ABSTRACTS OF WORKING PAPERS IN ECONOMICS

This section contains abstracts and complete bibliographic information for current working papers, listed alphabetically by primary author. Brief entries appear for secondary authors, cross-referenced to the primary author. The AWPE Database is available as part of EconLit, the American Economic Association's on-line database and CD-ROM. For more information please contact Cambridge University Press (Call 212/924-3900).

Abel, Andrew B.
PD June 2000. **TI** The Effects of Investing Social Security Funds in the Stock Market When Fixed Costs Prevent Some Households from Holding Stocks. **AA** University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 7739; National Bureau of Economic Research, 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 the U.S.). **JE** G11, G18, G23, H55. **KW** Social Security. Stock Market. Fixed Costs.
AB With fixed costs of participating in the stock market, consumers with high income will participate in the stock market, but consumers with lower income will not participate. If a fully-funded defined- contribution social security system tries to exploit the equity premium by selling a dollar of bonds per capita and buying a dollar of equity per capita, consumers who save but do not participate in the stock market will increase their consumption, thereby reducing saving and capital accumulation. Calibration of a general equilibrium model indicates that this policy could reduce the aggregate capital stock substantially, by about 50 cents per capita.

Abrego, Lisandro
PD September 2001. **TI** Debt Relief Under the HIPC Initiative: Context and Outlook for Debt Sustainability and Resource Flow. **AU** Abrego, Lisandro; Ross, Doris C. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/144; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 38. **PR** not available. **JE** F34, F35, O11, O19. **KW** Debt Relief. External Sustainability. HIPC Initiative. Poverty Reduction.
AB This paper discusses the Heavily Indebted Poor Countries (HIPC) Initiative in the perspective of sizable historical debt relief and large positive net resource flows the HIPCs. It argues that, by substantially reducing HIPCs' debt stocks and debt service payments, the Initiative provides a solid basis for debt sustainability and room for increased social spending. For poverty reduction, HIPC relief is important but broader international support is needed. The paper maintains that, as experience has shown, external support can be effective only if it reinforces sound policies implemented by HIPCs themselves. Thus, debt relief and official development assistance are critical as "help for self-help.".

Acemoglu, Daron
PD July 2000. **TI** Technical Change. Inequality, and the Labor Market. **AA** Massachusetts Institute of Technology and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7800; National Bureau of Economic Research, 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 the U.S.). **JE** J30, J31, O14, O31, O33. **KW** Wage Structure. Labor Costs. Industrialization. Technological Change. Inequality.
AB This essay discusses the effect of technical change on wage inequality. The behavior of wages and returns to schooling indicates that technical change has been skill-biased during the past sixty years. Furthermore, the recent increase in inequality is most likely due to an acceleration in skill bias. In contrast to twentieth century developments, most technical change during the nineteenth century appears to be skill-replacing. This is because the increased supply of unskilled workers in the English cities made the introduction of these technologies profitable. On the other hand, the twentieth-century has been characterized by skill-biased technical change because the rapid increase in the supply of skilled workers has induced the development of skill-complementary technologies. The recent acceleration in skill bias is in turn likely to have been a response to the acceleration in the supply of skills during the past several decades.

PD July 2000. **TI** Productivity Differences. **AU** Acemoglu, Daron; Zilibotti, Fabrizio. **AA** Acemoglu: Massachusetts Institute of Technology and CEPR. Zilibotti: Stockholm University and CEPR. **SR** CEPR Discussion Paper: 2498; 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** F43, O14, O34, O47. **KW** Development. Directed Technical Change. Human Capital. Intellectual Property Rights. Labor Productivity.
AB Many technologies used by the least developed countries (LDCs) are developed in the OECD economies and are designed to make optimal use of the skills of these richer countries' workforces. Differences in the supply of skills create a mismatch between the requirements of these technologies and the skills of LDC workers, and lead to low productivity in the LDCs. Even when all countries have equal access to new technologies, this technology-skill mismatch can lead to sizeable differences in total factor productivity and output per worker. Evidence is provided in favor of the cross-industry productivity patterns predicted by the model, and also show that technology-skill mismatch could account for a large fraction of the observed output per worker differences in the data.

Acosta, Rebecca J.
PD October 2001. **TI** How Do Colleges Respond to

I

Changes in Federal Student Aid? AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 808; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 33. PR $5.00 (to cover the cost of postage and photocopying). JE H52,I22. KW Higher Education Finance. Student Aid. AB A major goal of federal aid is to increase access to college. However, increases in federal student aid may be less effective than one might expect at increasing access if colleges raise their tuitions or use federal student aid as a substitute for grant aid from their own funds. Variation in federal student aid caused by the Higher Education Amendments of 1992 is tracked to identify institutional response to changes in federal financial aid. The paper also investigates whether institutions react differently to changes in grant aid vs. loan aid and whether public four-year institutions behave differently than private four-year institutions. Private institutions are found to increase the amount of both institutional aid and tuition revenues in response to increases in both federal grant and federal loan aid. Public institutions may raise tuition revenues and decrease institutional aid in response to federal grant aid, but have no significant reaction to federal loan aid.

Adams, James D.

PD January 2000. TI Endogenous R&D Spillovers and Industrial Research Productivity. AA University of Florida and NBER. SR National Bureau of Economic Research Working Paper: 7484; 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 D24, D83, O31, O32, O33. KW Learning. Innovation. Research and Development. Spillovers. Probit Estimation.
AB This paper explores the implications of a simple model of learning and innovation by firms. In this model R&D spillovers are partly determined by firms, rather than by the given economic environment. According to this approach the full effect of spillovers on research productivity of firms exceeds the structural effect because it includes an "active learning" response of firms to new information. Furthermore, effective spillovers grow faster or slower than potential spillovers, depending on the returns to scale of production processes for learning and invention. The empirical work is based on a sample of R&D laboratories in the chemicals, machinery, electrical equipment, and transportation equipment industries. The author estimates negative binomial regressions for the number of patents as a function of academic and industrial spillover pools. learning expenditures and internal research expenditures. The findings are consistent with the view that learning expenditures transmit the effect of spillovers. The author also performs tobit, ordered probit and grouped probit estimation of learning effort. He finds that learning effort increases in response to industrial and academic R&D spillovers. Lastly. academic spillovers appear to have a more pervasive effect on R&D than do industrial spillovers.

Addison, John T.

PD April 2000. TI Building Blocks in the Economics of Mandates. AU Addison, John T.; Barrett, C. Richard; Siebert W. S. AA Addison: University of South Carolina. Barrett and Siebert: University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 00/07; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 25. PR 2 pounds ($4); no charge to academics. JE D82, J33, J38, J41, K31. KW Asymmetric Information. Labor Mandates. Compensation Packages. Government Provision. Free Market Contracts.
AB The paper constructs an asymmetric information model to investigate the efficiency and equity cases for government mandated benefits. A mandate can improve workers' insurance, and may also redistribute in favor of more "deserving" workers. The risk is that it may also reduce output. The more diverse are free market contracts -- separating the various worker types -- the more likely it is that such output effects will on balance serve to reduce welfare. It is shown that adverse effects can be mitigated by restricting mandates to "large" firms. An alternative to a mandate is direct government provision. We demonstrate that direct government provision may be superior to mandates by virtue of preserving separations.

Afsah, Shakeb

PD October 2000. TI How Do Public Disclosure Pollution Control Programs Work? Evidence from Indonesia. AU Afsah, Shakeb; Blackman, Allen; Ratunanda, Damayanti. AA Afsah: International Resources Group. Blackman: Resources for the Future. Ratunanda: Indonesia Environmental Impact Management Agency (BAPEDAL). SR Resources for the Future Discussion Paper: 00/44; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 18. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE O13, Q25, Q28. KW Public Disclosure. Environmental Audit. Voluntary Regulation. Emissions Reduction. Pollution Control.
AB Although a growing body of evidence suggests that publicly disclosing information about plants' environmental performance can motivate emissions reductions, this phenomenon remains poorly understood. To help fill this gap, this paper presents original data from a survey of plants participating in the Program for Pollution Control, Evaluation and Rating (PROPER), Indonesia's widely acclaimed public disclosure program. These data suggest that a key way PROPER spurs abatement is by improving factory managers' information about their own plants' emissions and abatement opportunities. This finding differs from the prevailing view that public disclosure enhances the external pressure to abate placed on firms by agents such as community groups and shareholders. But our data also suggest that PROPER's "environmental audit" effect operates in concert with external pressures. Therefore, simply supplying new information to plant managers without making that information public may not be sufficient to motivate significant abatement.

Agenor, Pierre-Richard

PD June 2000. TI Savings and the Terms of Trade Under Borrowing Constraints. AU Agenor, Pierre-Richard; Aizenman, Joshua. AA Agenor: The World Bank. Aizenman: Dartmouth College and NBER. SR National Bureau of Economic Research Working Paper: 7743; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 22.

AB This paper examines the extent to which permanent terms-of-trade shocks have an asymmetric effect on private savings. The first part uses a simple three-period model to show that, if households expect to face binding borrowing constraints in bad states of nature, savings rates will respond asymmetrically to favorable movements in the permanent component of the terms of trade -- in contrast to what conventional consumption-smoothing models would predict. The second part tests for the existence of asymmetric effects of terms-of-trade disturbances using an econometric model that controls for various standard determinants of private savings. The results, based on panel data for non-oil-exporting sub-Saharan African countries for the period 1980-9, indicate that increases in the permanent component of the terms of trade (measured using three alternative filtering techniques) tend indeed be associated with higher rates of private savings.

Aghion, Philippe

AB This paper develops a theoretical model to analyze how a General Purpose Technology (GPT) shapes within-group wage inequality when workers are ex-ante equal, but their adaptability to new technologies is subject to stochastic factors that are history dependent. It is argued that the diffusion of a GPT leverages the importance of these stochastic factors in three ways. First, a rise in the speed of embodied technological progress raises the market premium to workers adaptable to the leading-edge technology. Second, the generality of the technology raises the ability of adaptable workers to transfer recently acquired knowledge to new machines. Third, the generality of the technology reduces the cost of retooling old machines, which increases the demand for adaptable workers. In the model the rise in within-group inequality is mainly transitory, and is mirrored by a rise in wage instability. The key predictions of the model are shown to be in line with some of the existing empirical evidence.

Agnew, Maureen

Aizenman, Joshua

AB This paper investigates the design of an exchange rate policy for an economy where the domestic capital market is segmented from the global financial market, producers rely on credit to finance working capital needs, and the labor market is characterized by nominal contracts. We show that the choice of an exchange rate regime is intertwined with the financial structure -- greater reliance on working capital to finance input needs, and greater segmentation of the domestic capital market increase the desirable exchange rate stability. This result follows from the observation that greater exchange rate stability is likely to reduce the real interest rate facing the producer, thereby increasing output. Hence, greater reliance on working capital increases the welfare gain attached to the lower interest rate associated with lower flexibility of the exchange rate, thereby increasing the desirability of a fixed exchange rate. Similarly, greater integration with the global capital market reduces the real interest rate benefits from exchange rate stability, increasing thereby the optimal flexibility of the exchange rate, and reducing the demand for international reserves.

Aizer, Anna

AB As female participation in the labor force continues to grow in the US, so too does reliance on non-parental child care. However, the high cost of child-care and inadequate supply in some areas has impeded the ability of working mothers to find sufficient child-care for their children. As a result, roughly eight million children ages five to fourteen spent time without adult supervision on a regular basis in the US in 1998. Using ordinary least squares, fixed effect, and instrumental variables techniques on a panel of young adolescents, it is found that children with adult supervision are significantly less likely to skip school, abuse alcohol or marijuana, steal something as well as hurt someone. Thus, federal and state subsidies of child-care have a positive and significant impact on the probability of adult supervision, with the effects larger for those children most likely to engage in antisocial behavior. These findings suggest that increasing government subsidies for child care has positive spillover effects beyond the pre-school age children who are the primary target of such subsidies, with potentially important consequences for human capital development and labor outcomes later in life.

Alberini, Anna

Maureen; Simon, Nathalie; O'Brien, Bernie; Goeree, Ron; Heintzelman, Martin.

Alesina, Alberto

PD January 2000. TI The Political Economy of the Budget Surplus in the U.S. AA Harvard University, CEPR and NBER. SR National Bureau of Economic Research Working Paper: 7496; 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 E62, H61, H62, O51. KW Political Economy. Budget Surplus. Budget Systems.

AB Current surpluses in the U.S. have been achieved by a combination of a strong economy, low interest rates, and sharp cuts in defense spending. These surpluses follow a period (the eighties) of rather exceptional budget deficits. This paper investigates the origin, size, and expected future patterns of the U.S. budget balance. It discusses how different political forces may generate alternative fiscal scenarios for the U.S. in the next decade.

Allen, Steven G.

TI The Effect of Unions on Employment: Evidence from an Unnatural Experiment in Uruguay. AU Cassoni, Adriana; Allen, Steven G.; Labadie, Gaston J.

Alles, Lakshman

PD September 2001. TI Asset Securitization and Structured Financing: Future Prospects and Challenges for Emerging Market Countries. AA Curtin University and International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/147; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 16. PR not available. JE G15, G21, G28. KW Asset Securitization. Structured Financing. Emerging Markets.

AB This article examines the issues and challenges involved for institutions, policy makers, and law-makers in less developed countries in their efforts to implement asset securitization techniques in their financial markets. Challenges and issues in the areas of market development, legislation, accounting, regulation and structuring are examined in the light of recent developments in securitization techniques.

Alleyne, Trevor

PD September 2001. TI What Does South Africa's Pattern of Trade Say About Its Labor Market? AU Alleyne, Trevor; Subramanian, Arvind. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/148; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 23. PR not available. JE F14, F21, J49. KW South Africa. Trade. Factor Intensity.

AB This paper examines the factor intensity of South Africa's trade. The conclusion is that South Africa is revealed though its trade pattern to be capital abundant (relative to labor). Surprisingly, this result holds especially for South Africa's trade with its high income partners, which should presumably have been more capital-rich than South Africa. Moreover, this revealed capital intensity of South African production was not reversed during the 1990s after the dismantling of apartheid. This favoring of capital use, against

the background of high and rising under-utilization of the country's labor resources, raises questions about the functioning of South Africa's labor market institutions.

Allouch, Nizar

PD December 2001. TI A Note on Two Notions of Arbitrage. AA University of Warwick. SR Warwick Economic Research Paper: 623; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 5. PR no charge. JE C62, D51. KW Asset Market. Short Selling. Arbitrage.

AB Since Hart's (1974) and Werner's (1987) seminal papers, several conditions have been proposed to show the existence of equilibrium in an asset exchange economy with short-selling. In this note, we discuss the relationship between two no-arbitrage conditions. The first condition is the assumption that the individually rational utility set "U" is compact, as considered by Dana, Le Van, and Magnien (1999). The second is inconsequential arbitrage, introduced by Page, Wooders, and Monteiro (2000). Upon comparing these two conditions, we find that the inconsequential arbitrage condition is stronger than the assumption that U is compact.

Almazan, Andres

TI Optimal Corporate Governance Structures. AU Suarez, Javier; Almazan, Andres.

Aloi, Marta

PD October 2001. TI Unions, International Factor Mobility and Indeterminacy. AU Aloi, Marta; Lloyd-Braga, Teresa. AA Aloi: University of Nottingham. Lloyd-Braga: Universidade Catolica Portuguesa. SR University of Nottingham, GEP Research Paper: 2001/26; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. PG 23. PR no charge. JE E32, F12, F22, J50. KW Endogenous Fluctuations. International Factor Mobility. Trade Unions.

AB This paper considers simple overlapping generation models for two countries with capital externalities and one output. Preferences and technologies are identical across countries. However, countries differ in labor market structure. In one economy, there is perfect competition in the labor market, while in the other employment and wages are determined through efficient bargaining between unions and firms. Our parameterization is such that in autarkic equilibrium the unionized country exhibits indeterminacy, while the other has a stable determinate steady state. It is shown that if free trade and free capital movements exist, then indeterminacy is likely to appear in the world market. However, if international labor movements are allowed, indeterminacy may disappear.

Altissimo, Filippo

PD June 2000. TI The Nonlinear Dynamics of Output and Unemployment in the US. AU Altissimo, Filippo; Violante, Giovanni L. AA Altissimo: Banca d'Italia, Harvard University, and CEPR. Violante: University College London and CEPR. SR CEPR Discussion Paper: 2475; 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** C32, E32. **KW** Ergodicity. Impulse Response Function. Long-Run Effect of Recessions. Nonlinearity. Persistence.
AB This paper studies the joint dynamics of US output and unemployment rates in a nonlinear VAR model. The nonlinearity is introduced through a feedback variable that endogenously augments the output lags of the VAR in recessionary phases. Sufficient conditions for the ergodicity of the model, potentially applying to a larger class of threshold models, are provided. The linear specification is severely rejected in favor of our threshold VAR. However, in the estimation the feedback is found to be statistically significant only on unemployment, while it transmits to output through its cross-correlation. This feedback effect from recessions generates important asymmetries in the propagation of shocks, a possible key to interpret the divergence in the measures of persistence existing in the literature. The regime-dependent persistence also explains the finding that the feedback from recession exerts a positive effect on the long-run growth rate of the economy, an empirical validation for the Schumpeterian macroeconomic theories.

Altug, Sumuru G.
PD March 2000. **TI** Political Risk and Irreversible Investment: Theory and an Application to Quebec. **AU** Altug, Sumuru G.; Demers, Fanny S.; Demers, Michel. **AA** Altug: Durham University and CEPR. Demers, F. and Demers, M.: Carleton University. **SR** CEPR Discussion Paper: 2405; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 80. **PR** 5 pounds, $8 or 8 euros. **JE** D92, E22, O11, O16. **KW** Irreversible Investment. Learning. Political Risk. Regime Shifts. Quebec. Investment. Canada.
AB Political risk is widely present in developing but also in developed countries, and stems from a variety of sources. The objective of this paper is twofold. First, we develop a theoretical model to investigate the impact of political risk on irreversible investment. Second, we apply our model to an analysis of the risk of separation of the province of Quebec from the Canadian federation. We consider the investment decisions of a monopolistically competitive firm under uncertainty about demand and about the tax-adjusted price of investment goods. We develop a model of irreversible investment which incorporates learning and a regime switch with time-varying transition probabilities. If a given regime represents a riskier environment in terms of the state of demand or the state of investment price, then attaching a positive probability to a switch to that regime increases the marginal adjustment cost of investing, reduces the expected marginal value of capital, and reduces irreversible investment. We use annual sectoral data for the Quebec economy for the period 1983-1996 to match the behavior of actual investment with simulated series from our model.

Amiti, Mary
PD June 2001. **TI** Investment Liberalisation and International Trade. **AU** Amiti, Mary; Wakelin, Katharine. **AA** Amiti University of Melbourne. Wakelin: University of Nottingham. **SR** University of Nottingham, GEP Research Paper: 2001/12; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website:

www.Nottingham.ac.uk/lezec/research/dp/. **PG** 19. **PR** no charge. **JE** F14, F23. **KW** Investment Liberalization. Bilateral Trade Flows. Foreign Direct Investment.
AB This paper estimates the cross-price elasticity of exports with respect to investment costs for bilateral relations between the US and 35 partner countries. It shows that the relationship depends on country characteristics as predicted by the Markusen et al. (1996) model. When countries differ in relative factor endowments and trade costs are low, investment liberalization stimulates exports, whereas when countries are similar in terms of relative factor endowments and size, and trade costs are moderate to high, investment liberalization reduces exports.

Andersen, Torben G.
PD January 2000. **TI** Exchange Rate Returns Standardized by Realized Volatility are (Nearly) Gaussian. **AU** Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys Paul. **AA** Andersen: Northwestern University. Bollerslev: Duke University and NBER. Diebold: University of Pennsylvania, New York University and NBER. Labys: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 7488; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 14. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C22, C32, C52, F31, G15. **KW** Foreign Exchange. Exchange Rate Diffusions. GARCH models. Return Standardization. Fat-Tailed Distributions.
AB It is well known that high-frequency asset returns are fat-tailed relative to the Gaussian distribution, and that the fat tails are typically reduced but not eliminated when returns are standardized by volatilities estimated from popular models such as GARCH. We consider two major dollar exchange rates, and we show that returns standardized instead by the realized volatilities of Andersen, Bollerslev, Diebold and Labys (1999) are very nearly Gaussian. We perform both univariate and multivariate analyses, we trace the different effects of the different standardizations to differences in information sets, and we draw implications for the presence of jumps in exchange rate diffusions.

Anderson, Kym
PD April 2000. **TI** Agriculture, Developing Countries, and the WTO Millennium Round. **AA** University of Adelaide. **SR** CEPR Discussion Paper: 2437; 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, K33, O19, Q17, Q18. **KW** World Trade Organization. Trade Liberalization. Agricultural Policy. Developing Countries.
AB The potential welfare gains from further liberalizing agricultural markets are huge, according to recent Global Trade Analysis Project (GTAP) modeling results. Should attempts to liberalize farm trade in the next World Trade Organization (WTO) round follow the same pattern as the Uruguay Round, or might a more radical approach be required to bring agriculture more into the WTO mainstream? The question is explored from the viewpoint of developing countries by focusing especially on the Uruguay Round's dirty tariffication and adoption of tariff rate quotas. The paper also examines new

agricultural issues that have important implications for developing countries' trade. Options facing developing countries are explored in the paper's final section. The prospective new millennium round offers the best opportunity yet for developing countries to be proactive in seeking faster reform of farm (and textile) trade by Organization for Economic Cooperation and Development (OECD) countries. In return the developing countries will need to offer to open their own economies more. Fortuitously, that too is in the economic interests of rural people in poor countries.

Anderson, Simon P.

PD January 2000. TI Market Provision of Public Goods: The Case of Broadcasting. AU Anderson, Simon P.; Coate, Stephen. AA Anderson: University of Virginia. Coate: Cornell University and NBER. SR National Bureau of Economic Research Working Paper: 7513; 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 D43, H41, L13, L82, M37. KW Public Goods. Market Performance. Broadcasting. Advertisements. Subscription Prices.
AB This paper studies the market provision of a specific type of public good: radio and television broadcasts. Its main focus is to explore the ability of the market to provide broadcasting efficiently in a world in which broadcasters earn revenues by selling time to advertisers and advertisements provide information to consumers about new products. The paper shows that market provided broadcasts may feature too few or too many commercials, depending on the relative sizes of their social benefit and their nuisance cost to viewers. In addition, the market may provide too few or too many types of programs, depending on the relative size of viewing benefits and the benefits to advertisers from contacting viewers. The possibility of both under and over-provision of advertisements and programming, means that there are ranges of the parameters for which the market provides broadcasting close to efficiently. The paper also considers whether the market performs better under monopoly or competition and studies how the ability to charge viewers subscription prices impacts market performance.

Anderton, R.

PD July 1999. TI Preference Asymmetries, Hysteresis and Quality Effects in Swedish Imports. AU Anderton, R.; Brenton, Paul; Horsewood, Nicholas; Sinclair, Peter. AA Anderton: National Institute of Economic and Social Research, London. Brenton: Centre for European Policy Studies, Brussels. Horsewood and Sinclair: University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 99/19; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 29. PR 2 pounds ($4); no charge to academics. JE F12, F14, L15, L61, O52. KW International Trade. Home Bias. Hysteresis. Innovation. Quality Effects.
AB Are home and foreign products equally close substitutes? Our study uses highly disaggregated data to investigate the home preference bias in the Swedish fabricated metals sector, which appears to be declining. We find home-foreign substitution in excess of foreign-foreign substitution and evidence of hysteresis, captured by extremal relative prices.

Anthony, Myrvin L.

TI Should Argentina Adopt The US Dollar? AU Hallett, Andrew Hughes; Anthony, Myrvin L.

Arora, Vivek

PD August 2001. TI The Impact of U.S. Economic Growth on the Rest of the World: How Much Does It Matter? AU Arora, Vivek; Vamvakidis, Athanasios. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/119; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 26. PR not available. JE F43, O49. KW Economic Growth. International Trade.
AB This paper provides a quantitative assessment of the impact of economic growth in the United States on growth in other countries. Using panel data estimation, the paper finds a significant positive impact of U.S. growth on growth in the rest of the world, especially developing countries, during the past few decades. The evidence suggests that the impact of U.S growth on other countries can be explained by the significance of the United States as a global trading partner. The paper provides estimates of the direct impact of trade with the United States on growth in several individual countries.

Arulampalam, Wiji

PD November 2001. TI Factors Affecting the Probability of First-Year Medical Student Dropout in the UK: A Logistic Analysis for the Entry Cohorts of 1980- 1992. AU Arulampalam, Wiji; Naylor, Robin A.; Smith, Jeremy. AA University of Warwick. SR Warwick Economic Research Paper: 618; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 6. PR no charge. JE I29. KW Medical Students. Dropout Probability. School Dropout Factors.
AB This paper aims to assess the extent to which various factors influence the probability that an individual medical student will drop out of medical school during their first year of study, focusing on the influence both of prior qualifications, such as A-level subjects taken and scores attained, and of type of school and family background. It shows that the probability that a student will drop out is influenced significantly both by the subjects studied at A-level and by the scores achieved. In general, indicators of both the social class and the previous school background of the student are largely insignificant, with the exception that students with a parent who is a medical doctor are significantly less likely to drop out. There are significant differences by gender, with males more likely to drop out, and evidence of significant age effects, with a tendency for the dropout probability to fall with age.

Arunanondchai, May

PD December 2001. TI Can Indonesia Gain from Log Export Barriers. AA University of Warwick. SR Warwick Economic Research Paper: 619; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 28. PR no charge. JE D43, F12, F13, L22, L73. KW Trade Barriers. Vertical Integration. Forest Products. Timber Market.
AB We use a simple model of sequential duopoly to examine the effect of different industrial structures on firms' output decisions and profit shares in the international market for raw

and processed tropical timber products. The model provides insights that can be applied to the Indonesian logging and plywood industry, shedding light on appropriate trade policy. Whether optimal trade policy in each industry involves a tax or subsidy depends on the ownership structure and on the comparative profit margins from upstream and downstream exports. Log export barriers may improve welfare even if the downstream sector is inefficient. When the industry is vertically separated, this is true regardless of the comparative profit margins. However, when the industry is vertically integrated, (as is the case in Indonesia), this is only true when the downstream sector is more profitable at the margin.

Austin, David H.
PD November 2000. TI Patents, Spillovers, and Competition in Biotechnology. AA Resources for the Future. SR Resources for the Future Discussion Paper: 00/53; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 22. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE G14, L65, O31, O34. KW Innovation. Patent Value. Spillover. Event Study.
AB This paper gives the results for an event study performed on approximately 600 patents awarded primarily to 20 leading biotechnology firms. When a patent is awarded in a contested research area, there are significant changes in market values at the time of the award. Adjusting for partial anticipation of events, the core technology patents in highly contested research areas are expected to generate between $13 and $21 million of economic value. They also generate spillover benefits for the patentee's rivals -- presumably including knowledge transfers -- valued at $3 to $6 million per firm. Awardees may appropriate only half of private benefits, although negative spillovers are observed for some high-profile awards. Most patents have no significant market impact.

Autor, David H.
PD February 2000. TI Outsourcing at Will: Unjust Dismissal Doctrine and the Growth of Temporary Help Employment. AA Massachusetts Institute of Technology and NBER. SR National Bureau of Economic Research Working Paper: 7557; 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 J21, J63, K31. KW Temporary Employment. Employment at Will. Firing Costs. Firm- Specific Skills.
AB The U.S. temporary help services (THS) industry grew at 11 percent annually between 1979-1995, five times more rapidly than non-farm employment. Contemporaneously, courts in 46 states adopted exceptions to the common law doctrine of employment at will, limiting employers' discretion to terminate workers and opening them to litigation. This paper assesses whether the decline of employment at will and the growth of THS are causally related. The paper considers a simple model of employment outsourcing, the primary implication of which is that firms will respond to externally imposed firing costs by outsourcing positions requiring the least firm-specific skills, rather than those with the highest expected termination costs. The empirical analysis indicates that one class of exception, the implied contractual right to ongoing employment, led to 14-22 percent excess temporary help growth in adopting states. The decline of employment at will explains as much as 20 percent

of the growth of THS between 1973-1995.

Azhar, Abdul K.
TI The Environment, Trade and Industrial Restructuring: Revisiting the Evidence. AU Cole, Matthew A.; Elliott, R. J. R.; Azhar, Abdul K.

TI The Determinants of Trade in Pollution Intensive Industries: North- South Evidence. AU Cole, Matthew A.; Elliott, R. J. R.; Azhar, Abdul K.

Bai, Chong-En
PD June 2000. TI Quality of Bureaucracy and Open-Economy Macro Policies. AU Bai, Chong-En; Wei, Shang-Jin. AA Bai: University of Hong Kong. Wei: Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 7766; 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 F36, F41. KW Corruption. Capital Controls. Open Macroeconomics.
AB Bureaucratic quality in terms of the level of corruption varies widely across countries; it is also generally slow to evolve relative to the speed with which economic policies, such as the imposition of capital controls, can be implemented. In this paper, we study the possibility that quality of bureaucracy may be an important structural determinant of open-economy macro-policies, in particular, the imposition of capital controls and financial repression. We first derive a model that delivers such a result. Bureaucratic corruption translates into reduced ability by the government to collect tax revenue. In such a situation, if the government needs revenue for public goods provision it would have to rely on capital controls and financial repression, even if these policies are otherwise inefficient. For all countries for which we can obtain relevant data, we find that more corrupt countries are indeed more likely to impose capital controls, a pattern consistent with the model's prediction. The result of this paper suggests that a premature removal of capital controls mandated by outside institutions could reduce rather than enhance economic efficiency.

Bailey, Ralph W.
PD November 2000. TI An Optimal Test Against a Random Walk Component in a Non-Orthogonal Unobserved Components Model. AU Bailey, Ralph W.; Taylor, A. M. Robert. AA University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 00/09; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 12. PR 2 pounds ($4); no charge to academics. JE C12, C22, C52. KW Locally Best Invariant. Non-Orthogonal Components. Brownian Motion. Time Series. Hypothesis Testing.
AB This paper considers the problem of testing the null hypothesis that a series has a constant level against the alternative that the level follows a random walk. This problem has previously been studied by, inter alia, Nyblom and Makelainen (1983) in the context of the orthogonal random walk plus noise model. This model postulates that the noise component and the innovations to the random walk are uncorrelated. The authors generalize this work by deriving the locally best invariant test of a fixed level against a random walk level in the non-orthogonal case. Here the noise and random

walk components are contemporaneously correlated with correlation coefficient rho. The authors demonstrate that the form of the optimal test in this setting is independent of rho. This is a very useful result: it states that the locally optimal test may be achieved without prior knowledge of rho. Moreover, the authors show that the limiting distribution of the resulting statistic under both the null and local alternatives does not depend on rho, behaving exactly as if rho equals zero. Finite sample simulations of these effects are provided to illustrate the generalizations to models with deterministic polynomial trends, deterministic structural breaks and dependent errors are considered.

PD December 2000. TI An Integrable Form of the Almost Ideal Demand System. AU Bailey, Ralph W.; Brenton, Paul. AA Bailey: University of Birmingham. Brenton: Centre for European Policy Studies, Brussels. SR University of Birmingham, Department of Economics Discussion Paper: 00/13; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 8. PR 2 pounds ($4); no charge to academics. JE C61, D11, D12. KW Almost Ideal. Demand Systems. Integrable Forms.
AB The Almost Ideal Demand System can be made integrable by a slight change in its specification.

Bakija, Jon
TI Does Growing Inequality Reduce Tax Progressivity? Should It? AU Slemrod, Joel; Bakija, Jon.

Bams, Dennis
TI Risk Premia in the Term Structure of Interest Rates: A Panel Data Approach. AU Wolff, Christian C.; Bams, Dennis.

Banzhaf, H. Spencer
TI Estimating the General Equilibrium Benefits of Large Policy Changes: The Clean Air Act Revisited. AU Sieg, Holger; Smith. V. Kerry; Banzhaf, H. Spencer; Walsh, Randy.

Barassi, Marco R.
PD November 2001. TI Interest Rate Linkages: Identifying Structural Relations. AU Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G. AA Barassi: University of Birmingham. Caporale: South Bank University, London. Hall: Imperial College. SR University of Birmingham, Department of Economics Discussion Paper: 01/08; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 18. PR 2 pounds ($4); no charge to academics. JE C32, C51, E43, F41, G15. KW Cointegration. Identification. Causality. Minimum Variance. Interest Rates.
AB This paper examines the causal linkages which may exist between the G-7 national interest rates. Its aim is to exploit some new techniques in cointegration analysis to see to what extent conclusions can be drawn purely from the data without imposing any arbitrary identification conditions. Causality is intimately linked with our structural view of the economy, and it has not been practical in a traditional setting to go very much beyond the standard Granger causality testing procedures. This paper examines linkages between I(1) series as structural

relations, using a method put forward by Davidson (1998a) that involves the introduction of the new concept of an irreducible cointegrating vector. In order to distinguish between structural and solved irreducible cointegrating relations, we extend this methodology introducing the ranking of irreducible cointegrating vectors according to a minimum variance criterion. The results suggest that over our sample period the US has been the dominant player in setting world interest rates; they also allow us to reject the hypothesis of a German leadership in Europe in favor of a US world-wide leadership.

PD November 2001. TI Testing for Changes in the Long-Run Causal Structure of Cointegrated Vector Autoregressions. AU Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G. AA Barassi: University of Birmingham. Caporale: South Bank University, London. Hall: Imperial College. SR University of Birmingham, Department of Economics Discussion Paper: 01/09; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 21. PR 2 pounds ($4); no charge to academics. JE C12, C15, C32. KW Long-Run Causality. Structural Change. Monte Carlo Methods. Cointegration. Time Series.
AB This paper examines, using Monte Carlo methods, several alternative approaches to detecting changes in the long-run causal structure of cointegrated VARs. The authors adopt recursive and rolling techniques as misspecification tests for the detection of instabilities in the adjustment coefficients and of the breakpoints. The results show that the recursive eigenvalues are not able to highlight a break in the causal structure of the models, whilst the recursive coefficients only show non-constancy of the parameters of interest. Rolling estimation is found to perform better in detecting instability in the parameters and their true value after the breakpoint. To overcome the drawbacks of these techniques, the authors propose an OLS-based sequential-dummy test. They derive its critical values for different sample sizes and discuss its statistical properties. They show that it has a non- standard distribution and reasonable power even in small samples. It is also a useful graphical device. However, it is not able to deal with the case of multiple breakpoints. Here a possible solution is represented by the use of the Kalman filter. The results obtained confirm its precision in both detecting the breakpoint, and providing the true value of the coefficients after the break.

PD November 2001. TI Interest Rate Linkages: A Kalman Filter Approach to Detecting Structural Change. AU Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G. AA Barassi: University of Birmingham. Caporale: South Bank University, London. Hall: Imperial College. SR University of Birmingham, Department of Economics Discussion Paper: 01/10; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 13. PR 2 pounds ($4); no charge to academics. JE C32, C51, E43, F33, F41. KW Interest Rate Linkages. Long-Run Causality. Weak Exogeneity. Structural Change. Kalman Filter.
AB This paper investigates changes in the causal structure linking the G-7 short-term rates by estimating time-varying speed of adjustment coefficients in error correction equations using a Kalman filter approach. This technique allows us to detect structural breaks in the causal linkages that generate the

cointegrating relations between the series. The testable hypotheses are the US world-wide leadership, the disengagement of UK monetary policy from those pursued in the Eurozone after the collapse of the ERM, and the German leadership hypothesis (GLH) within the European Union (EU). The evidence points to a break in the causal linkages between the UK and other EU countries after the third-fourth quarter of 1992. The empirical results are also consistent with US world-wide leadership and a weak German leadership within the Eurozone.

Barba Navaretti, Giorgio

PD December 2000. TI Information Sharing, Research Co-Ordination and Membership of Research Joint Ventures. AU Barba Navaretti, Giorgio; Bussoli, Patrizia; von Graevenitz, Georg; Ulph, David. AA Barba Navaretti: Universita di Ancona, Centro Studi Luca d'Agliano, and FEEM. Bussoli: Deutsche Bank, London. von Graevenitz and Ulph: ESRC Centre for Economic Learning and Social Evolution and University College London. SR Fondazione Eni Enrico Mattei Note di Lavoro: 101/2000; "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 F23, L22, O31, O32. KW Research Cooperation. Innovation. Information Sharing. Firm Organization. International Business.
AB This paper examines which firms from a heterogeneous pool are more likely to join together and form a research joint venture (RJV). It differs from previous contributions by introducing a set of realistic hypotheses on the characteristics of research cooperation and information sharing. Research paths can be substitutes or complementary, as can the firms' products. Both of these issues can affect the gains from cooperation. We make the prediction that firms cooperate in research when they produce substitute products and when they follow complementary research paths. The empirical analysis carried out on a sample of European RJVs confirms and supports this prediction. The model also carefully explores the role of asymmetries in costs between two potentially cooperating firms. It shows that it is not possible to derive clear-cut predictions. This result is also supported by the empirical analysis.

Barr, Abigail

PD December 2000. TI Revealed and Concealed Preferences in the Chilean Pension System: An Experimental Investigation. AU Barr, Abigail; Packard, Truman. AA Barr: University of Oxford. Packard: Hertford College, Oxford. SR Oxford Department of Economics Discussion Paper: 53; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG 18. PR 2 pounds. JE C93, D81, G23, J23. KW Field Experiments. Time Preference. Risk Aversion. Pension Reform. Self Employment.
AB Using survey data and a field experiment to measure agents' risk and time preferences, we identify the agent-type that is free to reveal its preferences through decisions about pension system participation. Thus, we show that in Chile the appropriate focus for policy makers interested in the welfare-enhancing effects of such participation is the self-employed. They are indistinguishable from other economically active

agents with respect to time and risk preferences and sort into participants and non-participants in the pension system with reference to those preferences. In contrast, employees are rationed. The more patient and less risk averse self-employed participate.

Barrett, Alan

PD March 2000. TI Is There a Wage Premium for Returning Irish Migrants? AU Barrett, Alan; O'Connell, Philip J. AA Economic and Social Research Institute. SR CEPR Discussion Paper: 2408; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 24. PR 5 pounds, $8 or 8 euros. JE F22, J61. KW Return Migration. Ireland.
AB Higher rates of economic growth in recent years have led Ireland from being a country characterized by emigration to one where population inflow have become an important issue. This paper contains an analysis of one element of the current inflow. Drawing on data collected in 1998 on over 800 Irish individuals who had graduated from Irish colleges in 1992, we compare the wages of returned migrants with the wages of those who stayed in Ireland. In a recent paper, it has been argued that returned migrants accumulate skills and competencies while away that are rewarded on return to the home country. We find support for this argument for men. On average, returning males earn 10 percent more than men who stayed in Ireland, controlling for a range of factors. However, men who say that they originally migrated for labor- related reasons earn 15 percent more. No wage premium is found for female returning migrants relative to female stayers.

PD July 2000. TI Earnings Inequality. Returns to Education and Immigration into Ireland. AU Barrett, Alan; Fitz Gerald, John; Nolan, Brian. AA Barrett: Economic and Social Research Institute and Department of Finance, Ireland and CEPR. Fitz Gerald and Nolan: Economic and Social Research Institute. SR CEPR Discussion Paper: 2493; 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, J61. KW Earnings Inequality. Immigration. Ireland. Returns to Education.
AB Increasing earnings inequality has been an important feature of the US and UK labor markets in recent years. The increase appears to be related to an increased demand for skilled labor and an increase in the returns to education. This paper examines what has happened to earnings inequality and the returns to education in Ireland between 1987 and 1997. While both increased between 1987 and 1994, the increases slowed dramatically between 1994 and 1997. This is somewhat surprising as the exceptional growth in the Irish economy occurred from 1994 on. Immigration seems to be a contributing factor to this pattern, because a large group of skilled workers flowed into the Irish labor market between 1994 and 1997. A model of the Irish labor market is developed and used to simulate the impact of an increase in skilled labor. The simulation suggests that immigration did indeed reduce earnings inequality. This result is an interesting corollary to work from the US that shows the immigration of unskilled workers increasing earnings inequality.

Barrett, C. Richard

TI Building Blocks in the Economics of Mandates.

AU Addison, John T.; Barrett, C. Richard; Siebert W. S.

Barrios, Salvador

AB This paper examines the patterns and determinants of business-cycle correlations among eleven UK regions and six euro zone countries over the 1966-1997 period, using GMM to allow for sampling error in comparing estimated correlations. The British business cycle is found to be significantly and persistently out of phase with that of the main euro zone economies. This is a nation-wide phenomenon, as we detect only minor cyclical heterogeneity among UK regions. Differences in sectoral specialization and exchange-rate variability drive some of the asymmetry in GDP fluctuations, but they do not appear significant in explaining the observed reduction in UK-EU business-cycle correlations over time. There remains a large unexplained element in the idiosyncratic component of the UK business cycle.

AB This paper examines the importance of a firm's own research and development (R&D) activity and intra-sectoral spillovers on the decision to export and export intensity using firm level panel data for Spain for the period 1990 to 1998. The results are in line with preceding findings on the role played by firm-specific variables such as age, firm size, productivity and workers' skills. In addition, it is shown that export and R&D spillovers, either from multinational enterprises (MNEs) or domestic firms in the sector, have a different impact on Spanish and foreign firms, the latter generally benefiting from positive spillovers. Further evidence shows a larger marginal impact of R&D spillovers on export intensity of Spanish firms exporting to other OECD countries, than those exporting to non-OECD nations.

Barry, Frank

AB Many previous studies have shown that the localization of firms can be an important factor in attracting new foreign direct investment into a host country. What has been missing in this literature thus far, however, is an investigation into the reasons why industry clusters attract firms. This paper distinguishes between "efficiency agglomerations" as firms locating close to each other because they can increase their efficiency by doing so, and "demonstration effects," whereby existing firms send signals to new investors as to the reliability of the host country and newly entering firms follow previous firms. This paper tries to disentangle these two effects, by examining the location of US and UK firms in Ireland. Proxies are calculated for "efficiency agglomerations" and "demonstration effects" and are included in an empirical model of the location decision of firms. For US firms, both efficiency agglomeration and demonstration effects are important determinants of entry. For UK firms, however, the evidence is not as clear cut.

Barsky, Robert B.

Bartelmus, Peter

AB Rather than contributing to the proliferation of ad hoc environmental indicators and accounting systems, this paper addresses the physical-monetary dichotomy in measuring the interactions between environment and economy. The paper focuses on two systematic approaches, which appear to have become international standards. They are the physical Material Flow Accounts (MFA) developed by the Wuppertal Institute, and the physical and monetary System of Integrated Environmental and Economic Accounts (SEEA) of the United Nations. The paper discusses some of the pros and cons of both physical and monetary approaches, with a view to linking or combining them.

Barton, Lloyd

AB Janeba (2000) suggested a novel approach to modeling the relationship between governments and multinational firms. As part of ongoing research into various aspects of multijurisdictional tax competition, this paper investigates the possibility of allowing for collusion between governments when setting tax rates in Janeba's model. The findings show that a self-enforcing agreement is possible, with the beneficial effect of cutting the firm's excess profits, limiting investment in excess capacity, and raising government revenue.

Bartsch, Ulrich

TI The Modelling of Anthropogenic Methane Emissions: Methodology and Estimates. AU Muller, Benito; Bartsch, Ulrich.

Battaggion, Maria Rosa

PD December 2000. TI Italian Policy Towards Cooperation in R&D. AU Battaggion, Maria Rosa; Bussoli, Patrizia. AA Battaggion: Bocconi University and FEEM. Bussoli: Pompeu Fabra University and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 100/2000; "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 L41, L50, O31, O34, O38. KW Research and Development. Research Cooperation. Intellectual Property. Antitrust Policy. Innovation.
AB This paper explores the various policies implemented in Italy to foster innovative activities and to regulate the effects of innovation on market competition and intellectual property rights. Research promotion has primarily taken the form of facilitated credits and grants to stimulate research and development (R&D) and to speed up the diffusion of technological knowledge. The analysis of governmental instruments used for the promotion of R&D cooperation shows that a specific and coherent strategy to sustain research joint ventures (RJVs) does not exist yet in Italy. However, in the last decade Italian firms and research centers/universities have been actively involved in the programs financed by the European Commission. Italian antitrust policies and intellectual property rights mainly derive from European legislation. The analysis proposed shows that there are no specific features discouraging or encouraging the creation and the performance of RJVs.

Bauer, Carl

PD December 2000. TI Long-Term Stewardship of Contaminated Sites: Trust Funds as Mechanisms for Financing and Oversight. AU Bauer, Carl; Probst, Katherine N. AA Resources for the Future. SR Resources for the Future Discussion Paper: 00/54; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 35. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE K32, L31. Q28, Q38, Q39. KW Trust Funds. Stewardship. Contaminated Sites. Environmental Monitoring. Hazardous Pollution.
AB This paper explores different mechanisms for the financing and oversight of long-term stewardship activities at private and federal contaminated sites. The issue of stewardship has unique concerns, in that some sites may require stewardship for decades, even hundreds or thousands of years. Therefore, a robust stewardship must be able to endure changes in property use and ownership, as well as changes in politics and government. This paper focuses on trust funds as financing and oversight mechanism; the relative merits and faults of different federal, state, and private trust funds are evaluated.

Baunsgaard, Thomas

PD September 2001. TI A Primer on Mineral Taxation. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/139; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 27. PR not available. JE H25, L71, L72. KW Taxation. Mineral Tax. Mining and Petroleum. Mineral Extraction. Developing Countries.
AB The paper discusses options available to tax mineral extraction projects particularly in developing countries. A desirable government share of the economic rent generated from mineral extraction can be achieved through different tax and non-tax instruments. This gives some room to design a fiscal regime that will be attractive to investors while providing the government with a fair share of the economic rent. However, achieving this will require a careful assessment of the appropriate distribution of risk and reward between the investor and the government. Moreover, there is growing pressure on countries to provide increasingly lenient fiscal terms so as to remain competitive as global investment destinations.

Bayer, Stefan

PD December 2000. TI Reaching National Kyoto-Targets in Germany by Maintaining a Sustainable Development. AU Bayer, Stefan; Kemfert, Claudia. AA Bayer: University of Tuebingen. Kemfert: Oldenburg University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 98/2000; "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 D61, D91, E20, Q28, Q43. KW Discounting. Emissions Trading. Sustainability. Macroeconomic Growth. Kyoto Targets.
AB We analyze the fulfillment of the Kyoto Protocol emission-reduction commitment in Germany, and the resulting implications for long-term paths of macro variables. Germany, like other industrial or Annex B countries, has to reduce its emissions by 2010. We investigate tradable permits as a reduction measure in a national Overlapping Generations (OLG) model, where we change the discounting technique by using generation-adjusted discounting. We show that within our framework, Germany is able to develop along growing paths of macro variables, in contrast to conventional results of OLG simulations. In our model, currently living generations have to share higher burdens in terms of lower GDP, per capita consumption, and employment. However, all current lower macro variables are overcompensated by higher future values. This can be interpreted as intertemporal application of full cost-bearance, or, the "polluter pay principle" which is oriented on the sustainability of greenhouse gas abatement.

Bayoumi, Tamim

PD April 2000. TI On Regional Monetary Arrangements for ASEAN. AU Bayoumi, Tamim; Eichengreen, Barry; Mauro, Paolo. AA Bayoumi and Mauro: International Monetary Fund. Eichengreen: University of California, Berkeley. SR CEPR Discussion Paper: 2411; 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. **KW** Currency Areas. ASEAN. Single Currency. Monetary Integration. Optimal Currency Area.
AB This paper analyzes the extent to which the Association of Southeast Asian Nations (ASEAN) may be suitable for a regional monetary arrangement. On the economic front, we review evidence on patterns of trade, economic shocks, the extent of factor mobility, and the monetary transmission mechanism. We find that ASEAN today is less suitable for a regional monetary arrangement than the euro area was before the Maastricht Treaty, but the differences are not large. On the political front, we analyze the prerequisites for monetary integration in light of 50 years of European experience. We discuss the need for a firm political commitment in forming a regional monetary arrangement. That commitment would have to be strong enough to survive for an extended period and to support difficult decisions such as rendering the central bank independent, adhering to fiscal and exchange rate arrangements even if the policy stance conflicts with purely domestic considerations, and accepting supranational directives.

PD April 2000. **TI** A Peek Inside the Black Box: The Monetary Transmission Mechanism in Japan. **AU** Bayoumi, Tamim; Morsink, James. **AA** International Monetary Fund. **SR** CEPR Discussion Paper: 2435; 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** E51, E52. **KW** Monetary Transmission. Monetary Policy. Bank Behavior. Japan.
AB This paper uses vector autoregressions to examine the monetary transmission mechanism in Japan. The empirical results indicate that both monetary policy and banks' balance sheets are important sources of shocks, that banks play a crucial role in transmitting monetary shocks to economic activity, that corporations and households have not been able to substitute borrowing from other sources for a shortfall in bank borrowing, and that business investment is especially sensitive to monetary shocks. We conclude that policy measures to strengthen banks are probably a prerequisite to restoring the effectiveness of the monetary transmission mechanism.

PD April 2000. **TI** The Morning After: Explaining the Slowdown in Japanese Growth in the 1990s. **AA** International Monetary Fund. **SR** CEPR Discussion Paper: 2436; 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** E32, E44. **KW** Economic Slump. Financial Intermediation. Japan.
AB This paper uses a vector autoregressive analysis to investigate four possible explanations of the extended slump in Japanese economic activity over the 1990s: the absence of bold and consistent fiscal stimulus; the limited room for expansionary monetary policy due to a liquidity trap; overinvestment and debt overhang; and disruption of financial intermediation. The results indicate that all of these factors played a role. but that the major explanation is disruption in financial intermediation, largely operating through the impact of changes in domestic asset prices on bank lending.

Beggs, Alan W.
PD December 2000. **TI** Unbalanced Growth. **AA** Wadham College, Oxford. **SR** Oxford Department of Economics Discussion Paper: 48; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. **PG** 33. **PR** 2 pounds. **JE** D92, O31, O34, O41. **KW** Economic Growth. Two Sector Growth Models. Unbalanced Growth. Research Competition.
AB This paper considers a model of endogenous growth with two sectors. It shows that it may be desirable to concentrate research in one sector, and so have unbalanced growth, but that the pressure of competition in research may cause the private sector to spread research too widely, and so have growth that is too balanced. It is also shown that even if private agents concentrate research in one sector, they may do so in the wrong one.

Beierle, Thomas C.
PD October 2000. **TI** Electronic Democracy and Environmental Governance: A Survey of the States. **AU** Beierle, Thomas C.; Cahill, Sarah. **AA** Beierle: Center for Risk Management. Cahill: Resources for the Future. **SR** Resources for the Future Discussion Paper: 00/42; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 21. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** D78, H72, H73, O33, Q28. **KW** Public Participation. State Government. Internet. Information Technology. Environmental Governance.
AB Information technology is changing how we practice democracy. This paper focuses on one area where the Internet is broadening public participation in governance: the administration of environmental laws and regulations. It describes a survey of how each of the 50 states is using the Internet to provide citizens with environmental information, gather public input on agency decisions, and foster networks of interested citizens. As "laboratories for democracy," the states may be the source of ideas and experience that anticipate how environmental governance at all levels of government will change over the next decade. The survey results suggest that electronic democracy in state- level environmental decision making is at an early and experimental phase. Overall, the survey suggests that states learn from each other as more innovative states push the envelope of what technology allows, and more cautious states continue to adopt basic features as decision- makers become convinced of their efficacy.

PD November 2000. **TI** The Quality of Stakeholder-Based Decisions: Lessons from the Case Study Record. **AA** Resources for the Future. **SR** Resources for the Future Discussion Paper: 00/56; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 29. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** D73, D78, Q28. **KW** Public Participation. Decision Quality. Scientific Decision. Environmental Decisions. Consensus Building.
AB The increased use of stakeholder processes in environmental decision-making has raised concerns that the inherently "political" nature of such processes may sacrifice substantive quality for political expediency. In particular, there is concern that good science will not be used adequately in stakeholder processes nor reflected in their decisions. This paper looks to the case study record to examine the quality of the outcomes of stakeholder efforts and the scientific and technical resources stakeholders use. Overall, the record

suggests that there should be little concern that stakeholder processes are resulting in low quality decisions. The majority of cases contained evidence of stakeholders improving decisions over the status quo, adding new information, ideas, and analysis, and having adequate access to technical and scientific resources. Processes that stressed consensus scored higher on substantive quality measures than those that did not. Indeed, the data suggested interesting relationships between the more political aspects of stakeholder decision-making and the quality of decisions.

Bekaert, Geert

AB We provide an analysis of real economic growth prospects in emerging markets after financial liberalizations. In contrast with previous research, we identify the financial liberalization dates and examine the influence of liberalizations while controlling for a number of other macroeconomic and financial variables. Our work also introduces an econometric methodology that allows us to use extensive time-series as well as cross-sectional information for our tests. We find across a number of different specifications that financial liberalizations are associated with significant increases in real economic growth.

Belot, Michele

AB The development of the unemployment rate differs substantially between OECD countries. In recent years, some countries have experienced a mild increase, other countries have had a stable unemployment rate, while there are also "successful" countries in which the unemployment rate has decreased a lot. A common feature of the successful countries is that they implemented a comprehensive set of institutional reforms. This paper presents a theoretical and empirical framework to investigate how unemployment is affected by different labor market institutions (LMI) such as labor taxes, unemployment benefits, employment protection, union bargaining power and (de)centralization of bargaining. That the complementarities between LMI can be exploited to improve labor market performance is argued. In the empirical analysis of annual data over the period 1960-95 of 18 OECD countries, it is shown that interactions between LMI are indeed important.

Ben-David, Dan

AB To the extent that trade policy affects trade flow between countries, the ramifications can be far-reaching from an economic growth perspective. This paper examines one aspect of these ramifications, namely the impact of changes in the extent of trade between countries on changes in the rate of reduction in the size of the income gap that exists between them. Export and import data are used as the criteria for determining bilateral trade between major trade partners, resulting in the creation of 127 pairs of countries on the basis of export data and 134 pairs on the basis of import data. An increase in trade between major trade partners -- and in particular, increased exports by poorer countries to their wealthier partners -- is shown to be related to an increase in the rate of convergence between the countries.

Bende-Nabende, A.

AB In this paper, we attempt to establish whether FDI has directly induced long-run effects on output in a selection of APEC countries or whether such an influence, if any, has been transmitted indirectly through spillover effects. The results suggest that there has indeed been a direct long-run relationship between FDI and output in addition to an indirect influence via spillovers. Furthermore, although its modes vary across countries, human resources and new technology appear to be the most effective spillover channels.

AB This study builds on the existing literature by

investigating the long-run locational determinants of FDI flows to Pacific Asia under the broad categories of cost-related, investment environment improving, macroeconomic and the political ideology factors of the host country. It also investigates the linkage between FDI and other macroeconomic factors. The results demonstrate that the cost-related factors are the dominant determinants of FDI. In particular, the dominance of real wage rates and human capital suggests that the "under-priced" skilled (semi- skilled) labor is the driving force behind FDI. The results for the linkage between FDI and other macroeconomic factors, although generally inconclusive, suggest that FDI has stimulated human capital in the region.

Benitez-Silva, Hugo
AB A pervasive concern with the use of self-reported health and disability measures in behavioral models is that they are biased and endogenous. This paper re-examines this issue using a self-reported indicator of disability status from the Health and Retirement Survey. Using a bivariate probit model the authors test and are unable to reject the hypothesis that the self-reported disability measure is an exogenous explanatory variable in a model of individual's decision to apply for DI benefits or Social Security Administration's decision to award benefits. The authors further study a subsample of individuals who applied for Disability Insurance and Supplemental Security Income benefits from the Social Security Administration (SSA) for whom the authors can also observe SSA's award/deny decision. For this subsample they test and are unable to reject the hypothesis that self-reported disability has health and socio-economic characteristics similar to the information used by the SSA in making its award decisions. The unbiasedness restriction implies that these two variables have the same conditional probability distributions. Thus, the results indicate that disability applicants do not exaggerate their disability status.

Bento, Antonio

Bentolila, Samuel

Eurosclerosis.
AB In this paper we study the relationship between labor market institutions and monetary policy. We use a simple macroeconomic framework to show how optimal monetary policy rules depend on labor institutions (labor adjustment costs, and nominal and real wage rigidity) and social preferences regarding inflation, employment, and real wages. We also calibrate our model to compute how the change in social welfare brought about by giving up monetary policy, as a result of joining the Economic and Monetary Union (EMU), depends on institutions and preferences. We then use the calibrated model to analyze how EMU affects the incentives for labor market reform, both for reforms that increase the economy's adjustment potential and for those that affect the long-run unemployment rate.

Berck, Peter
AB One of the most controversial aspects of federal and state policies aimed at protecting old-growth ecosystems has been the potential impact of job losses on local economies. A fundamental question for historically timber-dependent communities is whether these policies will result in local economic stagnation and enduring pockets of poverty. In this paper, we examine the long-run impact of changes in timber-related employment on other types of employment and on participation in major federal poverty programs. We use monthly, multi- county time series data to estimate a vector autoregressive model of the experience of northern California counties during the 1980s and 1990s. We find that employment base multiplier effects of timber employment on other types of employment in each county are small, and state economic conditions rather than local employment conditions are the principal driver behind local poverty.

Berman, Eli
AB We examine the effect of language acquisition on the growth of immigrants' earnings. We gathered data on recent Soviet immigrants to Israel that includes retrospective questions on earnings and language ability on entry into their current job. Language acquisition is found to interact positively

with occupation level. Immigrant programmers and computer technicians have a return to tenure about three percentage points higher than that of natives; improved Hebrew language skills account for between 2/3 and 3/4 of that differential wage growth. In contrast, construction workers and gas station attendants have no convergence of wages to those of natives and language acquisition has no discernible effect on their wages. For these less skilled workers the estimated "return" to Hebrew proficiency in the cross-section is entirely due to ability bias. This finding may invite a reinterpretation of other studies on the returns to language acquisition for low wage immigrants.

Bernanke, Ben

PD February 2000. TI Monetary Policy and Asset Price Volatility. AU Bernanke, Ben; Gertler, Mark. AA Bernanke: Princeton University and NBER. Gertler: New York University and NBER. SR National Bureau of Economic Research Working Paper: 7559; Working Papers, NBER, 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 U.S.). JE E31, E44, E52, E58. KW Monetary Policy. Asset Price Volatility. Inflation Targeting. Financial Instability.
AB We explore the implications of asset price volatility for the management of monetary policy. We show that it is desirable for central banks to focus on underlying inflationary pressures. Asset prices become relevant only to the extent they may signal potential inflationary or deflationary forces. Rules that directly target asset prices appear to have undesirable side effects. We base our conclusions on (i) simulation of different policy rules in a small-scale macro model, and (ii) a comparative analysis of recent U.S. and Japanese monetary policy.

Berndt, Ernst R.

PD July 2000. TI The Medical Treatment of Depression, 1991-1996: Productive Efficiency, Expected Outcome Variations, and Price Indexes. AU Berndt, Ernst R.; Bir, Anupa; Busch, Susan H.; Frank, Richard G.; Normand, Sharon-Lise T. AA Berndt: Massachusetts Institute of Technology and National Bureau of Economic Research. Frank: Harvard Medical School and National Bureau of Economic Research. Bir and Busch: Harvard Medical School. Normand: Harvard School of Public Health and Harvard Medical School. SR National Bureau of Economic Research Working Paper: 7816; 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 the U.S.). JE I11, O33. KW Health Care Costs.
AB This paper examines the price of treating episodes of acute phase major depression over the 1991-1996 time period. It combines data from a large retrospective medical claims data base (MarketScan, from the MedStat Group) with clinical literature and expert clinical opinion elicited from a two-state Delphi procedure. Thus, a variety of treatment price indexes were constructed that include variations over time in the proportion of "off-frontier" production, as well as the corresponding variations in expected treatment outcomes. The fact that the no treatment option ("waiting list") frequently results in spontaneous remission of depressive symptoms was also incorporated. In general the incremental cost of

successfully treating an episode of acute phase major depression has generally fallen over the 1991-96 time period. Based on hedonic regression equations that account for the effects of changing patient mix, price reductions that range from about -1.66 percent to -2.13 percent per year are found. An implication of this is that, since expenditures on depression are thought to be increasing since at least 1991, the source of the spending increases is volume (quantity) increases, and not price increases.

Besley, Timothy

PD March 2000. TI Elected versus Appointed Regulators: Theory and Evidence. AU Besley, Timothy; Coate, Stephen. AA Besley: London School of Economics. Coate: Cornell University and NBER. SR National Bureau of Economic Research Working Paper: 7579; 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 D72, H73, K23, L51, P16. KW Regulatory Policy. Political Appointment. Appointed Politician. Special Interests. Consumer Interests.
AB This paper contrasts direct election with political appointment of regulators. When regulators are appointed, regulatory policy becomes bundled with other policy issues the appointing politicians are responsible for. Since regulatory issues are not salient for most voters, regulatory policy outcomes reflect the preferences of party elites and special interests. Direct election of regulators strengthens the power of voters by ensuring the salience of regulatory issues. Using panel data on regulatory outcomes from U.S. states, we find evidence in favor of the idea that elected states are more pro-consumer in their regulatory policies.

PD July 2000. TI Centralized versus Decentralized Provision of Local Public Goods: A Political Economy Analysis. AU Besley, Timothy; Coate, Stephen. AA Besley: London School of Economics and CEPR. Coate: Cornell University. SR CEPR Discussion Paper: 2495; 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 H40, H70, P51. KW Decentralization. Distributive Politics. Local Public Goods.
AB This paper takes a fresh look at the trade-off between centralized and decentralized provision of local public goods. The point of departure is to model a centralized system as one in which public spending is financed by general taxation, but districts can receive different levels of local public goods. In a world of benevolent governments, the disadvantages of centralization stressed in the existing literature disappear, suggesting that the case for decentralization must be driven by political economy considerations. This political economy analysis assumes that under decentralization public goods are selected by locally elected representatives, while under a centralized system policy choices are determined by a legislature consisting of elected representatives from each district. The role of taste heterogeneity, spillovers and legislative behavior is then studied in determining the case for centralization.

Bharvirkar, Ranjit

TI Cost-Effective Reduction of NOx Emissions from

Electricity Generation. AU Burtraw, Dallas; Palmer, Karen; Bharvirkar, Ranjit; Paul, Anthony.

Bialek, Janusz W.
TI A Tracing Method for Pricing Inter-Area Electricity Trades. AU Kattuman, Paul A.; Green, Richard J.; Bialek, Janusz W.

Bijmolt, Tammo H. A.
TI Rating Versus Ranking of Values In Cross-National Research. AU van Herk, Hester; Bijmolt, Tammo H. A.

Bindemann, Kirsten
PD October 1999. TI Production-Sharing Agreements: An Economic Analysis. AA Oxford Institute for Energy Studies. SR Oxford Institute for Energy Studies Working Paper: WPM25; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. PG 89. PR 50 pounds UK and Overseas. JE D82, D84, L71, Q41, Q49. KW Oil Production. Petroleum Exploration. Production-Sharing. Energy.
AB Production-Sharing Agreements (PSAs) are among the most common types of contractual arrangements for petroleum exploration and development. This study concerns itself with the balance between risks and rewards and the division of benefits among the parties to the contract, which have not yet been analyzed in modern industrial economics. The study offers: a background understanding to readers unfamiliar with the history of oil contracts, a thorough explanation of the PSA contract form, and empirical analysis based on a data set comprising 268 PSAs signed by 74 countries between 1966 and 1998. While the chapters of this study build upon each other, every attempt has been made for them to be self-contained so that readers can choose the issues that are of special interest to them. The study will be of particular interest to those in the oil industry with upstream interests, economists, and researchers concerned with the economics of contracts.

Bir, Anupa
TI The Medical Treatment of Depression, 1991-1996: Productive Efficiency, Expected Outcome Variations, and Price Indexes. AU Berndt, Ernst R.; Bir, Anupa; Busch, Susan H.; Frank, Richard G.; Normand, Sharon-Lise T.

Blackman, Allen
TI How Do Public Disclosure Pollution Control Programs Work? Evidence from Indonesia. AU Afsah, Shakeb; Blackman, Allen; Ratunanda, Damayanti.

PD October 2000. TI The Benefits and Costs of Informal Sector Pollution Control: Mexican Brick Kilns. AU Blackman, Allen; Newbold, Stephen; Shih, Jhih-Shyang; Cook, Joe. AA Blackman, Shih, and Cook: Resources for the Future. Newbold: University of California, Davis. SR Resources for the Future Discussion Paper: 00/46; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 22. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE D61, O13, O17, Q25, Q28. KW Cost-Benefit Analysis. Informal Sector. Emmisions Reduction. Pollution Control.
AB In developing countries, urban clusters of manufacturers that are "informal" -- small-scale, unlicensed and virtually unregulated -- can have severe environmental impacts. Yet pollution control efforts have traditionally focused on large industrial sources, in part because the problem is not well understood. This paper presents a cost-benefit analysis of four practical strategies for reducing emissions from traditional brick kilns in Ciudad Juarez, Mexico. To our knowledge, it is the first such analysis of informal sources. We find very significant net benefits for three of the four control strategies. These results suggest that informal polluters should be a high priority for environmental regulators.

PD November 2000. TI Obstacles to a Doubly Green Revolution. AA Resources for the Future. SR Resources for the Future Discussion Paper: 00/48; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 4. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE O13, O33, Q16, Q18, Q28. KW Agricultural Policy. Developing Countries. Green Revolution. Environment.
AB Increasingly, conventional wisdom dictates that agrarian policy in developing countries should foster a "doubly green revolution" that both protects the environment and boosts output. Like the first green revolution, such a transformation will entail convincing millions of farmers to adopt new practices and, as a result, will confront well- documented barriers to technological change in developing-country agriculture. It will also face a number of new obstacles, including a divergence between the interests of policymakers and farmers, a policy environment biased in favor of input-intensive agriculture, and the fact that many environmentally friendly technologies entail relatively high set-up costs. At least in the short run, institutional constraints will limit the contribution of agricultural biotechnology to overcoming these obstacles. Hence, the first green revolution may serve as an overly optimistic model for a shift to a more sustainable agriculture.

Blanc, J. P. C.
PD January 1999. TI On the Stability of Communication Systems with Timed Token Protocols. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9911; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 17. PR no charge. JE C60, C89, L96. KW Communication Systems. Token Rotation Times. Bursty Arrivals. Non Time-Critical Traffic. Power-Series Algorithm.
AB Medium Access Control Protocols for high speed LAN/MAN's often employ a timer-controlled token passing mechanism to control station access to the shared media. These protocols support time-critical (real-time) applications, and provide priority among non time-critical applications. This paper considers the stability of systems with several target token rotation times. It shows that there do not exist simple, general stability bounds for these systems, because these bounds may depend on the arrival processes and the transmission time distributions not only through their means.

Blanchflower, David G.
PD January 2000. TI Self-Employment in OECD Countries. AA Darthmouth College. SR National Bureau of Economic Research Working Paper: 7486; 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** C23, C43, J23, J28, K31. **KW** Self-Employment Rate. Employment Flexibility. Job Satisfaction. Panel Data. Unemployment.
AB This paper describes measurement of a self-employment rate and the important role the agricultural sector plays in any analysis of the determinants of self-employment. The determinants of the self- employment rate are modeled using a panel of 23 countries for the period of 1966-1996. A similar analysis is then performed at the level of the individual using a time-series of cross-sections for the period 1975-1996 for 19 countries. For most countries there is a negative relationship between the self-employment rate and the unemployment rate. It is also shown that the self-employed are more satisfied with their jobs than are individuals who are not their own boss. I developed a flexibility index based on information provided by individuals in 1995. According to this index, the U.S. economy was the most flexible, followed by Canada, Germany and the Netherlands. Latvia, Russia and Hungary were found to be the least flexible countries. Of the OECD countries examined, Austria and Ireland were ranked lowest.

PD January 2000. **TI** Well-Being Over Time in Britain and the USA. **AU** Blanchflower, David G.; Oswald, Andrew J. **AA** Blanchflower: Dartmouth College and NBER. Oswald: Warwick University. **SR** National Bureau of Economic Research Working Paper: 7487; 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** C23, D63, I31, O51, O52. **KW** Standard of Living. Unemployment. Marriage. Life Satisfaction. Divorce.
AB The standard of living in the industrialized nations has been steadily increasing over the last few decades. Yet some observers wonder whether we are really getting any happier. This paper addresses that question by examining well-being data on 100,000 randomly sampled Americans and Britons from the early 1970s to the late 1990s. Reported levels of happiness have declined over the period in the United States. Life satisfaction has been approximately flat through time in Great Britain. Counter to the general US trend, the happiness of blacks in that nation has risen since the early 1970s. The black-white happiness differential has diminished. The happiness of American men has grown. Despite legislation aimed to reduce gender discrimination, the well- being of women has fallen noticeably. Well-being equations have a stable structure: the British equations look almost identical to the US ones. Money does buy happiness. The paper also calculates the dollar values of life events like unemployment and divorce. They are large. A lasting marriage, for example, is calculated to be worth $100,000 a year.

PD November 2001. **TI** Well-Being Over Time in Britain and the USA. **AU** Blanchflower, David G.; Oswald, Andrew J. **AA** Blanchflower. Dartmouth College and NBER. Oswald: University of Warwick. **SR** Warwick Economic Research Paper: 616; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 20. **PR** no charge. **JE** D63, I31, J12, J15, J16. **KW** Well-Being. Happiness Estimation. Relative Income. Female Welfare. Normative Valuation.
AB This paper estimates micro-econometric happiness equations for the United States and Great Britain. Reported levels of well-being have declined over the last quarter of a century in the U.S.; life satisfaction has run approximately flat through time in Britain. These findings are consistent with the Easterlin hypothesis (1974, 1995). The happiness of American blacks, however, has risen. Despite legislation on gender discrimination, the well-being of women has declined. White women in the U.S. have been the biggest losers. Well-being equations have a stable structure. Money buys happiness. People also care about relative income. Well-being is U-shaped in age. The paper estimates the dollar values of events like unemployment and divorce. They are large. A lasting marriage, (compared to widow-hood as a "natural" experiment), for example, is estimated to be worth $100,000 a year.

Blau, David M.

PD July 2000. **TI** Child Care Subsidy Programs. **AA** University of North Carolina. **SR** National Bureau of Economic Research Working Paper: 7806; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 70. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** H52, J13. **KW** Child Care Subsidy. Early Education Subsidy. United States.
AB Child-care and early education subsidies are an important part of government efforts to increase economic independence and improve development of children in low-income families in the United States. This chapter describes the main subsidy programs in the U.S., discusses economic issues that arise in designing such programs and evaluating their effects, and surveys evidence on the effects of the programs. The tradeoff between the policy goals of increasing economic independence and improving child outcomes is a major theme. All child-care and early education subsidies affect both work incentives and inputs to child development, but a subsidy designed specifically to achieve one of these policy goals will usually be relatively ineffective at accomplishing the other goal. The evidence indicates that child-care subsidies that reduce the effective price to parents of all purchased child-care, regardless of the type and location of care, cause the employment rate of mothers of young children to increase. Evidence on the employment effects of subsidies restricted to high-quality child-care arrangements is non-existent. There is very little evidence of the effect of child-care subsidies on child development outcomes.

Blau, Francine D.

PD January 2000. **TI** Understanding Young Women's Marriage Decisions: The Role of Labor and Marriage Market Conditions. **AU** Blau, Francine D.; Kahn, Lawrence M.; Waldfogel, Jane. **AA** Blau: Russell Sage Foundation and NBER. Kahn: Russell Sage Foundation. Waldfogel: Columbia University. **SR** National Bureau of Economic Research Working Paper: 7510; 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** C23, I21, J12, J16, J23. **KW** Marriage. Young Women. Labor Markets. Welfare Benefits. Fixed Effects Models.
AB Using the 1970, 1980 and 1990 Censuses, we investigate the impact of labor and marriage market conditions on the incidence of marriage of young women (age 16-24). We employ a two-stage methodology. First, across individuals,

marriage is regressed on personal characteristics and MSA indicators, separately by race and education group. Second, the first-stage MSA effects are regressed on MSA-level labor and marriage market conditions and welfare benefits using cross-section and fixed effects models, including both first and second difference equations. Better female labor markets, worse female marriage markets and worse male labor markets are found to lower marriage rates for whites in all education groups. Results for these variables for blacks are sensitive to estimation technique, although stronger results are obtained for an older age group (25-34). While welfare benefits have a negative effect on cross-sectional analyses, the association becomes considerably weaker in fixed effects specifications.

PD June 2000. TI Gender Differences in Pay. AU Blau, Francine D.; Kahn, Lawrence M. AA Blau: Cornell University and NBER. Kahn: Cornell University. SR National Bureau of Economic Research Working Paper: 7732; 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 J31, J71. KW Gender Pay Gap. Wage Inequality.
AB We consider the gender pay gap in the United States. Both gender- specific factors, including gender differences in qualifications and discrimination, and overall wage structure, the rewards for skills and employment in particular sectors, importantly influence the gender pay gap. Declining gender differentials in the U.S., and the more rapid closing of the gender pay gap in the U.S. than elsewhere, appear to be primarily due to gender-specific factors. However, the relatively large gender pay gap in the U.S. compared to a number of other advanced countries seems primarily attributable to the very high level of U.S. wage inequality.

Bloemen, Hans G.
PD December 1998. TI A Model of Labour Supply with Job Offer Restrictions. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 98140; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 27. PR no charge. JE J22, J31. KW Econometrics. Labor Supply. Job Offers. Wages.
AB We specify a model of labor supply with job offer restrictions. A job offer is defined by a wage rate and working hours. The number of job offers is restricted and follows a Poisson distribution. Individuals choose the alternative with the higher utility level. Three specifications are estimated: A basic specification, a specification in which the number of job offers depends on characteristics, and a specification in which the wage rate depends on working hours. Although the properties of the sample distribution of hours observed are replicated well for all of the specifications, the implications for the underlying behavior are different.

Bloom, Nicholas
TI Do R&D Credits Work? Evidence From a Panel of Countries 1979-97. AU Van Reenen, John; Bloom, Nicholas; Griffith, Rachel.

Bodnar, Gordon M.
PD January 2000. TI Estimating Exchange Rate Exposures: Some "Weighty" Issues. AU Bodnar, Gordon M.; Wong, M. H. Franco. AA Bodnar: Johns Hopkins University and NBER. Wong: UC Berkeley. SR National Bureau of Economic Research Working Paper: 7497; 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 F31, F32, G11, G15, G32. KW Exchange Rate Exposures. Equity Returns. Market Portfolio. Firm Size. Foreign Cash Flow.
AB From a sample of 910 U.S. firms over the period 1977-1996, we find that structure of the empirical model has significant impacts on resulting estimates of exchange rate exposures from equity returns. While lengthening the return horizon has minimal impact on exposure estimates, the inclusion of a market portfolio in the specification results in significant changes to the exposure estimates. We further demonstrate that different definitions of the market portfolio result in important differences in the overall distribution of exposure estimates and the interpretations of the sign, size, and significance of many firms' exposures. The source of the exposure differences across market portfolios is due to a strong size-exposure relation for U.S. firms. Surprisingly, this size-exposure relation does not appear to be driven by an underlying correlation between size and foreign cash flow position of the firms. An alternative model specification using matched CRSP capital-based size portfolios as controls for market movements in the exposure model produces firm-level exposures with a stronger relation to foreign cash flows and less of a correlation with firm size.

Boeri, Tito
PD February 2000. TI Optimal Speed of Transition 10 Years After. AA Universita Bocconi. SR CEPR Discussion Paper: 2384; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 36. PR 5 pounds, $8 or 8 euros. JE P23, P26. KW Speed of Transition. Structural Change. Unemployment.
AB The adjustment of labor markets during transition has been quite different from that anticipated by the Optimal Speed of Transition (OST) literature. In particular, it has involved stagnant unemployment pools, large flows to inactivity and strikingly low workers' mobility especially when account is made of the changes occurring in the structure of employment by sector, occupation and ownership of firms. Furthermore the policy trade-offs embedded in the OST literature relate mainly to the alternative between a big-bang strategy and a gradual transition process. This amounts to assuming that governments can control the pace of closure of state enterprises. However, the facts discussed in this paper suggest that separations from state sector employment were, ultimately, an endogenous variable rather than a policy instrument, as they were to a large extent the by-product of voluntary choices of workers.

PD April 2000. TI Regulation and Labor Market Performance. AU Boeri, Tito; Nicoletti, Giuseppe; Scarpetta, Stefano. AA Boeri: Universita Bocconi-IGIER and CEPR. Nicoletti and Scarpetta: OECD. SR CEPR Discussion Paper: 2420; 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, J21, J68, K23, K31. KW Product Market Regulation. Regulation. Employment Protection. Regulatory Reform. Labor Market.
AB The literature on the interactions between liberalization-

integration of product markets and labor market reforms is often highly speculative and draws on a rather weak empirical basis. Cross-country indicators of regulatory frameworks are often lacking, making it difficult to identify the linkages with observed outcomes in the labor and product markets. Moreover, empirical studies have often focused exclusively on the impact of certain labor market regulations, largely ignoring the role of product market regulations and the interactions between regulatory interventions in the two markets. This paper aims to provide some preliminary empirical evidence on these issues. The cross- country patterns and changing profile of product and labor market regulations are identified. Evidence on the relationships between product and labor market regulations is discussed in the context of other policies and institutional factors affecting the labor market. The evidence presented draws heavily on a novel set of cross-country indicators of regulation in the product and labor markets assembled at the Organization for Economic Cooperation and Development (OECD).

Bohn, Henning

AB   Aging societies will have to rely increasingly on private savings to finance retirement. The natural savings vehicles, stocks and bonds, are unfortunately lacking key risk-sharing features that are built into public retirement. Innovative government debt management can address this problem. The optimal policy supplies retirees with securities that share the financial risks of aggregate productivity, asset valuation, and demographic shocks across generations. As the population ages, state-contingent government bonds are a better risk sharing tools than pensions, which become too costly, or taxation, which raises time- consistency problems. Wage-indexed and longevity-indexed bonds in particular yield unambiguous efficiency improvements. To the extent that public pensions remain important, plans with wage-indexed defined benefits seem preferable to defined contributions or price-indexed plans. Capital income taxes and pension trust funds can play a supporting role for risk sharing.

Bollerslev, Tim

Bond, Eric W.

AB   This paper describes construction of a three-country, two-bloc, multi-product trade model in which tariff agreements between customs union members are binding whereas inter-bloc tariff agreements are self-enforcing. The main objective is to explore how the liberalization of trade between customs union members (i.e., the deepening of regional integration) affects the sustainability of tariff agreements with the rest of the world (ROW). Conditions under which Kemp-Wan (1976) adjustments in the external tariffs of union members result in self- enforcing tariff agreements with ROW are derived and then used to evaluate the general tariff-setting incentives of the two trading blocs.

Bordo, Michael D.

AB   In this paper we describe what the IMF is and what it does. We consider its origins as the guardian of the Bretton Woods adjustable peg exchange rate system and financier of temporary current account deficits for advanced countries, to its present primary roles as development financier and crisis manager for the emerging world. We consider the externalities or market failures that the IMF is believed by many to correct and the public goods that the IMF provides. Critics of the IMF downplay the extent of market failure and the scope of public goods provided. They attach greater importance to market solutions. We consider their views as well. We conclude with a discussion of the case for reform in the light of historical experience.

Borghesi, Simone

AB   This study explores the link between environmental degradation, economic growth, and income inequality within the framework of the environmental Kuznets curve (EKC) literature. To investigate this issue, we examine how inequality affects carbon dioxide (CO2) emissions and their relationship with economic growth. We show that the results heavily depend on the specification that one chooses, and we argue that the fixed-effect (FE) model performs better than the pooled ordinary least squares model that has been used in the literature

on this subject. Using a FE model we find that inequality always has a statistically non-significant impact on CO2 emissions.

Borjas, George J.

PD July 2000. TI Market Responses to Interindustry Wage Differentials. AU Borjas, George J.; Ramey, Valerie A. AA Borjas: Harvard University and National Bureau of Economic Research. Ramey: University of California, San Diego and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7799; National Bureau of Economic Research, 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 the U.S.). JE J30, N32. KW Wage Structure.
AB This paper examines the link between interindustry wage differentials and subsequent growth of industry variables such as employment, GDP and labor productivity. Industries that paid higher than average wages in 1959 experienced significantly lower employment growth and GDP growth in the subsequent 30 to 40 years, while at the same time experiencing higher-than-average growth in the capital-labor ratio and in labor productivity. The evidence is best explained by a non-competitive model of the interindustry wage structure, as both firms and the market respond to the wage rigidity implied by the long- run persistence of the interindustry wage structure.

Borkoski, Carey

TI Compensation in the Nonprofit Sector. AU Ruhm, Christopher J.; Borkoski, Carey.

Borm, Peter

PD March 1999. TI Cooperation in Capital Deposits. AU Borm, Peter; De Waegenaere, Anja; Rafels, Carles; Suijs, Jeroen; Tijs, Stef; Timmer, Judith. AA Borm, De Waegenaere, Suijs, Tijs and Timmer: CentER and Tilburg University. Rafels: University of Barcelona. SR Tilburg CentER for Economic Research Discussion Paper: 9931; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 21. PR no charge. JE C71, G21. KW Cooperative Games. Capital Deposits. Game Theory. Banking.
AB The rate of return earned on a deposit can depend on its term, the amount of money invested in it, or both. Most banks, for example, offer a higher interest rate for longer term deposits. This implies that if one individual has capital available for investment now, but needs it in the next period, whereas the opposite holds for another individual, then they can both benefit from cooperation since it allows them to invest in a longer term deposit. A similar situation arises when the rate of return on a deposit depends on the amount of capital invested in it. Although the benefits of such cooperative behavior may seem obvious to all individuals, the actual participation of an individual depends on what part of the revenues he eventually receives. The allocation of the jointly earned benefits to the investors thus plays an important part in the stability of the cooperation. This paper provides a game theoretical analysis of this allocation problem. Several classes of corresponding deposit games are introduced. For each class, necessary conditions for a nonempty core are provided, and allocation rules that yield core- allocations are examined.

Bossley, Liz

PD October 1999. TI Trading Natural Gas in the UK. AA Freelance Consultant and Journalist. SR Oxford Institute for Energy Studies Working Paper: NG4; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. PG 43. PR 90 pounds UK and Overseas. JE F14, L95, Q41. KW Natural Gas. Gas Market.
AB This paper provides an overview of the gas market in Great Britain - - how it has developed, where it stands currently, and how it is likely to develop in the future. It takes into account the New Gas Trading Arrangements (NGTA), which came into effect on October 1st, 1999. The various contractual mechanisms through which gas is traded are placed in their historical context. The study indicates some of the issues which companies should be aware of when trading gas in the UK. It tracks the trading background, regulated and unregulated, against which the evolving Network Code must be considered. The spot and future gas markets are described. The paper looks at the regulatory and contractual regime before and after the 1986 Gas Act watershed, when British Gas (BG) was privatized and Ofgas (the Office of Gas Supply) was set up. Taking the Irish and the Bacton-Zeebrugge interconnectors into account the paper offers some views as to how the UK market might evolve in a European context.

Bougheas, Spiros

PD September 2001. TI Is R&D Financially Restrained? Theory and Evidence from Irish Manufacturing. AU Bougheas, Spiros; Gorg, Holger; Strobl, Eric. AA Bougheas and Gorg: University of Nottingham. Strobl: University College Dublin. SR University of Nottingham, GEP Research Paper: 2001/16; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. PG 11. PR no charge. JE 032. KW Research and Development. Financial Constraints.
AB This paper re-examines the effects of liquidity constraints on research and development (R&D) investment. The theoretical section extends the neoclassical framework of investment in physical capital by introducing R&D and liquidity constraints. This issue is analyzed empirically using firm-level data for R&D active manufacturing firms in the Republic of Ireland. Results provide evidence that R&D investment is financially constrained, which is in line with previous studies of US firms.

Bousquet, Alain

PD December 2000. TI Does S. Kuznets' Belief Question the Environmental Kuznets Curves? AU Bousquet, Alain; Favard, Pascal. AA Bousquet: Universite des Sciences Sociales. Favard: Universite de La Rochelle. SR Fondazione Eni Enrico Mattei Note di Lavoro: 106/2000; "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 D31, H41, Q25, Q32. KW Environmental Kuznets Curve. Growth. Pollution. Income Inequality.
AB This paper examines the link between pollution and income. It shows how income inequality affects environmental policies and therefore pollution. The environmental Kuznets

Curve hypothesis proposes that there is an inverted U-shape relation between environmental degradation and income per capita. This paper invalidates this common result. Indeed, for a set of parameters we find a two-hump curve.

Brandao de Brito, Jose

PD November 2000. TI The Option of Financial Liberalisation for Emerging Markets. AA University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 00/12; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 21. PR 2 pounds ($4); no charge to academics. JE C61, F31, F34, G13, G15. KW Financial Liberalization. Debt Crises. Option-Pricing Models. Stochastic Control. Optimal Exchange Rate.
AB This paper employs a stochastic option-pricing model to investigate when should an emerging market engage in financial liberalization in a framework in which policymakers choose an optimal exchange rate target aimed at minimizing price volatility and the risk of a debt crisis. In a context where net capital inflows are stochastic and exhibit differentiated structural behavior before and after liberalization the model derives a threshold that separates the region where it is optimal to exercise the option of financial liberalization, from the one where it is not. Crucially, this threshold is shown to depend, among other factors, on the uncertainty associated with capital flows.

PD April 2001. TI Monetary Integration in East Asia: An Empirical Approach. AA University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 01/03; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 36. PR 2 pounds ($4); no charge to academics. JE C32, E52, F15, F42, O53. KW Monetary Integration. Optimal Currency Area. Balassa-Samuelson Effect. Structural VAR. Decompositions.
AB This paper investigates empirically the economic feasibility of monetary integration in East Asia. A structural VAR model is employed to decompose real output, real exchange rate and price level into a lagged polynomial of supply, demand and monetary shocks. The shocks are identified through the imposition of long-run restrictions, which are extracted from a version of Clarida and Gali's (1994) model extended to encompass the Balassa-Samuelson-effect. Once identified, the shocks are used to construct indicators relevant to monetary integration. Using the Euro-zone countries as a benchmark, the overall results suggest that, on balance, East Asian countries fulfill at least as well as the Euro-zone members the criteria looked at for monetary integration.

Branston, J. Robert

PD January 2002. TI Corporate Governance and the Public Interest. AU Branston, J. Robert; Cowling, Keith; Sugden, Roger. AA Branston and Sugden: University of Birmingham. Cowling: University of Warwick. SR Warwick Economic Research Paper: 626; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 22. PR no charge. JE G34, G38, K22, L51. KW Governance. Strategic Decisions. Public Interest. Democratic Corporate Rule. Corporate Governance.
AB A theory of the firm based on strategic decision-making highlights governance as a central issue. Preferences over corporate strategy vary among interested parties; however, not all interests are currently being represented, resulting in a failure to govern in the public interest. As a solution, we consider the design of company law. We also consider more immediate ways forward, focusing on regulation and democratically controlled public agencies, but stressing the fundamental significance of active, effective citizens. Throughout, the arguments are illustrated using examples from various countries and industries, including education, information technology, football, and public utilities in Europe and the U.S.

Brennan, Timothy J.

PD March 2001. TI Policy, Federalism, and Regulating Broadband Internet Access. AA Resources for the Future. SR Resources for the Future Discussion . Paper: 01/02; Resources for the Future, 1616 P Street, NW, Washington D.C. 20036. Website: www.rff.org. PG 29. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE H11, L11, L51, L86, L96. KW Federalism. Internet. Telecommunications. Regulation Jurisdiction. Vertical Integration.
AB Following recent telecommunications mergers, local (mostly municipal and county) governments and the federal government are fighting over who should determine whether cable television systems must make their facilities available to unaffiliated providers of high-speed ("broadband") Internet service. This intergovernmental dispute is only the latest in a series of such clashes regarding competition and communications policy. A brief review of the policy suggests that substantively, local open-access requirements are not yet warranted. However, the economics of federalism indicates that local governments should have the right to choose these policies, since the relevant markets are local. Federal preemption could prevent learning from multiple independent local "experiments." The best case for limiting local authority is if the locality exploits the opportunity to extract rents by holding up a nationwide merger.

PD May 2001. TI "Green" Preferences as Regulatory Policy. AA Resources for the Future. SR Resources for the Future Discussion Paper: 01/01; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 17. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE D61, D62, D63, Q21, Q28. KW Environmental Regulation. Preference Change. Regulatory Instrument. Ethical Theory.
AB We examine the suggestion that if consumers in sufficient numbers are willing to pay the premium to have power generated using low- emission technologies, tax or permit policies become less necessary or stringent. While there are implementation difficulties with this proposal, our purpose is more fundamental: can economics make sense of using preferences as a regulatory instrument? Even with green preferences, production and consumption of polluting goods continues to impose social costs not borne in the market. Moreover, if green preferences are regarded as a policy instrument, the "no policy" baseline would require a problematic specification of counterfactual "non-green"

preferences. Viewing green preferences as a regulatory policy instrument is conceptually sensible if the benchmark for optimal emissions is based on value judgments apart from preferences of consumers. If so, optimal environmental protection would be defined by reference to ethical theory, or by prescriptions from policy advocates who give their own preferences great weight while giving those of the public at large little consideration.

Brenton, Paul

TI   An Integrable Form of the Almost Ideal Demand System.
AU   Bailey, Ralph W.; Brenton, Paul.

TI   Preference Asymmetries, Hysteresis and Quality Effects in Swedish Imports. AU Anderton, R.; Brenton, Paul; Horsewood, Nicholas; Sinclair, Peter.

Brown, Gardner M.

TI   Economics of Antibiotic Resistance: A Theory of Optimal Use. AU Laxminarayan, Ramanan; Brown, Gardner M.

Brown, Jeffrey R.

PD   February 2000. TI   Differential Mortality and the Value of Individual Account Retirement Annuities. AA   Harvard University and NBER. SR   National Bureau of Economic Research Working Paper: 7560; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 47. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   H55, J14. KW   Retirement Programs. Mortality Differentials. Transfers. Redistribution.
AB   This paper examines the extent of redistribution that would occur under various annuity and bequest options as part of an individual accounts retirement program. I first estimate mortality differentials by gender, race, ethnicity, and level of education using the National Longitudinal Mortality Study and document substantial differences. I use these estimates to examine the "expected transfers" that would take place between socioeconomic groups under different assumptions about the structure of an annuity program. Using an expected present discounted value calculation as the basis for comparison, I find that the size of transfers in an individual accounts program is highly sensitive to the benefit structure. These transfers can be substantially reduced through the use of joint life annuities, survivor provisions and bequest options. However, efforts to reduce the extent of redistribution generally do so at the cost of significantly lower annuity benefits paid to the individuals who contribute to the system.

PD   July 2000. TI   Mortality Risk, Inflation Risk, and Annuity Products. AU Brown, Jeffrey R.; Poterba, James M.; Mitchell, Olivia S. AA Brown: Harvard University and National Bureau of Economic Research. Poterba: Massachusetts Institute of Technology and National Bureau of Economic Research. Mitchell: University of Pennsylvania and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7812; 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 the U.S.). JE   D82, D91, G22. KW   Retirement Savings. Annuities.
AB   As growing numbers of retirees reach retirement age with substantial balances in self-directed retirement plans, annuities

are likely to become increasingly important instruments for drawing down retirement savings. This study explores recent trends in the pricing of single- premium annuity products in the United States. Virtually all of the annuity products currently available in the United States offer fixed nominal payouts, rather than an inflation-linked payout stream. After describing the "money's worth" of the various types of nominal annuity products, this study considers the extent to which existing U.S. private annuity markets provide retirees with inflation-protected retirement income flows. Although there is effectively no market yet for inflation-indexed annuities in the United States, such products are available in other countries. The paper concludes by summarizing recent data on the pricing of both nominal and inflation-linked annuities in the United Kingdom and several other nations.

Brueckner, Jan K.
TI   Space and Unemployment: The Labor-Market Effects of Spatial Mismatch. AU Zenou, Yves; Brueckner, Jan K.

Brulhart, Marius
PD   June 2001. TI   Public Expenditure and International Specialisation. AU Brulhart, Marius; Trionfetti, Federico. AA   Brulhart: University of Lausanne. Trionfetti: King's College London. SR   University of Nottingham, GEP Research Paper: 2001/01; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/.   PG   22. PR   no charge. JE   F1, H5, R3, R15. KW   Public Expenditure. International Specialization. Economic Geography. European Union. Input-Output Analysis.
AB   This paper studies the impact of home-biased public expenditure on international specialization in general equilibrium models with increasing returns and monopolistic competition. It is found that home- biased procurement attracts increasing-returns industries to the home country (the "pull" effect) and attenuates the overall degree of industrial specialization (the "spread" effect). Empirical evidence based on input-output data for the European Union confirms the existence of these links between public expenditure and the location of manufacturing activities.

TI   A Tale of Two Cycles: Co-Fluctuations Between UK Regions and the Euro Zone. AU Barrios, Salvador; Brulhart, Marius; Elliott, R. J. R.; Sensier, Marianne.

Brunello, Giorgio
PD   November 2000. TI   Stratified or Comprehensive? The Economic Efficiency of School Design. AU Brunello, Giorgio; Giannini, Massimo. AA Brunello: University of Padua, IZA, and CESifo. Giannini: University of Rome. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 84/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   42. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   D61, D72, I21, I28. KW   Education Analysis. School Design. Majority Voting.
AB   This paper looks at the efficiency implications of differences in secondary school design. The key aspect we focus on is the degree of differentiation between vocational and general education. Using a simple model of endogenous job composition, we study the interaction between relative demand and relative supply of skills, and characterize efficient school

design by a government that runs schools and cares only about total net output. We show that neither a comprehensive nor a stratified system unambiguously dominates the other system for all possible values of the underlying parameters. Using numerical solutions, we show that efficiency does not necessarily require perfect sorting of graduates to jobs. We also show that government policy is not always supported by majority voting.

PD November 2000. TI The College Wage Gap in 10 European Countries: Evidence from Two Cohorts. AU Brunello, Giorgio; Comi, Simona; Lucifora, Claudio. AA Brunello: University of Padua, CESifo Munich and FEEM. Comi: FEEM. Lucifora: Catholic University of Milan and FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 85/2000; "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 J24, J31, J51. KW College Wage Gap. Wage Distribution. Labor Institutions. European Wage Distribution.
AB We study the recent evolution of the college wage gap with a unique data set that covers 10 European countries and two cohorts of male employees, from the early to mid 1980s to the mid to late 1990s. We find evidence of significant cross-country differences in the level and dynamics of the gap. There is also evidence that both the level and the growth of the college wage gap significantly differ between cohorts. The estimated growth in the gap is negatively correlated with changes in the relative supply of college graduates, and positively correlated both with the long run rate of productivity growth and with an index of between industry demand shocks. Institutional changes also matter, and we find that countries that have experienced declines in union density, in the centralization of the wage bargain, and in employment protection measures have also had a faster growth in the college wage gap.

Buchinsky, Moshe
TI How Large is the Bias in Self-Reported Disability? AU Benitez-Silva, Hugo; Buchinsky, Moshe; Chan, Hiu Man; Cheidvasser, Sofia; Rust, John.

Burda, Michael C.
PD June 2001. TI Fragmentation, Globalization and Labor Markets. AU Burda, Michael C.; Dluhosch, Barbara. AA Burda: Humboldt-Universitat zu Berlin and CEPR. Dluhosch: Universitat zu Koln. SR University of Nottingham, GEP Research Paper: 2001/05; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. PG 20. PR no charge. JE F10, L23, O33. KW International Trade. Organization of Production. Technology Choice. Division of Labor.
AB Fragmentation of the value-added-chain is modeled as the reaction of monopolistically competitive firms to the removal of barriers to trade and factor mobility in an integrated trading environment. Since fragmentation requires high-skilled labor, this form of globalization can induce labor market effects similar to those caused by skill-biased technical change. In the short run, it is likely that fragmentation will be accompanied by an increase in high and low-skilled service employment as well as in the skilled wage premia, as observed in OECD countries.

These implications can be reversed, however, as new firms enter the market.

Burgess, Simon
PD June 2000. TI Unemployment Dynamics, Duration and Equilibrium: Evidence from Britain. AU Burgess, Simon; Turon, Helene. AA Burgess: University of Bristol and CEPR. Turon: University of Bristol. SR CEPR Discussion Paper: 2490; 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, J64. KW Non-Linear Dynamics. Persistence. Unemployment Duration. Unemployment Dynamics. Unemployment Flows.
AB This paper challenges the consensus on the nature of unemployment dynamics in Britain. It shows that the argument that changes in unemployment arise mostly from changes in the duration of unemployment (rather than in the event of becoming unemployed) is flawed. In fact, while shocks to the outflow do have a part to play up to the late 1970s, the huge changes in unemployment over the last two decades have been mostly driven by inflow shocks. This model also provides a new explanation of aggregate unemployment persistence based on externalities at a market level rather than individual-level persistence.

Burnside, Craig
PD January 2000. TI Fiscal Shocks in an Efficiency Wage Model. AU Burnside, Craig; Eichenbaum, Martin; Fisher, Jonas D. M. AA Burnside: World Bank. Eichenbaum: Northwestern University and NBER. Fisher: Federal Reserve Bank of Chicago. SR National Bureau of Economic Research Working Paper: 7515; 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 D51, E24, E32, H31, J41. KW Efficiency Wages. Wages. Fiscal Policy Shocks. Hours Worked. Marginal Tax Rates.
AB This paper analyzes the ability of a general equilibrium efficiency wage model to account for the estimated response of hours worked and of real wages to a fiscal policy shock. Our key finding is that the model cannot do so unless we make the counterfactual assumption that marginal tax rates are constant. The model shares the strengths and weaknesses of high labor supply elasticity Real Business Cycle models. In particular it can account for the conditional volatility of real wages and hours worked. But it cannot account for the temporal pattern of how these variables respond to a fiscal policy shock and generates a counterfactual negative conditional correlation between government purchases and hours worked.

Burtraw, Dallas
PD September 2000. TI Innovation Under the Tradable Sulfur Dioxide Emission Permits Program in the U.S. Electricity Sector. AA Resources for the Future. SR Resources for the Future Discussion Paper: 00/38; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 24. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE L94, O31, O38, Q25. KW Innovation. Incentive-Based Regulation. Emissions Trading. Electricity Industry. Clean Air Act Amendments.
AB The 1990 U.S. Clean Air Act Amendments instituted a

national program in tradable sulfur dioxide emission permits, referred to as "emission allowances," in the electricity sector. This paper provides an assessment of the allowance trading program, focusing on the role of innovation. Over the last decade the cost of compliance has fallen dramatically compared with most expectations. Innovation accounts for a large portion of these cost savings. Innovation under the allowance trading program involves organizational innovation at firm, market, and regulatory levels, and process innovation by electricity generators and upstream fuel suppliers. While an important portion of the cost reductions was conceived prior to the program, the program deserves credit for providing the incentive and flexibility to accelerate and realize exogenous technical changes that were occurring in the industry. The restructuring of electricity markets and expanding competition in electricity generation complements the allowance trading program by providing firms with full incentives to reduce costs of pollution control.

PD September 2000. **TI** Electricity Restructuring: Consequences and Opportunities for the Environment. **AU** Burtraw, Dallas; Palmer, Karen; Heintzelman, Martin. **AA** Burtraw and Heintzelman: Resources for the Future. **SR** Resources for the Future Discussion Paper: 00/39; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 47. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** L43, L51, L94, Q28. **KW** Electricity Industry. Air Quality. Deregulation. Technological Change.
AB The universal theme of deregulation of the electricity industry is the dismantling of the exclusive franchise, opening up some segments of the industry to competition. This paper includes a brief overview of the different approaches to restructuring that have been adopted in selected countries around the world. It also surveys the literature that explores how electricity restructuring is likely to affect the environment. Notwithstanding the possibility that electricity consumption displaces the use of other fuels in end uses, most studies find some negative environmental effect from increased consumption, especially with respect to carbon emissions. However, the efficiency gains that can be expected in delivering electricity services create the opportunity for additional environmental controls. Regulatory reform is expected to offer welfare gains that can be shared between economic and environmental objectives.

PD July 2001. **TI** Cost-Effective Reduction of NOx Emissions from Electricity Generation. **AU** Burtraw, Dallas; Palmer, Karen; Bharvirkar, Ranjit; Paul, Anthony. **AA** Resources for the Future. **SR** Resources for the Future Discussion Paper: 00/55R2; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 22. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** Q25, Q28, Q48. **KW** Emissions Reduction. Electricity Generation. Particulates. Nitrogen Oxides.
AB We analyze policies to reduce nitrogen oxides (NOx) emissions from electricity generation in the United States. Emissions of NOx contribute to the high concentration of atmospheric ozone in the eastern states; as a result the U.S. Environmental Protection Agency (EPA) has called on eastern states to formulate state implementation plans (SIPs) for reducing NOx emissions. We consider three NOx reduction scenarios: a summer seasonal cap in the eastern states covered

by EPA's NOx SIP Call, an annual cap in the same SIP Call region, and a national annual cap. All scenarios allow for emissions trading. Although EPA's current policy is to implement a seasonal cap in the SIP Call region, this analysis indicates that an annual cap in the SIP Call region would yield about 400 million dollars more in net benefits than the seasonal policy, based on particulate-related health effects only. An annual cap in the SIP Call region is also the policy that is most likely to achieve benefits in excess of costs. Consideration of omissions from this accounting strengthens the finding that an annual program offers greater net benefits than a seasonal program.

Busch, Susan H.
TI The Medical Treatment of Depression, 1991-1996: Productive Efficiency, Expected Outcome Variations, and Price Indexes. **AU** Berndt, Ernst R.; Bir, Anupa; Busch, Susan H.; Frank, Richard G.; Normand, Sharon-Lise T.

Bussoli, Patrizia
TI Italian Policy Towards Cooperation in R&D. **AU** Battaggion, Maria Rosa; Bussoli, Patrizia.

TI Information Sharing, Research Co-Ordination and Membership of Research Joint Ventures. **AU** Barba Navaretti, Giorgio; Bussoli, Patrizia; von Graevenitz, Georg; Ulph, David.

Caballero, Ricardo J.
PD May 2000. **TI** Institutions, Restructuring, and Macroeconomic Performance. **AU** Caballero, Ricardo J.; Hammour, Mohamad L. **AA** Caballero: MIT and NBER. Hammour: DELTA and CEPR. **SR** National Bureau of Economic Research Working Paper: 7720; National Bureau of Economic Research, 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 the U.S.). **JE** G34, J32, J41, O32, O33. **KW** Restructuring. Transactional Impediments. Institutional Arrangements.
AB A growing body of new research has emphasized the macroeconomic consequences of transactional impediments in factor markets, and their role in the recurrent restructuring requirements of modern economies. We first review the function institutional arrangements play in facilitating transactions and explore the macroeconomic consequences of poor institutions. As an application we discuss the lessons that can be learnt from observed changes in the nature of unemployment in Europe. We then analyze the effect the institutional environment can have on macroeconomic restructuring. In light of this framework we revisit the question of the relationship between recessions and restructuring activity, and review the recent evidence of reduced restructuring following recessions. We also discuss corroborating evidence from "merger waves" in the restructuring of corporate assets.

PD June 2000. **TI** International Liquidity Management: Sterilization Policy in Illiquid Financial Markets. **AU** Caballero, Ricardo J.; Krishnamurthy, Arvind. **AA** Caballero: MIT and NBER. Krishnamurthy: Northwestern University. **SR** National Bureau of Economic Research Working Paper: 7740; National Bureau of Economic Research, 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 the U.S.). **JE** F31, F32 F36, F41. **KW** Liquidity Management. Crisis Prevention. Sterilization. Emerging Economies.

AB During the booms that precede crises in emerging economies, policy makers often struggle to limit capital flows and their expansionary consequences. The main policy tool for this task is sterilization -- essentially a swap of international reserves for public bonds. However, there is an extensive debate on the effectiveness of this policy, with many arguing that it may be counterproductive once the (over-) reaction of the private sector is considered. But what forces account for the private sector's reaction remain largely unexplained. In this paper we provide a model to discuss these issues. We emphasize the international liquidity management aspect of sterilization over the traditional monetary one, a re-focus that seems warranted when the main concern is external crisis prevention. We first demonstrate that policies to smooth expansion in anticipation of downturns can be Pareto improving in economies where domestic financial markets are underdeveloped. We then discuss the implementation and effectiveness of this policy via sterilization. The main insights extend to international liquidity management issues more generally.

Cahill, Sarah

TI Electronic Democracy and Environmental Governance: A Survey of the States. **AU** Beierle, Thomas C.; Cahill, Sarah.

Callen, Tim

PD September 2001. **TI** Policies and Prospects in Japan and the Implications for the Asia- Pacific Region. **AU** Callen, Tim; McKibbin, Warwick J. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/131; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 44. **PR** not available. **JE** F21, F41, F47. **KW** Japan. Asia-Pacific Region. Macroeconomic Model.

AB This paper uses the G-Cubed (Asia-Pacific) model -- a macroeconomic model with rich cross-country links -- to explore the implications for Japan and Asia of several shocks to the Japanese economy. The results suggest that, while fiscal consolidation in Japan would initially dampen domestic growth, over the medium term the impact on both the domestic and regional economies would be positive. Quantitative monetary easing in Japan would boost domestic activity in the short- run, while being basically neutral for the region. Finally, a loss of confidence in the yen would e negative for Japan, but positive for the region because of a reallocation of capital flows toward non-Japan Asia.

Cameron, Gavin

TI Earnings, Unemployment, and Housing: Evidence from a Panel of British Regions. **AU** Muellbauer, John; Cameron, Gavin.

PD December 2000. **TI** The Sun Also Rises: Productivity Convergence Between Japan and the USA. **AA** Nuffield College. **SR** Oxford Department of Economics Discussion Paper: 45; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. **PG** 20. **PR** 2 pounds. **JE** C13, C23, L60, O31, O47.

KW Economic Growth. Total Factor Productivity. Catch-Up. Innovation. Dynamic Panels.

AB The growth process for a technological leader is different from that of a follower. While followers can grow through imitation and capital deepening, a leader must undertake original research. This suggests that as the gap between the leader and the follower narrows, the follower must undertake more formal R&D and possibly face a slower overall growth rate. This paper constructs measures of relative total factor productivity for eleven Japanese manufacturing industries and uses dynamic panel data methods to test whether a smaller productivity gap leads to slower growth, and whether R&D takes over as the engine of growth as Japan approaches the technological frontier. The results suggest that Japanese and US productivity have been growing at similar rates since the mid-1970s, and that some of the Japanese growth slowdown is attributable to the exhaustion of imitation possibilities.

PD January 2001. **TI** A Study in Structural Change: Relative Earnings in Wales Since the 1970s. **AU** Cameron, Gavin; Muellbauer, John; Snicker, Jonathan. **AA** Cameron: University of Oxford. Muellbauer: Nuffield College, Oxford. Snicker: Exeter College, Oxford. **SR** Oxford Department of Economics Discussion Paper: 61; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. **PG** 17. **PR** 2 pounds. **JE** C33, D31, E24, J31, R23. **KW** Earnings. Unemployment. Wales. Structural Change. New Earnings Survey.

AB The Welsh economy has undergone rapid structural change in recent years. This paper uses data from the New Earnings Survey to examine how earnings in Wales changed relative to those of Great Britain between 1975 and 1994. There are five main findings. First, earnings of workers in Wales have declined relative to those in Great Britain. Second, the shift away from full-time men has been an important factor in the fall in average relative earnings. Third, the decline in the relative earnings of full-time men is mostly explained by falling relative earnings in construction, distribution, and transport, as well as the failure of workers in banking and financial services in Wales to keep up with their counterparts in Great Britain. Fourth, the shift in full- time employment to health, education and other services has tended to support relative earnings. Fifth, the decline in full-time men's earnings seems to be an equilibrium phenomenon that will not naturally reverse itself.

Cameron, Stephen

PD June 2000. **TI** Borrowing Constraints and the Returns to Schooling. **AU** Cameron, Stephen; Taber, Christopher. **AA** Cameron: Columbia University. Taber: Northwestern University and NBER. **SR** National Bureau of Economic Research Working Paper: 7761; 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** I21, I22. **KW** Borrowing Constraints. Returns to Schooling. Schooling Determinants. College Choices.

AB The expansion of student aid programs to potential college students has been based on the presumption that borrowing constraints present an obstacle to obtaining a college education. Economists and sociologists have found empirical support for college subsidies in the large positive correlation between family income and schooling attainment. This correlation has been widely interpreted as evidence of credit

constraints. Recently, however, several economists have questioned whether borrowing constraints play any role on college choices. Building on the seminal work of Willis and Rosen (1979), we develop a framework that allows us to study schooling determinants and returns together. We identify that foregone earnings -- the indirect costs of school -- and the direct costs of schooling affect borrowing- constrained persons differently from unconstrained individuals. Using this idea, we develop a structural economic model to measure the extent of borrowing constraints on schooling choices. Because returns to schooling and quantity of schooling are jointly determined, the structural approach allows us to explore the importance of credit market constraints on schooling choices once the influences of ability and relative wages are parceled out. We find no evidence of borrowing constraints.

Caner, Mehmet
TI Size Distortions of Tests of the Null Hypothesis of Stationarity: Evidence and Implications for the PPP Debate. **AU** Kilian, Lutz; Caner, Mehmet.

Caplan, Arthur
PD October 2001. **TI** How Effective and Efficient Can the Kyoto Protocol Be in Controlling Global Carbon Dioxide Emissions? **AU** Caplan, Arthur; Cornes, Richard; Silva, Emilson. **AA** Caplan: Utah State University. Cornes: University of Nottingham. Silva: Tulane University. **SR** University of Nottingham, GEP Research Paper: 2001/23; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/ ˜lezec/research/dp/. **PG** 16. **PR** no charge. **JE** C72, H41, H87, Q25. **KW** Noncooperative Games. Public Goods. Air Pollution. International Treaties.
AB This paper derives the circumstances under which the Kyoto Protocol leads to effective and efficient control of emissions of carbon dioxide. Carbon dioxide emissions are by-products of industrial production or deforestation. Since these emissions generate a positive private consumption benefit as well as a negative and global externality, the impure public good model is utilized to describe tastes. Thus, the 'Kyoto Protocol Game' is Pareto efficient. Both abatement trading and interregional transfers, implemented by an international authority, are shown to be necessary for the efficiency and effectiveness of the Kyoto Protocol.

Caporale, Guglielmo Maria
TI Interest Rate Linkages: Identifying Structural Relations. **AU** Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G.

TI Testing for Changes in the Long-Run Causal Structure of Cointegrated Vector Autoregressions. **AU** Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G.

TI Interest Rate Linkages: A Kalman Filter Approach to Detecting Structural Change. **AU** Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G.

Cappelli, Peter
TI Changes in Managerial Pay Structures 1986-1992 and Rising Returns to Skill. **AU** O'Shaughnessy, K. C.; Cappelli, Peter; Levine, David I.

PD June 2000. **TI** Examining the Incidence of Downsizing and Its Effect on Establishment Performance. **AA** University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 7742; National Bureau of Economic Research, 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 the U.S.). **JE** D24, J32, J63, J65, L21. **KW** Downsizing. Operating Efficiencies. Management Practices. Firm Performance. Job Loss.
AB The interest in examining job security and job stability has been partially driven by the phenomenon of downsizing. The distinctiveness of downsizing, as opposed to more traditional layoffs, is that the job cuts do not necessarily appear to be driven by shortfalls in demand, but instead appear to be driven by the search for operating efficiencies. Despite the interest in downsizing, there has been essentially no serious investigation into its causes. I distinguish downsizing from job cuts associated with shortfalls in demand and find that employment and management practices over which employers have control, such as severance pay and profit sharing, are important predictors of subsequent downsizing and more general job losses. Surprisingly, excess operating capacity is not necessarily related to general job losses at the establishment level. I also examine the relationship between different types of job loss and subsequent financial performance. The results suggest that downsizing reduces labor costs per employee but also sales per employee.

Card, David
PD March 2000. **TI** Do Immigrant Inflows Lead to Native Outflows? **AU** Card, David; DiNardo, John. **AA** Card: University of California, Berkeley and NBER. DiNardo: University of California, Irvine and NBER. **SR** National Bureau of Economic Research Working Paper: 7578; 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** J61, R23. **KW** Human Capital Distribution. Immigration. Labor Skill Groups. Skill- Group Migration. Labor Migration.
AB We use 1980 and 1990 Census data for 119 larger Metropolitan Statistical Areas to examine the effect of skill-group specific immigrant inflows on the location decisions of natives in the same skill group, and on the overall distribution of human capital. To control for unobserved skill-group specific demand factors, our models include lagged mobility flows of natives over the 1970-80 period. We also estimate instrumental variables models that use the fraction of Mexican immigrants in 1970 to predict skill-group specific relative immigrant inflows over the 1980s. Despite wide variation across cities in the size and relative skill composition of immigrant population changes, we find no evidence of selective out-migration by natives. We conclude that immigrant inflows exert a direct effect on the relative skill composition of cities: cities that have received relatively unskilled immigrant flows have experienced proportional rises in the size of their unskilled populations.

Carter, Peter
PD August 1999. **TI** "Hot and Bothered" in the Greenhouse: The Economics of Global Warming and International Finance. **AA** European Investment Bank. **SR** Oxford Institute for Energy Studies Working Paper:

EV28; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. **PG** 43. **PR** 20 pounds UK and Overseas. **JE** D61, D63, F33, Q20, Q48. **KW** Climate Change. Global Warming. Emissions Trading. Environment.

AB This paper provides an accessible review of the role that economics is playing to clarify the main issues associated with the debate on global warming. Global warming is at the top of most environmental agendas and is at the heart of the debate on sustainable development. The economics profession possesses concepts and techniques and has considerable experience of their applications -- developed in a variety of fields, such as public goods, externalities etc. -- that can inform the policy debate on the greenhouse effect. The paper presents the theory and associated empirical evidence from a review of a large body of the relevant literature.

Case, Bradford

PD February 2000. **TI** Global Real Estate Markets -- Cycles and Fundamentals. **AU** Case, Bradford; Goetzmann, William N.; Rouwenhorst, K. Geert. **AA** Case and Rouwenhorst: Yale University. Goetzmann: Yale University and NBER. **SR** National Bureau of Economic Research Working Paper: 7566; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 12. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E66, G15, L85, Q24. **KW** Real Estate Markets. International Real Estate. World Property Markets.

AB The correlations among international real estate markets are surprisingly high, given the degree to which they are segmented. While industrial, office, and retail properties exist all around the world, they are not economic substitutes because of locational specificity. In addition, the broad securitization of real estate property companies has, until recently, lagged that of other types of companies. Nevertheless, international property returns move together in dramatic fashion. In this paper, we use eleven years of global property returns to explore the factors influencing this comovement. We attribute a substantial amount of the correlation across world property markets to the effects of changes in GNP, suggesting that real estate is a bet on fundamental economic variables, which are correlated across countries. A decomposition shows that a local production factor is more important in some countries than in others.

Casella, Alessandra

PD July 2000. **TI** Games for Central Bankers: Markets vs. Politics in Public Policy Decisions. **AA** Columbia University, GREQAM, and CEPR. **SR** CEPR Discussion Paper: 2496; 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** D70, E58, F33. **KW** European Central Bank. European Monetary Union. Policy Coordination. Public Goods.

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 on principle, they are useful in suggesting desirable amendments to traditional voting schemes.

Caselli, Francesco

PD March 2000. **TI** Bad Politicians. **AU** Caselli, Francesco; Morelli, Massimo. **AA** Caselli: University of Chicago, Harvard University, and CEPR. Morelli: Iowa State University and University of Minnesota. **SR** CEPR Discussion Paper: 2402; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 48. **PR** 5 pounds, $8 or 8 euros. **JE** D71, D72. **KW** Elected Officials' Corruption. Competence. Citizens-Candidates.

AB We present a simple theory of the quality of elected officials. Quality has (at least) two dimensions: competence and honesty. Voters prefer competent and honest policymakers, so high-quality citizens have a greater chance of being elected to office. But low-quality citizens have a 'comparative advantage' in pursuing elective office, because their market wages are lower than the market wages of high-quality citizens (competence), and/or because they reap higher returns from holding office (honesty). In the political equilibrium, the average quality of the elected body depends on the structure of rewards from holding public office. Under the assumption that the rewards from office are increasing in the average quality of office holders there can be multiple equilibria in quality. Under the assumption that incumbent policymakers set the rewards for future policymakers there can be path dependence in quality.

Cashin, Paul

PD September 2001. **TI** Macroeconomic Policies and Poverty Reduction: Stylized Facts and an Overview of Research. **AU** Cashin, Paul; Mauro, Paolo; Pattillo, Catherine; Sahay, Ratna. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/135; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 23. **PR** not available. **JE** E61, F41, I32, O57. **KW** Macroeconomic Policies. Poverty. Income Distribution. IMF.

AB This paper provides a brief and selective overview of research on the links between macroeconomic policies and poverty reduction. Using the Human Development Index as a measure of well-being, the progress made by 100 countries during 1975-98 is presented, and its association with macroeconomic factors is explored. Several potential avenues for future research are also outlined.

Cassoni, Adriana

PD January 2000. **TI** The Effect of Unions on Employment: Evidence from an Unnatural Experiment in Uruguay. **AU** Cassoni, Adriana; Allen, Steven G.; Labadie, Gaston J. **AA** Cassoni: Universidad de la Republica. Labadie: Universidad ORT Uruguay. Allen: NC State University and NBER. **SR** National Bureau of Economic Research Working Paper: 7501; 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 C33, J21, J51, J52, K31. KW Trade Unions. Wages. Employment. Structural Regime Changes. Bargaining Structure.

AB This study examines the impact of unions on wages and employment using data from Uruguay in a period where unions were banned (1973- 1984), then legalized with tripartite bargaining (1984-1991) followed by industry-wide or firm-specific bargaining (1992-1997). The relationship between wages and employment shifted significantly across these periods as evidenced by: recursive residuals show structural shifts in five of six industries with the shifts coming at the same time as the regime changes; wages are exogenous to employment before 1985, but not afterwards; the wage elasticity and the employment-output elasticity fell sharply after 1984; unions significantly raised wages in 1985-1992, but afterwards the change in bargaining structure and increased openness led to concessions; starting in 1985, workers in unionized industries were less likely to be laid off than workers in nonunion industries.

Cecchetti, Stephen G.

PD January 2000. TI Understanding Inflation: Implications for Monetary Policy. AU Cecchetti, Stephen G.; Groshen, Erica L. AA Cecchetti: Ohio State University and NBER. Groshen: Bank for International Settlements, Switzerland. SR National Bureau of Economic Research Working Paper: 7482; 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 E31, E32, E58, E64, J31. KW Inflation. Nominal Rigidities. Economic Shocks. Monetary Policy. Relative Prices.

AB This paper discusses how optimal monetary policy is affected by differences in the combination of shocks an economy experiences and the rigidities it exhibits. Specifically, shocks can be predominantly real, affecting relative prices, or primarily nominal, moving the general price level. They may also be big or small, frequent or rare. Similarly, some nominal rigidities are symmetrical, affecting both upward and downward movements equally, while others are asymmetrical, restricting decreases more than increases. After reviewing major trends in the conduct of monetary policy, the authors describe how the growing theoretical and empirical literature on shocks and rigidities informs three crucial dimensions of monetary policymaking. First, the authors discuss why trimmed means provide the best measure of core inflation. Second, they outline how rigidities impede policymakers' ability to control inflation. And third, they describe how alternative shock/rigidity combinations create inflation's grease (whereby it improves economic efficiency by speeding adjustment) and sand effects (whereby it distorts price signals) with their contrasting implications for the optimal level of inflation.

Chacko, George

PD June 2000. TI Cephalon, Inc.: Taking Risk Management Theory Seriously. AU Chacko, George; Tufano, Peter; Verter, Geoffrey. AA Chacko and Verter: Harvard Business School. Tufano: Harvard Business School and NBER. SR National Bureau of Economic Research Working Paper: 7748; 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 G13, G14, G32, L21. KW Risk Management. Managerial Decisions. Hedging Strategy.

AB We study a firm that justifies its novel use of equity derivatives as a cash-flow hedging strategy. Our purpose is to understand the challenge of translating risk management theory into managerial action. Cephalon Inc., a biotech firm, bought a large block of call options on its own stock. If the U.S. Food and Drug Administration approved the firm's new drug, the firm would have large cash needs, which the options were designed to meet. We analyze this stated rationale for the firm's choice, applying the cash flow hedging concepts articulated by Froot, Scharfstein, and Stein (1993). In applying the theory to practice, we consider lessons for both managers and theorists. In particular, we identify differences between the considerations of risk management theory and those of managers. Finally, even a field-based examination of Cephalon's strategy cannot reject the conclusion that the transaction was motivated by goals other than risk management.

Chadha, Jagjit S.

PD July 2001. TI Productivity and Preferences in a Small Open Economy. AU Chadha, Jagjit S.; Janssen, Norbert; Nolan, Charles. AA Chadha: University of Cambridge. Janssen: Bank of England. Nolan: University of Durham. SR University of Cambridge, DAE Working Paper: 0108; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 14. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE E20, E32, F32, F41, O41. KW Open Economy. Current Account. Growth Model. Productivity Disturbances.

AB Following Hall (1997), it is increasingly common to incorporate preference, as well as productivity, perturbations in calibrated general equilibrium models. We assess the performance of a small open economy stochastic growth model (based on the Blanchard-Yaari framework) under alternate driving processes. While both models provide familiar descriptions of the aggregate economy, we find that the model driven by productivity disturbances has clear advantages in explaining the behavior towards foreign asset accumulation.

Chan, Hiu Man

TI How Large is the Bias in Self-Reported Disability? AU Benitez-Silva, Hugo; Buchinsky, Moshe; Chan, Hiu Man; Cheidvasser, Sofia; Rust, John.

TI How Large is the Bias in Self-Reported Disability? AU Benitez-Silva, Hugo; Buchinsky, Moshe; Chan, Hiu Man; Cheidvasser, Sofia; Rust, John.

Chander, Parkash

PD September 2001. TI Subsidy Reforms and Poverty Alleviation. AA Indian Statistical Institute, Delhi. SR International Monetary Fund Working Paper: WP/01/126; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 21. PR not available. JE D11, H42, I13. KW Poverty. Subsidy. Reforms. Quality. Deadweight Loss.

AB This paper presents a general framework for characterizing the optimal pattern of subsidies for poverty alleviation under budgetary constraints and suggests possible

reforms for the existing pattern of subsidies. This government may subsidize or tax goods in order to meet its objectives. The paper introduces the concept of a consumer equilibrium and shows that there are cases of equilibria in which reforms can generate not only fiscal savings but also Pareto improve the welfare of both poor and wealthy consumers.

Chen, Chet Sun

PD March 2001. **TI** An Intra-Distribution Dynamics Approach to Convergence in the Asia Pacific Basin: The Influence of Inward FDI and Neighbourhood Spillover. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 01/02; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. **PG** 21. **PR** 2 pounds ($4); no charge to academics. **JE** C14, F21, O41, O53, R11. **KW** Convergence. Foreign Direct Investment. Neighborhood Spillover. Distribution Dynamics. Technology Diffusion.
AB We examine the empirical impact of FDI and neighborhood spillover on regional income convergence via technology diffusion in the Pacific basin. The capacity of parametric estimation to trace the evolution of economies is found wanting as it conceals this evolution by averaging across economies. Employing a nonparametric intra-distribution dynamics approach, we discover a polarization of income in the Pacific Rim developing into twin-peaks. FDI and proximity cannot fully explain this phenomenon. FDI recipients irrespective of any income level fail to approach their donors in prosperity. Against expectation, a positive correlation between wealth and out-performance of neighbors is found.

Chen, Daniel

TI Income Distribution Dynamics with Endogenous Fertility. **AU** Kremer, Michael; Chen, Daniel.

Chen, Yongmin

PD June 2001. **TI** Trade Liberalization and Strategic Outsourcing. **AU** Chen, Yongmin; Ishikawa, Jota; Yu, Zhihao. **AA** Chen: University of Colorado at Boulder. Ishikawa: Hitotsubashi University. Yu: University of Nottingham. **SR** University of Nottingham, GEP Research Paper: 2001/13; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. **PG** 18. **PR** no charge. **JE** F10, F20, L22. **KW** Outsourcing. Fragmentation. Collusion. Multi-Market Contact.
AB This paper develops a theory of strategic outsourcing that arises due to trade liberalization. With trade liberalization, a domestic firm may choose to purchase the intermediate good from a more efficient foreign producer, who also competes with the domestic firm in the final-good market. This can result in higher prices for both the intermediate and final goods. Although trade liberalization in the final product would lower the price of the final good, it could cause the price of the intermediate product to either increase or decrease, depending on the characteristics of the final products. Therefore, in the presence of strategic outsourcing, trade liberation can have ambiguous effects on consumer prices, depending on the relative tariff reductions for intermediate and final goods.

Cheng, R. H. C.

PD February 1999. **TI** Optimal Design of Experiments with Simulation Models of Nearly Saturated Queues. **AU** Cheng, R. H. C.; Kleijnen, J. P. C.; Melas, V. B. **AA** Cheng: University of Kent. Kleijnen: Tilburg University. Melas: St. Petersburg State University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9916; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 8. **PR** no charge. **JE** C15, C90, L10, L51. **KW** Industrial Organization. Regulation. Experimental Design. Simulation. Nearly Saturated Queues.
AB The paper develops an approach to the optimal design of experiments with simulation models of nearly saturated queues, suggested in Cheng and Kleijnen (1996). This approach is based on the introduction of a regression model of the input-output behavior of the underlying simulation model. In this way the problem is reduced to a special regression experimental design problem. An analytical solution is found under some assumptions for the regression function and the behavior of the output variance. In particular D-optimality designs are considered and the solution is given for this case.

Cherebin, Desiree

TI Financial System Soundness in the Caribbean: An Initial Assessment. **AU** Worrell, DeLisle; Cherebin, Desiree; Polius-Mounsey, Tracy.

Cheung, Yin-Wong

PD February 2000. **TI** How Do UK-Based Foreign Exchange Dealers Think Their Market Operates? **AU** Cheung, Yin-Wong; Chinn, Menzie D.; Marsh, Ian W. **AA** Cheung: UC Santa Cruz. Chinn: UC Santa Cruz and NBER. Marsh: City University Business School, and CEPR. **SR** National Bureau of Economic Research Working Paper: 7524; 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** D83, F31, G14, G15. **KW** Foreign Exchange Dealers. Beliefs. Bid-Ask Spread. Exchange Rates. Market Fundamentals.
AB This paper summarizes the results of a survey of UK-based foreign exchange dealers conducted in 1998. It addresses topics in three main areas: the microeconomic operation of the foreign exchange market; the beliefs of dealers regarding the importance, or otherwise, of macroeconomic fundamental factors in affecting exchange rates; and microstructure factors in FX. We find that heterogeneity of traders' beliefs is evident from the results but that it is not possible to explain such disagreements in terms of institutional detail, rank or trading technique (e.g. technical analysts versus fundamentalists). As expected, non-fundamental factors are thought to dominate short horizon changes in exchange rates, but fundamentals are deemed important over much shorter horizons than the mainstream empirical literature would suggest. Finally, market "norms" and behavioral phenomena are very strong in the FX market and appear to be key determinants of the bid-ask spread.

Chinn, Menzie D.

TI How Do UK-Based Foreign Exchange Dealers Think Their Market Operates? **AU** Cheung, Yin-Wong; Chinn, Menzie D.; Marsh, Ian W.

PD March 2000. TI Medium-Term Determinants of Current Accounts in Industrial and Developing Countries: An Empirical Exploration. AU Chinn, Menzie D.; Prasad, Eswar S. AA Chinn: University of California, Santa Cruz and NBER. Prasad: IMF. SR National Bureau of Economic Research Working Paper: 7581; 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 F32, F41. KW Current Accounts. Financial Deepening. Foreign Assets. International Trade. Openness.

AB This paper provides an empirical investigation of the medium-term determinants of current accounts for a large sample of industrial and developing countries. The analysis is based on a structural approach that highlights the roles of the fundamental macroeconomic determinants of saving and investment. Cross-section and panel regression techniques are used to characterize the properties of current account variation across countries and over time. We find that current account balances are positively correlated with government budget balances and initial stocks of net foreign assets. Among developing countries, measures of financial deepening are positively associated with current account balances while indicators of openness to international trade are negatively correlated with current account balances.

Choi, Woon Gyu

PD August 2001. TI Has Inventory Investment Been Liquidity-Constrained? Evidence from U.S. Panel Data. AU Choi, Woon Gyu; Kim, Yungsan. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/122; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 40. PR not available. JE C23, E22, E52. KW Inventory Investment. Liquidity Constraint. Monetary Policy. Panel Data.

AB Based on an analysis of quarterly panel data for U.S. firms, this paper finds that inventory investment has been liquidity-constrained in most periods during 1975-97, but less so, or not at all, during recessions. This result holds irrespective of whether the firm has a bond rating, contrary to the finding of Kashyap, Lamont, and Stein (1994) that inventory investment is not liquidity-constrained, except during recessions and only for firms without bond ratings. Our result can be justified on the grounds that inventory fluctuations are largely attributable to unexpected sales shocks during recessions, and that firms increase liquid assets before recessions.

Christiano, Lawrence J.

PD July 2000. TI The Expectations Trap Hypothesis. AU Christiano, Lawrence J.; Gust, Christopher J. AA Christiano: Northwestern University and National Bureau of Economic Research. Gust: Federal Reserve Board. SR National Bureau of Economic Research Working Paper: 7809; 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 the U.S.). JE E50, N12. KW Expectations Trap. Phillips Curve. Federal Reserve Bank. United States.

AB This paper explores a hypothesis about the take-off in inflation that occurred in the early 1970s. According to the expectations trap hypothesis, the Fed was pushed into producing the high inflation out of a fear of violating the public's inflation expectations. This hypothesis is compared with the Phillips curve hypothesis, according to which the Fed produced the high inflation as an unfortunate by-product of a conscious decision to jump-start a weak economy. Which hypothesis is more plausible has important implications for preventing other inflation flare-ups.

Cihak, Martin

PD September 2001. TI Convergence of Relative Prices and Inflation in Central and Eastern Europe. AU Cihak, Martin; Holub, Tomas. AA Cihak: International Monetary Fund. Holub: Czech National Bank. SR International Monetary Fund Working Paper: WP/01/124; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 47. PR not available. JE E31, E52, E58, F15, P22. KW Relative Price Differentiation. Inflation. Sticky Prices. Balassa- Samuelson Effect.

AB The paper assesses inflation risks resulting from the convergence of structures of relative prices in Central and Eastern European (CEE) countries toward the European Union (EU). The basic idea of the paper is that under low downward flexibility of domestic nominal prices, the adjustment of relative price structures is likely to lead to higher inflation. The authors find that the degree of differences in the structures of relative prices in transition economies vis-a-vis EU economies has a strong negative relationship to price levels in the transition economies. Based on their calculations, the authors assess the likely future inflationary pressures that can stem from the remaining differences between the structures of relative prices in the CEE economies and the EU. The authors argue that their approach can be thought of as an extension of the standard Balassa-Samuelson explanation of international variability in price levels.

Clark, Peter

PD September 2001. TI International Financial Contagion and the IMF: A Theoretical Framework. AU Clark, Peter; Huang, Haizhou. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/137; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 25. PR not available. JE E44, E61, F33, F34. KW International Financial Contagion. Conditionality. IMF.

AB We provide a model of contagion where countries borrow or lend for consumption smoothing at the market interest rate or a lower IMF rate. Highly indebted countries hit by large negative shocks to output will default. The resulting reduction in loanable funds raises interest rates, increases the vulnerability of other indebted countries, and can generate further rounds of defaults. In this environment the IMF can limit default and internalize the externality generated by contagion through its lending with conditionality. We characterize the IMF's optimal lending decision in mitigating the loss in world consumption.

Clements, Benedict

PD August 2001. TI Monetary Policy Under EMU: Differences in the Transmission Mechanism? AU Clements, Benedict; Kontolemis, Zenon G.; Levy, Joaquim. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/102; International

Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 39. **PR** not available. **JE** E32, E37, E58 F02. **KW** European Monetary Union. Monetary Policy. Transmission Mechanism.

AB This study identifies differences in the monetary policy transmission mechanism across the countries in the euro area. It is argued that part of the differences in the response of economic activity to monetary policy during the pre-EMU period, found in other studies, reflected differences in monetary policy reaction functions, rather than different transmission mechanisms. In light of this, the paper constructs an empirical model on the basis of common reaction functions. The results confirm that even when a common monetary policy is implemented, its effects on economic activity are likely to differ across EMU countries. The paper also constructs an aggregate measure of the effect of monetary policy on prices and output. Finally, the paper examines the relative strength of the credit, exchange rate, and interest rate channels of monetary transmission in EMU countries.

Clements, Michael P.

PD September 2000. **TI** Modelling Business Cycles Features Using Switching Regime Models. **AU** Clements, Michael P.; Krolzig, Hans-Martin. **AA** Clements: University of Warwick. Krolzig: University of Oxford. **SR** Oxford Department of Economics Discussion Paper: 58; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. **PG** 10. **PR** 2 pounds. **JE** C32, C52, E20, E32. **KW** Business Cycles. Asymmetries. Markov-Switching Models. Cointegration. Regime Switching.

AB The ability of Markov-switching (MS) autoregressive models to replicate selected classical business-cycle features found in US post-war consumption, investment and output is compared to that of linear models. Univariate MS models appear to offer more dynamically parsimonious representations, but generally are unable to reproduce features missed by linear models. In the multivariate models, some cointegration restrictions were found to have a crucial impact, and the ability of models that imposed cointegration to reproduce business cycle features was enhanced by Markov-switching.

Coakley, Jerry

TI Evaluating the Persistence and Structuralist Theories of Unemployment. **AU** Zoega, Gylfi; Coakley, Jerry; Fuertes, Ana Maria.

Coate, Stephen

TI Market Provision of Public Goods: The Case of Broadcasting. **AU** Anderson, Simon P.; Coate, Stephen.

TI Elected versus Appointed Regulators: Theory and Evidence. **AU** Besley, Timothy; Coate, Stephen.

TI Centralized versus Decentralized Provision of Local Public Goods: A Political Economy Analysis. **AU** Besley, Timothy; Coate, Stephen.

Cochrane, John H.

PD January 2000. **TI** Money as Stock: Price Level Determination with no Money Demand. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7498; 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** E31, E41, E42, E52, H61. **KW** Price Level. Money Demand. Cash in Advance. Debt. Monetary Regimes.

AB The author shows that a determinate, finite price level can be achieved in an economy with no monetary frictions, and no commodity standard or other explicit redemption commitment. He makes one small modification to a standard cash in advance model: he reopens the security market at the end of the day. With this modification, overnight money demand is precisely zero. The author shows that the price level is still determined, however, by the government debt valuation equation. Nominal government debt is a residual claim to government surpluses. Thus, the price level is determined just like the price of stock, and just as if we used (say) Microsoft stock as numeraire, unit of account, and medium of exchange. The author resolves Buiter's (1999) criticism that fiscal price level determination mis-treats the government budget constraint. The government is not forced by a budget constraint to raise surpluses in response to an off-equilibrium deflation. The author also addresses McCallum's (1998) criticism that fiscal models do not properly treat indeterminacies, and a number of other confusions and misconceptions surrounding fiscal price level determination.

Cockburn, Iain

TI Do Patents Matter?: Empirical Evidence after GATT. **AU** Lanjouw, Jean O.; Cockburn, Iain.

Cole, Matthew A.

PD August 2000. **TI** The Environment, Trade and Industrial Restructuring: Revisiting the Evidence. **AU** Cole, Matthew A.; Elliott, R. J. R.; Azhar, Abdul K. **AA** Cole: University of Birmingham. Elliot: University of Manchester. Azhar: University of Mutra, Malaysia. **SR** University of Birmingham, Department of Economics Discussion Paper: 00/06; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. **PG** 20. **PR** 2 pounds ($4); no charge to academics. **JE** F15, K32, L51, O13, Q25. **KW** Trade Specialization. Economic Development. Environmental Regulation. Air Pollution. Bilateral Trade.

AB In the developed world the cost of meeting environmental regulations appears to be rising over time. Since the stringency of such regulations increases with economic development, there has been speculation that developing countries may possess a comparative advantage in pollution intensive production. This "pollution haven hypothesis" may manifest itself in the form of dirty industries relocating from developed countries to developing countries, or simply developed world dirty industries being displaced from the world market by similar industries from developing countries. In the light of conflicting empirical results, this paper revisits the evidence and a new methodology is employed which examines bilateral trade relationships between developed and developing countries/regions and the role of statistical aggregation. We find some support for the pollution haven hypothesis, but only for certain trade pairs during certain periods suggesting that pollution havens may be temporary phenomena.

AB This paper assesses the strength of the Environmental Kuznets Curve (EKC) which posits an inverted-U relationship between per capita income and pollution, in the light of a number of recent criticisms. In particular the role of trade is examined and the extent to which the EKC stems from the migration of "dirty" industries from the developed regions to the developing regions. Little evidence is found for pollution haven effects, but the declining share of manufacturing in GNP is shown to be important. A number of methodological criticisms are shown to be either invalid or surmountable, although the need for careful interpretation of EKCs is emphasized.

AB The impact of trade liberalization on the environment has received growing attention in recent years with a number of studies decomposing the environmental impact of trade liberalization into scale, technique and composition effects. The composition effect results from the changing specialization patterns that accompany trade liberalization, with the impact on the environment depending upon the determinants of a country's comparative advantage. This paper attempts to ascertain whether the composition effect is determined by the pollution haven or factor endowment hypothesis (or both, or neither). We develop a methodology that provides a detailed examination of the individual components of international trade (focusing on North-South trade) and then examine the role of the pollution haven and factor endowment hypotheses in determining emissions of four pollutants: sulphur dioxide, nitrogen oxides, carbon dioxide and organic water pollutants. Our results provide new evidence of the temporary nature of pollution haven effects. They also partially support the argument that free trade can be good for the environment, but also provide evidence that gives us reason to doubt the generality of this result.

AB The pollution haven hypothesis (PHH) and the factor endowment hypothesis (FEH) state that the relative level of a country's environmental regulations and factor endowments determines its comparative advantage. Since these hypotheses lead to conflicting predictions as to whether the North or the South will specialize in pollution-intensive production, this paper examines the evidence for pollution haven and factor endowment effects. We employ a methodology that enables us to examine North-South trade patterns over time and to identify those periods when trade patterns were consistent with either the PHH and/or the FEH. We then investigate the relationship between environmental regulations and trade allowing us to assess whether it is regulations or factor endowments (or both) which are influencing trade patterns. We test a monopolistic competition model of intra- and inter- industry trade based on Helpman (1981, 1987) as well as the more traditional Heckscher-Ohlin-Vanek (HOV) model. Overall, our results suggest that both pollution haven and factor endowment forces are at work and may, due to their temporary nature, often cancel each other out. This may explain the lack of previous empirical evidence for the PHH.

Collard, Fabrice

AB This paper looks at the behavior of maintenance, utilization and physical depreciation over the business cycle. It is done within the context of a real business cycle model where the decisions of firms about physical capital utilization, maintenance, and improvement or scrapping are endogenous. The difference between labor input devoted to output production and labor input devoted to maintaining and improving or scrapping existing capital is distinguished. Firms must first decide the total number of work hours and then how to allocate workers between output production and capital maintenance. The model encompasses the baseline real business cycle model, where the depreciation rate is fixed, or versions of that model where the depreciation rate is an exogenous stochastic process. It also encompasses versions of the real business cycle model where capital utilization is an explicit endogenous variable or enters implicitly a variable work effort. The model is capable of providing a unified explanation of several stylized facts of business cycle behavior, including (a) a low correlation between labor productivity and output, (b) a low correlation between wages and productivity and (c) a relatively strong correlation between real wages and hours worked.

Collins, William J.

AB The racial gap in the value of owner occupied housing has narrowed substantially since 1940, but this narrowing has not been even over time or across space. The 1970s stand out as an unusual decade in which the value gap did not narrow despite continued convergence in the observed characteristics of housing. A decline in the relative value of black-owned homes in central cities appears to have offset gains elsewhere during the 1970s, and this central city decline continued into the 1980s. In further exploration of the 1970s, we find evidence of a rising propensity for higher-income blacks to live in the suburbs. We also find a positive correlation between riots in the 1960s and widening of the value gap during the 1970s in a panel of cities.

Comi, Simona

Compte, Olivier

Conley, John P.

AB We reconsider the classic puzzle of why election turnouts are persistently so high when formal analysis strongly suggests that rational agents should not vote. If we assume that voters are not making systematic mistakes, the most plausible explanation seems to be agents receive benefits from the act of voting itself. In this paper, we approach this question from an evolutionary standpoint. We show for a range of situations that public-spirited agents have an evolutionary advantage over those who are not as public-spirited. We also explore when this kind of altruistic behavior is disadvantageous to agents. The details depend on the costs of voting, the degree to which agents have different preferences over public policies, and the ratio of various preference types in the population, but we conclude that evolution may often be a force that causes agents to internalize the benefits their actions confer on others.

Cook, Joe

Cooper, Ben

AB "Group selection" is often cited as an explanation for the survival of altruism. The idea of group selection is a controversial one -- much effort has been expended on its justification (and refutation). Relatively little effort has gone into formally testing whether or not it can actually provide a reasonable explanation for altruistic behavior. This paper concentrates solely on whether or not a group structure enables the survival of altruism in an evolving population. If altruism is to flourish either groups need to be isolated from each other for multiple generations, or groups themselves need to be constructed in a positively assortative manner. In the former case the size of the group, the relative benefit to cost of altruism and the number of generations in isolation play a crucial role in determining the survival chances of altruism. In the latter case, when groups are short-lived phenomena, a precise condition is given on the assortative mechanism for the survival of altruism in the long run. The probability distribution of the dispersion-rematching process and the group size are of critical importance in this case.

Coricelli, Fabrizio

AB Existing literature on the strategic interaction between the central bank (CB) and unions assumes that firms face perfect competition on product markets and that inflation is chosen directly by the monetary authority. This paper makes a step in the direction of realism by recognizing that prices are set by monopolistically competitive firms and that the monetary authority affects the price level and inflation indirectly through its choice of money supply. This is done in a three stage game, in the first stage of which unions contractually set nominal wages, in the second stage the CB chooses the money supply, and in the third stage each firm chooses its individually optimal price. A sample of the paper's results follow: In spite of full price flexibility, changes in the degree of conservativeness of the CB affect employment and output even when inflation is fully anticipated by labor unions and even when unions are indifferent to inflation. When the CB is more conservative each

union correctly anticipates a stronger contractionary reaction to an increase in its wage and, therefore, a stronger increase in unemployment among its members which attenuates wage demands.

Cornes, Richard
TI How Effective and Efficient Can the Kyoto Protocol Be in Controlling Global Carbon Dioxide Emissions? AU Caplan, Arthur; Cornes, Richard; Silva, Emilson.

Coronado, Julia Lynn
PD February 2000. TI The Progressivity of Social Security. AU Coronado, Julia Lynn; Fullerton, Don; Glass, Thomas. AA Coronado: Board of Governors of the Federal Reserve System. Fullerton: University of Texas and NBER. Glass: Glass & Company, CPAS. SR National Bureau of Economic Research Working Paper: 7520; 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 D91, H22, H24, H55, J31. KW Social Security. Wage Profiles. Payroll Taxes. Mortality. Life Cycle.
AB The authors use the PSID to estimate lifetime wage profiles and actual earnings each year for a sample of 1778 individuals, and they use mortality probabilities to calculate expected payroll taxes and social security benefits. For a given set of "facts" about the net flows received by each individual, measured progressivity depends on many assumptions. This paper attempts to capture and to quantify all of the individual characteristics that are relevant to determine the progressivity of a life-cycle program like social security. The authors proceed in seven steps. First, they classify individuals by annual income and use Gini coefficients to find that social security is highly progressive. Second, they reclassify individuals on the basis of lifetime income and find that social security is less progressive. Third, they remove the cap on measured earnings and find that social security is even less progressive. Fourth, they switch from actual to potential lifetime earnings. Fifth, they assign to each married individual half of the couple's income. Sixth, they incorporate mortality probabilities that differ by potential lifetime income. Finally, they increase the discount rate from 2 percent to 4 percent. The whole social security system is then regressive.

PD February 2000. TI Long Run Effects of Social Security Reform Proposals on Lifetime Progressivity. AU Coronado, Julia Lynn; Fullerton, Don; Glass, Thomas. AA Coronado: Federal Reserve Board of Governors. Fullerton: University of Texas, Austin and NBER. Glass: Glass & Company, CPAs. SR National Bureau of Economic Research Working Paper: 7568; 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 H22, H23, H24, H55. KW Social Security. Progressivity. Lifetime Income.
AB This paper uses a lifetime framework to address questions about the progressivity of social security and proposed reforms. We use a large sample of diverse individuals from the Panel Study of Income Dynamics (PSID) to calculate lifetime income, to classify individuals into income quintiles, and then to calculate the present value of taxes minus benefits for each person in each group. In our basic calculations, the current system is slightly progressive, overall, on a lifetime basis. Social Security would become slightly more progressive

in one of the reform plans, and it would become slightly regressive in each of the other plans. The pattern of progressivity is affected by alternative assumptions, but it is affected in similar ways for the current system and proposed reforms. None of these reforms greatly alters the current degree of progressivity on a lifetime basis.

Correa Lopez, Monica
PD February 2002. TI The Cournot-Bertrand Profit Differential: A Reversal Result in a Differentiated Duopoly with Wage Bargaining. AU Correa Lopez, Monica; Naylor, Robin A. AA University of Warwick. SR Warwick Economic Research Paper: 631; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/ twerps.html. PG 26. PR no charge. JE D43, J51, L13. KW Differentiated Duopoly. Wage Bargaining. Duopoly.
AB This paper compares Cournot and Bertrand equilibria in a downstream differentiated duopoly in which the input price (wage) paid by each downstream firm is the outcome of a strategic bargain with its upstream supplier (labor union). When the differentiated duopoly game is played in imperfect substitutes, the standard result is that Cournot equilibrium profits exceed those under Bertrand competition. We show that this result is reversible. Whether equilibrium profits are higher under Cournot or Bertrand competition is shown to depend upon the nature of the upstream agents' preferences, on the distribution of bargaining power over the input price, and on the degree of product market differentiation. We find that the standard result holds unless unions are both powerful and place considerable weight on the wage argument in their utility function. One implication of this is that if the upstream agents are profit-maximizing firms, then the standard result will hold.

Costantino, Cesare
PD December 2000. TI New Developments in Environmental Accounting at Istat. AU Costantino, Cesare; Falcitelli, Federico; Tudini, Angelica. AA ISTAT, Environmental Accounting Unit. SR Fondazione Eni Enrico Mattei Note di Lavoro: 97/2000; "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 O47, Q20, Q38. KW Environmental Accounting. Green Accounting. Environmental Protection.
AB Three projects undertaken by the Italian Statistical Institute (Istat) Environmental Accounting Unit are close to the stage of regular data production. Two projects involve the collection of data on environmental protection expenditure (EPE) -- one project concerns government EPE, and the other concerns EPE by commercial industry and services. The last project is the production of an Italian National Accounts Matrix Including Environmental Accounts (NAMEA). The projects on EPE aim at producing basic data for the construction of the satellite Environmental Protection Expenditure Account (EPEA). The paper describes, for each project, the methodology used and the progress made so far.

Costello, Christopher
TI Poverty and Employment in Timber-Dependent Counties. AU Berck, Peter; Costello, Christopher; Fortmann, Louise; Hoffmann, Sandra.

PD April 2001. TI On Agricultural Protection and Exotic

Species Introductions. **AU** Costello, Christopher; McAusland, Carol. **AA** University of California, Santa Barbara. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/02; Department of Economics, Working Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 21. **PR** no charge for domestic orders; for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** F13, F18, Q17, Q18, Q28. **KW** Agricultural Protection. Environmental Damage. Exotic Species. International Trade.
AB Unintentional introductions of non-indigenous plants, animals, and microbes cause significant ecological and agricultural crop damage worldwide. There is an emerging empirical link between international trade and the frequency and damage of such introductions. We explore the effects of domestic agricultural protection on exotic species introductions. In contrast to the commonly held belief that agricultural protection harms the environment, we show that increasing agricultural protection may reduce ecological damage from exotic species introductions. Contrary to common policy, we demonstrate that an estimate of pecuniary damage from crop loss is an inappropriate proxy for ecological damage from exotic species introductions.

Coutts, Ken
PD January 2002. **TI** Global Influences on UK Manufacturing Prices 1970-2000. **AU** Coutts, Ken; Norman, Neville R. **AA** Coutts: University of Cambridge. Norman: University of Melbourne. **SR** University of Cambridge, DAE Working Paper: 0117; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. **PG** 32. **PR** $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D43, F14, L11, L13, L60. **KW** Pricing. International Competition. Cointegration Analysis. Market Imperfections.
AB This paper presents substantial new evidence on the competitive process that links together industrial economics and international economics. Our time-series database concerns manufactured product prices and their domestic and international determinants. We identify cointegrating relationships, using single equation and multivariate methods. We find that both market imperfections, largely ignored in international economics, and international factors, mostly neglected in industrial economics, should be jointly incorporated into pricing analysis. The significance of global factors varies markedly; differentiated-product sectors respond little to foreign price signals. Our findings are relevant to many fields within economics, including the transmission of inflation.

Cowling, Keith
PD January 2002. **TI** Re-visiting the Roots of Japan's Structural Decline: The Role of the Japanese Corporation. **AU** Cowling, Keith; Tomlinson, Philip R. **AA** Cowling: University of Warwick. Tomlinson: University of Bath. **SR** Warwick Economic Research Paper: 624; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 18. **PR** no charge. **JE** F21, F23, L52, O53. **KW** Japanese Corporations. Strategic Failure. Industrial Policy.

AB For a long period in the twentieth century, the development of the Japanese corporation appeared congruent with the development of the Japanese economy. The growth-maximizing behavior of the Japanese corporation and the preference for internal growth over acquisitions (see Odagiri, 1992) appeared to suit the long-term ambitions of Japan. Now, that formerly clear connection between the ambitions of corporate Japan and the Japanese public interest is no longer so clear. Increasingly, the global ambitions of the corporation appear as an impediment to Japan's development. In favoring the development of large-scale transnational corporations, Japanese industrial policy- making appears to have contained a fundamental flaw. Japan is now dominated by large-scale organizations that are controlled by a corporate elite. It is unlikely that their strategic decisions will correspond with the wider public interest, which raises the possibility that Japan is now afflicted with "strategic failure". Alternative ways forward are suggested.

PD January 2002. **TI** The Problem of Regional "Hollowing Out" in Japan: Lessons for Regional Industrial Policy. **AU** Cowling, Keith; Tomlinson, Philip R. **AA** Cowling: University of Warwick. Tomlinson: University of Bath. **SR** Warwick Economic Research Paper: 625; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 21. **PR** no charge. **JE** F21, F23, L52, L60, R11. **KW** Machinery Sector. Regional Industry. Industrial Policy. Japanese Industry. Globalization.
AB This paper considers the problems of "hollowing out" using a case study of Japan's machinery sector. It explores the roots of the present crisis in that industry by focusing on the role played by Japan's large transnational corporations. These corporations are the "central actors" within the Japanese economy; they control a significant proportion of Japanese manufacturing and their strategic decisions ultimately shape the development path for Japanese industry (Cowling and Sugden, 1994, 1998). In recent years, Japan's large transnationals have become engaged in the process of elite globalization, pursuing their own interests at the expense of domestic Japanese industry. This is a fundamental insight that is crucial for designing appropriate policy responses to arrest Japan's current industrial decline. It is argued that the lessons from Japan's experience might guide policy-makers in other regions, such as Wisconsin, who are concerned with future industrial development, the effects of globalization, and problems of "hollowing out".

TI Corporate Governance and the Public Interest. **AU** Branston, J. Robert; Cowling, Keith; Sugden, Roger.

Coxhead, Ian
PD November 2000. **TI** Tax Reform and the Environment in Developing Economies: Is a Double Dividend Possible? **AA** University of Wisconsin-Madison. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 88/2000; "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** F18, O13, Q28. **KW** Double Dividend. Tariff. Trade Policy. Developing Economies. Thailand.
AB We reconsider some analytical arguments on the double dividend, focusing on the small open developing economy case.

Compared with the large, mature industrial economies usually considered, such economies differ in several respects, including the structure of tax revenues, commodity pricing and sectoral factor intensities. While a double dividend from environmentally-motivated taxes is not assured, the range of conditions for its existence seems broader than usually implied. Empirically, the scope for achieving both environmental improvements and diminished excess burden in developing economies may be greater as a side-effect of the reform of existing taxes than from imposition of explicit environmental taxes.

Cropper, Maureen

TI Age, Health, and the Willingness to Pay for Mortality Risk Reductions: A Contingent Valuations Survey of Ontario Residents. **AU** Krupnick, Alan; Alberini, Anna; Cropper, Maureen; Simon, Nathalie; O'Brien, Bernie; Goeree, Ron; Heintzelman, Martin.

Croxson, Bronwyn

PD June 2000. **TI** Waiting Times for Hospital Admissions: the Impact of GP Fundholding. **AU** Croxson, Bronwyn; Propper, Carol; Shearer, Arran. **AA** Croxson and Propper: University of Bristol and CEPR. Shearer: University of Sheffield. **SR** CEPR Discussion Paper: 2489; 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** I10. **KW** Hospital Care, Physicians and Financial Incentives, Waiting Times.
AB Waiting times for hospital care are a significant issue in the UK National Health Service. The reforms of the health service in 1990 gave a subset of family doctors (GP fundholders) both the ability to choose the hospital where their patients were treated and the means to pay for some services. One of the key factors influencing family doctors' choice of hospital was patient waiting time. However, without cash inducements, hospitals would get no direct reward from giving shorter waiting times to a subset of patients. Using a unique data set, the ability of GP fundholders to secure shorter waiting times for their patients, whether they were able to do so in cases where they had no financial rewards to offer hospitals, and whether the impact of fundholding spilled over into shorter waiting times for all patients is investigated.

Cukierman, Alex

TI Monetary Institutions, Monopolistic Competition, Unionized Labor Markets and Economic Performance. **AU** Coricelli, Fabrizio; Cukierman, Alex; Dalmazzo, Alberto.

Cutler, David M.

PD June 2000. **TI** Financial Crisis, Health Outcomes and Aging: Mexico in the 1980's and 1990's. **AU** Cutler, David M.; Knaul, Felicia; Lozano, Rafael; Mendez, Oscar; Zurita, Beatriz. **AA** Cutler: Harvard University and NBER. Knaul and Lozano: World Health Organization. Mendez and Zurita: Mexican Health Foundation. **SR** National Bureau of Economic Research Working Paper: 7746; National Bureau of Economic Research, 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 the U.S.). **JE** F31, F34, I12. **KW** Financial Crisis.

Economic Crisis, Mortality Rates, Health.
AB We study the impact of economic crisis on health in Mexico. There have been four wide-scale economic crises in Mexico in the past two decades, the most recent in 1995-96. We find that mortality rates for the very young and the elderly increase or decline less rapidly in crisis years as compared with non-crisis years. By the end of the 1995- 96 crisis mortality rates were about 5 to 7 percent higher compared to the years just prior to the crisis. This translates into a 0.4 percent increase in mortality for the elderly and 0.06 percent increase in mortality for the very young. We find tentative evidence that economic crises affect mortality by reducing incomes and possibly by placing a greater burden on the medical sector, but not by forcing less healthy members of the population to work or by forcing primary caregivers to go to work.

PD June 2000. **TI** How Good a Deal Was the Tobacco Settlement? Assessing Payments to Massachusetts. **AU** Cutler, David M.; Epstein, Arnold M.; Frank, Richard G.; Hartman, Raymond S.; King, Charles, III.; Newhouse, Joseph P.; Rosenthal, Meredith B.; Vigdor, Elizabeth Richardson. **AA** Cutler: Harvard University and NBER. Epstein and Rosenthal: Harvard University. Frank and Newhouse: Harvard Medical School and NBER. Hartman: Cambridge Economics, Inc. King: Harvard Business School. Vigdor: Duke University. **SR** National Bureau of Economic Research Working Paper: 7747; National Bureau of Economic Research, 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 the U.S.). **JE** I12, I18, K13, L66. **KW** Smoking, Tobacco Settlement, Medicaid Costs.
AB We estimate the increment in Massachusetts Medicaid program costs attributable to smoking from December 20, 1991, to 1998. We describe how our methods improve upon earlier estimates of analogous costs at the national level. Current costs to the Massachusetts Medicaid program approximate the payments to Massachusetts under the tobacco settlement of November 1998. Whether these payments are viewed as appropriate compensation for Medicaid costs over time depends upon the rate of increase in future health care costs, the rate of decline in smoking, the proportion of smoking that should be attributed to the actions of the tobacco companies and the likelihood the state would have prevailed at trial. The costs to the Medicaid program are dwarfed by the internal costs to smokers themselves.

PD June 2000. **TI** The Economic Impacts of the Tobacco Settlement. **AU** Cutler, David M.; Gruber, Jonathan; Hartman, Raymond S.; Landrum, Mary Beth; Newhouse, Joseph P.; Rosenthal, Meredith B. **AA** Cutler and Newhouse: Harvard University and NBER. Gruber: MIT and NBER. Hartman: Cambridge Economics, Inc. Landrum and Rosenthal: Harvard University. **SR** National Bureau of Economic Research Working Paper: 7760; 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** I12, I18, K13, L66. **KW** Tobacco Settlement, Medicaid Costs, Smoking.
AB Recent litigation against major tobacco companies culminated in a "Master Settlement Agreement" (MSA) under which the participating companies agreed to compensate most states for Medicaid expenses. We outline the terms of the settlement and analyze whether it was a move toward economic efficiency using data from Massachusetts. Medicaid spending will fall, but only a modest amount ($0.1 billion). The

efficiency issue depends mainly on the treatment of health benefits from reduced smoking induced by the settlement. We conclude that the settlement was a move towards economic efficiency.

Dal Bo, Pedro

PD April 2001. TI Social Norms, Cooperation and Inequality. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 802; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 26. PR $5.00 (to cover the cost of postage and photocopying). JE C72, J70, Z13. KW Social Norms. Random Matching. Repeated Panes. Folk Theorem Inequality. Discrimination.
AB Social norms can influence behavior by establishing reward and punishment schemes that operate through community enforcement and in this way support outcomes that cannot be supported by personal enforcement alone. This paper analyzes the outcomes that can be supported through social norms in a society. It considers a society of infinitely long-lived and very patient agents that are randomly matched in pairs every period to play a given game and, unlike previous work that considers a society divided in two groups, I only restrict this matching procedure to be independent of history and time. I find that any mutually beneficial outcome can be supported by a self-enforcing social norm under both perfect information and a simple local information system. These Folk Theorem results explain not only how social norms can provide incentives to forestall opportunistic behavior and support cooperation in a community but also how they can support outcomes characterized by inequality. For example, self-enforcing social norms can support outcomes such as a "kingdom" (a society in which one member reaches the highest possible payoff) or a caste system (in which some groups of the population obtain higher payoffs than others).

Dalmazzo, Alberto

TI Monetary Institutions, Monopolistic Competition, Unionized Labor Markets and Economic Performance. AU Coricelli, Fabrizio; Cukierman, Alex; Dalmazzo, Alberto.

Daniel, Kent

PD January 2000. TI Market Efficiency in an Irrational World. AU Daniel, Kent; Titman, Sheridan. AA Daniel: Northwestern University and NBER. Titman: University of Texas and NBER. SR National Bureau of Economic Research Working Paper: 7489; 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 C22, D83, G11, G14. KW Investment Decisions. Investors. Return Momentum Effect. Adaptive Efficiency. Efficient Markets.
AB This paper explains why investors are likely to be overconfident and how this behavioral bias affects investment decisions. Our analysis suggests that investor overconfidence can potentially generate stock return momentum and that this momentum effect is likely to be the strongest in those stocks whose valuation requires the interpretation of ambiguous information. Consistent with this, we find that momentum effects are stronger for growth stocks than value stocks. A

portfolio strategy based on this hypothesis generates strong abnormal returns that do not appear to be attributable to risk. Although these results violate the traditional efficient markets hypothesis, they do not necessarily imply that rational but uniformed investors, without the benefit of hindsight, could have actually achieved the returns. We argue that to examine whether unexploited profit opportunities exist, one must test for what we call "adaptive-efficiency," which is a somewhat weaker form of market efficiency that allows for the appearance of profit opportunities in historical data, but requires these profit opportunities to dissipate when they become apparent. Our tests reject this notion of adaptive-efficiency.

Danninger, Stephan

TI Technology, Unemployment, and Inflation. AU Mincer, Jacob; Danninger, Stephan.

Danthine, Jean-Pierre

PD April 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: DEEP, Universite de Lausanne and CEPR. Giavazzi: IGIER, Universita Bocconi, Milano, and CEPR. SR CEPR Discussion Paper: 2413; 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 E44, F21, F33, F36, G15. KW EMU. Financial Markets. Market Integration. European Financial Markets. Monetary Union.
AB This paper reviews the first evidence on the impact of European Monetary Union (EMU) 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 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 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 EMU.

Darsinos, Theofanis

PD October 2001. TI Bayesian Forecasting of Options Prices: A Natural Framework for Pooling Historical and Implied Volatility Information. AU Darsinos, Theofanis; Satchell, Stephen E. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0116; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 22. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE C11, C53, G13. KW Bayesian Forecasting. Forecasting. Implied Volatility. Option Pricing.
AB Bayesian statistical methods are naturally oriented towards pooling information coming from separate sources. It has been suggested that both historical and implied volatilities convey information about future volatility. However, typically in the literature implied and return volatility series are fed separately into models to provide rival forecasts of volatility or options prices. We develop a formal Bayesian framework where we can merge the backward-looking information as represented in historical daily return data, with the forward-

looking information as represented in implied volatilities of reported options prices. We apply our theory to forecast (in- and out- of sample) the prices of FTSE 100 European Index options. We find that for forecasting option prices out of sample, (i.e., one-day ahead), our Bayesian estimators outperform standard forecasts that use implied or historical volatilities. For explaining the observed market prices of options we find no evidence to suggest that standard procedures that use implied volatility estimates are redundant.

Davidson, Carl

PD June 2001. TI Globalization, Employment, and Income: Analyzing the Adjustment Process. AU Davidson, Carl; Matusz, Steven. AA Michigan State University. SR University of Nottingham, GEP Research Paper: 2001/04; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. PG 30. PR no charge. JE D50, F10, J60. KW Trade Liberalization. Adjustment Process. Unemployment. Globalization. Labor Market Structure.
AB This paper constructs and analyzes a general equilibrium trade model that explicitly accounts for the dynamic aspects of labor market adjustment that occur when trade is liberalized. It shows how empirically observable parameters of the labor market determine the rate at which labor is released from the contracting sector and is absorbed into the expanding sector and therefore influence the magnitude and extent of the losses associated with trade reform. It also shows that the economy may overshoot the new steady state during adjustment and that the length of the adjustment process is likely to be non-trivial.

PD October 2001. TI On Adjustment Costs. AU Davidson, Carl; Matusz, Steven. AA Michigan State University. SR University of Nottingham, GEP Research Paper: 2001/24; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. PG 37. PR no charge. JE D60, F10, J60. KW Adjustment Costs. Trade Reform. Globalization. Labor Market Turnover. Unemployment. Training.
AB This paper presents and analyzes a general equilibrium model of trade with labor market turnover in order to estimate the size and scope of adjustment costs associated with trade reform. The novel feature of this approach is that the training and job acquisition processes are modeled and the costs associated with them are taken into account. Surprisingly, even with the most modest assumption concerning training costs, their inclusion in the model significantly increases estimates of aggregate adjustment costs. These results sharply contrast with earlier estimates of adjustment costs (i.e., those which ignored the costs of job search and training) that indicated those costs were likely to be small relative to the gains from trade.

Davis, Donald R.

PD June 2001. TI Human Capital, Unemployment, and Relative Wages in a Global Economy. AU Davis, Donald R.; Reeve, Trevor A. AA Davis: Columbia University and NBER. Reeve: Board of Governors, Federal Reserve Bank. SR University of Nottingham, GEP Research Paper: 2001/06; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7

2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. PG 21. PR no charge. JE E24, F10, F41. KW International Trade. Unemployment. Human Capital.
AB This paper develops a simple framework for examining human capital accumulation, unemployment, and relative wages in a global economy. It builds on the models of Davis (1997a,b) of trade between a flexible wage America and a rigid wage Europe. To this it adds a model of human capital accumulation based on Findlay and Kierzkowski (1983). A variety of comparative statics are examined, including changes in educational capital and population, entry of new countries to the trading world, technical change, and a productivity slowdown. The consequences for the skilled-to-unskilled wage gap, unemployment, and skill composition are then derived.

Davis, E. Philip

PD August 2001. TI Multiple Avenues of Intermediation, Corporate Finance and Financial Stability. AA Brunel University. SR International Monetary Fund Working Paper: WP/01/115; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 51. PR not available. JE E44, G32. KW Financial Markets. Corporate Finance.
AB Using data from the US, UK, Japan and Canada, this paper provides evidence on the benefits to an economy from "multiple avenues of intermediation". The overall conclusion is that the existence of active securities markets alongside banks is indeed beneficial to the stability of corporate financing, both during cyclical downturns and during banking and securities market crises. The benefit from multiple avenues are greater, the more comparable the size of securities market and intermediated financing, as well as the larger the proportion of companies able to access both loan and securities markets. The analysis raises a number of policy issues and research topics for further investigation.

Davis, Steven J.

PD January 2000. TI Wage-Setting Institutions as Industrial Policy. AU Davis, Steven J.; Henrekson, Magnus. AA Davis: University of Chicago and NBER. Henrekson: Stockholm School of Economics and the Research Institute of Industrial Economics (IUI). SR National Bureau of Economic Research Working Paper: 7502; 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 J23, J31, J51, L51, P52. KW Wage-Setting Institutions. Relative Wages. Employment Distribution. Wage Differentials. Industry Distribution.
AB Centralized wage-setting institutions compress relative wages. Motivated by this fact, we investigate the effects of centralized wage setting on the industry distribution of employment. We examine Sweden's industry distribution from 1960 to 1994 and compare it to the U.S. distribution over the same period. We also relate U.S.-Swedish differences in the industry distribution and their evolution over time to the structure of relative wages between and within industries. The empirical results identify the rise and fall of centralized wage-setting arrangements as a major factor in the evolution of Sweden's industry distribution. The compression associated with centralized wage-setting shifted the industry distribution of Swedish employment in three respects: away from industries

with high wage dispersion among workers, away from industries with a high mean wage, and, most powerfully, away from industries with a low mean wage. By the middle 1980s, these wage structure effects accounted for about 40 percent of U.S.-Swedish differences in the industry distribution. The dissolution of Sweden's centralized wage-setting arrangements beginning in 1983 led to widening wage differentials and a reversal in the evolution of U.S.- Swedish differences in industry structure.

PD July 2000. **TI** On the Gains to International Trade in Risky Financial Assets. **AU** Davis, Steven J.; Nalewaik, Jeremy; Willen, Paul. **AA** Davis: University of Chicago and National Bureau of Economic Research. Nalewaik: University of Chicago. Willen: Princeton University. **SR** National Bureau of Economic Research Working Paper: 7796; 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** D52, F30, G11, G12, G15. **KW** Equilibrium. Incomplete Markets. International Finance. Portfolio Choice. Asset Pricing.
AB This paper develops and implements a framework for quantifying the gains to international trade in risky financial assets. The framework can handle many agents, many assets, incomplete markets and limited participation in asset markets. It delivers closed-form analytic solutions for consumption, portfolio allocations, asset prices and gains to trade. We find enormous gains to trade when asset returns are calibrated to observed risk premia and all agents participate in asset markets. The gains-to-trade puzzle is closely related to, but distinct from, the equity premium puzzle. High risk aversion merely alters the form of the gains-to-trade puzzle, but limited participation in asset markets goes a long way toward addressing both puzzles. We also identify three reasons for limited international risk sharing. First, the requirement that asset markets span the space of national output shocks fails in a serious way. Second, for many countries the cost of using financial assets to hedge national output shocks greatly exceeds the benefits. Third, limited asset market participation reduces the feasible gains from international risk sharing.

de Figueiredo, John M.

PD June 2000. **TI** The Structure and Conduct of Corporate Lobbying: How Firms Lobby the Federal Communications Commission. **AU** de Figueiredo, John M.; Tiller, Emerson H. **AA** de Figueiredo: MIT and NBER. Tiller: University of Texas at Austin. **SR** National Bureau of Economic Research Working Paper: 7726; 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** K23, L51. **KW** FCC. Lobbying. Collective Action Theory. Transaction Cost Theory.
AB This paper examines the amount and organization of lobbying (internal organization vs. trade association) by firms in administrative agencies. It explores the power and limitations of the collective action theories and transaction cost theories in explaining lobbying. It introduces a dataset of over 900 lobbying contacts cover 101 issues at the Federal Communications Commission (FCC) in early 1998. We find that the structure and conduct of large firm lobbying at the FCC is consistent with the predictions of theories of transaction costs and the main results of theories of collective action. However,

large firms do not change their behavior drastically as structures arise to remedy the free rider problem. Small firms show no sensitivity to collective action issues or transaction cost issues in the organization or amount of their lobbying, but they do lobby less when having to reveal proprietary information. In sum, large firms behave largely consistent with theoretical predictions, while small firms do not.

De Grauwe, Paul

PD February 2000. **TI** Monetary Policies in the Presence of Asymmetries. **AA** Katholieke Universiteit Leuven. **SR** CEPR Discussion Paper: 2393; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 28. **PR** 5 pounds, $8 or 8 euros. **JE** F33, F36, F42. **KW** EMU. Monetary Policy. Asymmetric Shocks. Asymmetric Transmission.
AB In this paper we study the theory of monetary policy when the monetary authority faces asymmetries in the countries constituting the monetary union. We identify two asymmetries (shocks and transmission) in the context of a two-country model. A general finding is that as the degree of asymmetries increases, the effectiveness of stabilization of output and unemployment is reduced. As a result, when asymmetries increase, the stabilization effort of the central bank declines for given preferences about stabilization. We also find that the central bank can improve the efficiency of its monetary policies when asymmetries in the transmission exist, by using national information in the setting of optimal policies. The declared strategy of the ECB conflicts with this prescription. In practice the ECB is likely to follow this prescription, however.

De Haan, Mark

PD November 2000. **TI** The NAMEA as Validation Instrument for Environmental Macroeconomics. **AU** De Haan, Mark; Keuning, Steven J. **AA** CBS, Statistics Netherlands. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 90/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 16. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C82, O13, Q28, Q29, Q32. **KW** Environmental Accounting. Pollution Allocation.
AB This paper shows how environmental issues can be incorporated into macroeconomic accounting and analysis by the construction and use of a National Accounting Matrix including Environmental Accounts. The paper firstly elaborates on a number of conceptual issues concerning the harmonization of environmental statistics and the national accounts. Specific attention is given to the consistent allocation of pollution to production and consumption activities and the importance of aggregated environmental indicators. Further, various applications are presented; these vary from simple comparisons of macroeconomic performance indicators for the economy and environment to more comprehensive modeling exercises. The paper reviews recent experiences in the Netherlands and also those from other countries.

de la Croix, David

PD June 2001. **TI** Inequality and Growth: Why Differential Fertility Matters. **AU** de la Croix, David; Doepke, Matthias. **AA** de la Croix: Universite Catholique Louvain and University of California, Los Angeles. Doepke:

University of California, Los Angeles. **SR** University of California, Los Angeles, Department of Economics Working Paper: 803; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 30. **PR** $5.00 (to cover the cost of postage and photocopying). **JE** O15, O40. **KW** Growth. Inequality. Differential Fertility.

AB This paper argues that inequality and growth are linked through differential fertility and the accumulation of human capital. An overlapping-generations model is built in which dynasties differ in their initial endowment with human capital. Growth, the income distribution, and fertility are endogenous. Due to a quantity-quality tradeoff, families with less human capital decide to have more children and invest less in education. When initial inequality is high, large fertility differentials lower the growth rate of average human capital, since poor families who invest little in education make up a large fraction of the population in the next generation. A calibrated model shows that this fertility-differential effect is quantitatively important. This also provides empirical evidence to confirm the links between inequality, differential fertility and growth suggested by the model.

PD April 2002. **TI** Public versus Private Education when Differential Fertility Matters. **AU** de la Croix, David; Doepke, Matthias. **AA** de la Croix: FNRS and Universite Catholique Louvain. Matthias: University of California, Los Angeles. **SR** University of California, Los Angeles, Department of Economics Working Paper: 816; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 26. **PR** $5.00 (to cover the cost of postage and photocopying). **JE** I20, J13, O40. **KW** Education. Human Capital. Growth. Fertility. Inequality.

AB This paper assesses the merits of different educational systems in a framework that accounts for the joint decision problem of parents regarding fertility and education. Specifically, it compares the implications of a public and a private schooling regime for economic growth and inequality. Private schooling leads to higher growth when there is little inequality in human capital endowments across families. In contrast, when inequality is high, public education yields higher growth by reducing fertility differentials. In addition, public schooling leads to income convergence, while private schooling can result in ever increasing inequality. This analysis highlights the importance of accounting for endogenous fertility differentials when analyzing educational policies.

de Mello Sampayo, Felipa

PD June 2001. **TI** The Timing of FDI Under Uncertainty: An Application to the U.S. Multinational Enterprises. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 01/04; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. **PG** 33. **PR** 2 pounds (S4): no charge to academics. **JE** C13, C23, D81, F23, G13. **KW** Foreign Direct Investment. Multinational Enterprises. Option-Pricing Model. Ordered Probit Model. Panel Data.

AB An "option-pricing" model is employed to analyze when a firm should expand its production capabilities abroad. In a framework where the firm's profits are determined by some average of the attractiveness of the home and foreign countries, and attractiveness in each country follows differentiated Brownian motion, this paper derives an optimal trigger value for FDI. The model shows that, contrary to the NPV rule, FDI entry should be optimally delayed the greater the uncertainty surrounding the future path of attractiveness in both locations. The second part of the paper is devoted to empirically testing the results of the model. Drawing on data of FDI from the US into a panel of developed and developing countries and using labor costs as a proxy for (the reciprocal of) attractiveness, our estimation overwhelmingly confirms the results of the model, notably that FDI entry events are negatively related to the uncertainty surrounding attractiveness.

de Mello, Luiz

PD August 2001. **TI** Is Foreign Debt Portfolio Management Efficient in Emerging Economies? **AU** de Mello, Luiz; Hussein, Khaled. **AA** de Mello: International Monetary Fund. Hussein: University of Kent. **SR** International Monetary Fund Working Paper: WP/01/121; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 22. **PR** not available. **JE** C22, F34. **KW** Foreign Debt. Emerging Economies. Exchange Rates.

AB This paper develops a simple model of foreign debt portfolio management. The model suggests that, under mild conditions, the currency composition of a country's foreign debt portfolio is responsive to exchange rate movements. Empirical evidence is provided for a panel of 14 emerging economies in the period 1970-98. Attention is focused on the stocks of foreign liabilities denominated in U.S. dollars, deutsche marks (DM), Japanese yen, and Swiss francs. The results of the empirical analysis show that foreign debt portfolio management has been sub-optimal in the countries under examination. In these countries, the currency composition of foreign debt has not reflected a substitution effect away from the currencies that have appreciated over time vis-a-vis the U.S. dollar.

de Roon, Frans A.

PD December 1998. **TI** Testing for Mean-Variance Spanning: A Survey. **AU** de Roon, Frans A.; Nijman, Theo E. **AA** De Roon: Erasmus University Rotterdam. Nijman: CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 98132; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 69. **PR** no charge. **JE** G11, G12. **KW** Mean-Variance Spanning. Portfolio Choice. Asset Pricing. Performance Evaluation.

AB In this paper we present a survey on the various approaches that can be used to test whether the mean-variance frontier of a set of assets spans or intersects the frontier of a larger set of assets. We analyze the restrictions on the return distribution that are needed to have mean-variance spanning or intersection. The paper explores the duality between mean-variance frontiers and volatility bounds, analyzes regression-based test procedures for spanning and intersection and shows how these regression-based tests are related to tests for mean-variance efficiency, performance measurement, optimal portfolio choice and specification error bounds. Finally we

show how the framework presented in the paper can be used to interpret some well studied empirical issues such as international diversification, currency hedging and multi-factor asset pricing models.

De Waegenaere, Anja
TI Cooperation in Capital Deposits. AU Borm, Peter; De Waegenaere, Anja; Rafels, Carles; Suijs, Jeroen; Tijs, Stef; Timmer, Judith.

Dearden, Lorraine
PD June 2000. TI Who Gains When Workers Train? Training and Corporate Productivity in a Panel of British Industries. AU Dearden, Lorraine; Reed, Howard; Van Reenen, John. AA Dearden and Van Reenen: Institute of Fiscal Studies, London and CEPR. Reed: Institute for Fiscal Studies. SR CEPR Discussion Paper: 2486; 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 C23, D24, J31. KW Panel Data. Productivity. Training. Wages.
AB This paper is part of the literature on the effects of training on direct measures of industrial productivity. A panel of British industries between 1983 and 1996 is analyzed. Training information (and other individual productivity indicators such as education and experience) is derived from a question that has been asked consistently over time in the Labor Force Survey. This is combined with complementary industry-level data sources on value added, wages, labor and capital. A variety of panel data techniques (including system GMM) is used to argue that training significantly boosts productivity. The existing literature has underestimated the full effects of training. It is misleading to ignore the pay-off firms take in higher profits from training. The effects are economically large. For example, raising the proportion of workers trained in an industry by 5 percentage points (say from the average of 10 percent to 15 percent) is associated with a 4 percent increase in value added per worker and a 1.6 percent increase in wages.

Deaton, Angus
PD February 2000. TI Social Security and Inequality over the Life Cycle. AU Deaton, Angus; Gourinchas, Pierre-Olivier; Paxson, Christina. AA Princeton University and NBER. SR National Bureau of Economic Research Working Paper: 7570; 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 D91, E21, E62, H24, H55. KW Social Security. Consumption Inequality. Life Cycle. Permanent Income Hypothesis. Risk Sharing.
AB We examine the consequences of social security reform for the inequality of consumption across individuals. Inequality is at least in part the result of individual risk in earnings or asset returns, the effects of which accumulate over time to increase inequality within groups of people as they age. Institutions such as social security, that share risk across individuals, moderate the transmission of individual risk into inequality. We examine how different social security systems, with different degrees of risk sharing, affect consumption inequality. We do so within the framework of the permanent income hypothesis, and also use models that incorporate precautionary saving motives and borrowing restrictions. Our results indicate that systems in which there is less sharing of earnings risk produce higher consumption inequality both before and after retirement. However, differences across individuals in the rate of return on assets (including social security assets held in individual accounts) produce only modest additional effects on inequality.

Degeorge, Francois
PD June 2000. TI Selling Company Shares to Reluctant Employees: France Telecom's Experience. AU Degeorge, Francois; Jenter, Dirk; Moel, Alberto; Tufano, Peter. AA Degeorge: Hautes Etudes Commerciales, Jouy-en-Josas and CEPR. Jenter, Moel, and Tufano: Harvard Business School. SR CEPR Discussion Paper: 2483; 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 G32. KW Capital and Ownership Structure. Financing Policy.
AB In 1997, France Telecom, the French telecommunications firm, went through a partial privatization. The government offered current and prior France Telecom employees the opportunity to buy portfolios of shares with various combinations of discounts, required holding periods, and levels of downside protection. This paper adapts a neoclassical model of investment decision-making that takes into account firm-specific human capital and holding period restrictions to predict how employees might respond to the share offers. Using a new database that tracks over 200,000 eligible participants, the employees' characteristics and their decisions regarding (a) whether to participate; (b) how much to invest; and (c) what form of stock alternatives they selected are analyzed. The results are broadly consistent with the neoclassical model. The characteristics of the average chosen portfolios are broadly consistent with theoretical predictions from our neoclassical model, but almost all potential participants underweighted the most valuable asset, a decision hard to reconcile with rational portfolio choice.

Delfino, Maria Eugenia
PD March 2002. TI Consolidation, Market Power and Cost Economies in the Banking Industry: Empirical Evidence from Argentina. AA University of Warwick. SR Warwick Economic Research Paper: 633; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 32. PR no charge. JE C33, D61, G21, L11. KW Banking Industry. Market Power. Cost Economies. Welfare Analysis.
AB The Argentine banking industry has experienced increasing consolidation during the last decade. It can be argued that this has resulted from cost economies, perhaps associated with technical change. But increased concentration in this industry may allow the exploitation of market power in the input (deposits) and output (loans) markets. These issues are addressed in this study using bank-level data for Argentine retail banks over the period 1993-2000. The data is used to estimate a cost-function-based model incorporating deposit and loan market pricing behavior. The results provide evidence of market power exploitation in the market for loans, and also provide evidence of significant cost economies. The findings further show an increase in consumers' surplus and banks' profits over the period, possibly associated with the exploitation of cost economies and technical change, which may have

counteracted the effect of market power.

DeLong, J. Bradford

PD February 2000. TI The Shape of Twentieth Century Economic History. AA University of California, Berkeley and NBER. SR National Bureau of Economic Research Working Paper: 7569; 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 N10, N30, N40, N90, O40. KW Economic History. Twentieth Century. Technological Progress.

AB The history of the twentieth century can be summarized in five propositions: First, that the history of the twentieth century was overwhelmingly economic history. Second, that the twentieth century saw the material wealth of humankind explode beyond previous imagining. Third, that because of advances in technology, productivity, and organization, and the feelings of social dislocation and disquiet that these advances generated, the twentieth century's tyrannies were the most brutal and barbaric in history. Fourth, that the twentieth century saw the relative economic gulf between different economies grow at a rapid pace. Fifth and last, the economic policy -- the management of their economies by governments -- in the twentieth century was at best inept. Little was known or learned about how to manage a market or mixed economy.

Demers, Fanny S.

TI Political Risk and Irreversible Investment: Theory and an Application to Quebec. AU Altug, Sumuru G.; Demers, Fanny S.; Demers, Michel.

Demers, Michel

TI Political Risk and Irreversible Investment: Theory and an Application to Quebec. AU Altug, Sumuru G.; Demers, Fanny S.; Demers, Michel.

DeMichelis, Stefano

PD September 2001. TI Learning in Elections and Voter Turnout Equilibria. AU DeMichelis, Stefano; Dhillon, Amrita. AA DeMichelis: CORE. Dhillon: University of Warwick. SR Warwick Economic Research Paper: 608; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 18. PR no charge. JE C72, D72. KW Voter Turnout. Learning. Equilibrium Stability. Markov Chain.

AB Both complete and incomplete information game theoretic Models of Voter Turnout (Palfrey and Rosenthal, 1983, 1985) have the problem of multiple equilibria, some of which seem unreasonable. How can the counterintuitive high turnout equilibria be explained? Palfrey and Rosenthal (1985) suggest that the main reason is that strategic uncertainty is too low in a complete information model. We show that this is not the main reason, and that incomplete information may exacerbate the problem of multiple equilibria. We propose a very intuitive criterion based on voter learning to distinguish reasonable equilibria. This paper makes precise the sense in which the high turnout equilibria in the Palfrey-Rosenthal model are not robust. We show how the model can be used to qualitatively explain several phenomena observed in reality.

Devereux, Michael B.

PD March 2000. TI A Simple Dynamic General Equilibrium Model of the Tradeoff Between Fixed and Floating Exchange Rates. AA University of British Columbia and CEPR. SR CEPR Discussion Paper: 2403; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 40. PR 5 pounds, $8 or 8 euros. JE F31, F33, F41. KW Exchange Rate Regimes. Sticky Prices. Welfare.

AB This paper provides a complete analytical characterization of the positive and normative effects of alternative exchange rate regimes in a simple two-country sticky-price dynamic general equilibrium model with money, technology, and government spending shocks. A central question addressed is whether fixing the exchange rate prevents macroeconomic adjustment in relative prices from occurring, in face of shocks. In the model, the exchange rate regime has implications for both the volatility and mean of macroeconomic aggregates. But the effects of the exchange rate regime depend upon both the stance of monetary policy and the way in which the exchange rate is pegged. With a passive monetary policy, a cooperative pegged exchange rate regime has no implications for macroeconomic volatility, relative to a floating regime, but implies a higher mean level of employment, capital stock, and real GDP. When monetary policy is determined optimally however, a fixed exchange rate regime leads to higher employment volatility and a lower mean level of employment and real GDP. Therefore, whether fixing the exchange rate involves a welfare-cost depends critically upon the flexibility of monetary policy in responding to macroeconomic shocks.

Dhillon, Amrita

TI Learning in Elections and Voter Turnout Equilibria. AU DeMichelis, Stefano; Dhillon, Amrita.

PD November 2001. TI Profit-Sharing, Bertrand Competition and Monopoly Unions: A Note. AU Dhillon, Amrita; Petrakis, Emmanuel. AA Dhillon: University of Warwick. Petrakis: University of Crete. SR Warwick Economic Research Paper: 612; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 11. PR no charge. JE J33, J51, L13, L42. KW Profit Sharing. Bertrand Competition. Monopoly Unions. Unions.

AB This paper studies a strategic aspect of profit sharing in an oligopolistic industry with a monopoly union. Whenever a uniform profit share exists in the industry, we show that a union that values the per worker remuneration positively, may have incentives to reduce industry employment, thus decreasing total output and causing total profits to increase. Thus, we show that profit sharing may lead to higher profits for such an industry even if productivity effects are absent.

TI Tax Competition Revisited. AU Wooders, Myrna; Zissimos, Ben; Dhillon, Amrita.

di Patti, Emilia Bonaccorsi

TI Bank Reform and Bank Efficiency in Pakistan. AU Hardy, Daniel C.; di Patti, Emilia Bonaccorsi.

Di Tella, Rafael

PD November 2001. TI The Macroeconomics of

Happiness. **AU** Di Tella, Rafael; MacCulloch, Robert J.; Oswald, Andrew J. **AA** Di Tella: Harvard Business School. MacCulloch: London School of Economics. Oswald: University of Warwick. **SR** Warwick Economic Research Paper: 615; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 21. **PR** no charge. **JE** D63, E32, E66, E69, H53. **KW** Well-Being. Happiness. Macroeconomic Movements. Business Cycle Costs. Unemployment Benefits.

AB This paper shows that macroeconomic movements have strong effects on the happiness of nations. First, we find that there are clear microeconomic patterns in the psychological well-being levels of a quarter of a million randomly sampled Europeans and Americans from the 1970's to the 1990's. Happiness equations are monotonically increasing in income, and have a similar structure in different countries. Second, movements in reported well-being are correlated with changes in macroeconomic variables such as Gross Domestic Product (GDP). This holds true after controlling for the personal characteristics of respondents, country fixed-effects, year dummies, and country-specific time trends. Third, the paper establishes that recessions create psychic losses that extend beyond the fall in GDP and rise in the number of people unemployed. These losses are large. Fourth, the welfare state appears to be a compensating force: higher unemployment benefits are associated with higher national well-being.

Diao, Xinshen

PD January 2001. **TI** A Global Analysis of Agricultural Trade Reform in WTO Member Countries. **AU** Diao, Xinshen; Somwaru, Agapi; Roe, Terry L. **AA** Diao: International Food Policy Research Institute. Somwaru: Economic Research Service, USDA. Roe: University of Minnesota. **SR** University of Minnesota Economic Development Center Bulletin: 01/01; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 16. **PR** no charge. **JE** F13, F43, H23, O13, Q17. **KW** World Trade Organization. Agricultural Policy. Trade Liberalization. Subsidies. International Trade.

AB The effect on production, trade and well-being from the granting of market access, removing export subsidies, and eliminating trade- distorting forms of direct support to farmers in WTO member countries is analyzed from a world-wide general equilibrium perspective using the most recently available data. The results suggest that removing trade barriers, subsidies and support will cause aggregate world prices of agricultural commodities to rise by over 11 percent relative to an index of all other prices. Agricultural support and protection in the developed countries is found to be the major cause of low agricultural prices, and implicitly, a tax on net agricultural exporters in developing countries. Livestock product prices are likely to increase the most from the reform of agricultural policies. Reform increases world trade in agricultural commodities, but the level of total agricultural production is left almost unchanged. In the short to medium term, some new agricultural policies are found to benefit almost all countries and developing countries in particular due to the change reform induces in their pattern of investment, growth in capital stock, and growth in their total factor productivity.

Diebold, Francis X.

TI Exchange Rate Returns Standardized by Realized Volatility are (Nearly) Gaussian. **AU** Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys Paul.

TI Exchange Rate Returns Standardized by Realized Volatility are (Nearly) Gaussian. **AU** Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys Paul.

TI Measuring Predictability: Theory and Macroeconomic Applications. **AU** Kilian, Lutz; Diebold, Francis X.

DiNardo, John

TI Do Immigrant Inflows Lead to Native Outflows?
AU Card, David; DiNardo, John.

TI Unions and the Labor Market for Managers.
AU Pischke, Jorn-Steffen; DiNardo, John; Hallock, Kevin F.

PD July 2000. **TI** When Unions "Mattered": Assessing the Impact of Strikes on Financial Markets: 1925-1937. **AU** DiNardo, John; Hallock, Kevin F. **AA** DiNardo: University of California, Irvine and National Bureau of Economic Research. Hallock: University of Illinois at Urbana-Champaign. **SR** National Bureau of Economic Research Working Paper: 7794; 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** G30, J50. **KW** Labor. Union Strikes. Stock Prices.

AB This paper combines information from labor historians and uses techniques from finance to analyze the strikes "that labor historians have agreed are pivotal in American history" during the period 1925 - 1937. Using information collected on strike dates and historical financial market stock price data the financial market's view of these conflicts is assessed. The effects of major strikes between the world wars on detailed industry stock prices are studied, finding that strikes have large, negative effects on industry stock value. It is also found that longer strikes, violent strikes, strikes where unions "win," industry-wide strikes, strikes that lead to union recognition, and strikes that lead to large wage increases lead to larger negative share price reactions than other strikes. Also, analysis shows that most of the "news" in a strike seems to be incorporated very early on in the strike. This strongly suggests that although the financial markets generally expected unions to "lose," they viewed union victories as quite important determinants of the share of firm profits going to stockholders.

Disyatat, Piti

PD August 2001. **TI** The Asset Allocation of Emerging Market Mutual Funds. **AU** Disyatat, Piti; Gelos, R. Gaston. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/111; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 26. **PR** not available. **JE** G11, G15, F21. **KW** Asset Allocation. Portfolio Choice. Contagion.

AB Benchmark following and portfolio rebalancing effects have often been cited when trying to explain international financial contagion phenomena. Using a dataset containing the country allocation of individual dedicated emerging market equity funds, we assess the relevance of mean-variance optimization and benchmark following, finding strong evidence for both. We also present a framework to systematically extract

useful information about market expectations from funds' holdings.

Dluhosch, Barbara
TI Fragmentation, Globalization and Labor Markets. AU Burda, Michael C.; Dluhosch, Barbara.

Doepke, Matthias
TI Inequality and Growth: Why Differential Fertility Matters. AU de la Croix, David; Doepke, Matthias.

PD July 2001. TI Accounting for Fertility Decline During the Transition to Growth. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 804; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 36. PR $5.00 (to cover the cost of postage and photocopying). JE O14, O15, O40. KW Growth. Fertility. Demographic Transition. Child Labor.
AB Every industrialized country once underwent a transition from Malthusian stagnation to growth, accompanied by a demographic transition from high to low fertility. Even though the overall pattern is repeated, there are large cross-country variations in the timing and speed of the fertility decline that accompanies the transition. This paper explores whether differences in policies that affect the opportunity cost of education, namely child-labor restrictions and education subsidies, can account for these differences. A model is developed which delivers an endogenous transition from Malthusian stagnation to growth. A calibrated version of the model shows that educational subsidies are minor, accounting for child-labor regulations is crucial. The same policies that affect fertility decline also have large effects on the evolution of the income distribution in the course of development.

TI Public versus Private Education when Differential Fertility Matters. AU de la Croix, David; Doepke, Matthias.

Dolado, Juan Jose
PD February 2000. TI Evaluating Changes in the Bank of Spain's Intervention: An Alternative Approach Using Marked Point Processes. AU Dolado, Juan Jose; Dolores, Ramon Maria. AA Dolado: Universidad Carlos III de Madrid. Dolores: Universidad de Murcia. SR CEPR Discussion Paper: 2388; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 36. PR 5 pounds, $8 or 8 euros. JE E52, E58. KW Marked Point Process. Probit. Ordered Probit. Sequential Probit. Monetary Policy.
AB In this paper we provide empirical evidence on the determinants of the monetary policy stance by the Bank of Spain over the period 1984- 1998, by means of modeling a marked point process explaining the probability of an intervention at each point in time (events) and the size of these interventions (marks) conditional on the decision to intervene. Interventions are measured by changes in the marginal interest rate of the Spanish daily interbank market. We test for and find evidence in favor of the existence of asymmetries in the response of the central bank to the evolution of various macroeconomic variables and for the presence of "duration" effects.

PD March 2000. TI Explaining Youth Labor Market

Problems in Spain: Crowding-Out, Institutions, or Technology Shifts? AU Dolado, Juan Jose; Jimeno-Serrano, Juan; Felgueroso, Florentino. AA Dolado: Universidad Carlos III de Madrid. Jimeno: FEDEA. Felgueroso: Universidad de Oviedo. SR CEPR Discussion Paper: 2398; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 40. PR 5 pounds, $8 or 8 euros. JE J63, J64. KW Matching. Crowding-Out. Returns to Education.
AB This paper examines the empirical evidence regarding the poor performance of the youth labor market in Spain over the last two decades, which entails very high unemployment for both higher and lower educated workers, symptoms of over-education, and low intensity of on- the-job training. It also presents a simple matching model with two types of workers ("educated" and "non-educated") and two types of jobs ("skilled" and "unskilled"), under which educated workers may crowd-out non-educated workers from their traditional entry jobs, showing that a combination of an increase in the relative supply of higher educated workers and rigid labor market institutions harms the training and labor market prospects of lower educated workers, while it raises the proportion of higher educated workers performing low-skill jobs.

PD April 2000. TI Asymmetries in Monetary Policy Rules: Evidence for Four Central Banks. AU Dolado, Juan Jose; Naveira-Barrero, Manuel; Maria-Dolores, Ramon. AA Dolado: Universidad Carlos III de Madrid. Naveira-Barrero: BBVA. Maria-Dolores: Universidad de Murcia. SR CEPR Discussion Paper: 2441; 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 Taylor Rules. Monetary Policy. Central Bank Policy. Asymmetric Monetary Policy.
AB This paper investigates the possible existence of asymmetric effects in the response of four central banks to inflation and output gaps as regards the "sign" and "size" of those gaps. The evidence obtained both through the estimation of a generalized Taylor rule and an ordered probit model points out that most central banks show a stronger reaction to inflation upswings relative to downswings. However, no asymmetric behavior with respect to the output gap is found, except at the Federal Reserve.

Dolores, Ramon Maria
TI Evaluating Changes in the Bank of Spain's Intervention: An Alternative Approach Using Marked Point Processes. AU Dolado, Juan Jose; Dolores, Ramon Maria.

Donkers, Bas
PD January 1999. TI Estimating Risk Attitudes Using Lotteries: A Large Sample Approach. AU Donkers, Bas; Melenberg, Bertrand; van Soest, Arthur. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9912; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 39. PR no charge. JE C14, D81. KW Risk Aversion. Non-Expected Utility. Semiparametric Estimation. Cumulative Prospect Theory.
AB Attitudes toward risk play a major role in many economic decisions. In empirical studies one quite often assumes that

attitudes towards risk do not vary across individuals. This paper questions this assumption and analyzes which factors influence an individual's risk attitude. Based on questions on lotteries in a large household survey we semi- parametrically estimate an index for risk aversion. We only make weak assumptions about the underlying decision process, and our estimation method allows for generalization of expected utility. We find strong links between risk aversion and gender, education level, and income of the individual. We also estimate a structural model based on Cumulative Prospect Theory and find that the value function depends on an index that is very similar to the index of risk aversion. Expected utility is strongly rejected and the probability weighting function varies significantly with gender, age, and income of the individual.

Dooley, Michael P.

PD February 2000. TI Can Output Losses Following International Financial Crises be Avoided? AA UC Santa Cruz and NBER. SR National Bureau of Economic Research Working Paper: 7531; 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 F15, F34, F42, G15, H63. KW Financial Crises. Emerging Markets. Output Losses. Debt. International Contracts.

AB Recent financial crises in emerging markets have been followed by temporary but substantial losses in output. This paper explores the possibility that threats of such losses are the dominant incentive for repayment of international debt. In this environment, private debtors and creditors have strong incentives to design international contracts so that renegotiation is costly. Such contracts generate dead weight losses and proposals for reform of the international monetary system that modify explicit and implicit contractual arrangements and can be welfare improving under special circumstances. However, such proposals might also weaken the incentives that make private international debt possible.

Doornik, Jurgen A.

TI Statistical Algorithms for Models in State Space Using SsfPack 2.2. AU Koopman, Siem Jan; Shephard, Neil; Doornik, Jurgen A.

Doppelhofer, Gernot

PD June 2000. TI Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates (BACE) Approach. AU Doppelhofer, Gernot; Miller, Ronald I.; Sala-i-Martin, Xavier. AA Doppelhofer: Columbia University and Cambridge University. Miller: Columbia University. Sala-I-Martin: Columbia University, NBER, and Universitat Pompeu Fabra. SR National Bureau of Economic Research Working Paper: 7750; National Bureau of Economic Research, 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 the U.S.). JE C11, O41, O51, O52, O53. KW Bayesian Analysis. Growth. Economic Growth.

AB This paper examines the robustness of explanatory variables in cross-country economic growth regressions. It employs a novel approach, Bayesian Averaging of Classical Estimates (BACE), which constructs estimates as a weighted average of ordinary least squares estimates for every possible combination of included variables. The weights applied to individual regressions are justified on Bayesian grounds in a manner similar to the well-known Schwarz criterion. We consider 32 explanatory variables, and find 11 to be robustly partially correlated with long- term growth and another five variables to be marginally related. Of the variables considered, the initial level of real gross domestic product per capita presents the strongest evidence for being correlated with long-term growth.

Dosi, Cesare

PD December 2000. TI Water Scarcity: Institutional Change, Water Markets and Privatization. AU Dosi, Cesare; Easter, William K. AA Dosi: University of Padova. Easter: University of Minnesota. SR Fondazione Eni Enrico Mattei Note di Lavoro: 102/2000; "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 L33, L95, Q25, Q28. KW Water Management. Water Markets. Privatization.

AB A number of countries face water shortages because they need to make basic changes in their water management. Policy options do exist. Most of them share the objective of treating water and water services as an economic good, by regulating private inefficient appropriation of open- access resources, and by making the demand for water less independent of users' willingness to pay for it. The aim of this paper is to provide an overview of these policy options by illustrating their rationale and possible caveats. We begin by stressing the importance of improving countries' social capital (i.e., institutional arrangements and management rules for allocating water between competitive uses). We then concentrate on some economic approaches to improving water management, such as the establishment of water markets and the privatization of water utilities, by focusing on experiences and on- going developments in the United States and the European Union.

PD December 2000. TI Controlling Groundwater Pollution from Agricultural Nonpoint Sources: An Overview of Policy Instruments. AU Dosi, Cesare; Zeitouni, Naomi. AA Dosi: University of Padova and FEEM. Zeitouni: University of Haifa. SR Fondazione Eni Enrico Mattei Note di Lavoro: 103/2000; "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 Q18, Q25, Q28. KW Pollution. Nonpoint Source Pollution. Agricultural Policy. Environmental Policy.

AB This paper provides a review of policy instruments aimed at controlling pollution from agricultural diffuse sources, and compares their pros and cons. We find that a major barrier to the implementation of effective policy measures is the lack of information about the nature, extent, and social costs of groundwater pollution from agricultural diffuse sources. We also find that policies aimed at controlling pollution from agricultural sources have usually relied upon what is referred to as "voluntarism", but which can be better described as a "soft-persuasion-though-subsidization" approach. This approach is in contrast to the polluter-pays ethics dominating other environmental policies, and it has not brought about a significant reversal of pollution trends. Finally, there is a need for clearer specification of the division of labor between the European Common Agricultural Policy and environmental policy provisions, and between payments and regulation related

to positive and negative externalities of agricultural production.

Doyle, Peter

PD September 2001. TI Real Convergence to EU Income Levels: Central Europe from 1990 to the Long Term. AU Doyle, Peter; Kuijs, Louis; Jiang, Guorong. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/146; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 19. PR not available. JE E31, F43, O47, P27. KW Transition. EU Accession. Growth. Growth Accounting. Central Europe.

AB The paper discusses factors likely to shape the nature and pace of economic growth of five Central European transition countries now engaged in accession to the European Union. It is organized around the standard growth accounting framework. The paper reviews the growth of these countries since 1990 and draws lessons from the growth experiences of other regions since the 1950s, shedding light on long- term growth prospects for these countries. It discusses a set of growth calculations and highlights the key uncertainties in them.

Dueker, Michael

PD June 2000. TI Austria's Hard-Currency Policy: The Mechanics of Successful Exchange-Rate Peg. AU Dueker, Michael; Fischer, Andreas M. AA Dueker: Federal Reserve Bank of St Louis. Fischer: Schweizerische Nationalbank and CEPR. SR CEPR Discussion Paper: 2478; 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 Inflation Targeting. Interest-Rate Policy Instrument. Monetary Policy.

AB One test of an exchange-rate peg is to ask whether the implicit inflation target of the pegging country is the same as that of the anchor country. If the inflation targets of the two countries are different, the peg's long-run credibility should be rejected. The Austrian experience with a "hard currency" policy aimed at targeting its exchange rate with the German mark is examined. When the feedback rule called for an increase in Austrian interest rates, the actual increases tended to exceed the implied increases, bolstering market confidence in the responsiveness of Austria's monetary policy.

Duflo, Esther

PD June 2000. TI Participation and Investment Decisions in a Retirement Plan: The Influence of Colleagues' Choices. AU Duflo, Esther; Saez, Emmanuel. AA Duflo: MIT and NBER. Saez: Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 7735; 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 D83, I22. KW Peer Effects. Retirement Savings Decisions.

AB This paper investigates whether peer effects play an important role in retirement savings decisions. We use individual data from the staff of a university to study whether individual decisions to enroll in a Tax Deferred Account plan sponsored by the university (and the choice of the mutual fund vendor for people who choose to enroll) are affected by the decisions of other employees in the same department. To overcome the identification problems, we separate the departments into sub- groups (along gender, status, age, and tenure structure in this group. Our results suggest that peer effects are important. We find significant own-group peer effect on participation and on vendor's choice, but no cross-group peer effects.

Duggan, Mark

PD July 2000. TI Winning Isn't Everything: Corruption in Sumo Wrestling. AU Duggan, Mark; Levitt, Steven D. AA Duggan: University of Chicago and National Bureau of Economic Research. Levitt: University of Chicago and American Bar Foundation. SR National Bureau of Economic Research Working Paper: 7798; 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 D21, L83. KW Corruption. Sports. Japan.

AB This paper attempts to isolate corrupt behavior empirically. Evidence of corruption is looked for in an unlikely place: the highest echelons of Japanese sumo wrestling. This paper provides strong statistical evidence documenting match rigging in sumo wrestling. A non-linearity in the incentive structure of promotion leads to gains from trade between wrestlers on the margin for achieving a winning record and their opponents. Wrestlers win a disproportionate share of the matches when they are on the margin. Increased effort cannot explain the findings. Winning on the bubble is more frequent when the two competitors have met often in the past. Success on the bubble tends to rise over the course of a wrestler's career, but declines in his last year, consistent with the game theoretic predictions. Wrestlers who are victorious when on the bubble lose more frequently than would be expected the next time they meet that opponent, suggesting that part of the payment for throwing a match is future payment in kind. Systematic differences across wrestling stables suggest that the stables play a role in facilitating the corruption. In times of increased media scrutiny, the match rigging disappears.

Dunaway, Steven

TI Returns to Human Capital and Investment in New Technology. AU Kaufman, Martin; Luzio, Rodolfo; Dunaway, Steven.

Durbin, Jim

PD December 1998. TI Time Series Analysis of Non-Gaussian Observations Based on State Space Models from Both Classical and Bayesian Perspectives. AU Durbin, Jim; Koopman, Siem Jan. AA Durbin: London School of Economics in Political Science. Koopman: CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 98142; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 26. PR no charge. JE C11, C15, C22. KW Antithetic Variables. Importance Sampling. Kalman Filtering. Simulation. Non-Gaussian Time Series.

AB The analysis of non-Gaussian time series using state space models is considered from both classical and Bayesian perspectives. The treatment in both cases is based on simulation using importance sampling and antithetic variables; Monte Carlo Markov chain methods are not employed. Non-Gaussian disturbances for the state equation as well as for the observation equation are considered. Methods for estimating

conditional and posterior means of functions of the state vector given the observations, and the mean square errors of their estimates, are developed. These methods are extended to cover the estimation of conditional and posterior densities and distribution functions. Choice of importance sampling densities and antithetic variables is discussed. The techniques work well in practice and are computationally efficient. Their use is illustrated by application to a univariate discrete time series, a series with outliers and a volatility series.

Dustmann, Christian

PD June 2000. **TI** Language Proficiency and Labor Market Performance of Immigrants in the UK. **AU** Dustmann, Christian; Fabbri, Francesca. **AA** Dustmann: University College London and CEPR. Fabbri: Queen Mary, University of London. **SR** CEPR Discussion Paper: 2487; 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** J15, J24, J61, R23. **KW** Economics of Minorities. Human Capital Formation. Immigrant Workers.

AB This paper uses two recent UK surveys to investigate labor market performance, the determinants of language proficiency, and the effect of language on earnings and employment probabilities of non-white immigrants. Results show that language acquisition, employment probabilities, as well as earnings differ widely across non-white immigrants, according to their ethnic origin. Language has a strong and positive effect on employment probabilities. Furthermore, lack of English fluency leads to substantial earnings losses for immigrants. While earnings of white and ethnic minority natives develop in a similar manner, there is a large earnings gap between these two groups, and ethnic minority immigrants. English fluency contributes considerably to reducing these differences. Addressing the problems of measurement error and unobserved heterogeneity in language variables, our results indicate that measurement error in the language variable leads to underestimation of the importance of language for employment probabilities and earnings in straightforward regressions. In comparison with results found for other countries, language proficiency seems to be more important for labor market outcomes of UK immigrants.

Dutta, Bhaskar

PD January 2002. **TI** Equilibrium Agenda Formation. **AU** Dutta, Bhaskar; Jackson, Matthew O.; Le Breton, Michel. **AA** Dutta: Indian Statistical Institute and University of Warwick. Jackson: California Institute of Technology. Le Breton: Universite d'Aix-Marseille. **SR** Warwick Economic Research Paper: 628; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 33. **PR** no charge. **JE** D71, D72. **KW** Agenda Formation. Equilibrium Concept. Voting.

AB We develop a definition of equilibrium for agenda formation in general voting settings. The definition is independent of any protocol. We show that the set of equilibrium outcomes for any Pareto efficient voting rule is uniquely determined. If, in addition, preferences are strict then the set of equilibrium outcomes coincides with the set of outcomes generated by considering all full agendas for voting by successive elimination, and the set of equilibrium outcomes

corresponds with the Banks set. We also examine the implications in several other settings.

PD January 2002. **TI** Cost Monotonicity, Consistency and Minimum Cost Spanning Tree Games. **AU** Dutta, Bhaskar; Kar, Anirban. **AA** Dutta: Indian Statistical Institute and University of Warwick. Kar: Indian Statistical Institute. **SR** Warwick Economic Research Paper: 629; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 33. **PR** no charge. **JE** C71, D79. **KW** Spanning Tree. Cost Allocation. Core Allocation. Cost Monotonicity. Consistency Properties.

AB We propose a new cost allocation rule for minimum cost spanning tree games. The new rule is a core selection and also satisfies cost monotonicity. We also give characterization theorems for the new rule as well as the much-studied Bird allocation. We show that the principal difference between these two rules is in terms of their consistency properties.

Dutta, Jayasri

PD June 2000. **TI** Default and Efficient Debt Markets. **AU** Dutta, Jayasri; Kapur, Sandeep. **AA** Dutta: University of Cambridge. Kapur: Birkbeck College. **SR** University of Birmingham, Department of Economics Discussion Paper: 00/14; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. **PG** 22. **PR** 2 pounds ($4); no charge to academics. **JE** C61, D91, D92, E21, O41 . **KW** Default. Enforcement. Efficiency. Debt Contracts. Two-Part Pricing.

AB We examine default-free debt contracts in an infinite-horizon economy in which some individuals have access to a productive, intertemporal technology. Individuals without access to the technology must lend their savings to those with access. Lenders cannot enforce full repayment of their debt directly. Borrowers can default on their debt at any time: if they do, they lose the right to borrow in the future. We evaluate debt and repayment paths that can be sustained in this economy. The set of allocations that can be supported by such default-free debt paths is fully characterized; this set is non-empty, convex, and contains a subset that is fully efficient. We then analyze the properties of efficient, sustainable allocations and their decentralization. Debt contracts that involve two-part pricing are shown to support efficient allocations subject to the no-default constraint. Efficiency is compatible with anonymous contracts.

PD November 2000. **TI** Growth Conflicts. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 00/15; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. **PG** 21. **PR** 2 pounds ($4); no charge to academics. **JE** E23, J24, N10, O33. **KW** Economic Growth. Technology Adoption. Resistance to Change. Inequality. Income Distribution.

AB Economic history provides many examples of situations where workers resist the adoption of new technologies, but also of situations where expansion is resisted by entrepreneurs. This paper starts with the hypothesis that this resistance is a rational response to anticipated effects on the distribution of incomes.

The basic construct is that of an economy where access to credit is restricted to a subset of the population. It shows that changes in technology and institutions are of three kinds. Increases in the productivity of capital are Pareto- improving; increases in the productivity of labor increase profits but lower wages; and market liberalization does the reverse. It also shows that the implied inequality trap is temporary: the adoption of pareto- improving technologies eventually reverses the distributional impact of growth.

Dynarski, Susan

PD   June 2000. TI   Hope for Whom? Financial Aid for the Middle Class and its Impact on College Attendance. AA   Harvard University and NBER. SR   National Bureau of Economic Research Working Paper: 7756; 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   I22, I28, J15. KW   Financial Aid. College Attendance. Hope Scholarship.
AB   The federal and state governments have recently enacted a slew of aid policies aimed at college students from middle- and high-income families. This paper estimates the impact of aid on the college attendance of middle- and upper-income youth by evaluating Georgia's HOPE (Helping Outstanding Pupils Educationally) Scholarship, the inspiration of the new federal Hope Scholarship. The results suggest that Georgia's program has had a surprisingly large impact on the college attendance rate of middle- and high-income youth. Each $1,000 in aid (1998 dollars) increased the college attendance rate in Georgia by 3.7 to 4.2 percentage points; overall, the college attendance rate of all 18- to 19-year-olds likely increased by 7.0 to 7.9 percentage points. Due to key differences between the federal and Georgia programs, these estimates should be treated as a generous upper bound on the predicted effect of the federal Hope Scholarship. Further, the evidence suggests that Georgia's program has widened the gap in college attendance between blacks and whites and between those from low- and high-income families. It may be expected that the federal Hope Scholarship will also widen already large racial and income gaps in college attendance in the US.

Easter, William K.

TI   Water Scarcity: Institutional Change, Water Markets and Privatization. AU   Dosi, Cesare; Easter, William K.

Edwards, Sebastian

PD   July 2000. TI   Interest Rates, Contagion and Capital Controls. AA   University of California, Los Angeles and National Bureau of Economic Research. SR   National Bureau of Economic Research Working Paper: 7801; National Bureau of Economic Research, 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 the U.S.). JE   F13. KW   Contagion. Inflow Controls. Chile.
AB   This paper analyzes several issues related to "contagion," including its definition, recent experiences, alternative channels at work, and possible prevention mechanisms. The discussion deals with the macroeconomics implications of contagion, and concentrates on the relationship between the degree of openness of the capital account and the transmission of foreign shocks. More specifically, the question is whether restrictions

to capital mobility -- and, in particular, controls on capital inflows of the type Chile implemented throughout most of the 1990s -- reduce a country's vulnerability to contagion. Also dealt with, albeit briefly, is the connection between the exchange rate regime and the propagation of international shocks. The evidence presented in this paper shows that the effectiveness of Chile's controls on inflows has often been overstated. Indeed, Chile was severely affected by the East Asian, Russian and Brazilian crises.

PD   July 2000. TI   Interest Rate Volatility and Contagion in Emerging Markets: Evidence from the 1990s. AU   Edwards, Sebastian; Susmel, Raul. AA   Edwards: University of California, Los Angeles and National Bureau of Economic. Research. Susmel: University of Houston. SR   National Bureau of Economic Research Working Paper: 7813; 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 the U.S.). JE   F10, F30. KW   Volatility. Interest Rates.
AB   This paper uses high frequency interest rate data for a group of Latin American countries to analyze the behavior of volatility through time. Of particular interest is understanding whether periods of high volatility spill over across countries. This analysis relies both on univariate and bivariate switching volatility models. Results indicate that high-volatility episodes are, in general, short-lived, lasting from two to seven weeks. Some weak evidence of volatility co-movements across countries is found. Overall, the results are not overly supportive of "contagion" stories.

Eichenbaum, Martin

TI   Fiscal Shocks in an Efficiency Wage Model. AU   Burnside, Craig; Eichenbaum, Martin; Fisher, Jonas D. M.

Eichengreen, Barry

TI   On Regional Monetary Arrangements for ASEAN. AU   Bayoumi, Tamim; Eichengreen, Barry; Mauro, Paolo.

PD   April 2000. TI   The Bail-In Problem: Systematic Goals, Ad Hoc Means. AU   Eichengreen, Barry; Ruehl, Christoph. AA   Eichengreen: University of California, Berkeley. Ruehl: World Bank. SR   CEPR Discussion Paper: 2427; 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   F34, F35, O19. KW   Moral Hazard. Crisis Countries. International Monetary Fund. Debt Bailout. Default.
AB   In this paper we analyze the recent efforts of the international financial institutions (IFIs) to limit the moral hazard created by their assistance to crisis countries. We question the case-by-case approach taken in Pakistan, Ecuador, Romania, and Ukraine. We show that because default and restructuring are so costly, it is simply not time consistent for the IFIs to plan to stand aside if the markets refuse to roll over maturing claims, restructure problem debts, or provide new money. Because these realities create an incentive to disburse even if investors fail to comply, the IFIs are then placed in the position of having to back down on their previous conditionality, which undermines their credibility. And since investors are aware of these facts, their behavior is unlikely to

be modified by the IFIs' less-than-credible statements of intent. Hence, this approach to "bailing in the private sector" will not work. Fortunately, there is an alternative: introducing collective-action clauses into loan agreements.

Elbers, Chris

PD March 1999. TI General Equilibrium Models of Environmental Regulation and International Trade. AU Elbers, Chris; Withagen, Cees. AA Elbers: Free University. Withagen: Free University and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9924; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 24. PR no charge. JE D50, D62, F13, F41, Q28. KW Environmental Policy. General Equilibrium. International Trade. Open Economy. Commercial Policy.

AB The literature on the effects of environmental policy on international competitiveness consists mainly of partial equilibrium models. From a methodological point of view, a general equilibrium approach is to be preferred. Only very few studies take on a general equilibrium point of view, but they do not reach clear-cut conclusions and do not perform sensitivity analyses. In the present paper we make a contribution to the general equilibrium approach and provide some interesting numerical examples, showing that partial equilibrium results do not generally hold in a general equilibrium setting. This has important implications for tax policies in the presence of environmental externalities.

Elliott, R. J. R.

TI The Environment, Trade and Industrial Restructuring: Revisiting the Evidence. AU Cole, Matthew A.; Elliott, R. J. R.; Azhar, Abdul K.

TI A Tale of Two Cycles: Co-Fluctuations Between UK Regions and the Euro Zone. AU Barrios, Salvador; Brulhart, Marius; Elliott, R. J. R.; Sensier, Marianne.

TI A Tale of Two Cycles: Co-Fluctuations Between UK Regions and the Euro Zone. AU Barrios, Salvador; Brulhart, Marius; Elliott, R. J. R.; Sensier, Marianne.

TI Factor Endowments of Environmental Regulations? Determining the Trade-Environmental Composition Effect. AU Cole, Matthew A.; Elliott, R. J. R.

TI The Determinants of Trade in Pollution Intensive Industries: North- South Evidence. AU Cole, Matthew A.; Elliott, R. J. R.; Azhar, Abdul K.

Ellison, Glenn

PD July 2000. TI The Slowdown of the Economics Publishing Process. AA Massachusetts Institute of Technology and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7804; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 62. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE A14. KW Journals. Peer-Review.

AB Over the last three decades there has been a dramatic increase in the length of time necessary to publish a paper in a top economics journal. This paper documents the slowdown and notes that a substantial part is due to an increasing tendency of journals to require that papers be extensively revised prior to acceptance. A variety of potential explanations for the slowdown are considered: simple cost and benefit arguments; a democratization of publishing process; increases in the complexity of papers; the growth of the profession; and an evolution of preferences for different aspects of paper quality. Various time series are examined for evidence that the economics profession has changed along these dimensions. Paper-level data on review times is used to assess connections between underlying changes in the profession and changes in the review process. It is difficult to attribute much of the slowdown to observable changes in the economics profession. Evolving social norms may play a role.

Engel, Charles

PD July 2000. TI Comments on Obstfeld and Rogoff's "The Six Major Puzzles in International Macroeconomics: Is There a Common Cause?" AA University of Wisconsin. SR National Bureau of Economic Research Working Paper: 7818; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 12. PR $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). JE F30, F47. KW Puzzles. Trade Costs. Capital Markets.

AB The paper offers comments on Obstfeld and Rogoff (2000). The comments primarily focus on three issues: (a) How do we reconcile the numerical examples of OR, which show quantitatively plausible resolutions to the major puzzles arising from costs of trade, with previous studies that have found trade costs do not get us very far? (b) Does the solution proposed by OR solve the puzzles at the expense of introducing new puzzles? That is, does their solution have counterfactual implications for other economic relationships? (The prime example of this is what OR calls the "Backus-Smith puzzle".) (c) Some of the problems connected with points (a) and (b) can be rectified by moving away from the assumption of complete asset markets. But then, how does one assess how much of the solution to the puzzle is coming from trade costs versus capital-market imperfections.

Engwerda, Jacob

TI Performance of Delta-Hedging Strategies in Interval Models--A Robustness Study. AU Roorda, Berend; Engwerda, Jacob; Schumacher, Hans.

Epaulard, Anne

PD August 2001. TI Agents' Preferences, the Equity Premium, and the Consumption-Saving Trade-Off: An Application to French Data. AU Epaulard, Anne; Pommeret, Aude. AA Epaulard: International Monetary Fund. Pommeret: Universite Catholique de Louvain. SR International Monetary Fund Working Paper: WP/01/117; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 35. PR not available. JE E11, G11. KW Equity Premium Puzzle. Risk-Free Rate Puzzle.

AB This paper aims to measure the risk premium on French equities during 1960-92 and to evaluate how well theoretical models based on various representations of agents' preferences can explain it. Aside from the standard, time-additive utility function with constant relative risk aversion, three other utility functions are reviewed: a recursive utility function, a habit formation utility function, and a utility function that accounts

for the interdependence of preferences. Both calibration and econometric estimations show that none of the studied marginal changes in the representation of agents' preferences are sufficient to solve both the equity premium puzzle and the risk-free rate puzzle.

Epple, Dennis

PD July 2000. TI Collective Choice and Voluntary Provision of Public Goods. AU Epple, Dennis; Romano, Richard. AA Epple: Carnegie Mellon University and National Bureau of Economic Research. Romano: University of Florida. SR National Bureau of Economic Research Working Paper: 7802; 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 D78, H41. KW Public Goods. Equilibrium. Statistical Techniques.
AB Some public goods are provided entirely with private contributions, others with a mixture of public and private funding, and still others are entirely publicly funded. To explain this variation, a model of dual provision is developed that endogenizes public and private funding. Members of the economy vote over an income tax that finances public supply of the good, and they vote on whether to permit private contributions. While permitting private contribution may lead to a reduction in total provision of the good, a majority always favors permitting private contributions. Results are developed for small and large economies, and the relevance of excludability and non-congestion are investigated. Comparative statics and computational analysis demonstrate properties of equilibrium.

Epstein, Arnold M.

TI How Good a Deal Was the Tobacco Settlement? Assessing Payments to Massachusetts. AU Cutler, David M.; Epstein, Arnold M.; Frank, Richard G.; Hartman, Raymond S.; King, Charles, III.; Newhouse, Joseph P.; Rosenthal, Meredith B.; Vigdor, Elizabeth Richardson.

Epstein, Gil S.

PD April 2000. TI Social Harmony at the Boundaries of the Welfare State: Immigrants and Social Transfers. AU Epstein, Gil S.; Hillman, Arye L. AA Epstein: Bar-Ilan University, Israel, CEPR, and IZA, Bonn. Hillman: Bar-Ilan University, Israel, and CEPR. SR CEPR Discussion Paper: 2414; 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 F22, I38, J61, J64, P16. KW Welfare State. Social Harmony. Immigrants.
AB The social contract of the welfare state can be strained by the arrival of immigrants who receive welfare payments financed by citizens' taxes. We show, however, that the presence of unemployed immigrants receiving welfare payments is consistent with social harmony. This social harmony, which is a consequence of viewing unemployment as a labor-market discipline, contrasts with the social conflict predicted by Karl Marx when he proposed his earlier version of the same explanation for unemployment. We demonstrate that a socially harmonious policy is always feasible. Outcomes without social harmony can therefore always be suitably amended.

Euwals, Rob

PD April 2000. TI Female Labor Supply, Flexibility of Working Hours, and Job Mobility. AA Bonn University. SR CEPR Discussion Paper: 2419; 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 C33, J22, J62, J69. KW Labor Supply. Working Hours Flexibility. Job Mobility.
AB In the empirical literature on labor supply, several static models are developed to incorporate constraints on working hours. These models do not address to what extent working hours are constrained within jobs, and to what extent working hours can be adjusted by means of changing employer. The aim of this paper is to measure the flexibility of working hours within and between jobs by utilizing subjective information on individual preferences to adjustments in working hours. The potential endogeneity of both the subjective information and job mobility will be taken into account. We argue that the Netherlands is an interesting country for the study of working hour flexibility, as part-time employment is fairly common. Empirical analysis based on a sample of employed women in the Dutch Socio-Economic Panel (1987-1989) shows, however, that the flexibility of working hours within jobs is low. Job mobility is a means of adjustment in working hours mainly for women who want to work more hours.

Fabbri, Francesca

TI Language Proficiency and Labor Market Performance of Immigrants in the UK. AU Dustmann, Christian; Fabbri, Francesca.

Fairlie, Robert W.

PD February 2000. TI The Effect of Immigration on Native Self-Employment. AU Fairlie, Robert W.; Meyer, Bruce D. AA Fairlie: University of California, Santa Cruz. Meyer: Northwestern University and NBER. SR National Bureau of Economic Research Working Paper: 7561; 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 J23, J61. KW Immigrant Employment. Self-Employment.
AB A rapidly growing literature examines the impact of immigrants on the labor market outcomes of native-born Americans. However, the impact of immigration on natives in self-employment has not been examined, despite the over-representation of immigrants in that sector. We first present a new general equilibrium model of self-employment and wage/salary work. For a range of plausible parameter values, the model predicts small negative effects of immigration on native self-employment rates and earnings. Using 1980 and 1990 Census microdata, we then examine the relationship between changes in immigration and native self-employment rates and earnings across 132 of the largest metropolitan areas in the United States. We find evidence supporting the hypothesis that self-employed immigrants displace self-employed natives. The effects are much larger than those predicted by simulations of the theoretical model. Immigrants, however, do not have a negative effect on native self-employment earnings.

Falcitelli, Federico

TI. New Developments in Environmental Accounting at Istat. AU Costantino, Cesare; Falcitelli, Federico; Tudini, Angelica.

Falvey, Rod

PD September 2001. TI Tariffs and Mergers in an Integrated Market. AA University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/14; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/ˉlezec/research/dp/. PG 22. PR no charge. JE F12, F13. KW Tariffs. Trade Liberalization. Mergers.
AB The last few decades have seen a significant reduction in trade barriers, which has brought the international aspects of competition policies into greater prominence. This paper explores the effects of tariffs on the profitability and welfare consequences of mergers in a simple model of the integrated world market for a single homogeneous product in which firms differ in their levels of efficiency. The results indicate that trade liberalization is likely to encourage mergers involving the least efficient firm in the liberalizing economy. Whether such mergers are likely to be permitted by national competition authorities depends on the identity of both merger participants.

PD November 2001. TI Tariffs, Quotas and Mergers. AU Falvey, Rod; Nathananan, Montri. AA University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/30; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/ˉlezec/research/dp/. PG 23. PR no charge. JE F12, F13. KW Tariffs. Quotas. Mergers.
AB This paper analyzes and compares the effects of tariff and quota restrictions on the incentives for national and international mergers in a segmented oligopolistic market of Cournot-competing firms. It confirms previous results that tariffs tend to discourage (encourage) mergers involving small firms based in the protected (non-protected) market, at the margin. But, quotas tend to discourage similar mergers involving small firms from both locations. Where a ranking can be made, mergers are more profitable under a quota than under the "equivalent" tariff. These outcomes provide a further instance of the non- equivalence of tariffs and quotas in imperfectly competitive markets.

Falzoni, Anna M.

PD March 2000. TI The Decision to Invest in a Low-Wage Country: Evidence From Italian Textiles and Clothing Multinationals. AU Falzoni, Anna M.; Turrini, Alessandro; Navaretti, Giorgio B. AA Falzoni and Turrini: Universtia di Bergamo, CESPRI, and Centro Studi Luca d'Agliano. Navaretti: Universita di Ancona, Centro Studi Luca d'Agliano, and Fondazione Eni Enrico Mattei. SR CEPR Discussion Paper: 2395; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 32. PR 5 pounds, $8 or 8 euros. JE F23, L13. KW Foreign Direct Investment. Production Relocation. Product Differentiation.
AB In this paper we investigate the firm-specific factors that account for the decision to invest in low-wage countries on the part of Italian firms in the textiles and clothing sector. This

analysis is motivated by the fact that our survey data show, between 1990 and 1997, a decline of average employment in parent companies, while that in subsidiaries grew substantially. However, correlation and regression analysis show that only employment in parent companies that invested only in low wage countries seem to be negatively related with employment abroad. Our hypothesis is that investments in cheap labor countries are mainly cost-driven, and undertaken by firms that focus on a low-quality, low- cost strategy. We test this hypothesis through a probit analysis. The evidence suggests that investments in cheap labor countries are more likely to be of a vertical type, being relatively more labor-intensive compared with the parent company. Our hypothesis seems to be confirmed empirically. Investments in low-wage countries are more likely to generate abundant intra-firm trade and to be undertaken by firms with low shares of skilled employment.

Farmer, Roger E. A.

PD April 2000. TI Natural Rate Doubts. AA European University Institute. SR CEPR Discussion Paper: 2426; 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, E31, E43, E52. KW Natural Rate Hypothesis. Phillips Curve. Unemployment Rate. Inflation Rate. Cointegration.
AB This paper provides evidence for a low frequency relationship between unemployment, inflation, and the nominal interest rate. I show that in the United States from 1959.1 to 1991.3, the unemployment rate, the inflation rate, and the federal funds rate can be modeled as non- stationary time series linked by two co-integrating equations. One of these equations is stable over the whole sample period, the other is different over the sub periods 1959.1-1979.4 and 1980.1-1999.3. I evaluate the ability of a class of models to explain these facts and conclude that models that incorporate the natural rate hypothesis are inadequate. An alternative class of models, characterized by the existence of an upward sloping long-run Phillips curve, can account for the data.

Favard, Pascal

TI Does S. Kuznets' Belief Question the Environmental Kuznets Curves? AU Bousquet, Alain; Favard, Pascal.

Favero, Carlo A.

PD July 2000. TI Looking for Contagion: Evidence from the ERM. AU Favero, Carlo A.; Giavazzi, Francesco. AA Favero: Universita Commerciale L. Bocconi. Giavazzi: Universita Commerciale L. Bocconi and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7797; National Bureau of Economic Research, 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 the U.S.). JE E30, F30, F40. KW Contagion. Statistical Techniques.
AB This paper applies a full-information technique to test for the presence of contagion across the money markets of ERM member countries. It shows that whenever it is possible to estimate a model for interdependence, a test for contagion based on a full information technique is more powerful. The presence of contagion is tested for after having identified episodes of country-specific shocks, whose effects on other European markets are significantly different from those

predictable from the estimated channels of interdependence. Using data on three-months interest rate spreads on German rates for seven countries over the period 1988-1992, the null of contagion cannot be rejected. Evidence suggests that contagion within the ERM was a general phenomenon, not limited to a subset of weaker countries, the exception in the sample being France. Results are moot as to the question of what lies behind these episodes of contagion; they show, however, that it is not always true that one only detects contagion when one applies poor statistical techniques.

Feenberg, Daniel R.

AB This paper presents new information on the fraction of adjusted gross income, and of wages and salaries, that is reported by taxpayers in the top one half of one percent of the income distribution. This corresponds to roughly five hundred thousand households in the late 1990s. This paper relies on data from the Treasury's Individual Income Tax Model for the period 1960-1995. The definition of adjusted gross income is standardized, so that changes in the tax law do not affect the measured concentration of AGI. The results suggest that the share of AGI reported by the highest income households increased significantly between the early 1980s and the mid-1990s, with most of the increase taking place in the years immediately following the Tax Reform Act of 1986. While we find some evidence of transitory changes in the concentration of income around major tax changes, which may be the result of income re-timing by high income taxpayers, re-timing does not seem to explain most of the changes since 1986.

Feinstein, Jonathan S.

AB This paper presents models of asset management by the elderly, focusing on saving, spend-down of assets, and gift-giving, and considers the influence of health on these processes. The evolution of elderly health and the impact of economic variables on health outcomes is also studied. Results are presented from estimating models using data from waves one and two of the AHEAD dataset. The model of asset management links elderly decisions about saving, spend-down of assets, and gift-giving in a system of equations. Households for which head and partner (if present) are in poor health and those for which head and partner are in good health are divided; specifications allow for differences in health to affect both the average level of economic outcomes and the marginal effects of income and wealth on the outcomes. Also included in the model is a set of socio-demographic control variables. The model of health outcomes links health in the preceding period to health in the current period, allowing for three outcomes -- good health, poor health, or death. Variables measuring health in the previous period, wealth, age, education, and control variables are also included in the model of health outcomes.

Feldstein, Martin

AB This paper studies the distributional impact of a change from the existing pay-as-you-go Social Security system to one that combines both pay-as-you-go and investment-based elements. Critics of investment- based plans have been concerned that such plans might reduce the retirement income of low-paid workers or of surviving spouses relative to what they would get from Social Security, and might therefore increase the extent of poverty among the aged. The analysis in this paper shows that this is generally not the case, even in plans that make no special effort to maintain or increase redistribution. The principal finding is that virtually all of the demographic groups that are examined would receive higher average benefits under a mixed system with an investment-based component than the benefits that they would receive under current Social Security rules. There would also be a smaller share of individuals with benefits below the poverty line even though the total cost of funding the mixed system is substantially lower than that of funding the pay-as-you-go system. Individual-level data permit the authors to go beyond comparing group means to analyze the full distribution of the benefits that individuals would receive under the two different systems.

AB The creation of the euro and the European Central Bank is a remarkable and unprecedented event in economic and political history: creating a supranational central bank and leaving eleven countries without national currencies of their own. The experience of the first year confirms that "one size fits all" monetary policy is not suitable for Europe because cyclical and inflation conditions vary substantially among countries. Labor market policies during this first year will increase this problem in the future and may lead to more trade protectionism. The paper explores reasons why cyclical unemployment, structural unemployment, and inflation may all be higher in the future as a result of the single currency. Although some

advocate the euro despite its economic problems because of its assumed favorable effects on European political cohesiveness, the paper argues that it is more likely to lead to political conflict within Europe and with the United States.

PD June 2000. **TI** Allocating Payroll Tax Revenue to Personal Retirement Accounts to Maintain Social Security Benefits and the Payroll Tax Rate. **AU** Feldstein, Martin; Samwick, Andrew. **AA** Feldstein: NBER and Harvard University. Samwick: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7767; 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** H24, H55, I38. **KW** Social Security. Payroll Tax. Retirement Income.
AB The current paper extends an earlier paper where we analyzed a method of combining traditional tax financed pay-as-you-go Social Security benefits with annuities financed by Personal Retirement Accounts. We showed that such a combination could maintain the level of retirement income projected in current Social Security law while avoiding a future increase in the payroll tax rate. In the current paper: (1) We specify that the funds deposited in the Personal Retirement Accounts come from allocating 2 percent of the 12.4 percent payroll tax instead of being provided from outside the system; (2) We discuss the effects of the uncertain return on investment-based annuities; (3) We provide estimates of the cost of permitting bequests if individuals die either before retirement or during the first twenty years after retirement; (4) We update the statistical basis for our estimates to be consistent with the 2000 Social Security Trustees Report. Our analysis shows that a Personal Retirement Accounts program funded by allocating 2 percent of the 12.4 percent payroll tax collections can maintain the retirement income projected in current law while avoiding any increase in the 12.4 percent payroll tax.

Felgueroso, Florentino
TI Explaining Youth Labor Market Problems in Spain: Crowding-Out, Institutions, or Technology Shifts? **AU** Dolado, Juan Jose; Jimeno-Serrano, Juan; Felgueroso, Florentino.

Fernandez, Raquel
PD January 2000. **TI** Sorting and Long-Run Inequality. **AU** Fernandez, Raquel; Rogerson, Richard. **AA** Fernandez: New York University and NBER. Rogerson: University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 7508; 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** D31, I21, J12, J13, J31. **KW** Sorting. Inequality. Education. Fertility. Marital Sorting.
AB Many social commentators have raised concerns over the possibility that increased sorting in a society can lead to greater inequality. To investigate this we construct a dynamic model of intergenerational education acquisition, fertility, and marital sorting and parameterize the steady state to match several basic empirical findings. Contrary to Kremer's (1997) finding of a basically insignificant effect of marital sorting on inequality, we find that increased marital sorting will significantly increase income inequality. Three factors are central to our findings: a negative correlation between fertility and education, a decreasing marginal effect of parental education on children's years of education, and wages that are sensitive to the relative supply of skilled workers.

Fernandez, Rosa M.
PD January 2001. **TI** Human Capital Investment in the Presence of Unemployment: Application to University Enrollment in Spain. **AU** Fernandez, Rosa M.; Shioji, Etsuro. **AA** Fernandez: University of Oxford. Shioji: Yokohama National University. **SR** Oxford Department of Economics Discussion Paper: 66; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. **PG** 22. **PR** 2 pounds. **JE** D64, I22, J24, O15. **KW** Education. Unemployment. Intergenerational Transfer. Human Capital. Opportunity Costs.
AB This paper explores the effects of unemployment on the school enrollment decisions. A few studies that have taken up this issue in the past have produced results that are seemingly contradictory to each other. The authors build a model of the enrollment decision that is capable of explaining these results in a unified manner. In this model, unemployment affects the enrollment decision both through changing costs of and returns to education (investment effect) and through changing parental wealth which affects intergenerational transfers (wealth effect). The authors develop an empirical framework that allows them to test the presence of these two effects separately, and apply this to panel data of Spanish regions in which university enrollment effects are present.

Finus, Michael
PD November 2000. **TI** Game Theory and International Environmental Co-Operation: A Survey with an Application to the Kyoto-Protocol. **AA** University of Hagen. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 86/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 60. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C72, D62, D74, Q28. **KW** Game Theory Application. Environmental Policy. Kyoto Protocol. Welfare Distribution. Pollution Control.
AB The paper lays out the fundamental assumptions underlying the game theoretical analysis of international environmental problems. It summarizes findings that help explain the difficulties of co-operation and discusses remedies. The paper looks at measures to avoid asymmetric welfare distributions, and examines measures to enforce an international environmental agreement. The paper discusses policy instruments in global pollution control and then summarizes results on the formation of coalitions. Open issues with respect to the theoretical analysis are characterized, and practical problems that are not addressed by theory are mentioned and evaluated as to their effect in influencing policy conclusions. The theoretical results and the derived conclusions are applied to the analysis of the Kyoto Protocol. The article stresses the intuition behind all results, though formal proofs of some new results are given.

Fischer, Andreas M.
TI Austria's Hard-Currency Policy: The Mechanics of Successful Exchange-Rate Peg. **AU** Dueker, Michael; Fischer, Andreas M.

PD June 2000. **TI** Do Interventions Smooth Interest

Rates? **AA** Fischer: Schweizerische Nationalbank and CEPR. **SR** CEPR Discussion Paper: 2479; 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** Duration. Federal Funds Rate. Interest Rate Smoothing.

AB This paper argues that exchange rate tensions delay future changes in the Fed's policy instrument, the federal funds rate. A shift in emphasis towards the exchange rate may conflict with the longer-term policy goals for the domestic economy. The paper's objective is to consider empirically the influence of exchange rate tensions (proxied by official interventions) on the duration of the target funds rate. Time deformation of the target funds rate is modeled as an autoregressive process following the class of ACD models first proposed by Engle and Russell (1998). The duration of the target funds rate is found to be weakly persistent: a result consistent with several studies in the empirical literature. The introduction of interventions into the ACD model finds that previous interventions lengthen the duration of the target funds rate. This result is found to be robust for several intervention measures.

Fisher, Jonas D. M.

TI Fiscal Shocks in an Efficiency Wage Model. **AU** Burnside, Craig; Eichenbaum, Martin; Fisher, Jonas D. M.

Fitz Gerald, John

TI Earnings Inequality, Returns to Education and Immigration into Ireland. **AU** Barrett, Alan; Fitz Gerald, John; Nolan, Brian.

Flachaire, Emmanuel

PD February 2001. **TI** The Wild Bootstrap, Tamed at Last. **AA** STICERD, LSE. **SR** STICERD (LSE) Distributional Analysis Research Programme Discussion Paper: DARP/58; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 36. **PR** no charge. **JE** C12, C14, C15, C22, C51. **KW** Wild Bootstrap. Heteroskedasticity. Estimators. Size Distortion. Skewness Correction.

AB Various versions of the wild bootstrap are studied as applied to regression models with heteroskedastic errors. It is shown that some versions can be qualified as "tamed", in the sense that the statistic bootstrapped is asymptotically independent of the distribution of the wild bootstrap DGP. This can, in one very specific case, lead to perfect bootstrap inference, and leads to substantial reduction in the error in the rejection probability of a bootstrap test much more generally. However, the version of the wild bootstrap with this desirable property does not benefit from the skewness correction afforded by the most popular version of the wild bootstrap in the literature. Edgeworth expansions and simulation experiments are used to show why this defect does not prevent the preferred version from having the smallest error in rejection probability in small and medium-sized samples. It is concluded that this preferred version should always be used in practice.

Forbes, Kristin

PD July 2000. **TI** The Asian Flu and Russian Virus: Firm-Level Evidence on How Crises Are Transmitted Internationally. **AA** Massachusetts Institute of Technology and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7807; 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 the U.S.). **JE** F30, F40, G15. **KW** Crises, International Financial. Statistics. Competitiveness.

AB This paper uses firm-level information to evaluate how crises are transmitted internationally. It constructs a new data set of financial statistics, industry information, geographic data, and stock returns for over 10,000 companies in 46 countries to test what types of firms were most affected by the East Asian and Russian crises. Results suggest that a product-competitiveness and income effect were both important transmission mechanisms during the later part of the Asian crisis and the Russian crisis. For example, if a firm's main product line competed with a major East Asian export, the firm's average daily abnormal stock return was 13 percent lower during the Asian crisis. The magnitude of this product competitiveness effect during the Russian crisis was 32 percent. Results suggest that a credit crunch was not important during either crisis. Finally, country-specific effects, which are poorly explained by macroeconomic and corporate governance variables, can have a larger impact than all other transmission mechanisms combined.

Ford, J. L.

TI Long-Run Dynamics of FDI and its Spillovers onto Output: Evidence from the Asia-Pacific Economic Cooperation Region. **AU** Bende-Nabende, A.; Ford, J. L.; Sen, Somnath; Slater, J.

TI FDI Locational Determinants and the Linkage Between FDI and Other Macro-Economic Factors: Long-Run Dynamics in Pacific Asia. **AU** Bende-Nabende, A.; Ford, J. L.; Sen, Somnath; Slater, J.

Forni, Mario

PD March 2000. **TI** Reference Cycles: The NBER Methodology Revisited. **AU** Forni, Mario; Lippi, Marco; Reichlin, Lucrezia; Hallin, Marc. **AA** Forni: Universita di Modena. Lippi: Universita di Roma. Reichlin and Hallin: Universite Libres de Bruxelles. **SR** CEPR Discussion Paper: 2400; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 28. **PR** 5 pounds, $8 or 8 euros. **JE** C13, C33, C43. **KW** Coincident Indicators. Leading Indicators. Dynamic Factor Models. Dynamic Principal Components.

AB This paper proposes a new way to compute a coincident and a leading index of economic activity. The method provides a unified approach for the selection of the coincident and the leading variables, for averaging them into coincident and leading indexes and for the identification of turning points. The statistical framework we propose reconciles dynamic principal components analysis with dynamic factor analysis. We use our procedure to estimate coincident and leading indexes for the EMU area as well as country-specific indexes. Unlike other methods used in the literature, the country indexes take into consideration the cross-country as well as the within-country correlation structure.

Fortmann, Louise

TI Poverty and Employment in Timber-Dependent Counties. AU Berck, Peter; Costello, Christopher; Fortmann, Louise; Hoffmann, Sandra.

TI Poverty and Employment in Timber-Dependent Counties. AU Berck, Peter; Costello, Christopher; Fortmann, Louise; Hoffmann, Sandra.

Foss, Nicole

PD June 1999. TI Nuclear Safety and International Governance: Russia and Eastern Europe. AA Oxford Institute for Energy Studies. SR Oxford Institute for Energy Studies Working Paper: SP11; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. PG 100. PR 50 pounds UK and Overseas. JE Q42, Q48, Q49. KW Nuclear Power. Safety Regulation. International Governance.
AB The nuclear industry, which emerged in an atmosphere of post-war euphoria, has been increasingly controversial over the last thirty years. Chernobyl revealed a failure of nuclear governance in the former Soviet Union and Eastern Europe, which called for international intervention. The recent uncontrolled nuclear chain reaction at the plant near Tokyo yet again brings the question of nuclear safety to the fore. This study examines the range of international initiatives being field-tested in the former eastern bloc in order to compare their effectiveness. The study analyzes issues such as the potential trade- off between effectiveness and accountability, and the balance between formal regulation and informal control.

Fougere, Denis

TI Youth Employment Policies in France. AU Kramarz, Francis; Fougere, Denis; Magnac, Thierry.

Fowlie, Meredith

PD July 1999. TI The Environment and Competition in Electricity in the USA and the UK: The Impact of Restructuring on CO2 Emissions. AA Cornell University. SR Oxford Institute for Energy Studies Working Paper: EV27; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. PG 101. PR 20 pounds UK and Overseas. JE L94, Q25, Q41, Q48. KW Climate Change. Electricity Market. Environment. Emissions Reduction.
AB Over the past quarter of a century in both the USA and the UK, governments have taken steps to restructure their respective electricity industries, while simultaneously making bold promises with respect to future carbon dioxide emissions reductions. This paper addresses the question of whether fundamental tensions exist to complicate the realization of these two sets of objective -- those associated with the restructuring of the electricity markets and those concerned with carbon dioxide emissions abatement.

Francois, Patrick

PD January 1999. TI Innovation, Growth and Welfare-Improving Cycles. AU Francois, Patrick; Shi, Shouyong. AA Francois: CentER and Tilburg University. Shi: Queen's University. SR Tilburg CentER for Economic Research Discussion Paper: 9913; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 36. PR no charge. JE D50, E32, L16, O31, O41. KW Productivity Cycles. Innovation. Complementarity. Welfare. Growth.
AB This paper establishes necessary and sufficient conditions for the existence of stationary cycles in an economy comprising independent investing firms. The economy is not subject to aggregate uncertainty, investors have no direct complementarities and all agents act independently. The cycle arises due to general equilibrium contemporaneous complementarities between investors devoting resources to innovation which yields temporary profits. With numerical examples we show that there are multiple cyclical equilibria that differ in the cycle length. Welfare and the long-run growth rate can be increased from an equilibrium where innovations occur rapidly to one with longer cycles, however there exists a finite cycle length that maximizes welfare.

Frank, Richard G.

TI How Good a Deal Was the Tobacco Settlement? Assessing Payments to Massachusetts. AU Cutler, David M.; Epstein, Arnold M.; Frank, Richard G.; Hartman, Raymond S.; King, Charles, III.; Newhouse, Joseph P.; Rosenthal, Meredith B.; Vigdor, Elizabeth Richardson.

TI How Good a Deal Was the Tobacco Settlement? Assessing Payments to Massachusetts. AU Cutler, David M.; Epstein, Arnold M.; Frank, Richard G.; Hartman, Raymond S.; King, Charles, III.; Newhouse, Joseph P.; Rosenthal, Meredith B.; Vigdor, Elizabeth Richardson.

TI The Medical Treatment of Depression, 1991-1996: Productive Efficiency, Expected Outcome Variations, and Price Indexes. AU Berndt, Ernst R.; Bir, Anupa; Busch, Susan H.; Frank, Richard G.; Normand, Sharon-Lise T.

TI The Medical Treatment of Depression, 1991-1996: Productive Efficiency, Expected Outcome Variations, and Price Indexes. AU Berndt, Ernst R.; Bir, Anupa; Busch, Susan H.; Frank, Richard G.; Normand, Sharon-Lise T.

Franks, Julian

PD December 1998. TI Who Disciplines Bad Management? AU Franks, Julian; Mayer, Colin; Renneboog, Luc. AA Franks: London Business School. Mayer: Said Business School. Renneburg: Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 98130; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 40. PR no charge. JE G24, G32. KW Corporate Governance. Restructuring. Capital Ownership Structure. Management. Corporate Finance.
AB Who disciplines management of poorly performing firms? Four parties are considered: existing holders of large blocks of shares, investors acquiring new shareholdings, creditors and non-executive directors. There is evidence of the involvement of all four parties in the United States (U.S.), but no comparison of their relative significance. This paper reports the first comparative evaluation of the role of all four parties using a large sample of poorly performing United Kingdom (U.K.) companies. Like the U.S., the authors find that there is a high level of board turnover in poorly performing companies but, contrary to U.S. evidence, outside directors perform a weak disciplinary function and outside owners of large share blocks exert little influence. The arrival of new shareholders is not associated with disciplining of management of poorly

performing firms. Instead, high board turnover is closely linked to high levels of debt and new finance, particularly from existing shareholders in the form of distressed rights issues. Pre-exemption right requirements in the U.K. prevent management diluting existing shareholder wealth and thereby allow shareholders to impose board changes as a condition for the provision of new equity finance.

Frech, H. E., III.
PD September 2001. **TI** What Can Corporate Demography and Economics Contribute to Each Other? **AA** University of California, Santa Barbara. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/07; Department of Economics, Working Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 27. **PR** no charge for domestic orders; for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** A12, D23, L11, L22, M14. **KW** Entry. Demography. Survivor Analysis. Firm Growth. Competition.
AB The emerging field of corporate demography views corporations and industries in a similar way to human or animal individuals and groups. In spite of a large overlap of subject matter with economics, corporate demography is not well known, nor easily accessible, to economists. An outstanding recent book, "The Demography of Corporations and Industries," by Glenn R. Carroll and Michael T. Hannan (2000) should change that. This review essay examines what economists, particularly industrial organization specialists, and corporate demographers can learn from each other. The two very different views of competition get particular attention.

Freeman, Richard B.
PD June 2000. **TI** The US Economic Model at Y2K: Lodestar for Advanced Capitalism? **AA** Harvard University, NBER, and LSE. **SR** National Bureau of Economic Research Working Paper: 7757; 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** E24, E66, J21, P17. **KW** Economic Performance. Productivity. Employment.
AB The 1990s economic performance of the US suggests that the country may have the right mix of institutions and policies to be the peak capitalist economy in the modern world of the new information economy. This paper develops criteria for judging peak status and examines whether the US fulfills these criteria. US employment and productivity performance make it a legitimate candidate for peak economy, but the record in distribution does not. Given that the late 1990s boom raised the wages of low skill workers, continued full employment will greatly strengthen the case for the US as peak economy. But with anything less than full employment the US economy will lose its luster. Even if this occurs, however, the US record in employing women and extending ownership to many workers deserves attention.

Friebel, Guido
PD April 2000. **TI** Strategic Recruiting and the Chain of Command. **AU** Friebel, Guido; Raith, Michael. **AA** Friebel: Stockholm Institute of Transition Economics, Stockholm School of Economics, and CEPR. Raith: University of Chicago and CEPR. **SR** CEPR Discussion Paper: 2429;

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** D82, J41, L22, M12. **KW** Hierarchies. Recruiting Practices. Internal Labor Markets. Authority Abuses. Organizational Design.
AB If managers and their subordinates had the same basic qualifications, organizations could benefit from replacing unproductive superiors with more productive subordinates. This threat of being replaced, however, could give rise to strategic recruiting: Unproductive superiors might deliberately recruit unproductive subordinates in order to protect themselves, or they may engage in other forms of abuse of authority which could be harmful to the organization. We show that the common practice of requiring intra-firm communication to pass through a chain of command can be an effective way to secure the incentives for superiors to recruit the best possible subordinates. We discuss some alternative instruments and general implications of our analysis for organizational design.

Friedman, Benjamin M.
PD May 2000. **TI** Debt Restructuring. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7722; National Bureau of Economic Research, 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 the U.S.). **JE** F33, F34, F36. **KW** Debt Restructuring. Emerging Markets. International Credit. Uncollateralized Lending.
AB What difference does it make, and for whom, whether the nonperforming debts of emerging market borrowers are restructured? This paper begins by positing a set of counterfactual conditions under which restructuring would not matter, and then shows how several ways in which the actual world of international lending departs from these conditions give both lenders and borrowers ample reason to care whether nonperforming debts are restructured. One implication of the way in which debt restructuring matters is that restructuring should not be "too" easy. Further, with a greater frequency of defaults, some credit flows to emerging market countries would not be extended in the first place. An important element driving this line of argument is moral hazard, but (unlike in much of the recent literature of emerging market debt problems) what is central here is not the availability of credit from the IMF or other official lenders but the more fundamental moral hazard inherent in all uncollateralized borrower-lender relationships.

Fuchs, Victor R.
PD January 2000. **TI** Medicare Reform: The Larger Picture. **AA** NBER and Stanford University. **SR** National Bureau of Economic Research Working Paper: 7504; 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, I18, I31, J14, J26. **KW** Medicare. Elderly. Health Care Policy. Transfers. Saving.
AB The "Medicare problem" is examined as part of the larger problem of providing for the overall financial needs of the elderly. Several myths about Medicare are discussed, and sources and uses of the elderly's "full income" are estimated. The paper explores policy options to deal with technology-induced increases in health care expenditures and excessive dependence of the elderly on transfers from the young. The

paper concludes that if Americans wish to continue to enjoy the benefits of medical advances, they will have to work more before and after age 65 and will have to increase substantially their rate of saving.

Fuertes, Ana Maria

TI Evaluating the Persistence and Structuralist Theories of Unemployment. **AU** Zoega, Gylfi; Coakley, Jerry; Fuertes, Ana Maria.

Fullerton, Don

PD January 2000. **TI** Two Generalizations of a Deposit-Refund System. **AU** Fullerton, Don; Wolverton, Ann. **AA** Fullerton: University of Texas and NBER. Wolverton: ICF Consulting. **SR** National Bureau of Economic Research Working Paper: 7505; 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** D61, H21, K32, Q28. **KW** Deposit-Refund. Waste Materials. Optimal Taxation. Two-Part Instrument. Pigovian Taxes.
AB This paper suggests two generalizations of the deposit-refund idea. In the first, we apply the idea not just to solid waste materials, but to any waste from production or consumption -- including wastes that may be solid, gaseous, or liquid. Using a simple general equilibrium model, we derive the optimal combination of a tax on a purchased commodity and subsidy to a "clean" activity (such as emission abatement, recycling, or disposal in a sanitary landfill). This "two- part instrument" is equivalent to a Pigovian tax on the "dirty" activity (such as emissions, dumping, or litter). In the second generalization, we consider the case where government must use distorting taxes on labor and capital incomes. To help meet the revenue requirement, would the optimal deposit be raised and the refund reduced? We derive the second-best revenue-raising DRS or two-part instrument to answer that question.

TI The Progressivity of Social Security. **AU** Coronado, Julia Lynn; Fullerton, Don; Glass, Thomas.

TI Long Run Effects of Social Security Reform Proposals on Lifetime Progressivity. **AU** Coronado, Julia Lynn; Fullerton, Don; Glass, Thomas.

Furnkranz-Prskawetz, Alexia

PD June 2000. **TI** Agricultural Productivity Growth and Escape from the Malthusian Trap. **AU** Furnkranz-Prskawetz, Alexia; Kogel, Tomas. **AA** Max Planck Institute for Demographic Research. **SR** CEPR Discussion Paper: 2485; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 32. **PR** 5 pounds, $8 or 8 euros. **JE** J11, O11, O40. **KW** Economic Growth. Fertility Choice. Malthusian Trap. Technological Change.
AB Industrialization allowed the industrialized world of today to escape from a regime characterized by low economic and population growth and to enter a regime of high economic and population growth. To explain this transition, a two-sector growth model with endogenous fertility and endogenous technological progress in the manufacturing sector is constructed. With this structure, the model is able to replicate the stylized facts of the British industrial revolution. In addition, industrialization is shown to require rising growth of agricultural total factor productivity. This result is in marked contrast to previous work within a similar framework -- but with a constant population -- which concluded that industrialization requires merely a rising level of agricultural total factor productivity.

Gaitan, Beatriz

PD March 2000. **TI** Is "Getting the Prices Right" Always Right? How Trade Liberalization Can Fail. **AU** Gaitan, Beatriz; Pavel, Ferdinand. **AA** Gaitan: University of Minnesota. Pavel: Humboldt University, Berlin. **SR** University of Minnesota Economic Development Center Bulletin: 00/01; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/~econlib. **PG** 22. **PR** no charge. **JE** D43, E13, F12, L16. **KW** Imperfect Competition. Oligopsony. International Trade. Growth. Transition Economies.
AB We present a general equilibrium model with oligopsonistic market structure in one of the sectors. Buyers of inputs can set the price of inputs by being involved in rent seeking activities. The framework developed is applied to the Bulgarian economy, in particular to the agro-food chain. From the application to the Bulgarian economy we find that if there are market imperfections, such as oligopsonistic behavior in the economy, there are no significant welfare gains from free trade. Significant welfare gains from trade are observed only when a competitive structure prevails. We show that eliminating this market imperfection can bring important welfare implications and an efficient reallocation of resources.

Gardner, Jonathan

PD November 2001. **TI** What Has Been Happening to the Quality of Workers' Lives in Britain? **AU** Gardner, Jonathan; Oswald, Andrew J. **AA** University of Warwick. **SR** Warwick Economic Research Paper: 617; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/ twerps.html. **PG** 22. **PR** no charge. **JE** I31, J45. **KW** Well-being. Stress. Job Satisfaction. Public Sector Workers.
AB This paper studies workers' lives in modern Britain. It uses longitudinal data to examine stress and job satisfaction through the decade of the 1990s. The results are disturbing. On both measures, the well-being of British public sector workers worsened sharply over the decade. The size of the deterioration was between one half point and one full point on a standard General Health Questionnaire mental stress scale. This is remarkably large. Stress levels among private sector employees also rose. Job satisfaction in the private sector ran approximately flat through time. These findings may be of interest to nations who are thinking of adopting the British government's policies towards the public sector, and to those who have conjectured that working life is becoming more pressurized.

Gaston, Noel

PD November 2001. **TI** The Employment and Wage Effects of Immigration: Trade and Labor Economics Perspectives. **AU** Gaston, Noel; Nelson, Douglas. **AA** Gaston: Bond University. Nelson: Tulane University. **SR** University of Nottingham, GEP Research Paper: 2001/28; Research Paper Coordinator, School of Economics,

AB This paper presents a detailed survey of results from current research on the labor market effects of immigration. It argues: 1) that econometric research uniformly finds very small labor market effects of immigration; 2) that labor and trade economists have differed in their interpretation of this finding; and 3) that this difference is driven exclusively by different dimensionality assumptions (with labor economists preferring a 1-sector x m-factor model and trade economists an n-sector x m-factor model). It is then argued that the trade economists' model; along with its presumption of factor-price insensitivity is the more useful as a presumption generator.

AB Foreign direct investment (FDI) has grown far more rapidly than trade during the last two decades. As with the other prominent features of globalization, FDI is controversial. The impact of FDI on labor markets has been of growing concern, particularly, for source countries. The deterioration of labor market conditions for unskilled workers in many OECD countries during the 1980's and 1990's was a primary catalyst for the concern. As for its impact on labor markets, FDI may have effects that, at least in the short- and medium-run, may well dwarf the effects of trade and immigration. This paper reviews the economic theories and econometric evidence which purport to explain various aspects of the impact of FDI on labor markets. The emphasis is on two partial equilibrium models which, respectively, focus on the location decisions of multinationals and the impact of global firms on collective bargaining outcomes.

Gautier, Pieter A.

AB This paper analyzes the determination of lay-offs, job-to-job movements and total separations with a unique data set that combines information on individual firms and their workers. We are in particular interested in whether the lay-off policy of firms can explain the relatively high level of unemployment amongst lower educated workers and the relatively strong sensitivity of their unemployment rate to the business cycle. We find that lay-off rates decrease with education. The change over the cycle in the lay-off rates of workers with a lower level of education, compared to that of workers with a higher level of education, can not explain the stronger cyclicality of the unemployment rate for lower educated workers. We conclude that this stronger cyclicality is not due to the personnel policy of firms.

Gelos, R. Gaston

Gertler, Mark

Giannini, Massimo

Giavazzi, Francesco

Gilles, Robert P.

AB In many (internal) organization structures economic decisions are made through a chain of decision makers. In this paper we give a game theoretic analysis of such hierarchical organization structures: Every participant has to get permission for his actions from at least one chain consisting of superiors. This assumption forms the foundation of the disjunctive approach to cooperative games with a permission structure. A computational method for the study of these disjunctive games with a permission structure is provided. We show that the disjunctive approach implies that there is competition among superiors over the leadership of a subordinate, which may lead to a higher payoff of the subordinate in the presence of more superiors. This feature is used to show that even in the presence of small transaction costs the formation of a hierarchical production organization may be Pareto superior to the situation without such a hierarchical firm.

Gillingham, Robert

Street, Washington, · DC 20431. Website: www.imf.org. PG 25. PR not available. JE G23, H55. KW Public Pensions. Personal Saving. India. Retirement Accounts.
AB This paper reviews the current state of the pension system in India, as well as plans to reform it. Problems with the current system are identified, and, within this context, the appropriate role of the government in retirement saving is discussed. Finally, the OASIS reform proposal is evaluated and additional reform options are presented.

Girma, Sourafel

PD June 2001. TI Regional Underdevelopment: Is FDI the Solution? A Semiparametric Analysis. AU Girma, Sourafel; Wakelin, Katharine. AA University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/11; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/ ~lezec/research/dp/. PG 19. PR no charge. JE C14, F23, R58. KW Foreign Direct Investment. Production Functions. Spillovers. Regional Development.
AB This paper examines the regional impact of foreign-owned establishments on the performance of domestic establishments in the electronics sector in the UK. Establishment-level data taken from the UK Census of Production (the ARD) is used to introduce a semiparametric approach that deals with selectivity and endogeneity in the production function. The results indicate that positive spillovers exist but are mostly confined to the region in which the foreign-owned establishment locates. A number of characteristics influence their level. They are higher from non-US firms (in particular, Japanese firms) and in more- developed regions.

PD September 2001. TI Blessing or Curse? Domestic Plants' Survival and Employment Prospects After Foreign Acquisition. AU Girma, Sourafel; Gorg, Holger. AA University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/18; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. PG 15. PR no charge. JE C41, F23, L63. KW Foreign Direct Investment. Acquisitions. Survival. Employment Growth.
AB This paper investigates whether the acquisition of a domestic establishment by a foreign owner has any effects, positive or negative, on the survival prospects and employment growth of that plant. The empirical analysis uses data from the Annual Respondents Database (ARD) for the UK electronics industry for the period 1980 to 1993. Estimating a standard hazard model including a dummy variable for the incidence of acquisition yields the result that foreign takeover reduces the lifetime of the acquired plant. Estimations of the determinants of employment growth in domestic plants provide some evidence that the incidence of takeover reduces employment growth, in particular for unskilled labor. Both survival and employment growth estimations do not appear to be subject to endogeneity problems.

PD September 2001. TI The Process of European Integration and the Determinants of Entry by Non-EU Multinationals in UK Manufacturing. AU University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/20; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, · NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. PG 15. PR no charge. JE F15, F23. KW Foreign Direct Investment. European Economic Integration.
AB This paper evaluates the influence of the European Internal Market Programme on the determinants of entry by non-EU multinationals the UK manufacturing sector. The findings indicate that acquisition FDI have become more responsive to the size of the European market and unit labor costs relative to the rest of the EU, and less sensitive to the local market size. It is also increasingly being concentrated in sectors with higher intra-EU exports propensity. By contrast, the significance of the size of UK market has not diminished in the greenfield investment model, and the importance of agglomeration economies has more than doubled during the process of integration.

Glaeser, Edward L.

PD June 2000. TI The Economic Approach to Social Capital. AU Glaeser, Edward L.; Sacerdote, Bruce; Laibson, David. AA Glaeser and Laibson: Harvard University and NBER. Sacerdote: Dartmouth College and NBER. SR National Bureau of Economic Research Working Paper: 7728; National Bureau of Economic Research, 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 the U.S.). JE D24, J24, R29. KW Social Capital. Investment.
AB To identify the determinants of social capital formation, it is necessary to understand the social capital investment decision of individuals. Individual social capital should then be aggregated to measure the social capital of a community. This paper assembles the evidence that supports the individual-based model of social capital formation, including seven facts: (1) the relationship between social capital and age is first increasing and then decreasing, (2) social capital declines with expected mobility, (3) social capital investment is higher in occupations with greater returns to social skills, (4) social capital is higher among homeowners, (5) social connections fall sharply with physical distance, (6) people who invest in human capital also invest in social capital, and (7) social capital appears to have interpersonal complementarities.

Glass, Thomas

TI The Progressivity of Social Security. AU Coronado, Julia Lynn; Fullerton, Don; Glass, Thomas.

TI Long Run Effects of Social Security Reform Proposals on Lifetime Progressivity. AU Coronado, Julia Lynn; Fullerton, Don; Glass, Thomas.

Glenn, Ellison

PD July 2000. TI Evolving Standards for Academic Publishing: A q-r Theory. AA Massachusetts Institute of Technology and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7805; Working Papers, NBER, 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 A14, C73, D70. KW Journals. Peer-Review. Decision Making, Collective. Game Theory.

AB This paper develops a model of evolving standards for academic publishing. It is motivated by the increasing tendency of academic journals to require multiple revisions of articles and by changes in the content of articles. Papers are modeled as varying along two quality dimensions: q and r. The former represents the clarity and importance of a paper's main ideas and the latter its craftsmanship and polish. Observed trends are regarded as increases in r-quality. A static equilibrium model in which an arbitrary social norm determines how q and r are weighted is developed and used to discuss comparative static explanations for increases in r. The paper then analyzes a learning model in which referees (who have a biased view of the importance of their own work) try to learn the social norm from observing how their own papers are treated and from the decisions editors make on papers they referee. The model predicts that social norms will gradually but steadily evolve to increasingly emphasize r- quality.

Glyn, Andrew

AB To what extent does the policy of Tony Blair's government reflect the traditional aspirations of social democracy? In macroeconomic policy the emphasis has been on stability, which has left sterling dangerously overvalued for an extended period. The strongest policy emphasis has been on a battery of measures aimed at increasing the incentive to work. The greatest impact of these measures has been to redistribute income towards low-income families which already have family members working. Effects on the labor supply appear to be modest, and a particular weakness has been the denial of a strong regional dimension to joblessness. The decision to stick with Conservative spending plans for the government's first two years brought a squeeze on the public services, and even the rapid growth in health and education spending planned for the next few years is predicated on very slow growth in social security spending rather than increased taxation. Labor's policies on training and on industrial relations imply greater responsibility for individuals and employers, rather than the state, and private sector solutions with regard to investment in and management of industry and services -- even traditionally public services -- are instinctively preferred.

Goergen, Marc

AB The first striking feature is that ownership of the average United Kingdom company is diffuse. The ownership structure is also shaped by regulation; the mandatory takeover threshold of thirty percent, for example, has an important impact on the ownership structure. Second, institutional investors are the most important category of shareholders. However, they tend to follow passive strategies and often do not exercise the votes attached to their shares. Third, the passive stance adopted by institutions increases the already significant power of directors, who are the second most important category of shareholders. Franks, Mayer and Renneboog (1998) show that when directors own substantial shareholdings, they use their voting power to entrench their positions and they can impede monitoring actions taken by other shareholders to restructure the board. Fourth, there is an important market for share stakes, and share stakes do not tend to be dispersed. Fifth, some of the characteristics of the British system of corporate governance further strengthen the discretionary power of directors. Therefore, the main agency conflict emerging from the diffuse ownership structure is the potential expropriation of shareholders by the management.

Goetzmann, William N.

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. 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. The investor dynamics help us partially examine the marginal investor over our study period. We build up "behavioral factors" based on contrarian and momentum flows, and show that they perform well against a benchmark of loadings on latent factors extracted from returns. 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, Pinelopi Koujianou

Paper: 9914; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 60. **PR** no charge. **JE** F13, F15, F31, L13, L81. **KW** Internal Price Differences. Oligopoly. Product Differentiation. Automobile Market.
AB Car prices in Europe are characterized by large and persistent differences across countries. The purpose of this paper is to document and explain this price dispersion. Using a Panel data set extending from 1980 to 1993, the authors first demonstrate two main facts concerning car prices in Europe: (1) The existence of significant differences in quality adjusted prices across countries. (2) Substantial year-to-year volatility that is to a large extent accounted for by exchange rate fluctuations and the incomplete response of local currency prices to these fluctuations. These facts are analyzed within the framework of a multi-product oligopoly model with product differentiation. The model identifies three potential sources for the international price differences: price elasticities generating differences in markups, costs, and import quota constraints. Local currency price stability can be attributed either to the presence of a local component in marginal costs, or to the markup adjustment that is correlated with exchange rate volatility; the latter requires that the perceived elasticity of demand is increasing in price. The authors conjecture that the EMU will substantially reduce the year-to-year volatility observed in the car price data.

Goldin, Claudia
PD February 2000. **TI** The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions. **AU** Goldin, Claudia; Katz, Lawrence F. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7527; 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** J12, J16, J24, K32, N32. **KW** Women. College Graduates. Marriage Decisions. Contraceptives. Human Capital Investment.
AB The fraction of U.S. college graduate women entering professional programs increased substantially around 1970 and the age at first marriage among all U.S. college graduate women soared just after 1972. The authors explore the relationship between these two changes and how each was shaped by the diffusion of the birth control pill among young, single college educated women. The authors model the impact of the pill on women's careers as consisting of two effects. The pill had a direct positive effect on women's career investment by almost eliminating the chance of becoming pregnant and thus the cost of having sex. The pill also created a social multiplier effect by encouraging the delay of marriage generally and thus increasing a career woman's likelihood of finding an appropriate mate after professional school. The authors present a collage of evidence pointing to the power of the pill in lowering the costs of long-duration professional education for women. The connection between changes in the age at first marriage and the pill is further explored using state variation in laws affecting young single women's pill access. The authors also evaluate alternative explanations for the changes in career and marriage.

Gomulka, Joanna
TI Combining Household Income and Expenditure Data in Policy Simulations. **AU** Sutherland, Holly; Taylor, Rebecca;

Gomulka, Joanna.

Goodess, Clare
PD November 2000. **TI** Climate Change Scenarios for the Mediterranean: A Basis for Regional Impact Assessment. **AU** Goodess, Clare; Palutikof, Jean; Agnew, Maureen. **AA** University of East Anglia. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 87/2000; "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** C49, C61, C88, Q25, Q29. **KW** Climate Change. Mediterranean Climate. Global Warming. General Circulation Models. Downscaling.
AB General Circulation Models (GCMs) are considered to provide the best basis for the construction of future climate change scenarios. GCM output cannot, however, be widely or directly used in many impact assessments because of its relatively coarse spatial scale. In order to overcome the problems of mismatch in scale and of reliability, techniques for downscaling GCM output have been developed. A number of different downscaling methods have been proposed and can be divided into two general categories: model-based and empirical. Two examples of empirical downscaling are presented. First presented are scenarios for the Mediterranean region as a whole, constructed using a Geographical Information System to interpolate GCM output to a 1 km by 1 km grid based on information such as height above sea level, distance to the sea, and latitude/longitude; second, scenarios at the river-basin scale for study regions in Spain and Italy are presented, based on changes in atmospheric circulation patterns.

Goolsbee, Austan
PD February 2000. **TI** The Importance of Measurement Error in the Cost of Capital. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7558; 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** C23, E22, E62, H25. **KW** Capital Costs. Investment Taxes.
AB Conventional estimates of the impact of taxes on investment may be seriously biased by measurement error in the cost of capital. The existence and size of such error, however, has not been documented. Using panel data on different types of capital equipment, this paper provides direct evidence of measurement error in the tax component of the cost of capital, accounting for about 20 percent of the tax term's variance. Correcting for the error with instrumental variables estimation shows that taxes significantly affect both prices and investment, and that conventional results may be off by as much as a factor of four.

Gordon, Robert J.
PD June 2000. **TI** Interpreting the "One Big Wave" in U.S. Long-Term Productivity Growth. **AA** Northwestern University and NBER. **SR** National Bureau of Economic Research Working Paper: 7752; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 45. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** J21, N11, N12, O47. **KW** Productivity Growth. Production Inputs. Labor Force

Composition. Capital Stock Composition.

AB This paper assesses the standard data on output, labor input, and capital input, which imply "one big wave" in multifactor productivity (MFP) growth for the United States since 1870. Three types of measurement adjustments are applied to the standard input data. Following the lead of Denison and Jorgenson-Griliches, adjustments for the changing composition (or "quality") of labor and capital, currently published by the Bureau of Labor Statistics back to 1948, are estimated for 1870-1948. A new MFP series taking account of these adjustments grows more slowly throughout, and the "big wave" phenomenon is both flatter and extends back further in time. The primary substantive explanation for the big wave lies in the diffusion of four great clusters of inventions that dwarf today's information technology revolution in their combined importance. A complementary hypothesis involves the partial closing of American labor markets and goods markets to immigration and imports respectively, which gave an artificial and temporary boost to real wages that fed back into boosting productivity growth.

PD June 2000. TI The Boskin Commission Report and its Aftermath. AA Northwestern University and NBER. SR National Bureau of Economic Research Working Paper: 7759; 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 E31, I11, I12, I19. KW Cost of Living. Consumer Price Index. Price Measurement.

AB This paper briefly summarizes the analysis and findings of the 1996 Boskin Commission Report, "Toward a More Accurate Measure of the Cost of Living." It then reviews the comments and criticisms that appeared soon after the Report was issued and provides responses to the more important criticisms. Changes in the Consumer Price Index (CPI), both those that were planned before the Report and those that were in part a response to its recommendations, are summarized and assessed. The paper concludes with a summary of recent research on estimating quality change, and comments on the current status of the CPI and of price measurement research. Including improvements that the Bureau of Labor Statistics has announced for implementation in 2000-2002, the paper estimates that the current upward bias in the CPI is in the range of 0.65 percent. This is down from the 1.1 percent upward bias that the Report estimated applied to the period 1995-96.

Gorg, Holger

PD June 2001. TI "Footloose" Multinationals? AU Gorg, Holger; Strobl, Eric. AA Gog: University of Nottingham. Strobl: University College Dublin. SR University of Nottingham, GEP Research Paper: 2001/07; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. PG 13. PR no charge. JE F23, J63. KW Multinational Companies. Employment Stability. Job Persistence.

AB This paper examines whether multinational companies (MNCs) are more footloose than their domestic counterparts in the host country, using data for the Irish manufacturing sector. First, survival rates differ between multinationals and indigenous plants are investigated. Second, the stability of employment in multinationals is compared to indigenous firms. As regards the first aspect, multinationals are more likely to exit the market than indigenous plants when controlling for other plant and industry specific characteristics. In terms of employment persistence, new jobs generated in MNCs appear to be more persistent than jobs generated in indigenous firms. MNCs are also quicker to recover lost jobs than are indigenous firms.

TI Is R&D Financially Restrained? Theory and Evidence from Irish Manufacturing. AU Bougheas, Spiros; Gorg, Holger; Strobl, Eric.

TI Blessing or Curse? Domestic Plants' Survival and Employment Prospects After Foreign Acquisition. AU Girma, Sourafel; Gorg, Holger.

PD September 2001. TI The Impact of Exchange Rate Variability on US Direct Investment. AU Gorg, Holger; Wakelin, Katharine. AA University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/22; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. PG 13. PR no charge. JE F23, F31. KW Multinational Enterprises. Exchange Rate Variability.

AB This paper examines the impact of the level of the exchange rate, volatility in the exchange rate, and exchange rate expectations on outward US foreign direct investment (FDI). On empirical analysis, no evidence is found for an effect of exchange rate variation on either US outward investment or inward investment in the US. This result is robust to the two measures of FDI used -- financial flows from the parent and multinational enterprises (MNE) sales abroad -- the choice of either outward or inward FDI, and a number of different estimation procedures. As regards the level of the exchange rate, a positive relationship is found between US outward investment and appreciation in the host country currency, while there is a negative relationship between US inward investment and appreciation in the dollar.

TI Foreign Direct Investment, Agglomerations and Demonstration Effects: An Empirical Investigation. AU Barry, Frank; Gorg, Holger; Strobl, Eric.

TI Explaining Firms' Export Behaviour: The Role of R&D and Spillovers. AU Barrios, Salvador; Gorg, Holger; Strobl, Eric.

PD November 2001. TI International Fragmentation and Relative Wages in the UK. AU Gorg, Holger; Hijzen, Alexander; Hine, Robert. AA University of Nottingham. SR University of Nottingham, GEP Research Paper: 2001/33; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. PG 20. PR no charge. JE F14, J31. KW Fragmentation. Outsourcing. Trade. Wages. Skill-Biased Technological Change.

AB While growing wage inequality is of ongoing concern in many developed countries, there still does not exist a consensus on the predominant source of this trend. Some argue that skill-biased technological change is responsible for the shift in the relative demand of skilled workers while others hold increased import competition from low-wage countries reducing employment for the unskilled responsible for the growing income divide within countries. This paper re-examines the

trade-based explanation by focusing on international outsourcing. In a recent paper, Feenstra and Hanson (1996) estimated the effect of international outsourcing on wage inequality in the US. This paper extends the FH approach using more detailed definitions of import penetration and outsourcing, as well as data for UK manufacturing industries for the period 1982-1996. The econometric results suggest that technical change and import penetration matter for wage inequality (although the effect of the latter depends crucially on whether or not estimations are weighted) while the role of outsourcing cannot be clearly determined.

Gorochowskij, Bogdan
TI   Barter in Transition Economies: Competing Explanations Confront Ukrainian Data. AU   Marin, Dalia; Kaufmann, Daniel; Gorochowskij, Bogdan.

Gourinchas, Pierre-Olivier
TI   Social Security and Inequality over the Life Cycle. AU   Deaton, Angus; Gourinchas, Pierre-Olivier; Paxson, Christina.

Green, Richard J.
PD   March 2000. TI   Can Competition Replace Regulation for Small Utility Customers? AA   University of Hull and CEPR. SR   CEPR Discussion Paper: 2406; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   24. PR   5 pounds, $8 or 8 euros. JE   L51, L97. KW   Regulation. Competition. Utilities. Switching Costs.
AB   Many utility markets are now being opened to competition, and some regulators have expressed the hope that this will make the regulation of consumer prices unnecessary. In this paper, entrants offer (differentiated) 'added value', but consumers incur a switching cost if they buy from one of them. The incumbent's profit-maximizing price may be well above the level of its costs. This is likely to be the case in the UK's energy industries, but competition may be able to replace regulation in telecommunications, where marginal costs are lower, demand elasticity higher, and entrants can give more "added value.".

TI   A Tracing Method for Pricing Inter-Area Electricity Trades. AU   Kattuman, Paul A.; Green, Richard J.; Bialek, Janusz W.

Greenaway, David
PD   November 2001. TI   Globalisation and Labour Markets: Literature Review and Synthesis. AU   Greenaway, David; Nelson, Douglas. AA   Greenway: University of Nottingham. Nelson: Tulane University. SR   University of Nottingham, GEP Research Paper: 2001/29; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/~lezec/research/dp/. PG   35. PR   no charge. JE   F16. KW   Globalization. Labor Markets.
AB   The literature on the labor market effects of globalization is voluminous. This paper reviews many of the major contributions to that literature and sets them in the broader context. The papers reviewed are drawn from six branches of the literature relating to: the Stolper- Samuelson Theorem;

Trade and Wages; Labor Market Microstructure and Adjustment; Trade and Employment; Migration and Labor Market Adjustment; FDI and Labor Markets. In addition to reviewing the literature, the paper also sets out an agenda for future research.

Griffith, Rachel
TI   Do R&D Credits Work? Evidence From a Panel of Countries 1979-97. AU   Van Reenen, John; Bloom, Nicholas; Griffith, Rachel.

Groshen, Erica L.
TI   Understanding Inflation: Implications for Monetary Policy. AU   Cecchetti, Stephen G.; Groshen, Erica L.

Gruber, Harald
TI   The Evolution of Markets Under Entry and Standards Regulation -- The Case of Global Mobile Telecommunications. AU   Verboven, Frank; Gruber, Harald.

PD   December 1998. TI   The Diffusion of Mobile Telecommunications Services in the European Union. AU   Gruber, Harald; Verboven, Frank. AA   Gruber: European Investment Bank. Verboven: University of Antwerp. SR   Tilburg CentER for Economic Research Discussion Paper: 98138; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG   23. PR   no charge. JE   L51, L86, L96, O33, O38. KW   Technology Diffusion. Regulation. Competition. Mobile Communication. Technological Change.
AB   We study the technological and regulatory determinants of the diffusion of mobile telecommunications services in the European Union, using a logistic model of technology diffusion. We find that the transition from the analogue to the digital technology during the early nineties, and the corresponding increase in spectrum capacity, has had a major impact on the diffusion of mobile telecommunications. The impact of introducing competition was also significant, during both the analogue and the digital period, though the effect was proportionately smaller. Finally, we find that countries which granted first licenses at later points in time, show a significant catching-up effect, though international convergence may be expected only by the year two thousand and six. The empirical results remain robust when other possible determinants of diffusion are included, such as the size of the fixed network and GDP per capita.

Gruber, Jonathan
PD   January 2000. TI   Youth Smoking in the U.S.: Prices and Policies. AA   MIT and NBER. SR   National Bureau of Economic Research Working Paper: 7506; 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   D62, H23, I18, J13, K32. KW   Youth Smoking. Public Policy. Price Sensitivity. Socioeconomic Status. Addiction.
AB   After steadily declining over the previous 15 years, youth smoking began to rise precipitously in 1992, and by 1997 had risen by roughly one-third from its 1991 trough. We know very little about what caused this time trend and what public policy can do to reverse it. This paper therefore provides a comprehensive analysis of the impact of prices and other public policies on youth smoking in the 1990s, drawing on three

separate data sets. I find that the most important policy determinant of youth smoking, particularly among older teens, is prices. Prices are a significant and sizable determinant of smoking by older teens in all three data sets, although the estimated price elasticity varies significantly. On the other hand, price does not appear to be an important determinant of smoking by younger teens. There is little consistent evidence of robust effects of other public policies targeted to reduce youth smoking, although there is some suggestion that restrictions on youth purchase of cigarettes reduce the quantity of cigarettes smoked. And I find that black youth and those with less educated parents are much more responsive to cigarette price than are white teens and those with more educated parents, suggesting a strong correlation between price sensitivity and socioeconomic status.

PD   January 2000. TI   Is Addiction "Rational"? Theory and Evidence.   AU   Gruber, Jonathan; Koszegi, Botond.   AA   Gruber: MIT and NBER. Koszegi: MIT.   SR   National Bureau of Economic Research Working Paper: 7507; Working Papers, NBER, 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 U.S.). JE   D12, D62, H21, I18, K32.   KW   Rational Addiction Model.   Optimal   Regulation.   Externalities.   Cigarettes. Inconsistent Preferences.
AB   A standard model of addictive process is Becker and Murphy's "rational addiction" model, which has the key empirical prediction that the current consumption of addictive goods should respond to future prices, and the key normative prediction that the optimal government regulation of addictive goods should depend only on their interpersonal externalities. The authors demonstrate that these results are very fragile. They propose a new empirical test for the case of cigarettes, using state excise tax increases that have been legislatively enacted but are not yet effective, and monthly data on consumption. They find strong evidence that consumption drops when there are announced future tax increases. But the authors also propose a new formulation of this model that incorporates inconsistent preferences which are likely to provide a much better platform for understanding the smoking decision. The authors find that with these preferences the model continues to yield the predictions for forward-looking behavior. But it has strikingly different normative implications, as with these preferences optimal government policy should depend as well on the "internalities" imposed by smokers on themselves.

PD   January 2000. TI   The Elasticity of Taxable Income: Evidence and Implications.   AU   Gruber, Jonathan; Saez, Emmanuel.   AA   Gruber: MIT and NBER. Saez: Harvard University and NBER.   SR   National Bureau of Economic Research Working Paper: 7512; 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   C33, D31, H21, H31, J22.   KW   Taxable Income Elasticity. Identification. Optimal Taxation. Tax Reform. Income Taxes.
AB   A central tax policy parameter that has recently received much attention, but about which there is substantial uncertainty, is the overall elasticity of taxable income. The authors provide new estimates of this elasticity which address identification problems with previous work, by exploiting a long panel of tax returns to study a series of tax reforms throughout the 1980s. This identification strategy also allows

the authors to provide new evidence on both the income effects of tax changes on taxable income, and on variation in the elasticity of taxable income by income group. They find that the overall elasticity of taxable income is approximately 0.4; the elasticity of real income, not including tax preferences, is much lower. The authors also estimate small income effects of tax changes on reported income, implying that the compensated and uncompensated elasticities of taxable income are very similar. They estimate that this overall elasticity is primarily due to a very elastic response of taxable income for taxpayers who have incomes above $100,000 per year. Moreover, high income taxpayers who itemize are particularly responsive to taxation. The authors then derive optimal income tax structures using these elasticities.

TI   The Economic Impacts of the Tobacco Settlement. AU   Cutler, David M.; Gruber, Jonathan; Hartman, Raymond S.; Landrum, Mary Beth; Newhouse, Joseph P.; Rosenthal, Meredith B.

Guerra, Gerardo A.
PD   January 2001.   TI   Certification Disclosure and Informational Efficiency: A Case for Ordered Ranking of Levels.   AA   University of Oxford.   SR   Oxford Department of Economics Discussion Paper: 64; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England.   Website: www.economics.ox.ac.uk/Research/ working_papers.htm. PG   31.   PR   2 pounds.   JE   C72, D18, D82, L15, L86.   KW   Certification. Asymmetric Information. Disclosure Strategies. Monopolistic Certifiers. Informational Rents.
AB   This paper shows that a monopolistic certifying party can have incentives to disclose revealing information about the agent he is certifying. Using a three-person game-theoretic model and allowing certificate users (buyers) to have noisy estimates of the quality level of the agent being certified (seller), a disclosure in the form of ordered ranking of levels is predicted. This contrasts with previous results in certification theory stating that monopolistic certifiers disclose a minimum amount of information (with no informational value) about the party being certified, in order to extract all informational rents from the market. The predicted disclosure is consistent with real life observations of certification disclosure as found in debt rating (notches) and hotel listings (using a discrete system of stars). The model is robust enough to explain the results of previous models. The paper also adds to the existing literature an evaluation of four different strategies of information disclosure that are available to a certifier.

Guiso, Luigi
PD   February 2000.   TI   The Role of Social Capital in Financial Development.   AU   Guiso, Luigi; Sapienza, Paola; Zingales, Luigi.   AA   Guiso: Ente Per Gli Studi Bancari, Italy. Sapienza: Northwestern University. Zingales: University of Chicago, NBER, and CEPR.   SR   National Bureau of Economic Research Working Paper: 7563; 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   D12, G21, G32, O16, Z13.   KW   Social Capital. Financial Development. Credit Markets. Investment Decisions.
AB   To identify the effect of social capital on financial development, we exploit the well-known differences in social capital and trust (Banfield (1958), Putnam (1993)) across

different parts of Italy, using microeconomic data on households and firms. In areas of the country with high levels of social trust, households invest less in cash and more in stock, use more checks, have higher access to institutional credit, and make less use of informal credit. In these areas, firms also have more access to credit and are more likely to have multiple shareholders. The effect of trust is stronger where legal enforcement is weaker and among less-educated people. The behavior of individuals who move among regions is mainly affected by the level of trust in the environment where they currently live, but a significant fraction of the effect is also due to the level of trust prevailing in the province where they grew up.

Gupta, Poonam

PD August 2001. TI Injury Investigations in Anti-Dumping and the Super-Additivity Effect: A Theoretical Explanation. AU Gupta, Poonam; Panagariya, Arvind. AA Gupta: International Monetary Fund. Panagariya: University of Maryland. SR International Monetary Fund Working Paper: WP/01/110; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 12. PR not available. JE F13, L13. KW Anti-Dumping. Cumulation. Injury Investigation.
AB Empirical evidence shows that injury investigations in anti-dumping cases conducted by the United States International Trade Commission, the probability of a positive finding is higher when the number of defendant firms is larger, holding constant their total market share. In this paper we offer a theoretical explanation of this finding. We show that the presence of many exporters exacerbates the free-rider problem, which leads every firm to lessen their defense investment. Thus for the same market share, injury finding is more likely to be positive for many small sellers than a few large sellers.

Gupta, Sanjeev

PD September 2001. TI Public Spending on Health Care and the Poor. AU Gupta, Sanjeev; Verhoeven, Marijn; Tiongson, Erwin. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/127; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 19. PR not available. JE I12, I18, I38. KW Public Spending. Health. Poverty.
AB This paper estimates the impact of public spending on the poor's health status in over 70 countries. It provides evidence that the poor have significantly worse health status than the rich and that they are more favorably affected by public spending on health care. An important new result is that the relationship between public spending and the health status of the poor is stronger in low-income countries than in higher-income countries. However, the results suggest that increased public spending alone will not be sufficient to meet international commitments for improvements in health status.

Gust, Christopher J.

TI The Expectations Trap Hypothesis. AU Christiano, Lawrence J.; Gust, Christopher J.

Hahm, Joon-Ho

PD January 2000. TI Causes of the Korean Financial Crisis: Lessons for Policy. AU Hahm, Joon-Ho; Mishkin, Frederic S. AA Hahm: Korea Development Institute.

Mishkin: Columbia University and NBER. SR National Bureau of Economic Research Working Paper: 7483; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 51. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D82, E61, F34, G15, G18. KW Asymmetric Information. Financial Crises. Korea. Policymaking.
AB This paper uses an asymmetric information framework to understand the causes of the recent financial crisis in Korea. It shows that the Korean data is consistent with this explanation of the crisis. It then draws on this analysis to discuss several lessons that can help guide Korean policymakers in the future.

Hall, Bronwyn H.

PD June 2000. TI Market Value and Patent Citations: A First Look. AU Hall, Bronwyn H.; Jaffe, Adam B.; Trajtenberg, Manuel. AA Hall: University of California, Berkeley and NBER. Jaffe: Brandeis University. Trajtenberg: Tel Aviv University. SR National Bureau of Economic Research Working Paper: 7741; National Bureau of Economic Research, 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 the U.S.). JE O31, O38. KW Patents. Market Value. Technological Output. Tobin's Q.
AB As patent data become more available in machine-readable form, an increasing number of researchers have begun to use measures based on patents and their citations as indicators of technological output and information flow. This paper explores the economic meaning of these citation-based patent measures using the financial market valuation of the firms that own the patents. Using a new and comprehensive dataset containing over 4800 U.S. Manufacturing firms and their patenting activity for the past 30 years, we explore the contributions of R&D spending, patents, and citation-weighted patents to measures of Tobin's Q for the firms. We find that citation-weighted patent stocks are more highly correlated with market value than patent stocks themselves and that this fact is due mainly to the high valuation placed on firms that hold very highly cited patents.

Hall, Stephen G.

TI Interest Rate Linkages: Identifying Structural Relations. AU Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G.

TI Testing for Changes in the Long-Run Causal Structure of Cointegrated Vector Autoregressions. AU Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G.

TI Interest Rate Linkages: A Kalman Filter Approach to Detecting Structural Change. AU Barassi, Marco R.; Caporale, Guglielmo Maria; Hall, Stephen G.

Hallett, Andrew Hughes

PD April 2000. TI Should Argentina Adopt The US Dollar? AU Hallett, Andrew Hughes; Anthony, Myrvin L. AA University of Strathclyde. SR CEPR Discussion Paper: 2412; 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 E42, E58, F33. KW Dollarization. Risk Premium. Financial Stability. Argentina. Optimal Currency Area.

AB   A popular suggestion among emerging or transition economies is to "dollarize" or "euro-ize;" that is to adopt the currency of a larger, richer neighbor in order to import the monetary discipline and financial stability of that neighbor. This paper examines the pros and cons of that suggestion in Argentina. We argue that the usual optimal currency area criteria, while important, may not be the dominant consideration where a currency board, or where exchange rate fixing or stabilization, is the natural alternative. This is because such a fixing arrangement creates risk premia against the possibility that the exchange rate parity cannot be maintained, and against the possibility that the domestic economy will be unable or unwilling to fund the bonds, securities, or reserves used to back the domestic currency issue. We find the growth and investment benefits of removing the risk premia outweigh any optimal currency area difficulties.

Hallin, Marc

TI   Reference Cycles: The NBER Methodology Revisited. AU   Forni, Mario; Lippi, Marco; Reichlin, Lucrezia; Hallin, Marc.

Hallock, Kevin F.

TI   Unions and the Labor Market for Managers. AU   Pischke, Jorn-Steffen; DiNardo, John; Hallock, Kevin F.

TI   When Unions "Mattered": Assessing the Impact of Strikes on Financial Markets: 1925-1937. AU   DiNardo, John; Hallock, Kevin F.

Hamers, Herbert

TI   Balancedness of Permutation Games and Envy-Free Allocations in Indivisible Good Economies. AU   Klijn, Flip; Tijs, Stef; Hamers, Herbert.

Hamilton, James D.

PD   June 2000. TI   What is an Oil Shock? AA   University of California, San Diego and NBER. SR   National Bureau of Economic Research Working Paper: 7755; 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   E32, O41, Q43. KW   Oil Shocks. Economic Growth. Gross Domestic Product.
AB   This paper uses a flexible approach to characterize the nonlinear relation between oil price changes and gross domestic product (GDP) growth. The paper reports clear empirical evidence of nonlinearity, consistent with earlier claims in the literature -- oil price increases are much more important than oil price decreases, and increases have significantly less predictive content if they simply correct earlier decreases. An alternative interpretation of the empirical results is suggested based on estimation of a linear functional form using exogenous disruptions in petroleum supplies as instruments. The evidence suggests that oil shocks matter because they disrupt spending by consumers and firms on certain key sectors.

Hammour, Mohamad L.

TI   Institutions, Restructuring, and Macroeconomic Performance. AU   Caballero, Ricardo J.; Hammour, Mohamad L.

Hansen, Jorgen

PD   April 2000. TI   Immigrant Assimilation and Welfare Participation: Do Immigrants Assimilate Into or Out of Welfare?   AU   Hansen, Jorgen; Lofstrom, Magnus. AA   IZA-Institute for the Study of Labor. SR   CEPR Discussion Paper: 2430; 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   H53, I38, J15, J61. KW   Welfare. Immigration. Refugees. Panel Data.
AB   This paper analyzes differences in welfare utilization between immigrants and natives in Sweden using a large panel data set, LINDA, for the years 1990 to 1996. We find that immigrants use welfare to a greater extent than natives and that non-refugee immigrants utilize social assistance less than refugee immigrants. Differences in welfare participation and number of months on welfare between immigrants and natives cannot be explained by observable socioeconomic characteristics. Using a random effects probit model, we find that immigrants lower their participation rates in welfare with time spent in Sweden. Refugees assimilate out-of welfare at a faster rate than non-refugee immigrants. Neither immigrant group is predicted to reach the participation rates of native households within a 20-year period in Sweden. A fixed effects logit model supports these findings. Simulations of the move to a national uniform benefits structure in 1998 show a decrease in the participation rate and in expenditures.

Hardy, Daniel C.

PD   September 2001. TI   Bank Reform and Bank Efficiency in Pakistan. AU   Hardy, Daniel C.; di Patti, Emilia Bonaccorsi. AA   Hardy: IMF. Pakistan: Banca d'Italia. SR   International Monetary Fund Working Paper: WP/01/138; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   31. PR   not available. JE   G21, G28, O16, O53. KW   Banking. Efficiency. Deregulation. Pakistan.
AB   Pakistan undertook major financial sector reforms starting in the late 1980s. The effects of these reforms on the profitability and cost and revenue efficiency of the banking sector are evaluated. The revenue performance of all banks, and especially the privatized banks, improved significantly, although costs also rose and relative performance across banks did not converge.

Harrison, Mark

PD   March 2001. TI   Coercion, Compliance, and the Collapse of the Soviet Command Economy. AA   University of Warwick. SR   Warwick Economic Research Paper: 602; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG   30. PR   no charge. JE   C72, D82, P21, P27. KW   Command Economy. Dictatorship. Coercion. Monitoring Costs. Soviet Economy.
AB   Are command systems that rest on coercion inherently unstable, and did the Soviet economy collapse for this reason? Postwar evidence is inconsistent with the hypothesis that the Soviet economy was unstable. If it was not unstable, why did it collapse? A repeated game of coordination between a dictator and producers shows that a high level of coercion may yield a stable high-output equilibrium, that the command economy contains a time-consistency problem for central planners, and that a transition to a low state of coercion and performance in

which everyone's income falls may be brought about by rising monitoring costs and the dictator's loss of reputation. The facts of the Soviet case are consistent with a collapse triggered when the dictator surrendered power.

PD April 2001. **TI** The USSR and Total War: Why didn't the Soviet Economy Collapse in 1942? **AA** University of Warwick. **SR** Warwick Economic Research Paper: 603; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 11. **PR** no charge. **JE** H56, N44. **KW** Soviet Economy. Wartime Economic Collapse. Wartime Production. Economic Collapse.
AB The economic dimensions of the Soviet war effort are appraised. The surprising fact is that the Soviet economy did not collapse in 1942. A rational-choice model is developed to illustrate the economic conditions under which a wartime collapse of the economy is rendered more and less likely.

PD May 2001. **TI** Are Command Economies Unstable? Why Did the Soviet Economy Collapse? **AA** University of Warwick. **SR** Warwick Economic Research Paper: 604; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 11. **PR** no charge. **JE** C72, D82, P21, P27. **KW** Soviet Economy. Command Economy. Economic Collapse. Coercion.
AB The collapse of the Soviet economy at the end of the 1980s is ascribed to command failure. The likely sources of command failure and economic collapse in the Soviet case are analyzed in terms of the payoffs to the dictator, who controls the level of coercion, and producers, who control the level of effort. This approach is used to frame an analytical narrative of the evolution of the Soviet system under Brezhnev and Gorbachev. The paper is a nontechnical version of the Warwick *Economic Research Paper Series* (TWERPS) no. 602.

PD June 2001. **TI** The Soviet Market for Inventions: The Case of Jet Propulsion, 1932 to 1944. **AA** University of Warwick. **SR** Warwick Economic Research Paper: 605; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 33. **PR** no charge. **JE** N64, N74, O31, O32, O38. **KW** Soviet R&D. Jet Propulsion. Research and Development.
AB The paper outlines the problem of aviation jet propulsion during the interwar period and World War II, and analyzes Soviet progress towards a solution using newly available archival documentation. Soviet research and development (R&D) commitments were influenced by long-term security motivations and the need to invest in local tacit knowledge. The scale and diversity of the Soviet R&D effort is described. The allocation of resources resulted from R&D agents' horizontally organized market-like interactions within a vertically organized command system. Financing decisions were made in a context of asymmetric information, adverse selection, and opportunism. Overall funding was rationed; budget constraints on individual projects were soft, but were periodically hardened. In addition to decisions to finance and refinance or terminate projects, there was a secondary asset market for transactions such as takeovers and mergers. There is evidence of rent-seeking activity, but where rent seeking was detected it was punished.

PD August 2001. **TI** Plan, Siphoning, and Corruption in the Soviet Command Economy. **AU** Harrison, Mark; Kim,

Byung-Yeon. **AA** Harrison: University of Warwick. Kim: University of Essex. **SR** Warwick Economic Research Paper: 606; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 22. **PR** no charge. **JE** N14, N64, P22, P23, P27. **KW** Output Plan-Setters. Corruption. Soviet Economy. Socialist Industry.
AB This paper reconsiders Andrei Shleifer and Robert Vishny's suggestion that a socialist industry will always prefer to cut both price and output relative to a market-clearing equilibrium in order to maximize bribe income. The evidence from recent archival studies of the Soviet economy does not support this conjecture. To understand the evidence we present an analytical framework within which a plan-setter and an effort-setter interact, subject to a hard resource constraint, to determine real output and hidden inflation simultaneously. We find that managers who used resources that were obtained corruptly were able to produce more real output with less hidden inflation and fulfill the plan more honestly as a result. We find clear rationales for plan- setters to have tolerated corruption and siphoning while maintaining plan tension, and we associate reduced plan tension in the 1970s with the spread of disloyal behaviors.

PD October 2001. **TI** Soviet Industry and the Red Army Under Stalin: A Military-Industrial Complex? **AA** University of Warwick. **SR** Warwick Economic Research Paper: 609; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 12. **PR** no charge. **JE** N44, N64. **KW** Stalin. Soviet Industry. Red Army. Military-Industrial Complex. Defense Sector.
AB The paper considers some of the views of the Stalin-era relationship between Soviet industry and the Red Army that are current in the literature, and disentangles some confusions of translation. The economic weight of the defense sector in the economic system is summarized in various aspects. The lessons of recent archival research are used as a basis for analyzing the army-industry relationship under Stalin as a prisoners' dilemma in which, despite the potential gains from mutual cooperation, each party faced a strong incentive to cheat on the other. It is concluded that the idea of a Soviet military- industrial complex is not strictly applicable to the Stalin period, but may be justified for the Soviet Union after Stalin.

PD November 2001. **TI** The Political Economy of a Soviet Military R&D Failure: Steam Power for Aviation, 1932 to 1939. **AA** University of Warwick. **SR** Warwick Economic Research Paper: 611; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 26. **PR** no charge. **JE** N64, N74, O31, O32, O38. **KW** Soviet R&D. Research and Development. Steam Power.
AB By studying a Soviet research and development (R&D) failure -- the prewar attempt to create a new aero engine technology based on the steam turbine -- we discover more about the motivations, strategies, and payoffs of principals and agents in the Soviet command economy. Alternative approaches to the evaluation of R&D failure are outlined. New archival documentation shows the scale and scope of the Soviet R&D effort in this field. The allocation of R&D resources resulted from agents' horizontal interactions within a vertical command hierarchy. Project funding was determined in a

context of biased information, adverse selection, and agents' rent seeking. Funding was rationed across projects and through time. Budget constraints on individual projects were softened in the presence of sunk costs, but were hardened periodically. There is no evidence that rents were intentionally distributed through the Soviet military R&D system to win trust or reward loyalty; the termination of aviation steam power R&D was timely.

Hartman, Raymond S.

TI The Economic Impacts of the Tobacco Settlement. AU Cutler, David M.; Gruber, Jonathan; Hartman, Raymond S.; Landrum, Mary Beth; Newhouse, Joseph P.; Rosenthal, Meredith B.

TI The Economic Impacts of the Tobacco Settlement. AU Cutler, David M.; Gruber, Jonathan; Hartman, Raymond S.; Landrum, Mary Beth; Newhouse, Joseph P.; Rosenthal, Meredith B.

Harvey, Andrew C.

PD July 2001. TI General Model-Based Filters for Extracting Cycles and Trends in Economic Time Series. AU Harvey, Andrew C.; Trimbur, Thomas M. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0113; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 18. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE C15, C22, C82. KW Band Pass Filter. Butterworth Filter. Kalman Filter. Trend Extraction. Unobserved Components.
AB A new class of model-based filters for extracting trends and cycles in economic time series is presented. These low pass and band pass filters are derived in a mutually unobserved components model. The resulting trends and cycles are computed in finite samples using a Kalman filter and associated smoother. The filters form a class that is a generalization of the class of Butterworth filters, widely used in engineering. They are very flexible and have the important property of allowing relatively smooth cycles to be extracted from economic time series. Perfectly sharp, or ideal, band pass filters emerge as a special case. Applying the method to a quarterly series on U.S. investment shows a clearly defined cycle currently at the peak of a boom.

Harvey, Campbell R.

TI Emerging Equity Markets and Economic Development. AU Bekaert, Geert; Harvey, Campbell R.; Lundblad, Christian.

Haskel, Jonathan

PD June 2000. TI The Trade and Labor Approaches to Wage Inequality. AA Queen Mary and Westfield College and CEPR. SR CEPR Discussion Paper: 2476; 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 F16, J31, O33. KW Stolper-Samuelson Effects. Technical Change. Wage Inequality.
AB This paper compares the trade and labor approaches to wage inequality. It first looks at the theoretical differences, stressing the different roles ascribed to sector and factor bias, labor supply and the theory of technical change in trade models with endogenous prices. Some of the evidence on the sector bias of prices and technology is then briefly reviewed.

Hassler, John

PD July 2000. TI Inequality and Mobility. AU Hassler, John; Rodriguez Mora, Jose Vicente; Zeira, Joseph. AA Hassler: Stockholm University and CEPR. Rodriguez Mora: Universitat Pompeu Fabra, Barcelona and CEPR. Zeira: Hebrew University of Jerusalem and CEPR. SR CEPR Discussion Paper: 2497; 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 H52, J62. KW Educational Policy. Inequality. Intergenerational Mobility. Skill- Bias.
AB This paper uses a general equilibrium overlapping generations (OLG) model to analyze the relation between intergenerational social mobility and wage inequality. The correlation between mobility and inequality is shown to depend on which factor caused the change in inequality. The model can thus help discriminate between different competing explanations of the recent rise in US wage inequality. Under reasonable assumptions, skill-biased technical change tends to increase upward mobility, thereby causing a positive correlation between wage inequality and mobility. Public subsidies to education reduce inequality, but the effect on mobility is ambiguous and depends on how well households with non-skilled parents can take advantage of the subsidy. The relation between subsidies and upward mobility is always concave in the short run and may also be so in the long run. Under some circumstances, the relationship between public support for education and mobility can follow an inverted U-pattern. The model can thus provide an explanation to different patterns of inequality and social mobility in Europe and the US.

Hausmann, Ricardo

TI Exchange Rate Regimes and Financial-Market Imperfections. AU Aizenman, Joshua; Hausmann, Ricardo.

Hazel, Selvon

TI Reserve Pooling in the Eastern Caribbean Currency Union and the CFA Franc Zone: A Comparative Analysis. AU Williams, Oral; Polius-Mounsey, Tracy; Hazel, Selvon.

Heesterman, A. R. G.

PD March 2001. TI The Balanced Expenditure System. AU Heesterman, A. R. G.; Khan, A. B. AA University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 01/01; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 17. PR 2 pounds ($4); no charge to academics. JE D12, E21, F12. KW Consumer Demand. Homogeneity. Definiteness. Import Substitution. Linear Expenditure System.
AB We offer a model for the distribution of consumption over categories of expenditure. We developed this model for consumer demand against the background of analyzing price-based substitution between imported and domestically produced products. We assume that the substitutability between domestic products and imported products of the same category

is higher than among products of different types. Our data-context is the availability of just one time-observation-point of a full set of variables. We found using the Linear Expenditure System (LES) inappropriate in our case because of limitations in its specification. We introduced a balancing variable, a variable that, while adding the adding-up condition, extraneously reconciles the conflict between non- unity own price elasticities and the adding-up condition. Due to this balancing variable such a system here is termed a balanced expenditure system. We submit that our alternative is not only more suitable in the context of limited availability of data, but also has other advantages over the LES.

Hege, Ulrich

PD April 2000. TI Collateral, Renegotiation and the Value of Diffusely Held Debt. AU Hege, Ulrich; Mella-Barral, Pierre. AA Hege: Tilburg University and CEPR. Mella-Barral: London School of Economics. SR CEPR Discussion Paper: 2417; 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, G12, G32, G33. KW Debt Reorganization. Creditor Structure. Collateral. Renegotiation.

AB Debt with many creditors is analyzed in a continuous-time pricing model of the levered firm. We specifically allow for debtor opportunism vis-a-vis a non-coordinated group of creditors, in the form of repeated strategic renegotiation offers and default threats. We show that the creditors' initial entitlement to non-collateralized assets will be expropriated through exchange offers. Exchange offers successively increase the level of collateral until all assets are fully collateralized. The ex ante optimal debt contract is neither fully collateralized nor without any collateral. Diffusely held debt allows for a larger debt capacity and bears lower credit risk premia than privately held debt. We derive simple closed-form solutions for the value of equity and defaultable bonds. Numerical estimates show that the bond valuation is very sensitive to the correct specification of the debt renegotiation model.

Heintzelman, Martin

TI Electricity Restructuring: Consequences and Opportunities for the Environment. AU Burtraw, Dallas; Palmer, Karen; Heintzelman, Martin.

Henderson, Vernon

PD January 2000. TI The Effects of Urban Concentration on Economic Growth. AA Brown University and NBER. SR National Bureau of Economic Research Working Paper: 7503; 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 C23, O18, O47, O57, R12. KW Urban Concentration. Growth. Primacy. Transportation. Panel Data.

AB The paper examines whether there is a significant relationship between economic growth and the degree of urban concentration, as measured by primacy, or the share of the largest metro area in national urban population. Is there reason to believe many countries have excessive primacy and how costly is excessive (or insufficient) primacy? Using GMM methods, the paper estimates growth effects, using a panel of 80-100 countries from 1960 to 1995. It also looks at the determinants of primacy and policy instruments that might be effective in reducing excessive primacy. The paper finds that there is a best degree of national urban primacy. The best degree of primacy declines with country scale. Error bands about estimated best degrees of primacy are generally tight. Growth losses from significantly non-optimal concentration are large and rise with income. Results are very robust. Econometric models show that urban concentration initially rises with income and then peaks around an income of $2400, before declining. Openness, or trade effects are modest. Similarly, the effects of a greater degree of political decentralization are quite modest. The key policy type variable affecting concentration is investment in inter- regional transport infrastructure.

Henrekson, Magnus

TI Wage-Setting Institutions as Industrial Policy. AU Davis, Steven J.; Henrekson, Magnus.

Herings, P. J. J.

PD March 1999. TI Pareto Improving Price Regulation when the Asset Market is Incomplete. AU Herings, P. J. J.; Polemarchakis, H. M. AA Herings: Center and Tilburg University. Polemarchakis: Universite Catholique de Louvain. SR Tilburg CentER for Economic Research Discussion Paper: 9930; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 44. PR no charge. JE D45, D52, D61, D63, L51. KW Incomplete Asset Markets. Fix-Price Equilibria. Pareto Improvement. Price Regulation. General Equilibrium.

AB When the asset market is incomplete, competitive equilibria are constrained sub-optimal, which provides a scope for pareto improving interventions. Price regulation can be such a pareto improving policy, even when the welfare effects of rationing are taken into account. An appealing aspect of price regulation is that it operates anonymously on market variables. Fix-price equilibria exist under weak assumptions. Such equilibria permit a competitive analysis of an economy with an incomplete asset market that is out of equilibrium. Arbitrage opportunities may arise: with three or more assets actively traded, an individual may hold an arbitrage portfolio at equilibrium. The local existence of fix-price equilibrium for prices that are almost competitive may fail for robust examples. Under necessary and sufficient conditions for the local existence of fix-price equilibria, pareto improving price regulation is generically possible.

Heuts, R. M. J.

TI Improved Spare Parts Inventory Management: A Case Study. AU Strijbosch, L. W. G.; Heuts, R. M. J.; Van der Schoot, E. H. M.

Higson, Chris

PD October 2001. TI The Business Cycle, Macroeconomic Shocks and the Cross Section: The Growth of UK Quoted Companies. AU Higson, Chris; Holly, Sean; Kattuman, Paul A.; Platis, S. AA Higson: London Business School. Holly and Kattuman: University of Cambridge. Platis: KPMG. SR University of Cambridge, DAE Working Paper: 0114; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 18.

PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D21, D92, E32. **KW** Business Cycles. Cross Sectional Moments. Firm Growth. Macroeconomic Shocks.

AB Co-movements and correlations in the major macroeconomic aggregates have been the focus of much of the recent literature in business cycle research. In this paper we provide another dimension to business cycle analysis. We examine the evolution of the cross sectional distribution of the growth rates of UK quoted companies from 1968 to 1997. We find correlations between aggregate business cycle fluctuations and the higher moments of the cross sectional distribution of growth rates. To explain this we analyze the sensitivity of firms to aggregate shocks, conditioning growth on firm size, age, and industry. We find that the contemporaneous effects of aggregate shocks, both positive and negative, are significantly more pronounced for firms in the interior of the growth rate range. This explains cycle-related patterns in the dynamics of the moments of the growth rate cross section. These findings are of importance in understanding firm level as well as business cycle dynamics.

Hijzen, Alexander

TI International Fragmentation and Relative Wages in the UK. **AU** Gorg, Holger; Hijzen, Alexander; Hine, Robert.

Hilbers, Paul

PD September 2001. **TI** Real Estate Market Developments and Financial Sector Soundness. **AU** Hilbers, Paul; Lei, Qin; Zacho, Lisbeth. **AA** Hilbers and Zacho: International Monetary Fund. Lei: International Monetary Fund and University of Michigan. **SR** International Monetary Fund Working Paper: WP/01/129; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 30. **PR** not available. **JE** G12, G21. **KW** Real Estate. Financial Sector. Financial Crises.

AB This paper analyses the characteristics and functioning of real estate markets. It focuses on the relationship between developments in these markets and the financial sector to determine under what circumstances real estate booms and busts can develop and how they can affect the health and stability of the financial system. It concludes that unbalanced real estate price developments often contribute to financial sector distress and that trends in real estate markets should be monitored closely in the context of financial sector assessments.

Hillman, Arye L.

TI Social Harmony at the Boundaries of the Welfare State: Immigrants and Social Transfers. **AU** Epstein, Gil S.; Hillman, Arye L.

Hine, Robert

TI International Fragmentation and Relative Wages in the UK. **AU** Gorg, Holger; Hijzen, Alexander; Hine, Robert.

Hirshleifer, Jack

PD April 2002. **TI** Peace or War: An Economic Approach to Appeasement. **AA** University of California, Los Angeles. **SR** University of California, Los Angeles, Department of Economics Working Paper: 817; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 6. **PR** $5.00 (to cover the cost of postage and photocopying). **JE** C72, D74. **KW** Appeasement. Munich. Peace. War.

AB At Munich in 1938, Britain and France attempted to appease Germany by sacrificing Czechoslovakia. The internal debate among western policy-makers as to the wisdom of that policy involved different beliefs about German preferences. Was Nazi Germany really "peace- loving" or was she unequivocally aggressive? Under either of these assumptions, analysis reveals, appeasement will not work. In the former case there is no need to grant concessions, in the latter case concessions will only strengthen the aggressor. Appeasement can be rational only if one's opponent becomes less hostile in consequence of being strengthened or enriched. Although the historical policy debate concentrated upon German preferences, also involved are the opportunities and the perceptions on each side. To be worth appeasing, the opponent must have an effective yet costly threat: she can punish you, though at a cost. Her underlying hostility backs up the threat to employ the punishment opportunity if she does not get her way; her appeasibility guarantees she will not exercise the threat if she does get her way. Although the western powers erred in believing that Germany's hostility was appeasable, they were correct that Germany would not be able to exercise her punishment opportunity without undue cost to herself.

Ho, Chih-Chin

TI Elderly Asset Management and Health: An Empirical Analysis. **AU** Feinstein, Jonathan S.; Ho, Chih-Chin.

Holly, Sean

TI The Business Cycle, Macroeconomic Shocks and the Cross Section: The Growth of UK Quoted Companies. **AU** Higson, Chris; Holly, Sean; Kattuman, Paul A.; Platis, S.

Holm, Anders

TI Does Work Experience Help to Become a Medical Specialist? **AU** van den Berg, Gerard J.; Holm, Anders; van Ours, Jan C.

Holtz-Eakin, Douglas

PD June 2000. **TI** Generational Conflict, Human Capital Accumulation, and Economic Growth. **AU** Holtz-Eakin, Douglas; Lovely, Mary E.; Tosun, Mehmet S. **AA** Holtz-Eakin: Syracuse University and NBER. Lovely and Tosun: Syracuse University. **SR** National Bureau of Economic Research Working Paper: 7762; 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** E62, H52, J11, J18, O41. **KW** Demographic Transition. Education Expenditures. Public Expenditures.

AB Worldwide, dependency ratios are forecast to increase dramatically in the next 50 years. A great deal of attention has been devoted to understanding the changes in fiscal policies that must take place to accommodate these changes. In contrast, less effort has been concentrated on studying the fiscal shifts that will endogenously result from demographic pressures. An example of particular interest is the degree to which a more elderly population will support public spending for education. We use an overlapping-generations model to investigate the effect of this demographic transition on the endogenous determination of public spending for education. A demographic

transition alters the identity of the median voter, leading to a preference for less education spending. If the public sector is inefficiently small, demographic transition exacerbates the underprovision of human capital. Alternatively, such a shift may trim an inefficiently large government, reduce tax rates, and raise capital per worker enough to raise education spending. Thus, there is no automatic link between demographic transition and reduced support for those programs whose benefits are concentrated among the young.

Holub, Tomas

TI   Convergence of Relative Prices and Inflation in Central and Eastern Europe. AU   Cihak, Martin; Holub, Tomas.

Hong, Harrison G.

PD   April 2000. TI   Strategic Trading And Learning About Liquidity. AU   Hong, Harrison G.; Rady, Sven. AA   Hong: Stanford University. Rady: University of Munich. SR   CEPR Discussion Paper: 2416; 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, D82, D83, G12, G14. KW   Strategic Trading. Private Information. Liquidity Uncertainty. Bayesian Learning.
AB   We develop a multi-period model of strategic trading in an asset market where traders are uncertain about market liquidity. In our model, informed traders strategically trade against competitive market makers to exploit their short-lived private information. Unlike market makers, informed traders do not know whether the liquidity ("noise") trades are generated from a distribution with high or low variance. Instead, informed traders have to learn about liquidity from past prices. We find the following: (1) Prices that deviate markedly from the forecast of terminal asset value based on public news tend to lead to revisions of informed traders' beliefs in favor of the low liquidity state; (2) This revision in beliefs results in less aggressive trading on private information by informed traders; (3) Informational efficiency and trading volume are dependent on the path of prices; (4) Moreover, learning about liquidity also has interesting effects on the unconditional properties of optimal strategic trading policies.

Horsewood, Nicholas

TI   Preference Asymmetries, Hysteresis and Quality Effects in Swedish Imports. AU   Anderton, R.; Brenton, Paul; Horsewood, Nicholas; Sinclair, Peter.

Howitt, Peter

TI   General Purpose Technology and Within-Group Inequality. AU   Aghion, Philippe; Howitt, Peter; Violante, Giovanni L.

Hoxby, Caroline M.

PD   June 2000. TI   Benevolent Colluders? The Effects of Antitrust Action on College Financial Aid and Tuition. AA   Harvard University and NBER. SR   National Bureau of Economic Research Working Paper: 7754; 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   I22, I28, K21, L13, L41. KW   Tuition. Collusion. Price Fixing. Financial Aid Policy. Antitrust Action.
AB   The Department of Justice's (DOJ's) investigation of

private colleges for price-fixing caused the "Overlap" group of colleges to discontinue their meetings. DOJ alleged that the meetings enabled the colleges to collude on higher tuition and increase their tuition revenue. The colleges claimed that they needed the meeting to implement their policies of basing aid on need and fully covering need. This paper investigates whether the cessation of the meeting caused a breakdown of need-based aid policies or whether, as DOJ argued, the meeting was unnecessary for such policies. The paper also examines whether the cessation of the meeting affected tuition or tuition revenue. Lastly addressed is the question of whether need-based aid is simply redistribution, or is a method of internalizing externalities among students, given that it affects colleges' selectivity and diversity.

Huang, Haizhou

TI   International Financial Contagion and the IMF: A Theoretical Framework. AU   Clark, Peter; Huang, Haizhou.

Huisman, Kuno J. M.

PD   February 1999. TI   Strategic Technology Investment Under Uncertainty. AU   Huisman, Kuno J. M.; Kort, Peter M. AA   CentER and Tilburg University. SR   Tilburg CentER for Economic Research Discussion Paper: 9918; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG   46. PR   no charge. JE   D81, D92, L10, O32, O33. KW   Technology Adoption. Strategic Interaction. Investment Irreversibility. Timing Games. Information Technology.
AB   In this paper the technology investment decision of a firm is analyzed, while competition on the output market is explicitly taken into account. Technology choice is irreversible and the firms face a stochastic innovation process with uncertainty about the speed of arrival of new technologies. The innovation process is exogenous to the firms. For reasons of market saturation and the fact that more modern technologies are invented as time passes, the demand for a given technology decreases over time. This implies that also the sunk cost investment of each technology decreases over time. Introducing the waiting curve as a new concept, the investment decision problem is transformed into a timing game. An algorithm is designed for solving this (more) general timing game. The algorithm is applied to an information technology investment problem. The most likely outcome exhibits diffusion with equal payoffs for the firms.

Hunt, Alistair

TI   Valuing Damages for Green Accounting Purposes: The GARP II Approach. AU   Markandya, Anil; Hunt, Alistair; Mason, Pamela.

Hunt, Jennifer

PD   February 2000. TI   Why Do People Still Live in East Germany? AA   Yale University and NBER. SR   National Bureau of Economic Research Working Paper: 7564; 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   J61, P23, R23. KW   Labor Flows. Emigration. East Germany. Immigration.
AB   In 1997, GDP per capita in East Germany was 57% of that in West Germany, wage rates were 75% of West German levels, and the unemployment rate was at least double the West

German rate of 7.8%. One would expect that if capital flows and trade in goods failed to bring convergence, labor flows would respond, enhancing overall efficiency. Yet net emigration from East Germany has fallen from high levels in 1989-1990 to close to zero. Using state-level data for all of Germany, available from 1991-1996, I am able to explain the downward trend in east to west migration using wage and unemployment information. Convergence in hourly wages is the most important factor. The data suggest that commuting is unlikely to substitute substantially for emigration. The individual-level data further indicates that emigrants are disproportionately young and skilled, and that individuals suffering a layoff or non-employment spell are also much more likely to emigrate.

PD April 2000. **TI** Why Do People Still Live in East Germany? **AA** Yale University. **SR** CEPR Discussion Paper: 2431; 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** J61, P23, R23. **KW** Labor Flows. Emigration. East Germany. Immigration.
AB See the abstract for Hunt, Jennifer. February 2000, "Why Do People Still Live in East Germany?". National Bureau of Economic Research Working Paper: 7564; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Hussein, Khaled
TI Is Foreign Debt Portfolio Management Efficient in Emerging Economies? **AU** de Mello, Luiz; Hussein, Khaled.

Iacoviello, Matteo
PD August 2001. **TI** Short-Term Forecasting: Projecting Italian GDP, One Quarter to Two Years Ahead. **AA** London School of Economics. **SR** International Monetary Fund Working Paper: WP/01/109; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 22. **PR** not available. **JE** C11, C32, E32, E37. **KW** Forecasting. Bayesian Vector Autoregressions. Leading Indicators.
AB This paper presents a "bridge model" for short-run (one or two quarters ahead) forecasting of Italian GDP, relying on industrial production and survey indicators as key variables that can help in providing a real-time first GDP estimate. For a one-to two-year horizon, it formulates and estimates a Bayesian VAR (BVAR) model of the Italian economy. Both the 'badge" and the BVAR model can be of great help in supplementing traditional judgmental or structural econometric forecasts. Given their simplicity and their good forecasting power, the framework may be usefully extended to other variables as well as to other countries.

Iakova, Dora
TI Financial Sector Evolution in the Central European Economies: Challenges in Supporting Macroeconomic Stability and Sustainable Growth. **AU** Wagner, Nancy; Iakova, Dora.

Ichida, Toshihiro
TI Economic Growth and Poverty Reduction in Sub-Saharan Africa. **AU** Moser, Gary; Ichida, Toshihiro.

Ichino, Andrea
PD February 2000. **TI** Work Environment and Individual Background: Explaining Regional Shirking Differentials In A Large Italian Firm. **AU** Ichino, Andrea; Maggi, Giovanni. **AA** Ichino: Universita Bocconi. Maggi: Princeton University. **SR** CEPR Discussion Paper: 2387; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 52. **PR** 5 pounds, $8 or 8 euros. **JE** J22, J41, K42. **KW** Group Interaction Effects. Shirking. Regional Differentials.
AB The prevalence of shirking within a large Italian bank appears to be characterized by significant regional differentials. In particular, absenteeism and misconduct episodes are substantially more prevalent in the south. We consider a number of potential explanations for this fact: different individual backgrounds; group-interaction effects; sorting of workers across regions; differences in local attributes; different hiring policies and discrimination against southern workers. Our analysis suggests that individual backgrounds, group-interaction effects and sorting effects contribute to explain the north-south shirking differential. None of the other explanations appears to be of first-order importance.

Imbens, Guido W.
PD March 1999. **TI** Estimating the Effect of Unearned Income on Labor Supply, Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players. **AU** Imbens, Guido W.; Rubin, Donald B.; Sacerdote, Bruce. **AA** Imbens: *University of California, Los Angeles and National Bureau of Economic Research*. Rubin: Harvard University. Sacerdote: Dartmouth College. **SR** Tilburg CentER for Economic Research Discussion Paper: 9934; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 58. **PR** no charge. **JE** D12, D91, E21, J22, J30. **KW** Unearned Income. Labor Supply. Employment. Consumption. Savings.
AB Knowledge of the effect of unearned income on economic behavior of individuals in general, and on labor supply in particular, is of great importance to policy makers. Estimation of income effects, however, is a difficult problem. Here the authors exploit the randomized assignment of large amounts of money over long periods of time through lotteries. They carried out a survey of people who played the lottery in the mid- eighties and estimate the effect of lottery winnings on their subsequent earnings, labor supply, consumption and savings. They find that winning a modest prize does not affect labor supply or earnings substantially. Winning such a prize does considerably reduce savings. Winning a much larger prize reduces labor supply as measured by hours, as well as participation and social security earnings. Winning a large versus modest amount also leads to increased expenditures on cars, and larger home values, although mortgage values appear to increase by approximately the same amount. Winning a large amount increases overall savings, although savings in retirement accounts are not significantly affected. There is some evidence that for those with zero earnings prior to winning the lottery there is a positive effect of winning a small prize on subsequent labor market participation.

Imbs, Jean
PD June 2000. **TI** Sectors and the OECD Business Cycle.

AA London Business School and CEPR. SR CEPR Discussion Paper: 2473; 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 E32, F41. KW Economic Structure. International Business Cycles. Trade.
AB This paper argues that economic structure is a robust determinant of the OECD business cycle. Countries that share similar manufacturing sectors are shown to display more synchronized business cycles. Interestingly, the well-established rule of trade impacting on rich countries' business cycles is thus mitigated, and its direct impact lessened. The structure of sectoral output also goes some way towards explaining idiosyncracies in the UK business cycle.

Ireland, Norman J.

PD January 2002. TI Firms' Strategies for Reducing the Effectiveness of Consumer Price Search. AA University of Warwick. SR Warwick Economic Research Paper: 627; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 22. PR no charge. JE L11, L14. KW Firm Strategy. Price Competition. Competition Policy.
AB This paper considers a simple model of competition based on buyers making price comparisons between two suppliers. The difficulties of making appropriate comparisons are made greater by exclusive dealer agreements and restrictions, and by suppliers trading under more than one name. It is argued that suppliers will set prices using mixed strategies, and that prices become less competitive as price comparisons become more difficult. The implications for competition policy are considered in the light of recent judgments of the UK's Office of Fair Trading and the European Court of Justice.

Ireland, Peter N.

PD January 2000. TI Sticky-Price Models of the Business Cycle: Specifications and Stability. AA Boston College and NBER. SR National Bureau of Economic Research Working Paper: 7511; 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 C62, D91, E31, E32, E52. KW Business Cycles. Sticky Prices. Price Level. General Equilibrium. Adjustment Costs.
AB This paper focuses on the specification and stability of a dynamic, stochastic, general equilibrium model of the American business cycle with sticky prices. Maximum likelihood estimates reveal that the data prefer a version of the model in which adjustment costs apply to the price level but not to the inflation rate. Formal hypothesis tests detect instability in the estimated parameters, particularly in estimates of the representative household's discount factor. Evidently, more detailed descriptions of the economy are needed to explain movements in interest rates before and after 1979.

Irwin, Douglas A.

PD June 2000. TI Does Trade Raise Income? Evidence from the Twentieth Century. AU Irwin, Douglas A.; Tervio, Marko. AA Irwin: Dartmouth College and NBER. Tervio: MIT. SR National Bureau of Economic Research Working

Paper: 7745; 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 F11, F12, N70. KW International Trade. Income. Geographic Characteristics.
AB Efforts to estimate the effects of international trade on a country's real income have been hampered by the failure to account for the endogeneity of trade. Frankel and Romer recently used a country's geographic attributes -- notably its distance from potential trading partners -- as an instrument to identify the effects of trade on income in 1985. We find that the Frankel-Romer result is robust to different time periods. Instrumenting for trade with geographic characteristics raises the estimated positive effect of trade on income and, in most of our cases, the precision of those estimates. These results suggest that the downward bias of ordinary least squares estimates is systematic and may be due to measurement error, a potential source of which is that trade is an imperfect proxy for a host of economically beneficial interactions between countries. These results, however, are not robust to the inclusion of another geographic variable, longitude.

Irwin, Gregor

PD January 2001. TI Currency Boards and Currency Crises. AA University College and University of Oxford. SR Oxford Department of Economics Discussion Paper: 65; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. PG 19. PR 2 pounds. JE D82, E42, F31, F33, F41. KW Currency Boards. Incomplete Information. Credibility. Unemployment. Devaluation.
AB This paper demonstrates how a currency board can become vulnerable to a crisis in which the policymaker is forced to devalue. The model is built from two blocks: first, incomplete information about the devaluation cost faced by the policymaker; and second, unemployment persistence. Incomplete information can result in multiple equilibria. In one class of equilibrium the policymaker has a credibility problem and maintaining the currency board is costly in terms of unemployment. If unemployment is persistent then pressure to devalue can build up over time until it becomes unbearable and the policymaker is forced to devalue.

Ishikawa, Jota

TI Trade Liberalization and Strategic Outsourcing. AU Chen, Yongmin; Ishikawa, Jota; Yu, Zhihao.

Jackson, Matthew O.

TI Equilibrium Agenda Formation. AU Dutta, Bhaskar; Jackson, Matthew O.; Le Breton, Michel.

Jacobs, Bas

PD February 1999. TI Sectoral Productivity Growth and R&D Spillovers in The Netherlands. AU Jacobs, Bas; Nahuis, Richard; Tang, Paul J. G. AA Jacobs: University of Amsterdam. Nahuis: CentER and Tilburg University. Tang: CPB Netherlands Bureau for Economic Policy Analysis. SR Tilburg CentER for Economic Research Discussion Paper: 9915; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 45. PR no charge. JE F13, F14, F43, O30, O40. KW Productivity Growth. Research and

Development. Spillovers. Open Economy. Total Factor Productivity.

AB This paper assesses empirically whether R&D spillovers are important and whether they originate from domestic or foreign activities. Data for eleven sectors are used to explain the impact on total factor productivity of R&D by the sector itself, by other Dutch sectors and by foreign sectors. We find that both domestic and foreign R&D are significant for the Dutch economy. The elasticity of total factor productivity with respect to R&D is approximately thirty-five percent for R&D by the sector itself, eighteen percent for R&D by other Dutch sectors and one and a half percent for R&D by foreign sectors. Our findings also suggest that more R&D speeds up the absorption of foreign technologies. These results are confirmed in an analysis where we look at manufacturing and services separately. We find one difference: R&D in the service sectors helps to absorb foreign technologies, whereas R&D in manufacturing does not.

Jaffe, Adam B.

TI Market Value and Patent Citations: A First Look. AU Hall, Bronwyn H.; Jaffe, Adam B.; Trajtenberg, Manuel.

PD November 2001. TI Technological Change and the Environment. AU Jaffe, Adam B.; Newell, Richard G.; Stavins, Robert N. AA Jaffe: Brandeis University and NBER. Newell: Resources for the Future. Stavins: Harvard University and Resources for the Future. SR Resources for the Future Discussion Paper: 00/47R; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 68. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE D63, O31, O33, Q28, Q29. KW Technological Change. Induced Innovation. Environmental Policy. Environment.
AB Environmental policy discussions increasingly focus on issues related to technological change. This is partly because the environmental consequences of social activity are frequently affected by the rate and direction of technological change, and partly because environmental policy interventions can themselves create constraints and incentives that have significant effects on the path of technological progress. This paper summarizes current thinking on technological change in the broader economics literature and surveys the growing economic literature on the interaction between technology and the environment. The paper examines theory and empirical evidence on technological invention, innovation, and diffusion, and the effects of environmental policy on the creation of new, environmentally friendly technology. The normative implications of the analyses are explored, and the paper concludes with suggestions for further research.

Jamasb, Tooraj

PD October 2001. TI International Benchmarking and Yardstick Regulation: An Application to European Electricity Utilities. AU Jamasb, Tooraj; Pollitt, Michael G. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0115; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 24. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE L43, L51, L94, Q48. KW Benchmarking. Incentive Regulation. Electricity Market. Data Envelopment Analysis.
AB Due to a shortage of data and increased international mergers, national energy regulators are looking to international benchmarking analyses for help in setting price controls within incentive regulation. We present an international benchmarking study of 63 regional electricity distribution utilities in 6 European countries that aims to illustrate the methodological and data issues encountered in the use of international benchmarking for utility regulation. The study examines the effect of the choice of benchmarking methods using Data Envelopment Analysis, Corrected Ordinary Least Squares, and Stochastic Frontier Analysis models. We discuss the problems of international benchmarking that are highlighted by the study and how they can be overcome.

James, Harold

TI The International Monetary Fund: Its Present Role in Historical Perspective. AU Bordo, Michael D.; James, Harold.

Janeba, Eckhard

PD January 2000. TI Trade, Income Inequality, and Government Policies: Redistribution of Income or Education Subsidies? AA University of Colorado and NBER. SR National Bureau of Economic Research Working Paper: 7485; 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 D63, F12, H21, I28, J24. KW Skilled Workers. Education Subsidies. Income Redistribution. Open Economy. Social Welfare.
AB This paper explores the role of government policies in a situation where the wage gap between high-skilled and low-skilled workers is widening due to increasing foreign competition in the manufacturing of low-skilled intensive goods. A two-period, two-sector general equilibrium model of a small open economy is developed in which individuals choose whether to invest in skills or not. The government influences individual decision-making by redistribution of income or by subsidizing investment in skills. Both types of policies have complicated effects on income inequality and social welfare. The first policy discourages investment in skills while the latter, although successful in inducing more investment in skills, tends to be regressive by favoring those who acquire skills. Yet for a given income tax rate the Lorenz curves of the two different policies intersect. When the government maximizes social welfare, education subsidies are useful only if there is a high degree of inequality aversion and financing the subsidy is not too distortive.

Janni, Ottavio

PD December 2000. TI EU and Biodiversity Conservation in Tropical Countries. AA FEEM. SR Fondazione Eni Enrico Mattei Note di Lavoro: 107/2000; "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 N50, Q38. KW Biodiversity Conservation. European Environmental Aid.
AB Biodiversity conservation has emerged as a major environmental issue in recent years. In particular, biodiversity conservation is a critical issue in tropical developing countries, where biodiversity levels are highest and where the threats to this resource are most severe. This paper looks at the policies of European Union (EU) countries to support biodiversity

conservation efforts in tropical developing countries, both in terms of official government policies, and in the work of European non-governmental organizations (NGOs) and academic institutions. The paper focuses on in situ conservation efforts. There is no common EU policy, and efforts vary widely from country to country. While governments, NGOs, and academic institutions often work together, the efforts undertaken by NGOs and academic institutions are more likely to target biodiversity hotspots, and to involve a grass- roots approach to conservation.

Jansen, Marion

PD June 2000. TI Job Creation, Job Destruction, and the International Division of Labor. AU Jansen, Marion; Turrini, Alessandro. AA Jansen: World Trade Organization and CEPR. Turrini: UNCTAD and Universita di Bergamo and CEPR. SR CEPR Discussion Paper: 2472; 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, F17, J64. KW Increasing Returns. International Trade. Job Creation. Job Destruction. Unemployment.
AB This paper incorporates equilibrium unemployment due to imperfect matching into a model of trade in intermediate inputs (Ethier (1982)). Firms are assumed to be price takers and their size is given by technology. Firms enter the market as long as expected profits cover the search cost they incur initially. Trade increases productivity in the final good and then demand for each intermediate input. Steady state unemployment is reduced after trade integration because more vacancies are opened. When the rate of job destruction is made endogenous, international trade reduces the equilibrium rate of job destruction, and this induces an indirect positive effect on job creation. The more volatile environment faced by firms that is often associated with deeper trade integration is unlikely, per se, to increase unemployment.

Janssen, Norbert

TI Productivity and Preferences in a Small Open Economy.
AU Chadha, Jagjit S.; Janssen, Norbert; Nolan, Charles.

Jenkinson, Tim

PD June 2000. TI Has the Introduction of Bookbuilding Increased the Efficiency of International IPOs? AU Jenkinson, Tim; Ljungqvist, Alexander P.; Wilhelm, William J., Jr.. AA Jenkinson: University of Oxford and CEPR. Ljungqvist: New York University and CEPR. Wilhelm: University of Oxford. SR CEPR Discussion Paper: 2484; 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 G32. KW Bookbuilding. Initial Public Offerings. Underwriting Spreads.
AB By 1999, close to 80 percent of non-US IPOs were marketed using bookbuilding methods. This paper studies whether the recent introduction of this technology by US banks and their inclusion in non- US IPO syndicates has promoted efficiency in primary equity markets. Both direct and indirect costs (associated with underpricing) are analyzed using a unique dataset containing information on 2,051 initial public offerings in 61 non-US markets during the period 1992-1999.

The direct costs of bookbuilding are typically twice as large as direct costs for fixed-price offers. However, bookbuilding leads to substantially less underpricing. This benefit is more pronounced when the target market includes US investors, when US listing is sought, and when US banks are part of the syndicate.

Jenter, Dirk

TI Selling Company Shares to Reluctant Employees: France Telecom's Experience. AU Degeorge, Francois; Jenter, Dirk; Moel, Alberto; Tufano, Peter.

Jesinghaus, Jochen

PD November 2000. TI On the Art of Aggregating Apples & Oranges. AA European Commission JRC/ISIS. SR Fondazione Eni Enrico Mattei Note di Lavoro: 91/2000; "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 O47, Q28, Q29, Q32, Q38. KW Sustainable Development. Environmental Valuation. Avoidance Cost Approach. Willingness to Pay. Environmental Policy.
AB The Communication on Environmental Indicators and Green National Accounting laid the basis for indicator and accounting projects aimed at giving comprehensive support to environmental policy. This article is intended to demonstrate: that indicators are a powerful driving force of many, if not most, political decisions; that bad indicators are thus a recipe for bad politics; how an indicator system that serves democratic decision-making should be designed. In particular, to avoid serious policy distortions, environmental policy needs a broad spectrum of indicators covering all relevant issues. Valuation projects that treat pollutants with sophisticated methodologies face data availability problems, which force them in practice to concentrate on selected pollutants, excluding all others; the result is policy distortion. The author proposes that valuation methodologies should focus on general patterns, instead of treating single pollutants with unnecessary precision while neglecting many others. Policy Performance Indices may serve as an instrument to extend such general valuations to a range of pollutants and policy questions.

Jiang, Guorong

TI Real Convergence to EU Income Levels: Central Europe from 1990 to the Long Term. AU Doyle, Peter; Kuijs, Louis; Jiang, Guorong.

Jimeno-Serrano, Juan

TI Explaining Youth Labor Market Problems in Spain: Crowding-Out, Institutions, or Technology Shifts? AU Dolado, Juan Jose; Jimeno-Serrano, Juan; Felgueroso, Florentino.

Johnson, Simon

PD February 2000. TI Tunneling. AU Johnson, Simon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei. AA Johnson: MIT. La Porta, Lopez-de-Silanes, and Shleifer: Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 7523; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 12. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.).

JE G32, G38, K22, M14. KW Tunneling. Shareholders. Asset Transfers. Duty of Care. Law.
AB Tunneling is defined as the transfer of assets and profits out of firms for the benefit of their controlling shareholders. We describe the various forms that tunneling can take, and examine under what circumstances it is legal. We discuss two important legal principles -- the duty of care and the duty of loyalty -- which courts use to analyze cases involving tunneling. Several important legal cases from France, Belgium, and Italy illustrate how and why the law accommodates tunneling in civil law countries, and why certain kinds of tunneling are less likely to pass legal scrutiny in common law countries.

Joisce, John

PD September 2001. TI Statistical Treatment of Accrual of Interest on Debt Securities. AU Joisce, John; Wright, Chris. AA Joisce: IMF. Wright: Bank of England. SR International Monetary Fund Working Paper: WP/01/132; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 35. PR not available. JE D31, D92, E21, E25, E44, G12, H63. KW National Accounts. Balance of Payments. Financial Statistics. Interest. Accrual. Securities. Fair Value. Market Price.
AB When new international statistical standards were published in 1993, one of the major changes to the recommended presentation of the system of national accounts and the balance of payments was the adoption of accruals reporting for income and expenditure. However, as countries have begun to implement these standards, questions have arisen about their exact interpretation in respect of interest flows associated with tradable debt, where the cash flow is fixed at the time of issue but where the price of the instrument fluctuates with market conditions. A clear consensus has yet to emerge. The paper explores the issues involved in using the alternative approaches, the so-called "debtor" and "creditor" approaches. The debtor approach uses the rate implicit at the time of issue, and the creditor approach, the current market rate. The paper concludes that the creditor approach is the only one consistent with accrual principles and market valuation for the debt outstanding. It reviews implications for national and sectoral saving from this approach.

Jorion, Philippe

PD February 2000. TI A Century of Global Stock Markets. AU Jorion, Philippe; Goetzmann, William N. AA Jorion: University of California, Irvine. Goetzmann: Yale University and NBER. SR National Bureau of Economic Research Working Paper: 7565; 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, G15, N20, P12. KW Stock Markets. Capital Markets. Equity Markets. Return Estimates.
AB The expected return on equity capital is possibly the most important driving factor in asset allocation decisions. Yet the long-term estimates of return on capital we typically use are derived from U.S. data only. There are reasons to suspect that these estimates are subject to survivorship, as the United States is arguably the most successful capitalist system in the world; most other countries have been plagued by political upheaval and financial crises. The purpose of this paper is to provide estimates of return on capital from long-term histories for world

equity markets. We collected a database of capital appreciation indexes for 39 markets with histories going back as far as the 1920s. We find that the United States has the highest uninterrupted real rate of appreciation of all countries, at 4.3 percent annually from 1921 to 1996. For other countries, the median real appreciation rate was 0.8 percent. The high return premium obtained for U.S. equities appears to be the exception rather than the rule.

Joyce, Mary

TI Evaluating School-To-Work Programs Using the New NLSY. AU Neumark, David; Joyce, Mary.

TI An Introduction to School-To-Work Programs in the NLSY97: How Prevalent are They, and Which Youths do They Serve? AU Neumark, David; Joyce, Mary.

Juan-Ramon, V. Hugo

PD August 2001. TI A Statistical Analysis of Banking Performance in the Eastern Caribbean Currency Union in the 1990s. AU Juan-Ramon, V. Hugo; Randall, Ruby; Williams, Oral. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/105; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 42. PR not available. JE C14, G21. KW Bank Structure. Competition. Performance.
AB Private foreign banks dominate the banking system although their market share declined in the 1990's while that of private indigenous banks increased. The banking system was not concentrated either within or across countries. Stigler's survivor test indicated that large banks tended to reduce their scale over time. Private foreign and private indigenous banks exhibited similar distributions with respect to operating expenses but private foreign banks were most profitable. High interest rate spreads appeared attributable to higher average costs related to market size and geographical peculiarities.

Jung, Hong-Sang

PD August 2001. TI The Impact of Public Education Expenditure on Human Capital, Growth, and Poverty in Tanzania and Zambia: A General Equilibrium Approach. AU Jung, Hong-Sang; Thorbecke, Erik. AA Jung: International Monetary Fund. Thorbecke: Cornell University. SR International Monetary Fund Working Paper: WP/01/106; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 36. PR not available. JE H52, I21. KW Public Expenditure. CGE. Education. Poverty. Tanzania. Zambia.
AB The impact of public education expenditure on human capital, the supply of different labor skills, and its macroeconomic and distributional consequences is appraised within a multisector CGE model. The model is applied to and calibrated for two Heavily Indebted Poor Countries (HIPCs), Tanzania and Zambia. The simulation results suggest that education expenditure can raise economic growth. However, to maximize benefits from education expenditure, a sufficiently high level of physical investment is needed, as are measures that improve the match between the pattern of educational output and the structure of effective demand for labor. An important result of the simulation experiments is that a well-targeted pattern of education expenditure can be effective for poverty alleviation.

Kahn, Lawrence M.

TI Understanding Young Women's Marriage Decisions: The Role of Labor and Marriage Market Conditions. AU Blau, Francine D.; Kahn, Lawrence M.; Waldfogel, Jane.

TI Gender Differences in Pay. AU Blau, Francine D.; Kahn, Lawrence M.

Kamat, Samir

TI Networks and Farsighted Stability. AU Page, Frank H., Jr..; Wooders, Myrna; Kamat, Samir.

Kanda, Daniel

TI Pension Reform in India. AU Gillingham, Robert; Kanda, Daniel.

Kane, Edward J.

PD January 2000. TI Capital Movements, Banking Insolvency, and Silent Runs in the Asian Financial Crisis. AA Boston College and NBER. SR National Bureau of Economic Research Working Paper: 7514; 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 D82, F32, G15, G21, K22. KW Capital Movements. Insolvency. Financial Crises. Agency Costs. Contestable Markets.
AB This paper supplies an agency-cost and contestable-markets perspective on the financial policies that triggered the Asian financial crisis. The agency-cost analysis hypothesizes that individual-country regulators knew that politically directed loans had made their banks insolvent, but purposefully gambled that deregulation could allow the insolvent banks to grow their way out of trouble. The contestable-markets paradigm sets this gamble in the context of offshore innovations in financial technology and regulatory systems that made it progressively easier for worried Asian citizens to move funds to foreign institutions. These perspectives portray the simultaneous breakdown of repressive financial systems as a technology- led victory of market forces over long-standing government efforts to wall out foreign financial competition.

Kaplan, Steven

PD April 2000. TI Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts. AU Kaplan, Steven; Stromberg, Per Johan. AA University of Chicago. SR CEPR Discussion Paper: 2421; 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 G24, G32. KW Venture Capital. Contract Theory. Security Design. Financial Contracts.
AB We compare the characteristics of real world financial contracts to their counterparts in financial contracting theory, by studying actual contracts between venture capitalists (VCs) and entrepreneurs. We find that: (1) The distinguishing characteristic of VC financing is that it allows VCs to separately allocate cash flow rights, voting rights, board rights, liquidation rights, and other control rights. We explicitly measure and report the allocation of these rights. (2) While convertible securities are used most frequently, VCs also implement a similar allocation of rights using combinations of multiple classes of common stock and straight preferred stock.

(3) Cash flow rights, voting rights, control rights, and future financing are frequently contingent on observable measures of financial and non-financial performance. (4) VCs commonly include non-compete and vesting provisions, to mitigate the potential hold-up problem between the entrepreneur and the investor. The contracts seem most consistent with the theoretical work of Aghion and Bolton (1992), and Dewatripont and Tirole (1994).

Kapteyn, Arend

TI Reserve Adequacy in Emerging Market Economies. AU Wijnholds, Onno de Beaufort J.; Kapteyn, Arend.

Kapur, Sandeep

TI Default and Efficient Debt Markets. AU Dutta, Jayasri; Kapur, Sandeep.

Kar, Anirban

TI Cost Monotonicity, Consistency and Minimum Cost Spanning Tree Games. AU Dutta, Bhaskar; Kar, Anirban.

Kattuman, Paul A.

PD July 2001. TI A Tracing Method for Pricing Inter-Area Electricity Trades. AU Kattuman, Paul A.; Green, Richard J.; Bialek, Janusz W. AA Kattuman: University of Cambridge. Green: University of Hull. Bialek: University of Durham. SR University of Cambridge, DAE Working Paper: 0107; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 19. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE C71, D49, D63, L51, L94. KW Deregulation. Tracing. Pricing. Cooperative Games. Electricity Market.
AB In the context of liberalization of electricity markets world wide, the need for agreed protocols for electricity trades between systems with different charges poses a special challenge. System operators need to know how much a given trade uses the network, in order to allocate an appropriate portion of their costs to that trade. This paper discusses tracing, a technique for determining how much each of a number of trades uses different parts of the electricity network. The scheme is based on the assumption that at any network node, inflows are shared proportionally between outflows (and vice versa). The paper outlines the technique and shows how it could be applied to the problem of charging cross-border trades. The paper goes on to demonstrate that the technique has a game theoretic rationale, in that it produces the Shapley value solution to a game equivalent to this allocation problem.

TI The Business Cycle, Macroeconomic Shocks and the Cross Section: The Growth of UK Quoted Companies. AU Higson, Chris; Holly, Sean; Kattuman, Paul A.; Platis, S.

Katz, Lawrence F.

TI The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions. AU Goldin, Claudia; Katz, Lawrence F.

Kaufman, Martin

PD September 2001. TI Returns to Human Capital and Investment in New Technology. AU Kaufman, Martin; Luzio, Rodolfo; Dunaway, Steven. AA International

Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/133; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 15. **PR** not available. **JE** E64, J24, J31. **KW** New Technology. Human Capital. Wage Premium. Income Redistribution Policies.

AB This paper presents a simple framework that illustrates the link between skill-based wage differentiation and human capital acquisition given skill-biased technical progress. The analysis points to the economic costs resulting from labor market and income redistribution policies that prevent the skill premium from playing its role in fostering human capital accumulation and the adoption of new technologies. The study compares key economic indicators among Canada, France, Germany, the United Kingdom, and the United States. Differences in wage differentiation and investment in new technologies among these countries could be related to policies affecting labor markets; such practices may reflect social choices.

Kaufmann, Daniel

TI Barter in Transition Economies: Competing Explanations Confront Ukrainian Data. **AU** Marin, Dalia; Kaufmann, Daniel; Gorochowskij, Bogdan.

Kavuncu, Yusuf Okan

PD August 2001. **TI** An Intergenerational Cost-Benefit Analysis of Climate Change. **AU** Kavuncu, Yusuf Okan; Knabb, Shawn D. **AA** Kavuncu: University of California, Santa Barbara. Knabb: CU-Denver. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/06; Department of Economics, Working Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 27. **PR** no charge for domestic orders; for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** D61, D91, H23, Q21, Q28. **KW** Climate Change. Environmental Policy. Intergenerational Costs. Overlapping Generations. Kyoto Protocol.

AB This paper examines the intergenerational costs and benefits of environmental regulation in the context of climate change. We believe this issue has not been adequately addressed in the literature, compared with the search for efficiency-induced outcomes. The cost-benefit analysis employs a decentralized two-period overlapping generations framework based on the standard assumptions of the integrated assessment models. This structure allows us to capture realistic market imperfections arising from individual heterogeneity and productive activities across generations. On the policy front, we assume that the Kyoto Protocol, which is the most prominent global initiative, is strictly binding. Our results from numerical simulations indicate that the emissions stabilization policy is costly, with some unpleasant implications for current and near future generations. The benefits of the Protocol are not likely to appear for a long period of time, however, the more detrimental the environmental deterioration, the sooner the net benefit of stabilization policy.

Keller, Wolfgang

PD January 2000. **TI** Geographic Localization of International Technology Diffusion. **AA** University of Texas and NBER. **SR** National Bureau of Economic Research

Working Paper: 7509; 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** F15, F21, O18, O33, O47. **KW** Technology Diffusion. Convergence. Research and Development. Geographic Localization. Spillovers.

AB Convergence in per capita income across countries turns on whether technological knowledge spillovers are global or local. This paper estimates the amount of spillover from R&D expenditures in major industrialized countries on a geographic basis. A new data set is used which encompasses most of the world's innovative activity at the industry-level between the years 1970 and 1995. First, I find that technological knowledge is to a substantial degree local, not global, as the benefits from foreign spillover are declining with distance: on average, a 10 percent higher distance to a major technology-producing country such as the U.S. is associated with a 0.15 percent lower level of productivity. Second, technological knowledge has become more global over the sample period. As a determinant of productivity, foreign R&D has significantly gained in importance relative to domestic R&D, and the extent to which knowledge spillovers decline with distance has fallen by 20 percent. The finding of a falling but still high degree of localization has important implications for macroeconomics and growth, trade, and regional economics.

Kemfert, Claudia

TI Reaching National Kyoto-Targets in Germany by Maintaining a Sustainable Development. **AU** Bayer, Stefan; Kemfert, Claudia.

Keohane, Nathaniel O.

PD June 2000. **TI** Controlling Stocks and Flows to Promote Quality: The Environment, With Applications to Physical and Human Capital. **AU** Keohane, Nathaniel O.; Zeckhauser, Richard J.; Van Roy, Benjamin. **AA** Keohane: Harvard University. Zeckhauser: Harvard University and NBER. Van Roy: Stanford University. **SR** National Bureau of Economic Research Working Paper: 7727; 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** C61, E22, Q28, Q29. **KW** Promoting Quality. Environmental Quality.

AB Our analysis melds two traditional approaches to promoting quality. The first is restoring the stock of quality. The second is curbing its flow of deterioration. Although both approaches are widely used in real world settings, analytic models have tended to focus on one strategy or the other. We consider a class of problems, which we call "SFQ" problems, in which both stocks and flows can be controlled to promote quality. We develop our results in the context of environmental quality, drawing on real-world examples from atomic wastes to zebra mussels. But the lessons are general, and we show how they apply to promoting the quality of both physical and human capital. We first study optimal policies in the limiting cases when only abatement or restoration is possible. We then focus on the full SFQ world, where both approaches can be used. We show that the optimal policy employs both instruments. Moreover, when combined optimally, neither strategy takes the form it would in the absence of the other.

Keuning, Steven J.

TI The NAMEA as Validation Instrument for Environmental Macroeconomics. AU De Haan, Mark; Keuning, Steven J.

Khan, A. B.

TI The Balanced Expenditure System. AU Heesterman, A. R. G.; Khan, A. B.

Khan, Mohsin S.

PD September 2001. TI IMF Conditionality and Country Ownership of Programs. AU Khan, Mohsin S.; Sharma, Sunil. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/142; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 28. PR not available. JE D82, F34, G20. KW IMF-Supported Programs. Conditionality. Ownership. Principal-Agent. Moral-Hazard.

AB The paper uses finance and agency theory to establish two propositions: First, that the conditionality attached to adjustment programs supported by the IMF is justified. Second, that ownership of programs by the borrowing country is crucial for their success. Hence, since both IMF conditionality and country ownership are necessary, the task is one of designing conditionality to maximize program ownership, subject to providing adequate safeguards for IMF lending. The paper discusses some recent proposals for enhancing ownership, and in particular, makes a case for incorporating floating tranches and outcomes-based conditionality in IMF-supported adjustment programs.

Kho, Bong-Chan

PD February 2000. TI U.S. Banks, Crises, and Bailouts: From Mexico to LTCM. AU Kho, Bong-Chan; Lee, Dong; Stulz, Rene M. AA Kho and Lee: not available. Stulz: Ohio State University and NBER. SR National Bureau of Economic Research Working Paper: 7529; 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 F33, F42, F43, G15, G21. KW Bailouts. Emerging Markets. Currency Crises. Banks. Stock Prices.

AB This paper investigates the impact on bank stock prices of emerging market currency crises and bailouts. The stock market distinguishes between banks with exposure to a crisis country and other banks. In general, banks with exposure to a crisis country are affected adversely by currency events and positively by bailouts. Other banks are mostly unaffected by events in countries experiencing a crisis. The paper uses the impact of the LTCM crisis on bank stock prices to put the emerging market events in perspective. The LTCM crisis had no significant contagion effects in the banking sector either, but banks that participated in the LTCM rescue experienced negative stock returns when the rescue was announced.

Kilian, Lutz

PD February 2000. TI A Monetary Explanation of the Great Stagflation of the 1970s. AU Kilian, Lutz; Barsky, Robert B. AA University of Michigan. SR CEPR Discussion Paper: 2389; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 56. PR 5 pounds, $8 or 8 euros. JE E31, E32, E44. KW Stagflation. Commodity Prices. Oil Market. Monetary Policy.

AB It is common to associate the origins of the Great Stagflation of the 1970s with the two major oil price increases of 1973/74 and 1979/80. This paper argues that oil price increases were not nearly as essential a part of the causal mechanism generating stagflation as is often thought. We provide a model that can explain the bulk of stagflation by monetary expansions and contractions without reference to supply shocks. Monetary fluctuations also help to explain variations in the price of oil (and other commodities) and help to account for the striking coincidence of major oil price increases and worsening stagflation. We show that oil supply shocks may quite plausibly lower the GDP deflator and that there is little independent evidence that oil supply shocks actually raised the deflator (as opposed to the CPI). The oil supply shock view also fails to explain the dramatic surge in the price of other industrial commodities that preceded the 1973/74 oil price increase and the fact that increases in industrial commodity prices lead oil price increases in the OPEC period.

PD April 2000. TI Measuring Predictability: Theory and Macroeconomic Applications. AU Kilian, Lutz; Diebold, Francis X. AA Kilian: CEPR and University of Michigan. Diebold: NBER and New York University. SR CEPR Discussion Paper: 2424; 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 C22, C52, E32. KW Model Evaluation. Propagation Mechanism. Forecasting. Predictability Measure.

AB We propose a measure of predictability based on the ratio of the expected loss of a short-run forecast to the expected loss of a long- run forecast. This predictability measure can be tailored to the forecast horizons of interest, and it allows for general loss functions, univariate or multivariate information sets, and covariance stationary or difference stationary processes. We propose a simple estimator, and we suggest resampling methods for inference. We then provide several macroeconomic applications. First, we illustrate the implementation of predictability measures based on fitted parametric models for several U.S. macroeconomic time series. Second, we analyze the internal propagation mechanism of a standard dynamic macroeconomic model by comparing the predictability of model inputs and model outputs. Third, we use predictability as a metric for assessing the similarity of data simulated from the model and actual data. Finally, we outline several nonparametric extensions of our approach.

PD April 2000. TI Size Distortions of Tests of the Null Hypothesis of Stationarity: Evidence and Implications for the PPP Debate. AU Kilian, Lutz; Caner, Mehmet. AA Kilian: CEPR and University of Michigan. Caner: University of Pittsburgh. SR CEPR Discussion Paper: 2425; 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 C22, F31. KW Purchasing Power Parity. Mean Reversion. Critical Values. Real Exchange Rate. Size Distortion.

AB Tests of the null hypothesis of stationarity against the unit root alternative play an increasingly important role in empirical work in macroeconomics and in international finance. We show that the use of conventional asymptotic critical values for stationarity tests may cause extreme size distortions, if the

model under the null hypothesis is highly persistent. This fact calls into question the use of these tests in empirical work. We illustrate the practical importance of this point for tests of long-run purchasing power parity (PPP) under the recent float. We show that the common practice of viewing tests of stationarity as complementary to tests of the unit root null will tend to result in contradictions and in spurious rejections of long-run PPP. We discuss how the size distortions may be overcome; however, we show there are new problems with the size-corrected tests.

Kim, Byung-Yeon
TI   Plan, Siphoning, and Corruption in the Soviet Command Economy. AU   Harrison, Mark; Kim, Byung-Yeon.

Kim, Yungsan
TI   Has Inventory Investment Been Liquidity-Constrained? Evidence from U.S. Panel Data. AU   Choi, Woon Gyu; Kim, Yungsan.

Kimhi, Ayal
TI   Trade and the Rate of Income Convergence. AU   Ben-David, Dan; Kimhi, Ayal.

Klaassen, Franc
PD   January 1999. TI   Long Swings in Exchange Rates: Are They Really in the Data. AA   CentER and Tilburg University. SR   Tilburg CentER for Economic Research Discussion Paper: 9908; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG   27. PR   no charge. JE   C52, C53, F31. KW   Markov Regime Switching. Forecasting. Exchange Rates. Model Testing. Long Swings.
AB   The random walk is often used to model exchange rates. According to the Lucas critique, however, policy shifts may lead to breaks in the trend of exchange rates and hence to long swings. We use a Markov regime-switching model to allow for such swings and we reject the random walk in favor of the regime-switching model. Earlier papers report this result too, but the authors are concerned about the reliability of their Wald based tests in the strongly nonlinear regime-switching model. We show that these tests are indeed not very robust. Hence, we use a likelihood ratio test for which the (non-standard) critical values have been computed recently.

PD   January 1999. TI   Purchasing Power Parity: Evidence from a New Test. AA   CentER and Tilburg University. SR   Tilburg CentER for Economic Research Discussion Paper: 9909; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG   35. PR   no charge. JE   C52, C53, F31, F41. KW   Purchasing Power Parity. Markov Regime Switching. Forecasting. Exchange Rates. Model Testing.
AB   Most economists intuitively consider purchasing power parity (PPP) to be true. Nevertheless, quite surprisingly, the empirical literature is not very supportive of PPP. In this paper, however, we find evidence in favor of PPP using a new test. The test is embedded in a Markov regime- switching model for the exchange rate, because earlier papers have shown that this model describes the data better than the popular random walk. We allow for PPP by making the regime-switch probabilities

depend on the PPP deviation. Our second result is that PPP disequilibria have become shorter-lived for some exchange rates, which may be due to an increase in the trade openness of the countries involved.

PD   January 1999. TI   Have Exchange Rates Become More Closely Tied? Evidence from a New Multivariate Garch Model. AA   CentER and Tilburg University. SR   Tilburg CentER for Economic Research Discussion Paper: 9910; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG   30. PR   no charge. JE   C32, C52, F31. KW   Correlations. Multivariate Models. GARCH. Factor Models. Exchange Rates.
AB   We analyze the time-dependence of exchange rate correlations using a new multivariate GARCH model. This model consists of two parts. First, we transform the exchange rate changes into their principal components and specify univariate GARCH models for all components. Second, we use the inverse of the principal components construction to transform the conditional component moments back into those of the exchange rate changes themselves. The model is easy to estimate, as it requires only univariate GARCH estimations. Nevertheless, it outperforms the popular constant conditional correlations and factor GARCH models. We find that the major U.S. dollar exchange rates have become more loosely instead of closely tied since the eighties.

Kleijnen, J. P. C.
TI   Optimal Design of Experiments with Simulation Models of Nearly Saturated Queues. AU   Cheng, R. H. C.; Kleijnen, J. P. C.; Melas, V. B.

Kletzer, Kenneth
PD   August 2001. TI   Financial Repression and Exchange Rate Management in Developing Countries: Theory and Empirical Evidence for India. AU   Kletzer, Kenneth; Kohli, Renu. AA   Kletzer: International Monetary Fund and University of California at Santa Cruz. Kohli: Indian Council for Research on International Economic Relations. SR   International Monetary Fund Working Paper: WP/01/103; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   41. PR   not available. JE   E62, F41, O11. KW   Financial Repression. Balance of Payments. Crises. Exchange Rates.
AB   Most developing countries have imposed restrictions on domestic and international financial transactions at one time or another. Such restrictions have allowed governments to generate significant proportions of their revenues from financial repression while restraining inflation. The eventual fiscal importance of the revenues from seignorage and from implicit taxation of financial intermediation pose a challenge for financial reform and liberalization. This paper presents a model of the role of financial repression in fiscal policy and exchange rate management under capital controls. We show how a balance of payments crisis arises under an exchange rate peg without capital account convertibility in the model economy and how the instruments of financial repression may be used for exchange rate management. The model is compared to the experience of India, a country that exemplifies the fiscal importance of financial restrictions, in the last two decades. In particular, we discuss the dynamics leading up to devaluation in 1991 and the role of financial repression in exchange rate intervention afterwards.

Klijn, Flip

PD February 1999. **TI** Balancedness of Permutation Games and Envy-Free Allocations in Indivisible Good Economies. **AU** Klijn, Flip; Tijs, Stef; Hamers, Herbert. **AA** CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9921; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 5. **PR** no charge. **JE** C71, D63. **KW** Permutation Games. Balancedness. Envy-Free Allocations.

AB We present a simple proof of the balancedness of permutation games. In the proof, we use the existence of envy-free allocations in economies with indivisible objects, quasi-linear utility functions, and an amount of money.

Klyuev, Vladimir

PD September 2001. **TI** A Model of Exchange Rate Regime Choice in the Transitional Economies of Central and Eastern Europe. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/140; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** F31, F41. **KW** Transition. Exchange Rate Regime. Inflation.

AB The paper develops a model of exchange rate regime choice centered on the trade-off between internal price stability and external competitiveness and allowing for institutional costs of altering exchange rate arrangements. The main implication of the model is a nonlinear relationship between the rate of inflation and the choice of regime for the next period. The model also suggests that a major inflationary shock -- like the one to which all Central and Eastern European economies were subject when they allowed prices to be determined by the market -- should give rise to a tightening of the exchange rate regime, followed by a gradual introduction of more flexibility as inflation subsides. A series of regressions on a sample of 13 Central and Eastern European economies yield results consistent with the hypothesis.

Knabb, Shawn D.

TI An Intergenerational Cost-Benefit Analysis of Climate Change. **AU** Kavuncu, Yusuf Okan; Knabb, Shawn D.

Knaul, Felicia

TI Financial Crisis, Health Outcomes and Aging: Mexico in the 1980's and 1990's. **AU** Cutler, David M.; Knaul, Felicia; Lozano, Rafael; Mendez, Oscar; Zurita, Beatriz.

Kogel, Tomas

TI Agricultural Productivity Growth and Escape from the Malthusian Trap. **AU** Furnkranz-Prskawetz, Alexia; Kogel, Tomas.

Kohli, Renu

TI Financial Repression and Exchange Rate Management in Developing Countries: Theory and Empirical Evidence for India. **AU** Kletzer, Kenneth; Kohli, Renu.

Kolar, Jan

PD December 2000. **TI** Land Cover Accounting in the Czech Republic. **AA** GISAT, Czech Republic. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 92/2000; "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** O13, O47, Q24, Q25, Q32. **KW** Land Cover. Satellite Imagery. Environmental Accounting. Forest Quality.

AB This paper presents the methodological basis and the empirical results of land cover accounting in the Czech Republic. Land cover accounting comprises two types of accounts: core accounts and supplementary accounts. Core accounts provide information on land cover composition. However, for accounting purposes what really matters is the land cover change resulting from anthropogenic impacts rather than the state of land cover. Supplementary accounts are constructed for exploring and establishing a relationship between environmental and economic statistics. Core accounts identified significant changes in the Czech Republic in forest quality, as well as an increase in built- up areas and in mining and quarrying areas. Supplementary accounts enabled the building of a coefficient matrix which specifies the share of each economic activity type for a particular land cover category. In the future, scenario modeling will allow simulation of trends.

Kollintzas, Tryphon

TI Maintenance, Utilization, and Depreciation along the Business Cycle. **AU** Collard, Fabrice; Kollintzas, Tryphon.

Kolstad, Charles D.

PD September 2000. **TI** The Economics of Climate Policy. **AU** Kolstad, Charles D.; Toman, Michael. **AA** Kolstad: University of California, Santa Barbara. Toman: Resources for the Future. **SR** Resources for the Future Discussion Paper: 00/40; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 61. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** D61, D62, F42, Q28, Q48. **KW** Climate Change. Environmental Policy. International Agreements. Integrated Assessment.

AB Economics has played an increasingly important role in shaping policy, in the United States and elsewhere. This paper reviews some of the dimensions of the economic approach to analyzing, understanding, and developing solutions to the problem of climate change. We then turn to the issue of designing regulatory instruments to control the problem. The paper concludes with a discussion of the political economics of greenhouse gas control in an international context.

Komarek, Lubos

PD November 2001. **TI** Currency Substitution in the Transition Economy: A Case of the Czech Republic 1993-2001. **AU** Komarek, Lubos; Melecky, Martin. **AA** Komarek: Czech National Bank and University of Warwick. Melecky: Technical University of Ostrava. **SR** Warwick Economic Research Paper: 613; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. **PG** 33. **PR** no charge. **JE** E41, E65, F31, P24. **KW** Currency Substitution. Money Demand. Transition Economies. Czech Republic.

AB Currency substitution appears to be an important issue affecting the design of monetary policy, especially in transition economies. Therefore, this paper strives to analyze the

particular relevance of a currency substitution phenomenon for the Czech Republic. We initially discuss various approaches and definitions of currency substitution that are found in the literature. Subsequently, we discuss the role of currency substitution in small open economies in transition with some illustrations relating to the Czech Republic. The empirical part of this paper presents estimations of a modified Branson and Henderson portfolio model for the Czech Republic's case. This provides a multi- perspective approach to currency substitution in a broad sense. Further, we attempt to intensify the robustness of our estimation, applying several cointegration techniques. Finally, based on our estimates, we discuss potential implications of currency and asset substitution for the Czech economy.

PD December 2001. TI Demand for Money in the Transition Economy: The Case of the Czech Republic 1993-2001. AU Komarek, Lubos; Melecky, Martin. AA Komarek: Czeck National Bank and University of Warwick. Melecky: Technical University of Ostrava. SR Warwick Economic Research Paper: 614; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 24. PR no charge. JE C22, E41, E65, F31, P24. KW Money Demand. Transmission Mechanism. Transition Economies. Czech Republic. Liquidity Gap.
AB In this paper we strive to present a somewhat internationalized view of the demand for money as applied to the Czech Republic. We extend the traditional money demand function, consisting purely of domestic variables, to include certain foreign determinants that probably affect the demand for money in a small open transition economy. We do so in the case of both narrow and broad money. For the purposes of attaining robust estimates we employ several estimation techniques. We also consider the stability of such estimates. Finally, we analyze the possible effects on prices and output of disequilibria in the money market. We find that a liquidity gap probably has a significant influence on both prices and output.

Kontolemis, Zenon G.
TI Monetary Policy Under EMU: Differences in the Transmission Mechanism? AU Clements, Benedict; Kontolemis, Zenon G.; Levy, Joaquim.

Koopman, Siem Jan
PD December 1998. TI Statistical Algorithms for Models in State Space Using SsfPack 2.2. AU Koopman, Siem Jan; Shephard, Neil; Doornik, Jurgen A. AA Koopman: CentER and Tilburg University. Shephard and Doornik: Nuffield College. SR Tilburg CentER for Economic Research Discussion Paper: 98141; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 55. PR no charge. JE C13, C15, C22, C87. KW Kalman Filtering. Monte Carlo. Ox. Simulation Smoothing. State Space.
AB This paper discusses and documents the algorithms of SsfPack 2.2. SsfPack is a suite of C routines for carrying out computations involving the statistical analysis of univariate and multivariate models in state space form. The emphasis is on documenting the link we have made to the Ox computing environment. SsfPack allows for a full range of different state space forms: from a simple time-invariant model to a complicated time-varying model. Functions can be used which put standard models such as ARIMA and cubic spline models in state space form. Basic functions are available for filtering, moment smoothing and simulation smoothing. Ready-to-use functions are provided for standard tasks such as likelihood evaluation, forecasting and signal extraction. We show that SsfPack can be easily used for implementing, fitting and analyzing Gaussian models relevant to many areas of econometrics and statistics. Some Gaussian illustrations are given.

TI Time Series Analysis of Non-Gaussian Observations Based on State Space Models from Both Classical and Bayesian Perspectives. AU Durbin, Jim; Koopman, Siem Jan.

Kopits, George
PD September 2001. TI Fiscal Rules: Useful Policy Framework or Unnecessary Ornament? AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/145; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 19. PR not available. JE D61, E62, H61, H62. KW Fiscal Policy. Fiscal Rules.
AB With the primary objective of conferring credibility on macroeconomic policies, an increasing number of advanced and emerging market economies have adopted various forms of fiscal rules (mainly balanced-budget requirements and debt limits). In contrast to previous fiscal rules, man of which lacked transparency, recently introduced rules have the potential of serving as a useful depoliticized policy framework, and over time, can contribute to stability and growth. To this end, they need to be well designed and supported by an appropriate institutional infrastructure.

Kort, Peter M.
TI Strategic Technology Investment Under Uncertainty. AU Huisman, Kuno J. M.; Kort, Peter M.

Koszegi, Botond
TI Is Addiction "Rational"? Theory and Evidence. AU Gruber, Jonathan; Koszegi, Botond.

Koutsougeras, Leonidas C.
PD January 1999. TI A Remark on the Number of Trading Posts in Strategic Market Games. AA Tilburg University and University of Manchester. SR Tilburg CentER for Economic Research Discussion Paper: 9904; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 9. PR no charge. JE C72, D50. KW Trading Posts. Law of One Price. Market Games. Game Theory.
AB In market games the one to one correspondence between commodity types and trading posts would be justified if it were true that the set of equilibria is not affected by the number of trading posts postulated at the onset of the model. We show that this is not true. We develop an example which features equilibria in which a commodity is simultaneously exchanged in two trading posts at different prices, i.e. equilibria where the "law of one price" fails when the one to one correspondence between commodities and trading posts is abandoned. Thus, we conclude that the set of equilibria in market games depends non-trivially on the number of trading posts. This conclusion

further suggests that an explanation of the structure of trading posts is necessary.

Kraay, Aart

AB How do countries hold their financial wealth? This paper constructs a new database of countries' claims on capital located at home and abroad, and international borrowing and lending, covering 68 countries from 1966 to 1997. A small amount of capital flows from rich countries to poor countries. Countries' foreign asset positions are remarkably persistent, and mostly take the form of foreign loans rather than foreign equity. To interpret these facts, a simple model of international capital flows that highlights the interplay between diminishing returns and production risk is built. The probability that international crises occur twice a century is enough to generate a set of country portfolios that are roughly consistent with the data.

Kramarz, Francis

AB In this paper, we present a summary of recent microeconometric results on the evaluation of the effects of active labor market policies on youth employment in France. We focus our discussion on three types of policies: (1) youth employment schemes for out-of- employment and low-skilled young adults, (2) on-the-job training schemes, (3) payroll tax subsidies for minimum wage workers. Training programs for unemployed young workers have in general no effects on post-training wages or employment probabilities, except if they have a large training content. In contrast, the reduction of labor costs has significant effects on employment probabilities of low-wage workers; however their effects appear to be stronger for workers between 25 and 30.

Kremer, Michael

AB Developing countries with highly unequal income distributions, such as Brazil or South Africa, face an uphill battle in reducing inequality. Educated workers in these countries have a much lower birthrate than uneducated workers. Assuming children of educated workers are more likely to become educated, this tends to increase the proportion of unskilled workers, reducing their wages, and thus their opportunity cost of having children, creating a vicious cycle. A model incorporating this effect generates multiple steady-state levels of inequality, suggesting that in some circumstances, temporarily increasing access to educational opportunities could permanently reduce inequality. Empirical evidence suggests that the fertility differential between the educated and uneducated is greater in less equal countries, consistent with the model.

AB This paper examines the effect of reduced transaction costs in the international trading of assets on the ability of governments to issue debt. In our model, governments care about the welfare of their citizens, and thus are more inclined to default if a large proportion of their debt is held by foreigners. Reductions in transaction costs make it easier for domestic citizens to share risk by selling debt to foreigners. This may increase tendencies for governments to default, and thus raise their cost of credit and reduce welfare. Even without transaction costs, home bias in placement of government debt may persist, because in the presence of default risk, the return on government debt is negatively correlated with the tax burden required to pay the debt. Asset inequality may reduce this home bias, increasing foreign ownership and therefore incentives for default. If foreign creditors are less risk averse than domestic creditors, there may be one equilibrium in which domestic creditors hold the asset with low default risk, and another in which foreign creditors hold the asset with high default risk.

AB Several programs have been proposed to improve incentives for research on vaccines for malaria, tuberculosis, and HIV, and to help increase accessibility of vaccines once they are developed. This paper explores the design of such programs, focusing on commitments to purchase new vaccines. For vaccine purchase commitments to spur research, potential vaccine developers must believe that the sponsor will not

renege on the commitment once vaccines have been developed and research costs sunk. The key determinant of credibility will therefore be eligibility and pricing rules, rather than whether funds are physically set aside in separate accounts. The credibility of purchase commitments can be enhanced by specifying rules governing eligibility and pricing of vaccines in advance and insulating those interpreting these rules from political pressure through long terms. Requiring developing to contribute co-payments would help ensure that they felt that the vaccines were useful given the conditions in their countries.

Krishna, Kala

PD January 2000. **TI** If at First You Don't Succeed...: Profits, Prices and Market Structure in a Model of Quality with Unknowable Consumer Heterogeneity. **AU** Krishna, Kala; Winston, Tor. **AA** Krishna: Pennsylvania State University and NBER. Winston: Pennsylvania State University. **SR** National Bureau of Economic Research Working Paper: 7494; 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** C73, D43, D81, L13, L15. **KW** Product Quality. Price Determination. Consumer Heterogeneity. Fixed Costs. Natural Oligopolies.
AB Why are higher quality niches seen as intrinsically more profitable in business circles? Why do high quality products sometimes have a low real price, while it is unusual to see low quality products with high real prices? This paper develops a new model of quality which explains such phenomena. The model builds on the idea that even if a customer chooses to purchase a product, it may fail to "deliver". If a product fails to deliver, the customer may wish to choose some other product. A higher quality product has a higher probability of delivering. The authors model this as a three stage game where firms first choose whether to enter or not, then in the second stage choose their quality and in the last stage, their price. The model has a number of interesting predictions. First, it suggests that in equilibrium, a wider range of price per unit of quality is to be found for high quality goods than for low quality ones. Second, it provides a theoretical reason for why high quality niches may be more profitable. Third, it suggests that the nature of the fixed costs of establishing quality plays a critical role in determining when free entry could be consistent with the existence of profits and result in "natural oligopolies" and when it would tend to eliminate all profits.

Krishnamurthy, Arvind

TI International Liquidity Management: Sterilization Policy in Illiquid Financial Markets. **AU** Caballero, Ricardo J.; Krishnamurthy, Arvind.

Krolzig, Hans-Martin

TI Modelling Business Cycles Features Using Switching Regime Models. **AU** Clements, Michael P.; Krolzig, Hans-Martin.

PD September 2000. **TI** A New Approach to the Analysis of Business Cycle Transitions in a Model of Output and Employment. **AU** Krolzig, Hans-Martin; Toro, Juan. **AA** Krolzig: University of Oxford. Toro: European University Institute. **SR** Oxford Department of Economics Discussion Paper: 59; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/

working_papers.htm. **PG** 15. **PR** 2 pounds. **JE** C32, E23, E24, E32, E37. **KW** Business Cycles. Impulse Response. Cointegration. Regime Shifts. Markov Switching.
AB This paper proposes a new framework for the impulse-response analysis of business cycle transitions. A cointegrated vector autoregressive Markov-switching model is found to be a congruent representation of post-war US employment and output data. In this model some parameters change according to the phase of the business cycle which effects employment and output simultaneously. The long-run dynamics are characterized by a cointegrating vector including employment, output and a trend as a proxy for technological progress and capital accumulation. Short-run and long-run dynamics are jointly estimated in a Markov-switching vector-equilibrium-correction model with three regimes representing recession, growth and high growth. For the analysis of the dynamics of output and employment, a new set of impulse-response exercises is considered.

PD November 2000. **TI** Classical and Modern Business Cycle Measurement: The European Case. **AU** Krolzig, Hans-Martin; Toro, Juan. **AA** Krolzig: University of Oxford. Toro: European University Institute. **SR** Oxford Department of Economics Discussion Paper: 60; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/ working_papers.htm. **PG** 16. **PR** 2 pounds. **JE** C32, E32, F43, F47, O52. **KW** Business Cycles. European Union. Markov Switching. Structural Breaks. Time Series.
AB This paper intends to harmonize two different approaches to the analysis of the business cycle and in doing so it retrieves the stylized facts of the business cycle in Europe. We start with the "classical" approach proposed in Burns and Mitchell (1946) of dating and analyzing the business cycle; we then adopt the "modern" alternative: the Markov-switching time series model proposed in Hamilton (1989a). The model's regime probabilities provide an optimal statistical inference of the turning point of the European business cycle. For assessing the capacity of the parametric approach to generate the stylized facts of the classical cycle in Europe, the stylized facts of the original data are compared to those of simulated data. The MS VAR model is shown to be a good candidate for use as a statistical instrument to improve the understanding of the business cycle.

Krupnick, Alan

PD September 2000. **TI** Age, Health, and the Willingness to Pay for Mortality Risk Reductions: A Contingent Valuations Survey of Ontario Residents. **AU** Krupnick, Alan; Alberini, Anna; Cropper, Maureen; Simon, Nathalie; O'Brien, Bernie; Goeree, Ron; Heintzelman, Martin. **AA** Krupnick and Heintzelman: Resources for the Future. Alberini: University of Maryland. Cropper: University of Maryland and World Bank. Simon: U.S. Environmental Protection Agency. O'Brien and Goeree: McMaster University. **SR** Resources for the Future Discussion Paper: 00/37; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 41. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** D81, I12, I19, Q26. **KW** Mortality Risk Valuation. Contingent Valuation. Age. Health Status. Willingness to Pay.
AB Much of the justification for environmental rulemaking rests on estimates of the benefits to society of reduced mortality rates. This research aims to fill gaps in the literature that

estimates the value of a statistical life (VSL) by designing and implementing a contingent valuation study for persons 40 to 75 years of age, and eliciting willingness to pay (WTP) for reductions in current and future risks of death. Targeting this age range also allows us to examine the impact of age on WTP and, by asking respondents to compete a detailed health questionnaire, to examine the impact of physical and mental health status on WTP. Our mean WTP estimates for a contemporaneous risk reduction imply a VSL ranging approximately from $1.2 to $3.8 million (1999 Canadian $), depending on the size of the risk change valued, which is at or below estimates commonly used in environmental cost- benefit analyses by the Canadian and U.S. governments.

Kugler, Adriana

TI   Hiring and Firing Costs, Adverse Selection and the Persistence of Unemployment.   AU   Saint-Paul, Gilles; Kugler, Adriana.

Kuijs, Louis

TI   Real Convergence to EU Income Levels: Central Europe from 1990 to the Long Term. AU   Doyle, Peter; Kuijs, Louis; Jiang, Guorong.

Kumar, Manmohan S.

PD   September 2001. TI   Pure Contagion and Investors' Shifting Risk Appetite: Analytical Issues and Empirical Evidence. AU   Kumar, Manmohan S.; Persaud, Avinash. AA   Kumar: IMF. Persaud: State Street Bank, London. SR   International   Monetary   Fund   Working   Paper: WP/01/134; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   23. PR   not available. JE   F31, F32, G20, G33. KW   Risk Aversion. Contagion Affects. Financial Crises.
AB   This paper discusses a "pure" form of financial contagion, unrelated to economic fundamentals -- investors' shifting appetite for risk. It provides an analytical framework for identifying changes in investors' risk appetite and discusses whether it is possible to directly measure them in a way that can enable policy makers to differentiate between financial contagion and domestic fundamentals as the immediate source of a crisis. Daily measures of risk appetite are computed and their usefulness in predicting financial crises is assessed.

Kupiec, Paul H.

PD   August 2001. TI   The New Basel Capital Accord: The Devil Is in the (Calibration) Details. AA   International Monetary Fund. SR   International Monetary Fund Working Paper: WP/01/113; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   20. PR   not available. JE   G18, G21, G28. KW   Bank Regulation. Basel Accord. Capital Requirements. Credit Risk.
AB   This paper considers characteristics of the capital requirements proposed in The New Basel Capital Accord (2001). Formal analysis identifies calibration features that could give rise to unintended consequences that may include: concentration of credit risk in institutions that are less well equipped to measure and manage risks; an overabundance of thinly capitalized high quality long-maturity credits in foundation Internal Ratings-Based (IRB) banks; distortions in the secondary market for discount or premium credits; an increase in the difficulty of resolving distressed financial

institutions; and incentives to distort the accuracy of loan loss provisions.

La Ferrara, Eliana

PD   April 2000. TI   Inequality and Group Participation: Theory and Evidence from Rural Tanzania. AA   Universita Bocconi. SR   CEPR Discussion Paper: 2433; 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   D31, D71, O12. KW   Social Capital. Group Participation. Income Distribution. Inequality. Tanzania.
AB   This paper investigates the determinants of group membership, and in particular the effect of income inequality on individual incentives to join economic groups. Drawing on a simple model, we show that an increase in inequality has an ambiguous effect, and that the type of access rule (open versus restricted access) is key in determining what income categories are represented in the group. Furthermore, the shape of the income distribution can be crucial in determining whether increased inequality leads to more or less group participation. Using survey data from rural Tanzania we find that inequality at the village level has a negative impact on the likelihood that the respondents are members of any group. However, when we disaggregate groups by type of access rule, we find that inequality may lead to increased or decreased participation, depending on the group access rule and the shape of income distribution. Finally, we assess the impact of inequality on various dimensions of group functioning.

La Porta, Rafael

TI   Tunneling. AU   Johnson, Simon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei.

Labadie, Gaston J.

TI   The Effect of Unions on Employment: Evidence from an Unnatural Experiment in Uruguay. AU   Cassoni, Adriana; Allen, Steven G.; Labadie, Gaston J.

Lahiri, Amartya

PD   June 2000. TI   Delaying the Inevitable: Optimal Interest Rate Policy and BOP Crises. AU   Lahiri, Amartya; Vegh, Carlos A. AA   Lahiri: UCLA. Vegh: UCLA and NBER. SR   National Bureau of Economic Research Working Paper: 7734; 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   F41, E52. KW   Balance of Payments Crises. Optimal Interest Rates.
AB   The classical model of balance of payments crises implicitly assumes that the central bank sits passively as international reserves dwindle. In practice, however, central banks typically defend pegs aggressively by raising short-term interest rates. This paper analyzes that feasibility and optimality of raising interest rates to delay a potential BOP crisis. Interest rate policy works through two distinct channels. By raising demand for domestic, interest-bearing liquid assets, higher interest rates tend to delay the crisis. Higher interest rates, however, increase public debt service and imply higher future inflation, which tends to bring forward the crisis. We show that, under certain conditions, it is feasible to delay the crisis, but raising interest rates beyond a certain point may actually hasten the crisis. A similar non-monotonic relationship

emerges between welfare and the increase in interest rates. It is thus optimal to engage in some active interest rate defense but only up to a certain point. In fact, there is a whole range of interest rate increases for which it is feasible to delay the crisis but not optimal to do so.

Lahiri, Sajal

PD June 2000. TI Special Interest Politics and Aid Fungibility. AU Lahiri, Sajal; Raimondos-Moller, Pascalis. AA Lahiri: University of Essex. Raimondos-Moller: University of Copenhagen and CEPR. SR CEPR Discussion Paper: 2482; 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 F11, F35, O00. KW Foreign Aid. Fungibility. Lobbying. Politics.
AB This paper develops a political-economic model of aid fungibility. A donor country gives aid to a recipient government for the benefit of a target group. However, the recipient government accepts political contributions from a lobby group not targeted by the donor and transfers a fraction of the aid to the non-target group. The size of this fraction is determined endogenously in the political equilibrium in the recipient country. The paper examines how the donor's behavior affects the equilibrium, and how changes in the parameters of the model affect the total amount of aid and the proportion of it reaching the target group.

Laibson, David

TI The Economic Approach to Social Capital. AU Glaeser, Edward L.; Sacerdote, Bruce; Laibson, David.

Lal, Deepak

PD July 2000. TI Globalization, Imperialism and Regulation. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 810; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 35. PR $5.00 (to cover the cost of postage and photocopying). JE F02, F33, N40, O19. KW Globalization.
AB This paper challenges the idea that globalization should be viewed as a damaging western ideology. Rather than being an expression of US imperialism, the benign process of globalization is threatened by the unwillingness of the US to maintain its Pax Americana, whilst simultaneously attempted to legislate the affairs of the world through a form of "ethical imperialism." The argument is developed through an examination of the debate over global public goods, ·in particular the maintenance of peace, and the role of international financial institutions in dealing with recurrent financial crises.

PD October 2000. TI Asia and Western Dominance: Retrospect and Prospect. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 813; Working Paper Coordinator. Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 33. PR $5.00 (to cover the cost of postage and photocopying). JE N40, O10, O53, Z10. KW Asia.
AB This paper looks at the historic engagement between the great Eurasian civilizations since the voyages of discovery, and examines the extent to which the hopes of an independent and strong Asia, melding its own traditions with the modernity that the West has forced on it, have been achieved.

PD November 2000. TI The New Cultural Imperialism: The Greens and Economic Development. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 814; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 33. PR $5.00 (to cover the cost of postage and photocopying). JE O13, O19, Q01, Z12. KW Environmentalism. Poverty. India.
AB This paper argues that environmentalism has become a new secular Western religion which threatens world disorder as well as the prospects of alleviating poverty in the Third World. It critically examines the Green agenda in terms of a number of prospective international environmental treaties: the Kyoto protocol, the Basle convention, the POPs treaty, and the Biodiversity convention, and shows how these pose serious threats to the prospects of alleviating poverty in India.

PD January 2002. TI The Japanese Slump. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 811; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 11. PR $5.00 (to cover the cost of postage and photocopying). JE E30, E10, F40, H10, O23. KW Japan.
AB This paper examines the Japanese slump through the respective macroeconomic spectacles of Hayek and Keynes, and shows that the decade-old slump is Hayekian in nature, and its cure is hampered both by the high yen policy misguidedly thrust on Japan by the US as well as the peculiarities of Japanese political economy.

PD January 1999. TI The Role of Economic Incentives and Disincentives in Effecting State Behavior. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 809; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 25. PR $5.00 (to cover the cost of postage and photocopying). JE F20, N40, O19, Z13. KW Globalization. Incentives. Foreign Capital. Economic Sanctions.
AB This paper provides a critical historical evaluation of three general types of economic incentives and disincentives which have been used to influence state behavior. The first type are treaties concerning trade and international property rights of foreign capital, the second are various status incentives from joining economic clubs like the EU and WTO and, third, various forms of economic sanctions including economic conditionality of the World Bank and IMF.

Lambert-Mogiliansky, Ariane

TI Corruption and Competition in Public Market Auctions. AU Verdier, Thierry; Compte, Olivier; Lambert-Mogiliansky, Ariane

PD June 2000. **TI** Capture of Bankruptcy: Theory and Evidence from Russia. **AU** Lambert-Mogiliansky, Ariane; Sonin, Konstantin; Zhuravskaya, Ekaterina. **AA** Lambert-Mogiliansky: CERAS. Sonin: Harvard University and CEPR. Zhurayskaya: Stockholm School of Economics, Center for Economic and Financial Research, Moscow, and CEPR. **SR** CEPR Discussion Paper: 2488; 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, G33, H11, H77. **KW** Bankruptcy. Capture. Incentives. Regional Governments. Restructuring.

AB Laws that work well in a rule-of-law country may produce unexpected outcomes in a corrupt environment. This paper argues that the legal system in Russia is faulted by the capture of regional divisions of arbitrage courts. The consequences of this is analyzed for the efficiency of Russian bankruptcy law. Using a theoretical model and a systematic analysis of available evidence, the conclusions are formed. First, the governors, in alliance with managers of large regional enterprises, use bankruptcy institution as a mechanism for effective expropriation of the federal government and the outside investors. Second, the bankruptcy law does not create pressure on managers to restructure; instead, it may even prevent restructuring.

Lamont, Owen A.

PD July 2000. **TI** Does Diversification Destroy Value? Evidence from Industry Shocks. **AU** Lamont, Owen A.; Polk, Christopher. **AA** Lamont: University of Chicago. Polk: Northwestern University. **SR** National Bureau of Economic Research Working Paper: 7803; 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 the U.S.). **JE** G34. **KW** Diversification. Firm Value.

AB Does corporate diversification reduce shareholder value? Since firms endogenously choose to diversify, exogenous variation in diversification is necessary in order to draw inferences about the causal effect. Changes in the within-firm dispersion of industry investment, or "diversity" are examined. Exogenous changes in diversity, due to changes in industry investment, are negatively related to firm value. Thus diversification destroys value, consistent with the inefficient internal capital markets hypothesis. This finding is not caused by measurement error. Exogenous changes in industry cash flow diversity are also negatively related to firm value.

Lane, Philip R.

PD August 2001. **TI** Long-Term Capital Movements. **AU** Lane, Philip R.; Milesi-Ferretti, Gian Maria. **AA** Lane: TCD. Milesi-Ferretti: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/107; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 48. **PR** not available. **JE** F21, F34. **KW** Net Foreign Assets. Public Debt. Demographics.

AB International financial integration allows countries to become net creditors or net debtors with respect to the rest of the world. In this paper, we show that a small set of fundamentals-shifts in relative output levels, the stock of public debt and demographic factors-can do much to explain the evolution of net foreign asset positions. In addition, we highlight the role that "external wealth" plays in determining the behavior of the trade balance, and we provide some evidence that a portfolio balance effect exists: real interest rate differentials are inversely related to net foreign asset positions.

Lang, Kevin

TI Language-Skill Complementarity: Returns to Immigrant Language Acquisition. **AU** Berman, Eli; Lang, Kevin; Siniver, Erez.

Lanjouw, Jean O.

PD January 2000. **TI** Do Patents Matter?: Empirical Evidence after GATT. **AU** Lanjouw, Jean O.; Cockburn, Iain. **AA** Lanjouw: Yale University and NBER. Cockburn: Boston University and NBER. **SR** National Bureau of Economic Research Working Paper: 7495; 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** D21, I18, L65, O34. **KW** Intellectual Property. Patent Protection. Research and Development. Pharmaceuticals. GATT.

AB Since the late 1980s the global intellectual property rights (IPR) system has been strengthening dramatically as much of the developing world introduces patent protection for new drug products. As there are identifiable differences in the drug demands of these countries as compared to those already offering such protection the situation offers a unique opportunity to examine the incentive role of patent protection. The authors use new survey data from India, the results of interviews with industry, government and multinational institutions, and measures of R&D activity constructed from a variety of statistical sources to determine trends in the allocation of research to products specific to developing country markets. There is some, although limited, evidence of an increase in the mid- to late 1980s which appears to have leveled off in the 1990s. In interpreting the trends the authors examine factors that might enhance, or dampen, a firm's responsiveness to the availability of product patents. The picture presented here provides a 'baseline' against which future research activity can be compared once the new global patent regime is fully established and uncertainty about its implementation is resolved.

Laxminarayan, Ramanan

PD September 2000. **TI** Economics of Antibiotic Resistance: A Theory of Optimal Use. **AU** Laxminarayan, Ramanan; Brown, Gardner M. **AA** Laxminarayan: Resources for the Future. Brown: University of Washington. **SR** Resources for the Future Discussion Paper: 00/36; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 26. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** I12, I19, Q31, Q39. **KW** Antibiotics. Disease. Externality. Nonrenewable Resource.

AB In recent years bacteria have become increasingly resistant to antibiotics, leading to a decline in the effectiveness of antibiotics in treating infectious disease. This paper uses a framework based on an epidemiological model of infection in which antibiotic effectiveness is treated as a nonrenewable resource. In the model presented, bacterial resistance (the converse of antibiotic effectiveness) develops as a result of selective pressure on nonresistant strains due to antibiotic use.

When two antibiotics are available, the optimal proportion and timing of their use depends on the difference between the rates at which bacterial resistance to each antibiotic evolves and on the differences in their pharmaceutical costs. Standard numerical techniques are used to illustrate cases for which the analytical problem is intractable.

PD · October 2000. TI   Biological Limits on Agricultural Intensification: An Example from Resistance Management. AU   Laxminarayan,   Ramanan;   Simpson,   R.   David. AA   Resources for the Future. SR   Resources for the Future Discussion Paper: 00/43; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG   14. PR   Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE   Q15, Q16,   Q22,   Q24.   KW   Resistance   Management. Biotechnology. Renewable Resource. Land Use. Agricultural Productivity.
AB   When the application of pesticides places selective evolutionary pressure on pest populations, it can be useful to plant refuge areas -- crop areas intended to encourage the breeding of pests that are susceptible to the pesticide. Renewed interest in refuge areas has arisen with recent advances in biotechnology and genetically modified (GM) crops. In this paper, we use a simple model of the evolution of pest resistance to characterize the socially optimal refuge strategy for managing pest resistance. We demonstrate some analogies with other models of renewable resource management. We also examine the land use consequences of the enhanced agricultural productivity that results from the use of GM crops. The standard claim is that GM crops could reduce the total area required for agriculture and thereby increase the quantity of land conserved for natural habitat. We show that the situation may not be as simple as standard arguments portray it.

Le Breton, Michel
TI   Equilibrium Agenda Formation. AU   Dutta, Bhaskar; Jackson, Matthew O.; Le Breton, Michel.

Le Gall, Francoise
PD   September 2001. TI   The New International Financial Architecture and Africa. AU   Le Gall, Francoise; Nsouli, Saleh   M.   AA   International   Monetary   Fund. SR   International   Monetary   Fund   Working   Paper: WP/01/130; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   29. PR   not available. JE   F02, F31, F36. KW   Africa. Globalization. International Financial Architecture.
AB   The new international financial architecture can help African countries benefit from globalization, while minimizing the risks, and foster an environment conducive to increased domestic investment and higher sustained growth. This paper highlights the progress that African countries have made in several areas of the new architecture, but it also underscores the considerable way that these countries must go to meet the requirements of the new architecture.

Lechene, Valerie
PD   September 2000. TI   Departures From Slutsky Symmetry in Noncooperative Household Demand Models. AU   Lechene, Valerie; Preston, Ian. AA   Lechene: Wadham College, Oxford. Preston: University College London and Institute for Fiscal Studies. SR   Oxford Department of Economics Discussion Paper: 52; Department of Economics,

University of Oxford, Manor Road Building, Oxford OX1 3UQ, England.   Website: www.economics.ox.ac.uk/Research/ working_papers.htm. PG   9. PR   2 pounds. JE   C62, C72, D11, H41.   KW Nash Equilibrium.   Household Allocations. Slutsky Symmetry. Demand Functions.
AB   Maximization of utility by a single consumer subject to a linear budget constraint is well known to imply strong restrictions on the properties of demand functions. Empirical applications to data on households however frequently reject these restrictions. In particular such data frequently show a failure of Slutsky symmetry -- the restriction of symmetry on the matrix of compensated price responses. Browning and Chiappori (1998) show that under assumptions of efficient within-household decision making, the counterpart to the Slutsky matrix for demands from a k member household will be the sum of a symmetric matrix and a matrix of rank k - 1. We establish the rank of the departure from Slutsky symmetry for couples under the assumption of Nash equilibrium in individual demands with both partners contributing to all public goods. We show that the Slutsky matrix is the sum of a symmetric matrix and another of rank at most 2. This result implies not only that the Browning-Chiappori assumption of efficiency can be tested against other models within the class of those based on individual optimization, but also that the hypothesis of Nash equilibrium in demands has testable content against a general alternative.

Lee, Dong
TI   U.S. Banks, Crises, and Bailouts: From Mexico to LTCM. AU   Kho, Bong-Chan; Lee, Dong; Stulz, Rene M.

Legros, Patrick
TI   Monotone Matching in Perfect and Imperfect Worlds. AU   Newman, Andrew; Legros, Patrick.

Lei, Qin
TI   Real Estate Market Developments and Financial Sector Soundness. AU   Hilbers, Paul; Lei, Qin; Zacho, Lisbeth.

LeRoy, Stephen F.
PD   September   2001.   TI   Infinite   Portfolios. AA   University   of   California,   Santa   Barbara. SR   University of California, Santa Barbara, Working Papers in Economics: 01/08; Department of Economics, Working Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG   18. PR   no charge for domestic orders; for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE   G11, G12.   KW   Martingales.   Doubling   Strategies. Portfolio Strategies. Arbitrage. Valuation.
AB   In infinite-date models, the received definitions of the payoffs of finite portfolio strategies imply discontinuous valuation. Accordingly, in the absence of trading restrictions, arbitrage results when infinite trading strategies are admitted. We propose an alternative that is free of these problems. The alternative produces a cleaner, if more abstract, treatment of equilibrium in financial models in infinite-date settings. We consider the bearing of the revised treatment on the theory of rational speculative bubbles and equivalent martingale measures.

Levine, David I.

TI Changes in Managerial Pay Structures 1986-1992 and Rising Returns to Skill. **AU** O'Shaughnessy, K. C.; Cappelli, Peter; Levine, David I.

Levine, Phillip B.

PD February 2000. **TI** Children's Welfare Exposure and Subsequent Development. **AU** Levine, Phillip B.; Zimmerman, David J. **AA** Levine: Wellesley College and NBER. Zimmerman: Williams College. **SR** National Bureau of Economic Research Working Paper: 7522; 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** C33, D62, I38, J13. **KW** Welfare Exposure. Instrumental Variables. Fixed Effects. Children. Maternal Welfare Receipt.
AB We examine the extent to which children are exposed to the welfare system through their mother's receipt of benefits and its impact on several developmental outcomes. Using data from the matched mother- child file from the National Longitudinal Survey of Youth (NLSY), we find that children's welfare exposure is substantial. By age 10 over one-third of all children will have lived in a welfare household; black, non-Hispanic children face a much higher rate of exposure. Simple correlations suggest a strong negative relationship between maternal welfare receipt and children's outcomes. In this paper we implement three alternative strategies (instrumental variables, sibling difference, and child fixed effects models) designed to identify whether this correlation can be attributed to the mother's welfare receipt directly or to other characteristics of mothers who receive welfare, regardless of whether or not those characteristics are observable to the researcher. Based on the results of all three estimation strategies, we find little evidence of any causal link between maternal welfare receipt and children's developmental outcomes.

Levitt, Steven D.

TI Winning Isn't Everything: Corruption in Sumo Wrestling. **AU** Duggan, Mark; Levitt, Steven D.

Levy, Joaquim

TI Monetary Policy Under EMU: Differences in the Transmission Mechanism? **AU** Clements, Benedict; Kontolemis, Zenon G.; Levy, Joaquim.

Lewin, Richard A.

PD April 2001. **TI** The Derivation of a New Model of Equity Duration. **AU** Lewin, Richard A.; Satchell, Stephen E. **AA** University of Cambridge. **SR** University of Cambridge, DAE Working Paper: 0104; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. **PG** 22. **PR** $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** E31, G12, G23, G33. **KW** Asset Pricing. Dividends. Equity Duration. Equity Valuation. Pension Funds.
AB This paper addresses the issue of equity duration, one of several risk measures available for asset and liability management. When equity duration is derived from the use of traditional dividend discount models, the result is extremely long duration estimates for equities -- often in excess of 50 years for growth stocks. Leibowitz (1986) identified an alternative framework for assessing equity duration empirically. This methodology yields equity duration measures more consistent with the experience of practitioners, implying that equities behave as if they are much shorter duration instruments. In our paper, based on an application to UK data, we develop the intuition behind the Leibowitz approach of generating equity duration as a by-product of asset pricing. Our analysis suggests that the equity premium puzzle may comprise an important element in reconciling the Leibowitz approach to equity duration with the more traditional dividend discount model alternative.

Liebman, Jeffrey

TI The Distributional Effects of an Investment-Based Social Security System. **AU** Feldstein, Martin; Liebman, Jeffrey.

Lindley, Joanne

PD September 2001. **TI** The English Language Fluency and Earnings of Ethnic Minorities in Britain. **AA** University of Nottingham. **SR** University of Nottingham, GEP Research Paper: 2001/15; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. **PG** 16. **PR** no charge. **JE** J15, J61. **KW** Language. Discrimination. Earnings. Non-Whites.
AB This study addresses two issues. First, it estimates how much of the male and female ethnic earnings gap is the result of an advantage in the English language and whether there is an earnings penalty to non- whites, over and above this. Lack of fluency is shown to have a highly significant impact on the earnings of ethnic minorities in Britain, although the language penalty is much greater for women than it is for men. Moreover, only foreign-born non-white males exhibit lower earnings once language fluency is taken into consideration, while British-born females exhibit higher earnings. So the evidence here suggests that non-white earnings are assimilating towards those of whites and that lower female non-white earnings are a direct result of a lack of fluency rather than ethnicity. Secondly, the study will try to measure any endogenous bias associated with the non-fluency earnings penalty. Controlling for the endogeneity between language fluency and earnings is shown to be problematic. Estimates suggest that single equation earnings functions underestimate the true language fluency penalty for males, and overestimate the fluency penalty for females. Finally, education and fluency are not surprisingly shown to be complementary.

Link, Albert

PD September 2001. **TI** An Econometric Analysis of Trends in Research Joint Venture Activity. **AU** Link, Albert; Paton, David; Siegel, Donald. **AA** Link: University of North Carolina at Greensboro. Paton and Siegel: University of Nottingham. **SR** University of Nottingham, GEP Research Paper: 2001/19; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/. **PG** 11. **PR** no charge. **JE** O32, O38. **KW** Research Joint Ventures. National Cooperative Research Act. Structural Stability Analysis. Advanced Technology Program.
AB This paper estimates an econometric model of the

propensity of firms to engage in research joint ventures (RJVs), in order to explain the recent precipitous decline in RJVs filed with the U.S. Department of Justice. It finds that RJV activity is inversely related to the competitive position of U.S. firms in global high-technology industries and that the establishment of the U.S. Commerce Department's Advanced Technology Program (ATP) induced a structural change in the propensity of firms to engage in RJVs. Thus, two factors may explain the recent downturn in RJV filings: a substantial improvement in U.S. global performance in high-technology markets and a sharp decline in ATP funding.

Lippi, Marco
TI   Reference Cycles: The NBER Methodology Revisited. AU   Forni, Mario; Lippi, Marco; Reichlin, Lucrezia; Hallin, Marc.

Lipsey, Robert E.
PD   July 2000. TI   Interpreting Developed Countries' Foreign Direct Investment. AA   National Bureau of Economic Research. SR   National Bureau of Economic Research Working Paper: 7810; 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 the U.S.). JE   F21, F23. KW   Foreign Direct Investment.
AB   Countries that invest extensively abroad are usually also large recipients of FDI. Flows of FDI are evidently not a major influence on capital formation. Thus, financing capital formation is not a primary role of FDI. FDI transfers the ownership of existing productive assets from less efficient to more efficient owners. Within individual broad industry groups, U.S. FDI tends to move to countries with comparative disadvantages in trade relative to the United States in machinery industries. In resource-intensive industries, however, it moves to countries with comparative advantages in trade relative to the United States. The difference suggests that company comparative advantages dominate investment in machinery, but country comparative advantages dominate in resource-intensive industries. If FDI is transferring assets and production from less efficient to more efficient owners and managers, inward FDI can be viewed in the recipient countries as freeing capital that had been frozen in industries that the owners would prefer to leave. It permits the former owners to allocate their capital in more desirable and profitable ways. Outward FDI permits a home country's firms to optimally exploit their skills and comparative advantages, perhaps lost to the home countries, but retained by the country's firms.

Littlechild, Stephen C.
PD   June 2001. TI   Competitive Bidding for a Long-Term Electricity Distribution Contract. AA   University of Birmingham and University of Cambridge. SR   University of Cambridge, DAE Working Paper: 0112; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge   CB3   9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG   31. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE   L33, L43, L51, L94, Q48. KW   Franchise Bidding. Contracting Out. Natural Monopoly. Electricity Market. Regulation.
AB   Demsetz (1968) advocated competitive bidding as a replacement for natural monopoly regulation. Williamson

(1976) and Goldberg (1976) argued that these problems of natural monopoly regulation are inherent in long-term investment under uncertainty, and that both long-term and short-term franchising contracts may be more problematic than regulation. London Underground recently put out to tender a long-term (thirty-year) contract for the operation, maintenance, repair and renewal of its electricity distribution network. The evidence of this contract suggests that competitive bidding to provide a natural monopoly service is feasible and advantageous. However, the contract involves considerable resources to formulate and monitor, and envisages repeated modifications and additional works. The possibility of competitive contracting to replace or supplement utility network regulation deserves further consideration.

Ljungqvist, Alexander P.
TI   Has the Introduction of Bookbuilding Increased the Efficiency of International IPOs? AU   Jenkinson, Tim; Ljungqvist, Alexander P.; Wilhelm, William J., Jr..

Lloyd-Braga, Teresa
TI   Unions, International Factor Mobility and Indeterminacy. AU   Aloi, Marta; Lloyd-Braga, Teresa.

Loayza, Norman
TI   Country Portfolios. AU   Kraay, Aart; Loayza, Norman; Serven, Luis; Ventura, Jaume.

Lofstrom, Magnus
TI   Immigrant Assimilation and Welfare Participation: Do Immigrants Assimilate Into or Out of Welfare? AU   Hansen, Jorgen; Lofstrom, Magnus.

Lopez-de-Silanes, Florencio
TI   Tunneling. AU   Johnson, Simon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei.

TI   Tunneling. AU   Johnson, Simon; La Porta, Rafael; Lopez-de-Silanes, Florencio; Shleifer, Andrei.

Lovely, Mary E.
TI   Generational Conflict, Human Capital Accumulation, and Economic Growth. AU   Holtz-Eakin, Douglas; Lovely, Mary E.; Tosun, Mehmet S.

Lozano, Rafael
TI   Financial Crisis, Health Outcomes and Aging: Mexico in the 1980's and 1990's. AU   Cutler, David M.; Knaul, Felicia; Lozano, Rafael; Mendez, Oscar; Zurita, Beatriz.

Lucifora, Claudio
TI   The College Wage Gap in 10 European Countries: Evidence from Two Cohorts. AU   Brunello, Giorgio; Comi, Simona; Lucifora, Claudio.

Lundblad, Christian
TI   Emerging Equity Markets and Economic Development. AU   Bekaert, Geert; Harvey, Campbell R.; Lundblad, Christian.

Luzio, Rodolfo
TI   Returns to Human Capital and Investment in New

Technology. AU Kaufman, Martin; Luzio, Rodolfo; Dunaway, Steven.

MacCulloch, Robert J.
TI The Macroeconomics of Happiness. AU Di Tella, Rafael; MacCulloch, Robert J.; Oswald, Andrew J.

Maggi, Giovanni
TI Work Environment and Individual Background: Explaining Regional Shirking Differentials In A Large Italian Firm. AU Ichino, Andrea; Maggi, Giovanni.

Magnac, Thierry
TI Youth Employment Policies in France. AU Kramarz, Francis; Fougere, Denis; Magnac, Thierry.

Mankiw, N. Gregory
PD February 2000. TI The Savers-Spenders Theory of Fiscal Policy. AA Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 7571; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 12. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE D91, E21, E62, H31. KW Fiscal Policy. Overlapping Generations. Savers.
AB The macroeconomic analysis of fiscal policy is usually based on one of two canonical models -- the Barro-Ramsey model of infinitely-lived families or the Diamond-Samuelson model of overlapping generations. This paper argues that neither model is satisfactory and suggests an alternative. In the proposed model, some consumers plan ahead for themselves and their descendants, while others live paycheck to paycheck. This model is easier to reconcile with the essential facts about consumer behavior and wealth accumulation, and it yields some new and surprising conclusions about fiscal policy.

Manove, Michael
TI Collateral vs. Project Screening: A Model of Lazy Banks. AU Padilla, A. Jorge; Pagano, Marco; Manove, Michael.

Manski, Charles F.
PD March 2000. TI Economic Analysis of Social Interactions. AA Northwestern University and NBER. SR National Bureau of Economic Research Working Paper: 7580; 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 A12, A14, C79, C81. KW Social Interactions. Empirical Practices. Sociology.
AB Economists have long been ambivalent about whether the discipline should focus on the analysis of markets or should be concerned with social interactions more generally. Recently the discipline has sought to broaden its scope while maintaining the rigor of modern economic analysis. Major theoretical developments in game theory, the economics of the family, and endogenous growth theory have taken place. Economists have also performed new empirical research on social interactions, but the empirical literature does not show progress comparable to that achieved in economic theory. This paper examines why and discusses how economists might make sustained contributions to the empirical analysis of social interactions.

Manzocchi, Stefano
PD February 2000. TI Outsiders in Economic Integration: The Case of a Transition Economy. AU Manzocchi, Stefano; Ottaviano, Gianmarco I. P. AA Manzocchi: Universita di Ancona. Ottaviano: Universita di Bologna. SR CEPR Discussion Paper: 2385; 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, F31. KW International Trade. Monetary Integration. Economic Geography. Transition Economies.
AB We use a spatial model of endogenous growth to investigate the likely impact of discriminatory integration among two advanced insider countries on their own welfare as well as on the welfare of an outsider transition economy. A first point is that, since convergence in per capita income levels depends on relative market access and local market size, piece-wise integration causes insider-outsider divergence. Nonetheless, outsiders can gain in absolute terms if integration fosters the global growth rate. We also show that exclusion from a regional agreement and ongoing transition have unpredictable joint effects on the structural adjustment, which might even exhibit a swinging behavior. Such swings may imply large adjustment costs, which can be reduced by careful integration design. In this respect, the asymmetric phasing-out of trade barriers built into the Europe Agreements seems to work in the right direction.

Margo, Robert A.
TI Race and the Value of Owner-Occupied Housing, 1940-1990. AU Collins, William J.; Margo, Robert A.

Maria-Dolores, Ramon
TI Asymmetries in Monetary Policy Rules: Evidence for Four Central Banks. AU Dolado, Juan Jose; Naveira-Barrero, Manuel; Maria-Dolores, Ramon.

Marin, Dalia
PD April 2000. TI Barter in Transition Economies: Competing Explanations Confront Ukrainian Data. AU Marin, Dalia; Kaufmann, Daniel; Gorochowskij, Bogdan. AA Marin: University of Munich, CEPR, and RECEP. Kaufmann: World Bank. Gorochowskij: Humboldt University. SR CEPR Discussion Paper: 2432; 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, G39, O16, P23, P34. KW Transition Economies. Capital Market Failure. Credit Enforcement. Barter. Market Imperfections.
AB In this paper we survey the common explanations of barter in transition economies and expose them to detailed survey data on 165 barter deals in Ukraine in 1997. The evidence does not support the notion that soft budget constraints, lack of restructuring, or the virtual economy are the driving forces behind barter. Further, tax avoidance is only weakly associated with the incidence of barter in Ukraine. We explore an alternative explanation of barter as a mechanism to address transitional challenges where capital markets and economic institutions are poorly developed. Barter helps soften the liquidity squeeze when credit enforcement is prohibitively costly; barter also prevents firms being exploited by their input suppliers when the suppliers' bargaining position is very strong

due to high costs of switching suppliers. Thus, in the absence of trust and functioning capital markets, barter is a response to imperfect input and financial markets in the former Soviet Union. The paper discusses potential long- term costs of barter arrangements, and suggests particular pitfalls of expansionary monetary policy in barter economies such as Ukraine and Russia.

Markandya, Anil

PD December 2000. **TI** Valuing Damages for Green Accounting Purposes: The GARP II Approach. **AU** Markandya, Anil; Hunt, Alistair; Mason, Pamela. **AA** *University of Bath.* **SR** *Fondazione Eni Enrico Mattei* Note di Lavoro: 93/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 9. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** O47, Q25, Q29, Q32. **KW** Environmental Accounting. Pollution. Green National Accounting.
AB This paper reports the results of a four country project -- the Green Accounting Research Project II (GARP II) -- on aspects of green accounting, namely the estimation of damages to air and water. The countries covered are Germany, Italy, Netherlands, and the United Kingdom. It follows an earlier project (GARP I) covering the same countries, which was a first attempt to provide national-level damage estimates on a spatially disaggregated basis for key air pollutants. GARP II covers more pollutants and also attributes the damages to sources, such as industry, power generation, and transport. This paper reports the key results of the project and compares the methodology used with that of an alternative methodology -- the Greened National Statistical and Modeling Procedures (GREENSTAMP) approach.

PD December 2000. **TI** Green National Accounting: Synthesising and Extending the Welfare Based and Sustainability-Standard Based Approaches. **AU** Markandya, Anil; Mason, Pamela; Tamborra, Marialuisa. **AA** Markandya and Mason: University of Bath. Tamborra: FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 94/2000; "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** O13, O47, Q20, Q32. **KW** Green National Accounting. Welfare Analysis. Sustainability. Environmental Accounting.
AB This paper examines the theoretical foundations of green national accounting, noting that its assumptions have led to green national income measuring welfare-based income, which is not necessarily equal to sustainable income. We review two major approaches to estimating green accounting: the welfare-based Green Accounting Research Project (GARP) approach provides the values of environmental damage to estimate the net welfare generated by economic activity, and the Greened National Statistical and Modeling Procedures (GREENSTAMP) approach calculates the economic output compatible with achieving environmental sustainability. The GARP approach facilitates the identification of efficient levels of environmental protection, while the GREENSTAMP approach identifies the costs of meeting sustainable standards. These distinct advantages suggest that the two approaches could be fruitfully synthesized; we outline how this could be achieved, and discuss the integration of the two approaches proposed by the current revision of the United Nations System of Environmental and Economic Accounting.

Markowitz, Sara

PD January 2000. **TI** The Role of Alcohol and Drug Consumption in Determining Physical Fights and Weapon Carrying by Teenagers. **AA** NBER. **SR** National Bureau of Economic Research Working Paper: 7500; 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** C21, J13, K14. **KW** Drugs. Alcohol. Violent Behavior. Two-Stage Least Squares. Teenagers.
AB The purpose of this study is to examine the question of whether alcohol or drug use causes teenagers to engage in violent behaviors as measured by physical fighting, carrying a gun, or carrying other types of weapons. Simple OLS estimation of the effects of drug and alcohol consumption on violence may be biased because of the possibility that both behaviors are determined by unmeasured individual traits. Two-stage least squares estimates are employed to establish causality. This method first predicts consumption using the prices of beer, marijuana and cocaine and then enters predicted consumption in the violence equation. This technique allows the consumption measures to be purged of their correlation with unobserved characteristics. Data come from the National School-Based Youth Risk Behavior Surveys, which are nationally representative samples of high school students. Results indicate that beer and marijuana consumption do cause teens to engage in more physical fights, while cocaine use appears to have no relationship. None of the substances lead to increased probabilities of carrying a gun or other weapon.

Marsh, Ian W.

TI How Do UK-Based Foreign Exchange Dealers Think Their Market Operates? **AU** Cheung, Yin-Wong; Chinn, Menzie D.; Marsh, Ian W.

Martinez-Giralt, Xavier

PD June 2000. **TI** Public and Private Provision of Health Care. **AU** Martinez-Giralt, Xavier; Pita Barros, Pedro Luis. **AA** Martinez-Giralt: Universitat Autonoma de Barcelona. Pita Barros: Universidade Nova de Lisboa and CEPR. **SR** CEPR Discussion Paper: 2491; 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** I11, I18. **KW** Health Care. Mixed Oligopoly.
AB One of the mechanisms used in cost containment in health-care in western countries is the definition, by the third-party payer, of a set of preferred providers. The insured patients have different access rules to such providers when ill. The rules specify the co-payments patient must pay when using an out-of-plan care provider. This paper proposes to study the competitive process among providers in terms of both prices and qualities. Competition is influenced by the status of providers as in-plan or out-of-plan care providers. Also, there is a moral hazard of provider choice related to the trade-off between freedom to choose and the need to hold down costs. Our main findings are that we can define a reimbursement scheme when decisions on prices and qualities are taken simultaneously (that we relate to primary health-care sectors) such that the first-best allocation is achieved. In contrast, some type of regulation is needed to achieve the optimal solution

when decisions are sequential (specialized health-care sector). Some normative conclusions are also derived on the way price controls should be implemented in some European Union Member States.

Mash, Richard
PD September 2000. TI Host Country-Foreign Investor Bargaining Power and Investment Incentive Provisions in Multilateral Investment Agreements. AA University of Oxford. SR Oxford Department of Economics Discussion Paper: 47; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG 24. PR 2 pounds. JE C78, F21, H25, L14. KW Foreign Investment. Bargaining. Multilateral Agreements. Commitment. Time Inconsistency.
AB The paper is concerned with foreign investment in developing countries and the incentives offered to attract that investment in relation to the use of a possible future multilateral investment agreement as a commitment device over incentive levels. The existing literature has identified two sources of benefit from such commitment: firstly to avoid time inconsistency problems whereby incentives are less effective than otherwise because investors fear that they may be reduced once sunk costs have been incurred; and secondly to avoid excessive competition for foreign investment. This paper demonstrates a third benefit from commitment which arises from low host country bargaining power when negotiating incentive levels with foreign investors. If bargaining power is low, incentives agreed under bargaining will be generous to the investor and host country welfare will be lower than otherwise. It is shown that this consequence of low bargaining power may be avoided if host countries can commit themselves in advance to provisions that limit the incentives they may subsequently agree with foreign investors. It is argued that provisions of this kind should be optimal from a host country perspective.

Mason, Pamela
TI Valuing Damages for Green Accounting Purposes: The GARP II Approach. AU Markandya, Anil; Hunt, Alistair; Mason, Pamela.

TI Green National Accounting: Synthesising and Extending the Welfare Based and Sustainability-Standard Based Approaches. AU Markandya, Anil; Mason, Pamela; Tamborra, Marialuisa.

Massa, Massimo
TI Daily Momentum and Contrarian Behavior of Index Fund Investors. AU Goetzmann, William N.; Massa, Massimo.

Masson, Paul R.
PD September 2001. TI Migration, Human Capital, and Poverty in a Dual-Economy Model of a Developing Country. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/128; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 20. PR not available. JE J32, J24, J62, O18, R23. KW Migration. Poverty. Development.
AB The coexistence of urban and rural poverty and migration to cities is studied in a dual economy model where the

acquisition of skills is costly and involves migration to urban areas. In this model, both the distribution of innate abilities and the distribution of wealth matter for the migration decision, and costs of back-migration may produce an urban poverty trap if unemployment lowers household wealth below the cost of skills acquisition.

Mattoo, Aaditya
PD June 2000. TI Reciprocity Across Modes of Supply in the WTO: A Negotiating Formula. AU Mattoo, Aaditya; Olarreaga, Marcelo. AA World Bank and CEPR. SR CEPR Discussion Paper: 2481; 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, F15. KW GATS. Services. Trade. Reciprocity. WTO.
AB The negotiations on trade in services at the World Trade Organization (WTO) have so far produced little liberalization beyond levels unilaterally undertaken by countries. One reason is the neglect of the traditional negotiating principle of reciprocity. In particular, there has been a failure to exploit the scope built into the General Agreement in Services (GATS) for exchange of market access "concessions" across the different modes of supply, e.g., cross-border delivery, and the movement of capital and individuals. Using the Heckscher-Ohlin-Vanek framework, this paper proposes a negotiating formula that generalizes the fundamental WTO principle of reciprocity to include alternative modes of delivery. Adoption of this formula as a basis for negotiations could help deliver greater liberalization commitments on all modes, thus producing substantial gains in global welfare and more balanced outcomes.

Matusz, Steven
TI Globalization, Employment, and Income: Analyzing the Adjustment Process. AU Davidson, Carl; Matusz, Steven.

TI On Adjustment Costs. AU Davidson, Carl; Matusz, Steven.

Mauro, Paolo
TI On Regional Monetary Arrangements for ASEAN. AU Bayoumi, Tamim; Eichengreen, Barry; Mauro, Paolo.

TI Macroeconomic Policies and Poverty Reduction: Stylized Facts and an Overview of Research. AU Cashin, Paul; Mauro, Paolo; Pattillo, Catherine; Sahay, Ratna.

Mayer, Colin
TI Who Disciplines Bad Management? AU Franks, Julian; Mayer, Colin; Renneboog, Luc.

McAusland, Carol
TI On Agricultural Protection and Exotic Species Introductions. AU Costello, Christopher; McAusland, Carol.

McCallum, Bennett T.
PD May 2000. TI Alternative Monetary Policy Rules: A Comparison with Historical Settings for the United States, the United Kingdom, and Japan. AA Carnegie Mellon University and NBER. SR National Bureau of Economic Research Working Paper: 7725; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA

AB This paper conducts counterfactual historical analysis of several monetary policy rules by contrasting actual settings of instrument variables with values that would have been specified by the rules in response to prevailing conditions. Of particular interest is whether major policy mistakes, judged ex post, would have been prevented by candidate rules. The rules studied include those of Taylor and McCallum, previously considered by Alison Stuart, plus several additional combinations of instrument and target variables. The time spans examined are 1962-1998 for the U.S. and U.K., and 1972-1998 for Japan. In addition to various substantive findings, the paper develops several methodological arguments. A surprising result is that rules' messages are evidently more dependent upon the specification of their instrument than their target variable.

McGarry, Kathleen

AB Discussions of changes in the Social Security program must necessarily consider the impact on the poor elderly. Under the current system, the financial needs of this population are met by the Supplement Security Income program (SSI). One of the most surprising aspects of the program is that many of those eligible for benefits are not enrolled. This paper examines the participation for a sample of eligible individuals, and uses the results to simulate the effect of changes in eligibility criteria on participation and on costs. The largest expansion considered in the paper, providing an income guarantee for all elderly individuals that is equal to the poverty line, increases payments directed towards the elderly by 90 percent, to approximately 8 billion in 1993 dollars. Although large, this is less than half of the expenditures for the SSI disabled population in that year. Other modifications to SSI would be less costly, but would provide less relief to the poor. Importantly, all programs, including the current system, could have substantially greater effects on poverty if participation rates were increased.

McKibbin, Warwick J.

Mehta, Paras

Meijdam, Lex

AB The effects of fiscal policy are analyzed in a two-sector endogenous growth model with overlapping-generations. Firstly, it is shown that long-run growth, and thus utility of future generations, can be stimulated by a flat tax on capital income as well as by a flat tax on labor income or a subsidy on human capital. Secondly, it is shown that a tax on capital income harms all existing generations, while taxing labor income or subsidizing human capital may be a Pareto improvement. Finally, it is shown that taxes on capital and labor are not used in an optimal policy, but that a subsidy on human capital is a necessary instrument to realize the first-best outcome of a market economy.

Melas, V. B.

Melecky, Martin

Melenberg, Bertrand

Mella-Barral, Pierre

Mendez, Oscar

Meyer, Bruce D.

Taxation. Family Differences.

AB   We describe the enormous changes in social and tax policy in recent years that have encouraged work by single mothers. We document the changes in federal and state income taxes, AFDC and Food Stamp benefits, Medicaid, training and child care programs. We describe the quantitative importance of these changes and their timing. We also describe how these changes differed across states and show how they affected families with different numbers and ages of children and with different family incomes. We then examine whether the changes in employment rates over time for different demographic groups and states are consistent with a causal effect of these policies on employment. We use multiple comparison groups and two datasets over a long time period. The results support the more structural findings in Meyer and Rosenbaum (1999a) of substantial EITC effects on employment as well as the findings in Eissa and Liegman (1996) and Ellwood (1999).

TI   The Effect of Immigration on Native Self-Employment.
AU   Fairlie, Robert W.; Meyer, Bruce D.

Milesi-Ferretti, Gian Maria

TI   Long-Term Capital Movements. AU   Lane, Philip R.; Milesi-Ferretti, Gian Maria.

Miller, Ronald I.

TI   Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates (BACE) Approach. AU   Doppelhofer, Gernot; Miller, Ronald I.; Sala-i-Martin, Xavier.

Mincer, Jacob

PD   July 2000. TI   Technology, Unemployment, and Inflation. AU   Mincer, Jacob; Danninger, Stephan. AA   Mincer and Danninger: Columbia University. SR   National Bureau of Economic Research Working Paper: 7817; 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 the U.S.). JE   J31, J64. KW   Skill Differentials. Employment. Unemployment. Hiring. Training.
AB   This paper explores the response of employment (unemployment) skill differentials to skill-biased shifts in demand touched off by the new and spreading technologies. Skill differentials in unemployment follow at least in part the same pattern as skill differentials in wages: they widen initially but decline after a roughly 5-year lag, allowing time for training and learning to handle the new technologies. In the micro (PSI) cross-section the differentials show up as sectoral differences defined by technology. In the aggregate time series relative unemployment is defined by educational unemployment differentials. The pace and turnaround in the "unemployment gap" is twice as fast as in the "wage gap". Apparently, the hiring and training response is quicker than the wage response. In addition to technology, maturing of the workforce and growth of international trade reduce unemployment in the longer run. The same variables also significantly reduce inflation in both the short and long run. Given the actual changes in these factors in the early 90's, a little over a half of the decline in unemployment and about 70 percent of the reduction in inflation in the latter half of the last decade is predictable.

Mishkin, Frederic S.

TI   Causes of the Korean Financial Crisis: Lessons for Policy. AU   Hahm, Joon-Ho; Mishkin, Frederic S.

Mitchell, Olivia S.

TI   Mortality Risk, Inflation Risk, and Annuity Products. AU   Brown, Jeffrey R.; Poterba, James M.; Mitchell, Olivia S.

Moel, Alberto

TI   Selling Company Shares to Reluctant Employees: France Telecom's Experience. AU   Degeorge, Francois; Jenter, Dirk; Moel, Alberto; Tufano, Peter.

Mohtadi, Hamid

PD   May 2001. TI   Democracy, Rent Seeking, Public Spending and Growth. AU   Mohtadi, Hamid; Roe, Terry L. AA   Mohtadi: University of Minnesota and University of Wisconsin- Milwaukee. Roe: University of Minnesota. SR   University of Minnesota Economic Development Center Bulletin: 01/02; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/~econlib. PG   18. PR   no charge. JE   D72, H41, O41, P16. KW   Democracy. Rent Seeking. Economic Growth. Public Goods. Two-Sector Growth Models.
AB   Does democratization imply faster growth, less corruption and less inefficiency? Past studies yield ambiguous results on the effects of democracy on economic performance and growth. We develop a simple two- sector endogenous growth model that shows that both very young and mature democracies grow faster than countries in mid-stages of democratization, producing a "U" effect. This effect results from the pattern of rent-seeking as it diverts from the provision of public goods. Rent-seekers act as monopolistic competitors. Initially, more democracy increases their number, raising aggregate rents. However, rents per rent-seeker fall with the number of rent-seekers. Due to this crowding effect and the increased competition among rent-seekers, aggregate rents fall in mature democracies. Thus, rents show an "inverted-U" effect in relation to democracy. We find fairly robust supporting evidence for the latter.

Mommer, Bernard

PD   June 2000. TI   The Governance of International Oil: The Changing Rules of the Game. AA   Oxford Institute for Energy Studies. SR   Oxford Institute for Energy Studies Working Paper: WPM26; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. PG   40. PR   20pounds UK and Overseas. JE   H39, Q41, Q48. KW   Oil Governance. Royalty. OPEC. Lease. International Energy Agency.
AB   The paper deals with rent capturing in upstream oil, a game involving three parties: the international companies, and the governments of both the exporting and the consuming countries. The latter, seeking to maximize consumers' rent, aim at lower prices. In contrast, the resource-owning governments aim at higher prices in order to maximize their fiscal take. The companies as intermediaries maximize profits. The governance of international oil has been dominated by each of these three parties in different periods. This paper concentrates on the governance structure developed by the governments of the consuming countries. The paper touches upon the International

Energy Agency, the development of upstream contacts with the national oil companies of the exporting countries, bilateral investment treaties, and the Energy Charter Treaty.

PD May 1999. **TI** Oil Prices and Fiscal Regimes. **AA** Oxford Institute for Energy Studies. **SR** Oxford Institute for Energy Studies Working Paper: WPM24; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. **PG** 35. **PR** 20 pounds UK and Overseas. **JE** H32, H39, Q41, Q48. **KW** Oil Prices. Absolute Rent. Lease. Concession. License.
AB Fiscal regimes in oil may be divided into two classes: the first may be labeled liberal, the second one proprietorial. Both are discussed in this paper. In comparing liberal and proprietorial fiscal regimes, there are two extreme cases at the ends of the spectrum. The first is a radical liberal regime, where the government does not exercise ownership rights, and the producing companies only have to face consumers. The second is a radical proprietorial fiscal regime, where there is no private company, and where governments face consumers directly. From one extreme to the other spans the range of actual fiscal regimes in oil, with the producing companies mediating between consumers and landlords. Over the last ten years or so, the liberal approach has not been confined to non-OPEC (Organization of Petroleum Exporting Countries) oil-exporting countries: some OPEC countries have adopted it. One major event favoring this trend was the collapse of the Soviet Union, an oil exporter. This paper compares the two oil fiscal regimes that co-exist today. It draws important implications for oil prices should the liberal supersede the proprietorial regime.

Moors, J. J. A.
PD March 1999. **TI** Double Checking for Two Error Types. **AA** Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9923; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 12. **PR** no charge. **JE** C13, C42, C63, M41. **KW** Auditing. Double Inspection. Error Types. Inspection Errors. Quality Control.
AB When auditors have to check large populations of recorded values, they use sampling methods nowadays. From the number of errors found in the sample, an upper confidence level for the fraction of errors in the population can be derived. Thereby, it is assumed that all auditor's checks were faultless. Auditors may make mistakes, however: errors in the sample may remain unnoticed, a correctly recorded value may be seen as an error by the auditor. Consequently, it is important to check the auditing process itself. In this paper, this is done by checking a subsample of the checked values once more -- now by an expert who is assumed to work flawlessly. The numbers of both types of auditor's error have to be combined with the number of errors found in the first sample; from these, an upper confidence limit for the population error fraction has to be derived. As a first step, the maximum likelihood estimators for the parameters involved are presented here. Then, the desired upper limit can be calculated by similar methods as used in Moors et al. (1997).

Morales, R. Armando
PD August 2001. **TI** Czech Koruna and Polish Zloty: Spot and Currency Option Volatility Patterns. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/120; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** not available. **JE** F31, F36, G13. **KW** Exchange Rate. Volatility. Eastern Europe. Options.
AB Exchange rate flexibility has facilitated an impressively fast insertion of the Czech koruna and the Polish zloty into the global currency market. However, exchange rate volatility patterns differ: Lower volatility is observed for the koruna against the euro relative to the U.S. dollar, while the opposite is true for the zloty, apparently related to earlier financial integration of the Czech Republic with Europe and early dollarization in Poland as a result of higher inflation rates. By contrast, the currency options market shows enhanced information content of both currencies against the euro reflected in the behavior of their implied volatility.

Morelli, Massimo
TI Bad Politicians. **AU** Caselli, Francesco; Morelli, Massimo.

Morrissey, Oliver
PD November 2001. **TI** The Role of the WTO in the Transfer of Policy Knowledge on Trade and Competition. **AU** Morrissey, Oliver; Nelson, Douglas. **AA** Morrissey: University of Nottingham. Nelson: Tulane University. **SR** University of Nottingham, GEP Research Paper: 2001/32; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/˜lezec/research/dp/. **PG** 25. **PR** no charge. **JE** D73, D83, F13. **KW** Policy Learning. Social Learning. Hierarchical Social Learning. GATT. World Trade Organization.
AB This paper uses theories of policy learning and of policy-making to examine how global institutions such as the World Trade Organization (WTO) can influence policy choices. In pure learning by doing, policy choices are based on information relating to the history of an active policy; there is no information on alternative policies. New information on priors provides an incentive to choose a different policy. In the case of social learning, policy-makers can observe the policies chosen by other actors, but the signals those other actors receive is unobserved. External agents (global institutions of knowledge transfer) can influence policy choice by altering priors, providing technical advice or providing information on the (unobserved) effects of the policy choices of others. If the aim is to promote competition, institutions should also show awareness of the global competition environment. Many policies are advocated on the implicit assumption of competitive markets. This gives a false impression of the state of nature, and increases the probability that the effect of reforms will be less beneficial than predicted. If so, the reputation of the WTO as a 'purveyor of global policy knowledge' may be undermined.

Morsink, James
TI A Peek Inside the Black Box: The Monetary Transmission Mechanism in Japan. **AU** Bayoumi, Tamim; Morsink, James.

Moser, Gary
PD August 2001. **TI** Economic Growth and Poverty

Reduction in Sub-Saharan Africa. **AU** Moser, Gary; Ichida, Toshihiro. **AA** Moser: International Monetary Fund. Ichida: Columbia University. **SR** International Monetary Fund Working Paper: WP/01/112; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 35. **PR** not available. **JE** I12, I21, I31, O11. **KW** Poverty. Growth. Human Development. Health. Education. Africa.
AB This study confirms a strong and robust relationship between economic growth and poverty reduction in sub-Saharan Africa. Employing a panel of 46 countries covering the period 1972-97, the analysis finds that a 10 percent increase in per capita GDP leads to a 1 percent increase in life expectancy, a 3-4 percent decline in infant mortality rates, and a 3.5-4 percent increase in the rate of gross primary school enrollment. The results are robust for high- and low-income, as well as fast- and slow-growth, countries. The study also finds that quality of growth, civil conflict, HIV/AIDS, civil and institutional freedom, and island economies are important control variables that help explain the variability of poverty across Africa. A country's latitude is not found to be a significant factor explaining life expectancy or infant mortality rates, though it is a significant factor explaining gross primary school enrollments.

Muellbauer, John

PD March 2000. **TI** Earnings, Unemployment, and Housing: Evidence from a Panel of British Regions. **AU** Muellbauer, John; Cameron, Gavin. **AA** Nuffield College, Oxford. **SR** CEPR Discussion Paper: 2404; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 40. **PR** 5 pounds, $8 or 8 euros. **JE** C33, E24, R23. **KW** Earnings. Unemployment. Housing Markets. Wage Curves. Regions.
AB This paper models regional earnings and unemployment in the ten regions of Great Britain between 1972 and 1995, paying particular attention to their interaction and to the important influence of the housing market. In contrast to Blanchard and Katz (1992, 1997) for the United States, we find less persistence in British regional earning differentials but greater persistence in regional unemployment rates. We find no evidence of a negative effect of the overall unemployment rate on the earnings of men in non-manual, or women in full-time, employment and find a positive effect for women in part-time employment. However, for manual men, we find a significant elasticity of around -0.07, comparable with Blanchflower and Oswald (1994).

TI A Study in Structural Change: Relative Earnings in Wales Since the 1970s. **AU** Cameron, Gavin; Muellbauer, John; Snicker, Jonathan.

Mukerji, Sujoy

PD November 2000. **TI** Ambiguity Aversion and Incompleteness of Financial Markets. **AU** Mukerji, Sujoy; Tallon, Jean-Marc. **AA** Sujoy: University of Oxford. Tallon: Universite Paris I Pantheon- Sorbonne. **SR** Oxford Department of Economics Discussion Paper: 46; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG 21. **PR** 2 pounds. **JE** D52, D81, G11. **KW** Ambiguity Aversion. Incomplete Markets. Risk Sharing.

AB It is widely thought that incomes risks can be shared by trading in financial assets. But financial assets typically carry some risk idiosyncratic to them, hence, disposing incomes risk using financial assets will involve buying into the inherent idiosyncratic risk. However, standard theory argues that diversification would reduce the inconvenience of idiosyncratic risk to arbitrarily low levels. This argument is less robust than what standard theory leads us to believe: ambiguity aversion can exacerbate the tension between the two kinds of risk to the point that classes of agents may not want to trade some financial assets. Thus, theoretically, the effect of ambiguity aversion on financial markets is to make the risk sharing opportunities offered by financial markets less complete than it would be otherwise.

Muller, Benito

PD October 1999. **TI** Justice in Global Warming Negotiations: How to Obtain a Procedurally Fair Compromise. **AA** Oxford Institute for Energy Studies. **SR** Oxford Institute for Energy Studies Working Paper: EV26; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. **PG** 88. **PR** 20 pounds UK and Overseas. **JE** C78, D63, D71, D74, Q28. **KW** Climate Change. Fair Negotiations. Social Choice. Conflict Resolution. Bargaining Theory.
AB In the Kyoto round of the climate change negotiating process, justice was not a major concern. As the agreement was binding solely for developed countries, there was consensus that the fair solution would be given by some form of "grandfathering". Future substantive rounds, however, will involve targets not only for developed but also for developing countries, and no such moral consensus is likely to be forthcoming. Considerations of justice will be a key factor in determining the feasibility of any commonly acceptable agreement. The aim of this study is to find a way in which a breakdown on grounds of inequity can be averted. To this end, a practical method of determining concrete compromise solutions is proposed. The intention is that the procedural fairness and transparency of this method can bring the negotiating parties to see the compromise solution as sufficiently fair to be preferred to a breakdown of negotiations.

PD October 1999. **TI** The Modelling of Anthropogenic Methane Emissions: Methodology and Estimates. **AU** Muller, Benito; Bartsch, Ulrich. **AA** Oxford Institute for Energy Studies. **SR** Oxford Institute for Energy Studies Working Paper: EV29; Oxford Institute for Energy Studies, 57 Woodstock Road, Oxford OX2 6FA, United Kingdom. Website: www.oxfordenergy.org/. **PG** 29. **PR** 20 pounds UK and Overseas. **JE** Q15, Q18, Q25, Q48, Q49. **KW** Climate Change. Methane Emissions. Emissions. Pollution Abatement.
AB At the Kyoto Conference in 1997, industrialized countries committed themselves to quantitative targets for emitting certain Greenhouse Gases (GHGs). Six gases were singled out, of which carbon dioxide (CO_2) and methane (CH_4) are the most important. Unlike CO_2 emissions, which almost exclusively derive from fossil fuel combustion, methane emissions stem from a multitude of sources and the range of estimates for country-by-country and global emissions is very large. This paper elaborates on a methodology for calculating methane emissions suitable for the purposes of macroeconomic modeling, and gives best-guess estimates.

Nachega, Jean-Claude

PD September 2001. TI Financial Liberalization, Money Demand, and Inflation in Uganda. AA International Finance Corporation. SR International Monetary Fund Working Paper: WP/01/118; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 44. PR not available. JE E41, E52, F41. KW Uganda. Money Demand. Inflation. Financial Liberalization. Cointegration.

AB This paper uses cointegration analysis to investigate the empirical relationship among money, prices, income, and a vector of interest rates in Uganda from 1982 to 1998. Despite the substantial financial market liberalization in the early 1990s, quarterly time-series data confirm that a stable relationship prevailed among real broad money, income, and domestic and foreign interest rates. The empirical results indicate income homogeneity, a strong own-rate-of-return effect, a high degree of international capital mobility, and asset substitutability, and they demonstrate that both domestic and foreign factors are important determinants of inflation in Uganda.

Nahuis, Richard

TI Sectoral Productivity Growth and R&D Spillovers in The Netherlands. AU Jacobs, Bas; Nahuis, Richard; Tang, Paul J. G.

Nalewaik, Jeremy

TI On the Gains to International Trade in Risky Financial Assets. AU Davis, Steven J.; Nalewaik, Jeremy; Willen, Paul.

Nathananan, Montri

TI Tariffs, Quotas and Mergers. AU Falvey, Rod; Nathananan, Montri.

Navaretti, Giorgio B.

TI The Decision to Invest in a Low-Wage Country: Evidence From Italian Textiles and Clothing Multinationals. AU Falzoni, Anna M.; Turrini, Alessandro; Navaretti, Giorgio B.

Naveira-Barrero, Manuel

TI Asymmetries in Monetary Policy Rules: Evidence for Four Central Banks. AU Dolado, Juan Jose; Naveira-Barrero, Manuel; Maria-Dolores, Ramon.

Naylor, Robin A.

TI Factors Affecting the Probability of First-Year Medical Student Dropout in the UK: A Logistic Analysis for the Entry Cohorts of 1980- 1992. AU Arulampalam, Wiji; Naylor, Robin A.; Smith, Jeremy.

TI The Cournot-Bertrand Profit Differential: A Reversal Result in a Differentiated Duopoly with Wage Bargaining. AU Correa Lopez, Monica; Naylor, Robin A.

Neary, J. Peter

PD June 2001. TI Competition, Trade and Wages. AA University College Dublin and CEPR. SR University of Nottingham, GEP Research Paper: 2001/03; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/Tezec/research/dp/. PG 19. PR no charge. JE F12, F16, J31. KW OECD Wage Inequality. Oligopolistic Competition. Skill-Biased Technological Progress. Skill Premia. Trade and Wages.

AB This paper briefly reviews the empirical evidence in the trade and wages debate, which overwhelmingly rejects the Heckscher-Ohlin explanation for recent increases in OECD skill premia. That same evidence is also difficult to reconcile in general equilibrium with the view that exogenous skill-biased technological progress is the sole culprit. Finally, a model of oligopolistic competition is presented which is more consistent with the evidence. Removing quantitative import constraints (a metaphor for increased foreign competition) encourages both home and foreign firms to invest more aggressively, raising their demand for skilled labor even at unchanged relative wages.

Neidell, Matthew J.

PD November 2000. TI Early Parental Time Investments in Children's Human Capital Development: Effects of Time in the First Year on Cognitive and Non- Cognitive Outcomes. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 806; Working Paper Coordinator. Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 39. PR $5.00 (to cover the cost of postage and photocopying). JE D13, J13, J22. KW Time Investments. Parental Employment. Parental Leave. Cognitive Outcomes. Non-Cognitive Outcomes.

AB Based on recent neuropsychological literature, this study measures the effects of early parental time investments on children's cognitive and non-cognitive development. This study offers three innovations. First, time investments are not permitted to be substitutable over time. Second, short and long term cognitive and non-cognitive outcomes are considered. Third, a household fixed effect is constructed to capture the unobserved heterogeneity of caregivers and children. This offers a lower bound of the true effect of time investments. Using the National Longitudinal Survey Child-Mother file, the results are consistent with neuropsychological evidence. They suggest that uninterrupted parental time investments for up to one year offer lasting benefits, particularly for non-cognitive outcomes, but longer spells of uninterrupted investments are of questionable value.

PD April. 2002. TI Air Pollution, Health, and Socio-Economic Status: The Effect of Outdoor Air Quality in Childhood Asthma. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 805; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 26. PR $5.00 (to cover the cost of postage and photocopying). JE I12, J13, J15, Q25. KW Air Quality. Costs of Pollution. Asthma Hospitalization. Socio- Economic Status and Health. Child Health. Avoidance Behavior.

AB This paper examines the effect of air pollution on child hospitalizations for asthma using a unique zip code level panel data set. The effect of pollution is identified using naturally occurring seasonal variations in pollution within zip codes. It also improves on past work by analyzing how the effect of pollution varies by age, by including measures of avoidance

behavior, and by allowing the effect to vary by socio-hospitalizations among children ages 1 to 18. In addition, households respond to information about pollution with avoidance behavior, especially high socio-economic status (SES) families, suggesting that it is important to account for these endogenous responses when measuring the causal effect of pollution on health. Finally, the net effect of pollution is much greater for children of lower SES, indicating that pollution is one potential mechanism through which SES affects health.

Nelson, Douglas

TI The Employment and Wage Effects of Immigration: Trade and Labor Economics Perspectives. **AU** Gaston, Noel; Nelson, Douglas.

TI Globalisation and Labour Markets: Literature Review and Synthesis. **AU** Greenaway, David; Nelson, Douglas.

TI Integration, FDI and Labour Markets: Microeconomic Perspectives. **AU** Gaston, Noel; Nelson, Douglas.

TI The Role of the WTO in the Transfer of Policy Knowledge on Trade and Competition. **AU** Morrissey, Oliver; Nelson, Douglas.

Neumark, David

PD February 2000. **TI** The Effects of Minimum Wages Throughout the Wage Distribution. **AU** Neumark, David; Schweitzer, Mark; Wascher, William. **AA** Neumark: Michigan State University and NBER. Schweitzer: Federal Reserve Bank of Cleveland. Wascher: Board of Governors of the Federal Reserve System. **SR** National Bureau of Economic Research Working Paper: 7519; 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** D31, J18, J23, J31, J51. **KW** Minimum Wage. Employment. Labor Income. Trade Unions. Worker Well-Being.
AB This paper provides evidence on a wide set of margins along which labor markets can adjust in response to increases in the minimum wage, including wages, hours, employment, and ultimately labor income, representing the central margins of adjustment that impact the economic well-being of workers potentially affected by minimum wage increases. The evidence indicates that workers initially earning near the minimum wage are adversely affected by minimum wage increases, while, not surprisingly, higher-wage workers are little affected. Although wages of low-wage workers increase, their hours and employment decline, and the combined effect of these changes is a decline in earned income. We also delve into the political economy of minimum wages, attempting to understanding the vigorous support of labor unions for minimum wage increases. Using the same empirical framework, we find that relatively low-wage union members gain at the expense of the lowest-wage nonunion workers when minimum wages increase.

PD May 2000. **TI** Evaluating School-To-Work Programs Using the New NLSY. **AU** Neumark, David; Joyce, Mary. **AA** Neumark: Michigan State University and NBER. Joyce: Bureau of Labor Statistics. **SR** National Bureau of Economic Research Working Paper: 7719; 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** I21, J15, J22, J24. **KW** School to Work. Employment Programs. NLSY.
AB The new NLSY (NLSY97) offers researchers opportunities to analyze direct evidence on school-to-work programs. These data, coupled with observations on multiple individuals in the same schools, potentially allow researchers to estimate the effects of school-to-work programs on individuals while accounting for possible bias from selection into these programs. This paper focuses on the consequences of school-to-work programs for youth employment and schooling decisions while in high school, and students'' subjective assessments of the likelihood of future schooling and work behavior. Overall, the evidence does not point to a causal effect of school-to-work program participation on behavior likely associated with future college attendance. On the other hand, school-to-work program participation does appear to have positive effects on educational attainment in terms of respondents' subjective probabilities of obtaining a high-school diploma. The data indicate that participation in these programs increases the perceived likelihood of future labor market activity, both for the year following the survey and at age 30. However, school-to-work programs do not appear to boost the probability of current employment.

PD June 2000. **TI** An Introduction to School-To-Work Programs in the NLSY97: How Prevalent are They, and Which Youths do They Serve? **AU** Neumark, David; Joyce, Mary. **AA** Neumark: Michigan State University and NBER. Joyce: Bureau of Labor Statistics. **SR** National Bureau of Economic Research Working Paper: 7733; 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** I21, I28, J15, J24. **KW** School to Work. NLSY97.
AB In the wake of the 1994 School-to-Work Opportunities Act (STWOA), we introduce and study two new data sources to estimate the extent to which school-to-work programs have been implemented in U.S. high schools, and the extent to which high school students are participating in these programs. The first data source, the National Longitudinal Survey of Youth, 1997 (NLSY97), provides information directly form students on whether they participated in these programs. The second source, the 1996 School Administrators' Survey, was administered to schools attended by NLSY97 interviewees, and provides information directly from schools on whether they offered any school-to-work programs. Findings from the 1996 School Administrators' Survey show that school-to work programs are commonly offered, with over 60 percent of schools providing at least one such program. Findings from the NLSY97 show that a fair number of high school students participate in school-to-work programs, with about 38 percent of students reporting participation in at least one program. The findings concerning whether schools with disadvantaged student populations are more likely to offer school-to-work programs, or whether less-advantaged students are more likely to participate in these programs, are mixed.

Newbold, Stephen

TI The Benefits and Costs of Informal Sector Pollution Control: Mexican Brick Kilns. **AU** Blackman, Allen; Newbold, Stephen; Shih, Jhih-Shyang; Cook, Joe.

Newell, Richard G.

PD October 2000. TI Discounting the Distant Future: How Much Do Uncertain Rates Increase Valuations? AU Newell, Richard G.; Pizer, William. AA Resources for the Future. SR Resources for the Future Discussion Paper: 00/45; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 38. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE D81, D99, E47, H43, Q28. KW Discount Rate Uncertainty. Uncertain Discounting. Interest Rate Forecasting. Climate Policy. Intergenerational Equity.

AB Costs and benefits in the distant future often have little value today when measured with conventional discount rates. We demonstrate that when the future path of this conventional rate is uncertain and persistent (i.e., highly correlated over time), the distant future should be discounted at lower rates than suggested by the current rate. We then use two centuries of data on U.S. interest rates to quantify this effect. Using both random walk and mean-reverting models, we compute the certainty-equivalent rate and measure the appropriate forward rate of discount in the future. If we use these rates to value consequences at a horizon of 400 years, the discounted value increases by a factor of 7,000 based on the random walk model and by a factor of 30 based on the mean reverting model, relative to conventional discounting. These results are relevant for a wide range of policy questions involving the distant future.

TI Technological Change and the Environment. AU Jaffe, Adam B.; Newell, Richard G.; Stavins, Robert N.

Newman, Andrew

PD March 2000. TI Monotone Matching in Perfect and Imperfect Worlds. AU Newman, Andrew; Legros, Patrick. AA Newman: University College London. Legros: ECARES, Free University of Brussels. SR CEPR Discussion Paper: 2396; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 68. PR 5 pounds, $8 or 8 euros. JE D33, D51, L22, L23. KW Assortative Matching. Imperfect Markets. Contracts. Organizations.

AB We study frictionless matching models in large production economies with and without market imperfections and/or incentive problems. We provide necessary and sufficient distribution-free conditions for monotone matching which depend on the relationship between what we call the segregation payoff -- a generalization of the individually rational payoff -- and the feasible set for a pair of types. Imperfections have two distinct effects that are relevant for equilibrium matching patterns: they can overwhelm the complementarity properties of the production technology and they can introduce nontransferabilities that make equilibrium matching inefficient. We also use our framework to reveal the source of differences in the comparative static properties of some models in the literature and to explore the effects of distribution on the equilibrium matching pattern.

Nicoletti, Giuseppe

TI Regulation and Labor Market Performance. AU Boeri, Tito; Nicoletti, Giuseppe; Scarpetta, Stefano.

Nijman, Theo E.

TI Testing for Mean-Variance Spanning: A Survey. AU de Roon, Frans A.; Nijman, Theo E.

Nolan, Brian

TI Earnings Inequality, Returns to Education and Immigration into Ireland. AU Barrett, Alan; Fitz Gerald, John; Nolan, Brian.

Nolan, Charles

TI Productivity and Preferences in a Small Open Economy. AU Chadha, Jagjit S.; Janssen, Norbert; Nolan, Charles.

Norman, Neville R.

TI Global Influences on UK Manufacturing Prices 1970-2000. AU Coutts, Ken; Norman, Neville R.

Nsouli, Saleh M.

TI The New International Financial Architecture and Africa. AU Le Gall, Francoise; Nsouli, Saleh M.

O'Connell, Philip J.

TI Is There a Wage Premium for Returning Irish Migrants? AU Barrett, Alan; O'Connell, Philip J.

O'Connor, Martin

PD December 2000. TI Towards a Typology of "Environmentally-Adjusted" National Sustainability Indicators: Key Concepts and Policy Application. AA Universite de Versailles, France. SR Fondazione Eni Enrico Mattei Note di Lavoro: 95/2000; "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 F41, O13, O47, Q20, Q32. KW Green National Accounting. Environmental Accounting. Environmental Policy. Sustainability.

AB This paper first describes two types of adjustments to national accounting systems which take the environment into account. The first type, called "Aggregate Indicator of the Change, during the Current Year, in the Economic Assets of the Nation" (AICCAN), adjusts accounting conventions to include specified categories of environmental assets; the second type is based on adjustment of the economy itself, that is, new patterns of production processes, levels of production and consumption activities, etc., called "Greened Economy GDP" (GeGDP). The paper then explains how the two types of indicators address the different roles of natural capital and, as such, respond to distinct policy questions. Finally, issues relating to the degree of openness of the national economy and the national territory to the rest of the world, and issues relating to the contribution of social and community capital to societal welfare, are raised.

O'Shaughnessy, K. C.

PD June 2000. TI Changes in Managerial Pay Structures 1986-1992 and Rising Returns to Skill. AU O'Shaughnessy, K. C.; Cappelli, Peter; Levine, David I. AA O'Shaughnessy: Western Michigan University. Cappelli: University of Pennsylvania and NBER. Levine: University of California, Berkeley. SR National Bureau of Economic Research Working Paper: 7730; National Bureau of Economic Research, 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 the U.S.). **JE** J23, J31. **KW** Skill Requirements. Managerial Pay. Human Capital. Wage Inequality.
AB We examine the relationship between wages and skill requirements in a sample of over 50,000 managers in 39 companies between 1986 and 1992. The data include an unusually good measure of job requirements and skills that can proxy for human capital. We find that wage inequality increased both within and between firms from 1986 and 1992. Higher returns to our measure of skill accounts for most of the increasing inequality within firms. At the same time, our measure of skill does not explain much of the cross-sectional variance in average wages between employers, and changes in returns to skill do not explain ay of the time series increase in between-firm variance over time. Finally, we find only weak evidence of any declines in the rigidity of internal wage structures of large employers.

O'Shaughnessy, Terry
PD December 2000. **TI** School Quality and School Location. **AA** St. Anne's College, Oxford. **SR** Oxford Department of Economics Discussion Paper: 50; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG 35. **PR** 2 pounds. **JE** I21, J13, L33, R53. **KW** Education. School Choice. Peer Effects. Scale Economies. School Quality.
AB This paper presents a model of school choice with peer effects and scale economies within schools. Parents' perception of school quality depends on resources and on the characteristics of the student body. A network of local schools of uniform quality will be optimal, even though different households prefer different qualities. Whether schools of different qualities emerge depends on the strength of peer effects. If peer effects are strong there will be an incentive for existing schools to select for ability and for new selective schools -- state funded and private -- to enter. To discourage bifurcation of the school system into different qualities, peer effects could be weakened, say by grouping students by ability within schools ("setting", "streaming" or "tracking").

Ockenfels, Axel
TI Last Minute Bidding and the Rules for Ending Second-Price Auctions: Theory and Evidence from a Natural Experiment on the Internet. **AU** Roth, Alvin E.; Ockenfels, Axel.

Odling-Smee, John
PD August 2001. **TI** The IMF and the Ruble Area, 1991-93. **AU** Odling-Smee, John; Pastor, Gonzalo. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/101; International Monetary Fund, 700 19th Street, Washington, DC 2043. Website: www.imf.org. **PG** 49. **PR** not available. **JE** E52, F33, F42, P24. **KW** Monetary Policy. Ruble Area. National Currencies.
AB This paper summarizes the IMF advice on the ruble area as it was presented to the national authorities in Russia, the Baltic countries, and other states of the former Soviet Union in 1991-93. In the course of doing so, the paper corrects some misperceptions that have arisen about the RAF's role. The

evidence presented in the paper suggests that (i) the balance of arguments on the ruble area (and national currencies) changed over time, and hence so did the IMF's advice, and (ii) from the beginning, the IMF staff concentrated on pointing out the pros and cons of alternative monetary arrangements, without strongly advocating a particular one, emphasizing that it was the authorities' decision to stay in or leave the ruble area. Fund advice on how to introduce national currencies was made readily available to the various national authorities as early as January 1992.

Olarreaga, Marcelo
TI Reciprocity Across Modes of Supply in the WTO: A Negotiating Formula. **AU** Mattoo, Aaditya; Olarreaga, Marcelo.

Onatski, Alexei
PD January 2000. **TI** Robust Monetary Policy Under Model Uncertainty in a Small Model of the U.S. Economy. **AU** Onatski, Alexei; Stock, James H. **AA** Onatski: Harvard University. Stock: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7490; 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** C44, C53, D81, E52, E58. **KW** Monetary Policy. Model Uncertainty. Minimax Robust Control. Bayesian Decision Theory. Approximation Quality.
AB This paper examines monetary policy in Rudebusch and Svensson's (1999) two equation macroeconomic model when the policymaker recognizes that the model is an approximation and is uncertain about the quality of that approximation. It is argued that the minimax approach of robust control provides a general and tractable alternative to the conventional Bayesian decision theoretic approach. Robust control techniques are used to construct robust monetary policies. In most (but not all) cases, these robust policies are more aggressive than the optimal policies absent model uncertainty. The specific robust policies depend strongly on the formulation of model uncertainty used, and we make some suggestions about which formulation is most relevant for monetary policy applications.

Oswald, Andrew J.
TI Well-Being Over Time in Britain and the USA. **AU** Blanchflower, David G.; Oswald, Andrew J.

TI The Macroeconomics of Happiness. **AU** Di Tella, Rafael; MacCulloch, Robert J.; Oswald, Andrew J.

TI Well-Being Over Time in Britain and the USA. **AU** Blanchflower, David G.; Oswald, Andrew J.

TI What Has Been Happening to the Quality of Workers' Lives in Britain? **AU** Gardner, Jonathan; Oswald, Andrew J.

Ottaviano, Gianmarco I. P.
TI Outsiders in Economic Integration: The Case of a Transition Economy. **AU** Manzocchi, Stefano; Ottaviano, Gianmarco I. P.

Owen, Guillermo
TI Cooperative Games and Disjunctive Permission Structures. **AU** Gilles, Robert P.; Owen, Guillermo.

Packard, Truman

TI Revealed and Concealed Preferences in the Chilean Pension System: An Experimental Investigation. AU Barr, Abigail; Packard, Truman.

Padilla, A. Jorge

PD April 2000. TI Collateral vs. Project Screening: A Model of Lazy Banks. AU Padilla, A. Jorge; Pagano, Marco; Manove, Michael. AA Padilla: CEMFI and CEPR. Pagano: CSEF, Universita di Salerno, and CEPR. Manove: Boston University. SR CEPR Discussion Paper: 2439; 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 D82, G21, G33, K29. KW Screening. Banks. Creditor Rights. Collateral.

AB Many economists argue that the primary economic function of banks is to provide cheap credit, and to facilitate this function they advocate the strict protection and enforcement of creditor rights. But banks can serve another important economic function: through project screening they can reduce the number of project failures and thus mitigate their private and social costs. The tradeoff between these two banking functions is left to the market. In this paper, we show that because of market imperfections in the banking industry, strong creditor protection may lead to market equilibria in which cheap credit is inappropriately emphasized over project screening. Restrictions on collateral requirements and the protection of debtors in bankruptcy proceedings may redress this imbalance and increase credit-market efficiency.

Pagano, Marco

TI Collateral vs. Project Screening: A Model of Lazy Banks. AU Padilla, A. Jorge; Pagano, Marco; Manove, Michael.

Page, Frank H., Jr.

PD December 2001. TI Networks and Farsighted Stability. AU Page, Frank H., Jr..; Wooders, Myrna; Kamat, Samir. AA Page and Kamat: University of Alabama. Wooders: University of Warwick. SR Warwick Economic Research Paper: 621; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 7. PR no charge. JE C79. KW Directed Networks. Farsighted Stability. Stable Set. Networks.

AB The main contribution of this paper is to provide a framework in which the notion of farsighted stability for games, introduced by Chwe (1994), can be applied to directed networks. Then, using Chwe's basic result on the nonemptiness of farsightedly stable sets for games, we show that for any given collection of directed networks and any given collection of rules governing network formation, there exists a farsightedly stable directed network.

Palmer, Karen

TI Electricity Restructuring: Consequences and Opportunities for the Environment. AU Burtraw, Dallas; Palmer, Karen; Heintzelman, Martin.

TI Cost-Effective Reduction of NOx Emissions from Electricity Generation. AU Burtraw, Dallas; Palmer, Karen; Bharvirkar, Ranjit; Paul, Anthony.

Palomino, Frederic

PD December 1998. TI Skill, Strategy and Passion: An Empirical Analysis of Soccer. AU Palomino, Frederic; Rigotti, Luca; Rustichini, Aldo. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 98129; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 32. PR no charge. JE C73, C93, L83. KW Zero-Sum Games. Motivation. Rationality. Natural Experiments. Sports.

AB Sports provide a natural experiment on individual choices in games with high stakes. We study soccer, analyzing a simple game theoretic model of a match and using data to evaluate the performance of this model in explaining actual behavior. A team's optimal strategy depends on the current state of the game. When the game is tied, both teams attack because this maximizes their probability of scoring. A losing team always attacks, while its winning opponent may attack early in the game, but starts defending as the end of the match nears. We estimate the probability of scoring in a soccer match using data from Italian, English, and Spanish leagues. Teams' skills and playing at home are significant explanatory variables. We also find this probability is affected by the current score of the match. Finally, losing teams are more likely to score, and winning teams adopt conservative strategies very early in the match. Although these findings support the main conclusions of our model, and indicate soccer teams' behavior is consistent with rationality, we also find evidence that emotional factors affect their decision making.

Palutikof, Jean

TI Climate Change Scenarios for the Mediterranean: A Basis for Regional Impact Assessment. AU Goodess, Clare; Palutikof, Jean; Agnew, Maureen.

Pan, Haoran

PD January 1999. TI Competitive Pressures on Income Distribution in China. AU Pan, Haoran; Ten Raa, Thijs. AA Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9901; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 44. PR no charge. JE D31, D41. KW Income Distribution. Perfect Competition. China. Inequality.

AB What would perfect competition do to income distribution in China? We analyze this question by determining personal income distribution under hypothetical, perfectly competitive conditions, where factors are rewarded according to their marginal productivities. Comparison with the observed personal income distribution reveals dramatic changes. In particular, the income inequality between social classes will grow. The income inequalities between areas and provinces will also increase, even though their shares in the overall income inequality will decrease.

Panagariya, Arvind

TI Injury Investigations in Anti-Dumping and the Super-Additivity Effect: A Theoretical Explanation. AU Gupta, Poonam; Panagariya, Arvind.

Parry, Ian W. H.

PD November 2000. TI Estimating the Welfare Effect of Congestion Taxes: The Critical Importance of Other Distortions

within the Transport System. **AU** Parry, Ian W. H.; Bento, Antonio. **AA** Parry: Resources for the Future. Bento: University of California, Santa Barbara. **SR** Resources for the Future Discussion Paper: 00/51; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 22. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** D62, H21, H23, R41. **KW** Congestion Tax. Welfare Effect. Gasoline Tax. Externality. Transport Externalities.

AB This paper uses analytical and numerical models to illustrate how the presence of other distortions within the transport system changes the overall welfare effect of a congestion tax. These other distortions include a transit fare subsidy, congestion on competing (unpriced) routes, accident externalities, gasoline taxes, and pollution externalities. Each of these pre-existing distortions can substantially alter the welfare effect of a congestion tax that would be predicted by a first-best analysis. The importance of the pre-existing distortions varies considerably across different transport systems and across different countries. Our generic analysis illustrates the proportionate change in the welfare effect of a congestion tax due to each of these distortions over a wide range of parameter scenarios.

PD June 2001. **TI** Comparing the Marginal Excess Burden of Labor, Petrol, Cigarette, and Alcohol Taxes: An Application to the United Kingdom. **AA** Resources for the Future. **SR** Resources for the Future Discussion Paper: 00/33R; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. **PG** 23. **PR** Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. **JE** D62, H21, H23, Q28. **KW** Welfare Cost. Labor Tax. Cigarette Tax. Commodity Tax. Externality.

AB This paper develops an analytical framework for comparing the marginal excess burden (MEB) of labor taxes and various commodity taxes, allowing for externalities and interactions between the taxes. The analysis is then applied to petrol, cigarette, alcohol, and labor taxes in the United Kingdom. Due to parameter uncertainty and model simplifications the results should be viewed with caution, nonetheless there are some useful insights. For example, the distinction between whether additional revenue is spent on public goods or transfers is less significant for commodity taxes than for labor taxes.

Pastor, Gonzalo
TI The IMF and the Ruble Area, 1991-93. **AU** Odling-Smee, John; Pastor, Gonzalo.

Paton, David
TI An Econometric Analysis of Trends in Research Joint Venture Activity. **AU** Link, Albert; Paton, David; Siegel, Donald.

PD September 2001. **TI** A Policy Response to the E-Commerce Revolution: The Case of Betting Taxation. **AU** Paton, David; Siegel, Donald; Vaughan Williams, Leighton. **AA** Paton and Siegel: University of Nottingham. Vaughan Williams: Nottingham Trent University. **SR** University of Nottingham, GEP Research Paper: 2001/21; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7

2RD, United Kingdom. Website: www.Nottingham.ac.uk/˜lezec/research/dp/. **PG** 16. **PR** no charge. **JE** H21, H25. **KW** Taxation. E-Commerce. Betting. Gambling.

AB A series of environmental changes in the 1990s, including the introduction of a national lottery, a reduction of trade barriers within the European Union, and the rise of Internet gambling, induced the U.K. government to initiate a large-scale review of the betting duty. As a result of this review, the U.K. government recently announced a significant reduction in the overall level of taxation on betting. It was also announced that the current general betting duty (GBD), levied as a proportion of betting stakes, will be replaced by a gross profits tax (GPT), based on the net revenue of bookmakers. This paper examines the economic rationale behind this decision and demonstrates how this policy initiative has broad implications regarding optimal levels of taxation for other sources of government revenue.

Pattillo, Catherine
TI Macroeconomic Policies and Poverty Reduction: Stylized Facts and an Overview of Research. **AU** Cashin, Paul; Mauro, Paolo; Pattillo, Catherine; Sahay, Ratna.

Paul, Anthony
TI Cost-Effective Reduction of NOx Emissions from Electricity Generation. **AU** Burtraw, Dallas; Palmer, Karen; Bharvirkar, Ranjit; Paul, Anthony.

Pavel, Ferdinand
TI Is "Getting the Prices Right" Always Right? How Trade Liberalization Can Fail. **AU** Gaitan, Beatriz; Pavel, Ferdinand.

Paxson, Christina
TI Social Security and Inequality over the Life Cycle. **AU** Deaton, Angus; Gourinchas, Pierre-Olivier; Paxson, Christina.

Persaud, Avinash
TI Pure Contagion and Investors' Shifting Risk Appetite: Analytical Issues and Empirical Evidence. **AU** Kumar, Manmohan S.; Persaud, Avinash.

Pesaran, M. Hashem
PD October 2001. **TI** Modeling Regional Interdependencies Using a Global Error-Correcting Macroeconometric Model. **AU** Pesaran, M. Hashem; Schuermann, Til; Weiner, Scott M. **AA** Pesaran: University of Cambridge. Schuermann: Federal Reserve Bank of New York. Weiner: University of Oxford and Oliver, Wyman & Company. **SR** University of Cambridge, DAE Working Paper: 0119; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. **PG** 27. **PR** $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** C32, E17, F41, F47, G20. **KW** Economic Integration. Macroeconometric Modeling. Contagion. Risk Management. Regional Interdependence.

AB A financial institution is ultimately exposed to macroeconomic fluctuations in the countries to which it has exposure. This risk management need of financial institutions motivated us to build a compact global macroeconometric

model capable of generating forecasts of macroeconomic factors for a set of regions and countries, which explicitly allows for interconnections that exist between national and international factors. To provide such a global modeling framework we use recent advances in the analysis of cointegrating systems. We estimate individual country/region specific vector error-correcting models, where the domestic macroeconomic variables are related to corresponding foreign variables constructed to match the international trade pattern of the country under consideration. The individual country models are then combined to generate forecasts for all variables in the world economy simultaneously. We estimate the model using quarterly data and shed light on the degree of regional interdependencies by investigating the time profile of the transmission of shocks of one variable to the rest of the world.

Petrakis, Emmanuel
TI Profit-Sharing, Bertrand Competition and Monopoly Unions: A Note. AU Dhillon, Amrita; Petrakis, Emmanuel.

Petrongolo, Barbara
TI Looking Into the Black Box: A Survey of the Matching Function. AU Pissarides, Christopher; Petrongolo, Barbara.

Petrucci, Alberto
PD December 2000. TI On Debt Neutrality in the Savers-Spenders Theory of Fiscal Policy. AA LUISS G. Carli and Universita del Molise. SR Fondazione Eni Enrico Mattei Note di Lavoro: 104/2000; "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 E21, E22, E62. KW Ricardian Equivalence. Heterogeneity. Debt Neutrality. Labor Supply.
AB According to the recent literature, heterogeneity across households does not invalidate debt neutrality in the long run. The doctrinal view is at odds with the layman's view, on the basis of which government debt, by altering the intragenerational distribution of resources, may exert permanent effects on consumption, labor, and therefore capital. This paper develops an intertemporal optimizing "savers-spenders" model of capital formation with endogenous labor choices, to investigate if the intuitive view has some theoretical support. We discover that Ricardian equivalence is not an ineluctable law of a heterogeneous world. Two dimensions of heterogeneity matter for supporting debt nonneutrality: the savers-spenders distinction, and the diversity in tastes. The dynamic effects of debt are large for some individual variables and factor prices, but may be reduced for aggregate demand and output. The paper shows that in a heterogeneous world the hypothesis of recursive-time preferences also undermines long-run debt neutrality.

Pieters, Rik G. M.
PD January 1999. TI Wasting a Window of Opportunity: Anticipated and Experienced Regret in Intention-Behavior Consistency. AU Pieters, Rik G. M.; Zeelenberg, Marcel. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9903; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 40. PR no charge. JE D72, D81, M30. KW Intention. Regret. Elections. Decision-Making. Voting Behavior.

AB People who intend to act upon an opportunity that arises are more likely to implement their intentions if they anticipate a high level of regret of not acting. People who intend to choose a specific alternative over others from a set are more likely to implement their intentions if they anticipate a low level of regret of making the wrong choice. These moderating effects of anticipated regret on act- and choice-consistency were found, while accounting for the effects of attitude strength, in a large scale longitudinal study conducted during national elections in the Netherlands. In addition, the results reveal that the regret people experience after the elections is determined by intention-behavior inconsistency and not by the mere action or inaction in the elections.

Pischke, Jorn-Steffen
PD April 2000. TI Unions and the Labor Market for Managers. AU Pischke, Jorn-Steffen; DiNardo, John; Hallock, Kevin F. AA Pischke: Massachusetts Institute of Technology. DiNardo: University of California, Irvine. Hallock: University of Illinois, Urbana- Champaign. SR CEPR Discussion Paper: 2418; 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, J41, J44, J51. KW Executives. Managers. Unions. Wage Structure. Chief Executive Officers.
AB We examine the relationship between the employment and compensation of managers and chief executive officers (CEOs) and the presence of a unionized workforce. We develop a simple efficiency wage model, with a tradeoff between higher wages for workers and more monitoring, which requires more managers. The model also assumes rent sharing between workers, managers, and the owners of the firm. Unions, by redistributing rents towards the workers, lead to lower employment and lower pay for managers. Using a variety of data sets, we examine the relationship between the employment and wages of managers and unionization. Consistent with our model, we find: (1) Both a higher fraction of unionization in an industry and region and a higher union wage differential are associated with fewer managers; (2) Managers' wages are about 5 to 7 percent lower in unionized firms; (3) For CEOs the effects are larger: a 10 percent increase in unionization reduces the pay of CEOs by 2.5 percent or more.

PD April 2000. TI Continuous Training in Germany. AA Massachusetts Institute of Technology. SR CEPR Discussion Paper: 2428; 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 J24, J31. KW Human Capital Model. Training. Workplace Training. Returns to Training.
AB Using data from the German Socio-Economic Panel, this paper analyzes the incidence, financing, and returns to workplace training in Germany for the years 1986 to 1989. Much of this training seems general, and is provided to workers by their employer at no direct cost. While workers typically report larger productivity gains from training received during work hours, such training has lower returns than training undertaken during leisure time. Workers with higher earnings growth seem more likely to participate in training. This selection problem is dealt with by estimating models that allow for individual-level heterogeneity in earnings growth rates.

Pissarides, Christopher

PD March 2000. TI Looking Into the Black Box: A Survey of the Matching Function. AU Pissarides, Christopher; Petrongolo, Barbara. AA Pissarides: London School of Economics. Petrongolo: Universidad Carlos III de Madrid. SR CEPR Discussion Paper: 2409; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 56. PR 5 pounds, $8 or 8 euros. JE C78, E24, J63, J64. KW Matching Function. Beveridge Curve. Coordination Failures. Job Search. Aggregation Issues.

AB We survey the microfoundations, empirical evidence, and estimation issues underlying the aggregate matching function. Several microeconomic matching mechanisms have been suggested in the literature with some success, but none is generally accepted as superior to the others. Instead, an aggregate matching function with hires as a function of vacancies and unemployment has been successfully estimated for several countries. The Cobb-Douglas restrictions with constant returns to scale perform well. Recent work has utilized disaggregated data to go beyond aggregate estimates, resulting in many refinements and suggestions for future research.

Pita Barros, Pedro Luis

TI Public and Private Provision of Health Care. AU Martinez-Giralt, Xavier; Pita Barros, Pedro Luis.

Pitsillis, Marios

PD June 2001. TI Improving the Estimates of the Risk Premia -- Application in the UK Financial Market. AU Pitsillis, Marios; Satchell, Stephen E. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0109; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk/dae. PG 12. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE C13, C19, C51, G12. KW Arbitrage Pricing Theory. Nonlinear Regression. Risk Premium.

AB We develop a methodology for improving the estimates of risk premia calculated jointly with asset sensitivities, extending the McElroy and Burmeister (1998) approach for estimating the Arbitrage Pricing Theory as a restricted nonlinear multivariate regression model using observed macroeconomic risk factors. The improvement allows us to use multiple samples of stocks to estimate and test common risk premia. We first obtain a simpler expression for the variance-covariance matrix of the estimated parameter, which allows easier estimation and testing. In the empirically relevant case of a large number of stocks and a small number of observations, we use different samples of stocks to estimate vectors of risk premia, and combine our different estimates so that a final improved estimate of the risk premium vector is asymptotically unbiased and has minimum variance. We also derive the variance-covariance matrix of the final estimate of the risk premium. We apply the methodology to UK data.

Pizer, William

TI Discounting the Distant Future: How Much Do Uncertain Rates Increase Valuations? AU Newell, Richard G.; Pizer, William.

Platis, S.

TI The Business Cycle, Macroeconomic Shocks and the Cross Section: The Growth of UK Quoted Companies. AU Higson, Chris; Holly, Sean; Kattuman, Paul A.; Platis, S.

Polak, Jacques J.

PD August 2001. TI The Two Monetary Approaches to the Balance of Payments: Keynesian and Johnsonian. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/100; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 25. PR not available. JE B22, B31, C51, E12, E51. KW Balance of Payments. Monetarism. IMF.

AB This paper emphasizes the distinction between two 'monetary approaches to the balance of payments', one developed in the IMF, the other under the leadership of Harry Johnson in Chicago. The IMF approach is presented as an evolutionary development of the Kahn/Keynes multiplier model in an open economy. Johnson's approach is anti-Keynesian and self proclaimed revolutionary. It posits the 'essentially monetary character' of the balance of payments. The IMF model tests satisfactorily as an explanation of income and imports over time. The long-run equilibrium approach of the Chicago model precludes statistical testing, and its short-run tests prove statistically meaningless.

Polemarchakis, H. M.

TI Pareto Improving Price Regulation when the Asset Market is Incomplete. AU Herings, P. J. J.; Polemarchakis, H. M.

Polius-Mounsey, Tracy

TI Reserve Pooling in the Eastern Caribbean Currency Union and the CFA Franc Zone: A Comparative Analysis. AU Williams, Oral; Polius-Mounsey, Tracy; Hazel, Selvon.

TI Financial System Soundness in the Caribbean: An Initial Assessment. AU Worrell, DeLisle; Cherebin, Desiree; Polius-Mounsey, Tracy.

Polk, Christopher

TI Does Diversification Destroy Value? Evidence from Industry Shocks. AU Lamont, Owen A.; Polk, Christopher.

Pollitt, Michael G.

TI International Benchmarking and Yardstick Regulation: An Application to European Electricity Utilities. AU Jamasb, Tooraj; Pollitt, Michael G.

PD November 2001. TI The Restructuring and Privatization of British Rail: Was it Really That Bad? AU Pollitt, Michael G.; Smith, Andrew S. J. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0118; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk/dae. PG 30. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE D61, H43, L33, L92. KW Cost-Benefit Analysis. Railway. Privatization. Efficiency.

AB Following the government's decision to place Railtrack into administration (October 2001), attention has focused on what went wrong with privatization, and how network investment will be financed in future. This paper uses a social cost-benefit analysis framework to assess whether the restructuring and privatization of British Rail has produced

savings in operating costs. The paper shows that major efficiencies have been achieved, consumers have benefited through lower prices, whilst the increased government subsidy has been largely recouped through privatization proceeds. We find that output quality has also improved (pre-Hatfield). The achievement of further savings will be key to delivering improved rail services in the future. This paper finds that a privatized structure, where shareholders demand a return on their investment, has led to significant improvements in operating efficiency -- it remains to be seen whether the new regime, with a not-for-profit infrastructure owner, will deliver the same efficiency improvements.

Pommeret, Aude
TI Agents' Preferences, the Equity Premium, and the Consumption-Saving Trade-Off: An Application to French Data. AU Epaulard, Anne; Pommeret, Aude.

Possajennikov, Alexandre
PD January 1999. TI Optimality of Imitative Behavior in Cournot Oligopoly. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9902; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 20. PR no charge. JE C72, D43, L13. KW Imitation. Cournot Oligopoly. Evolutionary Games. Random Matching. Local Interaction.
AB The paper considers a model of imitation in the context of Cournot oligopoly. Purely imitative behavior can lead to an outcome inconsistent with Nash equilibrium. The question is when we can reconcile imitation with the concept of Nash equilibrium. The paper extends purely imitative behavior in two ways. First, imperfect imitation is introduced. Second, a random matching and local interaction model is analyzed. Such variations in the imitative behavior improve efficiency and restore Nash equilibrium as the likely outcome of the dynamic imitation process.

Poterba, James M.
TI The Income and Tax Share of Very High Income Households, 1960-1995. AU Feenberg, Daniel R.; Poterba, James M.

PD July 2000. TI The Distributional Burden of Taxing Estates and Unrealized Capital Gains at the Time of Death. AU Poterba, James M.; Weisbenner, Scott. AA Poterba: Massachusetts Institute of Technology and National Bureau of Economic Research. Weisbenner: Federal Reserve Board of Governors. SR National Bureau of Economic Research Working Paper: 7811; 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 the U.S.). JE H24. KW Estate Tax. Capital Gains Tax.
AB The 1998 Survey of Consumer Finances provides information on household wealth ownership that can be used to estimate the effect of changing the Unified Estate and Gift Tax Credit on estate tax revenues. The survey also includes data on the prices at which assets were purchased, along with information on their market values. This makes it possible to compare the revenue yield and the distributional consequences of taxing estates with those of taxing unrealized capital gains on assets held by individuals who die. This paper uses data from the Survey to estimate the revenue effects of changes in both estate tax provisions and capital gains tax rules. It finds that among those with small estates (one million dollars or loss), taxing capital gains at death would collect more revenue than the current estate tax from roughly half of the decedents. For those with larger estates, replacing the estate tax with a tax on unrealized gains at death would result in a substantial reduction in total tax payments. The revenue estimates and distributional analyses assume no change in the current capital gains realization behavior of taxpayers, even if the law changes.

TI Mortality Risk, Inflation Risk, and Annuity Products.
AU Brown, Jeffrey R.; Poterba, James M.; Mitchell, Olivia S.

Prasad, Eswar S.
TI Medium-Term Determinants of Current Accounts in Industrial and Developing Countries: An Empirical Exploration. AU Chinn, Menzie D.; Prasad, Eswar S.

Prendergast, Canice
PD July 2000. TI The Tenuous Tradeoff Between Risk and Incentives. AA University of Chicago and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7815; 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 the U.S.). JE J30. KW Agency Theory. Employee Compensation. Incentives. Employee Responsibility.
AB Empirical work testing for a negative tradeoff between risk and incentives, a cornerstone of agency theory, has not had much success. Indeed, the data seem to suggest a positive relationship between measures of uncertainty and incentives, rather than the posited negative tradeoff. This paper argues that the existing literature fails to account for an important effect of uncertainty on incentives through the allocation of responsibility to employees. When workers operate in certain settings, the activities that they should engage in are well known, and firms are content to assign tasks to workers and monitor the time spent. As a result, they delegate responsibility to workers and base compensation on observed output. Hence, uncertainty and output- based pay are positively related. Thus, parts of the existing empirical literature are better explained through this lens than with the standard model.

Preston, Ian
TI Departures From Slutsky Symmetry in Noncooperative Household Demand Models. AU Lechene, Valerie; Preston, Ian.

Probst, Katherine N.
TI Long-Term Stewardship of Contaminated Sites: Trust Funds as Mechanisms for Financing and Oversight. AU Bauer, Carl; Probst, Katherine N.

Propper, Carol
TI Waiting Times for Hospital Admissions: the Impact of GP Fundholding. AU Croxson, Bronwyn; Propper, Carol; Shearer, Arran.

Qiu, Larry D.
TI Keiretsu and Relationship-Specific Investment: A Barrier to Trade? AU Spencer, Barbara J.; Qiu, Larry D.

Rady, Sven
TI   Strategic Trading And Learning About Liquidity.
AU   Hong, Harrison G.; Rady, Sven.

Rafels, Carles
TI   Cooperation in Capital Deposits. AU   Borm, Peter; De Waegenaere, Anja; Rafels, Carles; Suijs, Jeroen; Tijs, Stef; Timmer, Judith.

Raimondos-Moller, Pascalis
TI   Special   Interest   Politics   and   Aid   Fungibility.
AU   Lahiri, Sajal; Raimondos-Moller, Pascalis.

Raith, Michael
TI   Strategic Recruiting and the Chain of Command.
AU   Friebel, Guido; Raith, Michael.

Ramey, Valerie A.
TI   Market Responses to Interindustry Wage Differentials.
AU   Borjas, George J.; Ramey, Valerie A.

Randall, Ruby
TI   A Statistical Analysis of Banking Performance in the Eastern Caribbean Currency Union in the 1990s. AU   Juan-Ramon, V. Hugo; Randall, Ruby; Williams, Oral.

Rangel, Antonio
PD   February   2000.   TI   Forward   and   Backward Intergenerational Goods: A Theory of Intergenerational Exchange.   AA   Stanford   University   and   NBER. SR   National Bureau of Economic Research Working Paper: 7518; 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   D11,   D92,   E62,   H31,   I22. KW   Altruism.   Optimal   Investment.   Public   Expenditures. Intergenerational Goods. Selfishness.
AB   This paper develops a theory of intergenerational exchange for generations that are either selfish or have non-dynastic altruism. The main building blocks of the theory are forward and backward intergenerational goods (FIGs and BIGs) and the relationship between them. A FIG is a transfer from present to future generations, like parental investments in education and the preservation of the environment. A BIG is a transfer from future to present generations, like pay-as-you-go social security or taking care of elderly parents. We show that there is a fundamental difference between BIGs and FIGs. BIGs generating a positive surplus are self-sustainable, but FIGs never are. However, even with selfish generations, optimal investment in future generations can take place if the equilibrium social norm links BIGs and FIGs. The tools developed here can be used to understand a wide class of intergenerational problems, from the political economy of environmental treaties to the economics of seniority institutions. Two applications are developed in the paper: (1) the political economy of intergenerational public expenditures, and (2) investment in children within the family.

Ratunanda, Damayanti
TI   How Do Public Disclosure Pollution Control Programs Work? Evidence from Indonesia. AU   Afsah, Shakeb; Blackman, Allen; Ratunanda, Damayanti.

Razin, Assaf
PD   June 2000.   TI   Do Debt Flows Crowd Out Equity Flows Or the Other Way Round? AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. AA   Razin: Tel Aviv University and NBER. Sadka: Tel Aviv University. Yuen: University of Hong Kong. SR   National Bureau of Economic Research Working Paper: 7736; 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   D82, F21, H21. KW   Captial Flows. Foreign Equity. Foreign Debt.
AB   In the presence of asymmetric information, the stage at which financing decisions are made about investment projects in a small open economy is crucial for the composition of international capital inflows as well as for the efficiency of channeling savings into investment. This paper compares the implications of two extreme cases regarding the information possessed by the firms at their financing stage for whether inflows of foreign debt may crowd out foreign equity or the other way round. The scope for corrective tax policies is examined. We also provide a welfare comparison between the two mechanisms of capital flows.

Reed, Howard
TI   Who Gains When Workers Train? Training and Corporate Productivity in a Panel of British Industries. AU   Dearden, Lorraine; Reed, Howard; Van Reenen, John.

Reeve, Trevor A.
TI   Human Capital, Unemployment, and Relative Wages in a Global Economy. AU   Davis, Donald R.; Reeve, Trevor A.

Reichlin, Lucrezia
TI   Reference Cycles: The NBER Methodology Revisited. AU   Forni, Mario; Lippi, Marco; Reichlin, Lucrezia; Hallin, Marc.

Renneboog, Luc
TI   Who Disciplines Bad Management? AU   Franks, Julian; Mayer, Colin; Renneboog, Luc.

TI   Strong Managers and Passive Institutional Investors in the UK: Stylized Facts. AU   Goergen, Marc; Renneboog, Luc.

Rich, Robert
PD   June 2000. TI   Uncertainty and Labor Contract Durations. AU   Rich, Robert; Tracy, Joseph. AA   Rich: Federal Reserve Bank of New York. Tracy: Federal Reserve Bank of New York and NBER. SR   National Bureau of Economic Research Working Paper: 7731; 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   E24, J41, J51.   KW   Inflation Uncertainty. Labor Contract Durations.
AB   This paper provides an empirical investigation into the relationship between ex ante U.S. labor contract durations and uncertainty over the period 1970 to 1995. We construct measures of inflation uncertainty as well as aggregate nominal and real uncertainty. The results not only corroborate previous findings of an inverse relationship between contract duration and inflation uncertainty, but also document that this

relationship extends to both measures of aggregate uncertainty. We also explore the robustness of this relationship to the various measures of inflation uncertainty that have appeared in the literature.

Richter, Kaspar

PD April 2000. **TI** Government Cash Transfers, Household Consumption, and Poverty Alleviation -- The Case of Russia. **AA** World Bank. **SR** CEPR Discussion Paper: 2422; 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** D12, H53, H55, I32, I38. **KW** Consumption. Pensions. Poverty Alleviation. Russia. Government Transfers.

AB The paper develops a new approach to measuring the impact of government cash transfers on poverty alleviation that takes into account endogenous reactions and consumption smoothing of households. We use the methodology to study the impact of changes in government cash benefits on poverty rates in Russia during 1994 to 1998. First, we estimate the propensity to consume from government cash transfers separately for each transfer type, and interpret the differences in the coefficients in the light of Friedman's permanent income hypothesis. Second, we propose a new decomposition technique to disentangle the impact of changes in government transfers and changes in the expenditure distribution excluding cash transfers on movements in poverty rates. At least 30 percent of the rise in poverty between 1994 and 1998 was due to the changes in cash transfer policy.

Rigobon, Roberto

PD January 2000. **TI** Identification through Heteroskedasticity: Measuring "Contagion" between Argentinean and Mexican Sovereign Bonds. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7493; 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** C13, C32, C51, F32, G15. **KW** Simultaneous Equations. Identification. Heteroskedasticity. Contagion. Structural Shocks.

AB In this paper, I develop a new identification method to solve the problem of simultaneous equations, based on heteroskedasticity of the structural shocks. I show that if the heteroskedasticity can be described as a two-regime process, then the system is just identified under relatively weak conditions. Identification is also discussed under more than two regimes, when the residuals exhibit ARCH behavior, and when there are aggregate shocks. This methodology is applied to measure contagion across sovereign bonds between Argentina and Mexico. The estimates of the simultaneous parameters are relatively insensitive to different definitions of the regimes.

Rigotti, Luca

PD November 1998. **TI** Imprecise Beliefs in a Principal Agent Model. **AA** CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 98128; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 37. **PR** no charge. **JE** D23, D81, D82, J41. **KW** Principal-Agent. Incomplete Preferences. Asymmetric Information. Contracts. Organizational Behavior.

AB This paper presents a principal-agent model where the agent has multiple, or imprecise beliefs. We model this situation formally by assuming the agent's preferences are incomplete. One can interpret this multiplicity as an agent's limited knowledge of the surrounding environment. In this setting, incentives need to be robust to the agent's different beliefs. We study whether robustness implies simplicity. Under mild conditions, we show the unique optimal contract has a two-wage structure: a flat payment and bonus. That is, all output levels are divided into two groups, and the optimal incentive scheme pays the same amount for all output levels in each group. We also show that a two-state two-action framework can be thought of as a reduced form of the original model. We solve explicitly the principal's problem in this case, and discuss some implications of our model for firm ownership.

TI Skill, Strategy and Passion: An Empirical Analysis of Soccer. **AU** Palomino, Frederic; Rigotti, Luca; Rustichini, Aldo.

Rodriguez Mora, Jose Vicente

TI Inequality and Mobility. **AU** Hassler, John; Rodriguez Mora, Jose Vicente; Zeira, Joseph.

Rodrik, Dani

PD March 1999. **TI** When Does International Capital Mobility Require Tax Coordination? **AU** Rodrik, Dani; van Ypersele, Tanguy. **AA** Rodrik: Harvard University. van Ypersele: Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9927; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 10. **PR** no charge. **JE** F21, F32, F41, F42, H87. **KW** Capital Mobility. Policy Coordination. International Trade. Open Economy. Taxation.

AB Basic economic theory identifies a number of efficiency gains that derive from international capital mobility. But just as with free trade in goods, there is no guarantee that capital mobility makes everyone better off. Consequently, capital mobility may be politically unsustainable even though it enhances efficiency. This paper discusses how such a dilemma might arise, and suggests that international tax coordination might serve as a way out under some circumstances.

Roe, Terry L.

TI A Global Analysis of Agricultural Trade Reform in WTO Member Countries. **AU** Diao, Xinshen; Somwaru, Agapi; Roe, Terry L.

TI Democracy, Rent Seeking. Public Spending and Growth. **AU** Mohtadi, Hamid; Roe, Terry L.

Rogerson, Richard

TI Sorting and Long-Run Inequality. **AU** Fernandez, Raquel; Rogerson, Richard.

Roller, Lars-Hendrik

PD March 2000. **TI** Telecommunications Infrastructure and Economic Development: A Simultaneous Approach. **AU** Roller, Lars-Hendrik; Waverman, Leonard. **AA** Roller: WZB, Humboldt University, and INSEAD. Waverman: London Business School and University of Toronto. **SR** CEPR Discussion Paper: 2399; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V

7RR, United Kingdom. Website: www.cepr.org. **PG** 28. **PR** 5 pounds, $8 or 8 euros. **JE** L96, O47, O57. **KW** Economic Growth. Telecommunications. Economic Development.

AB This paper investigates how telecommunications infrastructure affects economic growth. This issue is important and has received considerable attention in the popular press concerning the creation of the "information superhighway" and its potential impacts on the economy. We use evidence from 21 OECD countries over a twenty-year period to examine the impacts that telecommunications developments may have had. We estimate a structural model, which endogenizes telecommunication investment by specifying a micro-model of supply and demand for telecommunication investments. The micro-model is then jointly estimated with the macro-growth equation. After controlling for country-specific fixed effects, we find evidence of a significant positive causal link, especially when a critical mass of telecommunications infrastructure is present. Interestingly, the critical mass appears to be at a level of telecommunications infrastructure that is near universal service.

Romano, Richard
TI Collective Choice and Voluntary Provision of Public Goods. **AU** Epple, Dennis; Romano, Richard.

Romer, Paul M.
PD May 2000. **TI** Should the Government Subsidize Supply or Demand in the Market for Scientists and Engineers? **AA** Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7723; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 47. **PR** $10.00 per copy (plus $10.00 per order for shipping outside the U.S.). **JE** O31, O32, O38. **KW** Engineers. Scientists. Public Policy.

AB This paper suggests that innovation policy in the United States has erred by subsidizing the private sector demand for scientists and engineers without asking whether the educational system provides that supply response necessary for these subsidies to work. It suggests that the existing institutional arrangements in higher education limit this supply response. To illustrate the path not taken, the paper considers specific programs that could increase the numbers of scientists and engineers available to the private sector.

Roorda, Berend
PD January 1999. **TI** Performance of Delta-Hedging Strategies in Interval Models--A Robustness Study. **AU** Roorda, Berend; Engwerda, Jacob; Schumacher, Hans. **AA** CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9905; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 14. **PR** no charge. **JE** G11, G13. **KW** Option Pricing. Limited Volatility. Delta-Hedging. Binary Tree. Martingale Measure.

AB In this paper we study the pricing of financial derivatives in a risky discrete-time world. We assume that price changes of the underlying asset may take any value in an interval, rather than just two values as in the binary tree model. Arbitrage arguments are used to derive an upper and lower bound for the option price, and the well-known Stop-loss and Delta-hedging strategies are given particular interpretations in this context. A robustness study is performed to analyze the effect of a misspecification of the interval bounds on the worst-case costs that may arise.

Rosellon, Miguel
PD March 1999. **TI** Liquidation Values, Risk and Capital Structure. **AA** CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9932; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 24. **PR** no charge. **JE** G32, G33. **KW** Capital Structure. Technological Choice. Industry Equilibrium. Financial Contracts. Liquidation.

AB This paper investigates the interaction between financial structure, liquidation values and product market equilibrium. Liquidation values depend on how many firms are liquidated, and therefore on the industry equilibrium of capital structures and of technology choices. We show that firms using a technology with high liquidation value issue less debt than those with low liquidation value even if these firms may be inefficiently liquidated. With respect to the equilibrium in the industry, we obtain that even if in equilibrium all firms use the same technology, firms will use widely different capital structures.

Rosen, Sherwin
PD February 2000. **TI** Labor Markets in Professional Sports. **AU** Rosen, Sherwin; Sanderson, Allen. **AA** University of Chicago. **SR** National Bureau of Economic Research Working Paper: 7573; 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** J31, J41, J44, J53, L83. **KW** Sports Labor Markets. Athletics Labor Markets. Labor Issues. Competitive Forces.

AB Many elements of supply and demand are starkly observable in professional athletics. Understanding institutional arrangements, competitive balance, and labor-management relations requires a basic understanding of sports labor markets and the struggle for control of those markets between interest groups. In this paper we treat historical and contemporary labor issues in North America and Europe, from reserve rules and free agency, high levels of player pay and work stoppages, to the distribution of playing talents across teams. We discuss the relationship between productivity and pay; relative versus absolute demand; competitive and cooperative interactions across firms (teams); factor substitutions; player mobility and the Coase theorem. We briefly consider how property rights affect supply, athletic talent, arms races, and restrictions on competition. The problem of (excess) incentives to compete leading to externalities and inefficiencies are noted throughout the paper.

Rosenbaum, Dan T.
TI Making Single Mothers Work: Recent Tax and Welfare Policy and its Effects. **AU** Meyer, Bruce D.; Rosenbaum, Dan T.

Roson, Roberto
PD December 2000. **TI** Intermodality and the Changing Role of Nodes in Transport Networks. **AU** Roson, Roberto; Soriani, Stefano. **AA** Universita Ca' Foscari, Venice.

SR Fondazione Eni Enrico Mattei Note di Lavoro: 105/2000; "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 L91, L92, R49. KW Intermodality. Maritime Transport. Transport Networks.

AB This paper analyses some of the economic issues involved in the diffusion of modern intermodal technologies, and the impact of intermodality on the functions performed by nodes in transportation networks. Two simple economic models are presented: the first considers why an intermodal transport service may be chosen instead of traditional single modal services, while the second addresses the link between standardization and warehousing. The last section focuses in a more detailed way on the maritime transport sector. The aim is to find evidence for the effects highlighted by the models.

Ross, Doris C.

TI Debt Relief Under the HIPC Initiative: Context and Outlook for Debt Sustainability and Resource Flow. AU Abrego, Lisandro; Ross, Doris C.

Roth, Alvin E.

PD June 2000. TI Last Minute Bidding and the Rules for Ending Second-Price Auctions: Theory and Evidence from a Natural Experiment on the Internet. AU Roth, Alvin E.; Ockenfels, Axel. AA Roth: Harvard University and NBER. Ockenfels: Harvard University. SR National Bureau of Economic Research Working Paper: 7729; National Bureau of Economic Research, 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 the U.S.). JE C73, C91, D44. KW Bidding Rules. Internet Auctions. eBay. Amazon.

AB There is a great deal of late bidding on internet second price auctions. We show that this need not result from either common value properties of the objects being sold, or irrational behavior: late bidding can occur at equilibrium even in private value auctions. The reason is that very late bids have a positive probability of not being successfully submitted, and this opens a way for bidders to implicitly collude, and avoid bidding wars, in auctions such as those run by eBay, which have a fixed end time. A natural experiment is available because the auctions on Amazon, while operating under otherwise similar rules, do not have a fixed end time, but continue if necessary past the scheduled end time until ten minutes have passed without a bid. The strategic differences in the auction rules are reflected in the auction data by significantly more late bidding on eBay then on Amazon. The evidence suggests that multiple causes contribute to late bidding, with strategic issues related to the rules about ending the auction playing an important role.

Rousseau, Peter L.

PD February 2000. TI Jacksonian Monetary Policy, Specie Flows, and the Panic of 1837. AA Vanderbilt University and NBER. SR National Bureau of Economic Research Working Paper: 7528; 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 E41, G21, N11, N21. KW Monetary Policy. Specie Reserves. Banking Crises. Interbank Transfers. Economic History.

AB The Panic of 1837 stands among the most severe banking crises in U.S. history, marking the start of a business downturn from which the nation would not recover for six years. Given the serious consequences of the panic for the rapidly evolving commercial and industrial sectors, it is thus not surprising that a number of hypotheses have emerged to disentangle the "true" causes from a host of aggravating domestic and international shocks. To this day, however, the event remains not fully understood. In this paper, I organize previously unexploited information from U.S. government documents and contemporary newspapers to take a fresh look at the panic. These sources point to a new explanation which places neither the official distribution of the federal surplus to the states in the Spring of 1837 nor an international shock at the heart of the crisis, although the latter may have served as a catalyst in the final weeks. Rather, a series of hitherto unremarked interbank transfers of government balances ordered in the year leading up to the crisis combined with a policy-induced increase in the demand for coin in the Western states served to drain the largest New York City banks of their specie reserves and render the panic inevitable.

Rouwenhorst, K. Geert

TI Global Real Estate Markets -- Cycles and Fundamentals. AU Case, Bradford; Goetzmann, William N.; Rouwenhorst, K. Geert.

Roy, Devesh

TI Who Can Explain The Mauritian Miracle: Meade, Romer, Sachs or Rodrik? AU Subramanian, Arvind; Roy, Devesh.

Rubin, Donald B.

TI Estimating the Effect of Unearned Income on Labor Supply, Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players. AU Imbens, Guido W.; Rubin, Donald B.; Sacerdote, Bruce.

Ruehl, Christoph

TI The Bail-In Problem: Systematic Goals, Ad Hoc Means. AU Eichengreen, Barry; Ruehl, Christoph.

Ruhm, Christopher J.

PD February 2000. TI Compensation in the Nonprofit Sector. AU Ruhm, Christopher J.; Borkoski, Carey. AA Ruhm: University of North Carolina at Greensboro and NBER. Borkoski: University of North Carolina, Greensboro. SR National Bureau of Economic Research Working Paper: 7562; 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 J31, J44, J45, L31. KW Pay Determination. Nonprofit Sector Wages. Wage Setting.

AB This analysis provides an in-depth investigation of the determinants of pay in the nonprofit sector. The main findings are as follows. First, holding constant individual characteristics, average weekly wages are 11 percent lower in nonprofit than for-profit jobs. However, this difference is entirely explained by the concentration of nonprofit employment in relatively low paid industries. Second, an accompanying longitudinal analysis, focusing on movement of workers between nonprofit and profit-seeking employers, suggests a nonprofit penalty of between 2 and 4 percent. Third, nonprofit workers in three specific industries (hospitals,

nursing/personal care facilities, social services), earn as much or more than their for-profit counterparts. However, the effects of changing the type of employment vary substantially across the three industries. These results raise questions about several predominant models of nonprofit wage-setting.

Rustichini, Aldo

TI   Skill, Strategy and Passion: An Empirical Analysis of Soccer. AU   Palomino, Frederic; Rigotti, Luca; Rustichini, Aldo.

Ruttan, Vernon W.

PD   March 2000. TI   Imperialism and Competition in Anthropology, Sociology, Political Science and Economics: A Perspective from Development Economics. AA   University of Minnesota. SR   University of Minnesota Economic Development Center Bulletin: 00/02; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. PG   20. PR   no charge. JE   A11, A12, O30. KW   Imperialism. Sociology. Anthropology. Political Science. Development Economics.
AB   In work published in the 1980's Yujro Hayami and I elaborated a theory of institutional innovations in which institutional changes are induced, on the demand side, by changes in relative resource endowments and technical change and, on the supply side, by changes in cultural endowments and advances in social science knowledge. In the mid-1980's I initiated a research program to explore what development economists might learn from research by other social scientists working in the field of development. In this paper I draw on this earlier work and on related literature to explore the conditions under which interdisciplinary imperialism or interdisciplinary collaboration can be most productive. I argue that when the objective of research is to advance fundamental knowledge in the social sciences imperialism can be highly productive. But where multiple sources of knowledge must be drawn on for policy, mechanism, or system design interdisciplinary collaboration is essential.

Sacerdote, Bruce

TI   The Economic Approach to Social Capital. AU   Glaeser, Edward L.; Sacerdote, Bruce; Laibson, David.

TI   Estimating the Effect of Unearned Income on Labor Supply, Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players. AU   Imbens, Guido W.; Rubin, Donald B.; Sacerdote, Bruce.

Sadka, Efraim

TI   Do Debt Flows Crowd Out Equity Flows Or the Other Way Round? AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

Saez, Emmanuel

TI   The Elasticity of Taxable Income: Evidence and Implications. AU   Gruber, Jonathan; Saez, Emmanuel.

TI   Participation and Investment Decisions in a Retirement Plan: The Influence of Colleagues' Choices. AU   Duflo, Esther; Saez, Emmanuel.

Saffer, Henry

PD   June 2000. TI   Alcohol Consumption and Alcohol Advertising Bans. AA   NBER. SR   National Bureau of Economic Research Working Paper: 7758; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG   14. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE   I19, L66, M37. KW   Advertising Bans. Alcohol Consumption.
AB   The purpose of this paper is to empirically examine the relationship between alcohol advertising bans and alcohol consumption. Most prior studies have found no effect of advertising on total alcohol consumption. A simple economic model is provided which addresses these results. The data set used in this study is a pooled time series of data from 20 countries over 26 years. The empirical model treats both alcohol consumption and alcohol advertising bans as endogenous. The primary conclusions of this study are that alcohol advertising bans decrease alcohol consumption and that alcohol consumption has a positive effect on the legislation of advertising bans. The results indicate that an increase of one ban could reduce alcohol consumption by five to eight percent. The results also suggest that recent exogenous decreases in alcohol consumption will decrease the probability of enactment of new bans and undermine the continuance of existing bans. Among countries which have recently rescinded alcohol advertising bans, alcohol consumption may be expected to increase (or decrease at a slower rate) than would have occurred had advertising bans remained in place.

Sahay, Ratna

TI   Macroeconomic Policies and Poverty Reduction: Stylized Facts and an Overview of Research. AU   Cashin, Paul; Mauro, Paolo; Pattillo, Catherine; Sahay, Ratna.

Saint-Paul, Gilles

PD   March 2000. TI   Hiring and Firing Costs, Adverse Selection and the Persistence of Unemployment. AU   Saint-Paul, Gilles; Kugler, Adriana. AA   Saint-Paul: Universitat Pompeu Fabra and CEPR. Kugler: Universitat Pompeu Fabra. SR   CEPR Discussion Paper: 2410; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   52. PR   5 pounds, $8 or 8 euros. JE   D82, E24, J41, J64, J65. KW   Adverse Selection. Turnover Costs. Unemployment Persistence. Worker Flows. Matching Models.
AB   In this paper, we present a matching model with adverse selection that explains why flows into and out of unemployment are much lower in Europe compared to North America, while employment-to-employment flows are similar in the two continents. In the model, firms use discretion in terms of whom to fire and, thus, low quality workers are more likely to be dismissed than high quality workers. Moreover, as hiring and firing costs increase, firms find it more costly to hire a bad worker; therefore, they prefer to hire out of the pool of employed job seekers rather than out of the pool of the unemployed, who are more likely to turn out to be "lemons." In our empirical analysis we use micro data from Spain and the U.S. and find support for our theory.

TI   Will EMU Increase Eurosclerosis? AU   Bentolila, Samuel; Saint-Paul, Gilles.

Sala-i-Martin, Xavier

TI   Determinants of Long-Term Growth: A Bayesian

Averaging of Classical Estimates (BACE) Approach. AU Doppelhofer, Gernot; Miller, Ronald I.; Sala-i-Martin, Xavier.

Samwick, Andrew

TI Allocating Payroll Tax Revenue to Personal Retirement Accounts to Maintain Social Security Benefits and the Payroll Tax Rate. AU Feldstein, Martin; Samwick, Andrew.

Sancetta, Alessio

PD June 2001. TI Bernstein Approximations to the Copula Function and Portfolio Optimization. AU Sancetta, Alessio; Satchell, Stephen E. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0105; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 34. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE C49, G11. KW Copulae. Bernstein Polynomials. Approximation Theory. Portfolio Optimization.
AB The Copula function is considered within the context of financial multivariate data sets that are not normally distributed. The Bernstein polynomial approximation to copulae is given, and motivated by its desirable properties. The multivariate convergence properties are analyzed. The Bernstein copula is introduced as a generalization of some bivariate and higher dimensional families of copulae. Statistical properties of the Bernstein copula are studied together with implementation issues related to portfolio theory and expected utility optimization.

Sanchirico, James N.

PD August 2000. TI The Impacts of Marine Reserves on Limited-Entry Fisheries. AU Sanchirico, James N.; Wilen, James E. AA Sanchirico: Resources for the Future. Wilen: University of California, Davis. SR Resources for the Future Discussion Paper: 00/34; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 18. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE Q22, R11, R14. KW Fisheries. Limited Entry. Marine Reserves.
AB We utilize a spatial bioeconomic model to investigate the impact of creating marine reserves on limited-entry fisheries. We find that reserve creation can produce win-win situations where both aggregate biomass and the common license (lease) price increase. These situations arise in patchy biological systems where dispersal processes are prevalent, and where prior to reserve creation the fishery is operating at effort levels in a neighborhood of open-access levels. We also illustrate that using strictly biological criteria for siting reserves (e.g., setting aside the most biologically productive areas) will likely induce the most vociferous objections from the fishing industry. In general, we find that the dispersal rate and the degree the patches in the biological system are connected play a significant role in the net impacts on the fishing sector.

Sanderson, Allen

TI Labor Markets in Professional Sports. AU Rosen, Sherwin; Sanderson, Allen.

Sapienza, Paola

TI The Role of Social Capital in Financial Development. AU Guiso, Luigi; Sapienza, Paola; Zingales, Luigi.

Satchell, Stephen E.

TI The Derivation of a New Model of Equity Duration. AU Lewin, Richard A.; Satchell, Stephen E.

TI Bernstein Approximations to the Copula Function and Portfolio Optimization. AU Sancetta, Alessio; Satchell, Stephen E.

TI Improving the Estimates of the Risk Premia -- Application in the UK Financial Market. AU Pitsillis, Marios; Satchell, Stephen E.

TI Bayesian Forecasting of Options Prices: A Natural Framework for Pooling Historical and Implied Volatility Information. AU Darsinos, Theofanis; Satchell, Stephen E.

TI Generalised Mean-Variance Analysis and Robust Portfolio Diversification. AU Wright, Stephen M.; Satchell, Stephen E.

Scarpetta, Stefano

TI Regulation and Labor Market Performance. AU Boeri, Tito; Nicoletti, Giuseppe; Scarpetta, Stefano.

Schaechter, Andrea

PD October 2001. TI Implementation of Monetary Policy and the Central Bank's Balance Sheet. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/149; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 19. PR not available. JE E51, E52, E58. KW Monetary Policy. Conditionality.
AB This paper discusses how the choice of central banks' operating targets influences the use of their monetary policy instruments and how the latter affect the central bank's balance sheet. This is of particular interest, since the monetary conditionality in IMF-supported programs has traditionally been linked to central bank balance sheet items. Quantity targeting tends to be practiced today mostly in countries in which money markets are not yet well-developed or a monetary aggregate is used as the intermediate target. Most other central banks prefer to target a short-term interest rate which results in day-to-day changes in balance sheet items becoming endogenous.

Schaling, Eric

PD December 1998. TI The Nonlinear Phillips Curve and Inflation Forecast Targeting-- Symmetric Versus Asymmetric Monetary Policy Rules. AA RAU. SR Tilburg CentER for Economic Research Discussion Paper: 98136; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 27. PR no charge. JE E31, E42, E43, E52, E58. KW Inflation Targets. Nonlinearities. Interest Rates. Stochastic Control. Monetary Policy.
AB We extend the Svensson inflation forecast targeting framework with a convex Phillips curve. We derive an asymmetric target rule, that implies a higher level of nominal interests rates than the Svensson forward-looking version of the reaction function popularized by Taylor. Extending the analysis with uncertainty about the output gap, we find that uncertainty induces a further upward bias in nominal interest rates. Thus, the implications of uncertainty for optimal policy are the opposite of standard multiplier uncertainty analysis.

Schalk, Sharon

AB   In Schalk (1996), a model of a private ownership economy is presented in which production and consumption bundles are treated separately. Each of the two types of bundles is assumed to establish a convex cone. The main part in the modeling is the introduction of production technologies, which can be thought of as the replacement notion of production sets in Arrow and Debreu's model. In this paper, it is proved that under mild economically interpretable conditions, presented in Schalk (1996), a Walrasian equilibrium exists.

Schmitt, Nicolas

AB   This paper shows that an increase in the degree of economies of scale raises the volume of intra-industry trade and the share of trade in total production in a model of monopolistic competition with traded and non-traded goods. This confirms the view that technological changes might have contributed to the high growth rate of trade observed during the post-war period.

AB   This paper develops a model of monopolistic competition with traded and non-traded goods to explain the significant gap between the growth rates of trade and of output. It is shown that in a model with both traded and non-traded goods, the effect of trade liberalization on the change in the share of export in total output almost doubles compared to the standard model as some non-traded goods become traded when the cost of trade decreases.

Schuermann, Til

Schumacher, Hans

Schwartz, Anna J.

AB   The premise of the paper is that the fervor for foreign exchange market intervention by U.S. and European monetary authorities has ebbed in recent years. A pattern of belief in the effectiveness of foreign exchange market intervention has recently been eroded, as is revealed by the absence of intervention in circumstances that in earlier times would have invoked it. Only the Bank of Japan among central banks of the developed world has not thus far abandoned its faith that intervention can change the relative value of the yen as determined by market forces to conform to its notion of what that value should be. To explain why U.S. and European monetary authorities no longer believe that intervention is a tool that works, I review the equivocal record of past episodes, the inconclusive results of empirical research, and the problems of implementation that intervention advocates ignore.

Schweitzer, Mark

Scott, Andrew

AB   The aim of this paper is to construct theoretical models, which help to shed light on the recent criticisms of volatile investment flows. We do not make any empirical attempt to establish the existence or gauge the importance of the adverse effects of volatile investment flows nor do we make any implicit claims regarding the role of such flows in recent exchange rate crises. Instead, we simply assume the existence of fickle outside investors and examine the consequences for the economy in the context of two partial equilibrium endogenous growth models. In our first model, the scale of fickle outside investment funds traces out a mean-variance tradeoff for the growth rate of the economy. In particular, the volatility of these funds dissuades risk averse agents from risky entrepreneurial activities. This result opens up the possibility that some regulation of outside investment may increase growth. Our second model involves increasing returns and multiple equilibria. In the context of this model fickle investor

behavior can have very persistent and substantial effects on both output growth and volatility.

Sedjo, Roger

PD September 2000. TI Forestry Sequestration of CO2 and Markets for Timber. AU Sedjo, Roger; Sohngen, Brent. AA Sedjo: Resources for the Future. Sohngen: Ohio State University. SR Resources for the Future Discussion Paper: 00/35; Resources for the Future, 1616 P Street, NW, Washington, D.C. 20036. Website: www.rff.org. PG 37. PR Domestic First Class $10; Domestic Book Rate $6; Foreign Air Mail $15 Foreign Surface Mail $8. JE L73, Q15, Q21, Q23, Q25. KW Carbon Sequestration. Forests. Carbon Leakages. Timber Market. Crowding Out.

AB Forestry is considered to have potential in reducing the atmospheric concentration of carbon dioxide by sequestrating carbon in timber, roots, and soil. The Kyoto Protocol identified forestry activities for which carbon sequestration credits could be obtained. A few forestry efforts have been undertaken for carbon purposes, mostly on a small scale. There are proposals for large areas of new carbon sequestration forests; however, there are concerns that large-scale sequestration operations might have impacts on the world timber market, affecting prices and thereby reducing the incentives of traditional suppliers to invest in forest management and new timber production. Such a "crowding out" or "leakage" effect could negate the sequestration effects of the new forests. The purpose of this study is to examine and assess the interactions between carbon sequestration forestry and the markets for timber. To examine these interactions the study uses an existing Dynamic Timber Supply Model. Projections suggest that the amount of crowding out and carbon leakages are likely to be very modest.

Sen, Somnath

TI Long-Run Dynamics of FDI and its Spillovers onto Output: Evidence from the Asia-Pacific Economic Cooperation Region. AU Bende-Nabende, A.; Ford, J. L.; Sen, Somnath; Slater, J.

TI FDI Locational Determinants and the Linkage Between FDI and Other Macro-Economic Factors: Long-Run Dynamics in Pacific Asia. AU Bende-Nabende, A.; Ford, J. L.; Sen, Somnath; Slater, J.

Serven, Luis

TI Country Portfolios. AU Kraay, Aart; Loayza, Norman; Serven, Luis; Ventura, Jaume.

Sgroi, Daniel

PD July 2001. TI Controlling the Herd: Applications of Herding Theory. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0106; Department of Applied Economics, University of Cambridge, Sidgwick Avenue. Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 30. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE D82, D83, L15, M31. KW Informational Cascade. Herding. Marketing Strategies.

AB The literature on informational cascades and herding theory has for a decade focused on the externality and suboptimal outcomes generated from decision-making when action spaces are coarser than private information spaces. Much of the output has therefore been positive, not normative. This paper redresses this imbalance by detailing several direct applications for marketing and business arising from herding theory. We see that business practices such as encouraging early sales, or selling to groups rather than individual customers, can be justified theoretically by a direct application of herding theory.

Sharma, Sunil

TI IMF Conditionality and Country Ownership of Programs. AU Khan, Mohsin S.; Sharma, Sunil.

Shavell, Steven

PD March 1999. TI Rewards Versus Intellectual Property Rights. AU Shavell, Steven; van Ypersele, Tanguy. AA Shavell: Harvard Law School and National Bureau of Economic Research. van Ypersele: Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9926; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 32. PR no charge. JE D23, K11, L10, O31, O34. KW Rewards. Property Rights. Innovation. Incentives.

AB This paper compares reward systems to intellectual property rights (patents and copyrights). Under a reward system, innovators are paid for innovations directly by government (possibly on the basis of sales), and innovations pass immediately into the public domain. Thus, reward systems engender incentives to innovate without creating the monopoly power of intellectual property rights, but a principal difficulty with rewards is the information required for their determination. We conclude in our model that intellectual property rights do not posses a fundamental social advantage over reward systems, and that an optional reward system -- under which innovators choose between rewards and intellectual property rights -- is superior to intellectual property rights.

Shearer, Arran

TI Waiting Times for Hospital Admissions: the Impact of GP Fundholding. AU Croxson, Bronwyn; Propper, Carol; Shearer, Arran.

Shephard, Neil

TI Statistical Algorithms for Models in State Space Using SsfPack 2.2. AU Koopman, Siem Jan; Shephard, Neil; Doornik, Jurgen A.

Shi, Shouyong

TI Innovation, Growth and Welfare-Improving Cycles. AU Francois, Patrick; Shi, Shouyong.

Shih, Jhih-Shyang

TI The Benefits and Costs of Informal Sector Pollution Control: Mexican Brick Kilns. AU Blackman, Allen; Newbold, Stephen; Shih, Jhih-Shyang; Cook, Joe.

Shin, Hyun-Han

PD July 2000. TI Firm Value, Risk, and Growth Opportunities. AU Shin, Hyun-Han; Stulz, Rene M. AA Shin: University of Buffalo. Stulz: Ohio State University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 7808; 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 the U.S.). **JE** G39. **KW** Tobin's q. Equity Risk.

AB This paper shows that Tobin's q, as proxied by the ratio of the firm's market value to its book value, increases with the firm's systematic equity risk and falls with the firm's unsystematic equity risk. Further, an increase in the firm's total equity risk is associated with a fall in q. The negative relation between the change in total risk and the change in q is robust through time for the whole sample, but it does not hold for the largest firms.

Shioji, Etsuro

TI Human Capital Investment in the Presence of Unemployment: Application to University Enrollment in Spain. **AU** Fernandez, Rosa M.; Shioji, Etsuro.

Siebert W. S.

TI Building Blocks in the Economics of Mandates. **AU** Addison, John T.; Barrett, C. Richard; Siebert W. S.

Sieg, Holger

PD June 2000. **TI** Estimating the General Equilibrium Benefits of Large Policy Changes: The Clean Air Act Revisited. **AU** Sieg, Holger; Smith, V. Kerry; Banzhaf, H. Spencer; Walsh, Randy. **AA** Sieg: Duke University and NBER. Smith: North Carolina State University and Resources for the Future. Banzhaf and Walsh: Duke University. **SR** National Bureau of Economic Research Working Paper: 7744; 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** C51, D58, D62, Q25, Q26. **KW** Welfare Analysis. Willingness to Pay. Air Quality. Housing Prices. General Equilibrium Effects.

AB This paper reports the first comprehensive approach for measuring the general equilibrium willingness to pay for large changes in air quality. It is based on a well-defined locational equilibrium model. The approach allows estimation of households' indirect utility function and the underlying distribution of household types. With these estimates it is possible to compute a new locational equilibrium and the resulting housing prices in response to exogenous changes in air quality. This permits construction of welfare measures that properly take into consideration the adjustments of households in equilibrium to non-marginal changes in air quality. We compute the general equilibrium willingness to pay for the changes in air quality between 1990 and 1995 using data from Southern California, an area that has experienced dramatic improvements in air quality. Our findings are generally supportive of our approach and suggest that accounting for general equilibrium effects in applied welfare can be especially important.

Siegel, Donald

TI An Econometric Analysis of Trends in Research Joint Venture Activity. **AU** Link, Albert; Paton, David; Siegel, Donald.

TI A Policy Response to the E-Commerce Revolution: The Case of Betting Taxation. **AU** Paton, David; Siegel, Donald; Vaughan Williams, Leighton.

Silva, Emilson

TI How Effective and Efficient Can the Kyoto Protocol Be in Controlling Global Carbon Dioxide Emissions? **AU** Caplan, Arthur; Cornes, Richard; Silva, Emilson.

Simon, Nathalie

TI Age, Health, and the Willingness to Pay for Mortality Risk Reductions: A Contingent Valuations Survey of Ontario Residents. **AU** Krupnick, Alan; Alberini, Anna; Cropper, Maureen; Simon, Nathalie; O'Brien, Bernie; Goeree, Ron; Heintzelman, Martin.

TI Age, Health, and the Willingness to Pay for Mortality Risk Reductions: A Contingent Valuations Survey of Ontario Residents. **AU** Krupnick, Alan; Alberini, Anna; Cropper, Maureen; Simon, Nathalie; O'Brien, Bernie; Goeree, Ron; Heintzelman, Martin.

Simpson, R. David

TI Biological Limits on Agricultural Intensification: An Example from Resistance Management. **AU** Laxminarayan, Ramanan; Simpson, R. David.

Sinclair, Peter

TI Preference Asymmetries, Hysteresis and Quality Effects in Swedish Imports. **AU** Anderton, R.; Brenton, Paul; Horsewood, Nicholas; Sinclair, Peter.

Siniver, Erez

TI Language-Skill Complementarity: Returns to Immigrant Language Acquisition. **AU** Berman, Eli; Lang, Kevin; Siniver, Erez.

Slater, J.

TI Long-Run Dynamics of FDI and its Spillovers onto Output: Evidence from the Asia-Pacific Economic Cooperation Region. **AU** Bende-Nabende, A.; Ford, J. L.; Sen, Somnath; Slater, J.

TI FDI Locational Determinants and the Linkage Between FDI and Other Macro-Economic Factors: Long-Run Dynamics in Pacific Asia. **AU** Bende-Nabende, A.; Ford, J. L.; Sen, Somnath; Slater, J.

Slemrod, Joel

PD March 2000. **TI** Does Growing Inequality Reduce Tax Progressivity? Should It? **AU** Slemrod, Joel; Bakija, Jon. **AA** Slemrod: University of Michigan and NBER. Bakija: Williams College. **SR** National Bureau of Economic Research Working Paper: 7576; 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** D31, H21, H23, H24. **KW** Progressivity. Income Inequality. Optimal Taxation. Inequality.

AB This paper explores the links between two phenomena of the past two decades: the striking increase in the inequality of pre-tax incomes, and the failure of tax-and-transfer progressivity to increase. We emphasize the causal links from inequality to progressivity, noting that optimal taxation theory predicts that growing inequality should increase progressivity. We discuss public choice alternatives to the optimal progressivity framework. The paper also addresses the opposite

causal direction: that it is changes in taxation that have caused an apparent increase in inequality. Finally, we discuss the "non-event- study" offered by the large changes since 1995 in the distribution of income, with no major tax changes, and discuss its implications for the link between progressivity and inequality.

Slikker, Marco
PD January 1999. TI Link-Monotonic Allocation Schemes. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9906; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 19. PR no charge. JE C71. KW Networks. Reward Games. Monotonic Allocation. Allocation Schemes. Game Theory.
AB A network is a graph where the nodes represent players and the links represent bilateral interaction between the players. A reward game assigns a value to every network on a fixed set of players. An allocation scheme specifies how to distribute the worth of every network among the players. This allocation scheme is link monotonic if extending the network does not decrease the payoff of any player. We characterize the class of reward games that have a link-monotonic allocation scheme. Two allocation schemes for reward games are studied, the Myerson allocation scheme and the position allocation scheme, which are both based on allocation rules for communication situations. We introduce two notions of convexity in the setting of reward games, and with these notions of convexity we characterize the classes of reward games in which the Myerson allocation scheme and the position allocation scheme are link monotonic. As a by-product we find a characterization of the Myerson value and the position value on the class of reward games using potentials.

Smith, Andrew S. J.
TI The Restructuring and Privatization of British Rail: Was it Really That Bad? AU Pollitt, Michael G.; Smith, Andrew S. J.

Smith, Jeremy
TI Factors Affecting the Probability of First-Year Medical Student Dropout in the UK: A Logistic Analysis for the Entry Cohorts of 1980- 1992. AU Arulampalam, Wiji; Naylor, Robin A.; Smith, Jeremy.

Smith, V. Kerry
TI Estimating the General Equilibrium Benefits of Large Policy Changes: The Clean Air Act Revisited. AU Sieg, Holger; Smith, V. Kerry; Banzhaf, H. Spencer; Walsh, Randy.

Snicker, Jonathan
TI A Study in Structural Change: Relative Earnings in Wales Since the 1970s. AU Cameron, Gavin; Muellbauer, John; Snicker, Jonathan.

Sodal, Sigbjorn
PD February 2001. TI Entry, Exit and Scrapping Decisions with Investment Lags: A Series of Investment Models Based on a New Approach. AA Agder University College, Norway and University of California, Santa Barbara. SR University of California, Santa Barbara, Working Papers in Economics: 01/01; Department of Economics, Working

Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG 26. PR no charge for domestic orders; for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE D81, D92, L92. KW Irreversible Investment. Price Uncertainty. Markup Pricing. Investment Lags.
AB Several entry-exit models under price uncertainty are discussed using a new markup approach to investment. The markup approach, introduced by Dixit et al. (1999), enables us to state the expected value of the firm in the entry-exit model as a function of a chosen pair of entry and exit trigger prices. The optimal policy appears by maximizing the value function with respect to the trigger prices. The models discussed include endogenous production costs, diminishing production over time, limits to the available number of switches, and various models with scrapping decisions and investment lags. We also correct some results on investment lags by Bar-Ilan and Strange (1996). The main new model that is developed allows for an investment lag in the entry-exit-scrapping model of Dixit (1988). The importance of the investment lag is investigated with experimental data and empirical data from shipping.

Sohngen, Brent
TI Forestry Sequestration of CO2 and Markets for Timber.
AU Sedjo, Roger; Sohngen, Brent.

Somwaru, Agapi
TI A Global Analysis of Agricultural Trade Reform in WTO Member Countries. AU Diao, Xinshen; Somwaru, Agapi; Roe, Terry L.

Sonin, Konstantin
TI Capture of Bankruptcy: Theory and Evidence from Russia. AU Lambert-Mogiliansky, Ariane; Sonin, Konstantin; Zhuravskaya, Ekaterina.

TI Capture of Bankruptcy: Theory and Evidence from Russia. AU Lambert-Mogiliansky, Ariane; Sonin, Konstantin; Zhuravskaya, Ekaterina.

Soriani, Stefano
TI Intermodality and the Changing Role of Nodes in Transport Networks. AU Roson, Roberto; Soriani, Stefano.

Spencer, Barbara J.
PD February 2000. TI Keiretsu and Relationship-Specific Investment: A Barrier to Trade? AU Spencer, Barbara J.; Qiu, Larry D. AA Spencer: University of British Columbia and NBER. Qiu: Hong Kong University of Science and Technology. SR National Bureau of Economic Research Working Paper: 7572; 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 F12, F14, L62. KW Trade Barriers. Keiretsu. Investment Rents.
AB This paper develops a model of informal procurement within Japanese keiretsu so as to consider effects on intermediate good imports, such as auto parts. Parts-suppliers make relationship-specific investments that benefit the automaker, and prices are determined by bargaining after investment has been sunk. Although this investment raises efficiency, it limits the range of imports to less important parts,

and it is possible that no parts are imported, despite lower foreign production costs. Lack of information concerning investment rents, combined with counterintuitive effects on imports and Japanese production costs could create unwarranted perceptions of a trade barrier.

Sproul, Michael F.

PD November 2001. TI A Quick History of Paper Money. AA University of California, Los Angeles. SR University of California, Los Angeles, Department of Economics Working Paper: 815; Working Paper Coordinator, Department of Economics, UCLA, Box 951477, 8283 Bunche, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 11. PR $5.00 (to cover the cost of postage and photocopying). JE E51, E52, E58, N11. KW Paper Currency.
AB This paper explains the history of paper money in the context of the backing theory of money. It briefly examines French playing card money, American colonial paper money, the Mississippi bubble, the assignats, the Restriction period of the Bank of England, the American Free Banking era, and the Greenback period. In each case, the contention is that the paper money in question was backed by the assets of the money-issuing entity, and that the money's value was determined by that backing. In several cases, the backing consisted of the taxing ability of a government. For example, a government that had previously demanded one ounce of silver from a taxpayer might announce that henceforth it will accept either one ounce of silver or six paper shillings issued by the government. As long as the government is able to collect the ounce of silver, the six paper shillings are backed just as effectively as if the government had held an ounce of silver against the six paper shillings.

Stavins, Robert N.

TI Technological Change and the Environment. AU Jaffe, Adam B.; Newell, Richard G.; Stavins, Robert N.

Steurer, Anton

PD December 2000. TI Towards an Environmental Accounting Framework for the EU. AA Eurostat. SR Fondazione Eni Enrico Mattei Note di Lavoro: 96/2000; "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 O47, Q20, Q32, Q38. KW Green National Accounting. Environmental Accounting. Emission Accounts.
AB This paper describes work on environmental accounts at Eurostat. Areas of work include: asset accounts for forests, subsoil resources, land, and water; National Accounting Matrix including Environmental Accounts (NAMEA) emission accounts; economy-wide material flow accounts; accounts for environmental expenditure, environmental taxes, environment industry, and environmental employment; monetary valuation. For each area of work the present state, future development, and numerical findings are presented. The paper concludes that frameworks and methods have been developed in several environmental accounts areas, and their applicability demonstrated in practice. For these, future work will focus on systematic implementation in Member States, allowing regular compilation of numerical results at lower costs. For less mature areas research and experimental applications will continue.

This includes monetary valuation of environmental functions and derivation of "adjusted" national accounts aggregates.

Stewart, Mark B.

PD January 2002. TI The Impact of the Introduction of the UK Minimum Wage on the Employment Probabilities of Low Wage Workers. AA University of Warwick. SR Warwick Economic Research Paper: 630; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 29. PR no charge. JE J23, J38. KW Minimum Wage. Employment Determination. Labor Demand. Difference-in- Differences.
AB The UK minimum wage was introduced in April 1999. This paper uses longitudinal data from three contrasting datasets (matched Labor Force Surveys, the British Household Panel Survey, and matched New Earnings Surveys) to estimate the impact of the introduction of the minimum wage on the probability of subsequent employment among those whose wages needed to be raised to comply with the minimum. A difference-in- differences estimator is used, based on position in the wage distribution. No significant adverse employment effects are found for any of the four demographic groups considered (adult and youth, men and women) or in any of the three datasets used.

Stock, James H.

TI Robust Monetary Policy Under Model Uncertainty in a Small Model of the U.S. Economy. AU Onatski, Alexei; Stock, James H.

Strauch, Rolf

TI East Germany: Transition With Unification -- Experiments and Experiences. AU von Hagen, Jurgen; Strauch, Rolf.

Strijbosch, L. W. G.

PD December 1998. TI Improved Spare Parts Inventory Management: A Case Study. AU Strijbosch, L. W. G.; Heuts, R. M. J.; Van der Schoot, E. H. M. AA Strijbosch: Tilburg University. Heuts: CentER and Tilburg University. Van der Schoot: CMG Trade. SR Tilburg CentER for Economic Research Discussion Paper: 98135; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 24. PR no charge. JE E22, E27, L66. KW Forecasting. Inventory. Simulation. Intermittent Demand.
AB This paper examines the performance of two different (s, Q) inventory models for square parts in a production plant of confectionery in The Netherlands, a simple and an advanced model. The simple approach is more or less standard: undershoot of the reorder level is not taken into account, the normal distribution is used as the distribution of demand during lead-time. The advanced one takes undershoots into account, differentiates between zero and nonzero demands during lead-time, and utilizes the gamma distribution as the demand distribution. Both models are fed with parameters estimated by a procedure that forecasts demand sizes and time between demand occurrences separately (intermittent demand). The results show that the advanced approach yields service levels close to the desired one under many circumstances, while the simple approach is not consistent leading to much larger inventories if one wants to be sure that the service level is

obtained for all spare parts.

Strobel, Frank

PD July 2000. TI Leaving a Monetary Union: Expected Time and Probability. AA University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 00/05; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bham.ac.uk/research/. PG 5. PR 2 pounds ($4); no charge to academics. JE E31, E42, E52, F33, F36. KW Monetary Union. Inflation Bias. Brownian Motion.
AB Using a two-country model of monetary union, we derive the expected time and probability for any one country wanting to return to monetary independence when national inflation biases follow geometric Brownian motions.

Strobl, Eric

TI "Footloose" Multinationals? AU Gorg, Holger; Strobl, Eric.

TI Is R&D Financially Restrained? Theory and Evidence from Irish Manufacturing. AU Bougheas, Spiros; Gorg, Holger; Strobl, Eric.

TI Foreign Direct Investment, Agglomerations and Demonstration Effects: An Empirical Investigation. AU Barry, Frank; Gorg, Holger; Strobl, Eric.

TI Explaining Firms' Export Behaviour: The Role of R&D and Spillovers. AU Barrios, Salvador; Gorg, Holger; Strobl, Eric.

Stromberg, Per Johan

TI Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts. AU Kaplan, Steven; Stromberg, Per Johan.

Stulz, Rene M.

TI U.S. Banks, Crises, and Bailouts: From Mexico to LTCM. AU Kho, Bong-Chan; Lee, Dong; Stulz, Rene M.

TI Firm Value, Risk, and Growth Opportunities. AU Shin, Hyun-Han; Stulz, Rene M.

Suarez, Javier

PD February 2000. TI Optimal Corporate Governance Structures. AU Suarez, Javier; Almazan, Andres. AA Suarez: CEMFI. Almazan: University of Texas. SR CEPR Discussion Paper: 2391; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG 48. PR 5 pounds, $8 or 8 euros. JE G34, M13. KW Corporate Governance. Board of Directors. Severance Payment. Takeovers.
AB This paper explores how motivating an incumbent CEO to make investments that improve the effectiveness of the firm organization under his management interacts with the replacement policy of the board of directors. We characterize the optimal compensation package (including severance pay) under governance structures that differ in the power that the incumbent CEO has on the board of directors. We explain why yielding the incumbent CEO some control of the board (entrenchment) can be desirable and offer predictions on when this arrangement is optimal. We also examine the correlation between the elements of his compensation package and the structure of the board.

Subramanian, Arvind

PD August 2001. TI Who Can Explain The Mauritian Miracle: Meade, Romer, Sachs or Rodrik? AU Subramanian, Arvind; Roy, Devesh. AA Subramanian: International Monetary Fund. Roy: University of Maryland. SR International Monetary Fund Working Paper: WP/01/116; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 41. PR not available. JE F15, F43, O23, O42, O55. KW Mauritius. Growth. Institutions. Geography. Openness.
AB This paper examines different explanations-initial conditions, openness to trade and FDI, and institutions -- of the Mauritian growth experience since the mid-1970s. We show that arguments based on openness to trade and FDI are either misleading or incomplete, and the transmission mechanism insufficiently identified. However, even when correctly articulated, openness appears to be a proximate rather than an underlying explanation for the Mauritian experience. The institution-based explanation offers greater promise. Ultimately, however, the econometric results indicate that existing explanations may be incomplete. Some idiosyncratic factors, particularly Mauritian diversity and the responses to managing it, may provide the missing pieces in the story of Mauritius's success.

TI What Does South Africa's Pattern of Trade Say About Its Labor Market? AU Alleyne, Trevor; Subramanian, Arvind.

Sugden, Roger

TI Corporate Governance and the Public Interest. AU Branston, J. Robert; Cowling, Keith; Sugden, Roger.

Suijs, Jeroen

TI Cooperation in Capital Deposits. AU Borm, Peter; De Waegenaere, Anja; Rafels, Carles; Suijs, Jeroen; Tijs, Stef; Timmer, Judith.

TI Cooperation in Capital Deposits. AU Borm, Peter; De Waegenaere, Anja; Rafels, Carles; Suijs, Jeroen; Tijs, Stef; Timmer, Judith.

PD April 1999. TI Costly Disclosures in a Voluntary Disclosure Model with an Opponent. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9935; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 9. PR no charge. JE D82, L10, L20, M49. KW Voluntary Disclosure. Disclosure Costs. Propriety Costs. Private Information.
AB This paper analyzes voluntary disclosure equilibria when the voluntary disclosure model presented in Wagenhofer (1990) is modified so as to include fixed disclosure costs as used in Verrecchia (1983). It turns out that incorporating both disclosure and propriety costs rules out full disclosure equilibria. Moreover, it yields additional disclosure equilibria that differ significantly from the equilibria in Verrecchia and Wagenhofer. Thus, in the extended model the firm is provided with additional incentives to withhold its private information from the public.

Sunnevag, Kjell J.

PD June 2001. TI Auction Design for the Allocation of Multiple Units of a Homogenous Good: Theoretical Background and Practical Experience. AA Foundation for Research in Economics and Business Administration, Norway and University of California, Santa Barbara. SR University of California, Santa Barbara, Working Papers in Economics: 01/04: Department of Economics, Working Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG 25. PR no charge for domestic orders: for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE D44, F13, F14, Q28. KW Auctions. Multi-Unit Auctions. Import Quotas. Securities Auction. Homogenous Good Allocation.

AB Auctions used to allocate multiple units of a homogenous good account for a large number of transactions in market economies, the most notable example perhaps being the allocation of financial and monetary instruments, such as bonds, bills and securities. The auction format used to sell many identical items has typically been a sealed bid one round auction, but recently the multi-unit ascending auction has been recommended as an alternative to the standard format. Import quota auctions in Norway represent one example of a practical application of this design. After some theoretical perspectives on multi-unit ascending auctions, the paper presents experiences from the allocation of emission permits, securities, and import quotas. Thereafter, the Norwegian experience with the ascending auction format is presented.

PD June 2001. TI Auction Design for the Allocation Emission Permits. AA Foundation for Research in Economics and Business Administration, Norway and University of California, Santa Barbara. SR University of California, Santa Barbara, Working Papers in Economics: 01/05: Department of Economics, Working Paper Coordinator, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG 15. PR no charge for domestic orders: for non-U.S. orders, U.S. $3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE D44, Q21, Q28. KW Auctions. Multi-Unit Auctions. Emission Permits. Homogenous Good Allocation.

AB When emission permits are allocated using market mechanisms, a sealed-bid auction design is used, typically with discriminatory pricing. Emission permits, being a homogenous good with a fixed supply within a certain period, can be allocated using an auction design which can be considered a "share auction," where the bidders receive fractional shares of the item at a price that equates the demand and supply of shares. The ascending multi-round auction format has been recommended over the sealed bid format, due to the improvements in information provided to bidders, and the resulting increase in efficiency. Two designs have been recommended: the standard ascending- clock auction, and an ascending-clock implementation of Vickrey- pricing. The purpose of this paper is to evaluate pros and cons of these two formats, particularly in a setting where the authorities wish to allocate exclusive rights efficiently, and where the allocation of these rights has consequences for the level of production and market shares.

Susmel, Raul

TI Interest Rate Volatility and Contagion in Emerging Markets: Evidence from the 1990s. AU Edwards, Sebastian; Susmel, Raul.

Sutherland, Holly

PD July 2001. TI The National Minimum Wage and In-Work Poverty. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0111: Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 17. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE H24, I32, I38, J38. KW Minimum Wage. Poverty Reduction.

AB The analysis presented in this paper considers the impact on poverty rates of the Labor government's tax and benefit policy changes in combination with the introduction of the National Minimum Wage (NMW). It examines the contribution of the NMW to direct poverty reduction and to "making work pay." It concludes that the main contribution made by the NMW to poverty reduction at the household level is probably through its role in underpinning the operation of in-work top-up benefits.

PD August 2001. TI Combining Household Income and Expenditure Data in Policy Simulations. AU Sutherland, Holly; Taylor, Rebecca; Gomulka, Joanna. AA University of Cambridge. SR University of Cambridge, DAE Working Paper: 0110; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae. PG 11. PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE C81, D12, E62, H31. KW Statistical Matching. Clustering. Household Expenditures. Microsimulation. Fiscal Policy.

AB The analysis of the distributional impact of fiscal policy proposals often requires information on household expenditures and incomes. It is unusual to have one data source with high quality information on both: this problem is generally overcome with statistical matching of independent data sources. Typically, matching is conducted with any information common to both sources with a limited (or unknown) degree of success. In this paper, Grade Correspondence Analysis (GCA) is investigated as a tool to improve the matching process. GCA draws out the relationships between the common variables to enable the sample to be partitioned into more homogeneous groups, prior to matching. An evaluation of alternative methods is conducted using data sets from the UK Family Expenditure Survey, which contains income and expenditure at a detailed level of disaggregation. Imputed expenditures are compared with actual expenditures through the use of indirect tax simulations. The most successful methods are then employed to enhance income data from the Family Resources Survey and the synthetic data set is used as a microsimulation model database.

Svensson, Lars E. O.

PD February 2000. TI How Should Monetary Policy Be Conducted in an Era of Price Stability? AA Stockholm University. SR National Bureau of Economic Research Working Paper: 7516; 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 D78, E31, E52, E58, E63. KW Price Stability. Monetary Policy. Inflation

Targeting. Forecast Targeting. Credibility.

AB The paper discusses several issues related to how monetary policy should be conducted in an era of price stability. Low inflation (with base drift in the price level) and price-level stability (without such base drift) are compared, and a suitable loss function (corresponding to flexible inflation targeting) is discussed, including the index and level for the inflation target. Three ways of maintaining price stability are examined, namely (1) a commitment to a simple instrument rule, (2) "forecast targeting," and (3) monetary targeting. Both (1) and (3) are found to be inferior to forecast targeting in maintaining price stability. The benefits of credibility (private inflation expectations coinciding with the inflation target) are discussed. Credibility improves the tradeoff between inflation variability and output-gap variability, and makes it easier for the central bank to meet its inflation target. The threat of deflation and a liquidity trap is examined. Transparent inflation targeting and a contingency plan with emergency measures, including a coordinated fiscal and monetary expansion, are likely to avoid a liquidity trap, but also contribute to escaping from one if already trapped.

Syme, Tony

PD November 2000. TI "La France Aux Francais!" Displacing the Foreign Worker During the 1930s Depression. AA University of Oxford. SR Oxford Department of Economics Discussion Paper: 54; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG 30. PR 2 pounds. JE E24, J21, J61, J68, N34. KW France. Unemployment. Immigrants. Repatriation. Economic History.
AB Unemployment in the 1930s was low in France by international standards, nevertheless there was a virulent drive to expel immigrant workers as a means of limiting domestic unemployment. This involved not only the repatriation of the foreign chomeur, but also legislation to displace the foreign worker from his workplace. This paper extends the current debate over the effectiveness of this strategy with the use of two archival datasets. The inability of the State to reach its immigrant employment targets is confirmed, but it is suggested that it was not that unemployed Frenchmen were not willing to take the unattractive jobs that immigrants held, but that employers were unwilling to substitute their foreign workers with their French unemployed equivalents that undermined this repatriation drive. One implication is that the repatriation of foreign workers that did take place compromised the economic recovery that would begin in 1936.

PD December 2000. TI Public Policy and Unemployment in Interwar France: An Empirical Approach. AA University of Oxford. SR Oxford Department of Economics Discussion Paper: 55; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG 27. PR 2 pounds. JE E24, E42, J21, J61, N34. KW Unemployment. Gold Standard. Repatriation. Labor Markets. Economic History.
AB This paper introduces an empirical model of the French interwar labor market that is comparable to models developed for the British labor market for this period, yet incorporates specific extensions in order to capture the peculiarities of the French case. The result is a model that can very accurately simulate the movement of unemployment in the 1920s and 1930s and this is used to run a series of counterfactual simulations to estimate the labor market effects of various public policies adopted at the time. Of particular note is the result that the repatriation drive of the early 1930s had no significant effect on the size of the foreign labor force by 1936 and that the decision to remain on the Gold Standard until 1936 raised unemployment each year by more than primary policies introduced to combat unemployment -- public works and repatriation of foreign workers -- reduced it.

Syropoulos, Constantinos

TI Deepening of Regional Integration and Multilateral Trade Agreements. AU Bond, Eric W.; Syropoulos, Constantinos; Winters, L. Alan.

Taber, Christopher

TI Borrowing Constraints and the Returns to Schooling. AU Cameron, Stephen; Taber, Christopher.

Tallon, Jean-Marc

TI Ambiguity Aversion and Incompleteness of Financial Markets. AU Mukerji, Sujoy; Tallon, Jean-Marc.

Talvi, Ernesto

PD January 2000. TI Tax Base Variability and Procyclical Fiscal Policy. AU Talvi, Ernesto; Vegh, Carlos A. AA Talvi: CERES. Vegh: UCLA and NBER. SR National Bureau of Economic Research Working Paper: 7499; 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 E32, E62, F41, H21, H30. KW Tax Base. Fiscal Policy. Tax Smoothing. Optimal Policy.
AB Based on a sample of 56 countries, we find that while fiscal policy in the G-7 countries appears to be broadly consistent with Barro's tax smoothing proposition, in developing countries government spending and taxes are highly procyclical (i.e., government spending rises and taxes fall during expansions, while the reverse is true in recessions). To explain this puzzle, we develop an optimal fiscal policy model in which running budget surpluses is costly because they create pressures to increase public spending. Given this distortion, a government that faces large (and perfectly anticipated) fluctuations in the tax base will find it optimal to run a procyclical fiscal policy. We argue that the differences in fiscal policy between the G-7 countries can be traced back to the fact that the tax base is much more volatile in developing countries than in the G-7 countries.

Tamborra, Marialuisa

TI Green National Accounting: Synthesising and Extending the Welfare Based and Sustainability-Standard Based Approaches. AU Markandya, Anil; Mason, Pamela; Tamborra, Marialuisa.

Tan, Ling Hui

PD September 2001. TI Rationing Rules and Outcomes: The Experience of Singapore's Vehicle Quota System. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/136; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 23. PR not available.

JE D44, D45, R48. KW Auctions. Licenses. Transferability. Subcategorization.

AB Since 1990, Singapore has sought to control motor vehicle ownership by means of an auction quota system, whereby prospective vehicle buyers need to obtain a quota license before they can make their purchase. This paper assesses the success of the vehicle quota system in meeting its objectives of stability in motor vehicle buyers. Two important implementation issues -- quota subcategorization and license transferability -- are highlighted, and policy lessons are drawn for the design of auction quotas in general.

Tang, Paul J. G.

TI Sectoral Productivity Growth and R&D Spillovers in The Netherlands. AU Jacobs, Bas; Nahuis, Richard; Tang, Paul J. G.

Taylor, A. M. Robert

TI An Optimal Test Against a Random Walk Component in a Non-Orthogonal Unobserved Components Model. AU Bailey, Ralph W.; Taylor, A. M. Robert.

Taylor, Alan M.

PD March 2000. TI Potential Pitfalls for the Purchasing-Power-Parity Puzzle? Sampling and Specification Biases in Mean-Reversion Tests of the Law of One Price. AA University of California, Davis and NBER. SR National Bureau of Economic Research Working Paper: 7577; 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 C22, C51, F15, F31, F41. KW Purchasing Power Parity. Price Convergence. International Prices.

AB The Purchasing Power Parity (PPP) puzzle is based on empirical evidence that international price differences for individual goods or baskets of goods appear highly persistent or even non-stationary. The present consensus is that these price differences have a half-life of five years to infinity. This seems unreasonable when transportation and transaction costs appear low enough to encourage arbitrage and the convergence of price gaps over much shorter horizons, typically days or weeks. However, current empirics rely on a particular methodology involving relatively low-frequency data and a linear model specification. These methodological choices can be shown to bias analysis towards findings of slow convergence and a random walk. Intuitively, if the actual adjustment horizon is of the order of days, then monthly and annual data cannot be expected to reveal it. If we suspect arbitrage costs are high enough to produce a substantial "band of inaction," then a linear model will fail to support convergence if the process spends considerable time random-walking in that band. Thus, when testing for PPP or LOOP (Law of One Price), model specification and data sampling should consider the institutional context and logistical framework of markets.

Taylor, Rebecca

TI Combining Household Income and Expenditure Data in Policy Simulations. AU Sutherland, Holly; Taylor, Rebecca; Gomulka, Joanna.

Ten Raa, Thijs

TI Competitive Pressures on Income Distribution in China.

AU Pan, Haoran; Ten Raa, Thijs.

Tervio, Marko

TI Does Trade Raise Income? Evidence from the Twentieth Century. AU Irwin, Douglas A.; Tervio, Marko.

Thoenig, Mathias

TI Trade Induced Technical Bias and Wage Inequalities: A Theory of Defensive Innovations. AU Verdier, Thierry; Thoenig, Mathias.

Thorbecke, Erik

TI The Impact of Public Education Expenditure on Human Capital, Growth, and Poverty in Tanzania and Zambia: A General Equilibrium Approach. AU Jung, Hong-Sang; Thorbecke, Erik.

Thursby, Jerry G.

PD May 2000. TI Who is Selling the Ivory Tower? Sources of Growth in University Licensing. AU Thursby, Jerry G.; Thursby, Marie C. AA Thursby, J.: Purdue University. Thursby, M.: Purdue University and NBER. SR National Bureau of Economic Research Working Paper: 7718; 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 D24, L31, O31, O32. KW Technology Transfer. University Licensing. Research. University Productivity.

AB Historically, commercial use of university research has been viewed in terms of spillovers. Recently, there has been a dramatic increase in technology transfer through licensing as universities attempt to appropriate the returns from faculty research. This change has prompted concerns regarding the source of this growth -- specifically, whether it suggests a change in the nature of university research. We develop an intermediate input model to examine the extent to which the growth in licensing is due to the productivity observable inputs or driven by a change in the propensity of faculty and administrators to engage in commercializing university research. We model licensing as a three stage process, each involving multiple inputs. Nonparametric programming techniques are applied to survey data from 65 universities to calculate total factor productivity (TFP) growth in each state. To examine the sources of TFP growth, the productivity analysis is augmented by survey evidence from business who license-in university inventions. Results suggest that increased licensing is due primarily to an increased willingness of faculty and administrators to license and increased business reliance on external R&D rather than a shift in faculty research.

Thursby, Marie C.

TI Who is Selling the Ivory Tower? Sources of Growth in University Licensing. AU Thursby, Jerry G.; Thursby, Marie C.

Tijs, Stef

TI Balancedness of Permutation Games and Envy-Free Allocations in Indivisible Good Economies. AU Klijn, Flip; Tijs, Stef; Hamers, Herbert.

Tiller, Emerson H.
TI   The Structure and Conduct of Corporate Lobbying: How Firms Lobby the Federal Communications Commission. AU   de Figueiredo, John M.; Tiller, Emerson H.

Tiongson, Erwin
TI   Public Spending on Health Care and the Poor. AU   Gupta, Sanjeev; Verhoeven, Marijn; Tiongson, Erwin.

Titman, Sheridan
TI   Market Efficiency in an Irrational World. AU   Daniel, Kent; Titman, Sheridan.

Toche, Patrick
PD   December 2000.   TI   Is There a Growth-Unemployment Trade-Off? AA   L'Ecole Normale Superieure, Lyon. SR   Oxford Department of Economics Discussion Paper: 62; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG   20. PR   2 pounds. JE   E24, J24, J30, O15, O41. KW   Endogenous Growth. Unemployment. Human Capital. Wage Determination. Hiring Incentives.
AB ·   Why might there be a long-run trade-off between growth and unemployment? In general equilibrium, the returns on the factors of production are interdependent. This paper develops a model where the determination of the wage is central to the evolution of these incentives. The incentive to hire responds little (and in some cases not at all) to changes in the rate of interest. If the wage grows in line with productivity, there is a positive relation between growth and unemployment. If the wage rises as the labor market tightens, the incentive to invest in human and physical capital rises relative to the incentive to hire. There emerges a trade-off between growth and unemployment.

PD   December 2000. TI   Keeping Up With the Joneses and Unemployment Risk. AA   L'Ecole Normale Superieure, Lyon. SR   Oxford Department of Economics Discussion Paper: 63; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm.
PG   23. PR   2 pounds. JE   D11, D81, D91, E21, E24. KW   Precautionary Saving. Utility Comparisons. Consumption Growth. Labor Income. Unemployment.
AB   This paper characterizes the dynamic behavior of a growing economy where individuals 'keep up with the Joneses' and face uninsurable labor income risk. Idiosyncratic uncertainty about future labor income reduces the marginal propensity to consume out of financial wealth and raises the effective rate of discount in the aggregate consumption Euler equation. The higher the average rate of income growth, the higher the saving rate. If individuals have uncertain lifetimes, a higher mortality rate reduces the marginal propensity to consume out of wealth and raises the ratio of marginal utilities between employment and unemployment.

Toman, Michael
TI   The Economics of Climate Policy. AU   Kolstad, Charles D.; Toman, Michael.

Tomlinson, Philip R.
TI   Re-visiting the Roots of Japan's Structural Decline: The Role of the Japanese Corporation. AU   Cowling, Keith; Tomlinson, Philip R.

TI   The Problem of Regional "Hollowing Out" in Japan: Lessons for Regional Industrial Policy. AU   Cowling, Keith; Tomlinson, Philip R.

Toossi, Ali
TI   Evolution & Voting: How Nature Makes us Public Spirited. AU   Conley, John P.; Toossi, Ali; Wooders, Myrna.

Tornell, Aaron
PD   June 2000. TI   Robust-H-Infinity Forecasting and Asset Pricing Anomalies. AA   University of California, Los Angeles and NBER. SR   National Bureau of Economic Research Working Paper: 7753; 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   C61, D81, D84, E44, G12. KW   Asset Pricing. Rational Expectations. Expectations. Uncertainty.
AB   We present an alternative expectation formation mechanism that helps rationalize well-known asset pricing anomalies, such as the predictability of excess returns, excess volatility, and the equity- premium puzzle. As with rational expectations (RE), the expectation formation mechanism we consider is based on a rigorous optimization algorithm that does not presume misperceptions -- it simply departs from some of the implicit assumptions that underlie RE. Agents fear the existence of misspecifications and therefore design strategies that will be robust against a very large class of misspecifications. The new element is that uncertainty cannot be modeled via probability distributions. We consider an asset pricing model where uncertainty is represented by unknown disturbance sequences, as in the H-infinity- control literature. Agents must filter the "persistent" and "transitory" components of a sequence of observations in order to make consumption and portfolio decisions. We find that H-infinity forecasts are more sensitive to news than RE forecasts and equilibrium prices exhibit the anomalies previously mentioned.

Toro, Juan
TI   A New Approach to the Analysis of Business Cycle Transitions in a Model of Output and Employment. AU   Krolzig, Hans-Martin; Toro, Juan.

TI   Classical and Modern Business Cycle Measurement: The European Case. AU   Krolzig, Hans-Martin; Toro, Juan.

Tosun, Mehmet S.
TI   Generational Conflict, Human Capital Accumulation, and Economic Growth. AU   Holtz-Eakin, Douglas; Lovely, Mary E.; Tosun, Mehmet S.

Townsend, Robert M.
PD   August 2001. TI   Transitional Growth with Increasing Inequality and Financial Deepening. AU   Townsend, Robert M.; Ueda, Kenichi. AA   Townsend: University of Chicago. Ueda: International Monetary Fund. SR   International Monetary Fund Working Paper: WP/01/108; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   83. PR   not available. JE   G21, G28, O16, O41. KW   Transitional Growth. Inequality. Financial Deepening. Transaction Costs.

AB We study models that display growth with financial deepening and increasing inequality along the way to perpetual steady state growth. A benchmark model is essentially a complete markets model but with transaction costs of financial intermediation. New proofs are required and thus provided for stochastic dynamic programming for the case of unbounded return functions and perpetual growth with a non-convex transaction technology. We calibrate the model and report quantitative predictions for Thailand during 1976-96. We find a discrepancy between the model and the data, suspect barriers to financial deepening as a cause, and evaluate the associated welfare loss.

Tracy, Joseph
TI Uncertainty and Labor Contract Durations. AU Rich, Robert; Tracy, Joseph.

Trajtenberg, Manuel
TI Market Value and Patent Citations: A First Look. AU Hall, Bronwyn H.; Jaffe, Adam B.; Trajtenberg, Manuel.

Trimbur, Thomas M.
TI General Model-Based Filters for Extracting Cycles and Trends in Economic Time Series. AU Harvey, Andrew C.; Trimbur, Thomas M.

Trionfetti, Federico
TI Public Expenditure and International Specialisation. AU Brulhart, Marius; Trionfetti, Federico.

Tudini, Angelica
TI New Developments in Environmental Accounting at Istat. AU Costantino, Cesare; Falcitelli, Federico; Tudini, Angelica.

Tufano, Peter
TI Cephalon, Inc.: Taking Risk Management Theory Seriously. AU Chacko, George; Tufano, Peter; Verter, Geoffrey.

TI Selling Company Shares to Reluctant Employees: France Telecom's Experience. AU Degeorge, Francois; Jenter, Dirk; Moel, Alberto; Tufano, Peter.

Turon, Helene
TI Unemployment Dynamics, Duration and Equilibrium: Evidence from Britain. AU Burgess, Simon; Turon, Helene.

Turrini, Alessandro
TI The Decision to Invest in a Low-Wage Country: Evidence From Italian Textiles and Clothing Multinationals. AU Falzoni, Anna M.; Turrini, Alessandro; Navaretti, Giorgio B.

TI Job Creation, Job Destruction, and the International Division of Labor. AU Jansen, Marion; Turrini, Alessandro.

Ueda, Kenichi
TI Transitional Growth with Increasing Inequality and Financial Deepening. AU Townsend, Robert M.; Ueda, Kenichi.

Uhlig, Harald
TI Fickle Investors: An Impediment to Growth? AU Scott, Andrew; Uhlig, Harald.

AB This paper proposes to estimate the effects of monetary policy shocks by a new "agnostic" method, imposing sign restrictions on the impulse responses of prices, non-borrowed reserves and the federal funds rate in response to a monetary policy shock. No restrictions are imposed on the response of real GDP to answer the key question in the title. We find that "contractionary" monetary policy shocks have an ambiguous effect on real GDP. Otherwise, the results found in the empirical VAR literature so far are largely confirmed. The results could be paraphrased as a new Keynesian-new classical synthesis: even though the general price level is sticky for a period of about a year, money may well be close to neutral. We provide a counterfactual analysis of the early 80's, setting the monetary policy shocks to zero after December 1979, and recalculating the data. We found that the differences between observed real GDP and counterfactually calculated real GDP was not very large. Thus, the label "Volcker-recession" for the two recessions in the early 80's appears to be misplaced.

Vamvakidis, Athanasios
TI The Impact of U.S. Economic Growth on the Rest of the World: How. Much Does It Matter? AU Arora, Vivek; Vamvakidis, Athanasios.

van den Berg, Gerard J.
AB This paper combines micro and macro unemployment duration data to study the effects of the business cycle on the outflow from unemployment. The cycle is allowed to affect individual exit probabilities of unemployed workers as well as the composition of the total inflow into unemployment. The model is estimated using (micro) survey data and (macro) administrative data from France. The distribution of the inflow composition is estimated along with the other parameters. The estimation method deals with differences between the micro and macro unemployment definitions. The results also show to what extent the unemployment duration distributions corresponding to the two definitions can be described by the same model.

TI Separations at the Firm Level. AU Gautier, Pieter A.;

van den Berg, Gerard J.; van Ours, Jan C.; Ridder, Geert.

PD February 1999. **TI** Does Work Experience Help to Become a Medical Specialist? **AU** van den Berg, Gerard J.; Holm, Anders; van Ours, Jan C. **AA** van den Berg: Free University. Holm: Institute of Local Government Studies. van Ours: CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9919; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 29. **PR** no charge. **JE** C41, I21, J23, J24, J64. **KW** Job Search. Duration Models. Hazard Rates. Education. Treatment Effects.
AB In the Netherlands, students who want to become a medical specialist have to enroll in a training program which is in limited supply. During the search for a position as trainee (or "junior medical specialist"), they may accept a temporary job as a medical assistant. We use a micro data set to investigate whether such work experiences increase the probability of becoming junior medical specialists. To deal with selectivity, we simultaneously model the transitions from unemployment to trainee, from unemployment to medical assistant, from medical assistant to trainee and from medical assistant to unemployment. We find that work experience helps to become a medical specialist.

van den Berg, Hugo
TI The Battle of the Sexes over the Distribution of Male Surplus. **AU** Wooders, Myrna; van den Berg, Hugo.

TI Female Competition, Evolution and the Battle of the Sexes. **AU** Wooders, Myrna; van den Berg, Hugo.

van den Broek, W. A.
PD January 1999. **TI** Moving Horizon Control in Dynamic Games. **AA** Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9907; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 24. **PR** no charge. **JE** C60, C72, C73, E60, H63. **KW** Moving Horizon Control. Differential Games. Game Theory. Debt. Linear Quadratic Games.
AB We consider a continuous time system influenced by different agents who adopt moving horizon control. The well-known Nash equilibrium concept is used to define two solution concepts fitting in the moving horizon structure. One of them is analyzed in more detail in the class of linear quadratic games. The (dis)advantages of moving horizon control are illustrated by means of a government debt stabilization model.

van der Klaauw, Bas
TI Combining Micro and Macro Unemployment Duration Data. **AU** van den Berg, Gerard J.; van der Klaauw, Bas.

Van der Schoot, E. H. M.
TI Improved Spare Parts Inventory Management: A Case Study. **AU** Strijbosch, L. W. G.; Heuts, R. M. J.; Van der Schoot, E. H. M.

van Herk, Hester
PD March 1999. **TI** Rating Versus Ranking of Values In Cross-National Research. **AU** van Herk, Hester; Bijmolt, Tammo H. A. **AA** Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9929; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 38. **PR** no charge. **JE** A13, C81, D11, M30. **KW** Cross-National Research. Response Patterns. Ratings. Rankings. Values.
AB Rating scales are frequently used to measure constructs in the social sciences, both in domestic as well as in cross-national research. Unfortunately, ratings are susceptible to response style. Rankings might be an alternative to ratings if measures are obtained that have a hierarchical structure such as preferences or values. However, whether rankings are an alternative to ratings and are used in an equivalent way by subjects from different countries has not been investigated. Our study focuses on rating and ranking procedures by the same subjects in five different countries in the European Union. Typical response patterns in ratings as well as socio-demographic information turn out to affect the correlation between ratings and rankings and hence the interchangeability of the two response formats. Results show that the predictive validity of ratings is higher, especially for subjects with a certain typical response pattern in ratings. We advocate the use of ratings over rankings in cross-national research on values.

van Ours, Jan C.
TI Does the Recent Success of Some OECD Countries in Lowering Their Unemployment Rates Lie in the Clever Design of Their Labor Market Reforms? **AU** Belot, Michele; van Ours, Jan C.

TI Separations at the Firm Level. **AU** Gautier, Pieter A.; van den Berg, Gerard J.; van Ours, Jan C.; Ridder, Geert.

TI Separations at the Firm Level. **AU** Gautier, Pieter A.; van den Berg, Gerard J.; van Ours, Jan C.; Ridder, Geert.

TI Does Work Experience Help to Become a Medical Specialist? **AU** van den Berg, Gerard J.; Holm, Anders; van Ours, Jan C.

Van Reenen, John
PD April 2000. **TI** Do R&D Credits Work? Evidence From a Panel of Countries 1979-97. **AU** Van Reenen, John; Bloom, Nicholas; Griffith, Rachel. **AA** Institute for Fiscal Studies and University College London. **SR** CEPR Discussion Paper: 2415; 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** C23, E62, H25, O31, O38. **KW** Research and Development. Tax Credits. Fiscal Incentives.
AB This paper examines the impact of fiscal incentives on the level of research and development (R&D) investment. An econometric model of R&D investment is estimated using a new panel of data on tax changes and R&D spending in nine countries over a nineteen-year period (1979-1996). We find evidence that tax incentives are effective in increasing R&D intensity. This is true even after allowing for permanent country specific characteristics, world macro shocks, and other policy influences. We estimate that a 10 percent fall in the cost of R&D stimulates a 1 percent rise in the level of R&D in the short-run; R&D increases by just under 10 percent in the long run. Additionally, there is some evidence that changes in R&D tax credits affect decisions on the international location of R&D as suggested by models of tax competition.

TI Who Gains When Workers Train? Training and Corporate Productivity in a Panel of British Industries. **AU** Dearden, Lorraine; Reed, Howard; Van Reenen, John.

Van Roy, Benjamin
TI Controlling Stocks and Flows to Promote Quality: The Environment, With Applications to Physical and Human Capital. **AU** Keohane, Nathaniel O.; Zeckhauser, Richard J.; Van Roy, Benjamin.

van Soest, Arthur
TI Estimating Risk Attitudes Using Lotteries: A Large Sample Approach. **AU** Donkers, Bas; Melenberg, Bertrand; van Soest, Arthur.

TI Nonparametric Bound on the Income Distribution in the Presence of Item Nonresponse. **AU** Vazquez Alvarez, Rosalia; Melenberg, Bertrand; van Soest, Arthur.

van Ypersele, Tanguy
TI Rewards Versus Intellectual Property Rights. **AU** Shavell, Steven; van Ypersele, Tanguy.

TI When Does International Capital Mobility Require Tax Coordination? **AU** Rodrik, Dani; van Ypersele, Tanguy.

PD Not Given. **TI** Coordination of Capital Taxation Among a Large Number of Asymmetric Countries. **AA** CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 98137; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 22. **PR** no charge. **JE** D72, F21, F23, F42, H87. **KW** Fiscal Competition. Factor Mobility. Policy Coordination. Capital Taxation. Fiscal Policy.
AB We examine international fiscal coordination in a world where markets are integrated but national governments are sovereign. Consequences of the liberalization of the capital market on national fiscal policies and possible remedies to resulting inefficiencies are analyzed. A simple model, with N countries where competitive firms produce a homogeneous good using mobile capital and immobile labor is considered. Fiscal competition arises between governments that have to tax capital and labor in order to raise a fixed amount of revenue. It is shown that capital mobility improves the capital allocation among countries as it enables capital owners to invest in the country where capital is scarce. But fiscal competition leads to asymmetric capital taxation among countries and thus to a distortion on the international capital market. Two fiscal reforms are considered: the introduction of a minimum capital tax level and the imposition of a tax range, i.e. a minimum plus a maximum capital tax level. We show that the minimum tax reform is never preferred to fiscal competition by all countries while tax range reforms are unanimously accepted when they impose convergence to the extreme taxes and they do not change the international remuneration of capital.

Vaughan Williams, Leighton
TI A Policy Response to the E-Commerce Revolution: The Case of Betting Taxation. **AU** Paton, David; Siegel, Donald; Vaughan Williams, Leighton.

Vazquez Alvarez, Rosalia
PD March 1999. **TI** Nonparametric Bound on the Income Distribution in the Presence of Item Nonresponse. **AU** Vazquez Alvarez, Rosalia; Melenberg, Bertrand; van Soest, Arthur. **AA** Vazquez Alvarez: CentER and Tilburg University. Melenberg and van Soest: Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 9933; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 30. **PR** no charge. **JE** C14, C81, D31. **KW** Nonparametric Methods. Bounds. Identification. Sample Non-Response. Income Distribution.
AB Item non-response in micro surveys can lead to biased estimates of the parameters of interest if such non-response is nonrandom. Selection models can be used to correct for this, but parametric and semiparametric selection models require additional assumptions. Manski has recently developed a new approach, showing that, without additional assumptions, the parameters of interest are identified up to some bounding interval. In this paper, we apply Manski's approach to estimate the distribution function and quantiles of personal income, conditional on given covariates, taking account of item non-response on income. Nonparametric techniques are used to estimate the bounding intervals. We consider worst case bounds, as well as bounds which are valid under nonparametric assumptions on monotonicity or under exclusion restrictions.

Vegh, Carlos A.
TI Tax Base Variability and Procyclical Fiscal Policy. **AU** Talvi, Ernesto; Vegh, Carlos A.

TI Delaying the Inevitable: Optimal Interest Rate Policy and BOP Crises. **AU** Lahiri, Amartya; Vegh, Carlos A.

Venti, Steven F.
PD February 2000. **TI** Choice, Chance, and Wealth Dispersion at Retirement. **AU** Venti, Steven F.; Wise, David A. **AA** Venti: Dartmouth College and NBER. Wise: NBER. **SR** National Bureau of Economic Research Working Paper: 7521; 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** D31, D91, E21, J14, J26. **KW** Saving. Lifetime Earnings. Wealth Dispersion. Retirement. Asset Accumulation.
AB This paper shows that at all levels of lifetime earnings there is an enormous dispersion in the accumulated wealth of families approaching retirement. It is not only households with low incomes that save little; a significant proportion of high income households also saves little. And, a substantial proportion of low income households saves a great deal. The authors then consider the extent to which differences in household lifetime financial resources explain the wide dispersion in wealth, given lifetime earnings. They find that very little of this dispersion can be explained by chance differences in individual circumstances that might limit the resources from which saving might plausibly be made. The authors also consider how much of the dispersion in wealth might be accounted for by different investment choices of savers given lifetime earnings. They find that investment choice is not a major determinant of the dispersion in asset accumulation. The authors conclude that the bulk of the dispersion must be attributed to differences in the amount that households choose to save. The differences in saving choices among households with similar lifetime earnings lead to vastly different levels of asset accumulation by the time retirement

age approaches.

Ventura, Jaume
TI Country Portfolios. **AU** Kraay, Aart; Loayza, Norman; Serven, Luis; Ventura, Jaume.

Verboven, Frank
PD April 2000. **TI** The Evolution of Markets Under Entry and Standards Regulation -- The Case of Global Mobile Telecommunications. **AU** Verboven, Frank; Gruber, Harald. **AA** Verboven: University of Antwerp and CEPR. Gruber: European Investment Bank and University of Siena. **SR** CEPR Discussion Paper: 2440; 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** L11, L51, L96, O31, O38. **KW** Technology Diffusion. Entry Regulation. Standards. Network Externalities. Telecommunications.
AB We analyze the effects of government policies, such as entry regulation and standard setting, on the evolution of an industry by examining the global mobile telecommunications · markets during 1981- 1997. Among other results, we find that countries that issue first licenses at later dates have diffusion rates of mobile service which converge rather slowly and only partially to the diffusion in early- moving countries. We find that introducing competition has a strong immediate impact on the diffusion rate, but a rather weak impact afterwards. Sequential entry is preceded by pre-emptive behavior by the incumbent. These findings are consistent with the presence of consumer switching costs. Concerning standards, we find that setting a standard has a significant positive impact on diffusion for the analogue technology, but not for the digital technology. This suggests that the network advantages from having a single standard are offset by the benefits derived from the battle for developing more efficient digital systems.

TI The Diffusion of Mobile Telecommunications Services in the European Union. **AU** Gruber, Harald; Verboven, Frank.

PD December 1998. **TI** Price Discrimination and Tax Incidence--Evidence from Gasoline and Diesel Cars. **AA** University of Antwerp. **SR** Tilburg CentER for Economic Research Discussion Paper: 98139; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. **PG** 27. **PR** no charge. **JE** H22, H30, L12, L15, L81. **KW** Price Discrimination. Tax Incidence. Automobiles. Fiscal Policy. Monopoly.
AB The existing tax policies towards gasoline and diesel cars in European countries provide a unique opportunity to analyze quality-based price discrimination and implied tax incidence. We develop an econometric framework of demand and pricing for gasoline and diesel cars. Consumers choose a gasoline or a diesel car based on their annual mileage. Manufacturers set gasoline and diesel car prices. Our empirical results show that the relative pricing of gasoline and diesel cars is consistent with a monopoly model and inconsistent with competitive models of pricing. On average, about seventy to eighty-five percent of the price differentials between gasoline and diesel cars can be explained by markup differences. The implied tax incidence is especially based on fuel taxes and less so on annual car taxes.

TI The Evolution of Price Discrimination in the European Car Market. **AU** Goldberg, Pinelopi Koujianou; Verboven, Frank.

Verdier, Thierry
PD March 2000. **TI** Trade Induced Technical Bias and Wage Inequalities: A Theory of Defensive Innovations. **AU** Verdier, Thierry; Thoenig, Mathias. **AA** Verdier: DELTA-ENS and CERAS-ENPC. Thoenig: CREST and EUREQua. **SR** CEPR Discussion Paper: 2401; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 52. **PR** 5 pounds, $8 or 8 euros. **JE** D33, F12, O33. **KW** Innovations. Technical Bias. Trade. Wage Inequalities.
AB This paper considers a dynamic North South model of international trade and innovations in which firms can endogenously bias the direction of technological change. We show that, when there is a differential degree of protection of property rights between the two regions, innovating firms face a trade-off between delocalization in the South and more secure property rights in the North. For a certain range of products, the optimal response to this tradeoff is the emergence of endogenous technological bias towards skilled labor technologies. We discuss the implications of this trade induced technological bias on the dynamics of international trade and relative wages in the two regions. For some configurations of parameters, the model is able to generate, along the transition path, an increase in wage inequalities in both regions and skill upgrading of southern production compatible with small changes in import penetration rates in North.

PD April 2000. **TI** Corruption and Competition in Public Market Auctions. **AU** Verdier, Thierry; Compte, Olivier; Lambert-Mogiliansky, Ariane **AA** Verdier: DELTA-ENS, CERAS-ENPC. Compte: CERAS-ENPC. Lambert-Mogiliansky: CERAS-ENPC. **SR** CEPR Discussion Paper: 2434; 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, D73, K42, L12. **KW** Corruption. Collusion. Auctions.
AB This paper investigates the effect of corruption on competition in government procurement auctions. Our assumption is that the bureaucrat (i.e., the agent that administers the market), if corrupt, may provide a favor in exchange for a bribe. The favor we consider in most of our analysis is the opportunity to readjust a bid. We show that a key effect of corruption is to facilitate collusion in price between firms. This can result in high public spending and inefficient allocation. We discuss the effect of other forms of bureaucratic discretion in the procurement process and analyze conditions under which unilateral anti- corruption controls may restore price competition.

Verhoeven, Marijn
TI Public Spending on Health Care and the Poor. **AU** Gupta, Sanjeev; Verhoeven, Marijn; Tiongson, Erwin.

Verter, Geoffrey
TI Cephalon, Inc.: Taking Risk Management Theory Seriously. **AU** Chacko, George; Tufano, Peter; Verter, Geoffrey.

Vesper, Andre
TI Green Accounting and Material Flow Analysis. Alternatives or Complements? AU Bartelmus, Peter; Vesper, Andre.

Victoria-Feser, Maria-Pia
PD January 2001. TI Robust Income Distribution Estimation with Missing Data. AA University of Geneva. SR STICERD (LSE) Distributional Analysis Research Programme Discussion Paper: DARP/57; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG not available. PR no charge. JE C13, C22, C24, D31, D63. KW M-Estimators. Influence Function. Truncated Data. Income Distributions. Missing Data.
AB With income distributions it is common to encounter the problem of missing data. When a parametric model is fitted to the data, the problem can be overcome by specifying the marginal distribution of the observed data. With classical methods of estimation such as the maximum likelihood (ML) an estimator of the parameters can be obtained in a straightforward manner. Unfortunately, it is well known that ML estimators are not robust estimators in the presence of contaminated data. In this paper, we propose a robust alternative to the ML estimator with truncated data, namely one based on M-estimators that we call the EMM estimator. We present an extensive simulation study where the EMM estimator based on optimal B-robust estimators (OBRE) is compared to a more conservative approach based on marginal density (MD) for truncated data, and show that the difference lies in the way the weights associated to each observation are computed. Finally, we also compare the EMM estimator based on the OBRE with the classical ML estimator when the data are contaminated, and show that contrary to the former, the latter can be seriously biased.

Vines, David
PD November 2000. TI Thailand's Investment-Driven Boom and Crisis. AU Vines, David; Warr, Peter. AA Vines: University of Oxford. Warr: Australian National University. SR Oxford Department of Economics Discussion Paper: 51; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. PG 26. PR 2 pounds. JE E22, F32, F34, O16, O53. KW Currency Crises. Macroeconomic Models. Vulnerability. Real Sector. Investment Booms.
AB Analyses of the Asian crisis have focused excessively on the financial sector, especially the banks. The role of the real sector in exposing the financial system to stress has been under emphasized. This paper provides a real-sector explanation for the Thai crisis of 1997, demonstrating the role of the investment boom, which occurred over the preceding decade. We build a full macroeconomic model of the Thai economy and use it to demonstrate that the investment boom and its changing composition produced record growth but also increased macroeconomic vulnerability which, combined with the trigger of an export slowdown in 1996, caused the crisis.

Violante, Giovanni L.
TI General Purpose Technology and Within-Group Inequality. AU Aghion, Philippe; Howitt, Peter; Violante, Giovanni L.

TI The Nonlinear Dynamics of Output and Unemployment in the US. AU Altissimo, Filippo; Violante, Giovanni L.

von Graevenitz, Georg
TI Information Sharing, Research Co-Ordination and Membership of Research Joint Ventures. AU Barba Navaretti, Giorgio; Bussoli, Patrizia; von Graevenitz, Georg; Ulph, David.

TI Information Sharing, Research Co-Ordination and Membership of Research Joint Ventures. AU Barba Navaretti, Giorgio; Bussoli, Patrizia; von Graevenitz, Georg; Ulph, David.

von Hagen, Jurgen
PD February 2000. TI East Germany: Transition With Unification -- Experiments and Experiences. AU von Hagen, Jurgen; Strauch, Rolf. AA von Hagen: Universitat Bonn, Indiana University, and CEPR. Strauch: Universitat Bonn. SR CEPR Discussion Paper: 2386; 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 P23, P26, P27. KW Transition. Public Finance.
AB East Germany remains unique among the transition economies. Soon after the fall of the Berlin Wall in 1989, it became part of the Federal Republic of Germany. German Union meant the transplantation of West Germany's legal, administrative and economic infrastructure to the five new Lander. The paper traces the economic changes since 1989 and assesses the convergence between West and East Germany during the last decade. We reach three main conclusions: First, there has been significant convergence in the administrative and economic realm, though persistent differences remain in the level of output and incomes as well as local capacities. Third, the Kohl government's policy towards East German transition, driven by short-term electoral considerations, has focused almost entirely on financing a high standard of consumption and too little on fostering investment and economic restructuring. Third, there is, therefore, a considerable risk that East Germany will remain a transfer-dependent economy for the foreseeable future. However, endogenous institutional change in the labor market, showing its first signs in East Germany, may become important in overcoming the structural problems in the new Lander.

Wagner, Nancy
PD September 2001. TI Financial Sector Evolution in the Central European Economies: Challenges in Supporting Macroeconomic Stability and Sustainable Growth. AU Wagner, Nancy; Iakova, Dora. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/141; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 49. PR not available. JE E44, G21, G28, O16, P34. KW Financial Sector. Banking System. Transition. EU Accession. Central Europe.
AB This paper takes stock of the current state of development of the financial systems in five Central European transition economies (the Czech Republic, Hungary, Poland, the Slovak Republic, and Slovenia) that are also leading EU

accession candidates. It presents both a progress report and an assessment of remaining challenges, with a focus on the role of the financial sector in supporting macroeconomic stability and sustainable growth.

Wakelin, Katharine
TI Regional Underdevelopment: Is FDI the Solution? A Semiparametric Analysis. AU Girma, Sourafel; Wakelin, Katharine.

TI Investment Liberalisation and International Trade. AU Amiti, Mary; Wakelin, Katharine.

TI The Impact of Exchange Rate Variability on US Direct Investment. AU Gorg, Holger; Wakelin, Katharine.

Waldfogel, Jane
TI Understanding Young Women's Marriage Decisions: The Role of Labor and Marriage Market Conditions. AU Blau, Francine D.; Kahn, Lawrence M.; Waldfogel, Jane.

Wallace, Chris
TI Group Selection and the Evolution of Altruism. AU Cooper, Ben; Wallace, Chris.

Walsh, Randy
TI Estimating the General Equilibrium Benefits of Large Policy Changes: The Clean Air Act Revisited. AU Sieg, Holger; Smith, V. Kerry; Banzhaf, H. Spencer; Walsh, Randy.

Warr, Peter
TI Thailand's Investment-Driven Boom and Crisis. AU Vines, David; Warr, Peter.

Wascher, William
TI The Effects of Minimum Wages Throughout the Wage Distribution. AU Neumark, David; Schweitzer, Mark; Wascher, William.

Waterson, Michael
PD July 2001. TI The Role of Consumers in Competition and Competition Policy. AA University of Warwick. SR Warwick Economic Research Paper: 607; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG 22. PR no charge. JE L13, L19, L84, L94. KW Consumer Behavior. Competition. Search Costs. Switching Costs.
AB This paper develops the idea that consumers' behavior matters significantly from the viewpoint of industry performance. This is examined through some theoretical propositions, then at greater length using case study examples. These examples demonstrate how, even in potentially competitive industries, reluctance on the part of consumers to search or to switch suppliers can lead to a sub-competitive outcome. The paper notes the significance of non-traditional competition policy remedies in changing the outcome.

Waverman, Leonard
TI Telecommunications Infrastructure and Economic Development: A Simultaneous Approach. AU Roller, Lars-Hendrik; Waverman, Leonard.

Weder, Beatrice
PD August 2001. TI Institutional Reform in Transition Economies: How Far Have They Come? AA University of Basle. SR International Monetary Fund Working Paper: WP/01/114; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 25. PR not available. JE P26, O17, O57. KW Institutions. Transitions Economies.
AB This paper examines how institutional conditions in transition economies compare with those in the rest of the world using various indicators of governance. The focus is on the countries in Central and Eastern Europe and the former Soviet Union but, when possible, transition countries, in Asia and Africa are also considered. The main findings are that transition economies, as a group, are no longer distinguishable from other economies, but at the same time, there are large differences in institutional performance within the group of transition economies. A formal cluster analysis is conducted in order to map transition economies into homogeneous groupings of countries. The results of this analysis highlight that transition economies are found at all clusters (from best to worst institutional performers) and also that a group of five countries, all of which are EU accession countries, appear to have "graduated": when taking into account their level of income, their institutional conditions are no longer distinguishable from those in the most advanced industrialized countries.

Wei, Shang-Jin
PD June 2000. TI Natural Openness and Good Government. AA Harvard University and NBER. SR National Bureau of Economic Research Working Paper: 7765; 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 F15, O19. KW Corruption. Openness.
AB This paper offers a new interpretation of the connection between openness and good governance. Assuming that corruption and bad governance drive out international trade and investment more than domestic trade and investment, a "naturally more open economy" -- as determined by its size and geography -- would devote more resources to building good institutions and would display lower corruption in equilibrium. In the data, "naturally more open economies" do exhibit less corruption, even after taking into account their levels of development. "Residual openness", which potentially includes trade policies, is found not to be important once "natural openness" is accounted for. Moreover, naturally more open economies also tend to pay better civil servant salaries relative to their private sector alternatives -- indicative of the marginal benefit of good governance in a society's revealed preference. These patterns are consistent with the conceptual model.

TI Quality of Bureaucracy and Open-Economy Macro Policies. AU Bai, Chong-En; Wei, Shang-Jin.

Weiner, Scott M.
TI Modeling Regional Interdependencies Using a Global Error-Correcting Macroeconometric Model. AU Pesaran, M. Hashem; Schuermann, Til; Weiner, Scott M.

Weisbenner, Scott
TI The Distributional Burden of Taxing Estates and Unrealized Capital Gains at the Time of Death. AU Poterba, James M.; Weisbenner, Scott.

Wijnholds, Onno de Beaufort J.
PD September 2001. TI Reserve Adequacy in Emerging Market Economies. AU Wijnholds, Onno de Beaufort J.; Kapteyn, Arend. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/143; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 28. PR not available. JE F31, F41. KW Reserves. Vulnerability. Capital Flight.
AB This paper analyzes reserve adequacy in emerging market countries. It argues that the old rule of thumb of maintaining reserves equivalent to three months of imports has become obsolete and that, instead, a new benchmark is needed which takes into account the increased importance of capital flows. The paper suggests such a benchmark, consisting of the sum of short-term debt on a residual maturity basis (the external drain) and an allowance for possible capital flight (the internal drain), taking into account differences in country risk and exchange rate regime.

Wilen, James E.
TI The Impacts of Marine Reserves on Limited-Entry Fisheries. AU Sanchirico, James N.; Wilen, James E.

Wilhelm, William J., Jr.
TI Has the Introduction of Bookbuilding Increased the Efficiency of International IPOs? AU Jenkinson, Tim; Ljungqvist, Alexander P.; Wilhelm, William J., Jr..

Willen, Paul
TI On the Gains to International Trade in Risky Financial Assets. AU Davis, Steven J.; Nalewaik, Jeremy; Willen, Paul.

Williams, Oral
PD August 2001. TI Reserve Pooling in the Eastern Caribbean Currency Union and the CFA Franc Zone: A Comparative Analysis. AU Williams, Oral; Polius-Mounsey, Tracy; Hazel, Selvon. AA Williams: International Monetary Fund. Polius: Eastern Caribbean Central Bank. Hazel: Policy Research and Development Institute in Trinidad and Tobago. SR International Monetary Fund Working Paper: WP/01/104; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 30. PR not available. JE D61, E58, F36. KW ECCU. CFA Franc Zone. Reserve Pooling. Balance of Payments.
AB The paper presents a comparison of the gains from the pooling of reserves, and hence reserve variability, in the Eastern Caribbean Currency Union (ECCU) and the CFA franc zone. The results indicate that countries within the ECCU area have achieved greater balance of payments protection than the CFA zone countries from the pooling of reserves. Unanticipated changes in the terms of trade lowered reserves in the CFA relative to the ECCU, which may reflect a greater reliance on primary commodities in the CFA compared with services in the ECCU.

TI A Statistical Analysis of Banking Performance in the Eastern Caribbean Currency Union in the 1990s. AU Juan-Ramon, V. Hugo; Randall, Ruby; Williams, Oral.

Winston, Tor
TI If at First You Don't Succeed...: Profits, Prices and Market Structure in a Model of Quality with Unknowable Consumer Heterogeneity. AU Krishna, Kala; Winston, Tor.

Winters, L. Alan
TI Deepening of Regional Integration and Multilateral Trade Agreements. AU Bond, Eric W.; Syropoulos, Constantinos; Winters, L. Alan.

Wirl, Franz
PD March 1999. TI Intertemporal Expansion of Backstop Capacities. AU Wirl, Franz; Withagen, Cees. AA Wirl: Otto-von-Guericke University. Withagen: Free University and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 9925; CentER for Economic Research, Tilburg University, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: center.kub.nl. PG 20. PR no charge. JE O33, Q25, Q28, Q48. KW Pollution. Stock Pollutants. Backstop Technologies. Environmental Policy. Technological Change.
AB This paper considers an economy using a product that adds a stock of pollution. The stock of pollutants is subject to natural decay, albeit not necessarily of the simple often assumed linear type. In addition, a clean or so-called backstop technology is available that requires costly investments, but is characterized by low variable costs (e.g. solar energy or wind power). The costly investments lead to a slow build-up of the capacity of the backstop. On the modeling side, this is an essential extension of most of the literature that considers the unrealistic case that a backstop is instantaneously available. The second extension the paper makes is to consider not only the planning problem, but also competitive outcomes. One of the interesting results is that stable limit cycles may characterize the socially optimal long run outcome as well as the competitive equilibrium. In a competitive equilibrium, pollution control policy is not necessarily optimal in the sense of corresponding with the social optimum. Although cycling can occur in a competitive equilibrium, just as in the social optimum, relaxation of the control increases the set of parameter values for which complex and unstable behavior arises.

Wise, David A.
TI Choice, Chance, and Wealth Dispersion at Retirement. AU Venti, Steven F.; Wise, David A.

Withagen, Cees
TI General Equilibrium Models of Environmental Regulation and International Trade. AU Elbers, Chris; Withagen, Cees.

TI Intertemporal Expansion of Backstop Capacities. AU Wirl, Franz; Withagen, Cees.

Wolff, Christian C.
PD February 2000. TI Risk Premia in the Term Structure of Interest Rates: A Panel Data Approach. AU Wolff, Christian C.; Bams, Dennis. AA Wolff: Maastricht University and CEPR. Bams: Maastricht University.

SR   CEPR Discussion Paper: 2392; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   36. PR   5 pounds, $8 or 8 euros. JE   E43, G12.   KW   Expectations Hypothesis. Risk Premium.
AB   This paper proposes a panel data approach to modeling the risk premium in the term structure of interest rates. Specifically, we develop a fixed maturity/random time effects model that implies a time- invariant one-factor model. Our approach allows us to disentangle risk premia and unexpected excess returns, which is not possible in the standard time series approach. In addition, small sample bias is alleviated and statistical efficiency improved. Our results allow for interesting inferences about maturity-specific effects in the term structure. First, the expectations hypothesis is soundly rejected for our full data panel of U.S. Treasury securities. Second, a considerable degree of mean reversion is present in the risk premia. Third, our findings shed new light on the magnitude of the slope coefficient in regressions of the yield onto the forward curve.

Wolverton, Ann
TI   Two Generalizations of a Deposit-Refund System. AU   Fullerton, Don; Wolverton, Ann.

Wong, M. H. Franco
TI   Estimating Exchange Rate Exposures: Some "Weighty" Issues. AU   Bodnar, Gordon M.; Wong, M. H. Franco.

Wood, Stewart
TI   New Labour's Economic Policy. AU   Glyn, Andrew; Wood, Stewart.

Wooders, Myrna
TI   Evolution & Voting: How Nature Makes us Public Spirited. AU   Conley, John P.; Toossi, Ali; Wooders, Myrna.

PD   November 2001. TI   The Battle of the Sexes over the Distribution of Male Surplus. AU   Wooders, Myrna; van den Berg, Hugo. AA   University of Warwick. SR   Warwick Economic Research Paper: 610; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/ twerps.html. PG   8. PR   no charge. JE   A14, C72. KW   Battle of the Sexes. Evolutionary Analysis. Societal Roles. Sexual Competitiveness. Female Dependence.
AB   Female primates carry and nurse the fetus, and thus have the first responsibility for rearing the offspring. Assuming males are at least equally adept at obtaining food, males might either share surplus food with females or consume the food themselves. The distribution of the surplus is the subject of a battle of the sexes. If females succeed in obtaining a large share of the surplus, then there is little size dimorphism between males and females; otherwise males use the surplus themselves to become larger and stronger, and to engage in sexual competition with other males. Besides competing with males, females may compete with each other. Female dependence may coincide with sexual competitiveness (sexiness). This paper introduces these ideas in a game theoretic setting and derives a simple bound on the male 'sexiness' required for a nonsupportive strategy to be worthwhile.

PD   December 2001. TI   Female Competition, Evolution

and the Battle of the Sexes. AU   Wooders, Myrna; van den Berg, Hugo. AA   University of Warwick. SR   Warwick Economic Research Paper: 620; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/ twerps.html. PG   18. PR   no charge. JE   A14, C72, J16. KW   Female Competition. Surplus Sharing. Sexual Competitiveness.
AB   As female primates carry and nurse the fetus, it naturally falls on them to rear the offspring. On the assumption that males are at least equally adept at obtaining food, it follows that they generate a surplus that they might either share with females or consume themselves. This choice lies at the heart of an evolutionary battle of the sexes. If females succeed in obtaining a large share of the surplus, there is little scope for size dimorphism between males and females; otherwise males can use the surplus to sustain larger and stronger bodies, which are advantageous in sexual competition with other males. Besides competing with males, females may compete with each other. Moreover, female dependence may coincide with sexual competitiveness (sexiness), and such dependence can persist. This paper examines these ideas in a game-theoretic setting.

TI   Networks and Farsighted Stability. AU   Page, Frank H., Jr..; Wooders, Myrna; Kamat, Samir.

PD   December 2001. TI   Tax Competition Revisited. AU   Wooders, Myrna; Zissimos, Ben; Dhillon, Amrita. AA   University of Warwick. SR   Warwick Economic Research Paper: 622; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/research/twerps.html. PG   40.   PR   no   charge.   JE   H21,   H41. KW   Asymmetric Equilibrium. Tax Competition. Public Good Provision. Efficient Taxation.
AB   In a classic model of tax competition, we show that the level of public good provision and taxation in a Nash equilibrium can be efficient or inefficient with either too much, or too little public good provision. The key is whether there exists a unilateral incentive to deviate from the efficient state and, if so, whether this entails raising or lowering taxes. A priori, there is no reason to suppose the incentive is in either one direction or the other. In addition, we demonstrate conditions ensuring existence of an asymmetric Nash equilibrium with efficient public good provision. As in prior literature on the topic, local amenities enhance capital's productivity. Prior literature, however, focuses on under-provision of public goods.

Worrell, DeLisle
PD   August 2001. TI   Financial System Soundness in the Caribbean: An Initial Assessment. AU   Worrell, DeLisle; Cherebin, Desiree; Polius-Mounsey, Tracy. AA   International Monetary Fund. SR   International Monetary Fund Working Paper: WP/01/123; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG   36.   PR   not   available.   JE   G21,   G28. KW   Financial Sector. Caribbean.
AB   A survey of the financial systems of Caribbean countries reveals systems dominated by banks, with services widely available. Jamaica is the only country to have experienced a financial crisis. The paper describes recent improvements in the regulatory framework, and examines factors, which affect the soundness of the financial system, using both intuitive and

econometric methodologies. The study identifies regulatory improvements that are needed, as well as additional data and analysis required to complete the assessment, which revealed no new threats to the financial system.

Wright, Chris
TI   Statistical Treatment of Accrual of Interest on Debt Securities. AU   Joisce, John; Wright, Chris.

Wright, Stephen M.
PD   January 2002. TI   Generalised Mean-Variance Analysis and Robust Portfolio Diversification. AU   Wright, Stephen M.; Satchell, Stephen E. AA   Wright: UBS Warburg, London. Satchell: University of Cambridge. SR   University of Cambridge, DAE Working Paper: 0201; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk./dae.   PG   16.   PR $10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE   C52, C53, C61, G11. KW   Mean Variance Analysis. Diversification. Portfolio Optimization. Return Forecasts.

AB   This paper presents a new approach to portfolio optimization, which we call generalized mean-variance (GMV) analysis. The first stage of this process is to generate rank probability statistics using historic data, Monte Carlo analysis, or direct user input. The second stage is optimization based on those rank statistics to calculate recommended portfolio weights. Our optimization method uses state preference theory to derive an objective function that can be minimized using standard quadratic programming techniques. We outline the advantages of this method, and we also introduce a set of summary statistics that provide some protection against undetected concentrations of risk. However, if we use ranked mean and ranked variance in the search for robustness, some of the information available in the conventional analysis is thrown away. Our GMV approach could use a mix of a ranked mean and a conventional variance to construct portfolios so that this disadvantage is reduced.

Yu, Zhihao
TI   Economies of Scale and the Volume of Intra-Industry Trade. AU   Schmitt, Nicolas; Yu, Zhihao.

PD   June 2001. TI   A Strategic Trade and Environmental Policy Argument for the Kyoto Protocol. AA   University of Nottingham. SR   University of Nottingham, GEP Research Paper: 2001/09; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/.   PG   17. PR   no charge. JE   F12, F18, H4. KW   Kyoto Protocol. Trade and the Environment. Strategic Trade and Environmental Policy.

AB   The paper identifies a unique aspect of the Kyoto Protocol from the view of strategic trade and environmental policy. While investigating the horizontal "profit-shifting," vertical "rent-extracting," and "collusion-facilitating" effects, it focuses on the strategic behavior of the OPEC and the potential role of the Protocol on oil-rent extraction. Among other things, it is shown that those member countries that export oil can also benefit from the Protocol even in the absence of environmental considerations, and hence suggests a new argument for the Kyoto Protocol for participating countries.

TI   Horizontal Intra-Industry Trade and the Growth of International Trade. AU   Schmitt, Nicolas; Yu, Zhihao.

TI   Trade Liberalization and Strategic Outsourcing. AU   Chen, Yongmin; Ishikawa, Jota; Yu, Zhihao.

PD   September 2001. TI   Entrepreneurship and Intra-Industry Trade. AA   University of Nottingham. SR   University of Nottingham, GEP Research Paper: 2001/17; Research Paper Coordinator, School of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD, United Kingdom. Website: www.Nottingham.ac.uk/lezec/research/dp/.   PG   15. PR   no charge. JE   F12, F20. KW   Intra-Industry Trade. Trade and Non-Traded Goods. Entrepreneurship.

AB   The paper introduces entrepreneurs into the theories of intra-industry trade and investigates the role of a country's "entrepreneurship" in international trade. It is shown that the relative entrepreneurship between countries determines the terms of trade but the welfare effects are not obvious. Among other things, it is found that 1) an increase in exports improves terms of trade and 2) an increase in country size is not always beneficial.

Yuen, Chi-Wa
TI   Do Debt Flows Crowd Out Equity Flows Or the Other Way Round? AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

Zacho, Lisbeth
TI   Real Estate Market Developments and Financial Sector Soundness. AU   Hilbers, Paul; Lei, Qin; Zacho, Lisbeth.

Zarnowitz, Victor
PD   May 2000. TI   The Old and the New in the U.S. Economic Expansion of the 1990s. AA   FIBER, TCB, University of Chicago, and NBER. SR   National Bureau of Economic Research Working Paper: 7721; National Bureau of Economic Research, 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 the U.S.). JE   E32, E39 . KW   Economic Expansion. Noninflationary Boom.

AB   Some analysts see the expansion of the 1990s as uniquely long and strong. Moreover, according to one popular view, the noninflationary boom can continue indefinitely. To shed some light on this debate, this paper compares the 1990s systematically with two previous long economic expansions, using 31 variables on real activity, inflation, productivity, wages, profits, interest rates, stock prices, foreign trade, and fiscal and monetary policies. Contrary to the popular conception, the cumulative gains in activity were greater in the 1960s and even in the 1980s than in the 1990s. This is because the recovery of 1991-1992 was unusually sluggish, and despite the fact that lately U.S. growth was indeed remarkably high and stable. Inflation was decreasing or stable, a fact which is new for the post-World War II period (but not for the longer historical perspective). Disinflation or deflation abroad contributed much to this outcome, as did the new technologies. The declines of interest rates reflected mostly reductions in inflation and the national debt. Profit margins increased strongly. Still, there are potential imbalances from overborrowing, overspending and undersaving, and rising current account deficits. Overvaluation in some parts of the

stock market is probable and worrisome, but hard to evaluate.

Zeckhauser, Richard J.
TI   Controlling Stocks and Flows to Promote Quality: The Environment. With Applications to Physical and Human Capital. AU   Keohane, Nathaniel O.; Zeckhauser, Richard J.; Van Roy, Benjamin.

Zeelenberg, Marcel
TI   Wasting a Window of Opportunity: Anticipated and Experienced Regret in Intention-Behavior Consistency. AU   Pieters. Rik G. M.; Zeelenberg, Marcel.

Zeira, Joseph
TI   Inequality and Mobility. AU   Hassler, John; Rodriguez Mora, Jose Vicente; Zeira, Joseph.

Zeitouni, Naomi
TI   Controlling Groundwater Pollution from Agricultural Nonpoint Sources: An Overview of Policy Instruments. AU   Dosi, Cesare; Zeitouni, Naomi.

Zenou, Yves
PD   March 2000. TI   Space and Unemployment: The Labor-Market Effects of Spatial Mismatch. AU   Zenou, Yves; Brueckner, Jan K. AA   Zenou: University of Southampton. Brueckner: University of Illinois. SR   CEPR Discussion Paper: 2397; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG   40. PR   5 pounds, $8 or 8 euros. JE   J15, J41, R14. KW   Urban Unemployment. Efficiency Wages. Ethnic Minorities. Location. AB   The aim of this paper is to analyze the effects of suburban housing discrimination on the wages and unemployment rates of black workers. In a duocentric city with efficiency wages, it is shown that, when blacks experience suburban housing discrimination, they face a higher unemployment rate in the central city than in the suburbs, also earning lower wages in the center. An increase in commuting costs is shown to raise both these disparities, and a number of other results are established. The analysis thus generates a link between housing-market discrimination and a seemingly unrelated phenomenon: unemployment in the labor market. In doing so, the paper provides new insight into the spatial mismatch hypothesis.

Zhang, ZhongXiang
PD   December 2000. TI   An Assessment of the EU Proposal for Ceilings on the Use of Kyoto Flexibility Mechanisms. AA   University of Groningen. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 99/2000; "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   Q25, Q28, Q43, Q48. KW   Emissions Trading. Kyoto Flexibility Mechanism. Greenhouse Gases. Supplementarity Provisions. AB   The Kyoto Protocol sets legally binding greenhouse gas emissions targets and timetables for Annex I countries. It incorporates emissions trading, joint implementation, and the clean development mechanism. Because the Articles defining the three flexibility mechanisms carry wording that the use of the mechanisms must be supplemental to domestic actions, the supplementarity provisions have been the focus of the international climate change negotiations subsequent to Kyoto. To date, the European Union (EU) has tabled a proposal for ceilings on the use of these flexibility mechanisms. This paper provides a quantitative assessment of the implications of the EU ceilings. Our results suggest that such ceilings are less restrictive to the EU than to the US and Japan in terms of levels of restriction on permit imports, but the US and Japan benefit more from it than the EU in terms of the reductions in the total abatement costs relative to the no trading case.

Zilibotti, Fabrizio
TI   Productivity Differences. AU   Acemoglu, Daron; Zilibotti, Fabrizio.

Zimmerman, David J.
TI   Children's Welfare Exposure and Subsequent Development. AU   Levine, Phillip B.; Zimmerman, David J.

Zingales, Luigi
TI   The Role of Social Capital in Financial Development. AU   Guiso, Luigi; Sapienza, Paola; Zingales, Luigi.

Zissimos, Ben
TI   Tax Competition Revisited. AU   Wooders, Myrna; Zissimos, Ben; Dhillon, Amrita.

Zizzo, Daniel John
PD   December 2000. TI   Between Utility and Cognition: The Neurobiology of Relative Position. AA   Christ Church, Oxford. SR   Oxford Department of Economics Discussion Paper: 56; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. PG   21. PR   2 pounds. JE   C72, C99. D11, D12. KW   Serotonin. Relative Position. Categorization. Human Capital. AB   A positive correlation between relative position and the neurotransmitter serotonin exists in non-human primates, within an optimal range. This paper explores the reasons for this correlation. The main function of serotonin appears cognitive: it determines how optimally agents perceive and behave in game theoretical interactions, and this can explain the correlational finding. Among humans, within the optimal range serotonin works as a form of human capital, capable of improving the work functioning of agents who respond to serotonergic promoter treatment. Limitations of the existing evidence are also discussed.

PD   January 2001. TI   Choices Between Simple and Compound Lotteries: Experimental Evidence and Neural Network Modeling. AA   Christ Church, Oxford. SR   Oxford Department of Economics Discussion Paper: 57; Department of Economics, University of Oxford, Manor Road Building, Oxford OX1 3UQ, England. Website: www.economics.ox.ac.uk/Research/working_papers.htm. PG   29. PR   2 pounds. JE   C45, C91, D81, D83. KW   Conjunction. Lotteries. Neural Networks. Heuristics. Probability Compounding. AB   An experiment on choices between single and compound lotteries is presented, and results are calibrated with neural network models. Many subjects tend to average out probabilities, though behavior becomes more rational with more exposure to compound lotteries in the practice stage. The

Prior Knowledge Model hypothesizes that subjects categorize stimuli according to the prior knowledge acquired in their long-run learning history; practice stage cues help them refer to the relevant learning history. The trained networks predict the behavior of about 3/4 of the subjects with transitive preferences; the model can explain where we would expect the trained networks to fail.

Zoega, Gylfi

PD April 2000. TI Evaluating the Persistence and Structuralist Theories of Unemployment. AU Zoega, Gylfi; Coakley, Jerry; Fuertes, Ana Maria. AA Zoega: Birkbeck College. Coakley and Fuertes: London Guildhall University. SR CEPR Discussion Paper: 2438; 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 C22, E32, J64. KW Threshold Autoregression. Persistence Asymmetries. Structural Breaks. Unemployment.

AB This paper uses a threshold autoregressive (TAR) framework to assess the relative importance of structural breaks and asymmetric persistence in accounting for the post-war unemployment experience. In comparing unemployment patterns across time periods and countries, we take the US as a representative flexible labor market and Germany as an archetypically inflexible one, with the UK occupying an intermediate position. Significant breaks are detected in the UK and German series around 1980 suggesting a sharp increase in their respective natural rates. Evidence of asymmetries is also found in the dynamics of unemployment, with rapid mean reversion following booms and persistence in the wake of recessions. We conclude that shifts in the natural rate explain differences over longer periods such as decades, while asymmetric persistence can shed light on the short-to-medium run differences.