yale University and NBER. SR National Bureau of Economic Research Working Paper: 8096; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 21. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE C82, D24,O33. KW Productivity Growth. Measurement. New Economy. Productivity Acceleration.
AB The present study is the third in a series of three papers devoted to issues in the measurement of productivity and productivity growth. The major findings are as follows. Fist, this study shows that the new data set used here, which develops data on total output, business sector output, and "well measured" output, and relying on income-side data, provides a useful supplement to existing data sets. Second, there has clearly been a rebound in labor-productivity growth in recent

years. The rebound was 1.2 percentage points for GDP, 1.8 percentage points for business sector, and 2.1 percentage points for well-measured output. Third, productivity growth in the new economy sectors has made a significant contribution to economy-wide productivity growth. Finally, there has been a substantial upturn in labor-productivity growth outside the new economy. After removing the direct effect of new economy sectors, the productivity acceleration was 0.54 percentage points for total GDP, .065 percentage points for business output, and 1.18 percentage points for well-measured output. It is clear that the productivity rebound is not narrowly focused in a few new-economy sectors.

PD January 2001. TI New Data and Output Concepts for Understanding Productivity Trends. AA Yale University and NBER. SR National Bureau of Economic Research Working Paper: 8097; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 16. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE C82, D24, O33. KW Productivity Growth. Measurement. New Economy.
AB The present study is the second in a series of three papers devoted to issues in the measurement of productivity and productivity growth. The present paper makes three contributions. First, it introduces a new approach to measuring industrial productivity based on income-side data that are published by the Bureau of Economic Analysis (BEA). The data are internally consistent in that both inputs and outputs are income- side measure of valued added, whereas the usual productivity measures combine expenditure-side output measures with income-side input measures. Second, because of interest in the "new economy," we have also constructed a set of new-economy accounts. For the purpose of this study, we define the new economy as machinery, electric equipment, telephone and telegraph, and software. Finally, because of concerns about poor deflation in the current output measures, this study constructs a new output concept called "well-measured output," which includes only those sectors for which output is relatively well measured. We present a brief summary of the behavior of the alternative measures.

PD January 2002. TI The Health of Nations: The Contribution of Improved Health to Living Standards. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1355; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 56. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C82, I10, N11, N12. KW Health. Income. Growth.
AB Nations generally measure their economic performance using the yardstick of national output and income. It is not widely recognized, however, that conventional measures of national income and output exclude the value of improvements in the health status of the population. The present study develops a methodology and presents preliminary estimates of how standard economic measures would change if they adequately reflected improvements in health status. The study first discusses the theory of the measurement of national income, examines some of the shortcomings of traditional concepts, and proposes a new concept called "health income" that can be used to incorporate improvements in health status. The study next discusses how the proposed measure fits into existing theories for measuring and valuing consumption and health status. The study applies the new concepts to data for the United States over the twentieth century and concludes that

accounting for improvements in the health status would substantially increase the estimated improvement in economic welfare for the U.S. over the twentieth century.

PD April 2002. **TI** The Mildest Recession: Output, Profits, and Stock Prices as the U.S. Emerges from the 2001 Recession. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1368; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 33. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. **JE** E30, E40. **KW** Recession. Profits. Stock Prices. Returns.
AB This essay examines the state of the United States economy as it emerges from the 2001 recession. A comparison of several central economic variables indicates that the 2001 recession was the mildest recession in the postwar period. In light of highly differentiated characteristics of recessions, this paper suggests that we differentiate among downturns by a five-category "recession severity scale," analogous to the Saffir-Simpson Hurricane Scale. According to this approach, the 2001 recession fits in the least severe box, a "category I recession," along with the 1963 and 1967 non-recessions. The paper next examines the behavior of profits in recent years and shows that financial finagling has infected the aggregate profits numbers. Finally, the study constructs a measure of the forward-looking return on equities and concludes that the prospective real yield on equities in early 2002 is at its low point of the last half-century.

Nugent, Jeffrey B.
PD February 2002. **TI** Are Endowments Fate? **AU** Nugent, Jeffrey B.; Robinson, James A. **AA** Nugent: University of Southern California. Robinson: University of California, Berkeley and CEPR. **SR** CEPR Discussion Paper: 3206; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** H11, K23, O11. **KW** Economic Development. Inequality. Political Economy. Coffee Exports. Latin America.
AB In recent theories of comparative development the role of institutional differences has been crucial. Yet what explains comparative institutional evolution? We investigate this issue by studying the coffee exporting economies of Latin America. While homogeneous in many ways, they experienced radically different paths of economic (and political) development which is conventional traced to the differential organization of the coffee industry. We show that the different forms that the coffee economy took in the 19th century was critically determined by the legal environment determining access to land, and that different laws resulted from differences in the nature of political competition. Our analysis suggests that explanations of institutional differences that stress economic fundamentals can only be part of the story. At least in the economies we study, while geography, factor endowments and technology are clearly important, their implications for the institutional structure and thus development are conditional on the form that political competition takes in society. Endowments are not fate.

Nunes, Paulo A. L. D.
PD September 2001. **TI** Policy Instruments for Creating Markets for Biodiversity: Certification and Ecolabeling.

AU Nunes, Paulo A. L. D.; Riyanto, Yohanes E. **AA** Nunes: Free University. Riyanto: University of Groningen. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 72/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 27. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** L50, Q20. **KW** Biodiversity. Regulation. Certification. Ecolabeling. Information.
AB This paper provides an economic evaluation of certification and ecolabeling as an important policy instrument for creating markets for biodiversity. In the paper we conclude that the success of a policy instrument depends on the nature of crucial factors, including the ability of the policy instrument to deal with (a) the public good nature of most of the non-market biodiversity benefits; (b) the asymmetric informational characteristics related to the biodiversity (and environmental friendly) market supply and demand mechanisms; (c) the impact of certification practices in the producer's costs; and (d) the cross price elasticity between regular and market certified products. Indeed, in some cases certification and ecolabeling policy instruments alone are not sufficient to guarantee a successful creation of markets for biodiversity. Finally, the certification schemes need to be sufficiently flexible to allow mutual recognition among the countries involved, as well as to meet the demand of weak sensitive markets. By mutual understanding, and learning with the past experiences, certification and ecolabeling will positively contribute to the creation of markets for biodiversity and thus are expected to assist to the development of an effective and broadly accepted sustainable management of such a scarce natural resource.

PD September 2001. **TI** Warm Glow and Embedding in Contingent Valuation. **AU** Nunes, Paulo A. L. D.; Schokkaert, Erik. **AA** Nunes: Katholieke Universiteit Leuven and Vrije Universiteit. Shokkaert: Katholieke Universiteit Leuven. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 73/2001; "Publication Office", 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** C12, C13, C14, Q26. **KW** Contingent Valuation. Recreation. Wildlife. Willingness to Pay. Warm Glow.
AB This paper reports the results from a contingent valuation study designed to investigate the influence of warm glow in willingness-to- pay responses. Individual differences in warm glow motivation are measured through a factor analysis, performed on a list of attitudinal items. The reported willingness to pay measures fail to pass the scope test. Both socioeconomic variables and motivational factor scores are significant in the explanation of the individual WTP measures. We compute dry WTP measures by removing the effect of the warm glow motivation. These dry measures satisfy both the scope test and Hausman's adding-up property and could therefore be interpreted as reflecting true economic preferences.

PD September 2001. **TI** Ecological-Economic Analysis and Valuation of Biodiversity. **AU** Nunes, Paulo A. L. D.; van den Bergh, Jeroen C. J. M.; Nijkamp, Peter. **AA** Free University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 74/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 33. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** Q26, Q29.

KW Biodiversity. Biotic Richness. Use Economic Value. Nonuse Economic Value. Monetary Values. Contingent Valuation. Ecosystem Health. Integrated Modeling.

AB This paper introduces and surveys ecological-economic analysis and valuation of biodiversity. The notion and application of economic, monetary valuation of biodiversity is critically evaluated. A classification of biodiversity values is offered, based on a system of logical relationships among biodiversity, ecosystems, species and human welfare. Suggestions are made about which economic valuation methods can address which type of biodiversity value. The resulting framework is the starting point for a survey and evaluation of empirical studies at each of the four levels of diversity. The resulting monetary value estimates seem to give unequivocal support to the belief that biodiversity has a significant, positive social value. The contingent valuation method is by far the most used method. An important reason is that the other valuation methods are unable to identify and measure passive or nonuse values of biodiversity. Nevertheless, most studies lack a uniform, integrated perspective on biodiversity. Therefore, available economic valuation estimates should generally be regarded as providing a partial perspective on, and at best lower bounds, to the unknown value of biodiversity changes.

Nyborg, Kjell G.
TI Financing and Corporate Growth Under Repeated Moral Hazard. AU Anderson, Ronald W.; Nyborg, Kjell G.

Nyman, Ingmar
TI Optimal Investment with Fixed Refinancing Costs. AU Cummins, Jason G.; Nyman, Ingmar.

O'Brien, James
TI How Accurate are Value-at-Risk Models at Commercial Banks? AU Berkowitz, Jeremy; O'Brien, James.

O'Connor, Martin
TI Embodied Pollution in Trade: Estimating the "Environmental Load Displacement" of Industrialised Countries. AU Muradian, Roldan; O'Connor, Martin; Martinez-Alier, Joan.

Ofek, Elie
PD November 2002. TI Sequential Decision Making: How Prior Choices Affect Subsequent Valuations. AU Ofek, Elie; Yildiz, Muhamet; Haruvy, Ernan. AA Ofek: Harvard Business School. Yildiz: MIT. Haruvy: University of Texas at Dallas. SR MIT, Department of Economics Working Paper: 02/40; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=353421. PG 29. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE C91, D11, D83, M31. KW Bounded Rationality. Preference for Consistency. Sequential Decision Making.

AB This paper develops and tests a model of sequential decision making where a first stage of ranking a set of alternatives is followed by a second stage of determining the value of these same alternatives. The model assumes a boundedly rational Bayesian decision maker who is uncertain about his/her underlying preferences over the relevant attributes, and who has to exert costly cognitive effort to resolve this uncertainty. Compared to when only valuation takes place, the analysis reveals that ranking a set of alternatives prior to determining their value has three primary effects: a) the spread of valuations between most and least preferred alternatives increases, b) decision makers will, on expectation, exert more effort in the valuation phase, and c) the more each attribute contributes to overall utility the greater the relative impact of ranking is on valuation spread. The analysis also sheds light on how prior ranking impacts the demand for a product. These results are then corroborated in a series of controlled lab experiments with actual prizes. The findings have implications for many real life decision making situations ranging from auctions, to the ranking of job candidates prior to determining wages and benefits to be offered.

Ok, Efe A.
TI Mobility as Progressivity: Ranking Income Processes According to Equality of Opportunity. AU Benabou, Roland; Ok, Efe A.

Olier, Lucile
TI Is the Household Demand for In-Home Services Sensitive to Tax Reductions? The French Case. AU Flipo, Anne; Fougere, Denis; Olier, Lucile.

Onculer, Ayse
PD April 2000. TI Intertemporal Choice Under Uncertainty: A Behavioral Perspective. AA INSEAD. SR INSEAD Working Paper: 2000/37/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 25. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D81, D84. KW Choice Under Uncertainty. Discount Factor.

AB This study explores the relationship between delay and uncertainty in risky intertemporal decision-making. In particular, we focus on the following questions: (1) Do risk preferences depend on the time period over which the outcomes are evaluated? (2) Does the discount factor (rate of time preference) depend on the riskiness of the outcomes being evaluated? (3) Is there an interaction between the effect of delay and uncertainty and, if so, in what direction is this interaction? Contrary to normative predictions, we find that delay and risk discounting are not independent from each other. In particular, the delay discount rate increases for uncertain future outcomes and the risk discount rate decreases with an increase in delay. Thus individuals are more impatient for gambles than for certain outcomes and less risk-averse (more risk-neutral) for delayed outcomes than for immediate ones. The findings also suggest that the simultaneous presence of delay and uncertainty leads to a higher discounting of risky future outcomes than predicted by either effect separately.

Oostendorp, Remco H.
TI Wages Around the World: Pay Across Occupations and Countries. AU Freeman, Richard B.; Oostendorp, Remco H.

Oosterhuis, Frans H.
TI Lessons from the Southern Enlargement of the EU for the Environmental Dimensions of Eastern Enlargement, in particular for Poland. AU Kuik, Onno J.; Oosterhuis, Frans H.

Ordine, Patrizia

TI Beyond National Institutions: Labour Taxes and Regional Unemployment in Italy. **AU** Brunello, Giorgio; Lupi, Claudio; Ordine, Patrizia; Parisi, Maria Luisa.

Orszag, Peter R.

TI An Assessment of the Proposals of the President's Commission to Strengthen Social Security. **AU** Diamond, Peter A.; Orszag, Peter R.

Osborne, Martin J.

PD September 2002. **TI** Sampling Equilibrium, with an Application to Strategic Voting. **AU** Osborne, Martin J.; Rubinstein, Ariel. **AA** Osborne: University of Toronto. Rubinstein: Tel Aviv University and Princeton University. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 22/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. **PG** 14. **PR** no charge. **JE** C72, D72. **KW** Sampling Equilibrium. Bounded Rationality. Strategic Voting.
AB We suggest an equilibrium concept for a strategic model with a large number of players in which each player observes the actions of only a small number of the other players. The equilibrium concept fits well situations where each player teats his sample as a prediction of the distribution of actions in the entire population, and responds optimally to this prediction. We apply the concept to a strategic voting model and investigate the conditions under which a centrist candidate can win the popular vote although his strength in the population is smaller than those of the right and left candidates.

Osterdal, L. P.

TI On the Possibility of a Bridge Between CBA and CEA: Comments on a paper by Dolan and Edlin. **AU** Hansen, B. O.; Hougaard, Jens Leth; Keiding, Hans; Osterdal, L. P.

Ostroff, Cheri

TI The Anatomy of Employee Involvement and Its Effects on Firms and Workers. **AU** Freeman, Richard B.; Kleiner, Morris M.; Ostroff, Cheri.

Ottaviani, Marco

PD October 2001. **TI** The Strategy of Professional Forecasting. **AU** Ottaviani, Marco; Sorensen, Peter Norman. **AA** Ottaviani: University College London. Sorensen: University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 01/09; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 30. **PR** no charge. **JE** C53, D82, D83, G20. **KW** Forecasting. Contest. Reputation. Cheap Talk.
AB This paper develops and compares two theories of strategic behavior of professional forecasters. The first theory posits that forecasters compete in a forecasting contest with pre-specified rules. In equilibrium of a winner-take-all contest, forecasts are excessively differentiated. According to the alternative reputational cheap talk theory, forecasters aim at convincing the market that they are well informed. The market evaluates their forecasting talent on the basis of the forecasts and the realized state. If the market has naive views on

forecasters' behavior, forecasts are biased toward the prior mean. Otherwise, equilibrium forecasts are unbiased but imprecise.

PD July 2002. **TI** Professional Advice: The Theory of Reputational Cheap Talk. **AU** Ottaviani, Marco; Sorensen, Peter Norman. **AA** Ottaviani: London Business School. Sorensen: University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/05; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 43. **PR** no charge. **JE** D82, D83, G20, J30. **KW** Reputation. Cheap Talk. Professional Advice. Herding.
AB Professional experts offer advice with the objective of appearing well informed. Their ability is evaluated on the basis of the advice given and of the realized state of the world. This situation is modeled as a reputational cheap-talk game in which the expert receives a signal of continuously varying intensity with ability-dependent precision about a continuum of states. Despite allowing an arbitrarily rich message space, at most two messages are sent in eqilibrium. The expert can only credibly transmit the direction but not the intensity of the information possessed. Equilibrium advice is then systematically less informative than under truthtelling.

Oueslati, Walid

PD January 2001. **TI** Environmental Fiscal Policy in an Endogenous Growth Model with Human Capital. **AA** MODEM, Universite Paris X Nanterre. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 06/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 17. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D62, H22, I21, O41, Q28. **KW** Environmental Externality. Environmental Tax. Transitional Dynamics. Welfare Cost.
AB This paper analyses environmental fiscal policy within a two-sector endogenous growth model with elastic labor supply. Pollution is modeled as a byproduct of production. We assume that the time endowment can be endogenously allocated between work, schooling, and leisure. The framework allows us to analyze the consequences of an environmental tax on the economic dynamics. Both transitional dynamics and balanced growth path are computed and the response to an environmental tax change is explored. Short-run and long-run welfare costs are also computed. We show that there is a sharp contrast between short-run and long-run effects of an environmental tax change. There is both a sizeable welfare cost in the short-run and an overall welfare benefit in the long-run. The magnitude of the short run cost is an increasing function of leisure's weight in utility.

Ozyildirim, Ataman

TI The Composite Index of Leading Economic Indicators: How to Make It More Timely. **AU** McGuckin, Robert H.; Ozyildirim, Ataman; Zarnowitz, Victor.

Paci, Raffaele

PD June 2001. **TI** Technological Diffusion, Spatial Spillovers and Regional Convergence in Europe. **AU** Paci, Raffaele; Pigliaru, Francesco. **AA** Paci and Pigliaru: University of Cagliari and CRENoS, Italy. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 36/2001; "Publication

Office", 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** O33, O41. **KW** Convergence. Growth. Technology Diffusion. Spatial Spillovers. European Regions.

AB In this paper we first examine the role of technological heterogeneity and diffusion in the convergence of GDP per worker across European regions. Our aim is to assess whether the convergence observed across European regions is due to convergence in technology as well as convergence in capital-labor ratios. We also look at the spatial pattern of the observed regional heterogeneity in technology by studying to what extent each region's propensity to innovate is correlated with that of the surrounding regions. We develop a growth model where technology accumulation in lagging regions depends on their own propensity to innovate and on technological diffusion from the leading region, and wherein convergence in GDP per worker is due to both capital deepening and catch-up. We estimate our model using data from 1978 to 1997 on 131 European regions. Our findings are consistent with the hypothesis that technology differs across regions and that convergence is partly due to technological catch-up. Furthermore, our results show that the performance of each region depends on that of the surrounding areas and that the intensity of such spillovers fades with distance.

Pakes, Ariel

PD December 2000. **TI** A Framework for Applied Dynamic Analysis in I.O. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8024; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 50. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** C60, L00, L10. **KW** Dynamic Games. Functional Form Approximations. Learning Techniques.

AB This paper outlines a framework which computes and analyzes the equilibria from a class of dynamic games. The framework allows for a finite number of heterogeneous firms, sequential investments with stochastic outcomes, and entry and exit. The equilibrium analyzed is a Markov Perfect equilibrium in the sense of Maskin and Tirole (1988). The simplest version of the framework is supported by a publically accessible code which computes equilibrium policies for user-specified primitives, and then analyzes the evolution of the industry. We begin by outlining the publically accessible framework. Next we review extensions that have been made to the simple framework. These were largely made by other authors who needed to enrich the framework so that it could be used to provide a realistic analysis of particular applied problem. The third section provides a simple way of evaluating the computational burden of the algorithm for a given set of primitives, and then shows that computational constraints are still binding in many applied situations. The last section reviews two computational algorithms designed to alleviate this computational constraint; one of which is based on functional form approximations and the other on learning techniques similar to those used in the artificial intelligence literature.

Parisi, Maria

TI Beyond National Institutions: Labour Taxes and Regional Unemployment in Italy. **AU** Brunello, Giorgio; Lupi,

Claudio; Ordine, Patrizia; Parisi, Maria Luisa.

Parker, Jonathan A.

TI Luxury Goods and the Equity Premium. **AU** Ait-Sahalia, Yacine; Parker, Jonathan A.; Yogo, Motohiro.

Parrino, Robert

PD February 2002. **TI** Measuring Investment Distortions when Risk-Averse Managers Decide Whether to Undertake Risky Projects. **AU** Parrino, Robert; Poteshman, Allen M.; Weisbach, Michael S. **AA** Parrino: University of Texas at Austin. Poteshman: University of Illinois. Weisbach: University of Illinois and NBER. **SR** National Bureau of Economic Research Working Paper: 8763; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G12, G31, G34, H25. **KW** Corporate Investment. Firm Risk. Distortions.

AB This paper examines distortions in corporate investment decisions when a new project changes firm risk. It presents a dynamic model in which a self-interested, risk-averse manager makes investment decisions at a levered firm. The model, calibrated using data from public firms, is used to estimate the magnitude of distortions in investment decisions. Despite potential wealth transfers from debtholders, managers compensated with equity prefer safe projects to risky ones. Important factors in this decision are the expected changes in the values of future tax shields and bankruptcy costs when firm risk changes. We also evaluate the extent to which this effect varies with firm leverage, managerial risk aversion, managerial non-firm wealth, project size, debt duration, and the structure of management compensation packages.

Pascual, Unai

PD October 2001. **TI** A Model of Optimal Labour and Soil Use with Shifting Cultivation. **AU** Pascual, Unai; Barbier, Edward. **AA** Pascual: University of York. Barbier: University of Wyoming. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 83/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 41. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D13, I32, Q12, Q23. **KW** Soil Degradation. Rural Poverty. Mexico.

AB This paper analyses the relationship between rural poverty and soil degradation in the context of a shifting cultivating community. A deterministic optimal control model demonstrates how a representative household's labor allocation affects the natural resource base on which its livelihood largely depends. We conduct and discuss the comparative statics of relevant parameters and welfare effects of changes in the real wage. We calibrate the theoretical results obtained with data from the Yucatan, Mexico.

Passmore, Wayne

PD June 2001. **TI** GSEs, Mortgage Rates, and the Long-Run Effects of Mortgage Securitization. **AU** Passmore, Wayne; Sparks, Roger; Ingpen, Jamie. **AA** Passmore and Ingpen: Board of Governors of the Federal Reserve System. Sparks: Mills College. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/26; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551.

Website: www.bog.frb.fed.us/pubs/feds/. **PG** 28. **PR** no charge. **JE** E43, G18,G21. **KW** Mortgage Securitization. GSEs. Fannie Mae. Freddie Mac. Mortgage Rates.
AB Our paper compares mortgage securitization undertaken by government- sponsored enterprises (GSEs) with that undertaken by private markets, with an emphasis on how each type of mortgage securitization affects mortgage rates. We build a model illustrating that market structure, government sponsorship, and the characteristics of the mortgages securitized are all important determinants of mortgage rates. We find that GSEs generally -- but not always -- lower mortgage rates, particularly when the GSEs behave competitively, because the GSEs' implicit government backing allows them to sell securities without the credit enhancements needed in the private sector. Using our simulation model, we demonstrate that when mortgages eligible for purchase by the GSEs have characteristics similar to other mortgages, then implicit government-backing generates differences in mortgage rates that are similar to those currently observed in the mortgage market (which range between zero and fifty basis points). However, if the mortgages purchased by GSEs differ substantially from other mortgages and the GSEs behave competitively, the simulated spread in mortgage rates can be much larger than that observed in the data.

Pauli, Francesco
TI Kyoto Commitment and Emission Trading: A European Union Perspective. **AU** Ciorba, Umberto; Lanza, Alessandro; Pauli, Francesco.

TI Desperately Seeking (Environmental) Kuznets: A New Look at the Evidence. **AU** Galeotti, Marzio; Lanza, Alessandro; Pauli, Francesco.

TI Kyoto Protocol and Emission Trading: Does the US Make a Difference? **AU** Ciorba, Umberto; Lanza, Alessandro; Pauli, Francesco.

Pauzner, Ady
TI Backward Induction with Players Who Doubt Others' Faultlessness. **AU** Heifetz, Aviad; Pauzner, Ady.

TI Demand Deposit Contracts and the Probability of Bank Runs. **AU** Goldstein, Itay; Pauzner, Ady.

Pavcnik, Nina
TI Does Globalization Increase Child Labor? Evidence from Vietnam. **AU** Edmonds, Eric; Pavcnik, Nina.

Pavelin, Stephen
PD October 2000. **TI** Foreign Production, Strategic Choice and the Domestic Market Effect. **AA** University College Dublin. **SR** CEPR Discussion Paper: 2587; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F23, L13. **KW** Foreign Direct Investment. Multinational Enterprise. Strategic Choice.
AB This paper presents a simple model of the interaction between two firms, based in different countries, each of which faces the export v Multinational Enterprise (MNE) choice concerning the serving of each other's home market. The basic game structure is similar to that elsewhere in the literature (Horstmann & Markusen (1992), and Rowthorn (1992)). To this, I add a further choice: investment in a new technology that allows a corporation-wide reduction in variable costs (i.e., cost reducing R&D). In the presence of such corporation-wide investment, the firms' decisions concerning each other's home markets are interdependent. Furthermore, strategic motives for foreign direct investment (FDI) relate not only to a firm's foreign market profits, but also to those from their domestic market. This is because one firm's export v MNE choice can influence both its rival's choice and investment behavior. One possibility is that a firm sets up a plant overseas in order to influence the behavior of its rival, even though its profits from serving the foreign market would be higher by exporting.

PD August 2001. **TI** Firm Interdependence in Foreign Production: Leading UK Firms in 1986 and 1993. **AA** University College Dublin. **SR** CEPR Discussion Paper: 2921; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F23, L13. **KW** Foreign Direct Investment. Strategic Interaction. Manufacturing.
AB This paper estimates econometric models explaining the foreign production of leading UK firms in 1986 and 1993. The principle questions addressed are: (i) what effect does one UK firm's foreign operations have on the foreign operations of another UK firm?; (ii) what effects do the UK operations of a foreign firm have on the foreign operations of UK firms? This paper employs a dataset describing the manufacturing production of leading UK firms disaggregated by firm, industry and geographical region. This is used alongside data on the UK production of leading foreign firms, disaggregated by industry and region of origin. Controlling for industry- and country-specific factors, this paper investigates the role of interdependence between firms' choices concerning foreign production. The evidence points to there being a significant role. More widely found are negative interdependencies (a firm's foreign production being decreasing in its rivals') and those between UK rivals (rather than between UK and foreign firms). Indeed, the negative effect of one UK firm's foreign production on other UK firms' foreign production is a result that is robust through time and across all regions.

Peel, David
PD January 2001. **TI** Nonlinear Mean-Reversion in Real Exchange Rates: Towards a Solution to the Purchasing Power Parity Puzzles. **AU** Peel, David; Sarno, Lucio; Taylor, Mark P. **AA** Peel: Cardiff Business School. Sarno and Taylor: University of Warwick. **SR** CEPR Discussion Paper: 2658; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** C15, F31, F41. **KW** Nonlinear Dynamics. Purchasing Power Parity. Real Exchange Rate. Test Power. Unit Root Test.
AB We fit nonlinearly mean-reverting models to real dollar exchange rates over the post-Bretton Woods period, consistent with a theoretical literature on transaction costs in international arbitrage. The half lives of real exchange rate shocks, calculated through Monte Carlo integration, imply faster adjustment speeds than hitherto recorded. Monte Carlo simulations reconcile our results with the large empirical literature on unit roots in real exchange rates by showing that when the real exchange rate is nonlinearly mean reverting, standard univariate unit root tests have low power, while

multivariate tests have much higher power to reject a false null hypothesis.

Pench, Alberto

PD January 2001. TI Green Tax Reforms in a Computable General Equilibrium Model for Italy. AA Scuola Superiore di Studi Universitari e di Perfezionamento. SR Fondazione Eni Enrico Mattei Note di Lavoro: 03/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 12. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D57, H21, Q48. KW Green Tax Reforms. Welfare Analysis. General Equilibrium. Emissions' Reduction.
AB The paper studies the effects of green tax reforms within a walrasian computable general equilibrium model of the Italian economy calibrated on a micro-consistent data set derived from the Input-Output table for the year 1990. Tax reforms increase taxation of the energy sector either through an increase in the revenue of the unit tax on all transaction, or by introducing a tax on final demand. In both cases, we keep public expenditure constant in real terms by either reducing personal income tax rates or the social security contributions on employees. The paper analyzes the effects both on consumers' welfare and on total emissions of some pollutants; for a thorough assessment of the reforms both effects should be considered keeping in mind that the benefits of emissions' reduction are not incorporated into individual utility functions. None of the reforms emerges as unambiguously dominant over the other reforms.

Pereau, Jean,Christophe

TI An Evolutionary Approach to the Climate Change Negotiation Game. AU Courtois, Pierre; Pereau, Jean,Christophe; Tazdait, Tarik.

Perotti, Enrico C.

PD August 2001. TI Last Bank Standing: What Do I Gain if You Fail? AU Perotti, Enrico C.; Suarez, Javier. AA Perotti: Universiteit van Amsterdam and CEPR. Suarez: Centre for Monetary and Financial Services. SR CEPR Discussion Paper: 2933; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE G21, G28, L10. KW Bank Mergers. Banking Crises. Charter Value. Market Structure Dynamics. Prudential Regulation.
AB Banks are highly leveraged institutions, potentially attracted to speculative lending even without deposit insurance. A counterbalancing incentive to lend prudently is the risk of loss of charter value, which depends on future rents. We show in a dynamic model that current concentration does not reduce speculative lending, and may in fact increase it. In contrast, a policy of temporary increases in market concentration after a bank failure, by promoting a takeover of failed banks by a solvent institution, is very effective. By making speculative lending decisions strategic substitutes, it grants bankers an incentive to remain solvent. Subsequent entry policy fine-tunes the trade-off between the social costs of reduced competition and the gain in stability.

Persson, Karl Gunnar

PD June 2002. TI Century Atlantic Economy.
AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/02; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 24. PR no charge. JE N71, N73. KW Market Integration. Spatial Price Gaps. Transport Costs. Marketing.
AB This paper challenges the widely held view that sharply falling real transport costs closed the transatlantic gap in grain prices in the second half of the 19th century. Several new results emerge from an analysis of a new data set of weekly wheat prices and freight costs from New York to UK markets. Firstly, there was a decline in the transatlantic price gap but it was not sharp and the gap remained substantial. Secondly, the fall in the transatlantic price differential had more to do with improved market and marketing efficiency than with falling transport costs. Thirdly, spurious price convergence (or divergence) can appear if quality differences associated with allegedly homogeneous commodities like wheat are not controlled for.

Pesaro, Giulia

PD January 2001. TI Environmental Voluntary Agreements: A New Model of Co-operation between Public and Economic Actors. AA Politecnico of Milan. SR Fondazione Eni Enrico Mattei Note di Lavoro: 09/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 29. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D79, Q28, Q38. KW Environmental Policy. Voluntary Agreements.
AB The diffusion of voluntary agreements can be viewed as the result of the innovation of environmental policies based on a new style of interaction between public and private actors. As the complexity of environmental problems increases, so too does the interaction between public and private actors. The literature on environmental policy innovation shows in a clear way that the use of voluntary agreements and their real capability to produce relevant effects are strictly linked to the innovation paths of environmental policies, policy styles and policy networks. In this paper we focus our attention on the evolution of the model of interaction between public and economic actors as the key element to evaluate voluntary agreements' effectiveness in reaching policy targets.

Petersen, Mitchell A.

TI Does Function Follow Organizational Form? Evidence from the Lending Practices of Large and Small Banks. AU Berger, Allen N.; Miller, Nathan H.; Petersen, Mitchell A.; Rajan, Raghuram G.; Stein, Jeremy C.

TI Does Function Follow Organizational Form? Evidence from the Lending Practices of Large and Small Banks. AU Berger, Allen N.; Miller, Nathan H.; Petersen, Mitchell A.; Rajan, Raghuram G.; Stein, Jeremy C.

Petrucci, Alberto

PD October 2001. TI Consumption Taxation and Endogenous Growth in a Model with New Generations. AA Universita del Molise and LUISS G. Carli. SR Fondazione Eni Enrico Mattei Note di Lavoro: 79/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 18. PR 10 papers minimum order at $4.00 each;

annual subscription at $250.00. JE H24, O41. KW Consumption Tax. Endogenous Growth. Overlapping Generations.
AB This article studies the implications of consumption taxation on capital accumulation in a one-sector endogenous growth model with finite horizons. A tax on consumption, when tax revenues are lump-sum rebated to consumers, redistributes income between current and future, still unborn, generations, and therefore depresses aggregate consumption and raises saving, stimulating capital accumulation and economic growth. If, however, the government uses the resources from taxation for financing unproductive public spending, the effect of the consumption tax on the growth rate disappears as no intergenerational redistribution of income occurs. Finally, a consumption tax hike accompanied by a compensatory reduction of public debt increases long- run economic growth and reduces the consumption-output ratio. Our results on consumption taxation differ substantially from those obtained within the rest of the endogenous growth literature.

Pettenella, Davide
TI The Decision Making Process in Defining and Protecting Critical Natural Capital. AU Doria, Paola; Pettenella, Davide.

Philippon, Thomas
TI The Impact of Differential Payroll Tax Subsidies on Minimum Wage Employment. AU Kramarz, Francis; Philippon, Thomas.

Phillips, Peter C. B.
TI Nonstationary Discrete Choice. AU Hu, Ling; Phillips, Peter C. B.

PD November 2001. TI Efficient Regression in Time Series Partial Linear Models. AU Phillips, Peter C. B.; Guo, Binbin; Xiao, Zhijie. AA Phillips: Yale University. Guo: UC Santa Cruz. Xiao: University of Illinois at Urbana-Champaign. SR Yale Cowles Foundation Discussion Paper: 1363; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 46. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C13, C14, C22. KW Efficient Estimation. Partial Linear Regression. Spectral Regression. Nonparametric Methods. Weak Dependence.
AB This paper studies efficient estimation of partial linear regression in time series models. In particular, it combines two topics that have attracted a good deal of attention in econometrics, viz. spectral regression and partial linear regression, and proposes an efficient frequency domain estimator for partial linear models with serially correlated residuals. A nonparametric treatment of regression errors is permitted so that it is not necessary to be explicit about the dynamic specification of the errors other than to assume stationarity. A new concept of weak dependence is introduced based on regularity conditions on the joint density. Under these and some other regularity conditions, it is shown that the spectral estimator is root-n-consistent, asymptotically normal, and asymptotically efficient.

PD February 2002. TI Dynamic Panel Estimation and Homogeneity Testing Under Cross Section Dependence. AU Phillips, Peter C. B.; Sul, Donggyu. AA Phillips: Yale University, University of Auckland, and University of York. Sul: University of Auckland. SR Yale Cowles Foundation Discussion Paper: 1362; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 56. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C32, C33. KW Small Sample Bias. Cross Section Dependence. Dynamic Panel Estimation. Homogeneity Tests. Modified Hausman Test.
AB This paper deals with cross section dependence, homogeneity restrictions and small sample bias issues in dynamic panel regressions. To address the bias problem we develop a panel approach to median unbiased estimation that takes account of cross section dependence. The new estimators given here considerably reduce the effects of bias and gain precision from estimating cross section error correlation. The paper also develops an asymptotic theory for tests of coefficient homogeneity under cross section dependence, and proposes a modified Hausman test to test for the presence of homogeneous unit roots. An orthogonalization procedure is developed to remove cross section dependence and permit the use of conventional and meta unit root tests with panel data. Some simulations investigating the finite sample performance of the estimation and test procedures are reported.

TI Exact Local Whittle Estimation of Fractional Integration. AU Shimotsu, Katsumi; Phillips, Peter C. B.

TI Nonlinear Log-Periodogram (LP) Regression for Perturbed Fractional Processes. AU Sun, Yixiao; Phillips, Peter C. B.

TI Dynamics of the Federal Funds Target Rate: A Nonstationary Discrete Choice Approach. AU Hu, Ling; Phillips, Peter C. B.

Piaw, Teo Chung
TI Integer Programming and Arrovian Social Welfare Functions. AU Vohra, Rakesh V.; Sethuraman, Jay; Piaw, Teo Chung.

Pich, M. T.
TI Project Uncertainty and Management Styles. AU Loch, Christoph H.; Pich, M. T.; De Meyer, Arnoud.

Piggott, John
TI Annuity Values in Defined Contribution Retirement Systems: The Case of Singapore and Australia. AU Doyle, Suzanne; Mitchell, Olivia S.; Piggott, John.

Pigliaru, Francesco
TI Technological Diffusion, Spatial Spillovers and Regional Convergence in Europe. AU Paci, Raffaele; Pigliaru, Francesco.

Pinelli, Dino
TI Green Taxes: Environment, Employment and Growth. AU Bussolo, Maurizio; Pinelli, Dino.

Pischke, Jorn-Steffen
TI Changes in the Wage Structure, Family Income, and Children's Education. AU Acemoglu, Daron; Pischke, Jorn-Steffen.

Plott, Charles
TI   Basic Principles of Asset Pricing Theory: Evidence from Large-Scale Experimental Financial Markets. AU   Bossaerts, Peter; Plott, Charles.

Pome, Alessandra
TI   Science vs. Profit in Research Lessons from the Human Genome Project. AU   Carraro, Carlo; Pome, Alessandra; Siniscalco, Domenico.

Pop-Eleches,
TI   The Guarantees of Freedom. AU   La Porta, Rafael; Lopez-de-Silanes, Florencio; Pop-Eleches, Cristian; Shleifer, Andrei.

Popescu, Ioana
PD   January 2000. TI   Moment Problems via Semidefinite Programming: Applications in Probability and Finance. AU   Popescu, Ioana; Bertsimas, Dimitris. AA   Popescu: INSEAD. Bertsimas: MIT. SR   INSEAD Working Paper: 2000/27/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   24. PR   no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE   C12, C61. KW   Moment inequalities. Convex Optimization. Options Pricing.
AB   We address the problem of deriving optimal inequalities for a multivariate random variable X that has a given collection of general moments. The goal of this paper is twofold: First, to present the beautiful interplay of optimization and moment inequalities, from a modern perspective, motivated by problems in probability and finance. Secondly, we characterize the complexity of deriving tight moment inequalities, search for efficient algorithms in a general framework, and, when possible, derive simple closed-form bounds. We use semidefinite and convex optimization methods to derive optimal bounds on the probability that a multivariate random variable belongs in a given set, when some of the moments of the random variable are known. In the finance context, we use the same approach to find optimal bounds for option prices with general payoff given only moments of underlying asset prices, and without assuming any model for the underlying price dynamics.

TI   Optimal Inequalities in Probability Theory: A Convex Optimization Approach. AU   Bertsimas, Dimitris; Popescu, Ioana.

TI   On the Relation Between Option and Stock Prices: A Convex Optimization Approach. AU   Bertsimas, Dimitris; Popescu, Ioana.

Poterba, James
PD   November 2000. TI   Asset Location for Retirement Savers. AU   Poterba, James; Sialm, Clemens; Shoven, John B. AA   Poterba: MIT and NBER. Sialm: Stanford University. Shoven: NBER and Stanford University. SR   National Bureau of Economic Research Working Paper: 7991; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   28. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   G11, H24, J14. KW   Mutual funds. Fixed-Income Investments. Tax-Deferred Accounts. Bonds. Retirement.
AB   This paper compares two asset location strategies for retirement savers. The first strategy gives priority to holding equities, through equity mutual funds, in a saver's tax-deferred account, while the second strategy gives priority to holding fixed-income investments in the tax-deferred account. We consider high-income taxable individual investors who saved in each year and invested in one of actively- managed funds in our sample. Over the thirty-seven year span that we consider, such savers would have accumulated a larger stock of wealth if they had held their equity mutual fund in their tax-deferred account than if theory had held the fund in a conventional taxable form. The explanation for this apparent contradiction of the often-stated "bonds in the tax-deferred account" prescription has two parts. First, many equity mutual funds impose substantial tax burdens on their investors. Second, taxable investors who wish to hold fixed income assets can do so by holding tax-exempt bonds as well as by holding taxable bonds. The interest rate differential between taxable and tax-exempt bonds suggests that the effective tax rate on fixed-income investments may be lower than the statutory tax rate for high-income investors.

TI   Adverse Selection in Insurance Markets: Policyholder Evidence from the U.K. Annuity Market. AU   Finkelstein, Amy; Poterba, James.

TI   Asset Allocation and Asset Location: Household Evidence from the Survey of Consumer Finances. AU   Bergstresser, Daniel; Poterba, James.

Poteshman, Allen M.
TI   Measuring Investment Distortions when Risk-Averse Managers Decide Whether to Undertake Risky Projects. AU   Parrino, Robert; Poteshman, Allen M.; Weisbach, Michael S.

Pouget, Sebastien
TI   Psychological Traits and Trading Strategies. AU   Biais, Bruno; Hilton, Denis; Mazurier, Karine; Pouget, Sebastien.

Prager, Robin A.
TI   To Surcharge or Not to Surcharge: An Empirical Investigation of ATM Pricing. AU   Hannan, Timothy H.; Kiser, Elizabeth K.; Prager, Robin A.; McAndrews, James J.

TI   To Surcharge or Not to Surcharge: An Empirical Investigation of ATM Pricing. AU   Hannan, Timothy H.; Kiser, Elizabeth K.; Prager, Robin A.; McAndrews, James J.

TI   The Competitive Implications of Multimarket Bank Branching. AU   Hannan, Timothy H.; Prager, Robin A.

Prescott, Edward C.
TI   Is the Stock Market Overvalued? AU   McGrattan, Ellen R.; Prescott, Edward C.

Pritsker, Matthew
PD   July 2001. TI   The Hidden Dangers of Historical Simulation. AA   Board of Governors of the Federal Reserve System and University of California, Berkeley. SR   Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/27; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG   24. PR   no charge. JE   C53, G11, M21. KW   Risk Measurement. Value at Risk. GARCH.
AB   Many large financial institutions compute the Value-at-

Risk (VaR) of their trading portfolios using historical simulation based methods, but the methods' properties are not well understood. This paper theoretically and empirically examines the historical simulation method, a variant of historical simulation introduced by Boudoukh, Richardson and Whitelaw (1998) (BRW), and the Filtered Historical Simulation method (FHS) of Barone-Adesi, Giannopoulos, and Vosper (1999). The Historical Simulation and BRW methods are both under-responsive to changes in conditional risk; and respond to changes in risk in an asymmetric fashion: measured risk increases when the portfolio experiences large losses, but not when it earns large gains. The FHS method appears promising, but requires additional refinement to account for time- varying correlations; and to choose the appropriate length of historical sample period. Preliminary analysis suggests that 2 years of daily data may not contain enough extreme outliers to accurately compute 1% VAR at a 10-day horizon using the FHS method.

Proost, Stef

TI Should Diesel Cars in Europe Be Discouraged?
AU Mayeres, Inge; Proost, Stef.

Prusa, Thomas J.

TI Macroeconomic Factors and Antidumping Filings: Evidence from Four Countries. AU Knetter, Michael M.; Prusa, Thomas J.

PD August 2001. TI The Economic and Strategic Motives for Antidumping Filings. AU Prusa, Thomas J.; Skeath, Susan. AA Prusa: Rutgers University and NBER. Skeath: Wellesley College. SR National Bureau of Economic Research Working Paper: 8424; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 24. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F10. KW Antidumping. Trade.
AB This paper takes a critical look at the trends in worldwide antidumping (AD) case filings during the last two decades. We examine the motives for AD filings by countries in an attempt to identify whether economic or strategic concerns are driving the recent upsurge in AD use. We begin by providing a comprehensive overview of the data on cases initiated in the 1980 to 1998 period. We then use non- parametric methods to identify national motivations for the use of antidumping. Results show considerable support for the importance of strategic concerns in driving AD case filings. This suggests that the rise in AD activity cannot be solely explained by an increase in unfair trading practices.

Puhani, Patrick A.

PD January 2001. TI On the Identification of Relative Wage Rigidity Dynamics: A Proposal for a Methodology on Cross-Section Data and Empirical Evidence for Poland in Transition. AA IZA, MIT, University of St Gallen, and CEPR. SR CEPR Discussion Paper: 2670; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE J31, J64, P23. KW Identification. Poland. Rigidities. Unemployment. Wages.
AB We present a new and simple empirical methodology to identify relative wage rigidity dynamics. The methodology is applied to data from the Polish Labor Force Survey for the period 1994 to 1998. We estimate ceteris paribus changes in relative wage and unemployment differentials for various labor market defining characteristics. A simultaneous increase in the relative wage and the unemployment likelihood is defined as a relative wage rigidity dynamic for a labor market characteristic. We find that the Polish wage structure generated hardly any rigidities between 1994 and 1998 nor did it reduce possibly existing rigidities during that period.

Quah, Danny

PD February 2002. TI Technology Dissemination and Economic Growth: Some Lessons for the New Economy. AA LSE and CEPR. SR CEPR Discussion Paper: 3207; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE N15, O33, O57. KW Aspatial. Endogenous Growth. Technology Dissemination. Nonrival. Productivity Paradox.
AB This paper attempts to draw lessons for the New Economy from what economists know about technology dissemination and economic growth. It argues that what is most notable about the New Economy is that it is knowledge-driven, not just in the sense that knowledge now assumes increasing importance in production, thereby raising productivity. Instead, it is that consumption occurs increasingly in goods that are like knowledge -- computer software, video entertainment, gene sequences, Internet-delivered goods and services -- where material physicality matters little. That knowledge is aspatial and nonrival is crucial. Understanding the effective exchange and dissemination of such knowledge-products will matter more than resolving the so-called productivity paradox.

PD February 2002. TI Spatial Agglomeration Dynamics. AA LSE and CEPR. SR CEPR Discussion Paper: 3208; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE D31, O41. KW Cluster. Distribution Dynamics. Globalization. Growth. Knowledge. Spatial Spillovers.
AB This paper develops a model of economic growth and activity locating endogenously on a 3-dimensional featureless global geography. The same economic forces influence simultaneously growth, convergence, and spatial agglomeration and clustering. Economic activity is not concentrated on discrete isolated points but instead a dynamically- fluctuating, smooth spatial distribution. Spatial inequality is a Cass-Koopmans saddlepath, and the global distribution of economic activity converges towards egalitarian growth. Equality is stable but spatial inequality is needed to attain it.

Rady, Sven

TI Price Dispersion and Learning in a Dynamic Differentiated-Goods Duopoly. AU Keller, R. Godfrey; Rady, Sven.

Raedy, Jana Smith

TI The Impact of Capital Gains Taxes on Stock Price Reactions to S&P 500 Inclusion. AU Blouin, Jennifer L.; Raedy, Jana Smith; Shackelford, Douglas A.

Raggi, Davide
TI   Can Equity Enhance Efficiency? Lessons from the Kyoto Protocol. AU   Bosello, Francesco; Buchner, Barbara; Carraro, Carlo; Raggi, Davide.

Rahi, Rohit
TI   Efficiency Properties of Rational Expectations Equilibria with Asymmetric Information. AU   Gottardi, Piero; Rahi, Rohit.

Ramieri, Emiliano
TI   Climate Change Impacts on the Mediterranean Coastal Zones. AU   Brochier, Frederic; Ramieri, Emiliano.

Rankin, Neil
PD   January 2001. TI   Time Consistency When Open Market Operations are the Monetary Policy Instrument: Is There Really a Deflation Bias? AA   University of Warwick. SR   CEPR Discussion Paper: 2664; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   E52, E61. KW   Inflation Bias. Monetary Policy. Open Market Operations. Optimal Seigniorage. Time Consistency.
AB   We re-examine optimal monetary policy in a dynamic general equilibrium model where open market operations are the only policy instrument. The government optimizes purely over private agents' welfare. We use a money-in-the-utility-function approach with a welfare cost of "current" inflation. Under commitment, for the most plausible specification time inconsistency takes the form of surprise inflation if there is high initial government debt. Although "orthodox," this result contradicts Nicolini's related analysis, in which surprise deflation is the main finding. Under discretion, we find that the long-run inflation rate is quite likely to be positive, not negative as in Obstfeld's related analysis.

Rapaport, Carol
TI   Medicare and Disparities in Women's Health. AU   Decker, Sandra; Rapaport, Carol.

Razin, Assaf
PD   August 2001. TI   The Aging Population and the Size of the Welfare State. AU   Razin, Assaf; Sadka, Efraim; Swagel, Phill. AA   Razin: Cornell University, Tel Aviv University and CEPR. SR   CEPR Discussion Paper: 2930; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   not available. PR   5 pounds, $8 or 8 euros. JE   H23, H55, J11. KW   Overlapping Generations Model. Pay-as-You-Go. Taxes. Transfers. Fiscal Leakage.
AB   Data for the United States and countries in Western Europe indicate a negative correlation between the dependency ratio and labor tax rates and the generosity of social transfers, after controlling for other factors that influence the size of the welfare state. This is despite the increased political clout of the dependent population implied by the aging of the population. This paper develops an overlapping generations model of intra-and inter-generational transfers (including old-age social security) and human capital formation which addresses this seeming puzzle. We show that with democratic voting, an increase in the dependency ratio can lead to lower taxes or less generous social transfers.

PD   July 2002. TI   FDI Flows, Portfolio Flows and Domestic Investment: The Role of Information. AU   Razin, Assaf; Sadka, Efraim. AA   Tel Aviv University. SR   Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 15/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG   13. PR   no charge. JE   D82, F21, F36. KW   Foreign Direct Investment. Free-Rider Problem. Asymmetric Information.
AB   The paper develops an international macroeconomic model of Foreign Direct Investment (FDI) flows with a hands-on management ability to react in real time to changing economic environments. Anticipating this advantage, foreign direct investors can outbid other investors in a certain industry in which they specialize in the source country. The model can explain both two-way FDI flows among developed countries and one-way FDI flows from developed to developing countries. The unique gains from FDI to the host country stem from the increased efficiency of domestic investment.

Rebelo, Sergio
TI   Why Are Rates of Inflation So Low After Large Devaluations? AU   Burstein, Ariel; Eichenbaum, Martin; Rebelo, Sergio.

Reinhart, Carmen M.
TI   Fear of Floating. AU   Calvo, Guillermo A.; Reinhart, Carmen M.

TI   Fixing for Your Life. AU   Calvo, Guillermo A.; Reinhart, Carmen M.

PD   August 2001. TI   Temporary Controls on Capital Inflows. AU   Reinhart, Carmen M.; Smith, R. Todd. AA   Reinhart: University of Maryland and NBER. Smith: IMF, University of Alberta, and NBER. SR   National Bureau of Economic Research Working Paper: 8422; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   21. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   F32, F34. KW   Capital Inflows. Capital Controls. Welfare Costs.
AB   During the past decade a number of countries imposed capital controls that had two distinguishing features: they were asymmetric, in that they were designed principally to discourage capital inflows, and they were temporary. This paper studies formally the consequences of these policies, calibrates their potential effectiveness, and assesses their welfare implications in an environment in which the level of capital inflows can be sub-optimal. In addition, motivated by the fact that these types of controls have often been left in place after the dissipation of the shock that lead to the controls being implemented, the paper evaluates the welfare cost of procrastination in removing these types of controls.

Renault, Eric
TI   Nonparametric Instrumental Regression. AU   Darolles, Serge; Florens, Jean-Pierre; Renault, Eric.

TI   Latent Variable Models for Stochastic Discount Factors.

AU Garcia, Rene; Renault, Eric.

Reutter, Michael
PD January 2001. TI The Minimum Inflation Rate for Euroland. AU Reutter, Michael; Sinn, Hans-Werner. AA Reutter: University of Munich. Sinn: NBER and University of Munich. SR National Bureau of Economic Research Working Paper: 8085; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 16. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E31, E52, E58, F41. KW Euro Area. Minimum Inflation.
AB As a result of the Balassa effect relative prices change rapidly between and within the euro countries. Thus it is impossible to find a common monetary policy that will result in price stability in all countries. Based on empirical estimates of the Balassa model, the paper calculates a minimum aggregate inflation rate that is compatible with the requirement that no country face a deflation. This minimum aggregate inflation rate is 0.94% in the euro-11 countries and 1.13% in an extended Europe that incorporates the Eastern European countries.

Reuveny, Rafael
TI Foreign Aid and Foreign Direct Investment: Key Players in the Environmental Restoration of Central and Eastern Europe. AU Auer, Matthew R.; Reuveny, Rafael.

Richardson, Sylvia
TI Bayesian Analysis of Poisson Mixtures. AU Green, Peter J.; Richardson, Sylvia; Viallefont, Valerie.

Rickman, Neil
TI Price Regulation, Investment and the Commitment Problem. AU Levine, Paul L.; Rickman, Neil.

Rider, Mark
TI Personal Income Taxes and the Growth of Small Firms. AU Carroll, Robert; Rider, Mark; Holtz-Eakin, Douglas; Rosen, Harvey S.

Riyanto, Yohanes E.
TI Policy Instruments for Creating Markets for Biodiversity: Certification and Ecolabeling. AU Nunes, Paulo A. L. D.; Riyanto, Yohanes E.

Robert, Christian P.
TI Mixture Models, Latent Variables and Partitioned Importance Sampling. AU Casella, George; Robert, Christian P.; Wells, Martin T.

TI Estimating Mixtures of Regressions. AU Hurn, Merrilee; Justel, Ana; Robert, Christian P.

Robert-Nicoud, Frederic
TI Entry and Asymmetric Lobbying: Why Governments Pick Losers. AU Baldwin, Richard E.; Robert-Nicoud, Frederic.

Roberts, Mark J.
TI Productivity, Output, and Failure: A Comparison of Taiwanese and Korean Manufacturers. AU Aw, Bee Yan; Chung, Sukkyun; Roberts, Mark J.

Robinson, James A.
TI Land Reform and the Political Organization of Agriculture. AU Conning, Jonathan H.; Robinson, James A.

PD February 2002. TI The Political Economy of Clientelism. AU Robinson, James A.; Verdier, Thierry. AA Robinson: University of California, Berkeley and CEPR. Verdier: DELTA. SR CEPR Discussion Paper: 3205; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $5 or 8 euros + postage and handling. JE H11, H23. KW Political Competition. Income Redistribution. Public Policy. Optimal Political Strategy.
AB Income redistribution often takes highly inefficient forms, such as employment in the bureaucracy. We argue that this arises as an optimal political strategy in situations where politicians cannot commit to policies. Political exchanges between politicians and voters must be self-enforcing and some types of policies, particularly those generating non-excludable or irreversible benefits (such as public goods and public investment) do not generate incentives. A job is a credible, excludable and reversible method of redistribution that ties the continuation utility of a voter to the political success of a particular politician. It is thus very attractive politically even if it is socially highly inefficient. Our model provides a formalization of a style of redistributive politics known as "clientelism". We show that inefficient redistribution and clientelism becomes a relatively attractive political strategy in situations with high inequality and low productivity. Inefficiency is increased when (1) the "stakes" from politics are high, (2) inequality is high, and (3) when money matters less than ideology in politics.

TI Are Endowments Fate? AU Nugent, Jeffrey B.; Robinson, James A.

TI The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth. AU Acemoglu, Daron; Johnson, Simon; Robinson, James A.

Rose, Andrew K.
TI Currency Unions and International Integration. AU Engel, Charles M.; Rose, Andrew K.

Rosen, Harvey S.
TI Personal Income Taxes and the Growth of Small Firms. AU Carroll, Robert; Rider, Mark; Holtz-Eakin, Douglas; Rosen, Harvey S.

Roson, Roberto
PD July 2001. TI Carbon Leakage in a Small Open Economy with Capital Mobility. AA University of Venice. SR Fondazione Eni Enrico Mattei Note di Lavoro: 50/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 17. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D58, E62, Q28. KW Carbon Leakage. General Equilibrium. Carbon Taxation. Capital Mobility.
AB The carbon emissions abatement, undertaken by some countries, may induce other countries to increase their own emissions. This effect, known as "carbon leakage", may be due to rather different mechanisms. The simplest case is when

outside countries do not change their environmental policies and world prices are fixed. Unilateral policies may then induce a substitution of domestic production, generating emissions, with imports. This paper analyses the carbon leakage generated under the "small open economy" assumption, illustrating some findings through a numerical, dynamic, general equilibrium model of the Italian economy. The analysis highlights two main points. First, in a general equilibrium setting, the carbon leakage depends on both the substitution and income effects. Second, carbon leakage may be significantly affected by the degree of capital mobility in international markets, because capital services enter the balance of trade. Capital outflows amount to exports of capital services, possibly financing the import of carbon-intensive goods. This result suggests that, in a world of increasingly integrated financial markets, unilateral environmental policies are becoming less effective, because of the existence of policy spillovers.

Rossini, Gianpaolo
TI   On the Opportunity Cost of Nontradable Stock Options.
AU   Moretto, Michele; Rossini, Gianpaolo.

Rota, Paola
PD   April 2001. TI   Dynamic Labour Demand with Lumpy and Kinked Adjustment Costs. AA   University of Modena and Reggio Emilia, Italy. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 20/2001; "Publication Office", 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   D21, J32. KW   Adjustment Costs. Dynamic Labor Demand.
AB   We analyze the dynamics of firms' employment decisions which underlie lumpy and kinked adjustment costs. We consider a dynamic structural model in which, in each period, firms face a choice of whether to vary the labor input or to postpone the adjustment to the future. By exploiting the first order condition for optimality, we derive a semi-reduced form in which firms' intertemporal employments are defined by a standard static marginal productivity condition augmented by a term capturing forward-looking behavior. In this way we obtain a marginal productivity equilibrium relation that takes into account the future alternatives of adjustment or non-adjustment that firms face as the result of the presence of fixed and linear adjustment costs. Linear costs amount to 35% of average labor costs and fixed costs are estimated to be about 3.65 times average unit labor costs.

PD   April 2001. TI   Empirical Representation of Firms' Employment Decisions by an (S,s) Rule. AA   University of Modena and Reggio Emilia, Italy. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 21/2001; "Publication Office", 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   C25, J23. KW   (S,s) Rules. Adjustment Costs. Probit Models.
AB   We analyze the conditions under which an (S,s) rule may be derived and compare these with alternative rules. We consider the case of labor demand with fixed adjustment costs. The (S,s) rule implies a specific ordering of choices: downward adjustment, non-adjustment and upward adjustment with the decision of inaction lying crucially in the middle. We can model firms' decisions as an (S,s) rule only if it is possible to

characterize unobserved heterogeneity as an exact negative relation between the choice-specific error terms. Assuming that these are normally distributed, the particular ordering of choices implied by the (S,s) rule may be estimated using an ordered probit. We test the (S,s) rule nesting the ordered probit within a multinomial model with correlated error terms. We find that restriction of univariate error distribution is rejected by the data.

PD   April 2001. TI   What Do We Gain by Being Discrete? An Introduction to the Econometrics of Discrete Decision Processes. AA   University of Modena and Reggio Emilia, Italy. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 22/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   43. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   C35, C51. KW   Discrete Choice. Dynamic Models. Transition Probabilities.
AB   In this paper we analyze methods to estimate and identify the sources of censoring in dynamic models. We explicitly take into account the existence of corner solutions by considering a discrete-time- discrete-choice dynamic structural model. The availability of microeconomic datasets allows us to focus on decisions at the individual level and directly exploit the information contained in the corner solutions. We show how a discrete decision process (DDP) represents a natural framework within which to analyze agents' behavior when optimal inaction generates censoring in observed decisions. A discrete decision process is characterized by a control variable that only takes on a finite number of values. Some problems are naturally discrete, such as the optimal engine replacement or whether or not an individual decides to accept a job offer. Other less obviously discrete problems may be efficiently described by a discrete decision problem. This is clear in the case of fixed costs of adjusting inputs, which implies the discrete decision of whether or not to vary the production factor.

Rotemberg, Julio J.
PD   October 2000. TI   Commercial Policy with Altruistic Voters. AA   Harvard University and NBER. SR   National Bureau of Economic Research Working Paper: 7984; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   34. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   D64, F13, P16. KW   Altruism. Commercial Policy. Direct Democracy. Median Voter.
AB   This paper considers a specific factor model with two sectors in which agents are altruistic towards domestic residents. It is shown that, even if the degree of altruism is small, direct democracy leads to commercial policies that are biased against trade as long as the mobile factor is unbiased and the income of the owners of the factor which is specific to the import competing sector is lower than the income of the owners of the other specific factor. Tariffs may be preferred to subsidies by the median voter if subsidies require that beneficiaries spend a fixed cost to demonstrate that they are entitled to these subsidies and there is heterogeneity in the size of producers. Lastly, a model of indirect democracy is constructed, where legislators can receive contributions from potential lobbyists. Even if contributions are positive in equilibrium, the tariffs that emerge from votes taken after lobbying can represent the wishes of the median voter. In this model, contributions do not buy votes. Instead, they buy access to legislators' time. The

model is also consistent with the evidence showing that contributions and lobbying activity are directed mainly at legislators who already agree with their contributors and their lobbyists.

Rousseau, Judith

TI Valid Asymptotic Expansions for the Maximum Likelihood Estimator of the Parameter of a Stationary, Gaussian, Strongly Dependent Process. AU Lieberman, Offer; Rousseau, Judith; Zucker, David M.

Rousseau, Peter L.

TI Moore's Law and Learning-By-Doing. AU Jovanovic, Boyan; Rousseau, Peter L.

Rouwenhorst, K. Geert

TI Behavioral Factors in Mutual Fund Flows. AU Goetzmann, William N.; Massa, Massimo; Rouwenhorst, K. Geert.

Roy, Jaideep

TI Undercut-Proof Subgame Perfect Equilibrium of a Pricing Game. AU Datta, Debabrata; Roy, Jaideep.

Rubinfeld, Daniel

TI Merger Simulation: A Simplified Approach with New Applications. AU Epstein, Roy J.; Rubinfeld, Daniel.

Rubinstein, Ariel

TI Sampling Equilibrium, with an Application to Strategic Voting. AU Osborne, Martin J.; Rubinstein, Ariel.

Ruble, Richard

TI Lattice-Theoretic Foundations of the Consumer's Problem. AU Mirman, Leonard J.; Ruble, Richard.

Ruckes, Martin

TI Diversity in Organizations. AU Mello, Antonio S.; Ruckes, Martin.

Rudd, Jeremy

PD June 2001. TI New Tests of the New-Keynesian Phillips Curve. AU Rudd, Jeremy; Whelan, Karl. AA Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/30; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 20. PR no charge. JE E31, E37. KW Inflation. Phillips Curve. Expectations. Hybrid Inflation Models.
AB Is the observed correlation between current and lagged inflation a function of backward-looking inflation expectations, or do the lags in inflation regressions merely proxy for rational forward-looking expectations, as in the new-Keynesian Phillips curve? Recent research has attempted to answer this question by using instrumental variables techniques to estimate "hybrid" specifications for inflation that allow for effects of lagged and future inflation. We show that these tests of forward-looking behavior have very low power against alternative, but non-nested, backward-looking specifications, and demonstrate that results previously interpreted as evidence for the new-

Keynesian model are also consistent with a backward-looking Phillips curve. We develop alternative, more powerful tests, which find a very limited role for forward-looking expectations.

Rundshagen, Bianca

TI Endogenous Coalition Formation in Global Pollution Control. AU Finus, Michael; Rundshagen, Bianca.

Sacerdote, Bruce

TI The Social Consequences of Housing. AU Glaeser, Edward L.; Sacerdote, Bruce.

Sack, Brian

TI Anticipations of Monetary Policy in Financial Markets. AU Lange, Joe; Sack, Brian; Whitesell, William.

Sadka, Efraim

TI The Aging Population and the Size of the Welfare State. AU Razin, Assaf; Sadka, Efraim; Swagel, Phill.

TI FDI Flows, Portfolio Flows and Domestic Investment: The Role of Information. AU Razin, Assaf; Sadka, Efraim.

Saez, Emmanuel

PD December 2000. TI The Desirability of Commodity Taxation under Non-Linear Income Taxation and Heterogeneous Tastes. AA Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 8029; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 16. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE H21, H23. KW Commodity Taxation. Income Taxation. Heterogeneous Tastes.
AB This paper revisits the Atkinson-Stiglitz result on uselessness of commodity taxation in the presence of optimal non-linear income taxation in a more general setup, namely when tastes are heterogeneous. This general analysis displays the key economic assumptions under which the Atkinson-Stiglitz result is robust. A small tax on a given commodity is desirable if high income earners have a relatively higher taste for this commodity or if consumption of this commodity increases with leisure. An application to the case of savings suggests that, even in the presence of optimal non-linear earnings taxation, there is a role for a supplemental capital income tax in the standard overlapping generation model.

PD December 2000. TI The Optimal Treatment of Tax Expenditures. AA Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 8037; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 32. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE H21, H41. KW Public Good. Optimal Taxation. Subsidy Rate.
AB This paper analyzes the optimal treatment of tax expenditures. It develops an optimal tax model where individuals derive utility from spending on a "contribution" good such as charitable giving. The contribution good has also a public good effect on all individuals in the economy. The government imposes linear taxes on earnings and on the contribution good so as to maximize welfare. The government may also finance directly the contribution good out of tax revenue. Optimal tax and subsidy rates on earnings and the

contribution good are expressed in terms of empirically estimable parameters and the redistributive tastes of government. The optimal subsidy on the contribution good is increasing in the size of the price elasticity of contributions, the size of the crowding-out effect of public contributions on private contributions, and the size of the public good effect of the contribution good. Numerical simulations show that the optimal subsidy on contributions is fairly sensitive to the size of these parameters but that, in most cases, it should be lower than the earnings tax rate.

Saint-Paul, Gilles

PD January 2001. TI The Economics of Human Cloning. AA Universite des Sciences Sociales de Toulouse and CEPR. SR CEPR Discussion Paper: 2674; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE J12, J13, J24, J31, O15. KW Human Capital. Human Cloning. Income Distribution. Intergenerational Mobility. Brave New World. Overlapping Generations.
AB In this paper, we analyze the extent to which market forces create an incentive for cloning human beings. We show that a market for cloning arises if a large enough fraction of the clone's income can be appropriated by its model. Only people with the highest ability are cloned, while people at the bottom of the distribution of income specialize in surrogacy. In the short run, cloning reduces inequality. In the long run, it creates a perfectly egalitarian society where all workers have a top ability if fertility is uncorrelated with ability and if the distribution of ability among sexually produced children is the same as among their parents. In such a society, cloning has disappeared. If the distribution of genes, rather than abilities, is preserved by sexual reproduction, then cloning eliminates ability- reducing genes but does not necessarily eliminate inequality; nor does it disappear in the long run. Finally, if fertility is negatively correlated with ability, in the long run a reproductive caste of bottom ability people coexist with a cloned, worker caste of top ability agents, while intermediate ability types have disappeared.

Salanie, Francois

TI Collective Environmental Agreements: An Analysis of the Problems of Free-Riding and Collusion. AU Millock, Katrin; Salanie, Francois.

Salomone, Roberta

PD June 2001. TI Environmental Issues and Financial Reporting Trends: A Survey in the Chemical and Oil & Gas Industries. AU Salomone, Roberta; Galluccio, Giulia. AA Salomone: University of Messina. Galluccio: FEEM and KPMG Sustainability Advisory Services. SR Fondazione Eni Enrico Mattei Note di Lavoro: 32/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 69. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE M14, M41. KW Corporate Governance. Social Responsibility. Environmental Accounting.
AB As environmental performance is increasingly seen to have an influence over financial performance and financial risk assessment, disclosure of environmental issues in the Annual Reports is necessary for a company to satisfy the information needs of its stakeholders. Given this pressure, there is a trend

among leading companies to report their environmental performances within the financial statements. However, the way companies disclose environmental-related information varies from company to company and from country to country and the qualitative level of this kind of disclosure, in term of relevance, comparability and credibility, is often poor. More and more voluntary and regulatory guidelines are emerging to encourage companies to disclose environmental issues in their Annual Reports. The aim of this paper is to examine literature relating to environmental disclosures in the Annual Report and to identify this environmental disclosure.

Sandholm, William H.

TI Evolution with Diverse Preferences. AU Ely, Jeffrey C.; Sandholm, William H.

Saphores, Jean-Daniel

PD August 2002. TI Harvesting a Renewable Resource under Uncertainty. AA University of California, Irvine. SR University of California, Irvine, Department of Economics Working Paper: 01/02/03; Lynda Harford-Clarke, Department of Economics, University of California, Irvine, 3151 Social Science Plaza, Irvine, CA 92697. Website: aris.ss.uci.edu/econ/econ.html. PG 34. PR $3.00 U.S. and Canada; $7.00 foreign; make checks payable to Regents, University of California. JE D81, D92, Q20. KW Renewable Resources. Multi-Period Harvests. Extinction. Uncertainty. Real Options.
AB This paper presents a theory of harvesting for biological assets with size-dependent stochastic growth that allows for partial harvests and accounts for the risk of extinction. The harvesting decision is formulated as a disinvestment problem in continuous time using real options and general harvesting rules are derived. The probability of extinction is then analyzed for a wide class of growth functions. A dimensionless analysis of a logistic Brownian motion shows that the optimal biomass at harvest and the amount harvested do not vary monotonically with uncertainty. More generally, this paper illustrates the importance of boundary conditions in stochastic investment problems.

TI Simulation-Based Exact Jump Tests in Models with Conditional Heteroskedasticity. AU Khalaf, Lynda; Saphores, Jean-Daniel; Bilodeau, Jean-Francois.

PD October 2002. TI Environmental Uncertainty and the Timing of Environmental Policy. AA University of California, Irvine. SR University of California, Irvine, Department of Economics Working Paper: 01/02/06; Lynda Harford-Clarke, Department of Economics, University of California, Irvine, 3151 Social Science Plaza, Irvine, CA 92697. Website: aris.ss.uci.edu/econ/econ.html. PG 30. PR $3.00 U.S. and Canada; $7.00 foreign; make checks payable to Regents, University of California. JE D61, D81, H23, Q28. KW Environmental Policy. Irreversibilities. Uncertainty. Global Warming.
AB This paper shows that the timing of an investment to reduce the emissions of a stock pollutant under environmental uncertainty depends on the specification of uncertainty, on its level, and on the presence of a lower reflecting barrier for the level of pollutant. When variability increases with the level of stock pollutant and uncertainty is high enough, emissions should be curbed immediately; when uncertainty is small, however, there is no simple irreversibility effect because of the

tension between environmental and investment irreversibility. Finally, a lower reflecting barrier may significantly affect the action threshold. These results have implications for global warming.

PD November 2002. **TI** Barriers and Optimal Investment Rules. **AA** University of California, Irvine. **SR** University of California, Irvine, Department of Economics Working Paper: 02/03/06; Lynda Harford-Clarke, Department of Economics, University of California, Irvine, 3151 Social Science Plaza, Irvine, CA 92697. Website: aris.ss.uci.edu/econ/econ.html. **PG** 33. **PR** $3.00 U.S. and Canada; $7.00 foreign; make checks payable to Regents, University of California. **JE** D81, D92, E22. **KW** Investment. Uncertainty. Barriers. Real Options.
AB This paper analyzes the impact of barriers on the decision to incur a sunk cost in exchange for a random payoff. Optimal investment rules are derived for reflecting, absorbing, and unattainable barriers, and illustrated for common stochastic processes. An explicit solution for the perpetual call option with a lower absorbing barrier is obtained and contrasted with the standard solution; this shows that the standard perpetual call option overestimates the investment threshold when uncertainty is high enough. More generally, this paper shows that the standard real options approach yields incorrect results in the presence of absorbing or attracting but unattainable barriers.

Sapir, Andre
PD October 2000. **TI** Who is Afraid of Globalization? The Challenge of Domestic Adjustment in Europe and America. **AA** Universite Libre de Bruxelles, European Commission, and CEPR. **SR** CEPR Discussion Paper: 2595; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F02, F13, F22, J61. **KW** International Migration. Labor Adjustment. Trade Liberalization. Welfare State.
AB The paper examines why "globaphobia" seems to be more prevalent among labor in the United States than in Europe. It argues that globalization has generated more wealth, but also more income inequality and adjustment problems, in America than in Europe. In the United States, the median voter has lost wages and experienced rising job insecurity due to globalization. By contrast, in Europe, the welfare state has largely insulated the median voter from the pains of globalization. The paper also examines international labor mobility, the grand absentee of the current wave of globalization. Here it finds that phobia runs higher in Europe than in America. It claims that the relative generosity of Europe's welfare state makes it less open to migration than the United States.

Sarno, Lucio
TI Nonlinear Mean-Reversion in Real Exchange Rates: Towards a Solution to the Purchasing Power Parity Puzzles. **AU** Peel, David; Sarno, Lucio; Taylor, Mark P.

Scaillet, Olivier
TI Sensitivity Analysis of Values at Risk. **AU** Gourieroux, Christian; Laurent, Jean-Paul; Scaillet, Olivier.

Scarpa, Carlo
TI Regulation at Home, Competition Abroad: A Theoretical Framework. **AU** Calzolari, Giacomo; Scarpa, Carlo.

Scarpa, Riccardo
PD December 2001. **TI** Valuing Local Public Goods with Advanced Stated Preference Models: Traffic Calming Schemes in Northern England. **AU** Scarpa, Riccardo; Garrod, Guy, D.; Willis, Kenneth, G. **AA** Scarpa: University of York. Garrod and Willis: University of Newcastle. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 93/2001; "Publication Office", 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** H43, L92, R41. **KW** Local Public Goods. Non-Market Valuation. Stated Preference. Choice Experiments. Traffic Calming.
AB The paper reports the results of three stated preference surveys in urban-rural areas in Northern England. The objective is that of valuing the economic benefits from traffic calming schemes in two areas with different traffic problems from stated preference observations. We employ both choice-experiments and contingent valuation using advanced modeling. Fixed and random coefficient utility models are estimated from responses of the choice-experiments, while double-bound spike models are used for contingent valuation. We compare welfare estimates from the different methods. We find the role of accounting for repeated choices to be of relevance. Choice modeling is designed to disentangle the values of benefits from five major attributes of traffic calming schemes (noise abatement, speed control, community severance, aesthetic layout, and tax burden).

TI The Effect of Protest Votes on the Estimates of Willingness to Pay for Use Values of Recreational Sites. **AU** Strazzera, Elisabetta; Genius, Margarita; Scarpa, Riccardo; Hutchinson, George.

TI The Effect of Protest Votes on the Estimates of Willingness to Pay for Use Values of Recreational Sites. **AU** Strazzera, Elisabetta; Genius, Margarita; Scarpa, Riccardo; Hutchinson, George.

Schaffner, Julie Anderson
PD May 2001. **TI** Turnover and Job Training in Developing and Developed Countries: Evidence from Colombia and the United States. **AA** Boston University and Tufts University. **SR** Boston University, Institute for Economic Development Discussion Paper: 115; IED, Boston University, 264 Bay State Road, Boston, MA 02215. Website: www.bu.edu/econ/ied/dptable2.htm. **PG** 33. **PR** $4.00; send purchase requests by email to ied@bu.edu. **JE** J24, J31, J63, O15. **KW** Job Turnover. Job Training. Labor Productivity. Wages. Developing Countries.
AB Labor productivity and gross national product (GNP) per capita are lower in developing countries than in developed countries, even after controlling for differences across countries in physical capital per worker and levels of formal schooling. Anecdotal evidence suggests that greater difficulties in training and retaining workers in developing countries may contribute to this "productivity gap." This paper employs large, high quality household surveys from Colombia and the United States to shed light on several potential explanations (related to job training) for this productivity gap. The first, somewhat

surprising observation is that the incidence of post-school, formal job training acquired in relation to the current main job is higher among male private sector wage employees in Colombia than among their counterparts with similar levels of schooling in the U.S. This casts doubt on explanations for the productivity gap in which labor productivity is lower in developing countries because the typical worker simply has less job training. The second main observation is that while private sector wage employees in Colombia accumulate training at a higher rate over the course of their careers than their counterparts in the U.S., their wages tend to rise much more slowly as they age.

Schaller, Huntley
PD July 2002. TI Estimating the Long-Run User Cost Elasticity. AA Carleton University and MIT. SR MIT, Department of Economics Working Paper: 02/31; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=331322. PG 33. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE E22, E44, H25. KW User Cost Elasticity. Capital Stock. Investment.
AB The user cost elasticity is a parameter of central importance in economics, with implications for monetary policy, macroeconomic models, tax policy, growth and many other areas. If the supply curve for capital is upward sloping and shocks to demand area important (as they are likely to be over the business cycle), estimates of the user cost elasticity that rely on high-frequency movements in the variables will tend to be biased. This paper applies cointegration techniques to a small open economy. The combination of exogeneity of user cost implied by the flat supply of capital curve for a small, open economy and appropriate correction for small sample bias yields an estimate of the long-run user cost elasticity which is about 75% larger (in absolute value) than the best existing estimate. In addition, the paper makes three further contributions: accounting for increases in depreciation (due to dramatic increases in computer use), estimating the long-run user cost elasticity for structures and the total capital stock, and disentangling the effects of capital goods prices, the real interest rate, and taxes.

TI A Revealed Preference Approach to Understanding Corporate Governance Problems: Evidence from Canada. AU Chirinko, Robert S.; Schaller, Huntley.

Schenk-Hoppe, Klaus Reiner
PD October 2002. TI Poverty Traps and Business Cycles in a Stochastic Overlapping Generations Economy with S-shaped Law of Motion. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 02/13; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 15. PR no charge. JE C62, D91, E32. KW S-Shaped Law of Motion. Random Dynamical Systems. Poverty Traps. Business Cycles. Production Shocks.
AB This paper contributes to the understanding of stochastic economic dynamics with S-shaped law of motion. Applying random dynamical systems theory, we obtain a complete analysis of a stochastic OLG growth model. In the long-run the economy converges either to a state with no capital (poverty trap) or a sample path of a random fixed point (business cycle). The threshold capital stock separating both regimes is a random

variable that depends on the future realization of the shocks; this critical level cannot be identified using past observations. Supply of outside capital therefore has an uncertain effect. Policy recommendations are given which cannot be obtained employing Markov equilibria. A numerical illustration is provided.

TI Market Selection and Survival of Investment Strategies. AU Amir, Rabah; Evstigneev, Igor V.; Hens, Thorsten; Schenk-Hoppe, Klaus Reiner.

TI Markets Do Not Select For a Liquidity Preference as Behavior Towards Risk. AU Hens, Thorsten; Schenk-Hoppe, Klaus Reiner.

Schipper, Burkhard C.
PD October 2002. TI Imitators and Optimizers in Cournot Oligopoly. AA University of Bonn and Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Studies Working Paper: 24/2002; Mrs. Stella Padeh, Foerder Institute for Economic Research, Berglas Building, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel. Website: econ.tau.ac.il/research/search_workingPapers.asp. PG 40. PR no charge. JE C72, D21, D43, L13. KW Imitation. Myopic Best Reply. Bounded Rationality. Stochastic Stability. Learning. Stackelberg.
AB This paper presents a formal model of symmetric n-firm Cournot oligopoly with a heterogeneous population of profit optimizers and imitators. Imitators mimic the output decision of the most successful firms of the previous round a la Vega-Redondo (1997). Optimizers play myopic best response to the previous opponents' output. The dynamics of the decision rules induce a Markov chain. As expression of bounded rationality, firms are allowed to make mistakes and deviate from the decision rules with a small probability. Applying stochastic stability analysis, the paper characterizes the long run behavior of the oligopoly. The paper finds that the long run distribution converges to a recurrent set of states in which imitators are better off than optimizers. This finding appears to be robust even when optimizers are more sophisticated. It suggests that imitators drive optimizers out of the market contradicting a fundamental conjecture by Friedman (1953).

Schlieckert, Rebecca
TI The Environmental Kuznets Curve: Exploring a Fresh Specification. AU Bradford, David F.; Schlieckert, Rebecca; Shore, Stephen H.

Schmedders, Karl
TI Computing Equilibria in Finance Economies with Incomplete Markets and Transaction Costs. AU Herings, P. Jean-Jacques; Schmedders, Karl.

TI Stationary Equilibria in Asset-Pricing Models with Incomplete Markets and Collateral. AU Kubler, Felix; Schmedders, Karl.

Schmidt, Peter
TI "Hall of Fame" Voting: The Econometric Society. AU Hamermesh, Daniel S.; Schmidt, Peter.

Schneider, Martin
PD December 2000. TI Balance Sheet Effects, Bailout

Guarantees and Financial Crises. **AU** Schneider, Martin; Tornell, Aaron. **AA** Schneider: UCLA. Tornell: UCLA and NBER. **SR** National Bureau of Economic Research Working Paper: 8060; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 41. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E44, F32, F33. **KW** Currency Crises. Banking Crises. Nontradables.

AB Several recent "twin" currency and banking crises were preceded by lending booms during which the banking system financed rapid growth of the nontradable (N) sector by borrowing in foreign currency. They were followed by recessions during which a sharp decline in credit especially hurt the N-sector. This paper presents a model that accounts for these stylized facts. A crucial element is that we model a banking system that is simultaneously subject to two distortions typical of international credit markets: bailout guarantees and the imperfect enforceability of contracts. The interaction of these distortions produces unusually fast N-sector growth, together with a real appreciation, during the boom. However, it is also responsible for self-fulfilling twin crises, which have persistent adverse effects on N-sector output.

Schokkaert, Erik
TI Warm Glow and Embedding in Contingent Valuation. **AU** Nunes, Paulo A. L. D.; Schokkaert, Erik.

Scholz, John Karl
TI The Earned Income Tax Credit. **AU** Hotz, V. Joseph; Scholz, John Karl.

Schott, Peter K.
TI Factor Price Equality and the Economies of the United States. **AU** Bernard, Andrew B.; Jensen, J. Bradford; Schott, Peter K.

Schwab, Stewart J.
TI The Costs of Wrongful-Discharge Laws. **AU** Autor, David H.; Donohue, John J., III..; Schwab, Stewart J.

Schwartz, Anna J.
TI From the Exchange Stabilization to the International Monetary Fund. **AU** Bordo, Michael D.; Schwartz, Anna J.

Schwert, G. William
PD August 2001. **TI** Stock Volatility in the New Millennium: How Wacky is Nasdaq? **AA** University of Rochester and NBER. **SR** National Bureau of Economic Research Working Paper: 8436; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 16. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G12, G14, G18. **KW** Stock Volatility. Technology.

AB The recent volatility of stock prices has caused many people to conclude that investors have become irrational in valuing at least some stocks. This paper investigates the behavior of the volatility of stocks on the Nasdaq, which tend to be smaller companies with more growth options, in relation to the more seasoned issues reflected in the Standard & Poor's 500 portfolio. It also analyzes the relation of the unusual Nasdaq volatility to the hot IPO market in 1998 and 1999. The factor that seems to explain unusual volatility best is technology, not firm size or the immaturity of the firm.

Schwetzler, Bernhard
PD 2000. **TI** Corporate Valuation, Standard Recapitalization Strategies and the Value of Tax Savings in Textbook Valuation Formulas. **AA** Leipzig Graduate School of Management and INSEAD. **SR** INSEAD Working Paper: 2000/46/FIN; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 31. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** G12, G18. **KW** Valuation Techniques. Tax Savings.

AB Typically, in finance and valuation textbooks three different formulas, known as the weighted average cost of capital (WACC)-, the adjusted present value (APV)- and the flow of equity (FTE)- approach are proposed to calculate the present value of a levered firm. Recent results in research suggest that these formulas imply different types of recapitalization strategies, predetermining either absolute future debt levels or capital structures in future periods (D-strategy and L- strategy) leading to different tax shields and firm values if future firm values are uncertain. This paper will show that one of these two strategies attributed with riskless tax savings (the D-strategy) is not admissible in the expectations adaptation regime necessary to apply risk adjusted CAPM-based rates of return on multi-period uncertain cash flows. In contrast, the recapitalization strategy leading to riskier tax savings (L-strategy) is admissible. Standard valuation formulas that imply riskless tax savings thus overstate the tax benefits of debt financing. This result adds another possible explanation to the phenomenon that the effects of tax considerations upon capital structure decisions to be observed empirically are substantially smaller than suggested by standard corporate finance formulas.

Scotchmer, Suzanne
PD August 2001. **TI** The Political Economy of Intellectual Property Treaties. **AA** NBER and University of California, Berkeley. **SR** University of California, Berkeley, Competition Policy Center Working Paper: CPC01/24; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. **PG** 32. **PR** free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". **JE** F10, L50, O34. **KW** Intellectual Property. Globalization. TRIPS. Treaty.

AB Intellectual property treaties have two main types of provisions: national treatment of foreign inventors, and harmonization of protections. This paper characterizes the circumstances in which countries would want to treat foreign inventors the same as national inventors. It then argues that national treatment of foreign inventors leads to stronger intellectual property protection than is optimal, and that this effect is exacerbated when protections must be harmonized. However levels of public and private R&D spending will be lower than if each country took account of the uncompensated externalities that its R&D spending confers on other countries. The stronger protection engendered by attempts at harmonization are a partial remedy.

Segev, Ella
TI Escalation and Delay in Long International Conflicts.

AU Heifetz, Aviad; Segev, Ella.

Selod, Harris
PD October 2000. TI Location and Education in South African Cities Under and After Apartheid. AU Selod, Harris; Zenou, Yves. AA Selod: Universite Catholique de Louvain. Zenou: Southampton University and CEPR. SR CEPR Discussion Paper: 2588; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE I21, J71, J78, R14. KW Apartheid. Education Externalities. South Africa. Urban Land Use. Urban Segregation.
AB We model a South African city during Apartheid (in which both schooling and mobility are restricted on the basis of race) and after Apartheid (in which no restrictions are imposed). We first show that the inequality between blacks and whites decreases when Apartheid laws are removed. Indeed, blacks are better off because of human capital externalities due to the possibility of mixing with white students whereas whites are worse off due to negative human capital externalities and intensified land market competition. After Apartheid, we also show that reducing the commuting costs of black children always increases the utility of black families and may even increase that of whites.

Sethuraman, Jay
TI Integer Programming and Arrovian Social Welfare Functions. AU Vohra, Rakesh V.; Sethuraman, Jay; Piaw, Teo Chung.

Shackelford, Douglas A.
TI The Impact of Capital Gains Taxes on Stock Price Reactions to S&P 500 Inclusion. AU Blouin, Jennifer L.; Raedy, Jana Smith; Shackelford, Douglas A.

Shannon, Chris
TI What to Maximize if you Must. AU Heifetz, Aviad; Shannon, Chris; Spiegel, Yossi.

Shapiro, Carl
PD May 2001. TI Antitrust Limits to Patent Settlements. AA University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC01/18; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 40. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE K21, L40, O34. KW Intellectual Property Rights. Antitrust. Patents. Mergers. Settlements.
AB This paper focuses on the class of legal rules that governs intellectual property rights: the antitrust limits imposed on patent settlements. It discusses the benefits and costs of settlements and explains why antitrust limits on settlements are needed to prevent abuse of the settlement process. It develops a general rule for evaluating proposed settlements. This paper explores a simple antitrust rule governing settlements of intellectual property disputes: a settlement cannot lead to lower expected consumer surplus than would have arisen from ongoing litigation. It argues that this rule respects intellectual property rights while encouraging efficient settlements. Under extremely general conditions, there exists a settlement that leaves consumers better off and raises the joint profits of the two firms engaged in the dispute. This general test is then applied to several types of settlements: mergers; agreements specifying the timing of entry; and patent pools.

TI Antitrust Policy During the Clinton Administration. AU Litan, Robert E.; Shapiro, Carl.

TI The British Petroleum/ARCO Merger: Alaskan Crude Oil. AU Bulow, Jeremy; Shapiro, Carl.

PD June 2002. TI The FTC's Challenge to Intel's Cross-Licensing Practices. AA University of California, Berkeley. SR University of California, Berkeley, Competition Policy Center Working Paper: CPC02/29; Attention: CPC Working Paper Coordinator, University of California, Berkeley, CPC c/o IBER, F502 Haas Bldg MC1922, Berkeley, CA 94720-1922. Website: repositories.cdlib.org/iber/cpc/. PG 29. PR free copies available electronically through website; hardcopies $8.00 check or money order payable to "Regents of the University of California". JE L40, O34. KW Antitrust. Intel. Intellectual Property. Patent Infringement. FTC.
AB In June 1998 the Federal Trade Commission brought an antitrust lawsuit against Intel Corporation based on Intel's conduct towards Intergraph, and similar conduct towards Digital Equipment Corporation and Compaq, all in the context of disputes where Intel was accused of patent infringement. The FTC charged that Intel's practices were an abuse of Intel's monopoly position in microprocessors. Is Intel's conduct anti-competitive and thus illegal under the antitrust laws? That is the central question explored in this paper. An introductory section provides some background for the case by discussing the tension between intellectual property rights and antitrust law and by describing the role of patents in the semiconductor industry. Section 3 provides a succinct summary of the facts surrounding Intel's conduct in each of the three patent disputes identified by the FTC. Section 4 explains the FTC's theory of how Intel's conduct was anti-competitive. Section 5 presents Intel's response. Section 6 describes the settlement reached between the FTC and Intel. The final section discusses legal and economic developments since the case was settled and remarks on the lasting implications of the Intel case.

Sharpe, Steven A.
PD July 2001. TI Reexamining Stock Valuation and Inflation: The Implications of Analysts' Earnings Forecasts. AA Board of Governors of the Federal Reserve System. SR Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/32; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. PG 29. PR no charge. JE E44, G12. KW Inflation. Stock Returns. Equity Premium. Price-Earnings Ratio.
AB This paper examines the effect of inflation on stock valuations and expected long-run returns. Ex ante estimates of expected long-run returns are constructed by incorporating analysts' earnings forecasts into a variant of the Campbell-Shiller dividend-price ratio model. The negative relation between equity valuations and expected inflation is found to be the result of two effects: a rise in expected inflation coincides with both (i) lower expected real earnings growth and (ii) higher required real returns. The earnings channel mostly reflects a negative relation between expected long-term

earnings growth and expected inflation. The effect of expected inflation on required (long- run) real stock returns is also substantial. A one percentage point increase in expected inflation is estimated to raise required real stock returns about one percentage point, which on average would imply a 20 percent decline in stock prices. However, the inflation factor in expected real stock returns is also in long-term Treasury yields; consequently, expected inflation has little effect on the long-run equity premium.

Shaw, Kathryn L.
TI Targeting Managerial Control: Evidence from Franchising. AU Lafontaine, Francine; Shaw, Kathryn L.

Shimotsu, Katsumi
PD February 2002. TI Exact Local Whittle Estimation of Fractional Integration. AU Shimotsu, Katsumi; Phillips, Peter C. B. AA Shimotsu: University of Essex. Phillips: Yale University, University of Auckland and University of York. SR Yale Cowles Foundation Discussion Paper: 1367; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 34. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C22. KW Discrete Fourier Transform. Fractional Integration. Long Memory. Nonstationarity. Whittle Likelihood.
AB An exact form of the local Whittle likelihood is studied with the intent of developing a general purpose estimation procedure for the memory parameter (d) that applies throughout the stationary and nonstationary regions of d and which does not rely on tapering or differencing prefilters. The resulting exact local Whittle estimator is shown to be consistent and to have the same N(0,1/4) limit distribution for all values of d.

Shin, Hyun Song
TI Coordination Risk and the Price of Debt. AU Morris, Stephen; Shin, Hyun Song.

Shin, Inseok
TI Private Inflows when Crises are Anticipated: A Case Study of Korea. AU Dooley, Michael P.; Shin, Inseok.

Shleifer, Andrei
PD October 2000. TI Investor Protection and Equity Markets. AU Shleifer, Andrei; Wolfenson, Daniel. AA Shleifer: Harvard University and NBER. Wolfenson: University of Chicago GSB and University of Michigan. SR National Bureau of Economic Research Working Paper: 7974; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 22. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE G31, G32. KW Equity Markets. Entrepreneurship. Public Ownership.
AB We present a simple model of an entrepreneur going public in an environment with poor legal protection of outside shareholders. The model incorporates elements of Becker's (1968) "crime and punishment" framework into a corporate finance environment of Jensen and Meckling (1976). We examine the entrepreneur's decision and the market equilibrium. The model is consistent with a number of empirical regularities concerning the relationship between investor protection and corporate finance.

TI Style Investing. AU Barberis, Nicholas; Shleifer, Andrei.

PD August 2001. TI Stock Market Driven Acquisitions. AU Shleifer, Andrei; Vishny, Robert W. AA Shleifer: Harvard University and NBER. Vishny: University of Chicago and NBER. SR National Bureau of Economic Research Working Paper: 8439; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 23. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE G34. KW Acquisitions. Mergers. Valuation of Firms.
AB We present a model of mergers and acquisitions based on stock market misvaluations of the combining firms. The key ingredients of the model are the relative valuations of the merging firms, the horizons of their respective managers, and the market's perception of the synergies from the combination. The model explains who acquires whom, whether the medium of payment is cash or stock, what are the valuation consequences of mergers, and why there are merger waves. The model is consistent with available empirical findings about characteristics and returns of merging firms, and yields new predictions as well.

TI Media Bias. AU Mullainathan, Sendhil; Shleifer, Andrei.

Shore, Stephen H.
TI The Environmental Kuznets Curve: Exploring a Fresh Specification. AU Bradford, David F.; Schlieckert, Rebecca; Shore, Stephen H.

Shoven, John B.
TI Asset Location for Retirement Savers. AU Poterba, James; Sialm, Clemens; Shoven, John B.

Sialm, Clemens
TI Asset Location for Retirement Savers. AU Poterba, James; Sialm, Clemens; Shoven, John B.

Simon, Nathalie
TI The Willingness To Pay for Mortality Risk Reductions: A Comparison of the United States and Canada. AU Alberini, Anna; Krupnick, Alan; Cropper, Maureen; Simon, Nathalie; Cook, Joseph.

TI The Willingness To Pay for Mortality Risk Reductions: A Comparison of the United States and Canada. AU Alberini, Anna; Krupnick, Alan; Cropper, Maureen; Simon, Nathalie; Cook, Joseph.

Simonov, Andrei
TI Can Strategic Market Making Explain Asset Pricing? A Microstructure Analysis of the Treasury Bond Market. AU Massa, Massimo; Simonov, Andrei.

TI The Sneaky, the Sleepy and the Skeptic: A Behavioral Model of Market Making. Evidence of Strategic Market Making on the Treasury Bond Market. AU Massa, Massimo; Simonov, Andrei.

Siniscalco, Domenico
TI Science vs. Profit in Research Lessons from the Human Genome Project. AU Carraro, Carlo; Pome, Alessandra; Siniscalco, Domenico.

TI Privatisation Around the World: New Evidence from Panel Data. AU Bortolotti, Bernardo; Fantini, Marcella; Siniscalco, Domenico.

Sinn, Hans-Werner
TI The Minimum Inflation Rate for Euroland. AU Reutter, Michael; Sinn, Hans-Werner.

PD January 2002. TI The New Systems Competition. AA CESifo and NBER. SR National Bureau of Economic Research Working Paper: 8747; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 22. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE G15, H77. KW Systems Competition. Erosion. Mobile Factors. Market Failure. Government Efficiency.
AB While the old systems competition took place with closed borders, globalization has brought about a new type of systems competition that is driven by the mobility of factors of production. The new systems competition will likely imply the erosion of the European welfare state, induce a race to the bottom in the sense that capital will not even pay for the infrastructure it uses and erode national regulatory systems. In general, it will suffer from the same type of market failure which induced the respective government activity in the first place. The new systems competition will force inefficient governments to seek national efficiency, but national efficiency does not imply that systems competition will itself be efficient.

Skeath, Susan
TI The Economic and Strategic Motives for Antidumping Filings. AU Prusa, Thomas J.; Skeath, Susan.

Skiera, Bernd
TI Incentive-Compatible Elicitation of Consumer Willingness to Pay at the Point of Purchase. AU Wertenbroch, Klaus; Skiera, Bernd.

Slack, Brian
PD January 2001. TI Globalisation in Maritime Transportation: Competition, Uncertainty and Implications for Port Development Strategy. AA Concordia University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 08/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 14. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE L99, R41. KW Port Development. Shipping Industry.
AB The maritime industry is in a period of unprecedented change. Around the world, and in every sector, radically new forces are requiring adjustments and adaptations. Ports are particularly vulnerable because, as intermediaries in complex transport chains, they are exposed to the full force of developments on both land and water spheres. This paper explores the challenges confronting seaports in this environment. An overview of the major systemic changes themselves is given, as a backdrop to evaluating how ports are impacted. While the conclusion is drawn that ports have lost the means to influence events to the degree they used to, and are being forced to react to changes, a variety of issues are presented that suggest that there are opportunities for port authorities to intervene and better control the future. These are opportunities, however, that require reappraisal of the role of

ports in logistical chains on land and water.

Slaughter, Matthew J.
TI Are Profits Shared Across Borders? Evidence on International Rent Sharing. AU Budd, John W.; Slaughter, Matthew J.

TI Expansion Strategies of U.S. Multinational Firms. AU Hanson, Gordon H.; Mataloni, Raymond J., Jr.; Slaughter, Matthew J.

Smith, R. Todd
TI Temporary Controls on Capital Inflows. AU Reinhart, Carmen M.; Smith, R. Todd.

Solal, Philippe
TI Finding a Nash Equilibrium in Spatial Games is an NP-Complete Problem. AU Baron, Richard; Durieu, Jacques; Haller, Hans; Solal, Philippe.

Solan, Eilon
PD November 2000. TI Continuity of the Value in Stochastic Games. AA Northwestern University. SR Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1310; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. PG 5. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. JE C73. KW Stochastic Games. Continuity. Value.
AB We prove that the undiscounted value of a stochastic game, as a function of the transition, is continuous in the relative interior of the set of transition functions.

PD November 2000. TI The Dynamics of the Nash Equilibrium Correspondence and n-Player Stochastic Games. AA Northwestern University. SR Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1311; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. PG 12. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. JE C73. KW Nash Equilibrium. Stochastic Games.
AB A quitting game is a sequential game where each player has two actions: to continue or to quit. The game terminates once at least one player quits. The payoff depends on the subset of players who quit at the termination stage, and is 0 if no one ever quits. For every continuation payoff x we assign a one-shot game, where the payoff if everyone continues is x. We study the dynamics of the correspondence that assigns to every continuation payoff the set of equilibrium payoffs in the corresponding one-shot game. The study presented here has an implication on the approach one should take in trying to prove, or disprove, the existence of an equilibrium payoff in n-player stochastic games. It also shows that the minimal length of the period of a periodic sigma-equilibrium in 3-player quitting games needs not be uniformly bounded for sigma greater than 0.

PD January 2001. **TI** Quitting Games -- An Example. **AU** Solan, Eilon; Vieille, Nicholas. **AA** Solan: Northwestern University and Tel Aviv University. Vieille: Ecole Polytechnique and Departement Finance et Economie. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1314; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 17. **PR** $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** C70. **KW** Quitting Games. Sequential Games.
AB Quitting games are n-player sequential games in which, at any stage, each player has the choice between continuing and quitting. The game ends as soon as at least one player chooses to quit; player i then receives a payoff, which depends on the set of S of players that did choose to quit. If the game never ends, the payoff to each player is zero. In this note, we study a four-player game, where the simplest equilibrium profile is cyclic with period two.

Sorensen, Helle
PD August 2002. **TI** Parametric Inference for Diffusion Processes Observed at Discrete Points in Time: A Survey. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/08; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 19. **PR** no charge. **JE** C11, C13. **KW** Bayesian Analysis. Diffusion Processes. Efficient Method of Moments (EMM). Indirect Inference. Likelihood Approximations.
AB This paper is a survey of existing estimation techniques for stationary and ergodic diffusion processes observed at discrete points in time. The reader is introduced to the following techniques: (i) estimating functions with special emphasis on martingale estimating functions and so-called simple estimating functions; (ii) analytical and numerical approximations of the likelihood which can in principle be made arbitrarily accurate; (iii) Bayesian analysis and MCMC methods; and (iv) indirect inference and EMM which both introduce auxiliary (but wrong) models and correct for the implied bias by simulation.

Sorensen, Peter Norman
TI The Strategy of Professional Forecasting. **AU** Ottaviani, Marco; Sorensen, Peter Norman.

TI Professional Advice: The Theory of Reputational Cheap Talk. **AU** Ottaviani, Marco; Sorensen, Peter Norman.

Sors, Julie Catherine
PD January 2001. **TI** Measuring Progress Towards Sustainable Development in Venice: A Comparative Assessment of Methods and Approaches. **AA** FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 16/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 29. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** O13, O21, Q32, R58. **KW** Measuring Progress. Sustainable Development. Sustainability Indicators.
AB Sustainable development is a relatively well-known

concept. Although there are many definitions, the underlying concepts and aims are generally agreed upon. Many local communities have established a "vision" of sustainability in terms of policies, goals, actions, etc in order to translate sustainability into their own context. Since sustainable development is an ambitious and long-term goal, it is clear that it is important to be able to assess the degree of progress towards it. This is a particularly challenging task for the city of Venice due to its unique environmental, social and economic characteristics. This overview is intended to discuss and compare the main approaches to measuring progress in order to propose a methodology for Venice. Five methods that represent the spectrum of approaches are analyzed. Finally, we consider the potential applicability of these to Venice in light of the specific conditions of the city and propose a set of local sustainability indicators.

PD January 2001. **TI** Public Participation in Local Agenda 21: A Review of Traditional and Innovative Tools. **AA** FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 17/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 48. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** O13, O21, Q32, R58. **KW** Sustainable Development. Regional Planning. Local Agenda 21.
AB There is a wealth of existing literature on specific methods to encourage public participation in Local Agenda 21. This paper provides a concise overview and comparative assessment of the strengths and weaknesses of these approaches. For the sake of clarity, these methods are categorized into "traditional" and "innovative approaches", i.e. those which have been used and tested on a relatively frequent basis and those which are relatively new. Each of these approaches is associated with a number of strengths and weaknesses. Therefore, it is suggested that a combination of methods is adopted in order to reach the wider community, and specific approaches should be selected on the basis of the characteristics of the community in question.

TI Integrated Coastal Zone Management in the Venice Area Potentials of the Integrated Participatory Management Approach. **AU** Brochier, Frederic; Giupponi, Carlo; Sors, Julie Catherine.

Soubeyran, Antoine
TI A Ricardian Model of the Tragedy of the Commons. **AU** Lasserre, Pierre; Soubeyran, Antoine.

Sparks, Roger
TI GSEs, Mortgage Rates, and the Long-Run Effects of Mortgage Securitization. **AU** Passmore, Wayne; Sparks, Roger; Ingpen, Jamie.

Spiegel, Yossi
TI What to Maximize if you Must. **AU** Heifetz, Aviad; Shannon, Chris; Spiegel, Yossi.

TI The Choice of Exchange Rate Regime and Speculative Attacks. **AU** Cukierman, Alex; Goldstein, Itay; Spiegel, Yossi.

Spiegler, Ran
TI Anticipatory Feelings and Attitudes to Information.

AU   Eliaz, Kfir; Spiegler, Ran.

Spletzer, James R.
TI   Wages, Productivity, and the Dynamic Interaction of Businesses and Workers. AU   Haltiwanger, John C.; Lane, Julia I.; Spletzer, James R.

Stabile, Mark
TI . What do Self-Reported, Objective Measures of Health Measure? AU   Baker, Michael; Stabile, Mark; Deri, Catherine.

Staiger, Robert W.
TI   GATT-Think. AU   Bagwell, Kyle; Staiger, Robert W.

Stampini, Marco
PD   January 2001. TI   Tax Reforms and Environmental Policies for Italy. AA   Scuola Superiore Sant'Anna and Harvard University. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 05/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   11. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   D58, D62, H21. KW   Tax Reforms. Environmental Taxes. General Equilibrium.
AB   This paper focuses on the relationship between tax reforms and environmental quality in Italy. First, we analyze some of the characteristics of the tax system. Within a dynamic model, we estimate the marginal distortion introduced by different taxes and show that the current system is far from optimal. We then consider some possible tax reforms, taking into account both the effect on utility and the impact on pollution. Finally, we design a tax reform with a specific environmental goal, the reduction of polluting emissions by 10 percent, and show the economic effects of this policy.

Stanca, Luca
TI   Wage Premia and Skill Upgrading in Italy: Why Didn't the Hound Bark? AU   Manasse, Paolo; Stanca, Luca; Turrini, Alessandro.

Stein, Jeremy C.
TI   When Does the Market Matter? Stock Prices and the Investment of Equity-Dependent Firms. AU   Baker, Malcolm; Stein, Jeremy C.; Wurgler, Jeffrey.

Stevens, Ann Huff
TI   Retirement Incentives and Expectations. AU   Chan, Sewin; Stevens, Ann Huff.

Storesletten, Kjetil
PD   November 2000. TI   Consumption and Risk Sharing Over the Life Cycle. AU   Storesletten, Kjetil; Yaron, Amir; Telmer, Chris I. AA   Storesletten: University of Stockholm and CEPR. Yaron: University of Pennsylvania and NBER. Telmer: Carnegie-Mellon University. SR   National Bureau of Economic Research Working Paper: 7995; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   27. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   D31, D81, E21. KW   Consumption. Income. Inequality. Life Cycle Models. Uncertainty.

AB   A striking feature of U.S. data on income and consumption is that inequality increases with age. Using both panel data and an equilibrium life cycle model, we argue that this is informative for understanding the importance and the characteristics of idiosyncratic labor market risk. We find that uncertainty distributed throughout the working years accounts for 40 percent of life time uncertainty, with the remainder being realized prior to entering the labor market. We estimate that the shocks received over the life cycle contain a highly persistent component, with an autocorrelation coefficient between 0.98 and unity. The joint behavior of earnings and consumption inequality, interpreted using our model, adds to the body of evidence suggesting that labor market risks are imperfectly pooled and that a precautionary motive is an important aspect of U.S. savings behavior. The restrictions imposed by general equilibrium theory play an important role in arriving at each of these conclusions.

PD   December 2000. TI   The Welfare Cost of Business Cycles Revisited: Finite Lives and Cyclical Variation in Idiosyncratic Risk. AU   Storesletten, Kjetil; Telmer, Chris I.; Yaron, Amir. AA   Storesletten: University of Stockholm and CEPR. Telmer: Carnegie- Mellon University. Yaron: University of Pennsylvania and NBER. SR   National Bureau of Economic Research Working Paper: 8040; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   20. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   D31, E32. KW   Welfare Costs. Business Cycles. Overlapping Generations.
AB   This paper investigates the welfare costs of business cycles in a heterogeneous agent, overlapping generations economy which is distinguished by idiosyncratic labor market risk. Aggregate variation arises both in terms of aggregate productivity shocks and countercyclical variation in the volatility of idiosyncratic shocks. Based on both aggregate data and microeconomic data from the Panel Study on Income Dynamics, we find the welfare benefits of eliminating aggregate variation to be large -- an order of magnitude larger than those originally documented by Lucas (1987). The key to the difference is countercyclical variation in idiosyncratic risk, which both amplifies the welfare cost of aggregate productivity shocks and imposes a cost of its own. The magnitude of these effects increases non-linearly in risk aversion. Our results support the increasingly popular notion that distributional effects are an important aspect of understanding the welfare cost of business cycles.

Strazzera, Elisabetta
TI   Model Selection and Tests for Non Nested Contingent Valuation Models: An Assessment of Methods. AU   Genius, Margarita; Strazzera, Elisabetta.

PD   December 2001. TI   The Effect of Protest Votes on the Estimates of Willingness to Pay for Use Values of Recreational Sites. AU   Strazzera, Elisabetta; Genius, Margarita; Scarpa, Riccardo; Hutchinson, George. AA   Strazzera: University of Cagliari. Genius: University of Crete. Scarpa: University of York. Hutchinson: Queen University. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 97/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   21. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   C35, C51, C81, H41, Q26. KW   Contingent

Valuation. Protest Responses. Sample Selection. MLE. Two-Steps Method.

AB Selectivity bias caused by protest responses in Contingent Valuation studies can be detected and corrected by means of sample selection models. This paper compares two methods: the Heckman 2-steps method and the full ML, applied to data on forest recreation -- where WTP is elicited as a continuous variable. Either method has its own drawback: computational complexity for the ML method, susceptibility to collinearity problems for the 2-steps method. The latter problem is observed in our best fitting specification, with the ML estimator outperforming the 2-steps method. In this application, overlooking the effect of protest responses would cause an upwards bias of the final estimates of WTP.

Stromberg, Per
TI Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses. AU Kaplan, Steven N.; Stromberg, Per.

Stulz, Rene M.
TI Do Domestic Investors Have More Valuable Information About Individual Stocks Than Foreign Investors? AU Choe, Hyuk; Kho, Bong-Chan; Stulz, Rene M.

Suarez, Javier
TI Last Bank Standing: What Do I Gain if You Fail? AU Perotti, Enrico C.; Suarez, Javier.

Sul, Donggyu
TI Dynamic Panel Estimation and Homogeneity Testing Under Cross Section Dependence. AU Phillips, Peter C. B.; Sul, Donggyu.

Sun, Ning
PD November 2001. TI On Fair Allocations and Indivisibilities. AU Sun, Ning; Yang, Zaifu. AA Sun: Akita Prefectural University. Yang: Yokohama National University. SR Yale Cowles Foundation Discussion Paper: 1347; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 26. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE D31, D61, D74. KW Indivisibility. Fairness. Pareto Optimality. Resource Allocation. KKM Lemma.

AB This paper studies the problem of how to distribute a set of indivisible objects with an amount M of money among a number of agents in a fair way. We allow any number of agents and objects. Objects can be desirable or undesirable and the amount of money can be negative as well. In case M is negative, it can be regarded as costs to be shared by the agents. The objects with the money will be completely distributed among the agents in a way that each agent gets a bundle with at most one object if there are more agents than objects, and gets a bundle with at least one object if objects are no less than agents. We prove via an advanced fixed point argument that under rather mild and intuitive conditions the set of envy-free and efficient allocations is nonempty. Furthermore we demonstrate that if the total amount of money varies in an interval (X,Y), then there exists a connected set of fair allocations whose end points are allocations with sums of money equal to X and Y, respectively. Welfare properties are also analyzed when the total amount of money is modeled as a continuous variable.

Sun, Yixiao
PD April 2002. TI Nonlinear Log-Periodogram (LP) Regression for Perturbed Fractional Processes. AU Sun, Yixiao; Phillips, Peter C. B. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1366; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 40. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C13, C22, C51. KW Asymptotic Bias. Bias Reduction. Perturbed Fractional Processes. Rate of Convergence. Testing Perturbations.

AB This paper studies fractional processes that may be perturbed by weakly dependent time series. The model for a perturbed fractional process has a components framework in which there may be components of both long and short memory. All commonly used estimates of the long memory parameter (such as LP estimator) may be used in a components model where the data are affected by weakly dependent perturbations, but these estimates can suffer from serious downward bias. To circumvent this problem, this paper proposes a new procedure that allows for the possible presence of additive perturbations in the data. The new estimator resembles the LP regression estimator but involves an additional (nonlinear) term in the regression that takes account of possible perturbation effects in the data. Under some smoothness assumptions at the origin, the bias of the new estimator is shown to disappear at a faster rate than that of the LP estimator, while its asymptotic variance is inflated only by a multiplicative constant. In consequence, the optimal rate of convergence to zero of the asymptotic MSE of the new estimator is faster than that of the LP estimator. A test for the presence of perturbations in the data is given.

Surico, Paolo
PD January 2001. TI Globalisation and Trade: A "New Economic Geography" Perspective. AA Bocconi University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 13/2001; "Publication Office", 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 F12, F15, R34. KW Agglomeration. Economic Integration. New Economic Geography. Linkages. Labor Mobility. Wage Differentials.

AB This paper presents a survey of the so-called "New Economic Geography" (NEG) approach to International Trade, giving particular emphasis to the impact of labor mobility on the spatial distribution of economic activities across integrated countries. The liberalization of international trade boosts industrial concentration according to a core-periphery pattern. However, when some factors of production, especially labor, are internationally immobile, a further reduction in trade costs scales up the importance of price and wage spatial differentials in the cost function of a typical firm compared to the importance of backward and forward linkages. This deters producers from setting up economic activities in the core and might in the end lead firms to a new dispersion towards less developed and more peripheral regions. In surveying the most recent contributions in this area, the paper sheds light on several shortcomings of the NEG literature in order to point out new directions for further research, with particular reference to studies concerning the European Union (EU).

TI   Model Uncertainty, Optimal Monetary Policy and the Preferences of the Fed. AU   Castelnuovo, Efrem; Surico, Paolo.

Swagel, Phill
TI   The Aging Population and the Size of the Welfare State. AU   Razin, Assaf; Sadka, Efraim; Swagel, Phill.

Tatur, Tymon
PD   March 2001. TI   Asymptotically Optimal Market Mechanisms.   AA   Northwestern   University. SR   Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1315; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/.   PG   41. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students;   make check payable to Northwestern University. JE   C70, D82.   KW   Market Mechanisms. Inefficiency. VCG. Private Information.
AB   Because rational agents use their private information strategically in many trading environments any budget balanced, incentive compatible, and individually rational market mechanism will be inefficient. This paper is concerned with the arising inefficiencies as the number of traders becomes large. We prove that the absolute inefficiency of a sequence of budget balanced market mechanisms can not converge to zero faster then c sub o /m, where m is the size of the market and c sub o is a number explicitly determined in the paper. We propose a simple modification of the Vickrey-Clark-Groves mechanism which is budget balanced, individually rational, implementable in dominant strategies, and asymptotically optimal in the sense that it achieves the above rate of convergence. As a side product of our analysis we get other asymptotic results describing the trade off between revenue and efficiency. For example we prove that, as the market size m goes to infinity, the minimal deficit needed to implement the efficient allocation rule converges to a number d sub o, which is also explicitly determined in the paper.

Taylor, Alan M.
PD   November 2000. TI   A Century of Purchasing-Power Parity. AA   UC Davis and NBER. SR   National Bureau of Economic Research Working Paper: 8012; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.   PG   17. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE   F02, F41, N10.   KW   Purchasing-Power Parity. Exchange Rates.
AB   This paper investigates purchasing-power parity (PPP) since the late nineteenth century. Data for a group of twenty countries over one hundred years was collected, a larger historical panel of annual data than has ever been studied before. The evidence for long-run PPP is favorable using recent multivariate and univariate tests of higher power. Residual variance analysis shows that episodes of floating exchange rates have generally been associated with larger deviations from PPP, as expected; this result is not attributable to significantly greater persistence (longer half-lives) of deviations in such regimes, but is due to the larger shocks to the real-exchange rate process in such episodes. In the course of the twentieth century there was relatively little change in the capacity of international market integration to smooth out real

exchange rate shocks. Instead, changes in the size of shocks depended on the political economy of monetary and exchange-rate regime choice under the constraints imposed by the trilemma.

Taylor, Mark P.
TI   Nonlinear Mean-Reversion in Real Exchange Rates: Towards a Solution to the Purchasing Power Parity Puzzles. AU   Peel, David; Sarno, Lucio; Taylor, Mark P.

Tazdait, Tarik
TI   An Evolutionary Approach to the Climate Change Negotiation   Game.   AU   Courtois,   Pierre;   Pereau, Jean,Christophe; Tazdait, Tarik.

Tekin, Erdal
TI   Nonprofit Sector and Part-Time Work: An Analysis of Employer- Employee Matched Data of Child Care Workers. AU   Mocan, H. Naci; Tekin, Erdal.

Teles, Pedro
TI   Gaps and Triangles. AU   Adao, Bernardino; Horta Correia, Isabel; Teles, Pedro.

Telmer, Chris I.
TI   Consumption and Risk Sharing Over the Life Cycle. AU   Storesletten, Kjetil; Yaron, Amir; Telmer, Chris I.

TI   The Welfare Cost of Business Cycles Revisited: Finite Lives and Cyclical Variation in Idiosyncratic Risk. AU   Storesletten, Kjetil; Telmer, Chris I.; Yaron, Amir.

Temin, Peter
PD   October 2002. TI   Financial Intermediation in the Early Roman Empire. AA   MIT. SR   MIT, Department of Economics Working Paper: 02/39; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=348103. PG   29.   PR $7.00 U.S., Canada, Mexico; $10.00 other international.   JE   G21, N23.   KW   Roman Empire. Banking. Credit. Financial Markets.
AB   This paper uses a theoretical hierarchy of financial sources to evaluate the effectiveness of financial markets in the early Roman Empire. It first reviews the theory of financial intermediation to describe the hierarchy of financial sources and survey briefly the history of financial intermediation in pre-industrial Western Europe to provide a standard against which to evaluate the Roman evidence. The paper then describes the nature of financial arrangements in the early Roman Empire in terms of this hierarchy. The issue turns out to be not whether financial markets in Rome resembled those in other advanced agricultural economies, but rather which 18th century European economy did it resemble most closely. This exercise reveals the extent to which the Roman economy resembled more recent societies and sheds light on the prospects for economic growth in the Roman Empire, for good financial markets and institutions help people who have ideas for production get resources to implement those ideas.

Temple, Jonathan
PD   August 2001. TI   Growing into Trouble: Indonesia After   1966.   AA   University   of   Bristol   and   CEPR. SR   CEPR Discussion Paper: 2932; Centre for Economic

Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE O11, O53. KW Growth. Indonesia. Structural Change. Political Stability.
AB This paper analyses the remarkable growth experience of Indonesia since 1966. Over a thirty-year period, GDP per capita rose more than fourfold, despite unfavorable initial conditions, some weak institutions, and flawed microeconomic policies. The paper attributes this strong performance to a mutually reinforcing combination of political stability, competent macroeconomic policy, and some important instances of good fortune. It explores the origins of good policy and analyses three of the main external shocks. The paper also argues that rapid growth interacted with weak institutions in a way that contributed to the severity of the crisis of 1997-98.

Terwiesch, Christian

PD 2000. TI Preliminary Information, Interdependence and Task Concurrency in Product Development. AU Terwiesch, Christian; Loch, Christoph H.; De Meyer, Arnoud. AA Terwiesch: University of Pennsylvania. Loch and De Meyer: INSEAD. SR INSEAD Working Paper: 2000/32/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 33. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE M11, O31. KW Engineering. Information Exchange. Information Precision. Information Stability.
AB Engineering teams working in parallel routinely share preliminary information. We develop a model of preliminary information, with two dimensions. Information precision refers to the accuracy of the information exchanged. Information stability defines with what likelihood a piece of information will be changed later in the process. The model specifically addresses the tradeoffs development teams face when exchanging preliminary information. Relying on precise information too early can lead to iterations and costly rework. On the other hand, insisting on stability requires the affected party to wait (negating the advantage of concurrency), or to develop multiple "alternatives" of its component, for example, by developing multiple costly prototypes. Deconstructing preliminary information and dependency in this way allows us to understand the underlying economic tradeoffs, and thus to hypothesize benefits of targeted coordination strategies. Our research is related to earlier work by Adler (1995) who argues that interdepartmental coordination needs in development change over the course of a project's life cycle. We extend Adler's work by showing that the interdependence resulting from concurrency can only be understood in terms of problem solving progress at the micro-level of components or activities.

Thelle, Martin Hvidt

TI What are the Gains from a Multi-Gas Strategy? AU Jensen, Jesper; Thelle, Martin Hvidt.

Thomas, Duncan

TI Longer Term Effects of Head Start. AU Currie, Janet; Garces, Eliana; Thomas, Duncan.

Tirole, Jean

TI Self-Confidence and Social Interactions. AU Benabou, Roland; Tirole, Jean.

TI Self-Confidence: Intrapersonal Strategies. AU Benabou, Roland; Tirole, Jean.

Tobin, James

PD February 2002. TI Macroeconomic Strategy in Wartime. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1357; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 5. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE E60, H20, H56. KW War. Recession. Taxes. Fiscal Policy. Military and Homeland Defense.
AB In 2001-02 the United States has been hit by two quite different shocks, terrorism and recession. As usual in time of war, national defense is the highest priority for use of the country's resources. Although the opportunities for international warfare are limited, the challenges to the homeland are virtually unlimited. The president's fiscal year 2003 budget includes $48 billion additional for the military and $38 billion additional for homeland defense. Given the gravity of the threat, it is hard to understand why new expenditures are not undertaken as soon as and as large as possible. This would also be timely for stimulus to the economy, more effective than tax cuts and other proposals -- with the nation in peril, the country is ready to make sacrifices, not to enjoy further tax reductions. Pearl Harbor in December 1941 occurred with the economy not yet recovered from the Great Depression, with unemployment still 10 per cent. Expenditures for war were increased sharply and rapidly, and full employment was restored in 1943.

Tol, Richard S. J.

TI Negotiating Climate Change as a Social Situation. AU Lise, Wietze; Tol, Richard S. J.; van der Zwaan, Bob.

TI Impact of Climate on Tourist Demand. AU Lise, Wietze; Tol, Richard S. J.

Tom, Willard K.

TI Is Innovation King at the Antitrust Agencies? The Intellectual Property Guidelines Five Years Later. AU Gilbert, Richard J.; Tom, Willard K.

Topiol-Bensaid, Agnes

TI Information Technology and Research and Development Impacts on Productivity and Skills: Looking for Correlations on French Firm Level Data. AU Greenan, Nathalie; Mairesse, Jacques; Topiol-Bensaid, Agnes.

Tornell, Aaron

TI Balance Sheet Effects, Bailout Guarantees and Financial Crises. AU Schneider, Martin; Tornell, Aaron.

Tulkens, Henry

TI Limits to Climate Change. AU Chander, Parkash; Tulkens, Henry.

TI Simulating Coalitionally Stable Burden Sharing Agreements for the Climate Change Problem. AU Eyckmans, Johan; Tulkens, Henry.

Turrini, Alessandro

TI Wage Premia and Skill Upgrading in Italy: Why Didn't

the Hound Bark? AU Manasse, Paolo; Stanca, Luca; Turrini, Alessandro.

Tvede, Mich
TI The Existence of Maximal Elements: Generalized Lexicographic Relations. AU Hougaard, Jens Leth; Tvede, Mich.

TI Benchmark Selection: An Axiomatic Approach. AU Hougaard, Jens Leth; Tvede, Mich.

TI Selling Digital Goods on the Internet. AU Hougaard, Jens Leth; Lindeneg, Klavs; Tvede, Mich.

Tybout, James R.
PD August 2001. TI Plant-and Firm-Level Evidence on "New" Trade Theories. AA Pennsylvania State University and NBER. SR National Bureau of Economic Research Working Paper: 8418; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 37. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE F12, F13, L11, L60. KW New Trade Theory. Commercial Policy. Import Competition. Production.
AB By relaxing the assumption of perfect competition, the "new" trade theory has generated a rich body of predictions concerning the effects of commercial policy on price-cost mark-ups, firm sizes, exports, productivity and profitability among domestic producers. This paper critically assesses the plant-and firm-level evidence on these linkages. Several robust findings are identified. First, mark-ups generally fall with import competition, but it is not clear whether this phenomenon reflect the elimination of market power or the creation of negative economic profits. Second, import-competing firms cut back their production levels when foreign competition intensifies, at least in the short run. Third, trade rationalizes production in the sense that markets for the most efficient plants are expanded, but large import-competing firms tend to simultaneously contract. Fourth, exposure to foreign competition often improves intra-plant efficiency. Fifth, firms that engage in international activities tend to be larger, more productive, and supply higher quality products. Finally, the short-run and long-run effects of commercial policy on exports and market structure can be quite different. Both types of response depend upon initial conditions, sunk entry costs, and the extent of firm heterogeneity.

Udell, Gregory F.
TI The Ability of Banks to Lend to Informationally Opaque Small Businesses. AU Berger, Allen N.; Klapper, Leora F.; Udell, Gregory F.

TI Small Business Credit Availability and Relationship Lending: The Importance of Bank Organizational Structure. AU Berger, Allen N.; Udell, Gregory F.

Valentinyi, Akos
TI Determinacy with Capital Adjustment Costs and Sector-Specific Externalities. AU Herrendorf, Berthold; Valentinyi, Akos.

Valles, Javier
TI Technology Shocks and Monetary Policy: Assessing the Fed's Performance. AU Gali, Jordi; Lopez-Salido, Jose

David; Valles, Javier.

TI Technology Shocks and Monetary Policy: Assessing the Fed's Performance. AU Gali, Jordi; Lopez-Salido, Jose David; Valles, Javier.

van den Bergh, Jeroen C. J. M.
TI Ecological-Economic Analysis and Valuation of Biodiversity. AU Nunes, Paulo A. L. D.; van den Bergh, Jeroen C. J. M.; Nijkamp, Peter.

van der Zwaan, Bob
TI Negotiating Climate Change as a Social Situation. AU Lise, Wietze; Tol, Richard S. J.; van der Zwaan, Bob.

van Ierland, Ekko
TI Effects of the Enlargement of EU on Trade and the Environment. AU Zhu, Xueqin; van Ierland, Ekko.

Van Wassenhove, Luk N.
TI Product Take-Back and Component Reuse. AU Geyer, Roland; Van Wassenhove, Luk N.

TI Managing Product Returns for Remanufacturing. AU Guide, V. Daniel R., Jr..; Van Wassenhove, Luk N.

TI Creating and Transferring Knowledge for Productivity Improvement in Factories. AU Lapre, Michael A.; Van Wassenhove, Luk N.

van Wincoop, Eric
TI Gravity with Gravitas: A Solution to the Border Puzzle. AU Anderson, James E.; van Wincoop, Eric.

Van Zandt, Timothy
PD June 2000. TI Information, Measurability, and Continuous Behavior. AA INSEAD. SR INSEAD Working Paper: 2000/49/EPS; INSEAD, Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 14. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C61, D81. KW Information Topologies. Measurability.
AB The stability of optimal plans with respect to information is studied given the representation of information as sub-fields of a probability space. A decision maker is constrained to choose a plan measurable with respect to her information. Continuity is derived by characterizing the continuity of the measurability constraint correspondence and then applying a generalized maximum theorem. This approach can be simpler and require fewer assumptions than an approach based on continuity of conditional expectations.

Ventura, Jaume
PD August 2002. TI Towards a Theory of Current Accounts. AA MIT, Universitat Pompeu Fabra, CEPR, and NBER. SR MIT, Department of Economics Working Paper: 02/29; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=322940. PG 24. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE F21, F32. KW Current Account. Capital Flows. Intertemporal Theory.
AB The current accounts data of industrial countries exhibits some strong patterns that are inconsistent with the

intertemporal approach to the current account. This is the basic model that international economists have been using for more than two decades to think about current account issues. This paper shows that it is possible to go a long way towards reconciling the theory and the data by introducing two additional features to the basic model: investment risk and adjustment costs to investment. Moreover, these extensions generate new and unexpected theoretical predictions that receive substantial support in the data. The overall message is therefore positive: with a couple of reasonable modifications, the intertemporal approach to the current account provides a fairly good description of the industrial country data.

PD October 2002. TI Bubbles and Capital Flows. AA Universitat Pompeu Fabra and MIT. SR MIT, Department of Economics Working Paper: 02/36; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=341140. PG 33. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE F15, F36, F43. KW Asset Price Bubbles. International Capital Flows. Economic Growth.
AB This paper presents a stylized model of international trade and asset price bubbles. Its central insight is that bubbles tend to appear and expand in countries where productivity is low relative to the rest of the world. These bubbles absorb local savings, eliminating inefficient investments and liberating resources that are in part used to invest in high productivity countries. Through this channel, bubbles act as a substitute for international capital flows, improving the international allocation of investment and reducing rate-of-return differentials across countries. This view of asset price bubbles has important implications for the way we think about economic growth and fluctuations. It also provides a simple account of some real world phenomena that have been difficult to model before, such as the recurrence and depth of financial crises or their puzzling tendency to propagate across countries.

Verboven, Frank
TI Market Integration and Convergence to the Law of One Price: Evidence from the European Car Market. AU Goldberg, Pinelopi; Verboven, Frank.

Verdier, Thierry
TI The Political Economy of Clientelism. AU Robinson, James A.; Verdier, Thierry.

Vergalli, Sergio
TI Global Warming, Uncertainty and Endogenous Technical Change: Implications for Kyoto. AU Castelnuovo, Efrem; Moretto, Michele; Vergalli, Sergio.

Viallefont, Valerie
TI Bayesian Analysis of Poisson Mixtures. AU Green, Peter J.; Richardson, Sylvia; Viallefont, Valerie.

Viegi, Nicola
TI Credibility, Transparency and Asymmetric Information in Monetary Policy. AU Hughes Hallett, Andrew; Viegi, Nicola.

Vieille, Nicholas
TI Quitting Games -- An Example. AU Solan, Eilon;

Vieille, Nicholas.

Vikhlyaev, Alexey
PD September 2001. TI The Use of Trade Measures for Environmental Purposes -- Globally and in the EU Context. AA UNCTAD. SR Fondazione Eni Enrico Mattei Note di Lavoro: 68/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 38. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D70, F15, F18. KW Trade Measures. Environmental Protection. Economic Integration. WTO. Rule Making and Implementation.
AB This paper assesses the scope for and implications of trade measures for environmental purposes in the WTO and the European Union. The assessment is illustrated by a number of cases that have tested the limits of legal provisions in the WTO and EU dealing with issues arising at the intersection of trade liberalization and environmental protection such as the maintenance of domestic health, safety and environmental standards and cross-border activity. The conclusions of the paper point to a trend towards the regionalization of trade and environment rule making and implementation, with the EU moving along its distinctive policy making path, and the GATT/WTO barely moving at all. The paper demonstrates the limitations of judicial and quasi- judicial means of dealing with trade measures for non-trade purposes and argues for approaching the legitimacy of such measures through the lens of process rather than outcome, expanding participation and interest representation in national and international decision- and policy-making.

Vishny, Robert W.
TI Stock Market Driven Acquisitions. AU Shleifer, Andrei; Vishny, Robert W.

Visser, Michael
TI A Study of Consumer Behavior Using Laboratory Data. AU Fevrier, Philippe; Visser, Michael.

Vohra, Rakesh V.
PD March 2001. TI Integer Programming and Arrovian Social Welfare Functions. AU Vohra, Rakesh V.; Sethuraman, Jay; Piaw, Teo Chung. AA Vohra: Northwestern University. Sethuraman: Columbia University. Piaw: National University of Singapore. SR Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1316; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. PG 29. PR $3.00 U.S.; $5.00 via international mail; $2.00 Northwestern faculty/students; make check payable to Northwestern University. JE C60, D60. KW Social Welfare Function. Impossibility Theorem. Single-Peaked Domain. Linear Programming.
AB We formulate the problem of deciding which preference domains admit a non-dictatorial Arrovian Social Welfare Function as one of verifying the feasibility of an integer linear program. Many of the known results about the presence or absence of Arrovian Social Welfare Functions, and properties of majority rules, can be derived in a simple and unified way from this integer program. We provide a complete polyhedral

description of Arrovian Social Welfare Functions on single-peaked domains. Finally, we extend the method to study Arrovian Social Choice functions.

Vollebergh, Herman R. J.
TI A Note on Testing for Environmental Kuznets Curves with Panel Data. AU Dijkgraaf, Elbert; Vollebergh, Herman R. J.

von Hagen, Jurgen
TI Budget Processes: Theory and Experimental Evidence. AU Ehrhart, Karl-Martin; Gardner, Roy J.; Keser, Claudia; von Hagen, Jurgen.

TI Regional Risksharing and Redistribution in the German Federation. AU Hepp, Ralf; von Hagen, Jurgen.

von Thadden, Ernst-Ludwig
TI European Financial Markets After EMU: A First Assessment. AU Danthine, Jean-Pierre; Giavazzi, Francesco; von Thadden, Ernst-Ludwig.

Waidmann, Timothy
TI Accounting for Recent Declines in Employment Rates among the Working-Aged Disabled. AU Bound, John; Waidmann, Timothy.

Waldman, Michael
TI Competition, Monopoly, and Aftermarkets. AU Carlton, Dennis W.; Waldman, Michael.

Walker, David I.
TI The Overlooked Corporate Finance Problems of a Microsoft Breakup. AU Bebchuk, Lucian Arye; Walker, David I.

Wampach, Claude
TI Undiversifiable Returns in a CAPM Economy. AU Braila, Peghe; Wampach, Claude.

Wang, Zhenyu
TI Empirical Evaluation of Asset Pricing Models: A Comparison of the SDF and Beta Methods. AU Jagannathan, Ravi; Wang, Zhenyu.

Weber, Shlomo
PD June 2001. TI From Autarky to Free Trade: The Impact on Environment. AU Weber, Shlomo; Wiesmeth, Hans. AA Weber: Southern Methodist University. Wiesmeth: Techn. Universitat Dresden. SR Fondazione Eni Enrico Mattei Note di Lavoro: 33/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 33. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C72, F18. KW Free Trade. Autarky. Environmental Standards. Environmental Policy.
AB We consider a model with two countries, two commodities and two factors of production, labor and environmental standards. The countries first choose their environmental standards and then the equilibrium market allocations are determined. We study a subgame perfect Nash equilibrium of this game for two types of environmental problems: regional and international. We examine effects

resulting from the transition from autarky to free trade and show that regulating interference with supply and demand may have a positive effect on environmental standards. In particular, a transfer of a commodity from one country to the other can increase welfare and raise environmental standards in both countries.

Weder, Mark
PD October 2000. TI Indeterminacy in a Small Open Economy Ramsey Growth Model. AA Humboldt Universitat zu Berlin and CEPR. SR CEPR Discussion Paper: 2585; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, $8 or 8 euros. JE F12, F43. KW Increasing Returns. Indeterminacy. Small Open Economies.
AB This paper presents a small open economy version of the Benhabib and Farmer [2] two sector optimal growth model with production externalities. It is shown that indeterminacy is considerably easier to obtain under a regime of perfect world capital markets than in the closed economy variant. Furthermore, the result is not dependent on high labor supply elasticity since that input is fixed. The paper also examines a variant that takes into account external borrowing constraints and it is shown that the qualitative results on indeterminacy remain basically unaffected by this extension.

TI Complementarity of Labor Market Institutions, Equilibrium Unemployment and the Persistence of Business Cycles. AU Burda, Michael C.; Weder, Mark.

Weibull, Jorgen W.
TI Punctuality: A Cultural Trait as Equilibrium. AU Basu, Kaushik; Weibull, Jorgen W.

Weisbach, Michael S.
TI Measuring Investment Distortions when Risk-Averse Managers Decide Whether to Undertake Risky Projects. AU Parrino, Robert; Poteshman, Allen M.; Weisbach, Michael S.

Weisbenner, Scott J.
TI Is a Bird in Hand Worth More than a Bird in the Bush? Intergenerational Transfers and Savings Behavior. AU Brown, Jeffrey R.; Weisbenner, Scott J.

Weiss, Yoram
TI A Behavioral Explanation of the Relative Performance Evaluation Puzzle. AU Fershtman, Chaim; Hvide, Hans K.; Weiss, Yoram.

Wells, Martin T.
TI Mixture Models, Latent Variables and Partitioned Importance Sampling. AU Casella, George; Robert, Christian P.; Wells, Martin T.

Wertenbroch, Klaus
PD June 2000. TI Incentive-Compatible Elicitation of Consumer Willingness to Pay at the Point of Purchase. AU Wertenbroch, Klaus; Skiera, Bernd. AA Wertenbroch: INSEAD. Skiera: Johann Wolfgang von Goethe-Universitat. SR INSEAD Working Paper: 2000/50/MKT; INSEAD,

Research Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 22. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** D46, M31. **KW** Contingent Valuation. Incentive Compatibility. Market Research. Reservation Prices. Willingness to Pay.
AB Economists, psychologists, and marketing researchers rely on measures of consumers' willingness to pay (WTFP) in estimating demand for private and public goods and in designing optimal price schedules. Common elicitation approaches are conjoint analysis and contingent valuation-based techniques that directly ask consumers about the WTP. Both approaches are based on stated preferences and are not derived from actual transactions. Second-price sealed bid (VICKREY) auctions have been proposed as an incentive-compatible method to overcome these shortcomings, but their applicability in marketing research is limited. Bidders have been shown to exhibit (pseudo-) strategic behavior, even in theoretically incentive-compatible formats, and auctions lack the realism of representative point-of-purchase settings. We develop and test easily administered incentive-compatible, lottery-based (Becker- DeGroot-Marschak-type) procedure to measure WTP at the point of purchase. In three studies, we explore the reliability, validity, and feasibility of the procedure and show that it yields lower WTP estimates than non-incentive-compatible methods such as open-ended and double-bounded contingent valuation.

Whang, Yoon-Jae
TI Consistent Testing for Stochastic Dominance: A Subsampling Approach. **AU** Linton, Oliver; Maasoumi, Esfandiar; Whang, Yoon-Jae.

Wheaton, William C.
PD March 2002. **TI** Commuting, Ricardian Rent and House Price Appreciation in Cities with Dispersed Employment and Mixed Land-Use. **AA** MIT. **SR** MIT, Department of Economics Working Paper: 02/35; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=339482. **PG** 17. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** R12, R14. **KW** Job Decentralization. Ricardian Rent. Urban Growth.
AB For centuries, cities have been modeled as geographically centered markets in which locational scarcity generates Ricardian Land Rent that in turn increases over time as cities grow. This paper first presents some empirical evidence that this is not the case: inflation-adjusted locational rent does not increase over time -- despite enormous urban growth. Rather than trying to explain this tendency within a "monocentric" framework, this paper develops a model where jobs and commerce can be spatially interspersed with residences, under certain economic conditions. The paper presents new empirical evidence that such job dispersal does characterize at least US cities. The comparative statics of this model are much more consistent with the data -- accommodating extensive urban growth with little or no increase in commuting and Ricardian Rent.

Whelan, Karl
TI New Tests of the New-Keynesian Phillips Curve. **AU** Rudd, Jeremy; Whelan, Karl.

White, Lawrence J.
TI The Effects of Dynamic Changes in Bank Competition on the Supply of Small Business Credit. **AU** Berger, Allen N.; Goldberg, Lawrence G.; White, Lawrence J.

Whitesell, William
TI Anticipations of Monetary Policy in Financial Markets. **AU** Lange, Joe; Sack, Brian; Whitesell, William.

TI Capital Requirements, Business Loans, and Business Cycles: An Empirical Analysis of the Standardized Approach in the New Basel Capital Accord. **AU** Carpenter, Seth B.; Whitesell, William; Zakrajsek, Egon.

Whitta-Jacobsen, Hans Jorgen
PD February 2002. **TI** Endogenous Keynesian Business Cycles. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 02/15; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 26. **PR** no charge. **JE** E32, E63, J30. **KW** Endogenous Business Cycles. Nominal Rigidity. Wages. Unemployment.
AB It is shown that a nominal rigidity may work as a natural mechanism for rational expectations endogenous fluctuations. By a nominal rigidity is meant that some nominal price, here the nominal wage rate, does not adjust within each short period to equate supply and demand (of labor), but adjusts competitively between any two successive periods in response to the excess supply or demand in the first of the periods. Under circumstances that would otherwise exclude endogenous fluctuations, a certain degree of sluggishness in the adjustment of the nominal wage rate implies existence of such fluctuations. The required degree of sluggishness is not unrealistic. The rate of unemployment varies countercyclically along the fluctuations studied, and welfare concerns may motivate stabilization policies attempting at keeping the economy at a steady state, where unemployment is at the natural rate all the time.

Wieland, Volker
TI The Performance of Forecast-Based Monetary Policy Rules under Model Uncertainty. **AU** Levin, Andrew T.; Wieland, Volker; Williams, John C.

Wiesmeth, Hans
TI From Autarky to Free Trade: The Impact on Environment. **AU** Weber, Shlomo; Wiesmeth, Hans.

Williams, John C.
TI The Performance of Forecast-Based Monetary Policy Rules under Model Uncertainty. **AU** Levin, Andrew T.; Wieland, Volker; Williams, John C.

Williams, Roberton C., III.
PD December 2000. **TI** Health Effects in a Model of Second-Best Environmental Taxation or Reconsidering "Reconsidering the Tax-Interaction Effect." **AA** University of Texas and NBER. **SR** National Bureau of Economic Research Working Paper: 8048; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 9. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H21, H23, I18.

AB The literature on environmental taxation in the presence of pre- existing distortionary taxes has shown that the interactions with pre- existing taxes tend to raise the cost of an environmental tax, and thus that the optimal environmental tax in that context is less than marginal environmental damages. A recent paper by Schwartz and Repetto (2000) challenges this finding, arguing that the health benefits from reduced pollution will also interact with pre-existing taxes, possibly causing the optimal environmental tax to exceed marginal environmental damages. Schwartz and Repetto's analysis aimed to account for health effects by representing environmental quality and leisure as substitutes in utility. The present paper employs an analytically tractable general equilibrium model that, in contrast with Schwartz and Repetto's analysis, explicitly considers health effects. It shows that interactions with health effects from pollution actually will tend to reduce the optimal environmental tax. This result contradicts Schwartz and Repetto's conclusion. This demonstrates the usefulness of explicitly modeling health effects, and it reinforces the general notion that tax- interactions tend to raise the costs of an environmental tax.

AB Numerous recent studies have indicated that interactions with a tax- distorted labor market increase the cost of pollution regulation. However, these studies have made restrictive assumptions regarding individual preferences and have ignored key links between pollution, human health, and labor productivity. This paper develops an analytically tractable general equilibrium model that allows regulation to provide benefits through several different channels, including improved health or productivity. The model shows that when the benefits of reduced pollution come in the form of improved health or productivity, the benefits affect labor supply, and therefore create a benefit-side tax-interaction effect in addition to the familiar cost- side interaction. When reduced pollution boosts labor productivity, the effect substantially magnifies such benefits. When pollution affects consumer health, the effect will tend to be opposite, diminishing the benefits of reduced pollution. This result is of far more than just theoretical interest; the benefit-side interaction is of the same magnitude as the cost-side interaction, and thus can fundamentally affect the optimal level of regulation. The paper considers only environmental regulation, but the concepts developed here apply equally to other policies affecting productivity, or health, such as research subsidies or occupation safety regulations.

Williamson, Jeffrey G.

Willis, Kenneth, G.

Wise, David

Woerdman, Edwin

AB The objective of this paper is to find out whether differences between the domestic permit allocation procedures of the Member States of the European Union (EU) will distort competition and lead to state aid in a European carbon trading market. This paper shows that it depends whether one takes an efficiency or equity perspective. There is no problem from an efficiency perspective, because both grandfathered and auctioned permits have opportunity costs. However, the competitive distortion and state aid issues are relevant from an equity perspective, because (ceteris paribus) an auctioned firm has less financial resources than its grandfathered competitor abroad. A political (albeit not legal) precedent for a European permit trading market is set by the decision of the Commission in the Danish carbon dioxide emissions trading scheme. The Commission characterized grandfathering as state aid, but nevertheless exempted it by using not only legal and economic, but also political arguments.

Wolfenson, Daniel

Woodford, Michael

AB This paper derives loss functions for monetary policy that are grounded in the welfare of private agents for optimizing models with nominal price rigidities. Inflation stabilization enhances welfare, insofar as variable inflation results in real distortions when prices are not adjusted throughout the economy in a perfectly synchronized fashion. The exact sense in which inflation variability matters for welfare, however, depends upon the details of price-setting behavior. Conditions are described under which optimal policy involves complete stabilization of the price level. This may be optimal even in the presence of "supply shocks" of several possible sorts, and even in the presence of distortions that imply that the optimal output gap is positive (despite the existence of a long-run Phillips curve). At the same time, a variety of reasons are discussed why

complete price-level stabilization is not optimal in more complicated (and probably more realistic) settings.

PD January 2001. TI Fiscal Requirements for Price Stability. AA Princeton University and NBER. SR National Bureau of Economic Research Working Paper: 8072; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 72. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE E31, E42, E61. KW Ricardian Equivalence. Fiscal Policy. Monetary Policy. Taylor Rule.
AB This paper argues that maintaining price stability requires not only commitment to an appropriate monetary policy rule, but an appropriate fiscal policy rule. "Ricardian equivalence" does not imply that fiscal policy is irrelevant, except in the case of a certain class of policies (called "Ricardian" policies). The role of fiscal developments in inflation determination under a non-Ricardian regime is illustrated through an analysis of the U.S. bond-price support regime of the 1940s. Several recent theoretical challenges to the logical possibility of a non-Ricardian regime are addressed, and a number of consequences are then drawn for the choice of policies to ensure price stability. An example of a monetary-fiscal regime with attractive properties would combine a "Taylor rule" for monetary policy with nominal-deficit targeting as a fiscal policy commitment.

Wooton, Ian
TI Multinational Firms: Easy Come, Easy Go?
AU Haaland, Jan; Wooton, Ian.

TI Market Structure, Trade Liberalization, and the GATS.
AU Francois, Joseph; Wooton, Ian.

Wurgler, Jeffrey
TI When Does the Market Matter? Stock Prices and the Investment of Equity-Dependent Firms. AU Baker, Malcolm; Stein, Jeremy C.; Wurgler, Jeffrey.

Xiao, Zhijie
TI Partially Linear Models with Unit Roots. AU Juhl, Ted; Xiao, Zhijie.

TI Efficient Regression in Time Series Partial Linear Models. AU Phillips, Peter C. B.; Guo, Binbin; Xiao, Zhijie.

Yang, Zaifu
PD October 2001. TI An Optimal Fair Job Assignment Problem. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1350; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 17. PR no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. JE D31, D61, D63, D74. KW Perfectly Fair Allocation. Efficiency. Indivisibility. Multi-person Decision. Discrete Optimization.
AB We study the problem of how to allocate a set of indivisible objects like jobs or houses and an amount of money among a group of people as fairly and as efficiently as possible. A particular constraint for such an allocation is that every person should be assigned with the same number of objects in his or her bundle. The preferences of people depend on the bundle of objects and the quantity of money they take. We propose a solution to this problem, called a perfectly fair

allocation. It is shown that every perfectly fair allocation is efficient and envy-free, income-fair and furthermore gives every person a maximal satisfaction. Then we establish a necessary and sufficient condition for the existence of a perfectly fair allocation. It is shown that there exists a perfectly fair allocation if and only if an associated linear program problem has a solution. As a result, we also provide a finite method of computing a perfectly fair allocation.

TI On Fair Allocations and Indivisibilities. AU Sun, Ning; Yang, Zaifu.

Yariv, Leeat
PD January 2002. TI I'll See It When I Believe It -- A Simple Model of Cognitive Consistency. AA Yale University. SR Yale Cowles Foundation Discussion Paper: 1352; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. PG 45. PR no charge up to 3 papers; $3.00 each in U.S.; $4,00 each International. JE C90, D72, D83, D91, M30. KW Belief Utility. Cognitive Dissonance. Confirmatory Bias. Overconfidence. Selective Exposure.
AB Psychological experiments demonstrate that people exhibit a taste for consistency. Individuals are inclined to interpret new evidence in ways that confirm their pre-existing beliefs. They also tend to change their beliefs to enhance the desirability of their past actions. This paper presents a model that incorporates these effects into an agent's utility function and allows to characterize when: (i) agents become under-and over-confident, (ii) agents exhibit excess stickiness in action choices, (iii) agents prefer less accurate signals, and (iv) agents are willing to pay in order to forgo signals altogether. Applications to political campaigns and investment decisions are explored.

Yaron, Amir
TI Consumption and Risk Sharing Over the Life Cycle.
AU Storesletten, Kjetil; Yaron, Amir; Telmer, Chris I.

TI The Welfare Cost of Business Cycles Revisited: Finite Lives and Cyclical Variation in Idiosyncratic Risk.
AU Storesletten, Kjetil; Telmer, Chris I.; Yaron, Amir.

TI Risks for the Long Run: A Potential Resolution of Asset Pricing Puzzles. AU Bansal, Ravi; Yaron, Amir.

Yaziji, Michael
TI The Fight for the Alpha Position: Channeling Status Competition in Organizations. AU Loch, Christoph H.; Yaziji, Michael; Langen, Christian.

Yildiz, Muhamet
PD October 2002. TI Waiting to Persuade. AA MIT. SR MIT, Department of Economics Working Paper: 02/38; Linda Woodbury, MIT Department of Economics, E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: ssrn.com/abstract_id=348181. PG 15. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE C72, C78, D74, D83. KW Bargaining. Misperception. Optimism. Delay. Learning.
AB This paper analyzes a sequential bargaining model in which players are optimistic about their bargaining power (measured as the probability of making offers), but learn as they

play the game. The paper shows that there exists a uniquely predetermined settlement date, such that in equilibrium the players always reach an agreement at that date, but never reach one before it. Given any discount rate, if the learning is sufficiently slow, the players agree immediately. The paper also shows that, for any speed of learning, the agreement is delayed arbitrarily long, provided that the players are sufficiently patient. Therefore, although excessive optimism alone cannot cause delay, it can cause long delays if the players are expected to learn.

TI Sequential Decision Making: How Prior Choices Affect Subsequent Valuations. **AU** Ofek, Elie; Yildiz, Muhamet; Haruvy, Ernan.

Yitzhaki, Shlomo
PD January 2001. **TI** A Public Finance Approach to Assessing Poverty Alleviation. **AA** Hebrew University and NBER. **SR** National Bureau of Economic Research Working Paper: 8062; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H22, H23, I38. **KW** Redistribution. Cost-benefit Analysis. Weights.
AB This paper points out the similarities and differences between cost- benefit analysis and tax reform. By restricting the analysis to the margin it is shown that both areas can be handled by the same method. In both areas, there is a need to define social distributional weights and to evaluate the Marginal Efficiency of Public Funds (MECF). It is suggested that the social distributional weights be derived from popular inequality indices. Such derivation, enables the decomposition of the impact of the project (tax reform) on growth and redistribution so that one can evaluate the trade-off between the two.

Yogo, Motohiro
TI Luxury Goods and the Equity Premium. **AU** Ait-Sahalia, Yacine; Parker, Jonathan A.; Yogo, Motohiro.

Yosha, Oved
TI Monetary Policy in an Open Economy: The Differential Impact on Exporting and Non-Exporting Firms. **AU** Ber, Hedva; Blass, Asher; Yosha, Oved.

Zakoian, Jean-Michel
TI Efficient Use of High Order Autocorrelations for Estimating Autoregressive Processes. **AU** Broze, Laurence; Francq, Christian; Zakoian, Jean-Michel.

TI Linear-Representations Based Estimation of Switching-Regime GARCH Models. **AU** Francq, Christian; Zakoian, Jean-Michel.

Zakrajsek, Egon
TI Capital Requirements, Business Loans, and Business Cycles: An Empirical Analysis of the Standardized Approach in the New Basel Capital Accord. **AU** Carpenter, Seth B.; Whitesell, William; Zakrajsek, Egon.

Zarnowitz, Victor
TI The Composite Index of Leading Economic Indicators: How to Make It More Timely. **AU** McGuckin, Robert H.; Ozyildirim, Ataman; Zarnowitz, Victor.

Zenou, Yves
TI Location and Education in South African Cities Under and After Apartheid. **AU** Selod, Harris; Zenou, Yves.

PD February 2002. **TI** How Do Firms Redline Workers? **AA** University of Southampton and CEPR. **SR** CEPR Discussion Paper: 3209; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $5 or 8 euros + postage and handling. **JE** J41, R14. **KW** Distance to Jobs. Efficiency Wage. Recruitment Area. Spatial Mismatch.
AB In a city where individuals endogenously choose their residential location, firms determine their spatial efficiency wage and a geographical red line beyond which they do not recruit workers. This is because workers experiencing longer commuting trips provide lower effort levels than those residing closer to jobs. By solving simultaneously for the land and labor market equilibrium, we show that there exists a unique market equilibrium that determines the location of all individuals in the city, the land rent, the efficiency wage, the recruitment area and the unemployment level in the economy. This model is able to provide a new mechanism for the spatial mismatch hypothesis by taking the firm's viewpoint. Distance to jobs is harmful not because workers have low information about jobs (search) or because commuting costs are too high but because firms do not hire remote workers.

Zhang, Frank
TI Recovery in Default Risk Modeling: Theoretical Foundations and Empirical Applications. **AU** Bakshi, Gurdip; Madan, Dilip; Zhang, Frank.

Zhang, Jiangfeng
TI Controlling a Stock Pollutant with Endogenous Investment and Asymmetric Information. **AU** Karp, Larry; Zhang, Jiangfeng.

Zhang, Zhong Xiang
PD April 2001. **TI** Meeting the Kyoto Targets: The Importance of Developing Country Participation. **AA** University of Groningen. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 30/2001; "Publication Office", 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** Q25, Q28, Q43, Q48. **KW** Emissions Trading. Sustainable Development. Greenhouse Gases. Abatement Costs. Kyoto Protocol.
AB This paper investigates the implications of progressively broadening the scope of the market of tradable permits from no emissions trading to full global trading. We start with the no emissions trading case where each Annex I country must individually meet its Kyoto targets. Next, we consider a case where trading of emissions permits is limited to Annex I countries only. We then expand the scope of the market to include all the non-Annex I countries but China. Finally, to investigate the role China plays in reducing Annex I countries' compliance costs, we include China in our analysis. Our results demonstrate that the gain of the OECD as a whole increases as the market expands. We also find that developing countries benefit from such an expansion because it provides them with additional financial resources and helps them to cut their

baseline carbon emissions by a large margin. By contrast, the former Soviet Union tends to become worse off as the market expands. The potential conflict of interest between the former Soviet Union and developing countries underlines the importance of establishing clear rules of procedure about admitting new entrants before emissions trading begins.

PD December 2001. **TI** Domestic Climate Policies and the WTO. **AU** Zhang, Zhong Xiang; Assuncao, Lucas. **AA** Zhang: Chinese Academy of Social Sciences and Peking University. Assuncao: United Nations Conference on Trade and Development. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 91/2001; "Publication Office", 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** F18, Q25, Q28, Q43, Q48. **KW** Carbon Taxes. Energy Taxes. Subsidies. Efficiency Standards. Eco- Labels. Government Procurement. WTO. Climate Change. Border Taxes.
AB Trade measures agreed to within the multilateral environmental agreements (MEAs) may not necessarily lead to a dispute between parties. On the contrary, disputes may arise from national measures undertaken to fulfill those obligations under the MEAs. For instance, the possibility of conflict with their WTO obligations may arise in implementing the Kyoto Protocol, given that the Protocol gives Annex 1 countries considerable flexibility in the choice of domestic policies to meet their emissions commitments. Governments with differentiated institutions are likely to pursue their domestic policies in such a way as to unfairly advantage domestic producers over foreign ones. This indicates the necessity of addressing policy coordination between the trade and climate regimes. Against this background, this paper explores the potential interaction between various domestic climate policies and WTO rules. It argues that conflicts can be avoided or at least minimized if WTO rules are carefully scrutinized at the time Annex 1 governments undertake measures to achieve the required reductions in emissions. The paper suggests an early process of pursuing consultations between WTO members and the Parties to the Climate Change Convention and points to the need to further explore ways to enhance synergies between the trade and climate regimes.

Zhou, Hao

PD April 2001. **TI** Jump-Diffusion Term Structure and Ito Conditional Moment Generator. **AA** Board of Governors of the Federal Reserve System. **SR** Board of Governors of the Federal Reserve System, Finance and Economics Discussion Paper Series: 2001/28; Ms. Karen Blackwell, FEDS Secretary, Mail Stop 77, Federal Reserve Board, Washington, DC 20551. Website: www.bog.frb.fed.us/pubs/feds/. **PG** 19. **PR** no charge. **JE** C51, C52, E43, G12. **KW** Jump-Diffusion. Conditional Moment. Market Price of Risk.
AB This paper implements a Multivariate Weighted Nonlinear Least Square estimator for a class of Jump-Diffusion interest rate processes (hereafter MWNLS-JD), which also admit closed-form solutions to bond prices under a no-arbitrage argument. The instantaneous interest rate is modeled as a mixture of a square-root diffusion process and a Poisson jump process. One can derive analytically the first four conditional moments, which form the basis of the MWNLS-JD estimator. A diagnostic conditional moment test can also be constructed from the fitted moment conditions. The market prices of diffusion and jump risks are calibrated by minimizing the

pricing errors between a model-implied yield curve and a target yield curve. The time series estimation of the short-term interest rate suggests that the jump augmentation is highly significant and that the pure diffusion process is strongly rejected. The cross- sectional evidence indicates that the jump-diffusion yield curves are both more flexible in reducing pricing errors and are more consistent with the Martingale pricing principle.

TI Term Structure of Interest Rates with Regime Shifts. **AU** Bansal, Ravi; Zhou, Hao.

TI Estimating Stochastic Volatility Diffusion Using Conditional Moments of Integrated Volatility. **AU** Bollerslev, Tim; Zhou, Hao.

Zhu, Xueqin

PD July 2001. **TI** Effects of the Enlargement of EU on Trade and the Environment. **AU** Zhu, Xueqin; van Ierland, Ekko. **AA** Wageningen University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 54/2001; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 19. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C68, D58, F18. **KW** Trade. Environment. General Equilibrium Modeling. Sequential Joint Maximization.
AB With the gradual accession of some Central Eastern European Countries (CEECs) to the EU, international trade between EU and CEECs and the related environmental problems will definitely change because of the free trade and the mobility of production factors (labor and capital) within the EU. This paper investigates the consequences of the enlargement of the EU on trade and environment by general equilibrium modeling. A general equilibrium model with the sequential joint maximization method is developed to examine the impacts under different environmental regimes. For illustrative purposes, the model is applied in a numerical example with two regions (EU and CEECs) and two goods (pollution intensive good A and clean good B). The model is also run for some important environmental policies. The results show that the "coordinated policy in EU and CEECs" could be efficient to restrict the total emission level for uniformly mixing pollutants.

Zigic, Kresimir

TI Free Trade versus Strategic Trade as a Choice Between Two "Second- best" Policies: A Symmetric versus Asymmetric Information Analysis. **AU** Ionascu, Delia; Zigic, Kresimir.

Zitzewitz, Eric

TI Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya. **AU** Glewwe, Paul; Kremer, Michael; Moulin, Sylvie; Zitzewitz, Eric.

Zucker, David M.

TI Valid Asymptotic Expansions for the Maximum Likelihood Estimator of the Parameter of a Stationary, Gaussian, Strongly Dependent Process. **AU** Lieberman, Offer; Rousseau, Judith; Zucker, David M.