ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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Abrego, Lisandro

PD August 1999. **TI** The Choice of Structural Model in Trade-Wages Decompositions. **AU** Abrego, Lisandro; Whalley, John. **AA** Abrego: University of Warwick. Whalley: University of Warwick and NBER. **SR** National Bureau of Economic Research Working Paper: 7312; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F11, F12, F41, J31. **KW** Structural Models. Trade-Wages Decompositions. Heckscher-Ohlin Models. Specialization. Technology.

AB This paper explores the use of structural models as an alternative to reduced form methods when decomposing observed joint trade and technology driven wage changes into components attributable to each source. Conventional mobile factors Heckscher-Ohlin models typically reveal problems of specialization unless price changes accompanying trade shocks are small, and can also produce wide ranges for the decomposition for parameterizations consistent with the joint change. A differentiated goods model which generalizes Heckscher-Ohlin removes problems of specialization and concentrates the range of decompositions more narrowly, but introduces larger demand side responses to trade shocks which greatly reduce the effect of trade. The conclusion offered is that the choice of structural model matters for decomposing observed wage changes into trade and technology components, and that reduced- form methods which do not discriminate between alternative structural models may not be that informative for such decompositions.

Acemoglu, Daron

PD September 1999. **TI** Productivity Gains From Unemployment Insurance. **AU** Acemoglu, Daron; Shimer, Robert. **AA** Acemoglu: MIT and NBER. Shimer: Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7352; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 20. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D82, E24, J24, J64, J65. **KW** Unemployment Insurance. Productivity. Moral Hazard. Job Composition.

AB This paper argues that unemployment insurance increases labor productivity by encouraging workers to seek higher productivity jobs, and by encouraging firms to create those jobs. We use a quantitative general equilibrium model to investigate whether this effect is comparable in magnitude to the standard moral hazard effects of unemployment insurance. Our model economy captures the behavior of the U.S. labor market for high school graduates quite well. When unemployment insurance becomes more generous starting from the current U.S. levels, there is an increase in unemployment similar in magnitude to the micro-estimates, but because the composition of jobs also changes, total output and welfare increase as well.

Adams, James D.

PD August 2000. **TI** Industry-University Cooperative Research Centers. **AU** Adams, James D.; Chiang, Eric P.; Starkey, Katara. **AA** Adams: University of Florida and NBER. Chiang and Starkey: University of Florida. **SR** National Bureau of Economic Research Working Paper: 7843; 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** O31, O33, O38. **KW** Industry-University Research. Technology Transfer.

AB This paper takes a first look at the effect of Industry-University Cooperative Research Centers (IUCRCs) on industrial R&D laboratories. IUCRCs are small academic centers designed to foster technology transfer between universities and firms. Since IUCRCs depend on industry support we expect them to further the research of member companies. Our findings suggest that IUCRCs promote industry-university technology transfer. We find strong associations between laboratory membership in IUCRCs and the importance of faculty consultants, co- authorship with faculty and hiring of graduate students to the laboratories. IUCRC membership contributes small increments, not always statistically significant, of 2 percent in laboratory patenting and research expenditures. Both estimates are larger for National Science Foundation IUCRCs, consistent with their quality and their sorting to larger laboratories. These results survive a simultaneous equation analysis of the joint decision to patent and join IUCRCs. Nevertheless more work is needed to separate the effect of the IUCRCs from the matching mechanism that assigns IUCRCs to R&D laboratories.

Agca, Mehmet

TI Economic Data Dissemination: What Influences Country Performance On Frequency and Timeliness? **AU** Allum, Peter; Agca, Mehmet.

Aggarwal, Rajesh K.

PD September 1999. **TI** Performance Incentives Within Firms: The Effect of Managerial Responsibility. **AU** Aggarwal, Rajesh K.; Samwick, Andrew A. **AA** Aggarwal: Dartmouth College. Samwick: Dartmouth College and NBER. **SR** National Bureau of Economic

Research Working Paper: 7334; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, D82, G35, J33, L14. **KW** Executive Compensation. Principal-Agent. Performance Incentives. Managerial Responsibility. Panel Data.

AB Empirical research on executive compensation has focused almost exclusively on the incentives provided to chief executive officers. However, firms are run by teams of managers, and a theory of the firm should also explain the distribution of incentives and responsibilities for other members of the top management team. An extension of the standard principal-agent model to allow for multiple signals of effort predicts that executives who have other, more precise signals of their effort than firm performance will have compensation that is less sensitive to the overall performance of the firm. The authors test this prediction in a comprehensive panel dataset of executives at large corporations by comparing executives with explicit divisional responsibilities to those with broad oversight authority over the firm and to CEOs. Controlling for executive fixed effects and the level of compensation, the authors find that CEOs have pay-performance incentives that are $5.85 per thousand dollar increase in shareholder wealth higher than the pay-performance incentives of executives with divisional responsibility. Executives with oversight authority have pay-performance incentives that are $1.26 per thousand higher than those of executives with divisional responsibility.

Aghion, Philippe

PD August 2000. **TI** Currency Crises and Monetary Policy in an Economy with Credit Constraints. **AU** Aghion, Philippe; Bacchetta, Philippe; Banerjee, Abhijit. **AA** Aghion: Harvard University, University College London, and CEPR. Bacchetta: Studienzentrum Gerzensee and Universite de Lausanne. **SR** CEPR Discussion Paper: 2529; 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, E52, F31, F34, F41. **KW** Credit Constraints. Currency Crises. Sticky Prices. Monetary Policy. Exchange Rates.

AB This paper presents a simple model of currency crises, which is driven by the interplay between the credit constraints of private domestic firms and the existence of nominal price rigidities. The possibility of multiple equilibria, including a "currency crisis" equilibrium with low output and a depreciated domestic currency, results from the following mechanism: if nominal prices are "sticky," a currency depreciation leads to an increase in the foreign currency debt repayment obligations of firms, and thus to a fall in their profits; this reduces firms' borrowing capacity and therefore investment and output in a credit-constrained economy, which in turn reduces the demand for the domestic currency and leads to a depreciation. We examine the impact of various shocks, including productivity, fiscal, or expectational shocks. We then analyze the optimal monetary policy to prevent or solve currency crises. We also argue that currency crises can occur both under fixed and flexible exchange rate regimes, as the primary source of crises is the deteriorating balance sheet of private firms.

Ahituv, Avner

TI Are There Returns to the Wages of Young Men from Working While in School? **AU** Hotz, V. Joseph; Xu, Lixin; Tienda, Marta; Ahituv, Avner.

Ahmad, Ehtisham

TI Indonesia: Implementing National Policies in a Decentralized Context: Special Purpose Programs to Protect the Poor. **AU** Leruth, Luc; Ahmad, Ehtisham.

Aiyagari, S. Rao

PD May 2001. **TI** Efficient Investment in Children. **AU** Aiyagari, S. Rao; Greenwood, Jeremy; Seshadri, Ananth. **AA** University of Rochester. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/05; Federal Reserve Bank of Cleveland, PO Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** Not Given. **PR** no charge. **JE** D10, D31, D58, I2. **KW** Investment in Children. Childcare Markets.

AB Many would say that children are society's most precious resource. So, how should we invest in them? To gain insight into this question, a dynamic general equilibrium model is developed where children differ by ability. Parents invest time and money in their offspring, depending on their altruism. This allows their children to grow up as more productive adults. First, the efficient allocation is characterized. Next, this is compared with the outcome that arises when financial markets are incomplete. The situation where childcare markets are also lacking is then examined. Additionally, the consequences of impure altruism are analyzed.

Aizenman, Joshua

PD September 2000. **TI** Endogenous Pricing to Market and Financing Costs. **AA** Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7914; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F15, F36, F41. **KW** Pricing to Market. Financing Costs. Transportation Costs. Purchasing Power Parity. Terms of Trade.

AB This paper studies the endogenous determination of pricing to market in a model with time-dependent transportation costs, where the future terms of trade are random. Allowing time-dependent transportation costs adds a dimension of investment to the pre-buying of imports, implying that financial considerations determine the frequency of pricing to market and the deviations from relative purchasing power parity (PPP). Assuming the expected discounted cost of last minute delivery is higher than pre-buying, one exercises the option of spot market imports if the realized terms of trade are favorable enough. Pricing to market is observed in countries characterized by low terms of trade volatility and low financing costs. In these circumstances, imports are pre- bought, and the spot market for imports is inactive. This paper also examines the cases of countries with high terms of trade volatility and financing costs, and intermediate terms of trade volatility and financing costs. Higher financing costs increase the cost of pre-buying imports, thereby reducing the frequency of pricing to market, increasing the expected relative price of imports, reducing the expected deviations from relative PPP, and reducing welfare.

Al-Nowaihi, Ali

PD March 2002. **TI** Non-Standard Central Bank Loss Functions, Skewed Risks, and Certainty Equivalence. **AU** Al-Nowaihi, Ali; Stracca, Livio. **AA** Al-Nowaihi: University of Leicester. Stracca: European Central Bank. **SR** European Central Bank Working Paper: 129; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 24. **PR** no charge. **JE** E52, E58. **KW** Monetary Policy. Non-Quadratic Loss. Economic Psychologic. Certainty Equivalence.

AB This paper sets out to investigate the role of additive uncertainty under plausible non-standard central bank loss functions over future inflation. Building on a substantial body of evidence in the economic psychology literature, this paper postulates (i) period-by-period loss functions that are non-convex, i.e. displaying diminishing or non- increasing sensitivity to losses, and (ii) non-linear weighing of probabilities, hence departing from the expected utility paradigm. The main conclusion of the study is that if the additive uncertainty is caused by a non-Normal distributed additive shock, for instance if the probability distribution of the shock is skewed, then with these departures from the quadratic function the principle of certainty equivalence does not hold anymore. Thus, it appears that with additive uncertainty of the non-Normal type the assumption of a quadratic loss function for the central banker may not be as innocuous as it is commonly regarded.

Albers, Ronald

TI New Technologies and Productivity Growth in the Euro Area. **AU** Vijselaar, Focco; Albers, Ronald.

Alesina, Alberto F.

PD August 2000. **TI** Political Jurisdictions in Heterogeneous Communities. **AU** Alesina, Alberto F.; Baqir, Reza; Hoxby, Caroline. **AA** Alesina and Hoxby: Harvard University and NBER. Baqir: University of California, Berkeley. **SR** National Bureau of Economic Research Working Paper: 7859; 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** D72, H72, H79, J15. **KW** Political Jurisdictions. Racial Heterogeneity. Heterogeneous Population. Scale Economies.

AB We investigate how the number and size of local political jurisdictions in an area are determined. Our model focuses on the tradeoff between the benefits of economies of scale and the costs of a heterogeneous population. We consider heterogeneity in income, race, ethnicity, and religion, and we test the model using American school districts, school attendance rates, municipalities, and special districts. Using both cross-sectional and panel analysis, we find evidence of a significant tradeoff between economies of scale and racial heterogeneity. We find weaker tradeoffs between economies of scale and income or ethnic heterogeneity. That is, it appears that people are willing to sacrifice the most, in terms of economies of scale, in order to avoid racial heterogeneity in their jurisdiction.

PD September 2000. **TI** Currency Unions. **AU** Alesina, Alberto F.; Barro, Robert J. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7927; 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** E42, E52, F33, F41. **KW** Currency Unions. Trading Costs. Monetary Policy. Stabilization.

AB What is the optimal number of currencies in the world? Common currencies affect trading costs and, thereby, the amounts of trade, output, and consumption. From the perspective of monetary policy, the adoption of another country's currency trades off the benefits of commitment to price stability against the loss of an independent stabilization policy. The nature of the tradeoff depends on co- movements of disturbances, distance, trading costs, and on institutional arrangements such as the willingness of anchor countries to accommodate the interest of clients.

PD December 2000. **TI** Who Trusts Others? **AU** Alesina, Alberto F.; La Ferrara, Eliana. **AA** Alesina: Harvard University and Centre for Economic Policy Research. La Ferrara: Universita Bocconi, Milano. **SR** CEPR Discussion Paper: 2646; 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** H73, I31, J15. **KW** Heterogeneity. Local Interaction. Trust.

AB Both individual experiences and community characteristics influence how much people trust each other. Using individual level data drawn from US localities finds that the strongest factors associated with low trust are: i) a recent history of traumatic experiences; ii) belonging to a group that historically felt discriminated against, such as minorities (blacks in particular) and, to a lesser extent, women; iii) being economically unsuccessful in terms of income and education; iv) living in a racially mixed community and/or in one with a high degree of income disparity. Religious beliefs and ethnic origins do not significantly affect trust. The role of racial cleavages leading to low trust is confirmed when individual preferences on inter-racial relationships are explicitly accounted for: within the same community, individuals who express stronger feelings against racial integration trust relatively less the more racially heterogeneous the community is.

Allum, Peter

PD November 2001. **TI** Economic Data Dissemination: What Influences Country Performance On Frequency and Timeliness? **AU** Allum, Peter; Agca, Mehmet. **AA** Allum: International Monetary Fund. Agca: University of London. **SR** International Monetary Fund Working Paper: WP/01/173; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 14. **PR** $15.00. **JE** C49, C82, E00. **KW** Macroeconomic Data Dissemination. Transparency. Economic Statistics.

AB Despite initial improvements in macroeconomic data dissemination following the emerging markets crises of the late-1990s, large differences among countries remain. To identify the factors behind such differences, this paper develops measures of the frequency and timeliness of macroeconomic data dissemination for 180 countries. After discussing potential factors influencing data dissemination, the paper confirms the importance of a range of economic, social, and demographic factors. The relative importance of these factors in different regions is discussed, as well as the broader policy implications for strengthening macroeconomic data dissemination.

Altman, Daniel

PD August 2000. **TI** Enrollee Mix, Treatment Intensity, and Cost in Competing Indemnity and HMO Plans. **AU** Altman, Daniel; Cutler, David M.; Zeckhauser, Richard J. **AA** Altman: The Economist Newspaper Ltd. Cutler and Zeckhauser: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7832; 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** I11, I12, I18. **KW** Managed Care Plans. HMO's. Treatment Intensity.

AB We examine why managed care plans are less expensive than traditional indemnity insurance plans. Our database consists of the insurance experiences of over 200,000 state and local employees in Massachusetts and their families, who are insured in a single pool. Within this group, average HMO costs are 40 percent below those of the indemnity plan. We evaluate cost differences for 8 conditions representing over 10 percent of total health expenditures. They are: heart attacks, cancers (breast, cervical, colon, prostate), diabetes (type I and II), and live births. For each condition, we identify the portions of the cost differential arising from differences in treatment intensity, enrollee mix, and prices paid for the same treatment. Surprisingly, treatment intensity differs hardly at all between the HMOs and the indemnity plan. That is, relative to their fee-for-service competitor, HMOs do not curb the use of expensive treatments. Across the 8 conditions, roughly half of the HMO cost savings is due to the lower incidence of the diseases in the HMOs. Virtually all of the remaining savings come because HMOs pay lower prices for the same treatment.

Altonji, Joseph G.

PD August 2000. **TI** Selection on Observed and Unobserved Variables: Assessing the Effectiveness of Catholic Schools. **AU** Altonji, Joseph G.; Elder, Todd E.; Taber, Christopher R. **AA** Altonji: Northwestern University and NBER. Taber and Elder: Northwestern University. **SR** National Bureau of Economic Research Working Paper: 7831; 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** C24, C34, I21. **KW** Catholic Schools. Unobserved Variables. Selection Bias.

AB We develop estimation methods that use the amount of selection on the observables in a model as a guide to the amount of selection on the unobservables. We show that if the observed variables are a random subset of a large number of factors that influence the endogenous variable and the outcome of interest, then the relationship between the index of observables that determines the endogenous variable and the index that determines the outcome will be the same as the relationship between the indices of unobservables that determine the two variables. In some circumstances this fact may be used to identify the effect of the endogenous variable. We also propose an informal way to assess selectivity bias based on measuring the ratio of selection on unobservables to selection on observables that would be required if one is to attribute the entire effect of the endogenous variable to selection bias. We use our methods to estimate the effect of attending a Catholic high school and we find that Catholic high schools substantially increase the probability of graduating from high school and, more tentatively, college attendance. We do not find much evidence for an effect on test scores.

Alvarez, Fernando

PD September 2000. **TI** Money, Interest Rates, and Exchange Rates with Endogenously Segmented Asset Markets. **AU** Alvarez, Fernando; Atkeson, Andrew; Kehoe, Patrick J. **AA** Alvarez: University of Chicago, Universidad di Tella, and NBER. Atkeson and Kehoe: Federal Reserve Bank of Minneapolis, University of Minnesota, and NBER. **SR** National Bureau of Economic Research Working Paper: 7871; 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** E31, E43, E51, E52, F31. **KW** Interest Rates. Exchange Rates. Asset Markets. Inflation. Monetary Shocks.

AB This paper analyzes the effects of money injections on interest rates and exchange rates in a model in which agents must pay a Baumol- Tobin style fixed cost to exchange bonds and money. Asset markets are endogenously segmented because this fixed cost leads agents to trade bonds and money only infrequently. When the government injects money through an open market operation, only those agents that are currently trading absorb these injections. Through their impact on these agents' consumption, these money injections affect real interest rates and real exchange rates. We show that the model generates the observed negative relation between expected inflation and real interest rates. With moderate amounts of segmentation, the model also generates other observed features of the data: persistent liquidity effects in interest rates and volatile and persistent exchange rates. A standard model with no fixed costs can produce none of these features.

Andersen, Torben M.

PD January 2002. **TI** International Integration and the Welfare State. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2002/02; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 37. **PR** no charge. **JE** E32, F15, F41, H11, H55. **KW** Risk. Welfare Policies. Taxation. Globalization. Labor Markets.

AB This paper discusses how international integration affects the need and scope for welfare state activities. The first part reviews the main mechanisms that have been considered in the literature, namely, tax base mobility, risk, and race to the bottom effects in welfare policies. The second part considers in more detail the implications that arise via labor market effects, and it is argued that the latter are crucial since product market integration affects the mobility of jobs, even though labor mobility across nations remains small. This may in turn have important consequences both for the financing of welfare state activities through taxes levied on labor, and also on the need for welfare state activities. The paper ends by discussing some policy options.

Andersson, Fredrik

PD August 2000. **TI** What We Cannot Learn From the Irish Experience: A Fundamental Asymmetry of Asymmetric Shocks. **AU** Andersson, Fredrik; Forslid, Rikard. **AA** Andersson: Lunds Universitet. Forslid: Stockholm University and CEPR. **SR** CEPR Discussion Paper: 2531; 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, F16, F22, F33, F41. **KW** Productivity Shocks. Migration. Monetary Union.

AB A simple N-country specific-factor type model with imperfectly mobile labor is developed. It is shown that the effects of country- specific productivity shocks hitting a small country are fundamentally asymmetric. A positive shock will be accommodated by a moderate wage increase and sizeable in-migration, whereas a negative shock will be accommodated by a significant decrease in wages and moderate out- migration. The effects of shocks in a monetary union are discussed, and it is argued that the results are consistent with the recent Irish experience. The welfare effects of small economic fluctuations are also discussed.

Andrews, Donald W. K.

PD October 2001. **TI** Higher-Order Improvements of the Parametric Bootstrap for Markov Processes. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1334; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 18. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C12, C13, C15, C22. **KW** Edgeworth Expansion. Bootstrap. Maximum Likelihood. Markov Processes. Confidence Intervals.

AB This paper provides bounds on the errors in coverage probabilities of maximum likelihood-based, percentile-t, parametric bootstrap confidence intervals for Markov time series processes. These bounds show that the parametric bootstrap for Markov time series provides higher-order improvements (over confidence intervals based on first order asymptotics) that are comparable to those obtained by the parametric and nonparametric bootstrap for i.i.d. data, and are better than those obtained by the block bootstrap for time series. Additional results are given for Wald-based confidence regions. The paper also shows that k-step parametric bootstrap confidence intervals achieve the same higher-order improvements as the standard parametric bootstrap for Markov processes. The k-step bootstrap confidence intervals are computationally attractive. They circumvent the need to compute a nonlinear optimization for each simulated bootstrap sample. The latter is necessary to implement the standard parametric bootstrap when the maximum likelihood estimator solves a nonlinear optimization problem.

Angeloni, Ignazio

PD January 2002. **TI** Monetary Transmission in the Euro Area: Where do we Stand? **AU** Angeloni, Ignazio; Kashyap, Anil; Mojon, Benoit; Terlizzese, Daniele. **AA** Angeloni and Mojon: European Central Bank. Kashyap: University of Chicago, Federal Reserve Bank of Chicago, and NBER. Terlizzese: Banca d'Italia. **SR** European Central Bank Working Paper: 114; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 45. **PR** no charge. **JE** E52, E58, E44. **KW** Monetary Policy. Transmission Mechanism. Euro Area. Bank Lending.

AB Drawing on recent Eurosystem research that uses a range of econometric techniques and a number of new data sets, we propose a comprehensive description of how monetary policy affects the euro area economy. We find plausible euro-area wide monetary policy responses for prices and output that are similar to those generally reported for the US. However, investment (relative to consumption) seems to play a larger role in euro area monetary policy transmission than in the US. We cannot reject the hypothesis that the interest rate channel (IRC) completely characterises transmission in a few countries, and estimate it to be substantial in almost all. Where the IRC is not dominant, there is normally some direct evidence supporting the presence of a bank lending channel (or other financial accelerator channel). The cases where financial effects appear important can be further split according to whether they primarily relate to consumption or investment.

Arnould, Richard

PD September 2000. **TI** Does Managed Care Change the Mission of Nonprofit Hospitals? Evidence from the Managerial Labor Market. **AU** Arnould, Richard; Bertrand, Marianne; Hallock, Kevin F. **AA** Arnould and Hallock: University of Illinois. Bertrand: University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7924; 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** I11, J44, L31. **KW** Managed Care. Nonprofit Hospitals. Managerial Labor Market. Hospital Management.

AB This paper examines how the managerial labor market in nonprofit hospitals has adjusted to the negative income pressures created by Health Maintenance Organization (HMO) penetration. Using a panel of about 1500 nonprofit hospitals over the period 1992 to 1996, we find that top executive turnover increases following an increase in HMO penetration. Moreover, the increase in turnover is concentrated among the hospitals that have low levels of economic profitability and are more financially leveraged. While the link between top executive pay and for-profit performance measures is on average very weak, HMO penetration substantially tightens that link: as HMO penetration increases, top executives are compensated more for improving the profitability of their hospitals. These results are consistent with the view that HMO penetration increases the importance of for-profit performance objectives among not-for-profit hospitals. Boards appear to fire managers that are least competitive in the new environment and reward incumbent mangers more for achieving for-profit goals. Consistent with donors' belief that these changes represent a weakening of the nonprofit mission and not simply an attempt by altruistic boards to protect intergenerational equity, we find that public donations fall as HMO market share increases.

Arratibel, Olga

PD March 2002. **TI** Inflation Dynamics and Dual Inflation in Accession Countries: A "New Keynesian" Perspective. **AU** Arratibel, Olga; Rodriguez-Palenzuela, Diego; Thimann, Christian. **AA** European Central Bank. **SR** European Central Bank Working Paper: 132; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 33. **PR** no charge. **JE** E31, E58, F41, P24. **KW** Dual Inflation. Central Europe. Eastern Europe. Balassa-Samuelson Effect. New Keynesian. Phillips Curve. Exchange Rate Regimes.

AB This paper examines inflation dynamics in the current EU-accession countries in central and eastern Europe, focusing particularly on the determinants of "dual inflation," that is, diverging inflation rates for tradable and non-tradable goods. The paper draws on the recently published data for the Harmonised Index of Consumer Prices (HICP) of the accession countries and, indeed, finds evidence of "dual inflation" in these economies. To test empirically for underlying determinants, the paper borrows from the recently developed New Phillips curve literature. Overall, domestic factors have systematically a stronger impact upon non-tradable goods inflation whereas international factors have a stronger impact over tradable goods inflation. Furthermore, the results point to the possibly very different effects of exchange rate regimes over tradable and non-tradable goods inflation. On the whole, the findings suggest that the Balassa-Samuelson effect is not a prominent factor behind the current experience of "dual inflation" in these countries.

Artis, Michael J.

PD July 2000. **TI** "Close to Balance or in Surplus": A Policy Maker's Guide to the Implementation of the Stability and Growth Pact. **AU** Artis, Michael J.; Buti, Marco. **AA** Artis: European University Institute and CEPR. **SR** CEPR Discussion Paper: 2515; 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** E61, H61, H62. **KW** Automatic Stabilizers. Budgetary Discipline. Cyclically-Adjusted Surplus. EMU. Fiscal Policy.

AB Under the Stability and Growth Pact, countries are committed to achieving medium-term budget positions of "close to balance or in surplus." The rationale for this commitment is that such budgetary positions would allow for the full working of the built-in stabilizers without triggering the sanction procedures of the Pact. The paper sets out to show how quantifications of the medium-term ("structural") requirement can accommodate the desired aim and suggests how fiscal measurement and forecasting errors as well as the budgetary effects of ageing may be allowed for. All in all, broadly balanced budgets in the medium term appear to be "roughly right" for most euro-area countries. Of course, as the cyclical behavior of the euro-area economy adapts to the new EMU environment, the medium-term targets will need to be re-addressed.

Ashenfelter, Orley

PD August 1999. **TI** Measuring the Effects of Arbitration on Wage Levels: The Case of Police Officers. **AU** Ashenfelter, Orley; Hyslop, Dean. **AA** Ashenfelter: Princeton University and NBER. Hyslop: UCLA. **SR** National Bureau of Economic Research Working Paper: 7294; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 16. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, D74, J31, J52. **KW** Arbitration. Wage Level. Political Jurisdiction. Panel Data. Police Officers.

AB In this paper we provide an empirical evaluation of the effect that the provision of an arbitration statute has on the wage levels of police officers. We analyze the effect of arbitration on wages by comparing wage levels across political jurisdictions and over time using a sample of states. Two complementary data sources are used: panel data on state level wages of police officers, and individual level data on police officers from Decennial Censuses. The empirical results from both data sets are remarkably consistent and provide no robust evidence that the presence of arbitration statutes has a consistent effect on overall wage levels. On average, the effect of arbitration is approximately zero, although there is substantial heterogeneity in the estimated effects across states.

Atkeson, Andrew

TI Money, Interest Rates, and Exchange Rates with Endogenously Segmented Asset Markets. **AU** Alvarez, Fernando; Atkeson, Andrew; Kehoe, Patrick J.

Audretsch, David B.

PD December 2000. **TI** Impeded Industrial Restructuring: The Growth Penalty. **AU** Audretsch, David B.; Thurik, A. Roy. **AA** Audretsch: Indiana University and Centre for Economic Policy Research. Thurik: Erasmus University Rotterdam. **SR** CEPR Discussion Paper: 2648; 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, O11. **KW** Economic Growth. Entrepreneurship. Firm Size Distribution. Industry Structure.

AB This paper documents that a process of industrial restructuring has been transforming the developed economies, where large corporations are accounting for less economic activity and small firms are accounting for a greater share of economic activity. Not all countries, however, are experiencing the same shift in their industrial structures. Very little is known about the cost of resisting this restructuring process. The goal of this paper is to identify whether there is a cost, measured in terms of foregone growth, of an impeded restructuring process. The cost is measured by linking growth rates of European countries to deviations from the optimal industrial structure. The empirical evidence suggests that countries impeding the restructuring process pay a penalty in terms of foregone growth.

Auerbach, Alan J.

PD August 2000. **TI** On the Marginal Source of Investment Funds. **AU** Auerbach, Alan J.; Hassett, Kevin A. **AA** Auerbach: UC Berkeley and NBER. Hassett: AEI. **SR** National Bureau of Economic Research Working Paper: 7821; 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 the U.S.). **JE** G35, H32. **KW** Dividend-Tax Irrelevance. Finance Sources. Retained Earnings. Investment.

AB Under the "new view" of dividend taxation developed in Auerbach (1979), Bradford (1981) and King (1977) the marginal source of finance for new investment projects is retained earnings. In this case, the tax advantage of retentions precisely offsets the double taxation of subsequent dividends: taxes on dividends have no impact on the investment incentives of firms using retentions as a marginal source of funds and paying dividends with residual cash flows. We find evidence that dividends do respond to investment and cash flow for the nonfinancial corporate sector as a whole in a manner consistent with the new view. We also find that this dividend pattern is weaker for firms with better access to capital markets, as measured by bond rating and the number of analysts following them. Finally, we find that, although new share issues and repurchases respond to the same firm characteristics as dividends do, the pattern of these responses is consistent with a broader interpretation of the new view that preserves that main result of dividend-tax irrelevance with respect to the cost of capital.

PD August 2000. **TI** Perspectives on the Budget Surplus. **AU** Auerbach, Alan J.; Gale, William G. **AA** Auerbach: University of California, Berkeley and NBER. Gale: The Brookings Institution. **SR** National Bureau of Economic Research Working Paper: 7837; 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** H55, H61, H62. **KW** Budget Surplus. Budget Forecasts. Discretionary Spending.
AB This paper provides alternative measures of federal budget surpluses over 10-year and long-term horizons. Official baseline budget forecasts are based on a series of statutory requirements that may be at variance with reasonable expectation. More plausible notions of current policy toward discretionary spending, taxes and retirement trust funds imply that surpluses over the next 10 years will be substantially smaller than the baseline forecasts indicate. Properly accounting for long-term imbalances in social security and the rest of the budget implies that, under plausible definitions of current policy, the federal government faces a long-term shortfall.

Aydemir, Abdurrahman Bekir

PD November 1998. **TI** Forecast Performance of Threshold Autoregressive Models -- A Monte Carlo Study. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9910; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 64. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C15, C22, C53. **KW** Nonlinear Time Series. Threshold Models. Forecast Performance. Monte Carlo.
AB Threshold Autoregressive Models (TAR) along with other nonlinear time series models have attracted much attention in recent years in time series analysis. TAR models have been applied to a variety of time series. It has been reported that they have a good in sample fit but like many other non-linear time series models cannot improve out of sample forecast performance. Within a controlled simulation framework, we study the forecast performance under two types of non-linearity: shift in the mean and shift in the volatility of the process. We illustrate that estimation of the lag parameter and threshold value are crucial for forecast performance. Monte Carlo results show that a TAR model performs much better than a Random Walk (RW) model; however, it provides no significant improvement over a linear Autoregressive (AR) model. Conclusions on the relative forecast performance of TAR models based on a single data set can be quite different than long run (Monte Carlo) results.

Bacchetta, Philippe

TI Currency Crises and Monetary Policy in an Economy with Credit Constraints. **AU** Aghion, Philippe; Bacchetta, Philippe; Banerjee, Abhijit.

Bae, Kee-Hong

PD September 2000. **TI** A New Approach to Measuring Financial Contagion. **AU** Bae, Kee-Hong; Karolyi, G. Andrew; Stulz, Rene M. **AA** Bae: Hong Kong University of Science and Technology. Karolyi: Ohio State University. Stulz: Ohio State University and NBER. **SR** National Bureau of Economic Research Working Paper: 7913; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F31, F36, G15. **KW** Contagion. Regional Contagion. Stock Volatility. Exchange Rates. Financial Contagion.
AB This paper proposes a new approach to evaluate contagion in financial markets. Our measure of contagion captures the co-incidence of extreme return shocks across countries within a region and across regions that cannot be explained by linear propagation models of shocks. We characterize the extent of contagion, its economic significance, and its determinants using a multinomial logistic regression model. Applying our approach to daily returns of emerging markets during the 1990s, we find that contagion, when measured by the co-incidence within and across regions of extreme return shocks, is predictable and depends on regional interest rates, exchange rate changes, and conditional stock return volatility. Evidence that contagion is stronger for extreme negative returns than for extreme positive returns is mixed.

Baer, Werner

PD July 2001. **TI** The Achievements and Failures of Argentina's Neo-Liberal Economic Policies. **AU** Baer, Werner; Elosegui, Pedro; Gallo, Andres. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0114; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 25. **PR** not available. **JE** F31, F41, N26. **KW** Argentina. Neo-Liberalism. Currency Board.
AB The stability of an economic policy regime depends in large measure on either its successful authoritarian imposition or on the general acceptance by society of the distributional status quo of assets and/or income. Although Argentina's Convertibility Plan ("Currency Board" system) brought price stability and growth to the country, the inability or unwillingness of the government to attain a fiscal adjustment threatened its survival. The "fight for shares" in this "conflict society", which was inherited from previous regimes was never resolved. We show that this fight previously left unresolved through inflationary finance, was left unresolved through the rapid growth of indebtedness under the Convertibility Plan. From 1999 on, the contradictions of the Plan had become obvious and it was clear that the key to future stable economic growth was dependent on finding a way to turn the "conflict society" into a "consensus society." The construction of such a society is still a pending task for Argentina.

Bagwell, Kyle

PD August 2000. **TI** Strategic Trade, Competitive Industries and Agricultural Trade Disputes. **AU** Bagwell, Kyle; Staiger, Robert W. **AA** Bagwell: Columbia University and NBER. Staiger: University of Wisconsin and NBER. **SR** National Bureau of Economic Research Working Paper: 7822; 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 the U.S.). **JE** F02, F11, F12, F13. **KW** Strategic Trade Theory. Trade Disputes. Agriculture.

AB The primary predictions of strategic-trade theory are not restricted to imperfectly-competitive markets. Indeed, these predictions emerge in a natural three-country extension of the traditional theory of trade policy in competitive markets, once the theory is augmented to allow for politically-motivated governments, so that the sign of export policy may be converted from tax to subsidy. This suggest that the ongoing agricultural trade disputes may be best interpreted from the perspective of strategic-trade theory. In fact, these disputes may offer the most important example yet of strategic-trade theory.

PD August 1999. **TI** Domestic Policies, National Sovereignty and International Economic Institutions. **AU** Bagwell, Kyle; Staiger, Robert W. **AA** Bagwell: Columbia University and NBER. Staiger: University of Wisconsin and NBER. **SR** National Bureau of Economic Research Working Paper: 7293; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 52. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F02, F13, F15, O13, Q32. **KW** Social Policy. Environmental Standards. International Trade. Sovereignty. GATT.

AB To what extent must nations cede control over their economic and social policies if global efficiency is to be achieved in an interdependent world? This question is at the center of the debate over the future role of GATT (and its successor, the WTO) in the realm of labor and environmental standards. Current GATT rules reflect the primacy of market access concerns in GATT practice, and this orientation is seen increasingly as unfriendly to labor and environmental causes. Fundamental changes to GATT are being considered as a result, changes that would expand the scope of GATT negotiations to include labor and environmental policies, and would lead to a significant loss of sovereignty for national governments. In this paper we establish that there is no need for the WTO to expand the scope of its negotiations in this way. We show instead that the market access focus of current GATT rules is well-equipped to handle the problems associated with choices over labor and environmental standards, and that with relatively modest changes that grant governments more sovereignty, not less, these rules can in principle deliver globally efficient outcomes.

Baig, Thomas

PD October 2001. **TI** Characterizing Exchange Rate Regimes in Post-Crisis East Asia. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/152; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 28. **PR** $15.00. **JE** F31, F33. **KW** Exchange Rate Regime. Volatility. Asian Crisis.

AB This paper examines the behavior of the exchange rates of selected emerging market East Asian economies in the aftermath of the Asian crisis. The results suggest that movements in the Asia-5 currencies (Indonesia, Korea, Malaysia, Philippines, and Thailand) were significantly influenced by the U.S. dollar's day-to-day movements before the crisis, and have indeed continued to do so post-crisis. However, comparisons with a range of other currencies suggest that this is a fairly common trait across various regimes. Moreover, results from the post-crisis data do not support the view that the Asia-5 currencies presently have the same characteristics as they did before the crisis.

Bailey, Patricia M.

PD September 2000. **TI** The Application of Competition Law and Policy to Environmental Agreements in an Oligopolistic Market. **AA** European University Institute. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 73/2000; "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** K21, K32, K42, L13, L40. **KW** Environmental Agreements. Oligopoly. Competition Law. Antitrust Policy. European Law.

AB An environmental agreement in an oligopolistic market may violate the competition rules, as described in Articles 81 and 82 of the Treaty. Ordinarily, some collusion among firms is necessary for an environmental agreement to be successful. This collusion may be acceptable when it relates to the development of technologies or processes, as opposed to the classic hypothesis of collusion regarding prices or the division of the market. One must also consider the goals of competition policy. Thus, factors such as tangible benefits to the consumer or a substantial technological advance could outweigh potential anti-competitive effects of the agreement. Accordingly, while an environmental agreement can act as an entry barrier to a market, it can also lead to the development of new technologies. This paper presents the general aspects of competition law and policy and then discusses how competition law and policy can be applied to environmental agreements in an oligopolistic market. This paper argues that while competition policy can sometimes be relaxed with regard to environmental agreements in a competitive market, it should remain strict when applied to agreements in an oligopolistic market, as this type of market structure so often leads to anti-competitive behavior.

Baldwin, Barbara

TI Indonesia: Anatomy of a Banking Crisis Two Years of Living Dangerously, 1997-99. **AU** Enoch, Charles; Baldwin, Barbara; Frecaut, Olivier; Kovanen, Arto.

Ball, Laurence

PD September 2000. **TI** Policy Rules and External Shocks. **AA** John Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 7910; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 19. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E31, E52, E58, F31, F41. **KW** Monetary Policy. Open Economies. Exchange Rates. Stabilization. Inflation.

AB This essay discusses rules for monetary policy in open economies. If policymakers seek to stabilize output and inflation, optimal rules in open economies differ considerably from optimal rules in closed economies. In open economies, stability is best achieved by targeting "long-run inflation" -- a measure of inflation adjusted to remove transitory effects of exchange-rate movements. Stability is also enhanced by adding an exchange-rate term to "Taylor rules" for setting interest rates. Finally, central banks must choose whether their policy instrument is an interest rate or a "monetary conditions index": an average of the interest rate and the exchange rate. The nature of shocks to the exchange rate determines which of these choices keeps output and inflation more stable.

Bandi, Frederico M.

PD September 2001. **TI** Fully Nonparametric Estimation of Scalar Diffusion Models. **AU** Bandi, Frederico M.; Phillips, Peter C. B. **AA** Bandi: University of Chicago. Phillips: Cowles Foundation, Yale University, University of Auckland, and University of York. **SR** Yale Cowles Foundation Discussion Paper: 1332; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 23. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C14, C22. **KW** Diffusion Models. Asymptotics. Martingale. Nonparametric Estimation. Stochastic Differential Equ.

AB We propose a functional estimation procedure for homogenous stochastic differential equations based on a discrete sample of observations and with minimal requirements on the data generating process. We show how to identify the drift and diffusion function in situations where one or the other function is considered a nuisance parameter. The asymptotic behavior of the estimators is examined as the observation frequency increases and as the time span lengthens (that is, we implement both infill and long span asymptotics). We prove consistency and convergence to mixtures of normal laws, where the mixing variates depend on the chronological local time of the underlying process, that is, the time spent by the process in the vicinity of a spatial point. The estimation method and asymptotic results apply to both stationary and nonstationary processes.

Banerjee, Abhijit

TI Currency Crises and Monetary Policy in an Economy with Credit Constraints. **AU** Aghion, Philippe; Bacchetta, Philippe; Banerjee, Abhijit.

Bannister, Geoffrey J.

PD May 2001. **TI** International Trade and Poverty Alleviation. **AU** Bannister, Geoffrey J.; Thugge, Kamau. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/54; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 32. **PR** not available. **JE** E25, F13, F43, I31, O19. **KW** Trade Reform. Poverty Alleviation. Trade Liberalization. International Trade.

AB Empirical studies suggest that trade reform has a positive effect on employment and income for the poor; however, there are winners and losers. If the transitional costs of trade liberalization fall disproportionately on the poor, trade reform can be designed to mitigate these effects. This includes making reforms as broad based as possible, sequencing and phasing them to allow for adjustment, and implementing social safety nets and other reforms that facilitate adjustment to the new trade policy. In assessing these findings, it should be borne in mind that the links between trade reform and poverty are complex, making systematic empirical investigations difficult.

Baqir, Reza

TI Political Jurisdictions in Heterogeneous Communities. **AU** Alesina, Alberto F.; Baqir, Reza; Hoxby, Caroline.

Barenstein, Matias

TI Fiscal Decentralization and Governance: A Cross-Country Analysis. **AU** de Mello, Luiz; Barenstein, Matias.

Barro, Robert J.

PD September 2000. **TI** International Data on Educational Attainment Updates and Implications. **AU** Barro, Robert J.; Lee, Jong-Wha. **AA** Barro: Harvard University and NBER. Lee: Korea University. **SR** National Bureau of Economic Research Working Paper: 7911; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 21. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I21, O11, O47. **KW** Educational Attainment. Human Capital.

AB This paper presents a data set that improves the measurement of educational attainment for a broad group of countries. We extend our previous estimates of educational attainment for the population over age 15 and over age 25 up to 1995 data, and provide projections for 2000. We discuss the estimation method for the measures of educational attainment and relate our estimates to alternative international measures of human capital stocks.

TI Currency Unions. **AU** Alesina, Alberto F.; Barro, Robert J.

Bartelsman, Eric J.

PD August 2000. **TI** Why Pay More? Corporate Tax Avoidance Through Transfer Pricing in OECD Countries. **AU** Bartelsman, Eric J.; Beetsma, Roel. **AA** Bartelsman: Vrije Universiteit Amsterdam. Beetsma: Universiteit van Amsterdam. **SR** CEPR Discussion Paper: 2543; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F23, G38, H25, H26. **KW** Corporate Tax Rates. Profit Shifting. Transfer Pricing. Tax Avoidance.

AB This paper presents evidence of profit shifting in response to differences in corporate tax rates for a large selection of OECD countries. In our estimates we control for the effects of tax rate changes on real activity. Our baseline estimates suggest that, on average, a unilateral increase in the corporate tax rate does not lead to an increase in corporate tax revenues owing to a more than offsetting decline in reported profits.

Bayoumi, Tamim

PD September 1999. **TI** The Morning After: Explaining the Slowdown in Japanese Growth in the 1990s. **AA** International Monetary Fund. **SR** National Bureau of Economic Research Working Paper: 7350; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E32, E44, E65, G21, O53. **KW** Investment. Liquidity Trap. Vector Autoregression. Financial Intermediation. Asset

Pricing.
AB This paper uses a VAR 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; over investment 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.

Bean, Charles

PD January 2002. **TI** Financial Frictions and the Monetary Transmission Mechanism: Theory, Evidence and Policy Implications. **AU** Bean, Charles; Larsen, Jens; Nikolov, Kalin. **AA** Bank of England. **SR** European Central Bank Working Paper: 113; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 38. **PR** no charge. **JE** E52, E58, E44. **KW** Monetary Policy. Transmission Mechanism. Credit Channel. Bank- Lending Channel.
AB This paper provides a brief survey of the role of financial frictions in the monetary transmission mechanism. After noting some of the key stylised facts that any model of the transmission mechanism must be consistent with, we discuss both the classical interest rate channel and the credit and bank lending channels of monetary transmission. We then review the empirical evidence relating to the relative importance of these channels. Finally we consider what impact the presence of significant financial frictions might have on the conduct of monetary policy.

Becker, Randy A.

PD August 1999. **TI** Costs of Air Quality Regulation. **AU** Becker, Randy A.; Henderson, J. Vernon. **AA** Becker: US Bureau of the Census. Henderson: Brown University and NBER. **SR** National Bureau of Economic Research Working Paper: 7308; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, H41, K32, Q25, Q28. **KW** Environmental Regulation. Air Quality. Operating Costs. Fixed Costs.
AB This paper explores some costs associated with environmental regulation. The authors focus on regulation pertaining to ground-level ozone (O3) and its' effects on two manufacturing industries -- industrial organic chemicals (SIC 2865-9) and miscellaneous plastic products (SIC 308). Using plant-level data from the Census Bureau's Longitudinal Research Database (LRD), the authors examine the effects of regulation on the timing and magnitudes of investments by firms and on the impact it has had on their operating costs. As an alternative way to assess costs, the authors also employ plant-level data from the Pollution Abatement Costs and Expenditures (PACE) survey. Analyses employing average total cost functions reveal that plants' production costs are indeed higher in (heavily-regulated) non-attainment areas relative to (less-regulated) attainment areas. This is particularly true for younger plants, consistent with the notion that regulation is most burdensome for new (rather than existing) plants. Cost estimates using PACE data generally reveal lower costs. The authors also find that new heavily-regulated plants start out much larger than less- regulated plants, but then do not invest as much. They also discuss reasons why plants may restrict their size.

Beetsma, Roel

TI Why Pay More? Corporate Tax Avoidance Through Transfer Pricing in OECD Countries. **AU** Bartelsman, Eric J.; Beetsma, Roel.

Begum, Jahanara

PD June 2000. **TI** Real Exchange Rates and Productivity: Closed-Form Solutions and Some Empirical Evidence. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/99; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 38. **PR** not available. **JE** E32, F31, G15. **KW** Technology Shocks. Exchange Rates. Cointegration. Productivity Shocks.
AB This paper examines the impact of productivity shocks on real exchange rate fluctuations in a dynamic international general equilibrium model with nontraded goods. The model predicts a close association between relative technology shocks and bilateral real exchange rate movements. Empirical results based on the data for Group of Seven countries are consistent with the predicted theoretical correlations. Using Johansen and Juselius (1990) multivariate cointegration tests, the study finds that a statistically significant relationship exists between bilateral real exchange rates and international productivity differentials in the traded and nontraded sectors.

Bekaert, Geert

PD September 1999. **TI** Stock and Bond Pricing in an Affine Economy. **AU** Bekaert, Geert; Grenadier, Steven R. **AA** Bekaert: Stanford University and NBER. Grenadier: Standford University. **SR** National Bureau of Economic Research Working Paper: 7346; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E43, G12, G13. **KW** Asset Pricing. Stochastic Valuation. Affine Economy. Term Structure. Present-Value Pricing.
AB This article provides a stochastic valuation framework for bond and stock returns that builds on three different pricing traditions: affine models of the term structure, present-value pricing of equities, and consumption-based asset pricing. Our model provides a more general application of the affine framework in that both bonds and equities are priced in a consistent fashion. This pricing consistency implies that term structure variables help price stocks while stock price fundamentals help price the term structure. We illustrate our model by considering three examples that are similar in spirit to well-known pricing models that fall within our general framework: a Mehra and Prescott (1985) economy, a present value model similar to Campbell and Shiller (1988b), and a model with stochastic risk aversion similar to Campbell and Cochrane (1998). The empirical performance of our models is explored, with a particular emphasis on return predictability.

Bentolila, Samuel

PD August 2000. **TI** Unemployment and Consumption: Are Job Losses Less Painful Near the Mediterranean? **AU** Bentolila, Samuel; Ichino, Andrea. **AA** Bentolila:

Centre for Monetary and Financial Studies and CEPR. Ichino: European University Institute, Firenze. **SR** CEPR Discussion Paper: 2539; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** E21, E24, I31, I38, J12. **KW** Consumption. Savings. Unemployment. Family Networks.

AB In this paper we analyze the relationship between unemployment and consumption. We study this relationship with panel data on households in five countries: Spain and Italy (the South); and Germany, Britain, and the U.S. (the North). Our empirical results indicate that an increase in the duration of unemployment spells of male household heads is associated with smaller consumption losses in Spanish and Italian households. We discuss this finding in the light of different market and institutional frameworks. Given that the coverage and generosity of social welfare institutions are both higher in the North, and that credit and insurance markets are also more developed in the North than in the South, existing theories of consumption indicate that in the South consumption should fall more than in the North when the male household head becomes unemployed. This and other evidence supports the hypothesis that extended family networks, which appear to be stronger in the Mediterranean region, provide a fundamental source of insurance against unemployment in southern Europe.

Bera, Anil K.

PD March 2001. **TI** Neyman's Smooth Test and Its Applications in Econometrics. **AU** Bera, Anil K.; Ghosh, Aurobindo. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0103; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 44. **PR** not available. **JE** C12, C52. **KW** Probability Integral Transforms. Goodness-of-fit. Neyman's Smooth Test.

AB This essay is a reappraisal of the smooth test proposed by Neyman in current econometrics applications. We revisit the derivation of the smooth test and put it into the perspective of existing literature on tests based on probability integral transforms suggested by pioneers such as R.A. Fisher and Karl Pearson and other tests for goodness-of- fit. Our discussion touches data-driven and other methods of testing and inference on the order of the smooth test and the motivation and choice of orthogonal polynomials used by Neyman and others. We review other powerful unbiased tests and look at their differential geometric interpretations in terms of Gaussian curvature of the power hypersurface and review recent advance. Finally, we venture into applications by evaluating density forecast calibrations discussed by Diebold, Gunther and Tay et al. We discuss the use of smooth tests in survival analysis as done by Pena, Gray and Pierce and in tests based on p-values and other probability integral transforms suggested in Meng.

PD March 2001. **TI** The MM, ME, ML, EL, EF and GMM Approaches to Estimation: A Synthesis. **AU** Bera, Anil K.; Bilias, Yannis. **AA** Bera: University of Illinois. Bilias: University of Cyprus. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0104; The University of Illinois, Department of Economics,, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 33. **PR** not available. **JE** C13, C52. **KW** Goodness-of-Fit. Entropy. Method of Moments. Estimating Function. Power Divergence Criterion.

AB This paper traces the development of some of the central concepts in modern econometrics: Karl Pearson's (1900) goodness-of-fit test, Pearson's (1894) formal approach to statistical estimation through his method of moments (MM); Ronald A. Fisher's maximum likelihood estimation (MLE) procedure; Fisher's (1922) introduction of such basic concepts as consistency, efficiency, sufficiency -- and even the term "parameter".Recently, econometricians have found working under assumed likelihood functions restrictive, and have suggested using a generalized version of Pearson's MM approach, commonly known as the GMM estimation procedure as advocated in Hansen (1982). Earlier, Godambe (1960) and Durbin (1960) developed the estimating function (EF) approach to estimation. A fundamental result is that score is the optimum EF. Ferguson (1958) considered an approach very similar to GMM and showed that estimation based on the Pearson chi-squared statistic is equivalent to efficient GMM. It can be shown that many of these estimation techniques can be obtained as special cases of minimizing Cressie and Read (1984) power divergence criterion that comes directly from the Pearson (1900) chi-squared statistic. In this way we are able to assimilate a number of seemingly unrelated estimation techniques into a unified framework.

PD August 2001. **TI** Adjusting the Tests for Skewness and Kurtosis for Distributional Misspecifications. **AU** Bera, Anil K.; Premaratne, Gamini. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0116; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 26. **PR** not available. **JE** C12, C52. **KW** Skewness. Kurtosis.

AB The standard root-b1 test is widely used for testing skewness. However, several studies have demonstrated that this test is not reliable for discriminating between symmetric and asymmetric distributions in the presence of excess kurtosis. The main reason for the failure of the standard root-b1 test is that its variance formula is derived under the assumption of no excess kurtosis. In this paper we theoretically derive adjustment to the root-b1 test under the framework of Roa's Score (or the Lagrange multiplier) test principle. Our adjusted test automatically corrects the variance formula and does not lead to over - or under - rejection of the correct null hypothesis. In a similar way, we also suggest an adjusted test for kurtosis in the presence of asymmetry. These tests are then applied to both simulated and real data. The finite sample performances of the adjusted tests are far superior compared to those of their unadjusted counterparts.

TI A Test for Asymmetry with Leptokurtic Financial Data. **AU** Premaratne, Gamini; Bera, Anil K.

Bergemann, Dirk

PD August 2001. **TI** Information Structures in Optimal Auctions. **AU** Bergemann, Dirk; Pesendorfer, Martin. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1323; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 41. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C72, D44, D82, D83. **KW** Auctions. Private Values. Information Structures. Partitions.

AB A seller wishes to sell an object to one of multiple bidders. The valuations of the bidders are privately known. We consider the joint design problem in which the seller can decide the accuracy by which bidders learn their valuation and to whom to sell at what price. We establish that optimal information structures in an optimal auction exhibit a number of properties: (i) information structures can be represented by monotone partitions; (ii) the cardinality of each partition is finite; (iii) the partitions are asymmetric across agents. These properties imply that the optimal selling strategy of a seller can be implemented by a sequence of exclusive take-it or leave-it offers.

Berger, Helge

PD December 2000. **TI** Optimal Central Bank Conservatism and Monopoly Trade Unions. **AU** Berger, Helge; Hefeker, Carsten; Schob, Ronnie. **AA** Berger: University of Munich and CESifo. Hefeker: University of Basel and CESifo. Schob: University of Western Ontario and CESifo. **SR** University of Western Ontario, Department of Economics Research Report: 2000/14; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 19. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** E52, E58, J51, J65. **KW** Central Banks. Monetary Policy. Trade Unions. Inflation.

AB The "conservative central banker" has come under attack recently. Explicitly modeling the interaction of a trade union with monetary policy, it has been argued that the standard solution to the inflationary bias in monetary policy might actually be welfare reducing if the trade union has an exogenously given preference against inflation. We reframe this discussion in a standard trade union model. We show that the case against the conservative central banker rests exclusively on the assumption of a strictly nominal outside option for the union. There is no welfare gain associated with making the central bank less conservative than society, however, if the outside option is in real terms. As the nominal components of the trade union's outside option are mainly public transfers, we also show that the conservative central banker is always optimal if the government can choose the level of unemployment benefits as well as the degree of central bank conservatism.

Berger, Mark C.

PD September 2000. **TI** Evaluating Profiling as a Means of Allocating Government Services. **AU** Berger, Mark C.; Black, Dan A.; Smith, Jeffrey. **AA** Berger: University of Kentucky. Black: Syracuse University. Smith: University of Western Ontario and NBER. **SR** University of Western Ontario, Department of Economics Research Report: 2000/18; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 32. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C20, C53, I38, J65. **KW** Statistical Profiling. Unemployment Insurance. Assignments Mechanisms.

AB This paper considers the use of statistical profiling to allocate persons to alternative options within government programs, or to participation or non-participation in programs. Profiling has been used in the United States to allocate unemployment insurance (UI) claimants to reemployment services based on the predicted duration of their UI claim. The authors place profiling in the context of the choice among alternative assignment mechanisms. Different mechanisms have different costs and benefits. Within profiling systems, the authors highlight the need for clarity regarding the objective of the assignment mechanism, e.g. equity or efficiency, and they discuss situations in which equity and efficiency goals may conflict. In relation to UI profiling in the United States, the authors provide empirical evidence from the state of Kentucky on two important questions. First, they demonstrate that it is possible to effectively predict the duration of UI spells, but that effectively doing so requires using more covariates than many US states presently do. Second, the authors show that the impact of reemployment services does not appear to vary with expected duration of the UI spell, indicating that UI profiling in Kentucky does not advance the goal of efficiency, though it may advance equity goals.

TI Is the Threat of Training More Effective than Training Itself? Experimental Evidence from the UI System. **AU** Black, Dan A.; Smith, Jeffrey; Berger, Mark C.; Noel, Brett J.

Bernheim, B. Douglas

PD July 2001. **TI** The Mismatch Between Life Insurance Holdings and Financial Vulnerabilities: Evidence from the Health and Retirement Survey. **AU** Bernheim, B. Douglas; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J. **AA** Bernheim: Stanford University and National Bureau of Economic Research. Forni: Boston University and Bank of Italy. Gokhale: Federal Reserve Bank of Cleveland. Kotlikoff: Boston University and National Bureau of Economic Research. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/09; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 38. **PR** no charge. **JE** D12, D18, G11, G22. **KW** Life Insurance. Health and Retirement Survey.

AB Using data on older workers from the 1992 Health and Retirement Survey along with an elaborate life-cycle planning model, this paper quantifies the extent to which the death of each individual would affect the financial status of his or her survivors, and measures the degree to which life insurance holdings moderate these consequences. The average change in living standard that would result from a spouse's death is small both in absolute terms and relative to the decline that would occur in the absence of insurance. However, this average obscures a startling mismatch between insurance holdings and underlying vulnerabilities. For many of those with the greatest vulnerabilities, the amounts purchased are surprisingly small, and for many of those with the smallest vulnerabilities, the amounts are surprisingly large. As a result, uninsured vulnerabilities are reasonably widespread. The magnitude of these vulnerabilities, as well as the proclivity to address any given degree of vulnerability by purchasing life insurance, vary systematically with individual and household characteristics.

Berry, Steven

PD July 2000. **TI** Limit Theorems for Estimating the Parameters of Differentiated Product Demand Systems. **AU** Berry, Steven; Linton, Oliver; Pakes, Ariel. **AA** Berry: Yale University. Linton: London School of Economics and Political Science. Pakes: Harvard University. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/400; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 46. **PR** no charge. **JE** C13, C15, C35, L13. **KW** Choice Models. Method of Moments. Vertical Model. Differentiated Products. Product Markets.

AB We provide an asymptotic distribution theory for a class of Generalized Method of Moments estimators that arise in the study of differentiated product markets when the number of observations is associated with the number of products within a given market. We allow for three sources of error: the sampling error in estimating market shares, the simulation error in approximating the shares predicted by the model, and the underlying model error. The limiting distribution of the parameter estimator is normal, provided the size of the consumer sample and the number of simulation draws grows at a large enough rate relative to the number of products. The required rates differ for two frequently used demand models, and a small Monte Carlo study shows that the difference in asymptotic properties of the two models are reflected in the models' small sample properties. The differences impact directly on the computational burden of the two models.

PD November 2001. **TI** Differentiated Products Demand Systems from a Combination of Micro and Macro Data: The New Car Market. **AU** Berry, Steven; Levinsohn, James; Pakes, Ariel. **AA** Berry: Yale University and NBER. Levinsohn: University of Michigan and NBER. Pakes: Harvard University and NBER. **SR** Yale Cowles Foundation Discussion Paper: 1337; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 27. **PR** no charge up to 3 papers: $3.00 each in U.S.; $4.00 each International. **JE** D12, D43, L62. **KW** Product Differentiation. Automobile Market. Demand Estimation. Differentiated Products.

AB In this paper we provide an algorithm for estimating characteristic- based demand models from alternative data sources, and apply it to new data on the market for passenger vehicles. We find that, provided care is taken in constructing the demand system and rich enough data are available, the characteristic-based model can both rationalize existing results and provide realistic out-of-sample predictions.

Bertrand, Marianne

TI Does Managed Care Change the Mission of Nonprofit Hospitals? Evidence from the Managerial Labor Market. **AU** Arnould, Richard; Bertrand, Marianne; Hallock, Kevin F.

PD October 2000. **TI** The Gender Gap in Top Corporate Jobs. **AU** Bertrand, Marianne; Hallock, Kevin F. **AA** Bertrand: University of Chicago and NBER. Hallock: University of Illinois, Urbana-Champaign. **SR** National Bureau of Economic Research Working Paper: 7931; 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** G34, G39, J16, J44, J71. **KW** Gender Gap. Executives. Discrimination. Corporate Jobs.

AB This paper studies the gender compensation gap among high-level executives in US corporations. We use the ExecuComp data set that contains information on total compensation for the top five highest paid executives of a large group of US firms over the period 1992-1997. About 2.5 percent of the executives in the sample are women. These women earn about 45 percent less than their male counterparts. As much as 75 percent of this gap can be accounted for by the fact that women manage smaller companies and are less likely to be Chief Executive Officer, Chair, or President of their company. The unexplained gender gap can be reduced to less than 5 percent when one further accounts for the fact that female executives are younger and have less seniority than male executives. Over the period under study, women nearly tripled their participation in the top executive ranks and also strongly improved their relative compensation, mostly by gaining representation into the larger corporations. We note, though, that the absence of a significant compensation gender gap (once we control for measurable characteristics) does not rule out the possibility of discrimination in terms of gender segregation or promotion.

Besanger, Serge

PD June 2000. **TI** Demographic Change in Asia: The Impact of Optimal National Saving, Investment, and the Current Account. **AU** Besanger, Serge; Guest, Ross S.; McDonald, Ian. **AA** Besanger: International Monetary Fund-Singapore Regional Training Institute. Guest: Griffith University. McDonald: University of Melbourne. **SR** International Monetary Fund Working Paper: WP/00/115; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 42. **PR** not available. **JE** E21, E27, F32, J11, O21. **KW** Current Account. Savings. Investment. Aging. Demographic Change.

AB This paper calculates the levels of optimal national saving, investment, and the current account balance for five Asian economies -- Hong Kong SAR, Japan, Singapore, Malaysia, and the Philippines -- for the period 1997-2050 using a simulation approach. These calculations show that the results on employment participation, labor productivity; and consumption demands are sensitive to changing demographic structures. In particular, the simulations reveal that variations in prospective demographic change across economies cause considerable variations in the patterns of optimal national saving rates.

Beyer, Andreas

PD February 2002. **TI** Natural Rate Doubts. **AU** Beyer, Andreas; Farmer, Roger E. A. **AA** Beyer: European Central Bank. Farmer: University of California, Los Angeles. **SR** European Central Bank Working Paper: 121; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 37. **PR** no charge. **JE** C32, E3, E43, E58. **KW** Natural Rate. Phillips Curve. Real Interest Rate. Cointegration.

AB We study the low frequency comovements in unemployment, inflation and the federal funds rate in the U.S. From 1970 through 1979 all three series trended up together; after 1979 they all trended down. The conventional explanation for the buildup of inflation in the 1970s is that the Fed reacted to an increase in the natural rate of unemployment by conducting an overly passive monetary policy. We show that this explanation is difficult to reconcile with the observed comovement of the fed funds rate and inflation. We argue instead that the source of the inflation buildup in the 1970s was a downward drift in the real interest rate that was translated into a simultaneous increase in unemployment and inflation by passive Fed policy. Our explanation relies on the existence in the data of an upward sloping long run Phillips curve.

Bhatia, Kul B.

PD November 1999. **TI** Tax Incidence with Three Goods and Two Primary Factors: Theory and Applications. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9914; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 33. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** H22. **KW** Intermediate-Good Taxation. General Equilibrium. Three-By-Two. Tax Incidence.

AB A three-good-two-primary-factor (3 x 2) general equilibrium model, along with parallel numerical illustrations, is developed to analyze the incidence and welfare cost of several taxes. The approach, blending theory and computed examples, enriches some well-known tax models and provides more insights than either the text-book two-by-two treatments or purely numerical models in areas such as environmental taxation and value-added tax (vat). It is ideal for considering factor taxes in intermediate-good industries (e.g., profit- and payroll taxes in mining industries) which are widely used but not much discussed from similar taxes in final-good industries. A stylized application incorporating zero-rating and exemptions, two key features of the vat system in many countries, further illustrates the usefulness of this framework.

Bhattacharya, Rina

PD June 2000. **TI** External Sector Reform and Public Enterprise Restructuring. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/120; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 22. **PR** not available. **JE** E44, E62, F13, F31, F36. **KW** Public Enterprise. Restructuring. Trade Liberalization. Exchange Rates. Financial Sector.

AB This paper explores the linkages between external sector reforms and public enterprise restructuring, paying attention to the role of the financial sector in ensuring the success of these reforms in the context of a comprehensive medium-term structural adjustment program. It discusses the arguments made in the academic literature on this issue, and analyzes how some countries -- namely Algeria, Egypt, and Poland -- have tackled reforms in these areas.

Bilias, Yannis

TI The MM, ME, ML, EL, EF and GMM Approaches to Estimation: A Synthesis. **AU** Bera, Anil K.; Bilias, Yannis.

Bils, Mark

PD August 1999. **TI** Wages and the Allocation of Hours and Effort. **AU** Bils, Mark; Chang, Yongsung. **AA** Bils: University of Rochester and NBER. Chang: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 7309; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 50. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D61, E24, E32, J22, J41. **KW** Wage Stickiness. Employment. Effort. Business Cycles. Welfare Costs.

AB We examine the impact of wage stickiness when employment has an effort as well as hours dimension. Despite wages being predetermined, the labor market clears through the effort margin. We compare this model quantitatively to models with flexible and sticky wages, but no effort margin. Allowing for responses in effort dramatically improves the ability of a sticky-wage model to mimic U.S. business cycles. The model produces fluctuations in hours that are intermediate to the standard flexible-wage and sticky-wage models; but output and consumption behave much like in the flexible-wage economy. Consequently, welfare costs of wage stickiness are potentially much, much smaller if one entertains an effort dimension.

PD August 1999. **TI** What Inventory Behavior Tells Us About Business Cycles. **AU** Bils, Mark; Kahn, James A. **AA** Bils: University of Rochester and NBER. Kahn: Federal Reserve Bank of New York. **SR** National Bureau of Economic Research Working Paper: 7310; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 42. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C43, E22, E24, E32, J23. **KW** Inventory. Business Cycles. Marginal Cost. Productivity Shocks. Effort.

AB Manufacturers' finished goods inventories move less than shipments over the business cycle. We argue that this requires marginal cost to be more procyclical than is conventionally measured. We construct, for six manufacturing industries, alternative measures of marginal cost that attribute high-frequency productivity shocks to procyclical work effort, and find that they are much more successful in accounting for inventory behavior. The difference is attributable to cyclicality in the shadow price of labor, not to diminishing returns -- in fact, parametric evidence suggests that the short-run slope of marginal cost is close to zero for five of the six industries. Moreover, while our measures of marginal cost are procyclical relative to output price, they are too persistent for intertemporal substitution to be important. We conclude that countercyclical markups are chiefly responsible for the sluggish response of inventory stocks over the cycle.

PD August 1999. **TI** Understanding How Price Responds to Costs and Production. **AU** Bils, Mark; Chang, Yongsung. **AA** Bils: University of Rochester and NBER. Chang: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 7311; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 32. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D43, E24, E32, J23, L13. **KW** Sticky Prices. Business Cycles. Factor Prices. Marginal Cost. Entry Limit.

AB The importance of sticky prices in business cycle fluctuations has been debated for many years. But we argue, based on a large empirical literature from the 1950's and 60's, that it is necessary to distinguish the response of price to an increase in factor prices from its response to an increase in marginal cost generated by an expansion in production. Consistent with that earlier literature, we find for 450 U.S. manufacturing industries that prices do respond more to increases in costs driven by changes in factor prices than to increases in marginal cost precipitated by expansions in output. We explore two models that can potentially explain these findings. Both break the link between price and marginal cost, thereby generating what one might naively interpret as average-cost pricing. The first is driven by firms pricing to limit entry. The second is driven by firms pricing to limit non-price competition within their market.

Black, Dan A.

TI Evaluating Profiling as a Means of Allocating Government Services. **AU** Berger, Mark C.; Black, Dan A.; Smith, Jeffrey.

PD November 1999. **TI** Is the Threat of Training More Effective than Training Itself? Experimental Evidence from the UI System. **AU** Black, Dan A.; Smith, Jeffrey; Berger, Mark C.; Noel, Brett J. **AA** Black: Syracuse University. Smith: University of Western Ontario. Berger: University of Kentucky. Noel: American Express-TRS. **SR** University of Western Ontario, Department of Economics Research Report: 9913; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 43. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C93, D82, J64, J65, J68. **KW** Training. Unemployment Insurance. Moral Hazard. Experiments. Employment.

AB This paper examines the effect of the Worker Profiling and Reemployment Services (WPRS) system. This program "profiles" UI claimants to determine their probability of benefit exhaustion (or expected spell duration) and then provides mandatory employment and training services to claimants with high predicted probabilities (or long expected spells). Using a unique experimental design, the authors estimate that the WPRS program reduces mean weeks of UI benefit receipt by about 2.2 weeks, reduces mean UI benefits received by about $143, and increases subsequent earnings by over $1,050. Much (but not all) of the effect results from a sharp increase in early exits from UI in the experimental treatment group compared to the experimental control group. These exits coincide with claimants finding out about their mandatory program obligations rather than with actual receipt of employment and training services. While the program targets those with the highest expected durations of UI benefit receipt, the authors find no evidence that these claimants benefit disproportionately from the program. In addition, the authors find strong evidence against the "common effect" assumption, as the estimated treatment effect differs dramatically across quantiles of the untreated outcome distribution. Overall, the profiling program appears to successfully reduce the moral hazard associated with the UI program without increasing the take-up rate.

Blackman, Allen

PD November 2000. **TI** Tailored Regulation: Will Voluntary Site-Specific Environmental Performance Standards Improve Welfare? **AU** Blackman, Allen; Boyd, James. **AA** Resources for the Future. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 76/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 20. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** K32, L13, L51, Q28. **KW** Tailored Regulation. Voluntary Regulation. Site-Specific. Performance Standards. Regulatory Reform.

AB Increasingly popular tailored regulation (TR) initiatives like EPA's Project XL allow plants to voluntarily substitute site-specific environmental performance standards for command-and-control regulations that dictate pollution abatement strategies. TR can significantly reduce participants' costs of complying with environmental regulations. But in doing so, it can also provide participants with a competitive advantage. We show that this can have undesirable welfare consequences when it enables relatively inefficient firms in oligopolistic markets to "steal" market share from more efficient firms. One critical determinant of whether or not TR has such adverse welfare impacts is the regulator's policy regarding the diffusion of TR agreements among non-participating firms.

Blavy, Rodolphe

PD October 2001. **TI** Trade in the Mashreq: An Empirical Examination. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/163; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 15. **PR** $15.00. **JE** C10, F13, F15, O11, R58. **KW** Israel. Mashreq. Gravity Model. Trade Policy.

AB This paper provides a framework for understanding trade patterns in the Mashreq. An augmented gravity model is used to compare actual with expected levels of trade. Trade barriers, political uncertainty, and over-appreciation of domestic currencies seem to explain low levels of international trade. At the intra-regional level, specific trade barriers between Israel and other Mashreq countries reduce further levels of trade. Quite surprisingly, removing Israel from the sample leads to higher actual intra-regional trade than predicted. The analysis suggests that trade liberalization, correction of currency misalignments, reduction of political uncertainty, and improved trade relations with Israel would boost trade in the region.

Blinder, Alan S.

PD September 2000. **TI** Are Two Heads Better Than One? An Experimental Analysis of Group vs. Individual Decisionmaking. **AU** Blinder, Alan S.; Morgan, John. **AA** Blinder: Princeton University and NBER. Morgan: Princeton University. **SR** National Bureau of Economic Research Working Paper: 7909; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 47. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C91, C92, D72, E58. **KW** Experiments. Decision Making. Group Decisions. Monetary Policy Experiment.

AB Two laboratory experiments -- one a statistical urn problem, the other a monetary policy experiment -- were run to test the commonly- believed hypothesis that groups make decisions more slowly than individuals do. Surprisingly, this turns out not to be true -- there is no significant difference in average decision lags. Furthermore, and also surprisingly, there is no significant difference in the decision lag when group decisions are made by majority rule versus when they are made under a unanimity requirement. In addition, group decisions are on average superior to individual decisions. The results are strikingly similar across the two experiments.

Blomqvist, Ake

PD December 2000. **TI** Economic Efficiency and QALY-Based Cost-Utility Analysis in Health Care. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/07; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 23. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** D61, H51, I11, I18, J14. **KW** Quality-Adjusted Life Year. Health Care. Cost-Utility Analysis. Efficiency. Standard Gamble.

AB Economic evaluation in health care often involves cost-utility analysis (CUA), a method based on the cost-effectiveness criterion of dollars per Quality-Adjusted Life Year (QALY), where the quality adjustment factors for years lived in ill health are established through answers to standard-gamble questions. This paper shows that, contrary to a widely held notion, allocation of a fixed health care budget through CUA does not generally result in a second-best efficient allocation. However, CUA can be used to attain second-best efficiency in the sense of meeting a given QALY target at minimum social cost. It also qualifies Meltzer's (1997) result that the cost per QALY for life- saving medical interventions should include the future consumption of those who would otherwise not have survived, by showing that its validity depends on how the QALY index has been defined. Another finding is that failure to specify carefully what respondents to standard gamble question are supposed to assume about the financial consequences of ill health may result in a bias against providing care to older individuals.

Blomstrom, Magnus

PD November 2000. **TI** Outward Investment, Employment and Wages in Swedish Multinationals. **AU** Blomstrom, Magnus; Kokko, Ari. **AA** Blomstrom: Stockholm School of Economics and CEPR. **SR** CEPR Discussion Paper: 2524; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F23, F36. **KW** Employment. FDI. Wages.

AB Examining detailed data on Swedish MNCs during the period 1986-1994, this paper shows that there are signs of very notable structural changes in the home country operations of these corporations. It also shows that the character of these changes varies according to economic conditions in the home country. In the 1980s, when the Swedish economy was characterized as having high taxes, high inflation rates, and a tight labor market, relatively attractive jobs within the MNCs were relocated from Swedish plants to foreign affiliates. In the 1990s, by contrast, when the financial crisis had necessitated a host of micro and macroeconomic reforms, the location decisions of the MNCs were more favorable for the Swedish economy. The new jobs created by the MNCs were found in activities with relatively high productivity and wages. This suggests that the home country effects of FDI are, to a large extent, determined by the home country's economic environment.

Blonigen, Bruce A.

PD October 2000. **TI** The Effects of Bilateral Tax Treaties on U.S. FDI Activity. **AU** Blonigen, Bruce A.; Davies, Ronald B. **AA** Blonigen: University of Oregon and NBER. Davies: University of Oregon. **SR** National Bureau of Economic Research Working Paper: 7929; 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** F21, F23, H25. **KW** Foreign Direct Investment. Tax Treaties. International Investment.

AB The effects of bilateral tax treaties on foreign direct investment (FDI) activity have been unexplored, despite significant ongoing activities by countries to negotiate and ratify these treaties. This paper estimates the impact of bilateral tax treaties using both U.S. inbound and outbound FDI over the period 1966-1992. Our estimates suggest a statistically significant average annual increase in FDI activity for each additional year of a treaty that ranges from 2 percent to 8 percent, depending on the FDI activity measure and empirical framework we employ. Examination for nonlinear effects of treaty age on FDI activity suggests that while treaties have an immediate impact on FDI flows, there is a substantial lag before treaty adoption positively affects FDI stocks and affiliate sales. Finally, our results suggest that bilateral tax treaties have an effect on investment outside of the withholding tax rates they alter, which may include the commitment and risk reduction effects of these treaties.

Blouin, Jennifer L.

PD August 2000. **TI** Capital Gains Holding Periods and Equity Trading: Evidence >From the 1998 Tax Act. **AU** Blouin, Jennifer L.; Shackelford, Douglas A.; Raedy, Jana Smith. **AA** Blouin and Raedy: University of North Carolina. Shackelford: University of North Carolina and NBER. **SR** National Bureau of Economic Research Working Paper: 7827; 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 the U.S.). **JE** G12, G14, G18, H22, H24. **KW** Holding Periods. Capital Gains Tax. Trading Volumes.

AB This paper exploits an unusually powerful setting to explore a choice many individual investors face regularly--the decision to sell today or postpone selling until lower rates are available in the future. We examine trading volume and stock returns around the 1998 reduction in the holding period required for individual investors to receive the most favorable long-term capital gains tax rate. For firms whose initial public shareholders were affected by the legislation, we find trading volume increasing and share returns decreasing in past price performance on the day the legislation was publicly disclosed. The results are consistent with capital gains holding periods distorting markets sufficiently that if investors are permitted to liquidate appreciated positions at favorable rates, enough will sell immediately to move prices. To our knowledge, this is the first study linking trading volume and security prices to a change in capital gains holding periods.

Boheim, Rene

PD July 2000. **TI** Unemployment Duration and Exit States in Britain. **AU** Boheim, Rene; Taylor, Mark P. **AA** Boheim: Universitat Munchen. **SR** CEPR Discussion Paper: 2500; 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, J64. **KW** Competing Risks. Job Search. Unemployment. Unemployment Duration.

AB This Paper presents new evidence on the determinants of unemployment duration for men and women in Britain in the 1990s, using a nationally representative data set. It examines the impact of individual and local labor market characteristics on the probability of unemployment spells ending with moves into full and part-time employment, self-employment and economic inactivity. The data show that the median duration of unemployment spells among men, at 5 months, is almost double that for women, although much of this differential is explained by exits to part-time work and economic inactivity among women. Multivariate analysis suggests that policies to reduce unemployment duration and encourage full-time work, especially among men, should be targeted towards those aged 25 and over on entering unemployment and on increasing education levels. Mothers are found to have significantly lower exit rates into full-time work than both men and childless women.

Bonfiglioli, Alessandra

PD July 2000. **TI** Measuring Co-Movements Between US and European Stock Markets. **AU** Bonfiglioli, Alessandra; Favero, Carlo A. **AA** Universita Bocconi, Milano. **SR** CEPR Discussion Paper: 2517; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F36, F42, G15. **KW** Contagion. Interdependence. Stock Market. Structural Models.

AB In this paper we concentrate on the potential consequences for the European stock market of a correction of the US stock market. We conduct our analysis by explicitly considering the distinction between interdependence and contagion. By considering a Vector Error Correction Model, in which stock returns tend to restore an equilibrium relationship between the forecast earnings yield on common stocks and the yield on bonds, we provide separate answers to the following questions: Is there long-term interdependence between the US and Europe, i.e. does the equilibrium for European shares depend on the equilibrium for US shares? Is there short-term interdependence and contagion between US and European stock markets, i.e. do short-term fluctuations of the US share prices spill over to European share prices and is such co-movement stable in the event of high volatility episodes?.

Boorman, Jack

PD June 2000. **TI** Managing Financial Crises: The Experience in East Asia. **AU** Boorman, Jack; Lane, Timothy; Schulze-Ghattas, Marianne; Bulir, Ales; Ghosh, Atish R.; Hamann, Javier; Mourmouras, Alexandros; Phillips, Steven. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/107; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 66. **PR** not available. **JE** E63, F31, F33, F36, F41. **KW** East Asia. Financial Crisis. International Monetary Fund.

AB The Asian financial crisis of 1997-98 was one of the most dramatic economic events of recent times, which raised many questions regarding the appropriate policy response to financial crises. This paper reviews the experience of this crisis, focusing on the overall strategy of crisis management and the way that strategy was implemented with regard to official and private financing, structural reforms, and monetary and fiscal policies.

Booth, Alison L.

PD August 2000. **TI** Why Do Firms Invest in General Training? "Good" Firms and "Bad" Firms as a Source of Monopsony Power. **AU** Booth, Alison L.; Zoega, Gylfi. **AA** Booth: Australian National University, and University of Essex, and CEPR. Zoega: Birkbeck College, London. **SR** CEPR Discussion Paper: 2536; 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, J42. **KW** Firm-Financed Training. Training. Hierarchical Assignment. Monopsony. Worker Ability.

AB We develop a model demonstrating conditions under which firms will invest in the general training of their workers, and show that firms' incentives to invest in general training are increasing in task complexity. Workers' heterogeneous observable innate ability affects the variety of tasks that can be performed within a firm. This gives monopsony power to firms with "better" workforces. As a result such firms are willing to expend resources to provide workers with general training. Since the degree of monopsony power is increasing with task complexity, firms whose workforces undertake more sophisticated tasks are more willing to finance general training. We conclude that training will take place in better-than-average firms, while bad firms will have underperforming but overpaid workers that are not likely to be trained by their current employer.

Borenstein, Severin

PD September 2000. **TI** Diagnosing Market Power in California's Restructured Wholesale Electricity Market. **AU** Borenstein, Severin; Bushnell, James; Wolak, Frank. **AA** Borenstein: University of California, Berkeley and NBER. Bushnell: University of California, Berkeley. Wolak: Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7868; 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** L11, L13, L94, Q41. **KW** Electricity Market. Market Power. Pricing.

AB Effective competition in wholesale electricity markets is a necessary feature of a successful electricity supply industry restructuring. We examine the degree of competition in the California wholesale electricity market during the period June 1998 to September 1999 by comparing the market prices with estimates of the prices that would have resulted if owners of instate fossil fuel generating facilities behaved as price takers.

We find that there were significant departures from competitive pricing and that these departures are most pronounced during the highest demand periods, which tend to occur during the months of July through September. Overall, the exercise of market power raised the cost of power purchases by about 16 percent above the competitive level. Following the presentation of our methodology for computing the counterfactual price-taking market price, we describe why our calculation represents a lower bound on the extent of market power and why the observed market prices cannot be attributed to competitive peak-lead pricing.

Borsch-Supan, Axel

PD September 1999. **TI** Incentive Effects of Social Security Under an Uncertain Disability Option. **AA** University of Mannheim and NBER. **SR** National Bureau of Economic Research Working Paper: 7339; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D62, D91, H55, I38, J14. **KW** Social Security. Incentive Effects. Pension Systems. Retirement. Disability Options.

AB Incentive effects of pension systems are usually estimated under the assumption that the institutional environment provides a single optimal "pathway" for retirement. However, many countries provide competing pathways which may include several early retirement options in addition to normal retirement. Moreover, early retirement options often comprise special provisions for disabled and unemployed workers that can be strategically manipulated by the employer and the employee while ultimate eligibility for such provisions is uncertain in advance. This paper shows that ignoring the endogeneity and/or uncertainty in the relevant institutional setting can severely bias the estimates of incentive effects. Ignoring the endogeneity leads to overestimated incentive effects that unduly exaggerate the "pull" view of early retirement. In turn, when the uncertain option set is specified too generously, incentive effects are underestimated. The paper proposes several estimates to bound the true incentive effect of social security on early retirement, and applies them to the German public pension system.

Bossone, Biagio

PD October 2001. **TI** Should Banks Be Narrowed? **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/159; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** $15.00. **JE** G18, G20. **KW** Financial Intermediation. Narrow Banking.

AB Over the past seventy years, the proposal to narrow the scope of banks has occurred more and more frequently in financial debates and research. Narrow banking would prevent deposit-issuing banks from lending to the private sector and restrict nonbank intermediaries from funding investments with demand deposits. Proponents of narrow banking defend it as a step toward greater financial stability and efficiency. This study reviews the literature on the subject, contrasts the concept of narrow banking with contemporary banking theories, and evaluates the potential consequences of narrow banking on finance and the real economy. The study also runs an empirical exercise to estimate the costs of bank narrowness and draws policy conclusions.

Boutchkova, Maria K.

TI The Impact of Privatization on Capital Market Development and Individual Share Ownership. **AU** Megginson, William L.; Boutchkova, Maria K.

Bovenberg, A. Lans

PD September 2000. **TI** Neutralising the Adverse Industry Impacts of CO2 Abatement Policies: What Does it Cost? **AU** Bovenberg, A. Lans; Goulder, Lawrence H. **AA** Bovenberg: Tilburg University. Goulder: Stanford University, Resources for the Future and NBER. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 68/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 48. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D58, H22, H23, L52, Q48. **KW** Carbon Abatement. General Equilibrium. Incidence Analysis. Distributional Impacts. Cost-Effectiveness.

AB The most cost-effective policies for achieving CO2 abatement (e.g., carbon taxes) fail to get off the ground politically because of unacceptable distributional consequences. This paper explores CO2 abatement policies designed to address distributional concerns. Using an intertemporal numerical general equilibrium model of the U.S., the authors examine how efficiency costs change when these policies include features that neutralize adverse impacts on energy industries. They find that avoiding adverse impacts on profits and equity values in fossil fuel industries involves a relatively small efficiency cost. This stems from the fact that CO2 abatement policies have the potential to generate revenues that are very large relative to the potential loss of profit. By enabling firms to retain only a very small fraction of these potential revenues, the government can protect firms' profits and equity values. The authors also find that there is a very large difference between preserving firms' profits and preserving their tax payments. Offsetting producers' carbon tax payments on a dollar-for- dollar basis substantially overcompensates firms. The efficiency costs of such policies are far greater than the cost of policies that do not overcompensate firms.

Bover, Olympia

PD January 2002. **TI** Hedonic House Prices Without Characteristics: The Case of New Multiunit Housing. **AU** Bover, Olympia; Velilla, Pilar. **AA** Banco de Espana. **SR** European Central Bank Working Paper: 117; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 27. **PR** no charge. **JE** C43, E31, O47, R31. **KW** House Prices. Quality Adjustment. Hedonic Price Indices. Unobservable Characteristics. Site Specific Effects.

AB In this paper we propose an alternative to traditional hedonics for estimating new multiunit housing inflation, adjusting for quality changes. By relying on the within-site variation we control in a very general way for unobserved housing characteristics using site-specific effects. Precise location, transport, traffic, closeness to services, or construction quality are some of the unobserved but typically relevant housing characteristics that may bias estimated house price inflation, even when using hedonic methods. We also estimate standard hedonic equations and compare the results to those obtained with the alternative hedonic equations with site dummies. Our dataset is fairly rich in observable housing characteristics but, nevertheless, the quality-adjusted house price evolution is quite different in some cases. The data cover the construction of new housing in some of the large Spanish cities and in the smaller towns on the outskirts of the capital during part of the 1990s.

Boyd, James

TI Tailored Regulation: Will Voluntary Site-Specific Environmental Performance Standards Improve Welfare? **AU** Blackman, Allen; Boyd, James.

Braumann, Benedikt

PD May 2001. **TI** High Inflation and Real Wages. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/50; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 23. **PR** not available. **JE** E25, E31, E41, E44, F11. **KW** Inflation. Real Wages. Poverty. Heckscher-Ohlin Model. Cash-in- Advance.

AB Empirical data show that real wages fall sharply during periods of high inflation. This paper suggests a simple general equilibrium explanation, without relying on nominal rigidities. It presents an intertemporal two-sector model with a cash-in-advance constraint. In this setting, inflation reduces real wages through (1) a decline of the capital stock, and (2) a shift in relative prices. The two effects are additive and make the decline in real wages exceed the decline in per- capita GDP. This mechanism may contribute to rising poverty during periods of high inflation.

Brendstrup, Bjarne

PD December 2001. **TI** Seasonality in Economic Models. **AU** Brendstrup, Bjarne; Hylleberg, Svend; Nielsen, Morten; Skipper, Lars; Stentoft, Lars. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/16; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 38. **PR** no charge. **JE** C19, C22, C29, C59. **KW** Seasonality. Noise Models. Time Series Models.

AB Seasonality has been a major research area in economics for several decades. This paper assesses the recent development in the literature on the treatment of seasonality in economics, and divides it into three interrelated groups. The first group, the Pure Noise Models, consists of methods based on the view that seasonality is noise contaminating the data, or more correctly contaminating the information of interest for the economists. The second group, the Time Series Models, treats seasonality as a more integrated part of the modeling strategy, with the choice of model being data driven. The third group, Economic Models of Seasonality, introduces economic theory, i.e., optimizing behavior, into the modeling of seasonality.

Bris, Arturo

TI The Optimal Concentration of Creditors. **AU** Welch, Ivo; Bris, Arturo.

Brissimis, Sophocles N.

PD December 2001. **TI** Is There a Bank Lending Channel of Monetary Policy in Greece? Evidence from Bank Level Data. **AU** Brissimis, Sophocles N.; Kamberoglou, Nicos C.; Simigiannis, George T. **AA** Brissimis: Bank of Greece and University of Piraeus. Kamberoglou and Simigiannis: Bank of Greece. **SR** European Central Bank Working Paper: 104; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 16. **PR** no charge. **JE** C23, E44, E51, E52, G21. **KW** Bank Characteristics. Panel Data. Bank Lending. Monetary Policy Transmission.

AB This paper analyses empirically the role of bank lending in monetary policy transmission on the basis of Greek bank level data. Two approaches have been taken. One employing a reduced form equation linking monetary policy and distributional variables to bank loans in the spirit of Kashyap and Stein's work. The other, which in general yields more satisfactory results, brings together some of the features of the Bernanke-Blinder model with a method for assessing the impact of differential balance-sheet characteristics on banks' ability to supply loans and investigates directly the behaviour of bank loan supply. A loan supply function was estimated with the use of the bank data, and bank-specific characteristics were found to systematically shift this function.

Brunetti, Celso

PD December 2001. **TI** Range-Based Covariance Estimation With a View to Foreign Exchange Rates. **AU** Brunetti, Celso; Lildholt, Peter. **AA** Brunetti: University of Pennsylvania. Lildholt: University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/18; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 25. **PR** no charge. **JE** C32, C49, F31, G15. **KW** Co-Range. Exchange Rates. Price Range. Covariance Estimation.

AB An estimator of the covariance, termed co-range, is proposed. It is based on high and low prices, in contrast to conventional covariance estimators based on open/close prices. The main properties of the new estimator are derived. The co-range appears to be superior to the conventional covariance estimator in terms of mean squared error and mean absolute deviation. Assuming triangular arbitrage in the foreign exchange market, we demonstrate that the co-range may be computed from daily high and low prices.

Brusco, Sandro

PD September 2000. **TI** Reallocation of Corporate Resources and Managerial Incentives in Internal Capital Markets. **AU** Brusco, Sandro; Panunzi, Fausto. **AA** Brusco: Universidad Carlos III de Madrid. Panunzi: Universita di Bologna. **SR** CEPR Discussion Paper: 2532; 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, G34. **KW** Internal Capital Markets. Managerial Incentives. Winner-Picking. Diversification Discount.

AB. One distinguishing feature of internal capital markets is their ability to reallocate funds in favor of the most profitable divisions (winner-picking). Yet, diversified firms often trade at a discount with respect to their focused counterparts. The literature has tried to explain the apparent misallocation of resources with lobbying activities or power struggles. We show that the diversification discount can be explained even in a model where resources are efficiently allocated ex post. When managers obtain utility from the funds under their purview, moving funds across divisions may diminish their incentives.

The ex ante reduction in managerial incentives can more than offset the increase in firm value due to the ex post efficient reallocation of funds. If headquarters have some commitment power, it is in general optimal to commit not to reallocate at least a fraction of funds. As a result, the investment in a given division is (optimally) more sensitive to the division's cash flow than to other divisions' cash flow, as confirmed by the empirical studies on internal capital markets. Our theory complements the view that links the diversification discount to the inefficient functioning of internal capital markets.

Bucci, Alberto

PD September 2000. **TI** On Scale Effects, Market Power and Growth when Human and Technological Capital are Complements. **AA** Universite Catholique de Louvain and University of Ancona. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 62/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 28. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** L16, O31, O32, O41. **KW** Endogenous Growth. Innovation. Human Capital. Industrial Organization. Economic Scale.

AB In this paper we build an endogenous growth model where human capital and ideas are complements in the long-run equilibrium and technological progress takes the form of a continuous increase in the number of horizontally differentiated varieties of intermediate inputs. One peculiarity of the economy we analyze is that in the sectors where both kinds of capital are accumulated no externality (or spillover) effect exists. Many insights arise from the model. First of all, due to the complementarity hypothesis, multiple steady states emerge. Secondly, growth does not depend on the scale of the economy, but turns out to be sensitive to the fraction of human capital devoted to research. Finally, when skilled work and ideas are perfect complements, product market competition is unambiguously bad for growth.

PD September 2000. **TI** Growth Maximising Patent Lifetime. **AU** Bucci, Alberto; Saglam, H. C. **AA** Bucci: Universite Catholique de Louvain and University of Ancona. Saglam: Universite Catholique de Louvain and IRES. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 63/2000; "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** O31, O34, O38, O41. **KW** Endogenous Growth. Patent Lifetime. Innovation. Intellectual Property. Research and Development.

AB Using a vertical differentiation model of endogenous growth with stochastic R&D activity, we characterize the optimal patent lifetime a government would set in order to maximize economic growth. We show that a finite patent lifetime does exist and is unique provided that the expected rate of return from R&D is sufficiently large. Additionally, we analyze the impact of the level of competition in the R&D sector, the interest rate, the monopoly profit and the productivity parameter of research technology on this optimal patent lifetime.

Buiter, Willem H.

PD August 1999. **TI** The Fallacy of the Fiscal Theory of the Price Level. **AA** Bank of England and NBER. **SR** National Bureau of Economic Research Working Paper: 7302; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 69. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E31, E52, E62, H61. **KW** Fiscal Theory. Price Level. Misspecification. Equilibrium Models.

AB The fiscal theory of the price level, recently re-developed by Woodford, Cochrane, Sims and others, is an example of a fatally flawed research program. The proponents of the fiscal theory of the price level do not accept the fundamental proposition that the government's intertemporal budget constraint is a constraint on the government's instruments that must be satisfied for all admissible values of the economy-wide endogenous variables. Instead they require it to be satisfied only in equilibrium. This economic misspecification has implications for the mathematical or logical properties of the equilibria supported by models purporting to demonstrate the properties of the fiscal approach. These include: overdetermined (internally inconsistent) equilibria; anomalies like the apparent ability to price things that do not exist; the need for arbitrary restrictions on the exogenous and predetermined variables in the government's budget constraint; and anomalous behavior of the equilibrium price sequences, including behavior that will ultimately violate physical resource constraints. Policy conclusions could be drawn from the fiscal theory of the price level that would be harmful if they influenced the actual behavior of the fiscal and monetary authorities.

Bulir, Ales

PD October 2001. **TI** How Volatile and Unpredictable Are Aid Flows, and What Are the Policy Implications? **AU** Bulir, Ales; Hamann, A. Javier. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/167; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 31. **PR** $15.00. **JE** F35, O19. **KW** External Aid. Volatility. Predictablity. International Monetary Fund.

AB This paper examines empirical evidence on the volatility and uncertainty of aid flows, and the main policy implications. Aid is found to be more volatile than fiscal revenues particularly in highly aid-dependent countries -- and mildly procyclical in relation to activity in the recipient country. These findings imply that the current pattern of aid disbursements is welfare-reducing. Uncertainty about aid disbursements is found to be large and the information content of commitments made by donors is either very small or statistically insignificant. Policies to cope with these features of aid, as well as broader international efforts to reduce the volatility and procyclicality of aid, are briefly discussed.

Buonanno, Paolo

PD June 2000. **TI** Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio. **AA** Buonanno: University of Milan and FEEM. Carraro: University of Venice and FEEM. Castelnuovo: Universitat Pompeu Fabra and FEEM. Galeotti: University of Bergamo and FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 43/2000; "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** H21, H23, H32, Q25, Q28. **KW** Climate Policy. Environmental

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Modeling. Integrated Assessment. Emission Permits. Technological Change.

AB In this paper we use a climate model with endogenous environmental technical change to analyze the effects on equity and efficiency of different degrees of restrictions on the pollution permits market. The model is obtained by incorporating in Nordhaus and Yang's RICE model the notion of induced technical change as proposed in Goulder and Mathai. We analyze the implications of restrictions on trading in terms of their cost effectiveness and distributional effects. The analysis takes into account the role of environmental technical change that could be enhanced by the presence of ceilings on trading. Our analysis provides little support in favor of quantitative restrictions on emission trading even when these restrictions positively affect technical change. In terms of equity, ceilings find no justification within our theoretical and modeling framework.

PD July 2000. **TI** Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio. **AA** Buonanno: Fondazione Eni Enrico Mattei. Carraro: Universita di Venezia. **SR** CEPR Discussion Paper: 2514; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** H23, H32. **KW** Ceilings. Climate Policy. Emission Trading. Environmental Modeling. Technical Change.

AB See the abstract for Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio. June 2000, "Emission Trading Restrictions with Endogenous Technological Change". Fondazione Eni Enrico Mattei Note di Lavoro: 43/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it.

Burgess, Simon

PD July 2000. **TI** Measuring Income Risk. **AU** Burgess, Simon; Gardiner, Karin; Jenkins, Stephen P.; Propper, Carol. **AA** Burgess and Propper: University of Bristol and CEPR. **SR** CEPR Discussion Paper: 2512; 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, D31, D84. **KW** Demographics. Risk. Income Risk.

AB We provide a critique of the methods that have been used to derive measures of income risk and draw attention to the importance of demographic factors as a source of income risk. We also propose new measures of the contribution to total income risk of demographic and labor market factors. Empirical evidence supporting our arguments is provided using data from the British Household Survey.

Burstein, Ariel T.

PD August 2000. **TI** Distribution Costs and Real Exchange Rate Dynamics During Exchange- Rate-Based-Stabilizations. **AU** Burstein, Ariel T.; Neves, Joao C.; Rebelo, Sergio. **AA** Burstein: Northwestern University. Neves: Universidade Catolica Portuguesa. Rebelo: Northwestern University and NBER. **SR** National Bureau of Economic Research Working Paper: 7862; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F31, F41, L81. **KW** Distribution Sector. Exchange Rates. Retail Prices. Stabilization.

AB This paper studies the role played by the distribution sector in shaping the behavior of the real exchange rate during exchange-rate- based-stabilizations. We use data for the U.S. and Argentina to document the importance of distribution margins in retail prices, and disaggregated price data to study price dynamics in the aftermath of Argentina's 1991 Convertibility plan. Distribution services require local labor and land so they drive a natural wedge between retail prices in different countries. We study in detail the impact of introducing a distribution sector in an otherwise standard model of exchange-rate-based-stabilizations. We show that this simple extension improves dramatically the ability of the model to rationalize observed real exchange rate dynamics.

Busch, Lutz-Alexander

PD May 2000. **TI** The Game of Negotiations: Ordering Issues and Implementing Agreements. **AU** Busch, Lutz-Alexander; Horstmann, Ignatius J. **AA** Busch: University of Western Ontario and University of Waterloo. Horstmann: University of Western Ontario and University of Toronto. **SR** University of Western Ontario, Department of Economics Research Report: 2000/10; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 32. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C78, D82. **KW** Game Theory. Negotiations. Bargaining. Asymmetric Information. Implementing Agreements.

AB We use a two-issue bargaining model with asymmetric information to study agent choice of how to structure bargaining. We uncover the settings in which different agenda structures are chosen in equilibrium, how the order in which issues are bargained over matters, and what impact the rules for implementing agreements have. If agreements are implemented as they are reached, "easy" issues are negotiated first and "hard" issues later; if agreements are implemented only after all issues are settled, then it is size that matters, with large issues settled first. All parties prefer the former rules of implementation to the latter.

Bushnell, James

TI Diagnosing Market Power in California's Restructured Wholesale Electricity Market. **AU** Borenstein, Severin; Bushnell, James; Wolak, Frank.

Buti, Marco

TI "Close to Balance or in Surplus": A Policy Maker's Guide to the Implementation of the Stability and Growth Pact. **AU** Artis, Michael J.; Buti, Marco.

Butzen, Paul

PD December 2001. **TI** The Interest Rate and Credit Channels in Belgium: An Investigation with Micro-Level Firm Data. **AU** Butzen, Paul; Fuss, Catherine; Vermeulen, Philippe. **AA** Butzen and Fuss: National Bank of Belgium. Vermeulen: European Central Bank. **SR** European Central Bank Working Paper: 107; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 34. **PR** no charge. **JE** C23, D21, E52. **KW** Investment. Monetary Transmission. Credit Channel. Panel Data.

AB This paper investigates the effects of monetary policy on firms' investment behavior. The analysis relies on a comprehensive database of Belgian firms covering all sectors of economic activity and firms of all sizes. We proceed in two steps. First, we estimate a reduced-form investment equation derived from the neo-classical model, augmented by cash flow. This equation is estimated by the Arellano and Bond (1991) GMM procedure. Second, we compute the elasticity of the user cost of capital and the cash flow/capital ratio to the policy-controlled interest rate. We estimate the model for various sample splits according to sectors and sizes. Our results indicate that small firms are more sensitive to monetary policy than large firms, and that services are almost unaffected. Since the impact differs across sectors and sizes, we can conclude that monetary policy produces distributional effects.

Caballero, Ricardo J.

PD August 2000. **TI** Creative Destruction and Development: Institutions, Crises, and Restructuring. **AU** Caballero, Ricardo J.; Hammour, Mohamad L. **AA** Caballero: MIT and NBER. Hammour: DELTA-ENS, France. **SR** National Bureau of Economic Research Working Paper: 7849; 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** E32, J24, J63, O11, O41. **KW** Development. Creative Destruction. Labor Reallocation. Recession Costs. Restructuring.

AB There is increasing empirical evidence that creative destruction, driven by experimentation and the adoption of new products and processes when investment is sunk, is a core mechanism of development. Obstacles to this process are likely to be obstacles to the progress in standards of living. Generically, underdeveloped and politicized institutions are a major impediment to a well-functioning creative destruction process, and result in sluggish creation, technological "sclerosis," and spurious reallocation. Those ills reflect the macroeconomic consequences of contracting failures in the presence of sunk investments. Recurrent crises are another major obstacle to creative destruction. The common inference that increased liquidations during crises result in increased restructuring is unwarranted. Indications are, to the contrary, that crises freeze the restructuring process and that this is associated with the tight financial-market conditions that follow. This productivity cost of recessions adds to the traditional costs of resource under-utilization.

PD September 1999. **TI** The Cost of Recessions Revisited: A Reverse-Liquidationist View. **AU** Caballero, Ricardo J.; Hammour, Mohamad L. **AA** Caballero: MIT and NBER. Hammour: DELTA and CEPR. **SR** National Bureau of Economic Research Working Paper: 7355; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 34. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D61, E24, E32, E44, G33. **KW** Recessions. Liquidation. Restructuring. Social Costs. Inefficiency.

AB The observation that liquidations are concentrated in recessions has long been the subject of controversy. One view holds that liquidations are beneficial in that they result in increased restructuring. Another view holds that liquidations are privately inefficient and essentially wasteful. This paper proposes an alternative perspective. Based on a combination of theory and empirical evidence on gross job flows and on financial and labor market rents, we find that, cumulatively, recessions result in reduced restructuring, and that this is likely to be socially costly once we consider inefficiencies on both the creation and destruction margins.

Cai, Zongwu

TI Adaptive Varying-Coefficient Linear Models. **AU** Fan, Jianqing; Yao, Qiwei; Cai, Zongwu.

Calem, Paul S.

PD March 2000. **TI** Anatomy of a Fair-Lending Exam: The Uses and Limitations of Statistics. **AU** Calem, Paul S.; Longhofer, Stanley D. **AA** Calem: Board of Governors of the Federal Reserve System. Longhofer: Wichita State University. **SR** Federal Reserve Bank of Cleveland Working Paper: 00/03; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 36. **PR** no charge. **JE** G21, G28, J78. **KW** Fair Lending. Statistical Analysis.

AB In this paper, the role of statistical analysis in fair-lending compliance examinations is examined. A case study is presented of an actual fair-lending examination of a large mortgage lender, demonstrating how statistical techniques can be a valuable tool in focusing examiner efforts to either uncover illegal discrimination or exonerate an institution so accused. Importantly, this study also highlights the limitations of such statistical techniques. The study suggests that statistical analysis combined with comparative file review offers a balanced and thorough approach to enforcement of fair-lending laws.

Calia, Pinuccia

TI Modelling Zero Bids in Contingent Valuation Surveys. **AU** Strazzera, Elisabetta; Scarpa, Riccardo; Calia, Pinuccia; Garrod, Guy; Willis, Ken.

Calomiris, Charles W.

PD September 2000. **TI** Causes of U.S. Bank Distress During the Depression. **AU** Calomiris, Charles W.; Mason, Joseph R. **AA** Calomiris: Columbia University and NBER. Mason: Drexel University. **SR** National Bureau of Economic Research Working Paper: 7919; 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** E32, G21, N22. **KW** Depression. Bank Failure. Contagion. Liquidity Crises. Deposit Contraction.

AB This paper provides the first comprehensive econometric analysis of the causes of bank distress during the Depression. We assemble bank- level data for virtually all Federal Reserve member banks, and combine those data with county-, state-, and national-level economic characteristics to capture cross-sectional and inter-temporal variation in the determinants of bank failure. We construct a model of bank survival duration using these fundamental determinants of bank failure as predictors, and investigate the adequacy of fundamentals for explaining bank failures during alleged episodes of nationwide or regional banking panics. We find that fundamentals explain most of the incidence of bank failure, and argue that "contagion" or "liquidity crises" were a relatively unimportant influence on bank failure risk prior to 1933. We do find some evidence in support of the effects of regional or local contagion and illiquidity crises in promoting bank failure, but these are of small importance in the aggregate. We also investigate the causes of bank distress measured as deposit contraction, using county-level measures of deposits of all commercial banks, and reach similar conclusions about the importance of fundamentals in determining deposit contraction.

Carlson, John B.

PD September 2001. **TI** Will the Valuation Ratios Revert to Their Historical Means? Some Evidence From Breakpoint Tests. **AU** Carlson, John B.; Pelz, Eduard A.; Wohar, Mark. **AA** Carlson and Pelz: Federal Reserve Bank of Cleveland. Wohar: University of Nebraska at Omaha. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/13; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 29. **PR** no charge. **JE** G12. **KW** Price-Earnings Ratio. Dividend Price Ratio. Asset Pricing.

AB If valuation ratios return to their historical means any time soon, then either equity prices must fall substantially or earnings and dividends must accelerate sharply, or some combination of these events must happen. Historical patterns over the past century or so suggest that stock prices will fall to align valuation ratios with their means. Of course, the means of the valuation ratios could have changed. To assess the likelihood of such changes, the authors employ breakpoint tests on the means of the valuation ratios. The test procedures employed allow for multiple breakpoints at unknown break dates. The authors also review alternative explanations for changes in the ratios. Although no single explanation may be convincing by itself, the preponderance of evidence suggests that the mean of the dividend-price ratio is now somewhere between 1 percent and 2 percent, and the mean price-to-earnings ratio is now somewhere between 20 and 25.

Carlstrom, Charles T.

PD October 2001. **TI** Monetary Policy in a World Without Perfect Capital Markets. **AU** Carlstrom, Charles T.; Fuerst, Timothy S. **AA** Carlstrom: Federal Reserve Bank of Cleveland. Fuerst: Bowling Green State University. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/15; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 20. **PR** no charge. **JE** D51, E42, E52. **KW** General Equilibrium. Money and Interest Rates. Monetary Policy.

AB This paper examines a theoretical model in which an entrepreneur's net worth has an effect on his ability to finance current activity. Net worth, in turn, is determined by asset prices, which can be affected by monetary policy. In this environment, there is a welfare-improving role for the central bank to respond to asset price and technology shocks.

PD October 2001. **TI** Taylor Rules in a Model that Satisfies the Natural Rate Hypothesis. **AU** Carlstrom, Charles T.; Fuerst, Timothy S. **AA** Carlstrom: Federal Reserve Bank of Cleveland. Fuerst: Bowling Green State University. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/16; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 16. **PR** no charge. **JE** D51, E42, E52. **KW** General Equilibrium. Money and Interest Rates. Monetary Policy.

AB This paper analyzes the restrictions necessary to ensure that the interest rate policy rule used by the central bank does not introduce real indeterminacy into the economy. It conducts this analysis in a flexible price economy and a sticky price model that satisfies the natural rate hypothesis. A necessary and sufficient condition for real determinacy in the sticky price model is nominal and real determinacy in the corresponding flexible price model. This arises if and only if the Taylor rule responds aggressively to lagging inflation rates.

PD October 2001. **TI** Learning and the Central Bank. **AU** Carlstrom, Charles T.; Fuerst, Timothy S. **AA** Carlstrom: Federal Reserve Bank of Cleveland. Fuerst: Bowling Green State University. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/17; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 26. **PR** no charge. **JE** D51, E42, E52. **KW** General Equilibrium. Money and Interest Rates. Monetary Policy.

AB It is well known that sunspot equilibria may arise under an interest rate operating procedure in which the central bank varies the nominal rate with movements in future inflation (a forward-looking Taylor rule). This paper demonstrates that these sunspot equilibria may be learnable in the sense of E-stability.

Carraro, Carlo

TI Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio.

TI Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio.

PD September 2000. **TI** Costs, Structure and Equity of International Regimes for Climate Change Mitigation. **AA** University of Venice, CEPR and FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 61/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 28. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** F42, H20, H87, Q25, Q28. **KW** Environmental Agreements. Climate Policy. Incentives. Negotiations. Leakage.

AB This paper provides an analysis of the effectiveness of climate policies by focusing on the link between policy options on the one hand, and structure of the agreements and of the international regimes on the other hand. In particular, the paper analyses whether there are the conditions for an agreement on climate change to be signed by all or almost all world countries; and whether some countries can play a strategic role, with respect to the goal of achieving the largest possible agreement, by proposing strategies, measures, and institutions that help to expand the number of countries which commit to control their emissions. In this way, the paper also analyses which strategies can be proposed to reduce the costs of mitigation policies, where the cost reduction is achieved by increasing the number of signatories and by dividing more equitably the burden of emission control.

Carroll, Christopher D.

PD August 2000. **TI** Portfolios of the Rich. **AA** Johns Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 7826; 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** D19, D31, D91, E21, G11. **KW** Wealth Distribution. Savings of Wealthy. Entrepreneurial Financing. Capital Market Imperfrections.

AB Recent research has shown that "rich" households save at much higher rates that others (see Carroll (2000); Dyan, Skinner, and Zeldes (1996); Gentry and Hubbard (1998); Huggett (1996); Quadrini (1999)). This paper documents another large difference between the rich and the rest of the population: portfolios of the rich are heavily skewed toward risky assets, particularly investments in their own privately held businesses. The paper explores three possible explanations of these facts. First, perhaps there is exogenous variation in risk tolerance, so that highly risk tolerant house-holds engage in high- risk, high-return activities, and the risk-lovers who are lucky constitute the rich. A second possibility is that capital market imperfections a la Gentry and Hubbard (1998) and Quadrini (1999) require entrepreneurial activities to be largely self-financed, and these same imperfections imply that entrepreneurial investment will yield high average returns. The final possibility is that wealth enters households' utility functions directly as a luxury good as in Carroll (2000) (one interpretation is that this reflects the utility of anticipated bequests), implying that risk aversion declines as wealth rises. The paper concludes that the overall pattern of facts suggests both Carroll-style utility and Gentry/Hubbard-Quadrini style capital market imperfections are important.

PD August 2000. **TI** "Risky Habits" and the Marginal Propensity to Consume Out of Permanent Income, or, How Much Would a Permanent Tax Cut Boost Japanese Consumption? **AA** John Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 7839; 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** D11, D81, D91, E17, E21, H31. **KW** Habit Formation. Consumption. MPC. Permanent Tax Cuts.

AB Papers in variety of disparate literatures have recently suggested that habit formation in consumption may explain several empirical puzzles, ranging from the level of cyclical variability of the equity premium (Abel (1990, 1999); Constantinides (1990); Jermann (1998); Campbell and Cochrane (1999)) to the "excess smoothness" of aggregate consumption (Fuhrer (2000)) to the apparent fact that increases in economic growth cause subsequent increases in aggregate saving rates (Carroll and Weil (1994); Bosworth (1993); Attanasio, Picci, and Scorcu (2000); Rodrik (1999); Loayza, Schmidt-Hebbel, and Serven (2000)). This paper examines an implication of these models that has mostly been overlooked: Habits strong enough to solve these puzzles imply an immediate marginal propensity to consume out of permanent shocks of much less than one. When the model is calibrated to roughly match the rise in the Japanese saving rate over the postwar period, it implies that the immediate MPC out of permanent tax cuts may be as low as 30 percent, suggesting that calls for permanent income tax cut as a quick means of stimulating aggregate demand in Japan may be misguided.

Casares, Miguel

PD September 2000. **TI** An Optimizing IS-LM Framework with Endogenous Investment. **AU** Casares, Miguel; McCallum, Bennett T. **AA** Casares: Public University of Navarra. McCallum: Carnegie Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 7908; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 28. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E12, E22, E30. **KW** Adjustment Costs. IS-LM. Endogenous Investment. Capital Adjustment. Investment.

AB Dynamic optimizing models with an IS-LM-type structure and slow price adjustments have been used for much recent monetary policy analysis, but usually with capital and investment treated as exogenous -- a significant restriction. This paper demonstrates that investment decisions can be endogenized without undue complexity in such models, and the resulting models can be calibrated to provide reasonably realistic dynamic behavior. It is necessary, however, to include capital adjustment costs; models with no adjustment costs match cyclical data very poorly. Indeed, their match is considerably poorer than models with constant capital. The paper also finds that the preferred adjustment-cost specification is not close to quadratic.

Case, Anne

PD September 2000. **TI** Educational Attainment in Blended Families. **AU** Case, Anne; Lin, I-Fen; McLanahan, Sara. **AA** Case: Princeton University and NBER. Lin and McLanahan: Princeton University. **SR** National Bureau of Economic Research Working Paper: 7874; 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** I21, J12, J13. **KW** Educational Attainment. Children. Schooling Attainment.

AB In this paper we compare the educational attainment of birth and non-birth children of women in the Panel Study of Income Dynamics (PSID). We find that children raised by step, adoptive, or foster mothers obtain significantly less education on average than do the birth children of the same women. Controlling for the women's fixed effects, the non-birth children of a woman receive on average one year less schooling than do her birth children, with the educational break occurring at the time children finish high school and begin college.

Case, Karl E.

PD October 2001. **TI** Comparing Wealth Effects: The Stock Market Versus the Housing Market. **AU** Case, Karl E.; Quigley, John M.; Shiller, Robert J. **AA** Case: Wellesley College. Quigley: University of California, Berkeley. Shiller: Cowles Foundation and Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1335; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 11. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** E21, G11, G19. **KW** Consumption. Financial Wealth. Housing Market. Real Estate. Wealth.

AB We examine the link between increases in housing wealth, financial wealth, and consumer spending. We rely upon a panel of 14 countries observed annually for various periods during the past 25 years and a panel of U.S. states observed quarterly during the 1980s and 1990s. We impute the aggregate value of owner-occupied housing, the value of financial assets, and measures of aggregate consumption for each of the geographic units over time. We estimate regressions relating consumption to income and wealth measures, finding a statistically significant and rather large effect of housing wealth upon household consumption.

Cashin, Paul

PD May 2001. **TI** The Long-Run Behavior of Commodity Prices: *Small Trends and Big Variability.* **AU** Cashin, Paul; McDermott, C. John. **AA** Cashin: International Monetary Fund. McDermott: Reserve Bank of New Zealand. **SR** International Monetary Fund Working Paper: WP/01/68; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 27. **PR** not available. **JE** C22, C43, E31, E32, Q11. **KW** Commodity Prices. Trends. Cycles. Variability.

AB Using the longest dataset publicly available (The Economist's index of industrial commodity prices), we analyze the behavior of real commodity prices over the period 1862-1999, and have two main findings. First, while there has been a downward trend in real commodity prices of 1.3 percent per year over the last 140 years, little support is found for a break in the long-run trend decline in commodity prices. Second, there is evidence of a ratcheting up in the variability of price movements. The amplitude of price movements increased in the early 1900s, while the frequency of large price movements increased after the collapse of the Bretton Woods regime of fixed exchange rates in the early 1970s. While there is a downward trend in real commodity prices, this is of little practical policy relevance as it is small and completely dominated by the variability of prices.

PD November 2001. **TI** Key Features of Australian Business Cycles. **AU** Cashin, Paul; Ouliaris, Sam. **AA** Cashin: International Monetary Fund. Ouliaris: National University of Singapore. **SR** International Monetary Fund Working Paper: WP/01/171; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** $15.00. **JE** C32, E32. **KW** Business Cycles. Duration Dependence. Australia.

AB This paper identifies and describes the key features of Australian business cycles during 1959-2000. In particular, it identifies the chronologies in Australia's classical cycle (expansions and contractions in the level of output) and growth cycle (periods of above-trend and below-trend rates of economic growth). While there are large asymmetries in the duration and amplitude of phases in Australia's classical cycle, it is found that on both measures the Australian growth cycle is much more symmetric. Further, results indicate that over the sample period Australian (filtered) output and prices have moved in a counter-cyclical fashion, suggesting a dominance of shocks to aggregate supply affecting the Australian economy.

Cassola, Nuno

PD January 2002. **TI** Monetary Policy and the Stock Market in the Euro Area. **AU** Cassola, Nuno; Morana, Claudio. **AA** Cassola: European Central Bank. Morana: Universita del Piemonte Orientale. **SR** European Central Bank Working Paper: 119; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 39. **PR** no charge. **JE** C32, O11. **KW** Monetary Policy Transmission Mechanism. Price Stability. Financial Stability.

AB In this paper we study the role of the stock market in the transmission mechanism in the euro area and evaluate whether price stability and financial stability are mutually consistent and complementary objectives. Four major conclusions can be drawn from our work. First, stock prices and, more generally, relative asset prices seem to play an important role in the transmission mechanism in the euro area. Second, we do not find any significant, direct impact of stock prices on inflation. Third, permanent productivity shocks are the driving force of the stock market in the long-run and contribute significantly to its cyclical behavior. Nevertheless, the bulk of cyclical dynamics in the stock market is explained by transitory shocks. Fourth, a monetary policy focused on maintaining price stability in the long-run can contribute also to stock market stability.

Castelnuovo, Efrem

TI Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio.

TI Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio.

Catao, Luis

PD May 2001. **TI** Fiscal Deficits and Inflation: A New Look at the Emerging Market Evidence. **AU** Catao, Luis; Terrones, Marco. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/74; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website:www.imf.org. **PG** 31. **PR** not available. **JE** C33, E31, E60. **KW** Fiscal Policy. Inflation. Emerging Markets. Panel Data. Dynamic Specification.

AB Empirical studies have had little success in finding a statistically significant relationship between fiscal deficits and inflation in broad cross-country panels. This paper provides new econometric estimates for a panel of 23 emerging market countries during 1970-2000. Unlike previous studies, we allow for a rich dynamic specification and focus on the long-run relationship between the two variables controlling for differences in the inflation tax base. We find that a 1 percentage point reduction in the ratio of fiscal deficit to GDP typically lowers long-run inflation by 1 1/2 to 6 percentage points, depending on the size of the inflation tax base.

Cavaliere, Alberto

PD September 2000. **TI** Voluntary Agreements as Information Sharing Devices: Competition and Welfare Effects. **AU** Cavaliere, Alberto; Silvestri, Fabio Frontoso. **AA** Cavaliere: University of Pavia and FEEM. Frontoso Silvestri: University of Pavia. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 71/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 14. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D43, D62, L10, L49, Q29. **KW** Voluntary Agreements. Externalities. Welfare. Information Sharing. Uncertainty.

AB This paper considers Voluntary Agreements (VAs) as an information- sharing device. In a duopoly model firms compete a la Cournot and aim to reduce environmental damages because consumers have green preferences that partially internalize negative externalities. However, both firms are uncertain about the real cost of pollution abatement. The authors suppose that this kind of uncertainty is eliminated if firms subscribe to a Voluntary Agreement and share information. The authors then represent the decision process as a two stage game where firms first choose to subscribe or not to a Voluntary Agreement and then compete in quantities. Information production and disclosure about costs eliminates production errors as both firms will be able to exactly counter-adjust their output to the output produced by their opponent. Thus profits are always maximized by subscribing to Voluntary Agreements. Concerning social welfare the picture is more complicated because there can be a trade-off between the advantage of voluntary agreements from the point of view of their impact on environmental damages and their social cost in terms of higher prices and lower quantities. The results seem to support the view that Voluntary Agreements can produce advantages also from the point of view of society.

Cawley, John

PD August 2000. **TI** Body Weight and Women's Labor Market Outcomes. **AA** University of Michigan and NBER. **SR** National Bureau of Economic Research Working Paper: 7841; 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** I1, J3. **KW** Wage Outcomes. Weight. Women's Wages.

AB Several studies have found that, all else equal, heavier women earn less. Previous research has been unable to determine whether high weight is the cause of low wages, the result of low wages, or whether unobserved factors cause both higher weight and lower wages. Applying the method of instrumental variables to data from the National Longitudinal Survey of Youth, this paper attempts to generate consistent estimates of the effect of weight on labor market outcomes for women. Three labor market outcomes are studied: hourly wages, employment, and sector of occupation. This paper finds that weight lowers wages for white women; among this group, a difference in weight of two standard deviations (roughly sixty-five pounds) is associated with a difference in wages of 7 percent. In absolute value, this is equivalent to the wage effect of roughly one year of education, two years of job tenure, or three years of work experience. In contrast, this paper finds only weak evidence that weight lowers wages for Hispanic women, and no evidence that weight lowers the wages of black women. This paper also concludes that there is no effect of weight on the probability of employment or sector of occupation.

Cespedes, Luis Felipe

PD August 2000. **TI** Balance Sheets and Exchange Rate Policy. **AU** Cespedes, Luis Felipe; Chang, Roberto; Velasco, Andres. **AA** Cespedes: New York University. Chang: Federal Reserve Bank of Atlanta. Velasco: New York University and NBER. **SR** National Bureau of Economic Research Working Paper: 7840; 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** E44, E52, F31, F41. **KW** Balance Sheet Effects. Dollarized Liabilities. Real Devaluation.

AB We study the relation among exchange rates, balance sheets, and macroeconomic outcomes in a small open economy. Because liabilities are "dollarized," a real devaluation has detrimental effects on entrepreneurial net worth, which in turn constraints investment due to financial frictions. But there is an offsetting effect, in that devaluation expands home output and the return to domestic investment, which are also components of net worth. We show that the impact of an adverse foreign shock can be strongly magnified by the balance sheet effect of the associated real devaluation. But the fall in output employment, and investment is stronger under fixed exchange rates than under flexible rates. Hence the conventional wisdom, that flexible exchange rates are better absorbers of real foreign shocks than are fixed rates, holds in spite of potentially large balance sheet effects.

Chade, Hector

PD December 2000. **TI** Taxes and Marriage: A Two-Sided Search Analysis. **AU** Chade, Hector; Ventura, Gustavo. **AA** Chade: Arizona State University. Ventura: University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/15; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 31. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** H21, H24, J12, J22. **KW** Differential Taxation. Marriage Market. Labor Supply. Search.

AB This paper studies the effects of differential tax treatment toward married and single individuals in the US on marriage formation and composition, divorce and labor supply. We develop a marriage market model with search frictions and heterogeneous agents that is sufficiently rich to capture key elements of the problem under consideration. We then calibrate the model and use it to evaluate the quantitative effects of a number of tax reforms aimed at making the tax law neutral with respect to marital status. We find that reforms can have substantial effects on the labor supply of females and on the degree of assortative mating.

TI Segmented Risk Sharing in a Continuous-Time Setting. **AU** Taub, Bart; Chade, Hector.

Chakravarti, Shamit

TI Transition Economies: How Appropriate is the Size and Scope of Government? **AU** Gupta, Sanjeev; Leruth, Luc; de Mello, Luiz; Chakravarti, Shamit.

Chakravorty, Ujjayant

TI Forest Resource Extraction by Local Communities: A Comparative Dynamic Analysis. **AU** Gunatilake, Herath M.; Chakravorty, Ujjayant.

PD June 2000. **TI** Basinwide Water Management: A Spatial Model. **AU** Chakravorty, Ujjayant; Umetsu, Chieko. **AA** Chakravorty: Emory University. Umetsu: Kobe University, Japan. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 45/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 32. **PR** 10 papers minimum order at

$4.00 each; annual subscription at $250.00. **JE** Q15, Q25, R30. **KW** Water Allocation. Spatial Models. Conjunctive Use. Irrigation Technology. Agriculture.

AB This paper develops a spatial model for a water basin that allows for surface water allocation and reuse of the water that is lost. The analytical solution suggests specialization of production over space -- upstream farmers use canal water and downstream farmers pump groundwater that is lost upstream. Groundwater emerges as an endogenous "backstop." The empirical results suggest that when traditional conservation technologies are used, optimization over the entire basin leads to significant increases in aggregate output, project area and water use. Somewhat counter-intuitively, rents from water decrease if farmers switch from traditional to modern irrigation technology.

Chami, Ralph

PD May 2001. **TI** What is Different About Family Businesses? **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/70; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 37. **PR** not available. **JE** D64, D82, G32, J32, L11. **KW** Altruism. Asymmetric Information. Non-Market Transactions. Moral Hazard. Corporate Governance.

AB Family businesses make up forty percent of the Fortune 500 companies in the US, generate about two-thirds of the German GDP, employ about one-half of the labor force in Britain, and account for the majority of the private economies in developing countries. This paper develops a theory of family business that brings market forces and the family, as a nonmarket institution, under one rubric. The paper highlights and analyzes important factors, including product market competition, trust, and succession, which allow family businesses to thrive and to successfully compete with other businesses.

PD October 2001. **TI** Monetary Policy with a Touch of Basel. **AU** Chami, Ralph; Cosimano, Thomas F. **AA** Chami: International Monetary Fund. Cosimano: University of Notre Dame. **SR** International Monetary Fund Working Paper: WP/01/151; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** $15.00. **JE** E50, G20. **KW** Capital Requirements. Monetary Policy.

AB The typical portrait of monetary policy has the banks and the money supply being manipulated through changes in bank reserves. However, with only a small portion of bank deposits now subject to reserve requirements, an alternative explanation of how monetary policy influences banks is needed. Over the last decade, capital requirements have effectively replaced reserve requirements as the main constraint on the behavior of banks. This paper explores the implications of Basel capital requirements for monetary policy. In particular, a "bank balance-sheet channel" of monetary policy is identified, which operates through the impact on the money stock and the economy.

Chan, Nguyen

PD April 1999. **TI** Evaluating Tax Reform in Vietnam Using General Equilibrium Methods. **AU** Chan, Nguyen; Ghosh, Madanmohan; Whalley, John. **AA** Chan: Institute of Information Technology, Hanoi. Ghosh: University of Western Ontario. Whalley: University of Western Ontario, University of Warwick, and NBER. **SR** University of Western Ontario, Department of Economics Research Report: 9906; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 27. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** F13, H21, H22, H23, H24. **KW** Tax Reform. Tariffs. Redistribution. Economic Welfare. Indirect Tax Reform.

AB This paper uses a general equilibrium model of Vietnam, calibrated to 1995 data, to analyze tax reform options for Vietnam. The authors focus on aggregate welfare impacts as well as welfare of household groups ranked by income. The main focus is on indirect tax reform (VAT), but the authors also examine reforms in the external sector given both the revenue importance of the tariff and the role of tariffs in protecting domestic industry. Their numerical general equilibrium model is used to perform a series of counterfactual experiments around the 1995 base data. Results indicate that there are gains to Vietnam from indirect tax reform, but the redistributive effects associated with these reforms are large and tend to swamp the aggregate effects. There is a sharp redistribution against those with lower income and who spend a significant fraction of their income on previously non-taxed products, and redistribution in favor of those spending larger fractions of their income on earlier high taxed products, especially the richer households. This theme of regressivity of indirect tax reform comes through even more strongly in the case of international trade based reforms involving the tariff than is the case for domestic sales tax reform.

Chan-Lau, Jorge A.

PD October 2001. **TI** Corporate Bond Risk and Real Activity: An Empirical Analysis of Yield Spreads and Their Systematic Components. **AU** Chan-Lau, Jorge A.; Ivaschenko, Iryna V. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/158; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 17. **PR** $15.00. **JE** E32, E37, E43, E44. **KW** Investment Grade Bonds. Business Cycle Forecasting. Principal Components Analysis. Regime-Switching. Markov Process.

AB This paper finds that the yield spread of investment-grade bonds relative to Treasuries, a proxy of default risk, predicts marginal changes in industrial production in the United States up to 12 months in the future, even upon controlling for a commonly used predictor such as the commercial paper spread. The paper also finds that systematic risk factors associated with the yield spread of investment-grade bonds to a variety of risk-free benchmarks -- Treasuries, agency bonds, and.

Chang, Roberto

TI Balance Sheets and Exchange Rate Policy. **AU** Cespedes, Luis Felipe; Chang, Roberto; Velasco, Andres.

Chang, Yongsung

TI Wages and the Allocation of Hours and Effort. **AU** Bils, Mark; Chang, Yongsung.

TI Understanding How Price Responds to Costs and Production. **AU** Bils, Mark; Chang, Yongsung.

https://doi.org/10.1017/S095100790000557X Published online by Cambridge University Press

Chang, Yoosoon

TI Nonlinear Instrumental Variable Estimation of an Autoregression. **AU** Phillips, Peter C. B.; Park, Joon Y.; Chang, Yoosoon.

Chari, V. V.

PD September 2000. **TI** Can Sticky Price Models Generate Volatile and Persistent Real Exchange Rates? **AU** Chari, V. V.; Kehoe, Patrick J.; McGrattan, Ellen R. **AA** Chari: University of Minnesota and Federal Reserve Bank of Minneapolis. Kehoe and McGrattan: Federal Reserve Bank of Minneapolis, University of Minnesota, and NBER. **SR** National Bureau of Economic Research Working Paper: 7869; 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** E31, E32, E51, F31, F41. **KW** Exchange Rates. Monetary Shocks. Sticky Prices.

AB The central puzzle in international business cycles is that real exchange rates are volatile and persistent. The most popular story for real exchange rate fluctuations is that they are generated by monetary shocks interacting with sticky goods prices. We quantify this story and find that it can account for some of the observed properties of real exchange rates. When prices are held fixed for at least one year, risk aversion is high, and preferences are separable in leisure, then the model generates real exchange rates that are as volatile as in the data. The model also generates real exchange rates that are persistent, but less so than in the data. If monetary shocks are correlated across countries, then the comovements in aggregates across countries are broadly consistent with those in the data. Making asset markets incomplete or introducing sticky wages does not measurably change the results.

Chatelain, Jean-Bernard

PD December 2001. **TI** Investment, The Cost of Capital, and Monetary Policy in the Nineties in France: A Panel Data Investigation. **AU** Chatelain, Jean-Bernard; Tiomo, Andre. **AA** Banque de France. **SR** European Central Bank Working Paper: 106; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 26. **PR** no charge. **JE** C23, D21, D92. **KW** Investment. Monetary Policy. GMM. Cost of Capital.

AB Using a large panel of 6,946 French manufacturing firms, this paper investigates the effect of monetary policy on investment from 1990 to 1999 through the cost-of-capital and the cash-flow channels. We compare several specifications of neo-classical demand for capital, taking into account transitory dynamics. The user cost of capital has a significant negative elasticity with respect to capital using traditional 'Within' estimates, or as long as cash-flow is not added to the regression when using Generalized Method of Moments estimates. Asymmetries of effect of monetary policy are evaluated for different groups of firms which differ in terms of informational asymmetries. When dummy variables related to firms which are more sensitive to cash-flow are added in the model, the user cost elasticity is significant again.

PD December 2001. **TI** Firm Investment and Monetary Policy Transmission in the Euro Area. **AU** Chatelain, Jean-Bernard; Generale, Andrea; Hernando, Iganzio; von Kalkreuth, Ulf; Vermeulen, Philippe. **AA** Chatelain: Banque de France. Generale: Banca d'Italia. Hernando: Banco de Espana. von Kalkreuth: Deutsche Bundesbank. Vermeulen: European Central Bank. **SR** European Central Bank Working Paper: 112; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 35. **PR** no charge. **JE** E22, E52, E58. **KW** Investment. Monetary Transmission Channels. User Cost of Capital.

AB We present a comparable set of results on the monetary transmission channels on firm investment for the four largest countries of the euro area (Germany, France, Italy and Spain). With particularly rich micro datasets for each country containing over 215,000 observations from 1985 to 1999, we explore what can be learned on the interest channel and broad credit channel. For each of those countries we estimate neo-classical investment relationships, explaining investment by its user cost, sales and cash flow. We find investment to be sensitive to user cost changes in all those four countries. This implies an operative interest channel in these euro area countries. We also find investment in all those countries to be quite sensitive to cash flow movements. However we find that only in Italy smaller firms react more to cash flow movements, implying that a broad credit channel might not be as pervasive in all countries.

Chemla, Gilles

PD December 2000. **TI** Downstream Competition, Foreclosure, and Vertical Integration. **AA** University of British Columbia and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2647; 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** D40, L10, L42. **KW** Bargaining. Competition. Contracts. Foreclosure. Vertical Integration.

AB This paper analyzes the impact of competition among downstream firms on an upstream firm's payoff and on its incentive to vertically integrate when firms on both segments negotiate optimal contracts. Tougher competition decreases the downstream industry profit, but improves the upstream firm's negotiation position. In particular, the upstream firm is better off encouraging competition when the downstream firms have high bargaining power. Implications on the interplay between vertical integration and competition among the downstream firms are derived. The mere possibility of vertical integration may constitute a barrier to entry and may trigger strategic horizontal spin-offs or mergers. The impact of upstream competition on these results is discussed.

Chen, Xiaohong

PD May 2001. **TI** The Estimation of Conditional Densities. **AU** Chen, Xiaohong; Linton, Oliver; Robinson, Peter M. **AA** London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/415; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 19. **PR** no charge. **JE** C13, C22. **KW** Conditional Density. Serial Dependence. Bandwidth Choice.

AB We discuss a number of issues in the smoothed nonparametric estimation of kernel conditional probability density functions for stationary processes. The kernel conditional density estimate is a ratio of joint and marginal density estimates. We point out the different implications of leading choices of bandwidths in numerator and denominator for the ability of the estimate to integrate to one and to have finite moments. Still bearing in mind different bandwidth possibilities, we discuss asymptotic theory for the estimate: asymptotic bias and variance are calculated under various conditions, an extended discussion of bandwidth choice is included, and a central limit theorem is given.

Chiang, Eric P.

TI Industry-University Cooperative Research Centers. **AU** Adams, James D.; Chiang, Eric P.; Starkey, Katara.

Chilton, Sue M.

TI Reliability of Benefit Value Transfers from Contingent Valuation Data with Forest-Specific Attributes. **AU** Scarpa, Riccardo; Hutchinson, George W.; Chilton, Sue M.

Cho, Young-Hye

PD September 1999. **TI** Time-Varying Betas and Asymmetric Effect of News: Empirical Analysis of Blue Chip Stocks. **AU** Cho, Young-Hye; Engle, Robert F. **AA** Cho: Rutgers University. Engle: UC San Diego and NBER. **SR** National Bureau of Economic Research Working Paper: 7330; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C32, C51, G12, G14. **KW** Beta. News Effect. Volatility. EGARCH. Asymmetric Effects.

AB The authors investigate whether or not a beta increases with bad news and decreases with good news, just as does volatility. Using daily returns for nine stocks in a double beta model with EGARCH specifications, they show that news asymmetrically affects the betas of individual stocks. They find that betas depend on two sources of news: market shocks and idiosyncratic shocks. Some stock betas depend on both while others depend on one. The authors categorize each stock return as belonging to one of three beta process models, a joint, an idiosyncratic, and a market model based on the role of market shocks and idiosyncratic shocks. Their conclusions differ from those of Brown, Nelson, and Sunnier (1995) who worked with monthly aggregated data in a bivariate EGARCH model. The authors believe that stock price aggregation in this previous research resulted in a loss of cross sectional variation and consequently lead to weak results. Their findings shed light on the controversy as to whether abnormalities in stock returns result from overreaction to information or from changes in expected returns in an efficient market. The authors conclude that abnormalities can, at least partially, be explained by changes in expected returns through a change in beta.

PD September 1999. **TI** Modeling the Impacts of Market Activity on Bid-Asks Spreads in the Option Market. **AU** Cho, Young-Hye; Engle, Robert F. **AA** Cho: Rutgers University. Engle: UC San Diego and NBER. **SR** National Bureau of Economic Research Working Paper: 7331; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C22, G11, G13, G14. **KW** Bid-Ask Spread. Option Pricing. Liquidity. Imperfect Hedge. Asymmetric Information.

AB This paper examines the impact of market activity on the percentage bid-ask spreads of S&P 100 index options using transactions data. The authors propose a new market microstructure theory which they call derivative hedge theory, in which option market percentage spreads will be inversely related to the option market maker's ability to hedge his positions in the underlying market, as measured by the liquidity of the latter market. In a perfect hedge world, spreads arise from the illiquidity of the underlying market, rather than from inventory risk or informed trading in the option market itself. The authors find option market volume is not a significant determinant of option market spreads. This finding leads them to question the use of volume as a measure of liquidity and supports the derivative hedge theory. Option market spreads are positively related to spreads in the underlying market, again supporting their theory. However, option market duration does affect option market spreads. The authors interpret these results as meaning that the option market maker is able to only imperfectly hedge his positions in the underlying securities market. The result of insignificant options volume casts doubt on the price discovery argument between stock and option market.

Chopra, Ajai

PD October 2001. **TI** From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. **AU** Chopra, Ajai; Kang, Kenneth; Karasulu, Meral; Liang, Hong; Ma, Henry; Richards, Anthony. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/154; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 83. **PR** $15.00. **JE** E60, F30, F40. **KW** Korea. Asian Financial Crisis. International Monetary Fund.

AB This paper reviews and draws lessons from the stabilization and reform program that Korea implemented in response to the 1997-98 crisis. The economy recovered quickly from the deep recession in 1998 and its vulnerability to a balance of payments crisis has been reduced sharply. Significant progress has also been made in stabilizing the financial system and addressing corporate distress, and wide-ranging reforms have made Korea's economy more open, competitive, and market driven. Notwithstanding these achievements, more must be done before the soundness of the corporate and financial sectors is firmly established.

Christensen, Bent Jesper

PD August 2001. **TI** Semiparametric Analysis of Stationary Fractional Cointegration and the Implied-Realized Volatility Relation in High-Frequency Options Data. **AU** Christensen, Bent Jesper; Nielsen, Morten. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/04; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 35. **PR** no charge. **JE** C14, C32, G13. **KW** Long Memory. Fractional Cointegration. Options. Volatility. High- Frequency Data.

AB We consider semiparametric frequency domain analysis of cointegration between long memory processes, i.e., fractional cointegration. This concept allows derivation of useful long-run relations even among stationary long memory processes. The approach uses a degenerating part of the periodogram near the origin to form a frequency domain least

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squares (FDLS) estimator of the cointegrating relation. The resulting estimator is consistent for arbitrary short-run dynamics, whereas the latter would have to be specified correctly in any parametric approach. We derive the asymptotic distribution theory for the FDLS estimator of the cointegration vector in the stationary long memory case. The new theory requires a general theorem on the asymptotic order of the covariance between the cross-periodograms of stationary long memory processes, which we provide. The motivating example is the relation between the volatility realized in the stock market and the associated implicit volatility derived from option prices. An application to high-frequency U.S. stock index and option data is offered.

Christoffersen, Peter

PD June 2000. **TI** Do Asset Prices in Transition Countries Contain Information About Future Economic Activity? **AU** Christoffersen, Peter; Slok, Torsten. **AA** Christoffersen: McGill University and CIRANO. Slok: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/103; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** F31, G14, G15, P34. **KW** Asset Prices. Transition Economies. Leading Indicators. Tracking Portfolio.

AB There is ample empirical evidence for developed economies that asset prices contain information about future economic developments. But is this also the case in transition economies? Using a panel of monthly data for the Czech Republic, Hungary, Poland, Russia, Slovakia, and Slovenia for the period 1994-1999, it is shown that historical values for interest rates, exchange rates, and stock prices signal future movements in real economic activity. This result has significant implications for policymakers, and a composite leading indicator based on the three asset prices is presented, which contains information about the future development of economic activity.

Cicia, Gianni

PD July 2000. **TI** Willingness to Pay for Rural Landscape Preservation: A Case Study in Mediterranean Agriculture. **AU** Cicia, Gianni; Scarpa, Riccardo. **AA** Cicia: University of Naples. Scarpa: University of Viterbo. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 59/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 20. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C51, H23, H41, Q15, R14. **KW** Public Goods. Land Ownership. Agriculture. Contingent Valuation. Tourism.

AB This paper presents welfare estimates from a contingent valuation (CV) study which investigates the potential benefits derived by tourists from the implementation of a program aimed at preserving the traditional agricultural landscape in a typical Mediterranean area: the National Park of Cilento (Southern Italy). The welfare estimates obtained by various methods were similar and approached one Euro per day-visit. The results indicate that referendum CV provides plausible estimates of willingness-to-pay for agricultural landscape conservation from the tourists' population. From a conservative inference it appears that in 1997 the traditional farming produced a landscape externality for tourists which reached at least 8 million Euro. The authors argue that the policy tools currently employed in the European Common Agricultural Policy, for the purpose of rural landscape preservation, are inadequate in the context of typical Mediterranean agriculture. Here the main cause of rural landscape deterioration seems to be the abandonment of agricultural production, rather than its intensification, so the main features of interest are other than those currently protected by EU policy.

Cincibuch, Martin

PD July 2000. **TI** Towards the EMU: A Need For Exchange Rate Flexibility? **AU** Cincibuch, Martin; Vavra, David. **AA** Cincibuch: Czech National Bank. Vavra: CERGE-EI. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 17; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 28. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** F15, F31, F33, P22, P29. **KW** Czech Republic. Monetary Union. Optimum Currency Areas. Real Exchange Rate. Competitiveness.

AB We address the question of exchange rate regime for the Czech Republic before it enters the EU and the EMU. We classify macroeconomic impacts of a single currency regime according to the traditional OCA theory. Using quantitative measures, we find the degree of macroeconomic convergence between the Czech and German (EU) economies high enough not to form a major obstacle to a common currency regime. In addition, we look at transitional specificities of the Czech economy. We analyze the real appreciation of the Czech currency and its relationship to competitiveness and find that development of cost factors exercise depreciationary pressures on the exchange rate. Conversely, a fixed regime may alleviate problems of the foreign capital influx and ensuing nominal appreciation -- another idiosyncrasy of the Czech economy. However, once labor market rigidities are removed, a fixed regime may become a source of a sustainable competitive advantage, growth, and convergence.

Clifton, Eric V.

PD October 2001. **TI** Inflation Targeting and the Unemployment-Inflation Trade-off. **AU** Clifton, Eric V.; Leon, Hyginus; Wong, Chorng-Huey. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/166; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 19. **PR** $15.00. **JE** E17, E31, E52. **KW** Inflation Targeting. Monetary Policy. Phillips Curve. Regression Models.

AB This paper examines the impact of the introduction of inflation targeting on the unemployment-inflation trade-off in Organization for Economic Co-Operation and Development (OECD) countries. Theoretical models suggest that the credibility-enhancing effects of the adoption of inflation targeting should cause an improvement in the unemployment-inflation trade-off, i.e., that reducing inflation by a given amount should occur with a smaller rise in unemployment. The empirical evidence examined for OECD countries adopting inflation targeting supports this hypothesis. Using a smooth transition regression model, it is shown that the improvement in this trade-off does not take place immediately after the adoption of inflation targeting; rather, it improves over time as the credibility of the central bank is established.

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Clotfelter, Charles T.

PD August 1999. **TI** Are Whites Still "Fleeing"? Racial Patterns and Enrollment Shifts in Urban Public Schools, 1987-1996. **AA** Duke University and NBER. **SR** National Bureau of Economic Research Working Paper: 7290; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I21, I28, J15, J71, R23. **KW** Interracial Contact. Desegregation Policy. Enrollment Decisions. Racial Composition. Metropolitan Segregation.

AB The effect of interracial contact in public schools on the enrollment of whites has been an important concern in assessments of desegregation since the 1970s. It has been feared that "white flight" - - meaning exit from or avoidance of racially mixed public schools -- could undermine the racial contact that desegregation policy seeks to enhance. This study examines this question using recent data. It also expands coverage from large urban districts to entire metropolitan areas, paying attention to the spatial context within which enrollment decisions are made. To do so, it examines data for 1987 and 1996 on racial composition and enrollment in all schools and school districts in 238 metropolitan areas. The study finds that white losses appear to be spurred both by interracial contact in districts where their children attend school and by the opportunities available in metropolitan areas for reducing that contact. Implications for metropolitan segregation are examined.

Coate, Stephen

PD August 1999. **TI** An Efficiency Approach to the Evaluation of Policy Changes. **AA** Cornell University and NBER. **SR** National Bureau of Economic Research Working Paper: 7316; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D61, D63, H11. **KW** Policy Evaluation. Status Quo. Pareto Criterion. Efficiency Approach.

AB This paper describes an efficiency approach to the evaluation of policy changes. Rather than comparing the utility allocations that arise before and after a policy change is introduced, this approach evaluates a policy change by comparing it with other possible changes which might be made from the status quo. The main merit of the approach is that it is founded on the Pareto criterion rather than on a distributional value judgement. The paper provides a precise statement of the approach and applies it to a number of examples. Some objections to the approach are also anticipated and discussed.

Cockburn, Iain M.

PD September 1999. **TI** The Diffusion of Science-Driven Drug Discovery: Organizational Change in Pharmaceutical Research. **AU** Cockburn, Iain M.; Henderson, Rebecca; Stern, Scott. **AA** Cockburn: Boston University and NBER. Henderson and Stern: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7359; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 34. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D21, L23, L65, O32, O33. **KW** Pharmaceuticals. Research and Development. Drug Discovery. Technology Adoption. Firm Structure.

AB Recent work linking the adoption of key organizational practices to productivity raises an important question: if adoption increases productivity so dramatically, why does adoption across an industry take so long? This paper explores this question in the context of one particularly interesting practice, the adoption of science driven drug discovery by the modern pharmaceutical industry. The principal finding is that adoption of a science-oriented research approach was a function of initial conditions, or subject to "state dependence": some firms simply began the sample period at a much higher level of science orientation. Moreover, while these effects attenuated over time, the authors' empirical results suggest that it took more than ten years before adoption was unrelated to initial conditions. In addition, consistent with theories developed in the context of technology adoption, the authors find that relative diffusion rates depend on the product market positioning of firms. More surprisingly, adoption rates are separately driven by the composition of sales within the firm. This latter finding suggests the potential importance of differences among firms in terms of the internal structure of power and attention.

Coelho, Isaias

PD May 2001. **TI** Bank Debit Taxes in Latin America: An Analysis of Recent Trends. **AU** Coelho, Isaias; Ebrill, Liam; Summers, Victoria. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/67; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 33. **PR** not available. **JE** E52, E62, G21, H21. **KW** Financial Transactions Tax. Bank Debit Taxes. South America. Taxation.

AB Six Latin American countries have levied taxes on withdrawals from bank accounts, which have been viewed as a convenient tax handle during a difficult fiscal period. The paper reviews the arguments for and against this type of taxation, describes the taxes, and surveys their revenue performance and economic impact. It concludes that the recently implemented taxes have been successful in raising revenue in the short term, but that adverse allocational impacts have likely been significant. The tax may work better in times of fiscal crisis, when financial intermediation is deep, and when the tax rate is modest.

Coile, Courtney

PD August 2000. **TI** Social Security and Retirement. **AU** Coile, Courtney; Gruber, Jonathan. **AA** Coile: NBER. Gruber: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7830; 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** H55, J26. **KW** Social Security. Retirement Behavior. Exit Rates.

AB A critical question for Social Security policy is how program incentives affect retirement behavior. We use the wealth of new data available through the Health and Retirement Survey (HRS) to examine the impact of Social Security incentives on male retirement. We implement forward-looking models of retirement whereby individuals consider not just the incentive to work in the next year but in all future years as well. We find that such forward looking incentive measures for Social Security are significant determinants of retirement decisions. Our findings suggest that Social Security policies which increase the incentives to work at older ages can significantly reduce the exit rate of older workers from the labor force.

PD August 1999. **TI** Delays in Claiming Social Security Benefits. **AU** Coile, Courtney; Gruber, Jonathan; Diamond, Peter; Jousten, Alain. **AA** Coile: MIT. Gruber and Diamond: MIT and NBER. Jousten: CORE. **SR** National Bureau of Economic Research Working Paper: 7318; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 33. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C24, C41, E21, H55, J14. **KW** Social Security. Expected Utility. Retirement. Hazard Model. Probit Model.
AB This paper focuses on Social Security benefit claiming behavior, a take-up decision that has been ignored in the previous literature. Using financial calculations and simulations based on an expected utility maximization model, we show that delaying benefit claim for a period of time after retirement is optimal in a wide variety of cases and that gains from delay may be significant. We find that approximately 10 percent of men retiring before their 62nd birthday delay claiming for at least one year after eligibility. We estimate hazard and probit models using data from the New Beneficiary Data System to test four cross-sectional predictions. While the data suggest that too few men delay, we find that the pattern of delays by early retirees is generally consistent with the hypotheses generated by our theoretical model.

Collard, Fabrice

PD August 2000. **TI** Poole Revisited. **AU** Collard, Fabrice; Dellas, Harris; Ertz, Guy. **AA** Collard: CEPREMAP, Paris. Dellas: Universitat Bern and CEPR. **SR** CEPR Discussion Paper: 2521; 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, E52. **KW** Central Bank Procedures. Interest Targeting. Macroeconomic Stability. Monetary Policy. Money Targeting.
AB We study the properties of alternative central bank targeting procedures in a general equilibrium monetary model of the US economy with labor contracts, endogenous velocity and three shocks: money demand, supply and fiscal. Money demand -velocity- shocks emerge as the main sources of macroeconomic volatility. Consequently, nominal interest rate targeting results in greater stability than money targeting. Interestingly this holds independently of the type of the shock (unlike Poole). Interest rate targeting also generates a higher level of welfare.

Conconi, Paola

PD July 2000. **TI** Can Green Lobbies Replace a World Environmental Organization? **AA** University of Warwick. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 56/2000; "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** D72, F13, F42, Q25, Q28. **KW** Environmental Protection. International Trade. Political Contributions. Lobbying. Transboundary Pollution.
AB We employ a common agency model to examine how green lobbies affect the determination of trade and environmental policy in two large countries that are linked through trade flows and transboundary pollution. We show that, when governments are not restricted in their ability to use trade barriers, environmental lobbying always results in higher pollution taxes relative to a no-lobbying scenario. Consequently, uncoordinated environmental policies are closer to the efficient Pigouvian solution than internationally coordinated policies. If, however, governments are bound by international trade rules, green lobbies may bias environmental policies downwards and environmental policy coordination is unambiguously efficiency-enhancing.

PD July 2000. **TI** Issue Linkage and Issue Tie-In in Multilateral Negotiations. **AU** Conconi, Paola; Perroni, Carlo. **AA** University of Warwick. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 57/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 30. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** F02, F15, F42, Q28, Q38. **KW** International Cooperation. International Trade. Environmental Policy. Transboundary Pollution. Negotiation.
AB We describe a model of international, multidimensional policy coordination where countries can enter into selective and separate agreements with different partners along different policy dimensions. The model is used to examine the implications of negotiation tie-in -- the requirement that agreements must span multiple dimensions of interaction -- for the viability of multilateral cooperation when countries are linked by international trade flows and transboundary pollution. We show that, while in some cases negotiation tie-in has either no effect or can make multilateral cooperation more viable, in others a formal tie-in constraint can make an otherwise viable joint multilateral agreement unstable.

Constantino, Luis

TI Economic and Environmental Benefits of Eliminating Log Export Bans - - The Case of Costa Rica. **AU** Kishor, Nalin; Mani, Muthukumara; Constantino, Luis.

Cooper, Russell W.

PD September 2000. **TI** On the Nature of Capital Adjustment Costs. **AU** Cooper, Russell W.; Haltiwanger, John C. **AA** Cooper: Boston University and NBER. Haltiwanger: University of Maryland and NBER. **SR** National Bureau of Economic Research Working Paper: 7925; 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** D24, E22. **KW** Capital Adjustment. Adjustment Costs. Investment.
AB This paper studies the nature of capital adjustment at the plant level. We use an indirect inference procedure to estimate the structural parameters of a rich specification of capital adjustment costs. In effect, the parameters are optimally chosen to reproduce the nonlinear relationship between investment and profitability that we uncover in the plant-level data. Our findings indicate that a model which mixes both convex and nonconvex adjustment costs with irreversibility fits the data best.

Cosimano, Thomas F.

TI Monetary Policy with a Touch of Basel. **AU** Chami, Ralph; Cosimano, Thomas F.

Craig, Ben

PD July 2001. **TI** Sterilized Intervention, Nonsterilized Intervention, and Monetary Policy. **AU** Craig, Ben; Humpage, Owen. **AA** Federal Reserve Bank of Cleveland. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/10; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 54. **PR** no charge. **JE** F30. **KW** Intervention. Exchange Rate. Federal Reserve. Treasury.

AB Sterilized intervention is generally ineffective. Countries that conduct monetary policy using an overnight interbank rate as an intermediate target automatically sterilize their interventions. Unsterilized interventions can influence nominal exchange rates, but they conflict with price stability unless the underlying shocks prompting them are domestic in origin and monetary in nature. Unsterilized interventions, however, are unnecessary since standard open-market operations can achieve the same result.

PD August 2001. **TI** Federal Home Loan Bank Lending to Community Banks: Are Targeted Subsidies Necessary? **AU** Craig, Ben; Thomson, James B. **AA** Federal Reserve Bank of Cleveland. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/12; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 24. **PR** no charge. **JE** G20, G38. **KW** Small Business Loans. Community Banks.

AB The Gramm-Leach-Bliley Act of 1999 amended the lending authority of the Federal Home Loan Banks to include advances secured by small enterprise loans of community financial institutions. Three possible reasons for the extension of this selective credit subsidy to community banks and thrifts are examined, including the need to subsidize community depository institutions, stabilize the Federal Home Loan Banks, and address a market failure in rural markets for small enterprise loans. This paper empirically investigates whether funding constraints impact the small-business lending decisions made by rural community banks. Specifically, two empirical models of small-business lending by community banks are estimated. The data seems to discard the hypothesis that access to increased funds will increase the amount of small-business loans made by community banks.

Cuevas, Alfredo

PD November 2001. **TI** Short- and Long-Term Poverty and Social Policy in a "Snakes and Ladders" Model of Growth. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/172; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** $15.00. **JE** I30, O15, O41. **KW** Poverty, Economic Growth. Human Capital. Social Policy.

AB Throughout the world, the great popularity of programs to protect those who may fall into poverty stands in contrast with the weakness of policies aimed at helping individuals who are already poor to overcome long-term poverty. In this paper, an OLG model with persistent poverty and limited social mobility is used to explore some of the reasons for the different success rates of these two types of policies, as well as the gains that can be expected from these and other policies in terms of economic growth. The popularity of social insurance schemes may be due to their relative ex-ante fairness, while the reluctance of societies to support effective policies to reduce long-term poverty may be explained by the redistributive bias of these policies, especially in the short term. However, the failure to attack long-term poverty can reduce long- run growth.

Currie, Janet

PD August 1999. **TI** Health Insurance and Less Skilled Workers. **AU** Currie, Janet; Yelowitz, Aaron. **AA** UCLA and NBER. **SR** National Bureau of Economic Research Working Paper: 7291; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 49. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C22, J11, J24, J32, J33. **KW** Health Insurance. Benefits Surveys. Skilled Workers. Health Care Costs.

AB We began this research with the belief that low and declining levels of private employer-sponsored health insurance were a continuing problem, especially among less skilled workers. Our analysis, however, paints a more complex picture. Using data from the March CPS, the SIP, and CPS benefits surveys, we find that while many less-skilled workers remain uncovered, the decline in private employer-sponsored health insurance coverage has slowed recently and may even have reversed. Neither crowd out nor a deterioration in the quality of jobs available to the less skilled seems likely to fully explain these time-series trends in health insurance coverage. A simple explanation that has been largely overlooked is that rising health care costs have driven much of the reduction in private insurance coverage, but it is more difficult to test this hypothesis given the available data.

Cutler, David M.

TI Enrollee Mix, Treatment Intensity, and Cost in Competing Indemnity and HMO Plans. **AU** Altman, Daniel; Cutler, David M.; Zeckhauser, Richard J.

D'Addio, Anna Christina

PD March 2002. **TI** Left Censoring in Duration Data: Theory and Applications. **AU** D'Addio, Anna Christina; Rosholm, Michael. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2002/05; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 38. **PR** no charge. **JE** C13, C24, C41, C51, C81. **KW** Left-Censoring. Likelihood. Stationarity. Duration Data. Truncation.

AB In this paper, we discuss how to best exploit the information contained in spells that are in progress when an observation period begins, that is, left-censored and left-truncated duration data. We provide a survey of censoring and truncation mechanisms in event history models. We describe some approaches that have been suggested in the literature to deal with left-censoring. Our contribution is the description of ways to employ additional information to obtain more efficient parameter estimates using the left-censored information, and particularly, the derivation of the associated likelihood expressions. In order to use the information efficiently, we often resort to the stationarity assumption. Hence, we provide a Hausman test for this assumption. The second part of the paper briefly presents some empirical examples that demonstrate the efficiency gains associated with the use of the information contained in the left-censored observations. In particular, we show how the use of some additional pieces of information allows us to obtain more efficient estimates of the parameters of interest.

Dabla-Norris, Era

PD June 2000. **TI** A Game-Theoretic Analysis of Corruption in Bureaucracies. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/106; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 19. **PR** not available. **JE** C72, D23, D73, H11. **KW** Corruption. Hierarchies. Bureaucracies.

AB This paper examines interactions between self-interested agents in a two-tier government hierarchy, consisting of a central authority and bureaucrats in a two-stage game, where the actions of agents affect private sector allocations. Conditions under which lower-tier corruption arises as an equilibrium characterization of the game are identified. If bureaucratic corruption sufficiently reduces the tax base, policies that deter corruption may be optimal. When monitoring is expensive or ineffective, lower-level corruption arises as equilibrium. Tax farming and the sale of offices can occur in these equilibria. In addition, strategic complementarities between bureaucrats may give rise to multiple equilibria.

Dabos, Marcelo

PD June 2000. **TI** Real Exchange Rate Response to Capital Flows in Mexico: An Empirical Analysis. **AU** Dabos, Marcelo; Juan-Ramon, V. Hugo. **AA** Dabos: University of San Andres. Juan-Ramon: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/108; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 33. **PR** not available. **JE** C22, C51, F31, F32. **KW** Exchange Rates. Capital Inflows. Trade. Productivity. Mexico.

AB This study shows that in Mexico there is a long-run relationship between the real exchange rate and capital inflows, the external terms of trade, and productivity in the manufacturing sector. A once-and-for- all unit increase in the ratio of quarterly capital inflow to quarterly (moralized) gross domestic product causes a long-run real appreciation of the peso of about 12 percent. The analysis also reveals a structural break in 1995, which coincides with the change to a floating exchange rate arrangement, and an overvaluation of the peso in real terms on the eve of the end-1994 crisis in the range of 12 to 25 percent.

Dale, Stacy Berg

PD August 1999. **TI** Estimating the Payoff to Attending a More Selective College: An Application of Selection on Observables and Unobservables. **AU** Dale, Stacy Berg; Krueger, Alan B. **AA** Dale: Andrew W. Mellon Foundation. Krueger: Princeton University. **SR** National Bureau of Economic Research Working Paper: 7322; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 31. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, I21, J24, J31, L15. **KW** College Quality. Selection Bias. Fixed Effects Models. Education. Wages.

AB There are many estimates of the effect of college quality on students' subsequent earnings. One difficulty interpreting past estimates, however, is that elite colleges admit students, in part, based on characteristics that are related to their earnings capacity. Since some of these characteristics are unobserved by researchers who later estimate wage equations, it is difficult to parse out the effect of attending a selective college from the students' pre-college characteristics. This paper uses information on the set of colleges at which students were accepted and rejected to remove the effect of unobserved characteristics that influence college admission. Specifically, the authors match students in the newly collected College and Beyond (C&B) Data Set who were admitted to and rejected from a similar set of institutions, and estimate fixed effects models. As another approach to adjust for selection bias, the authors control for the average SAT score of the schools to which students applied. They find that students who attended more selective colleges do not earn more than other students who were accepted and rejected by comparable schools but attended less selective colleges. However, the average tuition charged by the school is significantly related to the students' subsequent earnings.

Damjanovic, Tatiana

TI The Russian Financial Crisis and its Consequences for Central Asia. **AU** Pastor, Gonzalo; Damjanovic, Tatiana.

Dascher, Kristof

PD August 2000. **TI** Trade, FDI and Congestion -- The Small and Very Open Economy. **AA** European University Viadrina. **SR** CEPR Discussion Paper: 2526; 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, F23, R23. **KW** Foreign Direct Investment. Open City. Small Open Economy.

AB Typically, a small and open economy trades goods at given world prices. Here, we present a model of a very open small economy, where capital and labor are internationally mobile, too. When investing into infrastructure, the economy's government attracts not only mobile capital but mobile labor. These capital and labor inflows into the economy reinforce each other. They contribute to rising welfare for land owning indigenous households. But all potential benefits for land renting immigrant households are capitalized into higher land rents. The paper is also an attempt to give an account of the recent economic boom in Ireland.

Davies, James B.

PD December 2000. **TI** Optimal Tax Mix in a Two-Sector Growth Model with Transitional Dynamics. **AU** Davies, James B.; Zhang, Jie; Zeng, Jinli. **AA** Davies: University of Western Ontario. Zhang: Victoria University of Wellington. Zeng: National University of Singapore. **SR** University of Western Ontario, Department of Economics Research Report: 2000/17; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 31. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** E62, H21, H24, H25, O41. **KW** Growth. Transitional Dynamics. Optimal Taxation. Subsidies.

AB This paper examines the problem of optimal tax mix analytically in a two-sector growth model with transitional dynamics. Tax revenue is required to provide a pure public good. The key problems are: over- consumption of leisure under labor income or consumption taxes; and under-investments in human and physical capital under income taxes. Without investment subsidies, consumption taxes do better than uniform income taxes, but can be improved on locally via positive taxation of physical capital income and a negative tax on labor income. With subsidies the first best can be achieved in a system where: (i) consumption and labor income taxes are either zero or of the same rate but opposite signs; (ii) physical capital income taxes are used either exclusively or more heavily than labor income taxes when their rates are below 100 percent; and (iii) investment subsidy rates equal income tax rates for both forms of capital, respectively. In any given circumstances, a range of alternative tax mixes may provide equivalent results. This result, combined with practical constraints, may help to explain the variety of tax mixes observed across countries.

Davies, Ronald B.

TI The Effects of Bilateral Tax Treaties on U.S. FDI Activity. **AU** Blonigen, Bruce A.; Davies, Ronald B.

Davoodi, Hamid

TI Corruption and the Provision of Health Care and Education Services. **AU** Gupta, Sanjeev; Davoodi, Hamid; Tiongson, Erwin.

Dawson, Na Li

PD September 2000. **TI** Voluntary Agreements with Industries: Participation Incentives with Industry-Wide Targets. **AU** Dawson, Na Li; Segerson, Kathleen. **AA** University of Connecticut. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 72/2000; "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** D21, D62, K32, L14, Q29. **KW** Voluntary Agreements. Environmental Protection. Free Riding. Emissions Tax.

AB We develop a multiple-firm model of an industry's voluntary adoption of environmental protection measures to achieve a predetermined industry-wide emissions reduction target under an explicit threat of imposition of an emissions tax. We examine the free-riding incentive of individual firms and its impact on the viability of a voluntary approach to pollution control (VA). We find that despite the free- riding problem, there is an incentive for a sub-group of firms in an industry to participate in a VA. There always exists an equilibrium VA with at least one firm participating. A VA is strictly preferred by firms and an industry as a whole, although it is cost inefficient from society's point of view. However, if a VA can save transaction costs significantly relative to an emissions tax, it could still be socially preferred. Finally, we show that the free-riding problem does not necessarily get worse with an increase in industry size. However, the cost saving to the industry and the loss to the society (excluding transaction costs) increase with the size of an industry.

De Broeck, Mark

PD May 2001. **TI** Interpreting Real Exchange Rate Movements in Transition Countries. **AU** De Broeck, Mark; Slok, Torsten. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/56; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 34. **PR** not available. **JE** F31, G14, G15, P34. **KW** Real Exchange Rates. Transition Economies. Balassa-Samuelson Effects. Productivity.

AB Several transition countries have experienced strong real exchange rate appreciations. This paper tests the hypothesis that these appreciations reflect underlying productivity gains in the tradable sector. Using panel data over the period 1993-98, the results show clear evidence of productivity-driven exchange rate movements in the central and eastern European and Baltic countries. Transition countries, particularly the EU accession countries that have begun to catch up, can expect to experience further productivity-driven real exchange rate appreciations. Evidence from a large cross-section of non-transition countries indicates that catching up by one percent will be associated with a 0.4 percent real appreciation.

de Mello, Luiz

TI Transition Economies: How Appropriate is the Size and Scope of Government? **AU** Gupta, Sanjeev; Leruth, Luc; de Mello, Luiz; Chakravarti, Shamit.

PD May 2001. **TI** Fiscal Decentralization and Governance: A Cross-Country Analysis. **AU** de Mello, Luiz; Barenstein, Matias. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/71; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 30. **PR** not available. **JE** C31, D72, H71, H72. **KW** Governance. Fiscal Decentralization.

AB Based on cross-country data for up to 78 countries, this paper shows that fiscal decentralization -- the assignment of expenditure and revenue mobilization functions to subnational levels of government -- is associated with various indicators of governance, such as corruption, rule of law, and government effectiveness. Unlike previous studies in the decentralization/governance literature, which focus primarily on expenditure-based measures of decentralization, the results reported in this paper show that the relationship between decentralization and governance depends on how subnational expenditures are financed. The higher the share in total subnational revenues of nontax revenues and grants and transfers from higher levels of government, the stronger the association between decentralization and governance.

Decamps, Jean Paul

PD July 2000. **TI** Excessive Continuation and Dynamic Agency Costs of Debt. **AU** Decamps, Jean Paul; Faure-Grimaud, Antoine. **AA** Decamps: Universite des Sciences Sociales de Toulouse. Faure- Grimaud: London School of Economics. **SR** CEPR Discussion Paper: 2504; 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** G13, G34, L23. **KW** Debt. Dynamic Agency Costs. Excessive Continuation.

AB This paper analyses the incentives of the equity holders of a leveraged company to shut it down in a continuous time, stochastic environment. Keeping the firm as an ongoing concern has an option value but equity and debt holders value it differently. Equity holders' decisions exhibit excessive continuation and reduce the firm's value. Using a compound exchange option approach, we characterize the resulting agency costs of debt, derive the 'price' of these costs and analyze their dynamics. We also show how agency costs can be reduced by the design of debt and the possibility of renegotiation.

Dedola, Luca

PD July 2000. **TI** The Monetary Transmission Mechanism: Evidence from the Industries of Five OECD Countries. **AU** Dedola, Luca; Lippi, Francesco. **AA** Banca d'Italia. **SR** CEPR Discussion Paper: 2508; 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, E52, G32. **KW** Balance Sheet Data. Credit Channel. Interest Rate Channel. Monetary Policy Transmission.

AB This paper presents new evidence on the monetary transmission mechanism based on the effects that unexpected monetary policy shocks exert on the activity of 21 manufacturing industries in 5 OECD countries (France, Germany, Italy, UK and USA). The goal is twofold. First, documenting the cross-industry heterogeneity of monetary policy effects. Second, explaining this heterogeneity in terms of some microeconomic characteristics which are suggested by theory, using an original firm-level database. The results highlight the following empirical regularities: (i) a significant cross-industry heterogeneity of policy effects; (ii) a cross-industry distribution of policy effects similar across countries. These patterns are systematically related to the industry output durability and investment-intensity and to measures of firms' borrowing capacity, size, and interest payment burden. The "credit channel" variables are quantitatively as significant as the traditional ones (durability, investment intensity) in explaining the differential impact of monetary policy.

Defrancesco, Edi

PD September 2000. **TI** Recreation Management in Venice Lagoon. **AU** Defrancesco, Edi; Rosato, Paolo. **AA** Defrancesco: University of Padova. Rosato: University of Trieste. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 65/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 6. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D61, H41, Q10, Q25, Q28. **KW** Lagoon Use-Value. Contingent Valuation. Recreation Management.

AB Contingent Valuation (CV) is one of the most used methods for environmental resources evaluation, within cost benefit analysis. Here, CV is used to estimate the boating demand function of an important wetland in Italy: the Venice lagoon. Demand functions have been utilized to assess the consequences of an annual charge for lagoon recreational use by boats. Valuation has been carried out using the classic "bidding game" approach during interviews to a representative sample of boat owners which go on a trip to the lagoon. The representative group has been determined from a preliminary search within the wet docks facing the lagoon and within the moorage holders on the canals in the Venice historic center.

Dehejia, Rajeev

PD August 2000. **TI** Was There a Riverside Miracle? A Framework for Evaluating Multi-Site Programs. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 7844; 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** C11, I38, J31. **KW** Mulit-Site Programs. Treatment Effects. GAIN Initiative.

AB This paper uses data from the Greater Avenues for Independence (GAIN) initiative to discuss the evaluation of programs that are implemented at multiple sites. Two frequently used methods are to pool the data or to use fixed effects (an extreme version of which estimates separate models for each site). The former approach, however, ignores site effects. Though the latter estimates site effects, it lacks a framework for predicting the impact in subsequent implementations of the program (e.g., will a new implementation resemble Riverside of Alameda?). I develop a model for earnings that lies between these two extremes. For the GAIN data, I show that most of the differences across sites are due to differences in the composition of participants. I show also that uncertainty regarding predicting site effects is important. Finally, I demonstrate that the model is able to extrapolate site effects with reasonable accuracy, when the site for which the prediction is being made does not differ substantially from the sites already observed. For example, the San Diego treatment effects could have been predicted based on observable site characteristics, but the Riverside effects are consistently underestimated.

Dekle, Robert

PD May 2001. **TI** Domestic Bank Regulation and Financial Crises: Theory and Empirical Evidence from East Asia. **AU** Dekle, Robert; Kletzer, Kenneth. **AA** Dekle: University of Southern California. Kletzer: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/63; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 50. **PR** not available. **JE** E58, F21, F31, F34, F41. **KW** Currency Crises. Financial Fragility. Exchange Rate Regimes. Capital Inflows. Emerging Markets.

AB A model of the domestic financial intermediation of foreign capital inflows based on agency costs is developed for studying financial crises in emerging markets. In equilibrium, the banking system becomes progressively more fragile under imperfect prudential regulation and public sector loan guarantees until a crisis occurs with a sudden reversal of capital flows. The crisis evolves endogenously as the banking system becomes increasingly vulnerable through the renegotiation of loans after idiosyncratic firm-specific revenue shocks. The model generates dynamic relationships between foreign capital inflows, domestic investment, corporate debt and equity values in an endogenous growth model. The model's assumptions and implications for the behavior of the economy before and after crisis are compared to the experiences of five East Asian economies. The case studies compare two that suffered a crisis or near-crisis, Thailand and Malaysia, to two that did not, Taiwan Province of China and Singapore, and lend support to the model.

Dell'Ariccia, Giovanni

PD May 2001. **TI** Competition Among Regulators. **AU** Dell'Ariccia, Giovanni; Marquez, Robert. **AA** Dell'Ariccia: International Monetary Fund. Marquez:

University of Maryland. **SR** International Monetary Fund Working Paper: WP/01/73; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 24. **PR** not available. **JE** D62, G14, G21, G28. **KW** Externalities. Banking Regulation. Financial Integration.
AB This paper shows that competition among regulators reduces regulatory standards relative to a centralized solution. It suggests that a central regulator is more likely to emerge for homogeneous and financially integrated countries. The paper proves these results in a model where regulators concerned with their banking system's stability and efficiency and with their banks' profitability set their regulatory policy non-cooperatively. Externalities in bank regulation make the independent solution collectively inefficient. These externalities and the benefits of centralized regulation increase with financial integration, while the costs associated with the loss of independence decrease with the homogeneity of the countries involved.

Dell'Aringa, Carlo

PD September 2000. **TI** Inside the Black Box: Labour Market Institutions, Wage Formation and Unemployment in Italy. **AU** Dell'Aringa, Carlo; Lucifora, Claudio. **AA** Dell'Aringa: Universita Cattolica Sacro Cuore of Milano. Lucifora: Universita Cattolica Sacro Cuore of Piacenza. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 66/2000; "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** E24, J22, J23, J31, J64. **KW** Unemployment. Wages. Labor Markets. Institutions.
AB This study provides an assessment of the features that, operating "inside the black box", shape the evolution of the Italian economy. In the first section the focus is placed on the functioning of the labor market at the aggregate level. The picture described suggests that the Italian labor market is characterized by high employment rates for adult males and both low participation and low employment rates for other groups of individuals (such as young, old and females) and by a large share of long-term unemployment.

Dellas, Harris

TI Poole Revisited. **AU** Collard, Fabrice; Dellas, Harris; Ertz, Guy.

PD August 2000. **TI** Industrial Employment, Investment Equipment and Economic Growth. **AA** Universitat Bern and CEPR. **SR** CEPR Discussion Paper: 2523; 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** O14, O31, O57. **KW** Economic Development. Equipment Investment. Industrial Employment. Labor Intensive Technology.
AB The industrialization of labor is the main engine of growth during the early stages of economic development. In less developed countries, equipment investment has played a less important role than non- equipment investment; and it has only proved growth enhancing when it either encountered a substantial industrial labor force or fostered a large increase in the share of industrial employment. These findings draw attention to the effects of investment on the composition of the labor force; and unlike recent claims emphasizing industrialization via equipment investment, they suggest that employment industrialization policies may hold the key to success in the LDC world.

Deltas, George

PD May 2001. **TI** A Markov Based Entry-Exit Decomposition of Male/Female Employment Rate Differences Over the Life-Cycle. **AU** Deltas, George; Kim, GiSeung. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0111; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 25. **PR** not available. **JE** J16, J21, J22. **KW** Employment. Gender Gaps. Markov Models.
AB This paper introduces a decomposition methodology to analyze the determinants of the gender gap in employment rates. In particular, we investigate the degree to which the gender gap in employment rates is driven by differences in the male/female entry rates into part-time and full-time employment or driven by differences in the male/female exit rates from employment. We also investigate how the size of the gender gap and the relative importance of entry and exit rate (i) vary over the life-cycle, and (ii) depend on demographic characteristics. We find that the employment gender gap is driven primarily by the higher exit rates of women from full-time employment and to a lesser extent by the transitions of women from part-time employment. Further, the pattern of part-time employment differs across the genders. Finally, we find that the qualitative nature of the gap differs across demographic groups.

Deng, Xiaotie

PD September 2000. **TI** Dynamic Arbitrage-Free Asset Pricing with Proportional Transaction Costs. **AU** Deng, Xiaotie; Xu, Chunlei; Zhang, Shunming. **AA** Deng: City University of Hong Kong. Xu: Tsinghua University. Zhang: University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/13; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 13. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** G12. **KW** Valuation Theorems. Frictional Markets. Arbitrage-Freeness. Asset Pricing. Pricing Theory.
AB This paper studies arbitrage-free conditions for multiperiod asset pricing in frictional financial markets with proportional transaction costs. We consider the Euclidean space for weakly arbitrage-free security markets and strongly arbitrage-free security markets, and establish the weakly arbitrage-free pricing theorem and the strongly arbitrage-free pricing theorem.

Denicolo, Vincenzo

PD November 2000. **TI** A Signalling Model of Environmental Overcompliance. **AA** University of Bologna. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 77/2000; "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** K32, L13, L50, Q28.

KW Environmental Regulation. Overcompliance. Signaling. Asymmetric Firms.
AB I model environmental overcompliance as a signaling device. In the model, a benevolent government may or may not tighten environmental standards. Production costs under the stricter environmental regulation are private information to the firms, and tightening environmental policy is socially desirable only if such costs are sufficiently low. The key assumption of the model is that firms differ in the cost of complying, and so those firms that enjoy a comparative advantage may actually benefit from tighter regulation. In these circumstances, such firms may overcomply in order to signal to the government that compliance costs are low, thus inducing the government to enforce stricter regulation.

Denny, Kevin

PD July 2000. **TI** Education Policy Reform and the Return to Schooling from Instrumental Variables. **AU** Denny, Kevin; Harmon, Colm. **AA** University College Dublin. **SR** CEPR Discussion Paper: 2518; 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** C31, J24, J31. **KW** Earnings. Education. Instrumental Variables. Ireland.
AB This paper exploits an unusual policy reform that had the effect of reducing the direct cost of schooling in Ireland in the late 1960's. This gave rise to an increased level of schooling but with effects that vary substantially across family background. This interaction of educational reform and family background generates a set of instrumental variables that are used to estimate the return to schooling allowing for the endogeneity of schooling. Using a standard Mincer type model we find a large and well-determined rate of return of around 12 percent which is substantially higher than the OLS estimates of around 7 percent.

Devereux, Michael P.

PD September 2000. **TI** Taxing Multinationals. **AU** Devereux, Michael P.; Hubbard, R. Glenn. **AA** Devereux: Warwick University. Hubbard: Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 7920; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F21, F23, H21, H25. **KW** Multinationals. Taxation. Outbound Investment. Foreign Direct Investment.
AB This paper analyzes the effects of tax policy on the strategic choices of a domestic multinational company competing with a foreign multinational company in a third country. We demonstrate the role of the effective average tax rate and the effective marginal tax rate on the company's choices. We consider the impact on national welfare of alternative tax policies for outbound investment. Our results differ from existing models. In contrast to Feldstein and Hartman (1979), in our model, taxing foreign source income on accrual with a deduction for foreign taxes is not generally optimal. However, unlike Mintz and Tulkens (1996), the optimal policy for domestic and outbound investment is linked through the strategic choices of the multinational.

Diamantoudi, Effrosyni

PD October 2001. **TI** Stable Cartels Revisited. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/09; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 22. **PR** no charge. **JE** C79, D43, D49, L13. **KW** Cartel Stability. Foresight. Coalition Formation.
AB This paper analyzes cartel stability when firms are farsighted. It studies a price leadership model a la D' Aspremont et al. (1983), where the dominant cartel acts as a leader by determining the market price, while the fringe behaves competitively. According to D' Aspremont et al.'s approach, a cartel is stable if no firm has an incentive to either enter or exit the cartel. In deciding whether to deviate, a firm compares its status quo with the outcome its unilateral deviation induces. However, although the firm anticipates the price adjustment following its deviation, it ignores the possibility that more firms may exit (or enter) the cartel, and that therefore the cartel may eventually stabilize in a very different situation from the one the firm originally induced. We propose a notion of cartel stability that allows firms to fully foresee the result of their deviation. Our solution concept is built in the spirit of von Neumann and Morgenstern's (1944) stable set, while it modifies the dominance relation following Harsanyi's (1974) criticism. We show that there always exists a unique, non-empty set of stable cartels and provide an algorithm that determines it.

PD November 2001. **TI** Stable International Environmental Agreements: An Analytical Approach. **AU** Diamantoudi, Effrosyni; Sartzetakis, Eftichios. **AA** Diamantoudi: University of Aarhus. Sartzetakis: University of Macedonia and University College of Cariboo. **SR** Aarhus Department of Economics Working Paper: 2001/10; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 20. **PR** no charge. **JE** D62, D71, Q28. **KW** Environmental Agreements. Coalition Formation. Emissions.
AB *In this paper we examine the formation of International* Environmental Agreements (IEAs). We provide an analytical treatment of the main model used in the literature and offer a formal solution of it (which has not been available so far), while we clarify some misconceptions that exist in the literature. We find that the unique stable IEA consists of either two, three, or four signatories if the number of countries is greater than or equal to 5. Furthermore, we show that the welfare of the signatories of a stable IEA is very close to its lowest level vs. the welfare of signatories of other non-stable IEAs. While in our model countries' choice variable is emissions, we extend our results to the case where the choice variable is abatement efforts.

Diamond, Peter

TI Delays in Claiming Social Security Benefits. **AU** Coile, Courtney; Gruber, Jonathan; Diamond, Peter; Jousten, Alain.

Dibooglu, Selahattin

PD July 2001. **TI** Inflation, Output, and Stabilization in a High Inflation Economy: Turkey, 1980 - 2000. **AU** Dibooglu, Selahattin; Kibritcioglu, Aykut.

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AA Diboogiu: Southern Illinois University. Kibritcioglu: University of Illinois (visiting). SR University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0112; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. PG 29. PR not available. JE E31, E32. KW Stabilization Policy. Turkey. Inflation. Inflation Theories. Macroeconomic Developments. Time Series Models.

AB This paper surveys and examines the sources of fluctuations in inflation and output in Turkey. Using a dynamic open economy aggregate supply -- aggregate demand model with imperfect capital mobility and structural vector-autoregressions, the authors consider real oil price, supply, balance of payments, real demand, and monetary disturbances. Empirical results indicate that inflation is driven by monetary and real demand disturbances while output is mainly driven by aggregate supply disturbances. The historical decomposition shows that a substantial portion of inflation is aggregate demand-driven core inflation. A credible disinflation program accompanied by structural reform is likely to stabilize the economy with little output costs.

Diewert, Erwin

PD March 2002. **TI** Harmonized Indexes of Consumer Prices: Their Conceptual Foundations. **AA** University of British Columbia. **SR** European Central Bank Working Paper: 130; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 68. **PR** no charge. **JE** C43, D91, E31, E52, E58. **KW** Consumer Price Index. Superlative Indexes. Quality Change. Substitution Bias. Representativity Bias.

AB The Harmonized Index of Consumer Prices (HICP) is the single most important indicator of inflation used by the European Central Bank. Sections 2 to 4 of the paper look at the theory of inflation indexes that could be used as target indexes of inflation. A Consumer Price Index (CPI) emerges as perhaps the most useful target index. Four different approaches to index number theory are reviewed and the "best" index number formula from each perspective is determined. Section 6 looks at the methodology of the HICP in the light of the previous sections. Section 7 looks at some of the difficult measurement problems that must be addressed in a CPI or an HICP. These problems include the treatment of quality change, substitution or representativity bias, chained versus fixed base indexes, the choice of formula at the lowest level of aggregation and the treatment of owner occupied housing and seasonal commodities.

DiNardo, John

PD August 1999. **TI** The Phillips Curve is Back? Using Panel Data to Analyze the Relationship Between Unemployment and Inflation in an Open Economy. **AU** DiNardo, John; Moore, Mark P. **AA** DiNardo: UC Irvine and NBER. Moore: UC Irvine. **SR** National Bureau of Economic Research Working Paper: 7328; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 19. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, E24, E31, F41, J64. **KW** Phillips Curve. Unemployment. Inflation Expectations. Supply Shocks. Panel Data.

AB Expanding on an approach suggested by Ashenfelter (1984), we extend the Phillips curve to an open economy and exploit panel data to estimate the textbook "expectations augmented" Phillips curve with a market-based and observable measure of inflation expectations. We develop this measure using assumptions common in economic analysis of open economies. Using quarterly data from 9 OECD countries and the simplest econometric specification, we estimate the Phillips curve with the same functional form for the 1970s, 1980s, and 1990s. Our analysis suggests that although changing expectations played a role in creating the empirical failure of the Phillips Curve in the 1970s, supply shocks were at least as important.

Dippelsman, Robert J.

PD May 2001. **TI** Treatment of Mobile Phone Licenses in the National Accounts. **AU** Dippelsman, Robert J.; Maehle, Nils O. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/72; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 35. **PR** not available. **JE** C82, H54, H62, H82. **KW** National Accounts. Balance of Payments. License Payments. Financial Statistics.

AB The treatment of license payments in the national accounts has become increasingly important in recent years; with mobile phone licenses being auctioned for substantial values in several countries. Because the text of the System of National Accounts 1993 does not provide specific guidance on these licenses, their treatment needs to be decided on general principles. This paper concludes that there are usually two assets involved with mobile phone licenses, namely, the spectrum which is owned by the government, and the license which is an intangible nonproduced asset sold by the government to the licenseholder. The values of these two assets are linked complementarily. Alternative treatments of recording the license payments as sale of the spectrum itself, other taxes on production, production of a service, or rent, are considered and rejected. Methods of amortization of the license over its life are considered. An annex raises issues concerning the recognition of rights and obligations as assets and liabilities in national accounting.

Disyatat, Piti

PD May 2001. **TI** Currency Crises and the Real Economy: The Role of Banks. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/49; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 28. **PR** not available. **JE** E44, E50, F32, F34, G21. **KW** Currency Crises. Banking Crises. Foreign Currency Debt. Balance Sheet. Output.

AB This paper shows that the quality of banks within each country is one of the important factors that can account for the fact that developing economies tend to suffer more severe output contractions in the wake of a currency crisis than more mature economies. In particular, countries with a banking sector whose balance sheets are healthy, in terms of having high net worth and low foreign currency exposure, are much less likely to suffer a contraction in the wake of an unexpected depreciation.

Djankov, Simeon

PD August 2000. **TI** Disintegration. **AU** Djankov, Simeon; Freund, Caroline. **AA** Djankov: World Bank and CEPR. **SR** CEPR Discussion Paper: 2545; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F12, F13, F14, F15, P29. **KW** Disintegration. Soviet Union. Trade. Tariffs.

AB We study the effects of trade barriers and the persistence of past linkages on trade flows in the former Soviet Union (FSU). Estimating a gravity equation on 1987-1996 trade among and between nine Russian regions and fourteen FSU republics, we find that Russian regions traded 60 percent more with each other than with republics in the reform period (1994-1996). In contrast, they did not trade significantly more with each other than with republics in the pre-reform period (1987-90). Our results suggest that the bias towards domestic trade in the reform period is primarily a result of tariffs. We also find that past linkages, such as infrastructure, production and consumption chains, and business networks, have limited the reorientation of trade.

Dominguez, Kathryn M.

PD September 1999. **TI** The Market Microstructure of Central Bank Intervention. **AA** University of Michigan and NBER. **SR** National Bureau of Economic Research Working Paper: 7337; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C22, E58, F31, G14, G15. **KW** Central Banks. Exchange Rates. Market Microstructure. Intervention. Public Information.

AB One of the great unknowns in international finance is the process by which new information influences exchange rate behavior. This paper focuses on one important source of information to the foreign exchange markets, the intervention operations of the G-3 central banks. Previous studies using daily and weekly foreign exchange rate data suggest that central bank intervention operations can influence both the level and variance of exchange rates, but little is known about how exactly traders learn of these operations and whether intra-daily market conditions influence the effectiveness of central bank interventions. This paper uses high-frequency data to examine the relationship between the efficacy of intervention operations and the "state of the market" at the moment that the operation is made public to traders. The results indicate that some traders know that a central bank is intervening at least one hour prior to the public release of the information in newswire reports. Also, the evidence suggests that the timing of intervention operations matter. Finally, post-intervention mean reversion in both exchange rate returns and volatility indicate that dealer inventories are affected by market reactions to intervention news.

Dore, Ousmane

PD June 2000. **TI** Budgetary Convergence in the WAEMU: Adjustment Through Revenue or Expenditure? **AU** Dore, Ousmane; Nachega, Jean-Claude. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/109; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 31. **PR** not available. **JE** C22, C51, E62, F42, R11. **KW** Convergence. Granger Causality. Cointegration. West Africa. Expenditure.

AB A regional convergence pact adopted recently by the Conference of Heads of States of the West African Economic and Monetary Union provides a framework for fiscal convergence similar to the European Union's Maastricht Treaty. Using bivariate co-integration and error-correction models, this paper investigates the relationship between revenue and expenditure in seven member countries to determine the feasibility and nature of the policy adjustment required to meet the new convergence criteria. The results indicate that, in the long run, there is causality running from revenue to expenditure in Burkina Faso and Senegal, from expenditure to revenue in Benin and Togo, bidirectional causality in Cote d'Ivoire and Mali, and no causality in Niger.

Dosi, Cesare

PD July 2000. **TI** The Timing of Adoption of Cleaner Technologies: Private Costs and Public Incentives. **AU** Dosi, Cesare; Moretto, Michele. **AA** University of Padova. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 49/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 14. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** H32, O33, O38, Q28. **KW** Environmental Policy. Technological Change. Irreversibility. Network Externalities. Public Incentives.

AB Spontaneous adoption of cleaner technologies can be slowed down by various sources of inertia. Investment irreversibility, uncertainty about the actual private benefits, and the expectation of declining adoption costs due to the diffusion of environmental innovation, may involve a timing of technological migration incompatible with avoidance of excessive pollutant accumulation. In this paper we examine the implications of the sources of inertia on the design of public incentives aimed at accelerating abandonment of polluting technologies when the policy-maker faces incomplete information about the private switching costs.

Douglas, Bernheim B.

PD March 2000. **TI** How Much Should Americans Be Saving for Retirement? **AU** Douglas, Bernheim B.; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J. **AA** Douglas: Stanford University. Forni: Bank of Italy. Gokhale: Federal Reserve Bank of Cleveland. Kotlikoff: Boston University. **SR** Federal Reserve Bank of Cleveland Working Paper: 00/02; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 13. **PR** no charge. **JE** D12, E21. **KW** Retirement. Saving. Social Security.

AB How much should Americans save prior to retirement? Given Social Security's shaky financial condition, this is a critical question for baby boomers. A financial planning program -- ESPlanner -- is applied to data from the Health and Retirement Survey to consider the amount that households approaching retirement should save. ESPlanner calculates households' highest sustainable living standards under borrowing constraints, simultaneously determining the saving and life insurance required to preserve those living standards through time. Two alternative assumptions are made -- first, Social Security's promised benefits are fully paid and, second, benefits are permanently cut by 30 percent after 15 years. ESPlanner's recommended saving rates are found to be quite high for all except the poorest households. Moreover, if these households are assuming that Social Security benefits will be fully paid, their savings will turn out to be much too low if major benefit-cuts occur after the baby boomers retire.

Dridi, Ramdan

PD May 2000. **TI** Semi-Parametric Indirect Inference. **AU** Dridi, Ramdan; Renault, Eric. **AA** Dridi: London School of Economics. Renault: CREST-INSEE and Universite de Paris IX Dauphine. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/392; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 66. **PR** no charge. **JE** C13, C14, C15, C52. **KW** Indirect Inference. Partial Encompassing. Structural Models. Instrumental Models. Encompassing.

AB In this paper we develop a generalization of the Indirect Inference (II) methodology to semi-parametric settings, which we term Semi- parametric Indirect Inference (SII). We introduce a new notion of Partial Encompassing, which lays the emphasis on Pseudo True Values of Interest. The main difference with the older notion of encompassing is that some components of the pseudo-true value of interest associated with the structural parameters do correspond to true unknown values. This enables us to produce a theory of robust estimation despite misspecifications in the structural model being used as a simulator. We also provide the asymptotic probability distributions of our SII estimators as well as Wald Encompassing Tests, and advocate the use of Hausman-type tests on the required assumptions for the consistency of the SII estimators. We illustrate our theory with examples based on semi-parametric stochastic volatility models.

PD June 2000. **TI** Noise and Competition in Strategic Oligopoly. **AU** Dridi, Ramdan; Geraint, Laurent. **AA** Dridi: London School of Economics and Political Science. Geraint: London Business School and Ecole Superieure de Commerce. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/395; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 56. **PR** no charge. **JE** D43, D82, G14, G24. **KW** Competition. Noise. Price Manipulation. Oligopoly. Heterogeneous Beliefs.

AB In the situation of homogeneous beliefs, competition between informed traders destroys their trading profits, and trading with a noisy signal brings about a loss in the expected profits. In this paper, we propose a general study where N strategic informed agents have heterogeneous beliefs, (i.e., they are endowed with noisy information), trade with a noisy signal, and compete a la Nash. We prove the existence and uniqueness of a linear equilibrium. In this general framework we derive several striking results, and compare them to the situation of homogeneous beliefs. For example, we find that for certain regions of noise and numbers of competitors in excess of four, each individual expected profit is greater than the one obtained in the perfectly informed (and homogeneous beliefs) case. We also examine the particular case where each informed agent is endowed with a signal of the same precision.

PD June 2000. **TI** Simulated Asymptotic Least Squares Theory. **AA** London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/396; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 70. **PR** no charge. **JE** C13, C14, C15, C52. **KW** Asymptotic Least Squares. Simulation-Based Estimation. Efficiency. Method of Moments. Estimation.

AB In this paper we develop a general econometric methodology referred to as the Simulated Asymptotic Least Squares (SALS). It is shown that this approach provides a unifying theory for "approximation based" or simulation-based inference methods, and nests the Simulated Nonlinear Least Squares (SNLS), the Simulated Pseudo Maximum Likelihood (SPML), the Simulated Method of Moments (SMM) in both parametric and semiparametric settings, the Indirect Inference (II), and the Efficient Method of Moments (EMM). We produce a new notion of Efficiency Bounds in Direction and provide a general study of the efficiency in the SALS framework. In the particular case of the II and the EMM methods and when the instrumental model is of a generalized method of moments type, we characterize a new weighting matrix for a more efficient estimation about the structural parameters of interest. This new weighting matrix no longer corresponds, in the general case, to the classical one as characterized by Hansen (1982). Generalized global specification tests extending the previously existing ones are also proposed.

Dubey, Pradeep

PD December 2001. **TI** Competitive Pooling: Rothschild-Stiglitz Reconsidered. **AU** Dubey, Pradeep; Geanakoplos, John. **AA** Dubey: State University of New York. Geanakoplos: Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1346R; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 31. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** D41, D52, D81, D82. **KW** Pooling. Insurance. Adverse Selection. Signaling. Equilibrium Refinement.

AB We build a model of competitive pooling, which incorporates adverse selection and signaling into general equilibrium. Pools are characterized by their quantity limits on contributions. Households signal their reliability by choosing which pool to join. In equilibrium, pools with lower quantity limits sell for a higher price, even though each household's deliveries are the same at all pools. The Rothschild-Stiglitz model of insurance is included as a special case. We show that by recasting their hybrid oligopolistic-competitive story into our perfectly competitive framework, their separating equilibrium always exists, (even when they say it doesn't), and is unique.

Duflo, Esther

PD August 2000. **TI** Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7860; 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** I21, I28, J31, O15, O22. **KW** Education. Wages. Indonesia. School Construction.

AB Between 1973 and 1978, the Indonesian Government constructed over 61,000 primary schools throughout the country. This is one of the largest school construction programs on record. I evaluate the effect of this program on education and wages by combining differences across regions in the number of schools constructed with differences across cohorts induced by the timing of the program. The estimates suggest that the construction of primary schools led to an increase in education and earnings. Children ages 2 to 6 in 1974 received 0.12 to 0.19 more years of education for each school constructed per 1,000 children in their region of birth. Using the variations in schooling generated by this policy as instrumental variables for the impact of education on wages generates estimates of economic returns to education ranging from 6.8 percent to 10.6 percent.

Dustmann, Christian

PD August 2000. **TI** Racial and Economic Factors in Attitudes to Immigration. **AU** Dustmann, Christian; Preston, Ian. **AA** Dustmann: University College London and CEPR. **SR** CEPR Discussion Paper: 2542; 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, J15, J61, J71. **KW** Race. Immigration. Labor Market Competition. Minorities. Welfare.

AB Hostility towards minorities may sometimes have economic rather than racial motives. Labor market fears, or concerns about the welfare system, are often believed to manifest themselves in hostile attitudes towards population groups that are considered to be competitors for these resources. The question of how attitudes of majority populations towards immigration are determined is of great importance for implementing appropriate policies. We try to separate racial and economic components to such attitudes. Our analysis is based on the British Social Attitudes Survey, which includes questions on attitudes towards immigration from different minority groups, as well as attitudes towards related concerns, like job security and benefit expenditures. We specify and estimate a multiple factor model. The correlation between answers to questions on immigration and on related issues helps us separate different aspects to attitudes. We find that racial attitudes are strongly associated with hostility to immigration from ethnically distinct populations. Furthermore, there is evidence that welfare and labor market concerns are related to attitudes towards immigration, but only among skilled and highly educated workers.

Dvorak, Antonin

TI Negotiation Between Authority and Polluters -- Model for Support of Decision-Making in Environmental Policy: Principles and Experimental Case Test. **AU** Sauer, Petr; Dvorak, Antonin; Fiala, Petr.

Dynan, Karen E.

PD September 2000. **TI** Do the Rich Save More? **AU** Dynan, Karen E.; Skinner, Jonathan; Zeldes, Stephen P. **AA** Dynan: Federal Reserve Board. Skinner: Dartmouth College. Zeldes: Columbia University. **SR** National Bureau of Economic Research Working Paper: 7906; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 42. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D11, D12, D91, E21, H24. **KW** Saving Rates. Precautionary Saving. Wealthy Households. Life Cycle Models. Income Groups.

AB The issue of whether higher lifetime income households save a larger fraction of their income is an important factor in the evaluation of tax and macroeconomic policy. Despite an outpouring of research on this topic in the 1950s and 1960s, the question remains unresolved and has since received little attention. This paper revisits the issue, using new empirical methods and several household panel data sets. We first consider the various ways in which life cycle models can be altered to generate differences in saving rates by income groups: differences in Social Security benefits, different time preference rates, non- homothetic preferences, bequest motives, uncertainty, and consumption floors. Using a variety of instruments for lifetime income, we find a strong positive relationship between personal saving rates and lifetime income. The data do not support theories relying on time preference rates, non-homothetic preferences, or variations in Social Security benefits. Instead, the evidence is consistent with models in which precautionary saving and bequest motives drive variations in saving rates across income groups. Finally, we illustrate how models that assume a constant rate of saving across income groups can yield erroneous predictions.

Ebrill, Liam

TI Bank Debit Taxes in Latin America: An Analysis of Recent Trends. **AU** Coelho, Isaias; Ebrill, Liam; Summers, Victoria.

Egoume-Bossogo, Philippe

PD June 2000. **TI** Money Demand in Guyana. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/119; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 38. **PR** not available. **JE** E41, E44, E52, F31, P24. **KW** Guyana. Money Demand. Monetary Policy. Cointegration. Exchange Rates.

AB This paper analyzes broad money demand (M2) in Guyana from January 1990 to September 1999 -- a period marked by deep transformations aimed at shifting Guyana from a centralized to a market economy. The paper develops a stable error-correction model based on a long-run cointegrating vector of money demand. The latter establishes that real money demand is determined in the long run by real income, interest rates, and the exchange rate. The results also show the existence of strong exchange rate-induced inflation anticipations that are typical to Guyana.

Ehrmann, Michael

PD December 2001. **TI** Financial Systems and the Role of Banks in Monetary Policy Transmission in the Euro Area. **AU** Ehrmann, Michael; Gambacorta, Leonardo; Martinez-Pages, Jorge; Sevestre, Patrick; Worms, Andreas. **AA** Ehrmann: European Central Bank. Gambacora: Banca d'Italia. Martinez- Pages: Banco de Espana. Sevestre: Banque de France, Paris and Universite Paris Val de Marne. Worms: Deutsche Bundesbank. **SR** European Central Bank Working Paper: 105; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 36. **PR** no charge. **JE** C23, E44, E52, G21. **KW** Monetary Policy. Monetary Transmission. Financial Structure. Bank Lending.

AB This paper offers a comprehensive comparison of the structure of banking and financial markets in the euro area.

Based on this, several hypotheses about the role of banks in monetary policy transmission are developed. Many of the predictions that have been proposed for the U.S. are deemed unlikely to apply in Europe. Testing these hypotheses we find that monetary policy does alter bank loan supply, with the effects most dependent on the liquidity of individual banks. Unlike in the US, the size of a bank does generally not explain its lending reaction. We also show that the standard publicly available database, BankScope, obscures the heterogeneity across banks. Indeed, for several types of questions BankScope data suggest very different answers than more complete data that reside at national central banks.

Eisenberg, Theodore

PD August 1999. **TI** The Government as Litigant: Further Tests of the Case Selection Model. **AU** Eisenberg, Theodore; Farber, Henry S. **AA** Eisenberg: Cornell School of Law. Farber: Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7296; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 41. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C52, J28, K32, K41. **KW** Litigation. Case Selection Model. Federal District Court. Personal Injury. Job Discrimination.
AB We develop a model of the plaintiff's decision to file a law suit that has implications for how differences between the federal government and private litigants and litigation translate into differences in trial rates and plaintiff win rates at trial. Our case selection model generates a set of predictions for relative trial rates and plaintiff win rates depending on the type of case and whether the government is defendant or plaintiff. In order to test the model, we use data on about 350,000 cases filed in federal district court between 1979 and 1997 in the areas of personal injury and job discrimination where the federal government and private parties work under roughly similar legal rules. We find broad support for the predictions of the model.

Elder, Todd E.

TI Selection on Observed and Unobserved Variables: Assessing the Effectiveness of Catholic Schools. **AU** Altonji, Joseph G.; Elder, Todd E.; Taber, Christopher R.

Elosegui, Pedro

TI The Achievements and Failures of Argentina's Neo-Liberal Economic Policies. **AU** Baer, Werner; Elosegui, Pedro; Gallo, Andres.

Engel, Charles

TI Currency Unions and International Integration. **AU** Rose, Andrew K.; Engel, Charles.

Engel, Eduardo

PD June 2000. **TI** Optimal Fiscal Strategy for Oil Exporting Countries. **AU** Engel, Eduardo; Valdes, Rodrigo. **AA** Engel: University of Chile and NBER. Valdes: Ministry of Finance. **SR** International Monetary Fund Working Paper: WP/00/118; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 70. **PR** not available. **JE** E62, H61, H62, H63, Q43. **KW** Fiscal Policy. Oil Exporting Countries. Stabilization Funds. Exhaustible Resource. Adjustment Costs.
AB This paper develops simple guidelines for fiscal policy in oil producing countries, focusing on three issues: intergenerational oil distribution, precautionary saving, and adjustment costs. The paper presents a framework to analyze how the revenue generated by an exhaustible source of wealth that belongs to the government should be distributed between current and future generations. This framework is used to show the strengths and limitations of existing answers, which motivates a new approach for dealing with this question. The paper derives simple, closed form approximations to the optimal level of government expenditure when an important part of government revenue is generated by an uncertain and exhaustible natural resource such as oil. Price uncertainty, budget uncertainty, and the (possibly asymmetric) costs of adjusting expenditure levels are considered.

Engle, Robert F.

TI Time-Varying Betas and Asymmetric Effect of News: Empirical Analysis of Blue Chip Stocks. **AU** Cho, Young-Hye; Engle, Robert F.

TI Modeling the Impacts of Market Activity on Bid-Asks Spreads in the Option Market. **AU** Cho, Young-Hye; Engle, Robert F.

PD September 1999. **TI** CAViaR: Conditional Value at Risk By Quantile Regression. **AU** Engle, Robert F.; Manganelli, Simone. **AA** Engle: University of California, San Diego and NBER. Manganelli: University of California, San Diego. **SR** National Bureau of Economic Research Working Paper: 7341; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 37. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C14, C22, C51, G20. **KW** Value At Risk. Quantile Estimation. Distribution of Returns. Portfolio Choice. Genetic Algorithm.
AB Value at Risk has become the standard measure of market risk employed by financial institutions for both internal and regulatory purposes. Despite its conceptual simplicity, its measurement is a very challenging statistical problem and none of the methodologies developed so far give satisfactory solutions. Interpreting Value at Risk as a quantile of future portfolio values conditional on current information, the authors propose a new approach to quantile estimation which does not require any of the extreme assumptions invoked by existing methodologies (such as normality or i.i.d. returns). The Conditional Value at Risk or CAViaR model moves the focus of attention from the distribution of returns directly to the behavior of the quantile. The authors postulate a variety of dynamic processes for updating the quantile and use regression quantile estimation to determine the parameters of the updating process. They use a differential evolutionary genetic algorithm to optimize an objective function which is non-differentiable and hence cannot be optimized using traditional algorithms. Applications to simulated and real data provide empirical support to the methodology and illustrate the ability of these algorithms to adapt to new risk environments.

Enoch, Charles

PD May 2001. **TI** Indonesia: Anatomy of a Banking Crisis Two Years of Living Dangerously, 1997-99. **AU** Enoch, Charles; Baldwin, Barbara; Frecaut, Olivier; Kovanen, Arto. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/52;

International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 139. **PR** not available. **JE** G21, G28, G34, N25, O53. **KW** Banking Crises. Bank Restructuring. Blanket Guarantee. Lender of Last Resort. Banking Supervision.

AB This study looks at the first two years of the banking crisis that erupted in Indonesia in late 1997. It finds that the banking sector was weak at the outset, and that governance problems intensified the crisis and seriously delayed its resolution. Although a strategy was put in place over the initial months, protracted delays in implementation led to an explosion in the costs of resolution. By end- 1999, the critical elements to reconstruct the banking system were in place, and the political transition seemed completed; but, in a continuing unsettled environment, the new authorities still faced daunting challenges.

Epple, Dennis

PD August 2000. **TI** Neighborhood Schools, Choice, and the Distribution of Educational Benefits. **AU** Epple, Dennis; Romano, Richard. **AA** Epple: Carnegie Mellon University and NBER. Romano: University of Florida. **SR** National Bureau of Economic Research Working Paper: 7850; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H52, H71, H72, H73, I20. **KW** School Choice. Residential Choice. Neighborhood Formation. School Districts. Education.

AB School districts in the U.S. typically have multiple schools, centralized finance, and student assignment determined by neighborhood of residence. In many states, centralization is extending beyond the district level as states assume an increasing role in the finance of education. At the same time, movement toward increased public school choice, particularly in large urban districts, is growing rapidly. Models that focus on community-level differences in tax and expenditure policy as the driving force in determination of residential choice, school peer groups, and political outcomes are inadequate for analysis of multi-school districts and, hence, for understanding changing education policies. This paper develops a model of neighborhood formation and tax-expenditure policies in neighborhood school systems with centralized finance. Stratification across neighborhoods and their schools is likely to arise in equilibrium. Consequences of intra- district choice with and without frictions are characterized, including effects on the allocation of students across schools, tax and expenditure levels, student achievement, and household welfare.

Ergungor, Ozgur E.

PD March 2001. **TI** Market- vs. Bank-Based Financial Systems: Do Investor Rights Really Matter? **AA** Federal Reserve Bank of Cleveland. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/01; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 53. **PR** no charge. **JE** G10, G21, K42. **KW** Legal Traditions. Financial Markets. Investor Protection.

AB Why are common-law countries market-dominated and civil-law countries bank-dominated when either financial structure can promote economic growth? This paper provides an explanation tied to legal traditions. Civil-law courts have been less effective in resolving conflicts than common-law courts because civil-law judges traditionally refrain from interpreting the codes and creating new rules. In a civil- law environment, where potential conflicts between borrowers and individual lenders inhibit the development of markets because the courts are unable to penalize defrauding borrowers, banks can induce borrowers to honor their obligations by threatening to withhold services that only banks can provide. In other words, banks emerge as the primary contract enforcers in economies where courts are imperfect. Prevailing economic conditions and legal traditions are also shown to jointly determine the financial structure of a country. Therefore, although a country's legal tradition is permanent, the organization of its financial system may fluctuate over time between a bank-dominated structure and a market-dominated structure.

Erosa, Andres

PD March 2000. **TI** On Inflation as a Regressive Consumption Tax. **AU** Erosa, Andres; Ventura, Gustavo. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/01; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 27. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** D30, E31. **KW** Inflation. Heterogeneity. Distributional Effects. Consumption Tax. Monetary Growth Models.

AB Evidence on the portfolio holdings and transaction patterns of households suggests that the burden of inflation is not evenly distributed. We build a monetary growth model consistent with key features of cross-sectional household data and use this framework to study the distributional impact of inflation. At the aggregate level, our model economy behaves similarly to standard monetary growth models within the representative agent abstraction. Inflation has, however, important distributional effects since it is effectively a regressive consumption tax. Thus, neglecting the distributional consequences of inflation may prove misleading in assessing the effects of inflation in our economy.

PD May 2000. **TI** Financial Intermediation and Occupational Choice in Development. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/03; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 39. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** G21, G24, G32, O14, O23. **KW** Financial Intermediation. Occupational Choice. Capital Accumulation. Taxation. Development.

AB This paper presents evidence that the spread between the marginal product of capital and the return on financial assets is much higher in poor than in rich countries. A model with costly intermediation is developed. In this economy, individuals choose at each instant whether to work or to operate a technology. Entrepreneurs finance their business with their own savings and, if necessary, by borrowing from banks. I find that in this framework intermediation costs are not equivalent to a tax return of capital. The equivalence fails because costly intermediation not only affects the capital accumulation decision but also the occupational choice decision. I show that intermediation costs have important effects on per capita output and average business size in the economy. I conclude that taxing financial intermediaries can be a very bad policy for development.

Ertz, Guy

TI Poole Revisited. **AU** Collard, Fabrice; Dellas, Harris; Ertz, Guy.

Evans, George W.

PD February 2002. **TI** Monetary Policy, Expectations and Commitment. **AU** Evans, George W.; Honkapohja, Seppo. **AA** Evans: University of Oregon. Honkapohja: University of Helsinki. **SR** European Central Bank Working Paper: 124; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 28. **PR** no charge. **JE** D84, E31, E52. **KW** Commitment. Interest Rate Setting. Adaptive Learning. Stability. Determinacy.

AB Full commitment in monetary policy leads to equilibria that are superior to those from optimal discretionary policies. Different types of reactions functions to implement and instrument rules to approximate full commitment have been proposed in the literature. We assess optimal reaction functions and instrument rules, in terms of whether they lead to an RE equilibrium that is both locally determinate and stable under adaptive learning by private agents. The reaction function that appropriately depends explicitly on private expectations performs best on both counts.

Evans, Martin D. D.

PD August 1999. **TI** Order Flow and Exchange Rate Dynamics. **AU** Evans, Martin D. D.; Lyons, Richard K. **AA** Evans: Georgetown University and NBER. Lyons: UC Berkeley and NBER. **SR** National Bureau of Economic Research Working Paper: 7317; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F31, F41, G15. **KW** Nominal Exchange Rates. Market Microstructure. Order Flow. Random Walk. Exchange Rate Dynamics.

AB Macroeconomic models of nominal exchange rates perform poorly. In sample, R-squared statistics as high as 10 percent are rare. Out of sample, these models are typically out-forecast by a naive random walk. This paper presents a model of a new kind. Instead of relying exclusively on macroeconomic determinants, the model includes a determinant from the field of microstructure-order flow. Order flow is the proximate determinant of price in all microstructure models. This is a radically different approach to exchange rate determination. It is also strikingly successful in accounting for realized rates. Our model of daily exchange-rate changes produces R-squared statistics above 50 percent. Out of sample, our model produces significantly better short- horizon forecasts than a random walk. For the DM/$ spot market as a whole, we find that $1 billion of net dollar purchases increases the DM price of a dollar by about 1 pfenning.

Fair, Ray C.

PD December 2001. **TI** Bootstrapping Macroeconometric Models. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1345; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 24. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C15, C51, C52. **KW** Bootstrapping. Stochastic Simulation. Macroeconometric Models.

AB This paper outlines a complete bootstrapping approach to the estimation and analysis of macroeconometric models. It combines the bootstrapping literature initiated by Efron (1979) and the stochastic simulation literature initiated by Adelman and Adelman (1959).

Fan, Jianqing

PD April 2000. **TI** Adaptive Varying-Coefficient Linear Models. **AU** Fan, Jianqing; Yao, Qiwei; Cai, Zongwu. **AA** Fan: University of North Carolina at Chapel Hill. Yao: London School of Economics. Cai: University of North Carolina at Charlotte. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/388; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 46. **PR** no charge. **JE** C22. **KW** Backfitting. Cross Validation. Local Linear Regression. Smoothing Index. Varying Coefficients.

AB Varying-coefficient linear models arise from multivariate nonparametric regression, nonlinear time series modeling and forecasting, functional data analysis, longitudinal data analysis, and other sources. It has been a common practice to assume that the varying coefficients are functions of a given variable, which is often called an index. A frequently asked question is which variable should be used as the index. In this paper, we explore the class of the varying- coefficient linear models in which the index is unknown and is estimated as a linear combination of regression and/or other variables. This will enlarge the modeling capacity substantially. We search for the index such that the derived varying-coefficient model provides the best least-squares approximation to the underlying unknown multi-dimensional regression function. The search is implemented through the newly proposed hybrid backfitting algorithm. The generalized cross- validation method for choosing bandwidth is efficiently incorporated into the algorithm. We further extend the algorithm for the models with two indices. Simulation shows that the proposed methodology has appreciable flexibility to model complex multivariate nonlinear structures, and is practically feasible with average modern computers.

Farber, Henry S.

PD August 1999. **TI** Have Employment Reductions Become Good News for Shareholders? The Effect of Job Loss Announcements on Stock Prices, 1970-97. **AU** Farber, Henry S.; Hallock, Kevin F. **AA** Farber: Princeton University and NBER. Hallock: University of Illinois. **SR** National Bureau of Economic Research Working Paper: 7295; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C14, E24, E32, G14, J63. **KW** Job Loss.

Stock Prices. Labor Force Reductions. Kernel Density Estimation. Business Cycles.
AB The authors study the reaction of stock prices to announcements of reductions in force (RIFs) using a sample of nearly 3878 such announcements in 1176 large firms during the 1970-97 period collected from the Wall Street Journal Index. The authors note that, although there has been a dramatic secular increase in news stories related to job loss, the total number of actual announcements from the firms in their sample follows the business cycle quite closely. They then examine changes over time in standard summary statistics (means, meridians, fraction negative) of the distribution of stock market reactions as well as changes over time in kernel density estimates of this distribution. They find clear evidence that the distribution of stock market reactions has shifted to the right (become less negative) over time. One possible explanation for this change is that, over the last three decades, RIFs designed to improve efficiency have become more common relative to RIFs designed to cope with reductions in product demand. The authors find that, although this explanation shows some promise, most of the decline in the negative stock price reaction remains unexplained.

TI The Government as Litigant: Further Tests of the Case Selection Model. **AU** Eisenberg, Theodore; Farber, Henry S.

Farinha, Luisa

PD December 2001. **TI** The Bank Lending Channel of Monetary Policy: Identification and Estimation Using Portuguese Micro Bank Data. **AU** Farinha, Luisa; Robalo Marques, Carlos. **AA** Banco de Portugal, Lisbon. **SR** European Central Bank Working Paper: 102; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 41. **PR** no charge. **JE** C33, E44, E52, G21. **KW** Monetary Policy. Monetary Transmission. Bank Lending Channel. Identification. Nonstationary Panel. Cointegration.
AB This paper investigates the existence of the bank-lending channel in the transmission of monetary policy using Portuguese micro bank data. In contrast to the conventional approach, which addresses the identification issue by resorting to reduced form equations for bank credit with variables in differences, we directly estimate loan-supply schedules with variables in levels, thereby exploiting recent results on cointegration for panel data. We conclude that there is evidence of the existence of a bank-lending channel, and that the importance of the bank lending-channel is larger for less capitalized banks.

Farmer, Roger E. A.

TI Natural Rate Doubts. **AU** Beyer, Andreas; Farmer, Roger E. A.

Fasano, Ugo

PD June 2000. **TI** Review of the Experience with Oil Stabilization and Savings Funds in Selected Countries. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/112; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 20. **PR** not available. **JE** E62, H61, H62, Q43. **KW** Oil Funds. Copper Fund. Fiscal Policy. Stabilization Funds.
AB The main purposes of this paper are to review the operational modalities and experience of oil funds currently in place in Norway, Chile (copper fund), the State of Alaska, Venezuela, Kuwait, and Oman, and to draw some preliminary conclusions on their contribution to enhance fiscal management. The outcome so far of their experience has been mixed, with differences among countries reflecting the variety of objectives attached to the funds, the challenges in adhering to established rules, the institutional set-ups, and the soundness of the overall fiscal discipline in each country (or state).

Faure-Grimaud, Antoine

TI Excessive Continuation and Dynamic Agency Costs of Debt. **AU** Decamps, Jean Paul; Faure-Grimaud, Antoine.

PD July 2000. **TI** Public Trading and Private Incentives. **AU** Faure-Grimaud, Antoine; Gromb, Denis. **AA** Faure-Grimaud: London School of Economics and CEPR. Gromb: London Business School. **SR** CEPR Discussion Paper: 2505; 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** G31, G32. **KW** Blockholder Incentives. Public Trading. Stock Price Information.
AB This paper studies the link between public trading and the activity of a firm's large shareholder who can affect firm value. Public trading results in the formation of a stock price that is informative about the large shareholder's activity. This increases the latter's incentives to engage in value increasing activities. Indeed, if he has to liquidate part of his stake before the effect of his activity is publicly observed, a more informative price rewards him for his activity. Implications of this perspective are derived for the decision to go public and security design.

Favero, Carlo A.

TI Measuring Co-Movements Between US and European Stock Markets. **AU** Bonfiglioli, Alessandra; Favero, Carlo A.

Fehr, Ernst

PD August 2000. **TI** The Robustness and Real Consequences of Nominal Wage Rigidity. **AA** Universitat Zurich and CEPR. **SR** CEPR Discussion Paper: 2516; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** E31, E52, J33. **KW** Nominal Wage Rigidity. Unemployment. Wage Flexibility.
AB Recent studies found evidence for nominal wage rigidity during periods of relatively high nominal GDP growth. It has been argued, however, that in an environment with low nominal GDP growth, when nominal wage cuts become customary, workers' opposition to nominal cuts would erode and, hence, firms would no longer hesitate to reduce nominal pay. If this argument is valid nominal wage rigidities are largely irrelevant because in a high-growth environment there is little need to cut nominal pay while in a low-growth environment the necessary cuts would occur. To examine this argument we use data from Switzerland where nominal GDP growth has been very low for many years in the 1990s. We find that the rigidity of nominal wages is a robust phenomenon that does not vanish in a low growth environment. In addition, it constitutes a considerable obstacle to real wage adjustments. In the absence of downward nominal rigidity, real wages would indeed be quite responsive to unemployment. Moreover, the wage sweep-ups caused by

nominal rigidity are strongly correlated with unemployment suggesting that downward rigidity of nominal wages indeed contributes to unemployment.

Feltenstein, Andrew

TI Private Costs and Public Infrastructure: The Mexican Case. **AU** Murphy, Russell D., Jr..; Feltenstein, Andrew.

Fiala, Petr

TI Negotiation Between Authority and Polluters -- Model for Support of Decision-Making in Environmental Policy: Principles and Experimental Case Test. **AU** Sauer, Petr; Dvorak, Antonin; Fiala, Petr.

Fidrmuc, Jan

PD July 1999. **TI** Stability of Monetary Unions: Lessons from the Break-up of Czechoslovakia. **AU** Fidrmuc, Jan; Horvath, Julius; Fidrmuc, Jarko. **AA** Fidrmuc, Jan: University of Bonn and Tilburg University. Horvath: Central European University. Fidrmuc, Jarko: Institute for Advanced Studies, Vienna. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 10; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 34. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** F33, F36, F42. **KW** Optimum Currency Areas. Asymmetric Shocks. Czechoslovakia. Monetary Union. Transition Economies.

AB In 1993, Czechoslovakia experienced a two-fold break-up: On January 1, the country disintegrated as a political union, while preserving an economic and monetary union. Then, the Czech-Slovak monetary union collapsed on February 8. We analyze the economic background of the two break-ups, and discuss lessons for the stability of monetary unions in general. We argue that Czechoslovakia fulfilled some of the optimum currency area criteria, however, given the low correlation of permanent shocks, it appears it was relatively less integrated than some other existing unions. That, along with low labor mobility and a higher concentration of heavy and military industries in Slovakia, made the Czechoslovak economy vulnerable to asymmetric economic shocks -- such as those induced by the economic transition. Furthermore, the Czech-Slovak monetary union was marred by low credibility, lack of political commitment, low exit costs, and the absence of fiscal transfers.

Fidrmuc, Jarko

PD April 1999. **TI** Trade Diversion in the 'Left-Outs' in the Eastward Enlargement of the European Union: The Case of Slovakia. **AA** Institute for Advanced Studies, Vienna. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 08; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 16. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** F15, F41, F42. **KW** Trade Predictions. Gravity Models. European Union. Slovakia. International Trade.

AB I analyze three scenarios including no Eastward enlargement of the EU and the accession of Central European countries including and excluding Slovakia. The formulation of these scenarios is derived from the evidence on former relations between EU and EFTA as estimated by gravity models for total trade and major SITC one-digit commodity groups. A significant part of Slovakia's extraordinary trade relations with the Czech Republic will diminish if the country does not participate in the first wave of Eastward enlargement of the EU. These export losses can be compensated by export gains to Hungary and Poland.

TI Stability of Monetary Unions: Lessons from the Break-up of Czechoslovakia. **AU** Fidrmuc, Jan; Horvath, Julius; Fidrmuc, Jarko.

Flood, Robert P.

PD July 2000. **TI** An Interest Rate Defense of a Fixed Exchange Rate? **AU** Flood, Robert P.; Jeanne, Olivier. **AA** International Monetary Fund. **SR** CEPR Discussion Paper: 2507; 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** F32, F33. **KW** Fiscal Policy. Fixed Exchange Rate Regime. Speculative Attack.

AB Defending a government's exchange-rate commitment with active interest rate policy is not an option in the Krugman-Flood-Garber (KFG) model of speculative attacks. In that model, the interest rate is the passive reflection of currency-depreciation expectations. In this paper we show how to adapt the KFG model to allow for an interest rate defense. It is shown that increasing domestic-currency interest rate makes domestic assets more attractive according to an asset substitution effect, but weakens the domestic currency by increasing the government's fiscal liabilities. As a result raising the interest rate hastens the speculative attack when speculation is motivated by underlying fiscal fragility.

Forni, Lorenzo

TI How Much Should Americans Be Saving for Retirement? **AU** Douglas, Bernheim B.; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J.

TI The Mismatch Between Life Insurance Holdings and Financial Vulnerabilities: Evidence from the Health and Retirement Survey. **AU** Bernheim, B. Douglas; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J.

Forni, Mario

PD July 2000. **TI** The Generalized Dynamic Factor Model: Representation Theory. **AU** Forni, Mario; Lippi, Marco. **AA** Forni: Universita di Modena and CEPR. Lippi: Universita di Roma La Sapienza. **SR** CEPR Discussion Paper: 2509; 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** C13, C33, C43. **KW** Dynamic Factor Structure. Dynamic Principal Components. Idiosyncratic Components. Large Cross-Sections.

AB This paper, along with the companion paper Forni, Hallin, Lippi and Reichlin (1999), introduces a new model-the generalized dynamic factor model-for the empirical analysis of financial and macroeconomic data sets characterized by a large number of observations both cross-section and over time. This model provides a generalization of the static approximate factor model of Chamberlain (1983) and Chamberlain and Rothschild (1983) by allowing serial correlation within and across individual processes, and of the dynamic factor model of Sargent and Sims (1977) and Geweke (1977) by allowing for non-orthogonal idiosyncratic terms. While the companion paper concentrates on identification and estimation, here we give a full characterization of the generalized dynamic factor model in terms of observable spectral density matrices, thus laying a firm basis for empirical implementation of the model. Moreover, the common factors are obtained as limits of linear combinations of dynamic principal components. Thus the paper reconciles two seemingly unrelated statistical constructions.

Forslid, Rikard

TI What We Cannot Learn From the Irish Experience: A Fundamental Asymmetry of Asymmetric Shocks. **AU** Andersson, Fredrik; Forslid, Rikard.

Francois, Joseph

PD August 2000. **TI** Victims of Progress: Economic Integration, Specialization and Wages for Unskilled Labor. **AU** Francois, Joseph; Nelson, Doug R. **AA** Francois: Erasmus University Rotterdam and CEPR. **SR** CEPR Discussion Paper: 2527; 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, F16, F21, F41, J31. **KW** Foreign Direct Investment. Wages. Globalization. Trade. Unskilled Workers.

AB In the literature, there is a series of arguments to the effect that trade cannot be responsible for the observed labor market trends because trade with developing countries is quantitatively too small to have significant labor market effects. In this paper we demonstrate that intra-industry trade (or foreign direct investment) between identical countries could produce the observed deterioration in the relative wages of unskilled workers. This involves a model of North- North integration through either increased trade flows or increased multinational-enterprise-based production. We also introduce a relatively unexploited class of models that possesses attractive properties with respect to the explicit incorporation of firm-theoretic considerations in trade models.

PD August 2000. **TI** Preferential Trade Arrangements, Induced Investment, and National Income in a Heckscher-Ohlin-Ramsey Model. **AA** Erasmus University Rotterdam and CEPR. **SR** CEPR Discussion Paper: 2535; 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, F13, F15, F41, F43. **KW** Regional Integration. Growth. Trade. Investment. Integration.

AB We develop a Heckscher-Ohlin-Ramsey model, combining dual techniques with classic geometric techniques from trade theory. This framework is used to explore the long-run general equilibrium effects of regional integration (preferential trade agreements). Emphasis is placed on positive mechanics related to adjustment in the capital stock, long-run changes in the pattern of trade, and the implications for changes in long-run (steady-state) national income. The importance of relative country size and the dynamic implications for third countries are also addressed.

Frankel, David M.

TI Equilibrium Selection in Global Games with Strategic Complementarities. **AU** Morris, Stephen; Frankel, David M.; Pauzner, Ady.

Frankel, Jeffrey A.

PD August 2000. **TI** Estimating the Effect of Currency Unions on Trade and Output. **AU** Frankel, Jeffrey A.; Rose, Andrew K. **AA** Frankel: Harvard University and NBER. Rose: University of California, Berkeley and NBER. **SR** National Bureau of Economic Research Working Paper: 7857; 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** F12, F33, F41, F43, O41. **KW** Currency Union. Trade. Output. Growth.

AB Gravity-based cross-sectional evidence indicates that currency unions stimulate trade; cross-sectional evidence indicates that trade stimulates output. This paper estimates the effect that currency union has, via trade, on output per capita. We use economic and geographic data for over 200 countries to quantify the implications of currency unions for trade and output, pursuing a two-stage approach. Our estimates at the first state suggest that belonging to a currency union more than triples trade with the other members of the zone. Moreover, there is no evidence of trade-diversion. Our estimates at the second stage suggest that every one percent increase in trade (relative to GDP) raises income per capita by roughly 1/3 of a percent over twenty years. We combine the two estimates to quantify the effect of currency union on output. Our results support the hypothesis that the beneficial effects of currency unions on economic performance come through the promotion of trade, rather than through a commitment to non- inflationary monetary policy, or other macroeconomic influences.

PD August 2000. **TI** Globalization of the Economy. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7858; 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** F00, F10, F30, F40, N70. **KW** Globalization. Trade. Growth. International Integration. Integration.

AB Globalization of trade and finance has come a long way over the last half-century. But it is less impressive than most non-economists think, judged either by the standard of 100 years ago or by the hypothetical standard of perfect international integration. This paper documents the extent of globalization, and some reasons for the barriers that remain. It then briefly considers the implications for economic growth and the implications for goals not measured by gross domestic product, such as equality and the environment. The conclusion is that globalization is not the primary obstacle to efforts to address such concerns.

PD September 1999. **TI** No Single Currency Regime is Right for All Countries or at All Times. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7338; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 38. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E42, E52, F31, F41, G15. **KW** Exchange Rates. Currency Board. Optimum Currency Area. Credibility. Latin America.

AB This essay considers some prescriptions that are currently popular regarding exchange rate regimes: a general movement toward floating, a general movement toward fixing, or a general movement toward either extreme and away from the middle. The whole spectrum from fixed to floating is covered (including basket pegs, crawling pegs, and bands), with special attention to currency boards and dollarization. One overall theme is that the appropriate exchange rate regime varies depending on the specific circumstances of the country in question (which includes the classic optimum currency area criteria, as well as some newer criteria related to credibility) and depending on the circumstances of the time period in question (which includes the problem of successful exit strategies). Latin American interest rates are seen to be more sensitive to US interest rates when the country has a loose dollar peg than when it has a tight peg. It is also argued that such relevant country characteristics as income correlations and openness can vary over time, and that the optimum currency area criterion is accordingly endogenous.

Frecaut, Olivier

TI Indonesia: Anatomy of a Banking Crisis Two Years of Living Dangerously, 1997-99. **AU** Enoch, Charles; Baldwin, Barbara; Frecaut, Olivier; Kovanen, Arto.

Fredriksson, Per G.

PD October 2001. **TI** Trade Integration and Political Turbulence: Environmental Policy Consequences. **AU** Fredriksson, Per G.; Mani, Muthukumara. **AA** Fredriksson: Southern Methodist University. Mani: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/150; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 18. **PR** $15.00. **JE** D72, D78, F13, Q28. **KW** Trade Liberalization. Political Instability. Lobbying. Uncertainty. Environmental Regulations.

AB This paper contributes to the issue of the effect of economic integration on environmental policy. In particular, the joint impact of trade openness and political uncertainty is discussed. The theory outlined predicts that the effect of trade integration on the environment is conditional on the degree of political uncertainty. Trade integration raises the stringency of environmental policies, but the effect is reduced when the degree of political uncertainty is great. Political uncertainty has a positive effect on environmental policy as it reduces lobbying efforts. Applying this model to a unique data set of primarily developing countries, the empirical findings support the theory and are robust under alternative specifications.

Freund, Caroline

TI Disintegration. **AU** Djankov, Simeon; Freund, Caroline.

Fried, Joel

PD November 2000. **TI** High Closing. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/16; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html.

PG 15. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** G18, G24, G28, K22. **KW** High Closing. RT Capital. Securities Commission. Price Manipulation. Portfolio Management.

AB Price manipulation in financial markets is a prohibited activity, but identifying it is a problem in thinly traded securities markets. One service that clients expect of a portfolio manager is to provide up-to-date valuations. Actions to obtain these valuations are regarded as proper by the Exchange and, in the past, have not been considered price manipulation, even though they may give that appearance. I argue that the evidence in the RT Capital high closing case suggests that it was attempting to obtain these valuations rather than manipulate prices against its clients' interests. In effect, the regulators have extended the definition of price manipulation to prohibit activities that are to the benefit of the small investor and market efficiency and cannot be justified on a cost/benefit basis.

Froot, Kenneth A.

TI The Law of One Price Over 700 Years. **AU** Rogoff, Kenneth; Froot, Kenneth A.; Kim, Michael.

PD August 1999. **TI** The Market for Catastrophe Risk: A Clinical Examination. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7286; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 40. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D43, G13, G14, G22. **KW** Catastrophe Risk. Capital Markets. Risk Management. Financial Claims. Reinsurance.

AB This paper examines the market for catastrophe event risk -- i.e., financial claims that are linked to losses associated with natural hazards, such as hurricanes and earthquakes. This market is in transition as new approaches for transferring risk are being explored. The paper studies several recent transactions by USAA which use reinsurance capacity from capital markets, rather than only from reinsurers. We identify two puzzles concerning the cat protection purchased in these transactions: there is no coverage for the largest, most severe events; and premiums appear well above actuarial value. We demonstrate that both features deviate from what theory would predict, yet are characteristic of many transactions, not simply those of USAA. We then explore a number of possible explanations for the facts. The most compelling are combinations of capital market imperfections and market power on the part of reinsurers. Conclusions for broader capital market and risk management issues are discussed.

PD August 1999. **TI** The Evolving Market for Catastrophic Event Risk. **AA** Harvard University. **SR** National Bureau of Economic Research Working Paper: 7287; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G13, G14, G15, G22, L80. **KW** Catastrophe Risk. Capital Markets. Risk Transfer. Loss Triggers. Reinsurance.

AB This paper discusses the recent changes in the market for catastrophe risk. These risks have traditionally been distributed through the insurance and reinsurance systems. However, because insurance companies tend to share relatively small amounts of their cat exposures and because insurance companies' capital is threatened by large events, these risks are now being shared partly through the capital markets. In looking to likely future developments, the paper enumerates five key ingredients that successfully structured cat instruments are likely to share: retentions should be substantial; layers of protection should not be too high; dollar amounts of risk transfer should not be too small; loss triggers should be beyond cendent control; and loss triggers should be symmetrically transparent.

Fuerst, Timothy S.

TI Monetary Policy in a World Without Perfect Capital Markets. **AU** Carlstrom, Charles T.; Fuerst, Timothy S.

TI Taylor Rules in a Model that Satisfies the Natural Rate Hypothesis. **AU** Carlstrom, Charles T.; Fuerst, Timothy S.

TI Learning and the Central Bank. **AU** Carlstrom, Charles T.; Fuerst, Timothy S.

Fullerton, Don

PD July 2000. **TI** A Tax on Output of the Polluting Industry is not a Tax on Pollution: The Importance of Hitting the Target. **AU** Fullerton, Don; Hong, Inkee; Metcalf, Gilbert E. **AA** Fullerton: University of Texas and NBER. Hong: University of Texas. Metcalf: Tufts University and NBER. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 46/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 30. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** H21, H23, H25, Q25, Q28. **KW** Polluting Industry. Taxes. Optimal Taxation. Environmental Policy.

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

TI The Economics of Residential Solid Waste Management. **AU** Kinnaman, Thomas C.; Fullerton, Don.

Fuss, Catherine

TI The Interest Rate and Credit Channels in Belgium: An Investigation with Micro-Level Firm Data. **AU** Butzen, Paul; Fuss, Catherine: Vermeulen, Philippe.

Gaiotti, Eugenio

PD December 2001. **TI** Does Monetary Policy Have Asymmetric Effects? A Look at the Investment Decisions of Italian Firms. **AU** Gaiotti, Eugenio; Generale, Andrea. **AA** Banca d'Italia. **SR** European Central Bank Working Paper: 110; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 27. **PR** no charge. **JE** E22, E52, E58. **KW** Investment. Monetary Transmission. User Cost of Capital.

AB This paper studies the effects of monetary policy on the investment behavior of various categories of Italian firms, using a panel from the Company Accounts Data Service (Centrale dei Bilanci). The exercise aims to shed light on the quantitative importance of a channel of transmission operating through balance sheets. Financial variables matter (when defined as either cash flow or the stock of liquidity); small firms and firms which have a larger share of assets that cannot be used as collateral are more affected by monetary policy. In quantitative terms, the difference in the response of investment by different types of firms turns out not to be negligible; however, the implications of this finding for transmission asymmetries across euro- area countries should not be overemphasized. Our main policy conclusion is that monitoring the financial conditions of different types of firms is important in order to assess the overall monetary stance.

Gale, William G.

TI Perspectives on the Budget Surplus. **AU** Auerbach, Alan J.; Gale, William G.

Galeotti, Marzio

TI Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio.

TI Moving Skills From Hands to Heads: Import of Technology and Export Performance. **AU** Navaretti, Giorgio Barba; Galeotti, Marzio; Mattozzi, Andrea.

TI Emission Trading Restrictions with Endogenous Technological Change. **AU** Buonanno, Paolo; Carraro, Carlo; Castelnuovo, Efrem; Galeotti, Marzio.

PD August 2000. **TI** Moving Skills from Hands to Heads: Import of Technology and Export Performance. **AU** Galeotti, Marzio; Navaretti, Giorgio Barba. **AA** Galeotti: Universita degli Studi Di Bergamo. Navaretti: Universita degli Studi di Milano and Centro Studi Luca d'Agliano. **SR** CEPR Discussion Paper: 2525; 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** F14, F15, O19, O33. **KW** Export Performance. Regional Integration. Technology Imports. Textile Industry.

AB This paper examines the link between imported technologies and a country's export performance, as measured by product quality. The analysis is set against the background of the process of regional integration between the EU and its neighboring developing countries. The underlying question is whether trade integration fosters or dampens learning and technological upgrading. We find that unit values of exports from these countries to the EU rose steadily between 1988 and 1996, relative to the unit values of world exports to Europe. If increases in unit values satisfactorily proxy increases in product quality, then trade integration has fostered product upgrading and technological learning in the sample countries. We find that imported technologies and other sources of knowledge have a strong bearing on this pattern. Technological inflows are captured by the degree of involvement of European companies in export flows from our sample countries (Outward Processing Trade) and by the skill content of the machines imported.

Gallo, Andres

TI The Achievements and Failures of Argentina's Neo-

Liberal Economic Policies. **AU** Baer, Werner; Elosegui, Pedro; Gallo, Andres.

Gambacorta, Leonardo

PD December 2001. **TI** Bank-Specific Characteristics and Monetary Policy Transmission: The Case of Italy. **AA** Banca d'Italia, Rome. **SR** European Central Bank Working Paper: 103; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 19. **PR** no charge. **JE** E44, E51, E52. **KW** Monetary Policy. Transmission Mechanism. Bank Lending Channel.

AB This paper tests cross-sectional differences in the effectiveness of the bank lending channel of monetary policy in Italy from 1986 to 1998 using a panel approach. After a monetary tightening the decrease in deposits subject to reserve requirements is sharper for those banks that have less incentive to shield the effect of a monetary squeeze: small banks characterized by a higher ratio of deposits to loans and well-capitalized banks that have a greater capacity to raise other forms of external funds. As to lending, size does not affect the banks' reaction to a monetary policy impulse. This can be explained by a closer customer relationship, which provides an incentive for small banks, which are more liquid on average, to smooth the effects of a tightening on credit supplied. Banks' liquidity is the most significant factor enabling them to attenuate the effect of a decrease in deposits on lending.

TI Financial Systems and the Role of Banks in Monetary Policy Transmission in the Euro Area. **AU** Ehrmann, Michael; Gambacorta, Leonardo; Martinez-Pages, Jorge; Sevestre, Patrick; Worms, Andreas.

Gans, Joshua S.

PD August 2000. **TI** When Does Start-Up Innovation Spur the Gale of Creative Destruction? **AU** Gans, Joshua S.; Hsu, David H.; Stern, Scott. **AA** Gans: University of Melbourne. Hsu: MIT. Stern: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7851; 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** L11, L13, L14, O31, O32. **KW** Innovation. Competition. Creative Destruction. Product Market. Market Structure.

AB This paper is motivated by the substantial differences in start-up commercialization strategies observed across different high-technology sectors. Specifically, we evaluate the conditions under which start-up innovators earn their returns on innovation through product market competition with more established firms (such as in the electronics industry) as opposed to cooperation with these incumbents (either through licensing, strategic alliances, or outright acquisition as observed in the pharmaceutical industry). Though the benefits of cooperation include forestalling the costs of competition in the product market and avoiding duplicative investment in sunk assets, imperfections in the "market for ideas" may lead to competitive behavior in the product market. We test these ideas using a novel dataset of the commercialization strategies of over 100 start-up innovators. Our principal robust findings are that the probability of cooperation is increasing in the innovator's control over intellectual property rights, association with venture capitalists, and in the relative cost of control of specialized complementary assets. Our conclusion is that the propensity for pro-competitive benefits from start-up innovators reflects an earlier market failure, in the "market for ideas.".

Gardiner, Karin

TI Measuring Income Risk. **AU** Burgess, Simon; Gardiner, Karin; Jenkins, Stephen P.; Propper, Carol.

Garrod, Guy

TI Modelling Zero Bids in Contingent Valuation Surveys. **AU** Strazzera, Elisabetta; Scarpa, Riccardo; Calia, Pinuccia; Garrod, Guy; Willis, Ken.

TI Modelling Zero Bids in Contingent Valuation Surveys. **AU** Strazzera, Elisabetta; Scarpa, Riccardo; Calia, Pinuccia; Garrod, Guy; Willis, Ken.

Gatev, Evan

PD August 2000. **TI** Rebels, Conformists, Contrarians and Momentum Traders. **AU** Gatev, Evan; Ross, Stephen A. **AA** Gatev: Yale University. Ross: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7835; 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** G12, G14. **KW** Momentum Traders. Price Predictability. Contrarian Traders.

AB We develop a model of optimal investment with two types of agents with different beliefs about the market dynamics. Market conformists agree with the true log-normal price distribution and rebels believe in price predictability. Depending on their exact beliefs, the rebels may follow either a momentum or a contrarian strategy. It is difficult to detect rebels' beliefs that are not far-fetched from the market perspective. The long-run investment portfolios of both conformist and rebels need not be biased towards equities.

Gautier, Axel

PD July 2000. **TI** Delegation and Information Revelation. **AU** Gautier, Axel; Paolini, Dimitri. **AA** IRES and UCL. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 47/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 24. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C70, D23, D82, J41, L22. **KW** Incomplete Contracts. Delegation. Signaling Games. Asymmetric Information.

AB This paper addresses the question of delegation in an organization where there is an initial asymmetry of information between the principal and the agent. We assume that the principal cannot use revelation techniques a la Baron Myerson to elicit agent's superior information and in contrast, we posit that the decision and the state of the world parameter cannot be contracted for. With these simple contracts, we show that delegation is an alternative to contracting to elicit agent's information. We can show that delegated decisions completely reveal the state of the world to the principal. Therefore the principal can extract agent's information by giving up the control right over some decisions. As the organization takes a sequence of decisions, the information learned by the principal can be used for the other decisions. So delegation is only partial: the principal delegates some decisions and keeps control over others.

Geanakoplos, John

TI Competitive Pooling: Rothschild-Stiglitz Reconsidered. **AU** Dubey, Pradeep; Geanakoplos, John.

Generale, Andrea

TI Does Monetary Policy Have Asymmetric Effects? A Look at the Investment Decisions of Italian Firms. **AU** Gaiotti, Eugenio; Generale, Andrea.

TI Firm Investment and Monetary Policy Transmission in the Euro Area. **AU** Chatelain, Jean-Bernard; Generale, Andrea; Hernando, Iganzio; von Kalkreuth, Ulf; Vermeulen, Philippe.

Georgas, Dimitrios

PD June 2000. **TI** Assessment of Climatic Change Impacts on Coastal Zones in the Mediterranean: UNEP's Vulnerability Assessments Methodology and Evidence from Case Studies. **AA** UNEP/MAP Consultant, Athens, Greece. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 40/2000; "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** F42, Q22, Q24, Q25, Q28. **KW** Mediterranean. Greenhouse Effect. Climatic Changes. Sea-Level Changes. Coastal Zones.

AB The paper presents part of the overall United Nations Environment Program Mediterranean work on the Implications of Future Climatic Changes for the Mediterranean Coastal Region. Most of this was published in Climatic Changes and the Mediterranean; Environmental and societal impacts of climatic change and sea level rise in the Mediterranean region, Vol. 2, 1996. It compares the main findings, conclusions and recommendations of the regional and 11 site-specific studies in the Mediterranean, undertaken: a) to assess the likely implications of predicted climatic change on the natural and man-made environment and activities; b) to identify areas and systems most vulnerable to the expected change; and c) to suggest policies and measures that may avoid or reduce the negative impact of predicted change or adapt to such change. The evaluation of the methodology used in the preparation of site-specific studies is described and analyzed in detail, and the impact of the studies on national, regional and local development policies and plans is assessed.

Geraint, Laurent

TI Noise and Competition in Strategic Oligopoly. **AU** Dridi, Ramdan; Geraint, Laurent.

Geroski, Paul A.

PD December 2000. **TI** Exploring the Niche Overlaps Between Organizational Ecology and Industrial Economics. **AA** Competition Commission, London Business School, and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2649; 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** L10, L60. **KW** Industrial Economics. Industry Populations. Organizational Ecology.

AB The goal of this essay is to bring the work of organizational ecologists on population dynamics to the attention of economists. Following a relatively brief exposition of the basic structure of the arguments made by organizational ecologists, a number of areas where cross-fertilization between organizational ecology and economics seems promising is explored. These include: examining the limits of competitive exclusion, exploring how models that focus on selection between firms might apply to selection between products, linking models of population dynamics to models which explain changes in market structures over time, and understanding the sources of structural inertia that limit the ability of firms to react to market events.

PD December 2000. **TI** Modelling the Dynamics of Industry Populations. **AU** Geroski, Paul A.; Mazzucato, Mariana. **AA** Geroski: Competition Commission, London Business School, and Centre for Economic Policy Research. Mazzucato: Open University, Milton Keynes UK. **SR** CEPR Discussion Paper: 2650; 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** L10, L60. **KW** Industrial Economics. Industry Populations. Market Size. Organizational Ecology.

AB This paper examines four models that might be used to account for variations in the number of producers who operate in a particular market over the lifetime of that market. Two of these are standard economics textbook models, one is a non-standard model and one is a textbook model derived from the literature on organizational ecology. The four models have several observable differences and this opens up the possibility of testing any one against the others. These four models are applied to 93 years of data on the population of domestic car producers in the US car industry. The salient feature of this population is the very large rise and fall in the number of firms operating in the very early years of the industry, a phenomena which seems hard to account for using any of the three textbook models considered here.

Gershberg, Alec Ian

PD September 1999. **TI** Competition and the Cost of Capital Revisited: Special Authorities and Underwriters in the Market for Tax-Exempt Hospital Bonds. **AU** Gershberg, Alec Ian; Goldman, Fred; Grossman, Michael. **AA** National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7356; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 16. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G32, H74, I11, I18. **KW** Capital Costs. Tax Exempt. Hospital Bonds. Special Authorites.

AB We explore the effects of two kinds of competition on the cost of capital in the tax-exempt bond market: (1) competition amongst underwriters and (2) competition amongst issuers (most of which are quasi-public special authorities sanctioned by state governments). The first kind of competition -- essentially, competitive versus negotiated bidding processes -- has received considerable attention in the literature. The second kind of competition -- the number of potential issuers available to a beneficiary of a bond issue -- has received far less attention and is related to the level of decentralization of the market for issuing bonds. Studies of the effects of competition have often used small samples of bond issues -- often in one or a few states and for one or a few years -- to reach their conclusions. Using a national database covering fourteen years, we find that both kinds of competition lower interest rates, at least in the hospital sector.

Gershenson, Dmitriy

PD May 2001. **TI** Sanctions and Civil Conflict. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/66; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 37. **PR** not available. **JE** D60, D74, E61, H77. **KW** Sanctions. Conflict. Surrender. General Equilibrium.

AB Using a formal general equilibrium framework, this paper analyzes how sanctions imposed on the contestants in civil conflict affect the welfare of these contestants and the allocation of resources to conflict. It is shown that weak sanctions can hurt the contestant they are supposed to help, while strong sanctions augment the expected welfare of their intended beneficiaries. Moreover, sanctions are more likely to be successful if the contestant who is subject to sanctions can expect to derive a positive income in case of compliance. The likelihood of success rises as this income increases.

Ghosh, Aurobindo

TI Neyman's Smooth Test and Its Applications in Econometrics. **AU** Bera, Anil K.; Ghosh, Aurobindo.

Ghosh, Madanmohan

PD October 1998. **TI** Endogenous Effort and Intersectoral Labour Transfers Under Industrialization. **AU** Ghosh, Madanmohan; Whalley, John. **AA** Ghosh: University of Western Ontario. Whalley: University of Warwick, University of Western Ontario, and NBER. **SR** University of Western Ontario, Department of Economics Research Report: 9908; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 29. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** J62, O14, O47. **KW** Endogenous Effort. Labor Transfers. Growth. Developing Countries. Industrialization.

AB This paper discusses the welfare and one time growth effects from the intersectoral labor transfers that typically accompany early industrialization in the developing countries, suggesting that endogenous determination of effort is key to evaluating their significance. The authors begin with traditional Lewis models, where a small efficiency gain results from transferring labor from the traditional agricultural sector, in which labor receives its average product, to the modern sector in which laborers are paid their marginal products. The authors then formulate Lewis type models in which the product of effort and labor enters each sector's production function, and individuals in the traditional sector only receive a fraction of the return to their incremental effort due to average product pricing of labor. In this case, the level of effort in each sector is endogenously determined along with the intersectoral allocation of labor. The authors use this model to analyze growth processes in Thailand and South Korea over the period between the 1960s and 1990s. Results suggest significant contributions to growth from intersectoral labor transfers in Lewis models with endogenous effort, and negligible contributions from models without endogenous effort.

TI Evaluating Tax Reform in Vietnam Using General Equilibrium Methods. **AU** Chan, Nguyen; Ghosh, Madanmohan; Whalley, John.

PD April 1999. **TI** The Value of MFN Treatment to Developing Countries. **AU** Ghosh, Madanmohan; Perroni, Carlo; Whalley, John. **AA** Ghosh: University of Western Ontario. Perroni: University of Warwick. Whalley: University of Western Ontario, University of Warwick, and NBER. **SR** University of Western Ontario, Department of Economics Research Report: 9907; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 34. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** F13, F40, O19. **KW** Most Favored Nation. Trade Agreements. Developing Countries.

AB The authors discuss most favored nation (MFN) treatment in trade agreements, and its significance for developing countries, suggesting that its value to individual countries depends critically on the relevant model solution concept used to evaluate it. The authors analyze both rights to MFN treatment in foreign markets, and the obligation to grant MFN treatment in home markets. In a traditional competitive equilibrium framework, MFN gives benefits to small countries allowing them to free ride on bilateral tariff concessions exchanged between larger countries in GATT/WTO negotiating rounds. In a non-cooperative Nash equilibrium framework, MFN restrains retaliatory actions to be non-discriminatory. In a cooperative bargaining framework in which trade policies are jointly set, MFN changes the threat point and hence affects the bargaining solution. The authors use a calibrated numerical model of global trade in which they compute all three solution concepts and compare MFN and non MFN equilibria for each. They use the GTAP (1992) data base, concluding that quantitatively the most significant effect of MFN seems to be in its impact on bargaining rather than on competitive and Nash equilibrium solutions.

Gil-Alana, L. A.

PD November 2000. **TI** Testing of Seasonal Fractional Integration in UK and Japanese Consumption and Income. **AU** Gil-Alana, L. A.; Robinson, Peter M. **AA** Gil-Alana: Humboldt University and University of Navarre. Robinson: London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/402; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 34. **PR** no charge. **JE** C22, E21. **KW** Fractional Integration. Nonstationarity. Seasonality. Consumption. Income.

AB The seasonal structure of quarterly UK and Japanese consumption and income is examined by means of fractionally-based tests proposed by Robinson (1994). These series were analyzed from an autoregressive unit root viewpoint by Hylleberg, Engle, Granger, and Yoo (HEGY, 1990) and Hylleberg, Engle, Granger, and Lee (HEGL, 1993). We find that seasonal fractional integration, with amplitudes possibly varying across frequencies, is an alternative plausible way of modeling these series.

Gilboa, Itzhak

PD December 2001. **TI** Inductive Inference: An Axiomatic Approach. **AU** Gilboa, Itzhak; Schmeidler, David. **AA** Gilboa: Tel Aviv University and Cowles Foundation. Schmeidler: Tel Aviv University and Ohio State University. **SR** Yale Cowles Foundation Discussion Paper: 1339; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 21. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C14, C44, C53. **KW** Axiomatic Foundations. Inference. Ranking. Likelihood Functions. Prediction.

AB A predictor is asked to rank eventualities according to their plausibility, based on past cases. We assume that she can form a ranking given any memory that consists of finitely many past cases. Mild consistency requirements on these rankings imply that they have a numerical representation via a matrix assigning numbers to eventuality- case pairs, as follows. Given a memory, each eventuality is ranked according to the sum of the numbers in its row, over cases in memory. The number attached to an eventuality-case pair can be interpreted as the degree of support that the past case lends to the plausibility of the eventuality. Special instances of this result may be viewed as axiomatizing kernel methods for estimation of densities and for classification problems. Interpreting the same result for rankings of theories or hypotheses, rather than of specific eventualities, it is shown that one may ascribe to the predictor subjective conditional probabilities of cases given theories, such that her rankings of theories agree with rankings by the likelihood functions.

PD December 2001. **TI** Cognitive Foundations of Probability. **AU** Gilboa, Itzhak; Schmeidler, David. **AA** Gilboa: Tel Aviv University and Yale Cowles Foundation. Schmeidler: Tel Aviv University and Ohio State University. **SR** Yale Cowles Foundation Discussion Paper: 1340; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 13. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C10, C44, C53. **KW** Probability. Prediction. Ranking. Likelihood Functions.

AB Prediction is based on past cases. We assume that a predictor can rank eventualities according to their plausibility given any memory that consists of repetitions of past cases. In a companion paper, we show that under mild consistency requirements, these rankings can be represented by numerical functions, such that the function corresponding to each eventuality is linear in the number of case repetitions. In this paper we extend the analysis to rankings of events. Our main result is that a cancellation condition a la de Finetti implies that these functions are additive with respect to union of disjoint sets. If the set of past cases coincides with the set of possible eventualities, natural conditions are equivalent to ranking events by their empirical frequencies. More generally, our results may describe how individuals form probabilistic beliefs given cases that are only partially pertinent to the prediction problem at hand, and how this subjective measure of pertinence can be derived from likelihood rankings.

PD December 2001. **TI** Subjective Distributions. **AU** Gilboa, Itzhak; Schmeidler, David. **AA** Gilboa: Tel Aviv University and Cowles Foundation. Schmeidler: Tel Aviv University and Ohio State University. **SR** Yale Cowles Foundation Discussion Paper: 1341; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 9. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C11, C44. **KW** Bayesian Analysis. Subjective Distributions. Distribution.

AB A decision maker has to choose one of several random variables, with uncertainly-known distributions. As a Bayesian she behaves as if she knew the distributions. In this paper we suggest an axiomatic derivation of these (subjective) distributions, which is much more economical that the derivations by de Finetti or Savage. They derive the whole joint distribution of all the available random variables.

PD December 2001. **TI** A Derivation of Expected Utility Maximization in the Context of a Game. **AU** Gilboa, Itzhak; Schmeidler, David. **AA** Gilboa: Tel Aviv University and Cowles Foundation. Schmeidler: Tel Aviv University and Ohio State University. **SR** Yale Cowles Foundation Discussion Paper: 1342; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 11. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C71, D63, D81. **KW** Expected Utility. Utility Maximization. Game Theory.

AB A decision maker faces a decision problem, or a game against nature. For each probability distribution over the state of the world (nature's strategies), she has a weak order over her acts (pure strategies). We formulate conditions on these weak orders guaranteeing that they can be jointly represented by expected utility maximization with respect to an almost-unique state-dependent utility, that is, a matrix assigning real numbers to act-state pairs. As opposed to a utility function that is derived in another context, the utility matrix derived in the game will incorporate all psychological or sociological determinants of well- being that result from the very fact that the outcomes are obtained in a given game.

Gilleskie, Donna B.

PD August 2000. **TI** The Behavioral Dynamics of Youth Smoking. **AU** Gilleskie, Donna B.; Strumpf, Koleman S. **AA** Gilleskie: University of North Carolina, Chapel Hill and NBER. Strumpf: University of North Carolina, Chapel Hill. **SR** National Bureau of Economic Research Working Paper: 7838; 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** D12, I11, I12. **KW** Smoking. Youth. Addiction. Price Elasticities.

AB While individual smoking behavior persists over time, it is unknown whether this repeated behavior is due to addiction or individual propensities to smoke. To address this issue, we develop a dynamic empirical model of smoking decisions which explicitly accounts for the impact of previous smoking behavior and allows for unobserved individual heterogeneity. The model is estimated using longitudinal data on a representative sample of teens from all 50 United States from 1988-1992. We find that current smokers are both more likely to continue smoking and are less price sensitive than current non-smokers. The estimated price sensitivities of previous non-smokers and previous smokers are -0.32 and 0.08, respectively. This suggests that a cigarette price increase will have a larger aggregate effect in the long run than in the short run as more individuals accumulate in the price-sensitive non-smoking group. In total, a dollar increase in cigarette prices reduces (age 18) smoking participation predictions by four percentage points more when unobserved individual heterogeneity and behavior modification associated with previous price changes are taken into account than when they are ignored.

PD August 1999. **TI** The Impact of Employer-Provided Health Insurance on Dynamic Employment Transitions. **AU** Gilleskie, Donna B.; Lutz, Byron F. **AA** Gilleskie: University of North Carolina at Chapel Hill and NBER. Lutz: University of North Carolina at Chapel Hill. **SR** National Bureau of Economic Research Working Paper: 7307; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 43. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, I12, J32, J62, J63. **KW** Health Insurance. Job Mobility. Turnover. Dynamic Models. Employer Provision.

AB We estimate the impact of employer-provided health insurance (EPHI) on the job mobility of males over time using a dynamic empirical model that accounts for unobserved heterogeneity. Previous studies of job- lock reach different conclusions about possible distortions in labor mobility stemming from an employment-based health insurance system: a few authors find no evidence of job-lock, while most find reductions in the mobility of insured workers of between 20 and 40 percent. We use data from the National Longitudinal Survey of Youth which describes the health insurance an individual holds, as well as whether he is offered insurance by his employer. This additional information allows us to model the latent individual characteristics that are correlated with the offer of EPHI, the acceptance of EPHI, and employment transitions. Our results provide an estimate of job-lock unbiased through correlation with positive job characteristics and individual specific turnover propensity. We find no evidence of job-lock among married males, and produce small estimates of job-lock among unmarried males of between 10 and 15%.

Gillman, Max

PD December 1999. **TI** Inflation, Growth, and Credit Services. **AU** Gillman, Max; Kejak, Michal; Valentinyi, Akos. **AA** Gillman: Central European University. Kejak: CERGE-EI and Institute for Advanced Studies, Vienna. Valentinyi: University of Southampton and CEPR. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 13; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 35. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** E31, E51, G20, O11, O40. **KW** Economic Growth. Inflation. Costly Credit. Monetary Growth Models.

AB The empirical evidence suggests that there is a significant, negative relationship between inflation and economic growth. Conventional monetary growth models, however, predict a significantly smaller growth effect. This paper proposes a monetary growth model with an explicit credit service sector to explain the observed magnitude. Since credit services are assumed costly to produce, the consumers equate the opportunity cost of holding money with the marginal cost of credit. Therefore the technology of the financial sector influences the velocity of money, and consequently, how inflation affects leisure, the time spent accumulating human capital, and the growth rate of output. The calibration shows that the model generates an inflation-growth effect whose magnitude falls in the range found by the empirical studies. Moreover, in contrast to previous works, the effect becomes increasingly weak as the inflation rate rises, as the evidence seems to suggest.

Giraitis, Liudas

PD March 2000. **TI** A Model for Long Memory Conditional Heteroscedasticity. **AU** Giraitis, Liudas; Robinson, Peter M.; Surgailis, Donatas. **AA** Giraitis and Robinson: London School of Economics. Surgailis: Institute of Mathematics and Informatics. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/382; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 28. **PR** no charge. **JE** C13, C14. **KW** Long-Range Dependence. Semiparametric Model. Convergence Rates. Bandwidth Selection. Adaptive Estimator.

AB In Giraitis, Robinson, and Samarov (1997), we gave the optimal rate for memory parameter estimators in semiparametric long memory models with degree of "local smoothness" beta, and we also demonstrated that a log-periodogram regression estimator (a modified Geweke and Porter- Hudak (1983) estimator) with a specific maximum frequency is rate optimal. The question that we address in this paper is what is the best obtainable rate when beta is unknown, so that estimators cannot depend on beta. We obtain a lower bound for the asymptotic quadratic risk of any such adaptive estimator. We then consider a modified log- periodogram regression estimator based on tapered data and with a data-dependent maximum frequency that depends on an adaptively chosen estimator beta-hat of beta; we show, using methods proposed by Lepskii (1990), that this estimator attains the lower bound up to a logarithmic factor. This means that this estimator has nearly optimal rate among all adaptive (free from beta) estimators, and it shows near optimality of our data-dependent choice of the rate of the maximum frequency for the modified log-periodogram regression estimator. The proofs contain results that are also of independent interest.

PD November 2000. **TI** Whittle Estimation of ARCH Models. **AU** Giraitis, Liudas; Robinson, Peter M. **AA** London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/406; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 32. **PR** no charge. **JE** C22. **KW** ARCH. Whittle Estimation.

AB For a class of parametric autoregressive conditional heteroskedastic (ARCH) models, Whittle estimation based on squared observations is shown to be root n-consistent and asymptotically normal. Our conditions require the squares to have short memory autocorrelation, by comparison with the work of Zaffaroni (1999), who established the same properties on the basis of an alternative class of models with martingale difference levels and long memory autocorrelated squares.

PD May 2001. **TI** Parametric Estimation under Long-Range Dependence. **AU** Giraitis, Liudas; Robinson, Peter M.

AA London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/416; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 31. **PR** no charge. **JE** C22. **KW** Parametric Estimation. Long-Range Dependence.

AB Parametric estimation is discussed in a variety of models exhibiting long-range dependence.

Glied, Sherry

PD September 2000. **TI** How Do Doctors Behave When Some (But Not All) of Their Patients are in Managed Care? **AU** Glied, Sherry; Zivin, Joshua. **AA** Glied: Columbia University and NBER. Zivin: Columbia University. **SR** National Bureau of Economic Research Working Paper: 7907; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 30. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I11. **KW** Managed Care. Medical Care. Health Care. Physician Behavior.

AB Most physicians today operate their practice in markets where a variety of insurance arrangements co-exist. In this paper, we propose several theoretical explanations for physician treatment patterns when the patient population is heterogeneous at the practice and market level. Data from the 1993-1996 National Ambulatory Medical Care Survey are used to test how practice-level and market-level Health Maintenance Organization (HMO) penetration affect treatment intensity. Practice composition has strong effects on treatment. HMO-dominated practices have shorter, but otherwise more treatment-intensive visits than do other practices. Market characteristics are less important determinants of treatment. As HMO practice share rises, the differences between the treatment of non-HMO and HMO patients are attenuated. These results provide strong evidence for a model of physician behavior with fixed costs of effort in the form of visit duration. For tests ordered, medications prescribed, and return visits specified, the empirical evidence supports a model with marginal cost pricing for excess capacity. HMO and non-HMO treatment patterns are most distinct at the level of the practice, not the patient. These findings suggest that practices are likely to become more segregated over time.

Gokhale, Jagadeesh

TI How Much Should Americans Be Saving for Retirement? **AU** Douglas, Bernheim B.; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J.

TI How Much Should Americans Be Saving for Retirement? **AU** Douglas, Bernheim B.; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J.

PD April 2001. **TI** Life-Cycle Saving, Limits on Contributions to DC Pension Plans, and Lifetime Tax Benefits. **AU** Gokhale, Jagadeesh; Kotlikoff, Laurence J.; Warshawsky, Mark J. **AA** Gokhale: Federal Reserve Bank of Cleveland. Kotlikoff: Boston University and National Bureau of Economic Research. Warshawsky: TIAA- CREF Institute. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/02; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 42. **PR** no charge. **JE** G18, G23, H22, K34. **KW** *Defined Contribution Pension Plans. Contribution Limits. Tax- Deferred Saving.*

AB This paper analyzes questions related to Defined Contribution (DC) plans. For what types of households are statutory contribution limits likely to bind? How large is the lifetime tax-benefit from participating in a DC plan and how does it vary with lifetime income? It is found that contribution limits bind for households who commence their plan participation late in life, who plan to retire early, single-earner households, those who are not borrowing constrained, those with rapid rates of real wage growth, and those with high levels of earnings regardless of age. Setting contribution rates at the average of maximum levels allowed by employers and assuming the real return on assets at 4 percent, the lifetime benefit rises from 2 percent of lifetime consumption for households earning $25,000 per year, to 9.8 percent for those earning $300,000 per year. Contribution ceilings limit the benefit for high-earners and it is sensitive to the assumed rate of return.

TI The Mismatch Between Life Insurance Holdings and Financial Vulnerabilities: Evidence from the Health and Retirement Survey. **AU** Bernheim, B. Douglas; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J.

TI The Mismatch Between Life Insurance Holdings and Financial Vulnerabilities: Evidence from the Health and Retirement Survey. **AU** Bernheim, B. Douglas; Forni, Lorenzo; Gokhale, Jagadeesh; Kotlikoff, Laurence J.

PD September 2001. **TI** Who Gets Paid to Save? **AU** Gokhale, Jagadeesh; Kotlikoff, Laurence J. **AA** Gokhale: Federal Reserve Bank of Cleveland. Kotlikoff: Boston University. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/14; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 26. **PR** no charge. **JE** G18, G23, H22, K34. **KW** 401(k) Retirement Plans. Tax-Deferred Saving. Lifetime Spending Subsidy.

AB Thanks to recent changes in the tax law, people can contribute more to their tax-deductible and non-tax-deductible savings plans, including 401(k) and Roth IRAs. But should they? The myriad interacting provisions of the tax code make it difficult to predict who gains from government savings incentives and by how much. This study examines how new legislation affects the lifetime tax gains (or losses) of low-, middle-, and high-lifetime earners if they contribute the maximum to 401(k) accounts, traditional IRA accounts, and Roth IRA accounts. The study finds that the new legislation changes little for low- and middle-income earners. Low and middle earners paid higher lifetime taxes under the old tax law if they participated fully in tax-deferred plans and would still do so under the new law. If a new tax credit created by the legislation were extended and indexed to inflation, low earners would break even, but middle earners would still lose. In contrast, participating in a Roth IRA provides a guaranteed and nontrivial lifetime tax saving; however, one need not contribute the maximum to receive the full benefit.

PD August 1999. **TI** Comparing the Economic and Conventional Approaches to Financial Planning. **AU** Gokhale, Jagadeesh; Warshawsky, Mark J.; Kotlikoff, Laurence J. **AA** Gokhale: not available. Warshawsky: TIAA CREF. Kotlikoff: Boston University and NBER. **SR** National Bureau of Economic Research Working Paper:

https://doi.org/10.1017/S095100790000557X Published online by Cambridge University Press

7321; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 46. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D91, E21, G20, H55, J14. **KW** Financial Planning. Retirement. Saving. Life Cycles. Social Security.

AB The conventional approach to retirement and life insurance planning, which is used throughout the financial planning industry, differs markedly from the economic approach. The conventional approach asks households to specify how much they want to spend before retirement, after retirement, and in the event of an untimely death of the head or spouse. It then determines the amounts of saving and life insurance needed to achieve these targets. The economic approach is based on the life-cycle model of saving. Its goal is to smooth households' living standards over their life cycles and to ensure comparable living standards for potential survivors. In the economic approach, spending targets are endogenous. This paper illustrates the different saving and insurance recommendations provided by economic financial planning software and the practical application of traditional financial planning software. The two software programs are Economic Security Planner (ESPlanner), developed by Economic Security Planning, Inc., and Quicken Financial Planner (QFP), developed by Intuit. Each program is run on 24 cases, 20 of which are stylized and 4 of which are actual households.

Goldman, Fred

TI Competition and the Cost of Capital Revisited: Special Authorities and Underwriters in the Market for Tax-Exempt Hospital Bonds. **AU** Gershberg, Alec Ian; Goldman, Fred; Grossman, Michael.

Goolsbee, Austan

PD September 1999. **TI** Evidence on Learning and Network Externalities in the Diffusion of Home Computers. **AU** Goolsbee, Austan; Klenow, Peter J. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7329; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 21. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D12, D62, D83, L63. **KW** Network Externalities. Learning. Local Spillover. Home Computers. Information.

AB In this paper we examine the importance of local spillovers such as network externalities and learning from others in the diffusion of home computers using data on 110,000 U.S. households in 1997. Controlling for many individual characteristics, we find that people are more likely to buy their first home computer in areas where a high fraction of households already own computers or when a large share of their friends and family own computers. Further results suggest that these patterns are unlikely to be explained by city-specific unobserved traits. Looked at in more detail, the spillovers appear to come from experienced and intensive computer users. They are not associated with the use of any particular type of software but do seem to be highly tied to the use of e-mail and the Internet, consistent with computers being part of a local information and communications network.

Gordon, Robert J.

PD August 2000. **TI** Does the "New Economy" Measure up to the Great Inventions of the Past? **AA** Northwestern University and NBER. **SR** National Bureau of Economic Research Working Paper: 7833; 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** L63, L86, O30, O47. **KW** Internet. Productivity Growth. New Economy. Computers. Technological Progress.

AB During the four years 1995-99 U.S. productivity growth experienced a strong revival and achieved growth rates exceeding that of the "golden age" of 1913-72. This paper dissects the recent productivity revival and separates the revival of 1.35 percentage points (comparing 1995-99 with 1972-95) into 0.54 of an unsustainable cyclical effect and 0.81 points of acceleration in trend growth. The entire trend acceleration is attributed to faster multi-factor productivity (MFP) growth in the durable manufacturing sector, consisting of computers, peripherals, telecommunications, and other types of durables. There is no revival of productivity growth in the 88 percent of the private economy lying outside of durables. The paper combines the Great Inventions of 1860- 1900 into five "clusters" and shows how their development and diffusion in the first half of the 20th century created a fundamental transformation in the American standard of living from the "bad old days" of the late 19th century. In comparison, arguments which attribute recent productivity growth to computers and the Internet are examined and are found unconvincing.

Goulder, Lawrence H.

TI Neutralising the Adverse Industry Impacts of CO2 Abatement Policies: What Does it Cost? **AU** Bovenberg, A. Lans; Goulder, Lawrence H.

Greenwood, Jeremy

TI Efficient Investment in Children. **AU** Aiyagari, S. Rao; Greenwood, Jeremy; Seshadri, Ananth.

PD October 2001. **TI** The U.S. Demographic Transition. **AU** Greenwood, Jeremy; Seshadri, Ananth. **AA** Greenwood: University of Rochester and Federal Reserve Bank of Cleveland. Seshadri: University of Wisconsin. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/18; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 18. **PR** no charge. **JE** E10, J10, O33. **KW** Fertility. Technological Progress. Agriculture. Manufacturing.

AB Between 1800 and 1940 the United States went through a dramatic demographic transition. In 1800, the average woman had seven children, and 94 percent of the population lived in rural areas. By 1940, the average woman had just two children, and only 43 percent of populace lived in the country. The question is: What accounted for this shift in the demographic landscape? The answer given here is that technological progress in agriculture and manufacturing explains these facts.

Grenadier, Steven R.

TI Stock and Bond Pricing in an Affine Economy. **AU** Bekaert, Geert; Grenadier, Steven R.

Grogger, Jeff

PD September 1999. **TI** Welfare Dynamics Under Time

Limits. **AU** Grogger, Jeff; Michalopoulos, Charles. **AA** Grogger: University of California, Los Angeles and NBER. Michalopoulos: Manpower Demonstration Research Corporation. **SR** National Bureau of Economic Research Working Paper: 7353; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 41. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H53, H55, I38, J22, J26. **KW** Welfare Dynamics. Time Limits. Welfare Payments.
AB Among the most important changes brought about by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) is the imposition of time limits. This paper analyzes a simple model in which a potential welfare recipient chooses how to allocate her time- limited endowment of benefits so as to maximize her expected lifetime utility. Not surprisingly, the model reveals that time limits provide an incentive for the consumer to conserve, or bank, her benefits. More interesting is the prediction that these incentives to conserve one's benefits vary inversely with the age of the youngest child in one's family. This implies that the reduction in welfare payments that results from PRWORA will fall disproportionately on families with young children. The authors estimate age group-specific effects of time limits and test the prediction of the model using data from a welfare reform demonstration in Florida. The authors find that time limits indeed reduce welfare use by the greatest amount among the families with the youngest children. Moreover, time limits have substantial effects on welfare utilization, reducing monthly utilization probabilities by 19 percent.

Gromb, Denis

TI Public Trading and Private Incentives. **AU** Faure-Grimaud, Antoine; Gromb, Denis.

Grossman, Gene M.

PD August 1999. **TI** Incomplete Contracts and Industrial Organization. **AU** Grossman, Gene M.; Helpman, Elhanan. **AA** Grossman: Princeton University and NBER. Helpman: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7303; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 42. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D23, D43, D51, L15, L22. **KW** Contracts. Endogenous Organization. Vertical Integration. Firm Specialization. Equilibrium Models.
AB We develop an equilibrium model of industrial structure in which the organization of firms is endogenous. Differentiated consumer products can be produced either by vertically integrated firms or by pairs of specialized companies. Production of each variety of consumer good requires a unique, specialized component. Vertically integrated firms can manufacture the components they need in the quantity and type that maximizes profits, but they face a relatively high cost of governance. Specialized firms can produce at lower cost, but input suppliers face a potential hold-up problem. We study the equilibrium mode of organization when inputs are fully or partially specialized. We consider how the degree of competition in the market and other parameters affect the equilibrium choices, and how the equilibrium compares with the efficient allocation.

Grossman, Michael

TI Competition and the Cost of Capital Revisited: Special Authorities and Underwriters in the Market for Tax-Exempt Hospital Bonds. **AU** Gershberg, Alec Ian; Goldman, Fred; Grossman, Michael.

Gruber, Jonathan

PD August 2000. **TI** Medicaid. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7829; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 74. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H51, I11, I12, I18. **KW** Medicaid. Insurance.
AB This paper examines the history, rules, and economic implications of the Medicaid program. I begin by providing a detailed overview of how the program works. I then provide information on who is covered, who is eligible, and spending patterns. I then turn to a review of the economic issues involved in studying the Medicaid program: assessing the impacts on insurance coverage (public and private), health, labor supply, family structure, and savings. I follow this with a review of the empirical literature on each of these topics. Finally, I conclude with a discussion of the policy issues and unanswered questions surrounding the Medicaid program.

TI Social Security and Retirement. **AU** Coile, Courtney; Gruber, Jonathan.

TI Delays in Claiming Social Security Benefits. **AU** Coile, Courtney; Gruber, Jonathan; Diamond, Peter; Jousten, Alain.

PD September 1999. **TI** The Wealth of the Unemployed: Adequacy and Implications for Unemployment Insurance. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7348; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E21, G22, I38, J26, J65. **KW** Wealth. Unemployment. Income Loss. Consumption Smoothing. Duration.
AB While there has been considerable discussion of the adequacy of unemployment insurance (UI) benefits as a form of income replacement, there is little evidence on the other resources that the unemployed have to finance their unemployment spells. In this paper I focus on one form of resources, own wealth holdings. I find that the median worker has financial assets sufficient to finance roughly two-thirds of the income loss from an unemployment spell, but that there is tremendous heterogeneity in wealth holdings; almost one-third of workers can't even replace 10% of their income loss. Most strikingly, ex-ante wealth holdings decline precipitously with realized unemployment durations, both absolutely and (especially) relative to ex-post income loss, suggesting that adequacy could be increased if UI benefits were targeted to those with longer spells. I also find strong evidence that individuals who are eligible for more generous UI draw down their wealth more slowly during unemployment spells. This demonstrates that wealth is used as a consumption smoothing device alongside UI to cope with the income loss from unemployment.

Gruner, Hans Peter

PD August 2000. **TI** Redistribution as a Selection

Device. **AA** Universitat Mannheim and CEPR. **SR** CEPR Discussion Paper: 2534; 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, D82, H23, H32. **KW** Moral Hazard. Adverse Selection. Entrepreneurs. Wealth Distribution. Redistribution.

AB This paper studies the role of the wealth distribution for the market selection of entrepreneurs when agents differ in talent. It argues that the redistribution of initial endowments can increase an economy's surplus because more talented individuals get credit for their risky investment projects. Moreover, the redistribution of initial endowments may lead to a Pareto-improvement although all agents are non-satiable. In my model an agent's entrepreneurial ability is his private information. Moral hazard in production creates rents for entrepreneurs if they are believed to be both talented and willing to provide entrepreneurial effort. I find conditions such that unproductive rich entrepreneurs crowd out productive poor ones in the capital market. Then redistribution of initial endowments leads to the selection of better entrepreneurs, increases the economy's surplus, and, in some cases, makes all agents better off.

Guest, Ross S.

TI Demographic Change in Asia: The Impact of Optimal National Saving, Investment, and the Current Account. **AU** Besanger, Serge; Guest, Ross S.; McDonald, Ian.

Gunatilake, Herath M.

PD June 2000. **TI** Forest Resource Extraction by Local Communities: A Comparative Dynamic Analysis. **AU** Gunatilake, Herath M.; Chakravorty, Ujjayant. **AA** Gunatilake: University of Peradeniya, Sri Lanka. Chakravorty: Emory University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 41/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 20. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** Q12, Q23, Q28. **KW** Comparative Dynamics. Forest Protection. Agriculture. Tobit Analysis. Tropical Rainforests.

AB Much of the world's gene pool is located in tropical rainforests, which are being destroyed at an alarming rate. Proper management of protected forests is crucial to avoid further loss of forest resources and biodiversity. Resource extraction by local communities has been cited as a major impediment to the efficient management of protected forests. This paper develops a two sector dynamic model for agriculture and forest resource extraction which suggests that agricultural development in the periphery of protected forests may be an effective strategy for forest protection. Comparative dynamic results show that higher prices for agricultural output, lower input prices, better knowledge of agricultural production techniques and a lower rate of individual time preferences result in higher equilibrium stock of forest resources. Tobit analysis with data collected from the Sinharaja forest in Sri Lanka provides supportive empirical evidence.

Gupta, Poonam

PD June 2000. **TI** Aftermath of Banking Crises: Effects on Real and Monetary Variables. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/96; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** E21, E43, E51, F41, G21. **KW** Banking Crisis. Liquidity. Cash. Interest Rates.

AB In this paper a simple optimizing model is developed to analyze the implications of a banking crisis. Banks are incorporated by assuming that they intermediate funds between firms and households. It is shown that when depositors perceive the quality of deposits to have deteriorated, they switch from deposits to cash. Because of the higher cost of liquidity, consumption, M2, and the M2 multiplier decline, interest rates on deposits and loans increase, and output contracts. The findings of the paper match the key stylized facts of banking crises.

Gupta, Sanjeev

PD June 2000. **TI** Corruption and the Provision of Health Care and Education Services. **AU** Gupta, Sanjeev; Davoodi, Hamid; Tiongson, Erwin. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/116; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 32. **PR** not available. **JE** H41, H51, H52. **KW** Corruption. Public Services. Market Failures. Social Services. Government Intervention.

AB Government intervention to correct market failures is often accompanied by government failures and corruption. This is no more evident than in social sectors that are characterized by significant market failures and government intervention. However, the impact of corruption on the public provision of social services has not been analyzed. This paper reviews the relevant theoretical models and users' perceptions of corruption in the public provision of social services. It then provides evidence that reducing corruption can result in significant social gains as measured by decreases in child and infant mortality rates, percent of low-birthweight babies, and primary school dropout rates.

PD May 2001. **TI** Transition Economies: How Appropriate is the Size and Scope of Government? **AU** Gupta, Sanjeev; Leruth, Luc; de Mello, Luiz; Chakravarti, Shamit. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/55; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 43. **PR** not available. **JE** E62, E63, F02, H87, P21. **KW** Transition Economies. Economic Reform. Government Size. Public Expenditures.

AB This paper assesses changes in the size and scope of government in 24 transition economies. Whereas these governments have retrenched in terms of public expenditures in relation to GDP, as well as public employment as a share of population, some indicators suggest that size remains high (e.g., rising indebtedness, a heavy regulatory burden, and prevalence of noncash transactions). At the same time, the scope of government activities -- although evolving -- has not necessarily become appropriate. This paper provides some recommendations for aligning the scope of government with the increasing market orientation of these economies.

Gustman, Alan L.

PD August 1999. **TI** Pensions and Retiree Health Benefits in Household Wealth: Changes from 1969 to 1992. **AU** Gustman, Alan L.; Steinmeier, Thomas L. **AA** Gustman: Dartmouth College and NBER. Steinmeier:

Texas Tech University. **SR** National Bureau of Economic Research Working Paper: 7320; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E21, H55, I11, J14, J26. **KW** Retirement. Health Insurance. Pensions. Wealth Distribution.

AB By 1992, pensions and retiree health insurance represented one quarter of the wealth of families on the verge of retirement. Our simulations suggest that between 1969 and 1992, abstracting from the effects of changes in wages and years of covered work on pension benefit amounts, changing pension coverage and changing pension plan provisions would have raised the total wealth of each household in the Health and Retirement Study by $67,000 in 1992 dollars, raising wealth from employer provided pension benefits per household by 150 percent in real terms. Changes in retiree health benefits, which have only about 7 percent of the value of pensions, experienced similar real growth, increasing in value by $3,700 in 1992 dollars. Most of the increase in pension values and in the value of retiree health insurance plans was due to improvements in real benefits among covered workers. All classes of wealth holders enjoyed increased wealth from employer provided retirement plans, but those in the top half of the wealth distribution enjoyed increases that were much larger in absolute terms and also were larger in relation to their total wealth than were the increases experienced by those in the bottom half of the wealth distribution.

Habermeier, Karl

PD May 2001. **TI** Securities Transaction Taxes and Financial Markets. **AU** Habermeier, Karl; Kirilenko, Andrei. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/51; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** not available. **JE** G14, G15, G18, H23, H26. **KW** Securities Transaction Tax. Capital Controls. Price Volatility. Liquidity.

AB This paper argues that securities transaction taxes "throw sand" not in the wheels, but into the engine of financial markets where the transformation of latent demands into realized transactions takes place. The paper considers the impact of transaction taxes on financial markets in the context of four questions. How important is trading? What causes price volatility? How are prices formed? How valuable is the volume of transactions? The paper concludes that transaction taxes or such equivalents as capital controls can have negative effects on price discovery, volatility, and liquidity and lead to a reduction in the informational efficiency of markets.

Hallock, Kevin F.

TI Does Managed Care Change the Mission of Nonprofit Hospitals? Evidence from the Managerial Labor Market. **AU** Arnould, Richard; Bertrand, Marianne; Hallock, Kevin F.

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

TI Have Employment Reductions Become Good News for Shareholders? The Effect of Job Loss Announcements on Stock Prices, 1970-97. **AU** Farber, Henry S.; Hallock, Kevin F.

Halpern, Laszlo

PD August 2000. **TI** Efficiency and Market Share in the Hungarian Corporate Sector. **AA** Hungarian Academy of Sciences and CEPR. **SR** CEPR Discussion Paper: 2544; 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, D21, D24, L11, P23. **KW** Efficiency. Transition Economy. Production Functions. Hungary. Market Share.

AB One of the major tasks facing a transition economy is to create the competitive environment of a properly functioning market economy. It is widely believed that competition has a positive effect on efficiency, but the theoretical and empirical support is quite scarce. The objective of this paper is to investigate the link between competition and efficiency for the Hungarian corporate sector during various phases of the transition process. We employ frontier production functions for exploring differences among groups of firms, and for identifying the typical adjustment process of each group separately throughout the transition period until 1997. Groups are defined according to industries, size, and ownership. The estimated production functions indicate a gradual improvement in efficiency and a shift from decreasing to increasing returns to scale due to a growing share of small firms entering the higher returns regime. Market shares can be explained by the degree of internal and external competition and by the efficiency of the firm.

Haltiwanger, John C.

TI On the Nature of Capital Adjustment Costs. **AU** Cooper, Russell W.; Haltiwanger, John C.

Hamann, A. Javier

TI How Volatile and Unpredictable Are Aid Flows, and What Are the Policy Implications? **AU** Bulir, Ales; Hamann, A. Javier.

Hamermesh, Daniel S.

PD September 1999. **TI** The Changing Distribution of Job Satisfaction. **AA** University of Texas. **SR** National Bureau of Economic Research Working Paper: 7332; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C21, C23, J24, J28, J31. **KW** Job Satisfaction. Earnings Quantile. Skill Investment. Panel Data. Human Capital.

AB The distribution of job satisfaction widened across cohorts of young men in the United States between 1978 and 1988, and between 1978 and 1996, in ways correlated with changing wage inequality. Satisfaction among workers in upper earnings quantiles rose relative to that of workers in lower quantiles. An identical phenomenon is observed among men in West Germany in response to a sharp increase in the relative earnings of high-wage men in the mid 1990s. Several hypotheses about the determinants of satisfaction are presented and examined using both cross-section data on these cohorts and panel data from the NLSY and the German SOEP. The evidence is most consistent with workers' regret about the returns to their investment in skills affecting their satisfaction. Job satisfaction is especially responsive to surprises in the returns to observable skills, less so to surprises in the returns to unobservables, and the effects of earnings shocks on job satisfaction dissipate over time.

Hamilton, James D.

PD August 2000. **TI** A Model for the Federal Funds Rate Target. **AU** Hamilton, James D.; Jorda, Oscar. **AA** Hamilton: University of California, San Diego and NBER. Jorda: University of California, Davis. **SR** National Bureau of Economic Research Working Paper: 7847; 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** C22, C25, C41, C53, E52. **KW** Federal Funds Rate. Monetary Policy. Duration Analysis. Forecasting.

AB This paper is a statistical analysis of the manner in which the Federal Reserve determines the level of the Federal funds rate target, one of the most publicized and anticipated economic indicators in the financial world. The analysis presents two econometric challenges: (1) changes in the target are irregularly spaced in time; (2) the target is changed in discrete increments of 25 basis points. In this paper, we give a detailed account of the changing role of the target in the conduct of monetary policy. We also develop new econometric tools for analyzing time-series duration data, and analyze empirically the determinants of the target. We introduce a new class of models termed "autoregressive conditional hazard processes", which allow one to produce dynamic forecasts of the probability of a target change. Conditional on a target change, an ordered probit model produces predictions of the magnitude by which the Fed will raise or lower the Federal funds rate. By decomposing Federal funds rate innovations into target changes and nonchanges, we arrive at new estimates of the effects of a monetary policy "shock.".

Hammour, Mohamad L.

TI Creative Destruction and Development: Institutions, Crises, and Restructuring. **AU** Caballero, Ricardo J.; Hammour, Mohamad L.

TI The Cost of Recessions Revisited: A Reverse-Liquidationist View. **AU** Caballero, Ricardo J.; Hammour, Mohamad L.

Hansen, Bo William

PD March 2002. **TI** Can Nominal Wage and Price Rigidities Be Equivalent Propagation Mechanisms? The Case of Open Economies. **AU** Hansen, Bo William; Nielsen, Lars Mayland. **AA** Hansen: European University Institute. Nielsen: National Bank of Denmark. **SR** Aarhus Department of Economics Working Paper: 2002/04; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 18. **PR** no charge. **JE** E32, F41. **KW** Nominal Rigidities. Propagation. Persistence. Staggering. Sticky Prices.

AB Does it matter for the propagation mechanism following nominal shocks whether nominal rigidities are specified as sticky wages instead of sticky prices? We analyze the question in a standard dynamic general equilibrium "new open macro-economy" model, which is solved analytically. By comparing the adjustment patterns of the terms of trade in an otherwise unchanged model under, respectively, nominal wage and price rigidities, we find that the two types of rigidities give rise to the same persistence pattern. Specifically, nominal wage and price rigidities are equivalent "impact adjusted" propagation mechanisms. Results are presented for one-period nominal rigidities and two-period nominal staggering.

Hanson, Gordon H.

PD August 1999. **TI** Political Economy, Sectoral Shocks, and Border Enforcement. **AU** Hanson, Gordon H.; Spilimbergo, Antonio. **AA** Hanson: University of Michigan and NBER. Spilimbergo: International Monetary Fund. **SR** National Bureau of Economic Research Working Paper: 7315; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E24, E32, F22, J43, J44. **KW** Political Economy. Sectoral Shocks. Illegal Immigration. Border Enforcement. Undocumented Labor.

AB In this paper, we examine the correlation between sectoral shocks and border enforcement in the United States. Enforcement of national borders is the main policy instrument the U.S. government uses to combat illegal immigration. The motivation for the exercise is to see whether border enforcement falls following positive shocks to sectors that are intensive in the use of undocumented labor, as would be consistent with political economy models of how enforcement policy against illegal immigration is determined. The main finding is that border enforcement is negatively correlated with lagged relative price changes in the apparel, fruits and vegetables, and slaughtered livestock industries and with housing starts in the western United States. This suggests that authorities relax border enforcement when the demand for undocumented workers is high.

Hardy, Daniel C.

PD June 2000. **TI** Bidding Behavior in Treasury Bill Auctions: Evidence from Pakistan. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/111; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 30. **PR** not available. **JE** D44, G14, H63, O16. **KW** Auctions. Pakistan. Treasury Bills. Bidding Behavior.

AB Behavior in the first three years of auctions for Pakistani treasury bills is studied. Bidding rapidly converged to a consistent pattern after the auctions started in 1991. Factors are identified that influenced the expected profitability of auction participation, which was on average low and did not differ between types of bidders. Prices bid are found to reflect both "buy and sell" and "buy and hold" strategies, and were affected by risk considerations and bidder-specific variables. The Pakistani experience suggests the robustness of auctions as a market- based allocation mechanism, and their value in public debt management.

Harmon, Colm

TI Education Policy Reform and the Return to Schooling from Instrumental Variables. **AU** Denny, Kevin; Harmon, Colm.

Harrigan, James

PD August 2000. **TI** Factor Supplies and Specialization in the World Economy. **AU** Harrigan, James; Zakrajsek, Egon. **AA** Harrigan: Federal Reserve Bank of New York and NBER. Zakrajsek: Board of Governors of the Federal Reserve System. **SR** National Bureau of Economic Research Working Paper: 7848; 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** F11. **KW** Factor

Endowments. Specialization. Comparative Advantage.
AB A core prediction of the Heckscher-Ohlin theory is that countries specialize in goods in which they have a comparative advantage, and that the source of comparative advantage is differences in relative factor supplies. To examine this theory, we use the most extensive dataset available and document the pattern of industrial specialization and factor endowment differences in a broad sample of rich and developing countries over a lengthy period (1970-92). Next, we develop an empirical model of specialization based on factor endowments, allowing for unmeasurable technological differences, and estimate it using panel data techniques. In addition to estimating the effects of factor endowments, we also consider the alternative hypothesis that the level of aggregate productivity by itself can explain specialization. Our results clearly show the importance of factor endowments on specialization: relative endowments do matter.

Hart, Oliver

PD September 2000. **TI** Different Approaches to Bankruptcy. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7921; 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** G33, G38, K22. **KW** Bankruptcy.
AB In the last fifteen years or so, lawyers and economists have turned their attention to the topic of bankruptcy. A large amount of theoretical and empirical work has resulted, concerning both existing bankruptcy procedures and bankruptcy reform. Although researchers have expressed different views, I believe that one can identify a consensus on certain issues, such as the goals of bankruptcy and some of the characteristics of an efficient bankruptcy procedure. This paper summarizes this consensus. One point I will stress is that it is unlikely that "one size fits all." That is, although some bankruptcy procedures can probably be rejected as being manifestly bad, there is a class of procedures that satisfy the main criteria of efficiency. Which procedure a country chooses or should choose may then depend on other factors, for example, the country's institutional structure and legal tradition. One can also imagine a country choosing a menu of procedures and allowing firms to select among them.

Hartog, Joop

PD October 2000. **TI** Dutch Migrants in New Zealand - Did They Fare Well? **AU** Hartog, Joop; Winkelmann, Rainer. **AA** Hartog: Universiteit van Amsterdam. Winkelmann: University of Zurich. **SR** CEPR Discussion Paper: 2596; 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, J61. **KW** Dutch Emigration. Labor Mobility. Immigration. Emigration. Migration.
AB We analyze postwar Dutch migration to New Zealand. We document the history, reflect on analytical and econometric modeling, and then combine a sample of Dutch migrants in New Zealand with a representative sample of Dutch in The Netherlands to estimate wage equations simultaneously with the migration decision. We use the results for ex post evaluation of the migration decision.

Hassett, Kevin A.

TI On the Marginal Source of Investment Funds. **AU** Auerbach, Alan J.; Hassett, Kevin A.

Hau, Harald

PD July 2000. **TI** The Euro as an International Currency: Explaining Puzzling First Evidence. **AU** Hau, Harald; Killeen, William; Moore, Michael J. **AA** Hau: INSEAD, Fontainebleau and CEPR. **SR** CEPR Discussion Paper: 2510; 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, G15. **KW** Microstructure. Spreads. Transaction Costs. Vehicle Currency.
AB This paper presents evidence that the bid-ask spreads in euro rates increased relative to the corresponding bid-ask spreads in the German mark (DM) prior to the currency union. This comes with a decrease in transaction volume in the euro rates relative to the previous DM rates. The starkest example is the DM(euro)/yen rate in which the spread has risen by almost two-thirds while the volume has almost halved. We propose a microstructure theory for a system of multiple exchange rates in which spreads are endogenously determined. It is argued that the elimination of cross rates due to the introduction of the euro reduced the intra-temporal risk sharing capacity of the multicurrency dealership market. A second explanation for the increase in the euro bid-ask spreads and the relative euro volume loss is based on an increase in the information content of order flow in euro rates relative to previous DM rates.

Haubrich, Joseph G.

PD May 2001. **TI** Coalitions, Power, and the FOMC. **AU** Haubrich, Joseph G.; Humpage, Owen. **AA** Federal Reserve Bank of Cleveland. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/03; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 20. **PR** no charge. **JE** C71, D71, E58. **KW** Monetary Policy. Committee. Co-Operative Games.
AB This paper applies a notion of power defined for coalitions derived from the Shapley value. It calculates the power of coalitions within a twelve-person committee, meant to correspond to the Federal Open Market Committee.

Haughwout, Andrew

PD August 2000. **TI** Fiscal Policies in Open Cities with Firms and Households. **AU** Haughwout, Andrew; Inman, Robert P. **AA** Haughwout: Federal Reserve Bank of New York. Inman: University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 7823; 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 the U.S.). **JE** H39, H71, R51. **KW** City Economies. City Taxation. Welfare Transfers.
AB With the renewed interest in cities as economic centers comes a need to understand how local public services and local taxes are likely to affect city economic performance. This paper provides an equilibrium model of an open city economy with mobile firms and resident workers. Given household preferences and firm technologies and an exogenous configuration of city tax rates and national grants and fiscal

mandates, the model calculates equilibrium values for firm production and input use, household consumption and housing choices, city wages, rents and population, and finally, local tax bases, revenues, and public goods provision. The model is calibrated to the Philadelphia economy for FY 1998; model predictions are compared to recent econometric estimates of the effects of city fiscal policy on the Philadelphia private economy. We then explore two important questions for the city's fiscal future: What are the economic and fiscal consequences of raising city tax rates? Can the city shoulder a rising burden of local welfare payments and remain a viable economic center in the long-run? We find the city to be near the top of its total revenue hill and incapable of bearing significant increases in local responsibility for welfare transfers.

Heckman, James J.

PD August 2000. **TI** Identifying the Role of Cognitive Ability in Explaining the Level of and Change in the Return to Schooling. **AU** Heckman, James J.; Vytlacil, Edward. **AA** Heckman: University of Chicago. Vytlacil: Stanford University. **SR** National Bureau of Economic Research Working Paper: 7820; 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 the U.S.). **JE** I21, J31. **KW** Returns to Schooling. Cognitive Ability.

AB This paper considers two problems that arise in determining the role of ability in explaining the level of and change in the rate of return to schooling. (1) Ability and schooling are so strongly dependent that it is not possible, over a wide range of variation in schooling and ability, to independently vary these two variables and estimate their separate impacts. (2) The structure of panel data makes it difficult to identify age and time effects or to isolate crucial education-ability- time interactions needed to assess the role of ability in explaining the rise in the return to education.

PD August 1999. **TI** Policies to Foster Human Capital. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7288; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 50. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D33, I28, J24, J32, O15. **KW** Human Capital. Skill Formation. Learning Sources. Noncognitive Skills. Educational Interventions.

AB This paper considers the sources of skill formation in a modern economy and emphasizes the importance of both cognitive and noncognitive skills in producing economic and social success and the importance of both formal academic institutions and families and firms as sources of learning. Skill formation is a dynamic process with strong synergistic components. Skill begets skill. Early investment promotes later investment. Noncognitive skills and motivation are important determinants of success and these can be improved more successfully and at later ages than basic cognitive skills. Methods currently used to evaluate educational interventions ignore these noncognitive skills and therefore substantially understate the benefits of early intervention programs and mentoring and teenage motivation programs. At current levels of investment, American society underinvests in the very young and overinvests in mature adults with low skills.

PD September 1999. **TI** Causal Parameters and Policy Analysis in Economics: A Twentieth Century Retrospective. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7333; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 44. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C13, C14, C31, C33, C51. **KW** Causal Parameters. Identification Problems. Policy Evaluation. Structural Econometrics. Vector Autoregression.

AB The major contributions of twentieth century econometrics to knowledge were the definition of causal parameters when agents are constrained by resources and markets and causes are interrelated, the analysis of what is required to recover causal parameters from data (the identification problem), and clarification of the role of causal parameters in policy evaluation and in forecasting the effects of policies never previously experienced. This paper summarizes the development of those ideas by the Cowles Commission, the response to their work by structural econometricians and VAR econometricians, and the response to structural and VAR econometrics by calibrators, advocates of natural and social experiments, and by nonparametric econometricians and statisticians.

Hefeker, Carsten

TI Optimal Central Bank Conservatism and Monopoly Trade Unions. **AU** Berger, Helge; Hefeker, Carsten; Schob, Ronnie.

Helpman, Elhanan

TI Incomplete Contracts and Industrial Organization. **AU** Grossman, Gene M.; Helpman, Elhanan.

Hendershott, Patric H.

PD September 2000. **TI** Estimating the Rental Adjustment Process. **AU** Hendershott, Patric H.; MacGregor, Bryan D.; Tse, Raymond Y. C. **AA** Hendershott: University of Aberdeen and NBER. MacGregor: University of Aberdeen. Tse: Hong Kong Polytechnic University. **SR** National Bureau of Economic Research Working Paper: 7912; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 13. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** L85, R31, R33. **KW** Rental Adjustment. Real Estate Rental. Office Rental.

AB Rental adjustment equations have been estimated for a quarter century. In the U.S., models have used the deviation of the actual vacancy rate from the natural rate as the main explanatory variable, while in the UK drivers of the demand for space have dominated the estimation. The recent papers of Hendershott (1996) and Hendershott, Lizieri, and Matysiak (HLM, 1999) fall into the former category. We re- estimate these equations using alternative formulations but can do little to improve them overall. However, we identify econometric concerns with the specifications. We then derive a model incorporating both supply and demand factors within an Error Correction framework, and show how the U.S. and UK traditions are special cases of this formulation. We next estimate this equation using data from the City of London office market. Our initial specification of this more generalized model is greatly superior to the vacancy rate model. Finally, we estimate a two-equation variant with a separate vacancy rate equation, which also performs much better than HLM.

Importantly, our model passes standard modern econometric requirements for unit roots and co-integration. We find little evidence of special or temporal variation in natural vacancy rates.

PD October 2000. **TI** Taxing and Subsidizing House Investment: The Rise and Fall of Housing's Favored Status. **AU** Hendershott, Patric H.; White, Michael. **AA** Hendershott: University of Aberdeen, Scotland and NBER. White: University of Aberdeen, Scotland. **SR** National Bureau of Economic Research Working Paper: 7928; 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** H22, H24, H31, R21. **KW** Housing. Taxation.
AB This paper surveys and interprets the literature on the taxation and subsidization of investment in owner-occupied and rental housing. Where available, the study considers experiences outside of the United States. Issues addressed include nonneutral taxation and how taxation/subsidization has varied relative to this standard over the last thirty years, the impact of subsidies on house prices, housing consumption, and tenure, and rationales for preferring one tenure choice over another. We find a broad increase in housing's favored status during the 1970s, a reversal during the 1980s, and a further decline during the 1990s. There are two components to these shifts. First, there is an endogenous component caused by variations in the inflation rate. Because housing is the tax-favored asset, the higher the nominal returns, the greater is the tax advantage. This is reinforced by tax bracket creep. Second, there is an exogenous component, reflected in the cutting of tax rates below their 1970 level and the weakening of the mortgage interest deduction in many countries. We attribute this component to the aging of the baby-boomers, which first provided a constituency for more generous treatment of owner-occupied housing, but now works in the opposite direction.

Henderson, J. Vernon

TI Costs of Air Quality Regulation. **AU** Becker, Randy A.; Henderson, J. Vernon.

PD September 1999. **TI** Marshall's Economies. **AA** Brown University and NBER. **SR** National Bureau of Economic Research Working Paper: 7358; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, D21, D62, L63, L64. **KW** Marshall Economies. Local Externality. Industry Scale. Plant Productivity. Industrial Mobility.
AB This paper estimates the nature and magnitude of the local externalities from own industry scale, as envisioned by Marshall. Census panel data on individual plants in high-tech and machinery industries across up to 487 countries are utilized, to quantify the direct effects of local external environment on plant productivity. Careful attention is paid to endogeneity issues in estimation. Magnitudes of scale externalities for corporate versus single plant firms are estimated and the sources of externalities (employment, numbers of plants, number of births, etc.) and extent (within the county versus extending to the rest of the MSA) are investigated. The paper asks in addition whether externalities are static or dynamic, a key issue in thinking about urban growth and industrial mobility; and whether they are dependent just on local own industry activity or also on overall local urban scale and/or diversity, a key issue in analyzing industrial composition and development of cities. The paper relates the findings on externalities for different industries to the extent of agglomeration and the degree of mobility of those industries across cities.

Henderson, Rebecca

TI The Diffusion of Science-Driven Drug Discovery: Organizational Change in Pharmaceutical Research. **AU** Cockburn, Iain M.; Henderson, Rebecca; Stern, Scott.

Hernandez, Leonardo

PD May 2001. **TI** Determinants of Private Capital Flows in the 1970s and 1990s: Is There Evidence of Contagion? **AU** Hernandez, Leonardo; Mellado, Pamela; Valdes, Rodrigo. **AA** Hernandez: International Monetary Fund. Mellado and Valdes: Ministry of Finance, Chile. **SR** International Monetary Fund Working Paper: WP/01/64; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 25. **PR** not available. **JE** C23, F34, F36, F40, G15. **KW** Contagion. Capital Flows. Neighborhood Effects. Trade-Related Effects. Development.
AB This paper studies the determinants of private capital flows to developing countries during the last two episodes of large inflows, the late 1970s-early 1980s and the 1990s. The paper also tests for contagion effects in capital flows among recipient countries, and tries to identify specific channels through which such effects can occur. It tests for neighborhood effects, trade-related effects, and for contagion based on the countries having similar macroeconomic indicators. The results show strong evidence for the first two effects during the 1990s, and indicate that the third effect varies depending on the type of capital flow.

PD November 2001. **TI** Post-Crisis Exchange Rate Policy in Five Asian Countries: Filling in the "Hollow Middle"? **AU** Hernandez, Leonardo; Montiel, Peter. **AA** Hernandez: International Monetary Fund. Montiel: Williams College. **SR** International Monetary Fund Working Paper: WP/01/170; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 36. **PR** $15.00. **JE** E65, F32. **KW** Exchange Rate Policy.
AB Following the 1997-98 financial turmoil, crisis countries in Asia moved toward either floating or fixed exchange rate systems, reinforcing the bipolar view of exchange rate regimes and the "hollow middle" hypothesis. But some academics have claimed that the crisis countries' policies have been similar in the post- and pre-crisis periods. This paper analyzes the evidence and concludes that, except for Malaysia, which adopted a hard peg and imposed capital controls, the other crisis countries are floating more than before, though less than "real" floaters do. Further, the crisis countries' policies during the post-crisis period can be justified on second-best arguments.

Hernando, Iganzio

TI Firm Investment and Monetary Policy Transmission in the Euro Area. **AU** Chatelain, Jean-Bernard; Generale, Andrea; Hernando, Iganzio; von Kalkreuth, Ulf; Vermeulen, Philippe.

TI Firm Investment and Monetary Policy Transmission in the Euro Area. **AU** Chatelain, Jean-Bernard; Generale, Andrea; Hernando, Iganzio; von Kalkreuth, Ulf; Vermeulen, Philippe.

Hidalgo, Javier

PD April 2000. **TI** Nonparametric Test for Causality with Long-Range Dependence. **AA** London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/387; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 44. **PR** no charge. **JE** C12, C13, C32. **KW** Causality. Long-Range Dependence. Spectral Analysis. Distributed Lag Model. Consistent Test.

AB This paper introduces a nonparametric Granger-causality test for covariance stationary linear processes under, possibly, the presence of long-range dependence. We show that the test is consistent and has asymptotic relative efficiency greater than zero when compared to parametric tests based on a correct specification of the model. Since the test is based on estimates of the parameters of the representation of a vector autoregression (VAR) model as a possibly two-sided infinite distributed lag model, we first show that a modification of Hannan's (1963, 1967) estimator is root-T consistent and asymptotically normal for the coefficients of such a representation. When the data is long- range dependent this method of estimation becomes more attractive than Least Squares, since the latter can be neither root-T consistent nor asymptotically normal as is the case with short-range dependent data.

PD June 2001. **TI** Prediction and Signal Extraction of Strongly Dependent Processes in the Frequency Domain. **AU** Hidalgo, Javier; Yajima, Yoshihiro. **AA** Hidalgo: London School of Economics and Political Science. Yajima: University of Tokyo. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/418; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 50. **PR** no charge. **JE** C22, C53. **KW** Prediction. Strong Dependence. Spectral Density Function. Canonical Factorization. Signal Extraction.

AB One of the aims of time series analysts is to predict future values of the data. For weakly dependent data, when the model is known up to a finite set of parameters, its statistical properties are well documented and exhaustively examined. However, if the model is misspecified, the predictors would no longer be correct. Motivated by this observation, Bhansali (1974) examined the properties of a nonparametric predictor based on the canonical factorization of the spectral density function known as factorized logarithm of the estimated spectrum (FLES). However, the above work does not cover so-called strongly dependent data. One of our objectives in this paper is to examine the properties of the FLES for these processes. In addition, we illustrate how the FLES can be adapted to recover the signal of a strongly dependent process, showing its consistency. The proposed method is semiparametric in the sense that, in contrast to other methods, we do not need to assume any particular model for the noise except that it is weakly dependent.

Hlouskova, Jaroslava

TI The CEEC10's Real Convergence Prospects. **AU** Wagner, Martin; Hlouskova, Jaroslava.

Hodgson, Douglas

PD July 2000. **TI** Testing the Capital Asset Pricing Model Efficiently Under Elliptical Symmetry: A Semiparametric Approach. **AU** Hodgson, Douglas; Linton, Oliver; Vorkink, Keith. **AA** Hodgson: University of Rochester. Linton: London School of Economics and Political Science. Vorkink: Brigham Young University. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/398; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 40. **PR** no charge. **JE** C13, C14, C22, C24, G12. **KW** Adaptive Estimation. CAPM. Efficiency.

AB We develop new tests of the capital asset pricing model (CAPM) that are valid under the assumption that the distribution generating returns is elliptically symmetric; this assumption is necessary and sufficient for the validity of the CAPM. Our test is based on semiparametric efficient estimation procedures for a seemingly unrelated regression model where the multivariate error density is elliptically symmetric. The elliptical symmetry assumption allows us to avoid the curse of dimensionality problem that typically arises in multivariate semiparametric estimation procedures, because the multivariate elliptically symmetric density function can be written as a function of a scalar transformation of the observed multivariate data. The elliptically symmetric family includes a number of thick-tailed distributions and therefore is potentially relevant in financial applications. Our estimated betas are lower than the ordinary least squares (OLS) estimates, and our parameter estimates are much less consistent with the CAPM restrictions than the corresponding OLS estimates.

Hoffmann, Johannes

PD January 2002. **TI** Rent Indices for Housing in West Germany 1985 to 1998. **AU** Hoffmann, Johannes; Kurz, Claudia. **AA** Deutsche Bundesbank. **SR** European Central Bank Working Paper: 116; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 43. **PR** no charge. **JE** C21, C43, D12, E31. **KW** Consumer Price Index. Hedonics. Housing. Matched Models.

AB In several studies, hedonic methods have been used successfully for the ex post assessment of the accuracy of inflation measurement. Most of those studies relate to high-tech products, with respect to which traditional methods of compiling price indices often fail. We apply hedonic methods to rental housing services, which display less quality progress. However, as German households devote about 10 percent of their total expenditure to rented housing services, even a small bias in this field might induce a substantial distortion in overall inflation measurement. On the basis of data from the German Socio- Economic Panel, we perform a hedonic analysis of housing rents and compile different price indices. Overall, we conclude that there is some evidence of an understatement of rent inflation in the official rent index for West Germany at the beginning of the 1990s.

Holden, Paul

PD October 2001. **TI** Financial Development and Poverty Alleviation: Issues and Policy Implications for Developing and Transition Countries. **AU** Holden, Paul; Prokopenko, Vassili.

AA Holden: Enterprise Research Institute. Prokopenko: International Monetary Fund. SR International Monetary Fund Working Paper: WP/01/160; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. PG 31. PR $15.00. JE G20, O10. KW Financial Development. Poverty Alleviation.

AB This paper reviews current thinking on the relationship between financial development and poverty alleviation -- a subject that has grown increasingly important in the policy prescriptions of the International Monetary Fund and other international financial institutions in recent years. Although work on this issue is far from over, some important lessons can be learned from the existing evidence. The paper reflects on these lessons and looks at some of the policy implications of the analysis.

Holtz-Eakin, Douglas

PD September 1999. **TI** Estate Taxes, Life Insurance, and Small Business. **AU** Holtz-Eakin, Douglas; Rosen, Harvey S.; Phillips, John W. **AA** Holtz-Eakin: Syracuse University and NBER. Rosen: Princeton University and NBER. Phillips: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 7360; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** G22, H23, H24, J23. **KW** Estate Taxes. Family Business. Life Insurance. Liquid Assets.

AB One criticism of the estate tax is that it prevents the owners of family businesses from passing their enterprises to their children. The problem is that it may be difficult to pay estate taxes without liquidating the business. A natural question is why individuals with such concerns do not purchase enough life insurance to meet their estate tax liabilities. This paper examines whether and how people use life insurance to deal with the estate tax. We find that, other things being the same, business owners purchase more life insurance than other individuals. However, on the margin, their insurance purchases are less responsive to estate tax considerations and they are less likely to have the wherewithal to meet estate tax liabilities out of liquid assets plus insurance.

Holzer, Harry

PD August 1999. **TI** Assessing Affirmative Action. **AU** Holzer, Harry; Neumark, David. **AA** Holzer: U.S. Department of Labor. Neumark: Michigan State University and NBER. **SR** National Bureau of Economic Research Working Paper: 7323; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 69. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** J15, J16, J18, J24, J78. **KW** Affirmative Action. Labor Markets. Discrimination. Efficiency Effects. Welfare Effects.

AB Although the debate over Affirmative Action is both high-profile and high-intensity, neither side's position is based on a well-established set of research findings. Economics provides an extensive, well-known literature on which to draw regarding the existence and extent of labor market discrimination against women and minorities and a less extensive but also well-known literature on the effects of Affirmative Action on the employment of women or minorities. However, research by economists provides much less evidence and even less of a consensus on the question of whether Affirmative Action improves or impedes efficiency or performance, which is perhaps the key economic issue in the debate over Affirmative Action. This review focuses on all of these issues regarding Affirmative Action, but the major focus is on the efficiency/performance question. All in all, the evidence suggests to us that it may be possible to generate Affirmative Action programs that entail relatively little sacrifice of efficiency. Most importantly, there is at this juncture very little compelling evidence of deleterious efficiency effects of Affirmative Action. This implies that the empirical case against Affirmative Action on the grounds of efficiency is weak at best.

Hong, Inkee

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

Honkapohja, Seppo

PD January 2002. **TI** Learning Stability in Economics with Heterogeneous Agents. **AU** Honkapohja, Seppo; Mitra, Kaushik. **AA** Honkapohja: University of Helsinki. Mitra: University of London. **SR** European Central Bank Working Paper: 120; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 36. **PR** no charge. **JE** C62, D83, E31, E32. **KW** Expectations. Learning. Stability. Heterogeneity. Money.

AB An economy exhibits structural heterogeneity when the forecasts of different agents have different effects on the determination of aggregate variables. We study how different forms of heterogeneity in structure, forecasts and adaptive learning rules affect the conditions for convergence of adaptive learning towards rational expectations equilibrium. Results are applied to the market model with supply lags, a new Keynesian model of interest rate setting and the monetary inflation model with heterogeneous agents.

TI Monetary Policy, Expectations and Commitment. **AU** Evans, George W.; Honkapohja, Seppo.

PD February 2002. **TI** Performance of Monetary Policy with Internal Central Bank Forecasting. **AU** Honkapohja, Seppo; Mitra, Kaushik. **AA** Honkapohja: University of Helsinki. Mitra: University of London. **SR** European Central Bank Working Paper: 127; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 32. **PR** no charge. **JE** D84, E31, E52. **KW** Adaptive Learning. Stability. Heterogeneity. Monetary Policy.

AB Recent models of monetary policy have analyzed the desirability of different optimal and ad hoc interest rules under the restrictive assumption that forecasts of the private sector and the central bank are homogenous. In this paper, we study the implications of heterogeneity in forecasts of the central bank and private agents for the performance of interest rules from the learning viewpoint.

Horstmann, Ignatius J.

PD March 2000. **TI** The New Federalism: Distributional Conflict, Voluntarism, and Segregation. **AU** Horstmann, Ignatius J.; Scharf, Kimberley A. **AA** Horstmann: University of Western Ontario and University of Toronto. Scharf: University of Warwick, IFS, and CEPR. **SR** University of Western Ontario, Department of Economics Research Report:

2000/11; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 26. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; prepaid orders only; make checks payable to the University of Western Ontario. **JE** D72, H20, H41, H72, H73. **KW** Fiscal Federalism. Jurisdiction Formation. Public Goods. Income Inequality.

AB Along with the rise in income inequality in the U.S., we have observed a simultaneous move toward fiscal devolution and increased government reliance on private provision of public goods. This paper argues that these phenomena are related. We describe a model of jurisdiction and policy formation in which the structure of government provision is endogenous and public good provision levels are determined by a political process that can exploit private motives for voluntary giving. The model predicts that an increase in income inequality leads to decentralization, with local jurisdictions becoming more income- homogenous than the population as a whole. This reduction in local income heterogeneity, combined with a reduced tax base, results in increased reliance by government on private provision.

TI The Game of Negotiations: Ordering Issues and Implementing Agreements. **AU** Busch, Lutz-Alexander; Horstmann, Ignatius J.

Horvath, Julius

TI Stability of Monetary Unions: Lessons from the Break-up of Czechoslovakia. **AU** Fidrmuc, Jan; Horvath, Julius; Fidrmuc, Jarko.

Hossain, Akhtar

PD June 2000. **TI** Convergence of Per Capita Output Levels Across Regions of Bangladesh, 1982-97. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/121; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 36. **PR** not available. **JE** C21, F41, H54, O18. **KW** Bangladesh. Convergence. Per Capita Output. Output.

AB This paper has examined the phenomenon of convergence of per capita output levels across regions of Bangladesh during 1982-97. The main finding is that most of the regions of Bangladesh experienced strong convergence of per capita output levels during 1982-91. There are two other findings within the domain of convergence. First, a few poorer regions of the country did not demonstrate any output convergence for the full or part of the sample period. Second, no evidence has been found for regional convergence of per capita output levels during 1991-97 that coincided with opening up the economy.

Hotz, V. Joseph

PD August 1999. **TI** Are There Returns to the Wages of Young Men from Working While in School? **AU** Hotz, V. Joseph; Xu, Lixin; Tienda, Marta; Ahituv, Avner. **AA** Hotz: UCLA and NBER. Xu: World Bank. Tienda: Princeton University. Ahituv: Hebrew University. **SR** National Bureau of Economic Research Working Paper: 7289; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 46. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C52, E24, J24, J31. **KW** Work Experience. Wage Rates. Heterogeneity. Selectivity. Dynamic Selection.

AB This paper examines the impacts of work experience acquired while youth were in high school (and college) on young men's wage rates during the 1980s and 1990s. Previous studies have found evidence of sizeable and persistent rates of return to working while enrolled in school, especially high school, on subsequent wage growth. Such findings may represent causal effects of having acquired work experience while still enrolled in school, but they may also be the result of failure to fully account for individual differences in young adults' capacities to acquire such skills and be productive in the work force later in life. The authors re-examine the robustness of previous attempts to control for unobserved heterogeneity and selectivity. They explore more general methods for dealing with dynamic forms of selection by explicitly modeling the educational and work choices of young men from age 13 through their late twenties. Using data on young men from the 1979 National Longitudinal Survey of Youth, (NLSY79), the authors find that the estimated returns to working while in high school or college are dramatically diminished in magnitude and statistical significance when one uses these dynamic selection methods.

Hout, Michael

PD September 1999. **TI** Self-Employment, Family Background, and Race. **AU** Hout, Michael; Rosen, Harvey S. **AA** Hout: University of California, Berkeley. Rosen: Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7344; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 27. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, J15, J24, J31, J62. **KW** Self-Employment. Family Background. Race. Occupation. Immigrants.

AB This paper focuses on the intergenerational transmission of the propensity to be self-employed. The emphasis is on the role of family background, and in particular, on the intergenerational pick-up rate with respect to self-employment (the probability that a person with a self-employed parent will become self-employed him or herself). The authors use the General Social Survey, a data source with rich information on individuals' family histories, to investigate how family background affects self-employment probabilities and to document how racial and ethnic groups differ with respect to the intergenerational pick-up rate. They confirm earlier findings that father's self- employment status is an important determinant of offspring's self- employment outcomes. New results include: 1) The impact of paternal self-employment differs by race; 2) Even independent of father's occupation, family structure plays a role; 3) Blacks have lower self-employment rates than whites in part because they have different family structures; still, within each family type, blacks have lower self- employment rates; 4) The relatively high self-employment rates of immigrants carry into the next generation, but not beyond that.

Hoxby, Caroline

TI Political Jurisdictions in Heterogeneous Communities. **AU** Alesina, Alberto F.; Baqir, Reza; Hoxby, Caroline.

PD August 2000. **TI** Would School Choice Change the

Teaching Profession? **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7866; 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** I21, I28, J24. **KW** School Choice. Teacher Characteristics. Education Policy.

AB This paper investigates whether schools that face stronger choice- based incentives have greater demand for certain teacher characteristics and, if so, which teacher characteristics. Schools that face choice-based incentives should demand teachers who raise a schools' ability to attract students. In the long term, if school choice affects schools' demand for certain teacher characteristics, it would affect who became, and remained, a teacher. Using data on traditional forms of choice (Tiebout choice, choice of private schools) and a new survey of charter school teachers, this paper finds evidence that suggests that school choice would change the teaching profession by demanding teachers with higher quality college education, more math and science skills, and a greater degree of effort and independence.

PD August 2000. **TI** Peer Effects in the Classroom: Learning from Gender and Race Variation. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7867; 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** A14, I29, J15, J16. **KW** Peer Effects. School Composition. Gender. Race.

AB Peer effects are potentially important for understanding the optimal organization of schools, jobs, and neighborhoods, but finding evidence is difficult because people are selected into peer groups based, in part, on their unobservable characteristics. I identify the effects of peers whom a child encounters in the classroom using sources of variation that are credibly idiosyncratic, such as changes in the gender and racial composition of a grade in a school in adjacent years. I use specification tests to confirm that the variation I use is not generated by time trends or other non-idiosyncratic forces. I find that students are affected by the achievement level of their peers: a credibly exogenous change of 1 point in peers' reading scores raises a student's own score between 0.15 and 0.4 points, depending on the specification. I find that peer effects are stronger intra-race and that some effects do not operate through peers' achievement. For instance, both males and females perform better in math in classrooms that are more female despite the fact that females' math performance is about the same as that of males.

Hoy, Mike

TI Information and Dynamic Adjustment in Life Insurance. **AU** Polborn, Mattias K.; Hoy, Mike; Sadanand, Asha.

Hsu, David H.

TI When Does Start-Up Innovation Spur the Gale of Creative Destruction? **AU** Gans, Joshua S.; Hsu, David H.; Stern, Scott.

Hubbard, R. Glenn

TI Taxing Multinationals. **AU** Devereux, Michael P.; Hubbard, R. Glenn.

Hubbard, Thomas N.

PD *September 1999.* **TI** How Wide is the Scope of Hold-Up-Based Theories? **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7347; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D43, L22, L42, L92. **KW** Contracts. Hold-Up. Trucking. Quasi-Rent. Local Market Thickness.

AB How far do the contractual implications of hold-up-based theories (Klein, Crawford, and Alchian (1978), Williamson (1979,1985)) extend? I investigate this in the context of trucking. Quasi-rents in trucking are generally smaller than in the contexts studied in the previous empirical literature. They vary with hauls' distance and the thickness of local markets. I find that doubling the thickness of the market increases the likelihood that simple spot arrangements govern transactions by about 30 percent for long hauls. I find weaker evidence of relationships between local market thickness and contractual form for short hauls -- hauls for which quasi-rents are particularly small. Contracts' role as protectors of quasi-rents becomes less important as quasi-rents decrease, but exists over a surprisingly large range.

Humpage, Owen

TI Coalitions, Power, and the FOMC. **AU** Haubrich, Joseph G.; Humpage, Owen.

TI Sterilized Intervention, Nonsterilized Intervention, and Monetary Policy. **AU** Craig, Ben; Humpage, Owen.

Hutchinson, George W.

TI Reliability of Benefit Value Transfers from Contingent Valuation Data with Forest-Specific Attributes. **AU** Scarpa, Riccardo; Hutchinson, George W.; Chilton, Sue M.

Hylleberg, Svend

TI Seasonality in Economic Models. **AU** Brendstrup, Bjarne; Hylleberg, Svend; Nielsen, Morten; Skipper, Lars; Stentoft, Lars.

Hyslop, Dean

TI Measuring the Effects of Arbitration on Wage Levels: The Case of Police Officers. **AU** Ashenfelter, Orley; Hyslop, Dean.

Ichino, Andrea

TI Unemployment and Consumption: Are Job Losses Less Painful Near the Mediterranean? **AU** Bentolila, Samuel; Ichino, Andrea.

Ikenberry, David

PD August 1999. **TI** Stock Repurchases in Canada: Performance and Strategic Trading. **AU** Ikenberry, David; Vermaelen, Theo; Lakonishok, Josef. **AA** Ikenberry: Rice University. Vermaelen: INSEAD. Lakonishok: University of Illinois and NBER. **SR** National Bureau of Economic Research Working Paper: 7325; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 20. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D83, G12, G14, G32. **KW** Stock Repurchase. Pricing. Strategic Trading.

Canada. Corporate Finance.
AB During the 1980s, U.S. firms that announced stock repurchase programs earned favorable long-run returns. Recently, concerns have been raised regarding the robustness of these findings. This comes at a time of explosive worldwide growth in the adoption of repurchase programs. This study provides out-of-sample evidence for 1,060 Canadian repurchase programs announced between 1989 and 1997. As in the U.S., the Canadian stock market seems to discount the information contained in repurchase announcements. Value stocks announcing repurchase programs have particularly favorable returns. Canadian law requires companies to report how many shares they repurchase on a monthly basis. We find that managers are sensitive to mispricing as completion rates are higher in cases where undervaluation may be a more important factor. Moreover, trades are linked to price movement; managers buy more shares when prices fall and reduce their buying when prices rise.

Inaba, Fred

TI Cooperative Bargaining to Internalize Open Access Externalities: Implications of the American Fisheries Act. **AU** Matulich, Scott C.; Sever, Murat; Inaba, Fred.

Inchauste, Gabriela

PD May 2001. **TI** Intrahousehold Allocation of Resources: The Bolivian Family. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/57; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** D12, D31, D63, H31, J13. **KW** Household Bargaining. Bolivia. Resource Allocation. Child Welfare. Parental Education.
AB Recognizing that intrahousehold inequalities exist, this study focuses on the distribution of resources toward children across household types. A bargaining framework is used to test whether it matters who has control over resources. Results show that control over resources matters, as well as the characteristics of family members. The policy implication is that the education of mothers is important to improve child welfare, over and above the benefits of cash transfer schemes. Parental education campaigns should accompany child welfare programs, particularly among indigenous families. Children fare better when mothers are educated, both parents are present, and there are fewer children.

Inman, Robert P.

TI Fiscal Policies in Open Cities with Firms and Households. **AU** Haughwout, Andrew; Inman, Robert P.

Irwin, Douglas A.

PD August 2000. **TI** The Antebellum Tariff on Cotton Textiles Revisited. **AU** Irwin, Douglas A.; Temin, Peter. **AA** Irwin: Dartmouth College and NBER. Temin: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7825; 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** F13, N71. **KW** Tariffs. Cotton Textiles.
AB Recent research has suggested that the antebellum U.S cotton textile industry would have been wiped out had it not received tariff protection. We reaffirm Taussig's judgment that the U.S. cotton textile industry was largely independent of the tariff by the 1830's. American and British producers specialized in quite different types of textile products that were poor substitutes for one another. The Walker tariff of 1846, for example, reduced the duties on cotton textiles from nearly 70 percent to 25 percent and imports soared as a result, but there was little change in domestic production. Using data from 1826 to 1860, we estimate the responsiveness of domestic production to fluctuations in import prices and conclude that the industry could have survived even if the tariff had been completely eliminated.

Irwin, Gregor

PD December 2000. **TI** Government Guarantees, Investment and Vulnerability to Financial Crises. **AU** Irwin, Gregor; Vines, David. **AA** University of Oxford. **SR** CEPR Discussion Paper: 2652; 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, F34, O16. **KW** East Asian Economic Crisis. Financial Crisis. Multiple Equilibria. Over-Investment.
AB This paper presents a new model of the East Asian crisis that combines three elements -- multiple equilibria, investment collapse, and moral hazard -- in a single simple account. The causes of the crisis are located in poor financial regulation, highly-geared financial institutions, and implicit guarantees to the financial sector that create moral-hazard. The model has a unique long-run equilibrium, with over-investment as a result of the guarantees. In the short run, in which the capital stock is fixed, there may be multiple equilibria. If foreign banks regard lending as low-risk, then it is. But, if they regard lending as high-risk and charge a higher interest rate, then the costs of honoring guarantees rises, making the lending high-risk and the risk premium self-justifying. A crisis occurs with a switch to this second equilibrium in which the government is forced to renege on its guarantees; the effect is a reversal of foreign capital flows. Whether multiple equilibria exist -- and hence whether the economy is vulnerable to a crisis -- depends critically on the extent of capital accumulation and the mix between debt and equity financing.

Ivaschenko, Iryna V.

TI Corporate Bond Risk and Real Activity: An Empirical Analysis of Yield Spreads and Their Systematic Components. **AU** Chan-Lau, Jorge A.; Ivaschenko, Iryna V.

Janssen, Josef

PD July 2000. **TI** Will Joint Implementation Survive International Emissions Trading? Distinguishing the Kyoto Mechanisms. **AA** University of St. Gallen. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 60/2000; "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** F10, F42, K33, Q25, Q28. **KW** Kyoto Mechanisms. Joint Implementation. Emission Trading. Climate Protection. Environmental Agreements.
AB The Kyoto Protocol stipulates that industrialized countries and countries with economies in transition, i.e. the group of Annex I countries, shall reduce their overall emissions of carbon dioxide and five other greenhouse gases by at least 5

% as compared to their 1990 emission levels. This should be achieved by the first commitment period 2008-2012. In order to meet these targets cost-effectively, at an international level the Kyoto Protocol allows the use of the market- based Kyoto Mechanisms Joint Implementation, Clean Development Mechanism and International Emissions Trading. What strikes at first glance is that the Kyoto Protocol provides for two forms of international mitigation activities among Annex I countries, i.e. Joint Implementation and International Emissions Trading. Against this background, this paper analyses how Joint Implementation and International Emissions Trading might be distinguished and how they relate to each other. Based on this discussion, the paper explores moreover how the Clean Development Mechanism could be interpreted from an economic perspective. A clear understanding of distinctions of and interrelations between the Kyoto Mechanisms is important for both further research, and implementation and design efforts in practice.

Jaramillo, Fernando

PD July 2000. **TI** Conspicuous Consumption, Social Status and Clubs. **AU** Jaramillo, Fernando; Kempf, Hubert; Moizeau, Fabien. **AA** Jaramillo: Universidad de los Andes, Bogota and Universite Paris-1 Pantheon-Sorbonne. Kempf and Moizeau: Universite Paris-1 Pantheon- Sorbonne. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 58/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 27. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C70, D11, D71, D82, H31. **KW** Consumption. Social Status. Clubs. Signaling. Taxation.

AB The paper develops a signaling theory of conspicuous consumption where the drive toward spending on an otherwise unuseful good comes from the desire to enter clubs and benefit from the provision of a club good financed by members of a club and from a social status effect. Individual incomes are unobserved and admission to a club is based on the inference of an individual's capacity to contribute to the public good. By entering in a club, individuals also gain a certain social status. This inference in turn is based on the signal emitted by spending on a conspicuous good. Because of the joint incentives of club good and social status, people may be induced to overspend in the conspicuous good. We characterize both the pooling equilibria and the separating equilibria of the signaling game played by individuals. We then ask whether taxation can be Pareto-improving and which tax scheme would be chosen by the median voter in this society.

Jeanne, Olivier

TI An Interest Rate Defense of a Fixed Exchange Rate? **AU** Flood, Robert P.; Jeanne, Olivier.

PD August 2000. **TI** Debt Maturity and the Global Financial Architecture. **AA** International Monetary Fund and CEPR. **SR** CEPR Discussion Paper: 2520; 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** F32, F33, F34. **KW** Capital Controls. Debt Maturity. International Debt. Lender of Last Resort. Liquidity Crises.

AB The paper starts from the premise that the debate on the "new architecture" of the international financial system should be based on a theory that endogenizes the structure of countries' external liabilities. I present a model in which the maturity of a country's external sovereign debt is the solution to an incentives problem, which may lead to reliance on short-term debt and vulnerability to runs. I study, in the context of this model, the welfare effects of an international lender of last resort, measures aimed at coordinating creditors in crises, and a tax on short-term capital flows. These measures may increase or decrease global welfare, and always leave it strictly below the first-best level.

Jehiel, Philippe

PD August 2000. **TI** License Auctions and Market Structure. **AU** Jehiel, Philippe; Moldovanu, Benny. **AA** Jehiel: CERAS, Paris; University College London, and CEPR. Moldovanu: Universitat Mannheim. **SR** CEPR Discussion Paper: 2530; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** D43, D44, D45, L13, L96. **KW** Auctions. Market Structure. Collusion. War of Attrition. Licenses.

AB We analyze the interplay between license auctions and market structure in a model with several incumbents and several potential entrants. The focus is on the competitiveness induced by the number of auctioned licenses. Moreover, we study how the auction format affects the incentives for explicit or tacit collusion among incumbents. A crucial role is played by the relation between the number of incumbents and the number of licenses. We show that auctioning more licenses need not result in greater competitiveness when the number of incumbents is greater than the number of new licenses. When the number of licenses exceeds the number of incumbents, we display plausible conditions under which all incumbents get a license. Finally, we suggest a positive role for some auction formats in which the number of licenses is endogenously determined at the auction. We illustrate some results with examples drawn from the German and UK license auctions for 3G mobile telephony.

Jenkins, Stephen P.

TI Measuring Income Risk. **AU** Burgess, Simon; Gardiner, Karin; Jenkins, Stephen P.; Propper, Carol.

Jensen, Peter

PD January 2002. **TI** A Comparison of Different Estimators for Panel Data Sample Selection Models. **AU** Jensen, Peter; Rosholm, Michael; Verner, Mette. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2002/01; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 32. **PR** no charge. **JE** C23, C33. **KW** Panel Data. Sample Selection. Individual-Specific Effects. Maximum Likelihood. Two-Step Estimators.

AB In this paper, we perform an extensive Monte Carlo study of the finite sample properties of different estimators for panel data sample selection models. The estimators investigated are various two-step estimators and maximum likelihood estimators with simultaneous equations for the sample selection process and the equation of interest. The main result of the Monte Carlo study is that the maximum likelihood estimators of random effects models in general perform better than the two-step estimators.

Jha, Raghbendra

PD August 1999. **TI** The Environmental Regime in Developing Countries. **AU** Jha, Raghbendra; Whalley, John. **AA** Jha: Indira Gandhi Institute of Development Research. Whalley: University of Western Ontario and NBER. **SR** National Bureau of Economic Research Working Paper: 7305; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D62, H41, K32, Q24, Q25. **KW** Environmental Regime. Externalities. Developing Countries. Degradation Effect.

AB This paper discusses the environmental externalities that are commonly found in the developing world (the environmental regime) along with the policy responses, if any, commonly used to deal with these. Included are the effects of industrial emissions, air and water quality impacts of untreated waste (industrial and human waste), congestion effects of traffic, soil erosion, and open access resource problems (including forests). We note the tendency in much literature of the last few years to equate environmental problems in developing countries with pollutants (or emissions). The paper argues that to discuss environmental problems in developing countries (or to compare with developed countries) without reference to degradation as well as pollutants is incomplete; the effects of the former are large and pervasive, and their severity and interaction with economic process often differs sharply from that of pollutants. The paper concludes with a discussion of how environmental policy in developing countries differs from that found in developed countries in light of our focus on degradation effects.

Jorda, Oscar

TI A Model for the Federal Funds Rate Target. **AU** Hamilton, James D.; Jorda, Oscar.

Jousten, Alain

TI Delays in Claiming Social Security Benefits. **AU** Coile, Courtney; Gruber, Jonathan; Diamond, Peter; Jousten, Alain.

Juan-Ramon, V. Hugo

TI Real Exchange Rate Response to Capital Flows in Mexico: An Empirical Analysis. **AU** Dabos, Marcelo; Juan-Ramon, V. Hugo.

Kahn, James A.

TI What Inventory Behavior Tells Us About Business Cycles. **AU** Bils, Mark; Kahn, James A.

Kamberoglou, Nicos C.

TI Is There a Bank Lending Channel of Monetary Policy in Greece? Evidence from Bank Level Data. **AU** Brissimis, Sophocles N.; Kamberoglou, Nicos C.; Simigiannis, George T.

Kambourov, Gueorgui

TI Estimation of Income, Own- and Cross-Price Elasticities: An Application for Bulgaria. **AU** Stavrev, Emil; Kambourov, Gueorgui.

TI Share Equations Versus Double Logarithmic Functions in the Estimation of Income, Own- and Cross-Price Elasticities: An Application for Bulgaria. **AU** Stavrev, Emil; Kambourov, Gueorgui.

Kaminsky, Graciela

PD August 2000. **TI** Managers, Investors, and Crises: Mutual Fund Strategies in Emerging Markets. **AU** Kaminsky, Graciela; Lyons, Richard K.; Schmukler, Sergio. **AA** Kaminsky: George Washington University. Lyons: University of California, Berkeley and NBER. Schmukler: World Bank. **SR** National Bureau of Economic Research Working Paper: 7855; 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** F36, G11, G15, G23, G24. **KW** Emerging Markets. Mutual Funds. Investor Behavior. Managers.

AB This paper addresses the trading strategies of mutual funds in emerging markets. The data set we develop permits analysis of these strategies at the level of individual portfolios. Methodologically, a novel feature is our disentangling the behavior of managers from that of underlying investors. For both managers and investors, we strongly reject the null hypothesis of no momentum trading: funds' momentum trading is positive -- they systematically buy winners and sell losers. Contemporaneous momentum trading (buying current winners and selling current losers) is stronger during crises, and stronger for fund investors than for fund managers. Lagged momentum trading (buying past winners and selling past losers) is stronger during non-crisis, and stronger for fund managers. Investors also engage in contagion trading, i.e., they sell assets from one country when asset prices fall in another.

Kang, Kenneth

TI From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. **AU** Chopra, Ajai; Kang, Kenneth; Karasulu, Meral; Liang, Hong; Ma, Henry; Richards, Anthony.

Karacadag, Cem

PD June 2000. **TI** The New Capital Adequacy Framework: Institutional Constraints and Incentive Structures. **AU** Karacadag, Cem; Taylor, Michael W. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/93; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 40. **PR** not available. **JE** G21, G28. **KW** Capital Regulation. Bank Capital. Rating Agencies.

AB This paper considers the implementation challenges facing the Basel Committee's new proposals on bank capital standards. When compared with the existing Capital Accord, the proposals represent a shift across two intersecting dimensions: regulatory versus economic capital, and rules-based versus process-oriented regulation. On minimum capital standards, the case for using external ratings may be stronger than has been recognized, given the divergences in the purpose and design of internal ratings. Regarding supervisory review, we find that ensuring comparability among supervisors and building supervisory capacity will present serious challenges. On enhancing market discipline, incentives for markets to exercise discipline will be required.

Karasulu, Meral

TI From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. **AU** Chopra, Ajai; Kang, Kenneth; Karasulu, Meral; Liang, Hong; Ma, Henry; Richards, Anthony.

Karatzas, Ioannis

PD October 2001. **TI** Inflationary Bias in a Simple Stochastic Economy. **AU** Karatzas, Ioannis; Shubik, Martin; Sudderth, William D.; Geanakoplos, John. **AA** Karatzas: Columbia University. Shubik and Geanakoplos: Cowles Foundation and Yale University. Sudderth: University of Minnesota. **SR** Yale Cowles Foundation Discussion Paper: 1333; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 24. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C73, D81, E31, E41, E58. **KW** Inflation. Market Game. Interest Rates. Central Banks.

AB We construct explicit equilibria for strategic market games used to model an economy with fiat money, one nondurable commodity, countably many time-periods, and a continuum of agents. The total production of the commodity is a random variable that fluctuates from period to period. In each period, the agents receive equal endowments of the commodity, and sell them for cash in a market; their spending determines, endogenously, the price of the commodity. All agents have a common utility function, and seek to maximize their expected total discounted utility from consumption. Suppose an outside bank sets an interest rate rho for loans and deposits. If 1 plus rho is the reciprocal of the discount factor, and if agents must bid for consumption in each period before knowing their income, then there is no inflation. However, there is an inflationary trend if agents know their income before bidding. We also consider a model with an active central bank, which is both accurately informed and flexible in its ability to change interest rates. This, however, may not be sufficient to control inflation.

Karolyi, G. Andrew

TI A New Approach to Measuring Financial Contagion. **AU** Bae, Kee-Hong; Karolyi, G. Andrew; Stulz, Rene M.

Kashyap, Anil

TI Monetary Transmission in the Euro Area: Where do we Stand? **AU** Angeloni, Ignazio; Kashyap, Anil; Mojon, Benoit; Terlizzese, Daniele.

Kastelli, Ioanna

PD September 2000. **TI** Science and Technology Policy in Greece: Policy Initiatives for R&D Cooperation. **AA** National Technical University of Athens. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 69/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 22. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** L49, L52, O31, O34, O38. **KW** Science and Technology. Research and Development. Cooperation. Greece.

AB The introduction of new elements in the Greek Science and Technology policy has not been followed to the same extent by an explicit concern for the promotion of R&D cooperation. National policy in that respect has been shaped to a large extent by the European Commission's policy initiatives. Although the EU Framework Programs and the European Support Framework I and II played an important role in setting favorable conditions for the development of R&D cooperation, it would be unrealistic to expect that they could alone influence the attitude of the Greek industrial system towards this type of cooperation. National initiatives in the field of Science and Technology policy have followed the general orientations of the EU policy but until now have failed to establish an authentic set of coherent actions aiming at strengthening interactive processes and establishing intense linkages among economic actors. It is argued that there is no independent growing interest for the promotion of R&D cooperation, neither from the policy-makers side nor from the side of the private economic actors. No significant changes in competition and IPR rules have been introduced to promote R&D cooperation.

Katsoulacos, Yannis

PD August 1999. **TI** The Effects of Environmental Policy on the Performance of Environmental RJVs. **AU** Katsoulacos, Yannis; Ulph, Alistair; Ulph, David. **AA** Katsoulacos: Athens University of Economics and Business. Ulph, A: University of Southampton. Ulph, D: University College London. **SR** National Bureau of Economic Research Working Paper: 7301; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** not available. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C72, D62, H43, O32, Q25. **KW** Environmental Policy. Research and Development. Research Joint Ventures. Externalities. Information Sharing.

AB This paper analyzes the impact of environmental policy on the performance of environmental Research Joint Ventures and undertakes an explicit welfare comparison of this performance against the counterfactual of a non-cooperative equilibrium. The framework the authors adopt is that developed by Katsoulacos and Ulph (1998) which identifies three stages in the innovative process -- research design, R&D, and information sharing -- and endogenizes each of these interrelated decisions in both the cooperative and non-cooperative equilibria. The case examined is that in which governments cannot commit to environmental policy, so all these decisions have to be taken anticipating the environmental policy that will finally be imposed. The authors show that RJVs are welfare enhancing when the levels of environmental damage caused by pollution are low. In this case RJVs fully share information and internalize the associated externality. However when the level of damage is high, it turns out that firms anticipate tougher environmental policy when they share information than when they do not, and so do not share information. This distorts the RJV's R&D decisions in ways that make the non-cooperative equilibrium welfare enhancing.

Keane, Michael P.

PD June 2000. **TI** Inequality, Transfers and Growth: New Evidence from the Economic Transition in Poland. **AU** Keane, Michael P.; Prasad, Eswar S. **AA** Keane: New York University and Yale University. Prasad: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/117; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 51. **PR** not available. **JE** D31, H55, J31, O15, P27. **KW** Inequality. Social Transfers. Redistribution. Transition

Economies. Growth.
AB This paper challenges the conventional wisdom that inequality in Poland increased markedly during the economic transition. Income and consumption inequality actually declined in 1990-92 and rose only moderately above pre-transition levels by 1997. However, inequality in labor earnings increased markedly and consistently during 1990-97. Social transfer mechanisms, including pensions, helped mitigate increases in overall inequality and poverty. More importantly, these transfer mechanisms were well-designed to reduce political resistance to market-oriented reforms in the early years of transition, paving the way for rapid growth. Cross-country evidence from transition economies is consistent with this interpretation and with recent literature suggesting that inequality-reducing redistribution can enhance growth.

Kehoe, Patrick J.

TI Can Sticky Price Models Generate Volatile and Persistent Real Exchange Rates? **AU** Chari, V. V.; Kehoe, Patrick J.; McGrattan, Ellen R.

TI Money, Interest Rates, and Exchange Rates with Endogenously Segmented Asset Markets. **AU** Alvarez, Fernando; Atkeson, Andrew; Kehoe, Patrick J.

Kejak, Michal

TI Inflation, Growth, and Credit Services. **AU** Gillman, Max; Kejak, Michal; Valentinyi, Akos.

Kempf, Hubert

TI Conspicuous Consumption, Social Status and Clubs. **AU** Jaramillo, Fernando; Kempf, Hubert; Moizeau, Fabien.

Kessler, Anke

PD August 2000. **TI** The Theory of Human Capital Revisited: On the Interaction of General and Specific Investments. **AU** Kessler, Anke; Lulfesmann, Christoph. **AA** Kessler: University of Bonn and CEPR. **SR** CEPR Discussion Paper: 2533; 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** C78, D82, J24, J41. **KW** Firm-Specific Skills. Training. Hold-Up Problem. Human Capital.
AB Human capital theory distinguishes between training in general-usage and firm-specific skills. In his seminal work, Becker (1964) argues that employers will not be willing to invest in general training when labor markets are competitive. However, they are willing to invest in specific training because it cannot be transferred to outside firms. This paper reconsiders Becker's theory. We show that there exists an incentive complementarity between employer-sponsored general and specific investments: the possibility to provide specific training leads the employer to invest in general human capital. Conversely, the latter reduces the hold-up problem that arises with respect to the provision of firm-specific training. These findings hold even if there is no technological link between the two types of training. We also consider the virtues of long-term contracting and discuss some empirical observations that could be explained by the model.

Khan, Mohsin S.

PD June 2000. **TI** Threshold Effects in the Relationship Between Inflation and Growth. **AU** Khan, Mohsin S.; Senhadji, Abdelhak S. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/110; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 31. **PR** not available. **JE** C13, E31, O49. **KW** Inflation. Growth. Threshold Effects.
AB This paper reexamines the issue of the existence of threshold effects in the relationship between inflation and growth, using new econometric techniques that provide appropriate procedures for estimation and inference. The threshold level of inflation above which inflation significantly slows growth is estimated at 1-3 percent for industrial countries and 7-11 percent for developing countries. The negative and significant relationship between inflation and growth, for inflation rates above the threshold level, is quite robust with respect to the estimation method, perturbations in the location of the threshold level, the exclusion of high-inflation observations, data frequency, and alternative specifications.

Kho, Bong-Chan

PD September 1999. **TI** Banks, the IMF, and the Asian Crisis. **AU** Kho, Bong-Chan; Stulz, Rene M. **AA** Kho: Seoul National University. Stulz: Ohio State University and NBER. **SR** National Bureau of Economic Research Working Paper: 7361; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F31, F34, F36, G15, G21. **KW** Asian Crisis. Bank Stock Prices. Shareholder Wealth. Currency Exposure. Financial Crises.
AB This paper examines the impact of the Asian crisis on bank stocks across four Western countries and six Asian countries. In the second half of 1997, Western banks experienced positive returns. In contrast, East Asian bank indices incurred losses in excess of 60% in each of the crisis countries. Most of this poor performance is explained by the exposure of the banks to general stock market movements in their countries. Currency exposures affected banks adversely beyond their stock market impact only in Indonesia and the Philippines. Except for the Korean program, IMF programs had little effect on bank values. The announcement of the Korean program increased shareholder wealth at the U.S. banks with the highest reported exposure in Korea by about 7% and had a favorable effect on bank shareholder wealth in all the countries in our sample but one. There is no evidence that the Korean IMF program had a positive impact on banks without exposure to Korea and hence our results do not support the argument that such programs reduce systemic risk.

Kibritcioglu, Aykut

TI Inflation, Output, and Stabilization in a High Inflation Economy: Turkey, 1980 - 2000. **AU** Dibooglu, Selahattin; Kibritcioglu, Aykut.

PD July 2001. **TI** Causes of Inflation in Turkey: A Literature Survey With Special Reference to Theories of Inflation. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0115; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 34. **PR** not available. **JE** B22, E31. **KW** Inflation Theories. Turkey.

AB Turkey has experienced high and persistent inflation for more than twenty years. This paper attempts firstly to survey the extremely broad literature on theories of inflation, in order to be able to classify, understand and discuss the dynamics of inflation more carefully. It is mainly argued that inflation may be interpreted as a net result of sophisticated and continuous interactions of demand-side (or monetary) shocks, supply-side (or real) shocks, price-adjustment (or inertial) factors and political processes (or institutional factors). The second aim of the paper is to compare the existing empirical studies on Turkish inflation, by considering their sample period, data frequency, empirical methods, modeled macroeconomic variables and main results. Most of the studies reviewed here seem to have focused primarily on demand-side determinants. On the other hand, the components, degree and effects of inflation inertia need to be investigated in more detail.

Killeen, William

TI The Euro as an International Currency: Explaining Puzzling First Evidence. **AU** Hau, Harald; Killeen, William; Moore, Michael J.

Kim, GiSeung

TI A Markov Based Entry-Exit Decomposition of Male/Female Employment Rate Differences Over the Life-Cycle. **AU** Deltas, George; Kim, GiSeung.

Kim, Michael

TI The Law of One Price Over 700 Years. **AU** Rogoff, Kenneth; Froot, Kenneth A.; Kim, Michael.

Kim, Soyoung

PD March 2001. **TI** Monetary Instrument Problem Revisited: The Role of Fiscal Policy. **AA** University of Illinois, Urbana-Champaign. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0102; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 24. **PR** not available. **JE** E31, E52, E63. **KW** Monetary Instrument Problem. Inflation Variance. Fiscal Policy. Nominal Public Debt. Price Level.

AB The monetary instrument problem is examined in an endowment economy model with various stochastic disturbances, with minimizing the variance of inflation as the policy objective. Following current developments in the theory of fiscal determination of the price level, for different monetary policies, active or passive fiscal policy is specified to guarantee a unique equilibrium. The responses of inflation to various structural disturbances in the constant money growth rate-passive fiscal and the constant interest rate-active fiscal regime are explained based on monetary and fiscal policies' role in financing government deficit changes and satisfying the government budget constraint in each regime, which is different from the explanations of past research following Poole. One of the interesting findings is that an increase in the steady state real value of nominal government debts (bonds) reduces the variance of inflation in the passive monetary- active fiscal regime.

Kimakova, Alena

PD May 1999. **TI** An Applied General Equilibrium Analysis of EU Integration for Hungary and Slovakia: What Happens in the Labour Markets? **AU** Kimakova, Alena; Rajabiun, Reza. **AA** Kimakova: Brandeis University and Commerzbank Capital Markets Eastern Europe. Rajabiun: ASP-Kiel Institute of World Economics. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 09; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 30. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** D58, F15, J21, P33. **KW** General Equilibrium. Transition Economies. International Trade. Labor Markets. Economic Integration.

AB The implications of integration with the European Union on the labor markets of Central and East European transition economies have been neglected in the literature. We build an Applied General Equilibrium Model for Hungary and the Slovak Republic and simulate the integration process with specific reference to the labor markets in these economies. The results show that the effects of joining the preferential trading arrangement of the EU are context dependent. Labor markets in the Slovak Republic are more sensitive to the trade diverting effects of this form of integration than those of Hungary. This is especially the case for the utilization of skilled labor and can be justified by the structural differences between the two economies. This would imply that Slovakia has a lower potential for building on the existing human capital capacities. For Hungary, since the EU is the dominant trading partner, the scope for diversion and the resulting structural distortions in the labor market remain limited.

King, David C.

PD September 1999. **TI** Congressional Vote Options. **AU** King, David C.; Zeckhauser, Richard J. **AA** King: Kennedy School of Government. Zeckhauser: Kennedy School of Government and NBER. **SR** National Bureau of Economic Research Working Paper: 7342; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 32. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C78, D71, D72, H11. **KW** Vote Options. Legislative Votes. Commitment. Congress.

AB Among political practitioners, there is conventional wisdom about the outcomes of critical and salient legislative votes. Real-world examples suggest coalition leaders purchase "hip-pocket" votes and "if you need me" pledges, which are converted to favorable votes when they will yield a victory. When the outcome is uncertain, such a process is advantageous relative to traditional vote buying. Excess votes are not bought, nor are votes purchased for a losing effort. In effect, the leader secures options on votes. Given uncertainty, buying vote options yields two outcomes in conceivably winnable situations, one a narrow victory, the other a substantial loss. Such a distribution of outcomes is not explicable in a traditional vote-buying framework. The authors look for evidence of this pattern -- the tracings of "if you need me pledges" -- by examining all Congressional Quarterly key votes from 1975 through 1998. On these critical and salient votes, narrow victories are much more frequent than narrow losses. Furthermore, when leaders lose key votes, as predicted, they lose by bigger margins than when they win. Finally, the authors discuss leadership strategies for keeping "narrow wins" from unraveling into "big losses.".

Kinnaman, Thomas C.

PD August 1999. **TI** The Economics of Residential Solid Waste Management. **AU** Kinnaman, Thomas C.; Fullerton, Don. **AA** Kinnaman: Bucknell University. Fullerton: University of Texas at Austin and NBER. **SR** National Bureau of Economic Research Working Paper: 7326; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 31. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D61, H43, H71, K32, Q28. **KW** Residential Solid Waste. Recycling. Public Policy. Policy Effectiveness.

AB This paper provides a broad overview of recent trends in solid waste and recycling, related public policy issues, and the economics literature devoted to these topics. Public attention to solid waste and recycling has increased dramatically over the past decade both in the United States and in Europe. In response, economists have developed models to help policy makers choose the efficient mix of policy levers to regulate solid waste and recycling activities. Economists have also employed different kinds of data to estimate the factors that contribute to the generation of residential solid waste and recycling and to estimate the effectiveness of many of the policy options employed.

Kireyev, Alexei

PD May 2001. **TI** Financial Reforms in Sudan: Streamlining Bank Intermediation. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/53; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 54. **PR** not available. **JE** E42, E52, G21, G22, G28. **KW** Financial Reform. Monetary Policy. Islamic Finance. Banking Supervision. Financial Intermediation.

AB The paper reviews the experience of financial reforms in Sudan with a view to assessing their macroeconomic impact and to shedding light on the question why such reforms have not yet brought about visible improvements in financial intermediation. The paper concludes that regardless of the progress achieved in recent years, deficiencies in the reform design, institutional weaknesses, shallow financial markets, shortcomings of the Islamic mode of finance, and strong seasonality remain key factors that constrain financial intermediation. Additional efforts, in particular in bank restructuring, credit instrument design, monetary policy management, and prudential regulation, are needed to address the systemic problems of the financial sector and to make it capable of supporting private sector growth.

PD October 2001. **TI** Econometric Analysis of Discrete Reforms. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/156; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 20. **PR** $15.00. **JE** C32, C33, E17, F47, O47. **KW** Exogeneity. Testing Reforms. Econometric Policy Analysis.

AB The paper suggests an econometric methodology for testing the effectiveness of reforms implemented in one major step, i.e., discrete reforms. The methodology is based on the exogeneity properties of variables in an econometric model. The paper specifies the preconditions for setting up an appropriate model; suggests an economic interpretation of the tests for weak, strong, and superexogeneity; and illustrates this methodology by applying it to two cases of instantaneous reforms. The exogeneity properties of variables in a correctly specified econometric model may help uncover information on the preparation, implementation, and the outcome of such reforms, which could be useful for future policy advice.

Kirilenko, Andrei

TI Securities Transaction Taxes and Financial Markets. **AU** Habermeier, Karl; Kirilenko, Andrei.

Kishor, Nalin

PD October 2001. **TI** Economic and Environmental Benefits of Eliminating Log Export Bans - - The Case of Costa Rica. **AU** Kishor, Nalin; Mani, Muthukumara; Constantino, Luis. **AA** Mani: International Monetary Fund. Kishor and Constantino: World Bank. **SR** International Monetary Fund Working Paper: WP/01/153; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 12. **PR** $15.00. **JE** F13, F18, Q23. **KW** Trade and Environment. Forestry. Log Export Ban. Sustainable Management. Latin America. Costa Rica.

AB An increasing number of tropical timber producing nations have enacted bans on export of logs. Proponents argue that a log export ban is a second-best policy tool for addressing environmental externalities; it also creates more jobs and improves scale efficiencies domestically. Theoretical arguments, however, suggest that log export bans are largely incapable of achieving their objectives. However, little quantitative evidence exists. The authors maintain that eliminating log export bans in Costa Rica could generate economic gains as high as $14 million annually in addition to the environmental benefits.

Klein, Michael W.

PD August 2000. **TI** Troubled Banks, Impaired Foreign Direct Investment: The Role of Relative Access to Credit. **AU** Klein, Michael W.; Peek, Joe; Rosengren, Eric. **AA** Klein: Tufts University and NBER. Peek: University of Kentucky. Rosengren: Federal Reserve Bank of Boston. **SR** National Bureau of Economic Research Working Paper: 7845; 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** F21, F23, G21. **KW** Foreign Direct Investment. Banks. Credit Access.

AB The relative wealth hypothesis of Froot and Stein (1991), motivated by the aggregate correlation between real exchange rates and foreign direct investment (FDI) observed in the 1980s, cannot explain one of the major shifts in FDI in the 1990s: the continued decline in Japanese FDI during a period of stable stock prices and a rapidly appreciating yen. However, when the relative wealth hypothesis is supplemented with the relative access to credit hypothesis proposed in this study, we are able to show that unequal access to credit by Japanese firms can explain the FDI puzzle in the 1990s. We utilize a unique data set that links individual Japanese firms engaged in FDI to their main banks. We find that financial difficulties at banks were economically and statistically important in reducing the number of FDI projects by Japanese firms into the United States, even after controlling for the effects associated with the relative wealth movements driven by macroeconomic fluctuations. This provides strong empirical evidence that differences across firms in the degree of their access to credit can be an important determinant of foreign direct investment.

Klein, Richard

TI Climate Change and Coastal Zones: An Overview of the State-of-the- Art on Regional and Local Vulnerability Assessment. **AU** Sterr, Horst; Klein, Richard; Reese, Stefan.

Klenow, Peter J.

TI Evidence on Learning and Network Externalities in the Diffusion of Home Computers. **AU** Goolsbee, Austan; Klenow, Peter J.

Kletzer, Kenneth

TI Domestic Bank Regulation and Financial Crises: Theory and Empirical Evidence from East Asia. **AU** Dekle, Robert; Kletzer, Kenneth.

Kokko, Ari

TI Outward Investment, Employment and Wages in Swedish Multinationals. **AU** Blomstrom, Magnus; Kokko, Ari.

Kolodko, Grzegorz W.

PD June 2000. **TI** Globalization and Catching-Up: From Recession to Growth in Transition Economies. **AA** Warsaw School of Economics; University of Rochester, UCLA. **SR** International Monetary Fund Working Paper: WP/00/100; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 51. **PR** not available. **JE** E37, F43, O47, P24, P27. **KW** Globalization. Transition Economies. Institution Building. Recession. Growth.

AB The transitional recession in countries of Eastern Europe and the Former Soviet Union has lasted much longer than expected. The legacy of the past and recent policy mistakes have both contributed to the slow progress. As structural reforms and gradual institution building have taken hold, the post-socialist economies have started to recover, with some leading countries building momentum toward faster growth. There is a possibility that in the wider context of globalization several of these emerging market economies will be able to catch up with the more advanced industrial economies in a matter of one or two generations.

Konings, Jozef

PD September 1999. **TI** Import Diversion under European Antidumping Policy. **AU** Konings, Jozef; Springael, Linda; Vandenbussche, Hylke. **AA** Konings and Vandenbussche: University of Leuven. Springael: University of Antwerp. **SR** National Bureau of Economic Research Working Paper: 7340; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 37. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C81, F13, F14, L13, L44. **KW** Import Diversion. Antidumping Policy. Protectionism. Selection Bias. European Union.

AB This paper is the first to study empirically the effects of European antidumping actions on import diversion from importers "named" in an antidumping investigation, and potentially subject to protectionist measures, to countries "not named" in the investigation. For this purpose we use a unique data set at the 8-digit product level. The amount of import diversion can be regarded as an indication of the effectiveness of antidumping policy which is used to protect the home industry from foreign imports. We find that -- in contrast to the US -- trade diversion in the European Union caused by antidumping actions is rather limited. This result holds even after controlling for selection- bias in the antidumping investigation procedure. We offer a number of explanations for the difference between Europe and the US regarding trade diversion.

Kopczuk, Wojciech

TI The Optimal Elasticity of Taxable Income. **AU** Slemrod, Joel; Kopczuk, Wojciech.

Koskela, Erkki

PD September 2000. **TI** Renewable Resources in an Overlapping Generations Economy without Capital. **AU** Koskela, Erkki; Ollikainen, Markku; Puhakka, Mikko. **AA** University of Helsinki. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 67/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 29. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D91, D92, Q20. **KW** Overlapping Generations. Renewable Resources.

AB We incorporate a renewable resource into an overlapping generations model without capital and with quasi-linear preferences. Besides being an input for production the resource serves as a store of value. We characterize the dynamics, efficiency and stability of the steady state equilibria. The stability properties are sensitive to the type of resource growth. For constant growth there is only one steady state equilibrium which is stable and efficient. In the general case of the concave growth function there are usually at least two steady state equilibria, one of which is stable and the other one unstable. The unstable steady state is efficient, but the stable one may or may not be. We study the robustness of our results by assuming a logarithmic periodic utility function. If the stationary equilibrium is unique, it is stable regardless of whether the equilibrium is efficient or inefficient, and irrespective of the type of growth function. Our analytical results are illustrated by numerical calculations.

Kotlikoff, Laurence J.

TI Life-Cycle Saving, Limits on Contributions to DC Pension Plans, and Lifetime Tax Benefits. **AU** Gokhale, Jagadeesh; Kotlikoff, Laurence J.; Warshawsky, Mark J.

TI Who Gets Paid to Save? **AU** Gokhale, Jagadeesh; Kotlikoff, Laurence J.

TI Comparing the Economic and Conventional Approaches to Financial Planning. **AU** Gokhale, Jagadeesh; Warshawsky, Mark J.; Kotlikoff, Laurence J.

Kovanen, Arto

TI Indonesia: Anatomy of a Banking Crisis Two Years of Living Dangerously, 1997-99. **AU** Enoch, Charles; Baldwin, Barbara; Frecaut, Olivier; Kovanen, Arto.

Krahnen, Jan Pieter

PD August 2000. **TI** Collateral, Default Risk, and Relationship Lending: An Empirical Study on Financial Contracting. **AA** Johann Wolfgang Goethe-Universitat Frankfurt and CEPR. **SR** CEPR Discussion Paper: 2540; 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** D81, G21, L14. **KW** Collateral. Loans. Contract Design. Relationship Lending. Renegotiation.

AB This paper provides new insights into the nature of relationship lending by analyzing the role of collateral and its real effects with respect to workout activities. We use a unique data set based on the credit files of five leading German banks, thus relying on real information used in the process of bank credit decision-making. In particular, risk assessment is derived from bank internal borrower ratings, and a new proxy for identifying relationship lending is used. We find no significant correlation between borrower quality and the incidence of collateralization, or the degree thereof. Our results indicate that the use of collateral in loan contracts is mainly driven by aspects of relationship lending and renegotiation risk. Relationship lenders do require more collateral from their debtors than normal lenders for two main reasons. First, collateral locks the borrower into the relationship. Second, it strengthens the bank's bargaining power in future renegotiations. This interpretation is strongly supported by our analysis of bank behavior when borrowers face financial distress. We find that workout activities for distressed borrowers are positively related to both the housebank status and the degree of collateralization.

Kramer, Charles F.

TI Financial Implications of the Shrinking Supply of U.S. Treasury Securities. **AU** Schinasi, Garry J.; Kramer, Charles F.; Smith, Todd R.

Kroszner, Randall S.

PD August 1999. **TI** Bankers on Boards: Monitoring, Conflicts of Interest, and Lender Liability. **AU** Kroszner, Randall S.; Strahan, Philip E. **AA** Kroszner: University of Chicago and NBER. Strahan: Federal Reserve Bank of New York. **SR** National Bureau of Economic Research Working Paper: 7319; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 27. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D82, G21, G28, G32, K20. **KW** Commercial Banking. Bank Monitoring. Corporate Governance. Conflicting Interests. Equitable Subordination.

AB This paper investigates what factors determine whether a commercial banker is on the board of a non-financial firm. The authors consider the tradeoff between the benefits of direct bank monitoring to the firm and the costs of active bank involvement in firm management. Given the different payoff structures to debt and equity, lenders and shareholders may have conflicting interests in running the firm. In addition, the U.S. legal doctrines of "equitable subordination" and "lender liability" could generate high costs for banks which have a representative on the board of a client firm that experiences financial distress. Consistent with high potential costs of active bank involvement, the authors find that bankers tend to be represented on the boards of large stable firms with high proportions of tangible ("collateralizable") assets and low reliance on short-term financing. The protection of shareholder versus creditor rights under the U.S. bankruptcy doctrines may reduce the role that banks play in corporate governance and the management of financial distress, in contrast to Germany and Japan. The authors conclude with implications for the current bank regulatory reform debate.

Krueger, Alan B.

TI Estimating the Payoff to Attending a More Selective College: An Application of Selection on Observables and Unobservables. **AU** Dale, Stacy Berg; Krueger, Alan B.

Krusell, Per

PD January 2001. **TI** Consumption-Savings Decisions with Quasi-Geometric Discounting. **AU** Krusell, Per.; Smith, Anthony A., Jr.. **AA** Krusell: University of Rochester and Centre for Economic Policy Research. Smith: Carnegie Mellon. **SR** CEPR Discussion Paper: 2651; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** C73, D90, E21. **KW** Indeterminacy. Quasi-Geometric Discounting. Time Inconsistency.

AB How do individuals with time-inconsistent preferences make consumption-savings decisions? This paper tries to answer this question by considering the simplest possible form of consumption-savings problem, assuming that discounting is quasi-geometric. A solution to the decision problem is then a subgame perfect equilibrium of a dynamic game between the individual's "successive selves." When the time horizon is finite, the question has a well-defined answer in terms of primitives. When the time horizon is infinite, there is no sharp answer: the possibility that two identical individuals in the exact same situation make different decisions cannot be ruled out! In particular, there is a continuum of dynamic equilibria even if attention to equilibria where current consumption decisions depend only on current wealth is restricted.

Kumar, Manmohan S.

PD June 2000. **TI** Global Financial Crises: Institutions and Incentives. **AU** Kumar, Manmohan S.; Masson, Paul R.; Miller, Marcus. **AA** Kumar: International Monetary Fund. Masson: Brookings Institutions and International Monetary Fund. Miller: University of Warwick and CEPR. **SR** International Monetary Fund Working Paper: WP/00/105; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** F31, F33, F34, G29, G33. **KW** International Monetary Fund. Lender of Last Resort. Financial Crises. Sovereign Debt.

AB To help cope with global financial crises, increasing emphasis has been placed on the need for an effective lender of last resort for sovereign states and on procedures for sovereign debt restructuring. Where private creditors use short-term debt to check sovereign debtor's moral hazard, there is the risk of self-fulfilling crises. In this context, we conclude that the proposal of the Meltzer Commission for unconditional financial support, but only to states that pre-qualify, could be the source of increased instability. After discussing analogies with private sector arrangements, we compare the operations of the existing Paris Club with proposed Chapter 11 style procedures.

Kurz, Claudia

TI Rent Indices for Housing in West Germany 1985 to 1998.
AU Hoffmann, Johannes; Kurz, Claudia.

La Ferrara, Eliana

TI Who Trusts Others? **AU** Alesina, Alberto F.; La Ferrara, Eliana.

Laidler, David

PD March 2000. **TI** Highlights of the Bullionist Controversy. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/02; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 27. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** N13. **KW** Bullionist Controversy. Economic History. Real Bills Doctrine. Monetary Economics. David Ricardo.

AB This paper surveys the literature of the Bullionist controversy which dominated the development of Classical monetary economics between 1797 and the early 1820s. It highlights the contributions of Henry Thornton to the early phase of the debate, particularly his refutation of the Real Bills doctrine, and of David Ricardo to its later phases. The role of the Real Bills doctrine in the evidence given by directors of the Bank of England to the Bullion Committee of 1810 is also analyzed. Ricardo's subsequent work on the resumption of convertibility, and the dissenting, sometimes inflationist opinions of Thomas Attwood and the Birmingham School are then discussed. The paper ends with a brief account of how the Bullionist controversy influenced the later development of classical monetary economics in the 19th century.

PD September 2000. **TI** An Early Harvard Memorandum on Anti-Depression Policies: Introductory Note. **AU** Laidler, David; Sandilands, Roger. **AA** Laidler: University of Western Ontario. Sandilands: University of Strathclyde. **SR** University of Western Ontario, Department of Economics Research Report: 2000/04; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 40. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** A12, N30. **KW** Harvard. Depression.

AB Abstract not available.

PD September 2000. **TI** Remedies for Financial Crises in the Classical and Neoclassical Literature. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/05; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 24. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** E52, F30, N10. **KW** Financial Crises. Classical Economics. Neoclassical Economics. Monetary Policy. Economic History.

AB This paper traces the evolution of debate about the question of Rules versus Discretion in monetary policy from about 1800 until the mid 1930s. Particular attention is paid to long-versus-short-run issues, notably with respect to the 1844 Bank Charter Act, and the Bagehot Principle, as well as to the effects of developments in the theory of value, the cycle and index numbers on economists' perception on the scope of monetary policy. A brief discussion of post-World-War- II developments links this material to present day concerns and common themes are noted.

Lakonishok, Josef

TI Stock Repurchases in Canada: Performance and Strategic Trading. **AU** Ikenberry, David; Vermaelen, Theo; Lakonishok, Josef.

Lane, Philip

PD July 2000. **TI** The Transfer Problem Revisited: Net Foreign Assets and Real Exchange Rates. **AU** Lane, Philip; Milesi-Ferretti, Gian Maria. **AA** Lane: Trinity College, Dublin and CEPR. Milesi-Ferretti: International Monetary Fund. **SR** CEPR Discussion Paper: 2511; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F21, F31, F41. **KW** Net Foreign Assets. Real Exchange Rates. Terms of Trade.

AB The relationship between international payments and the real exchange rate -- the "transfer problem" -- is one of the classic questions in international economics. In this paper we use cross- country data on real exchange rates and a newly constructed data set on countries' net external positions to shed new light on this old question. We present a simple theoretical framework that leads to empirically testable implications on the long-run co-movements of real exchange rates, net foreign assets, relative GDP and terms of trade, and cross-country and time-series evidence on the subject. We show that on average countries with net external liabilities have more depreciated real exchange rates, and that the main channel of transmission seems to work through the relative price of nontraded goods, rather than through the relative price of traded goods across countries.

Lane, Philip R.

PD June 2000. **TI** The Transfer Problem Revisited: Net Foreign Assets and Real Exchange Rates. **AU** Lane, Philip R.; Milesi-Ferretti, Gian Maria. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/123; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 38. **PR** not available. **JE** F21, F31, F41. **KW** Exchange Rates. Foreign Assets. Terms of Trade.

AB The relationship between international payments and the real exchange rate -- the "transfer problem" -- is a classic question in international economics. We use new data on countries' net external positions together with real exchange rate data to shed light on this question. We present a model yielding testable implications on the long-run co-movements of real exchange rates, external positions, relative gross domestic product, and terms of trade. We provide cross-country and time-series evidence on the subject. Countries with net external liabilities are found to have more depreciated real exchange rates, with the main channel of transmission working through the relative price of nontraded goods.

Lane, Timothy

TI Managing Financial Crises: The Experience in East Asia. **AU** Boorman, Jack; Lane, Timothy; Schulze-Ghattas, Marianne; Bulir, Ales; Ghosh, Atish R.; Hamann, Javier; Mourmouras, Alexandros; Phillips, Steven.

Lanjouw, Jean Olson

PD September 1999. **TI** The Quality of Ideas: Measuring Innovation with Multiple Indicators. **AU** Lanjouw, Jean Olson; Schankerman, Mark. **AA** Lanjouw: Yale University and NBER. Schankerman: London School of Economics. **SR** National Bureau of Economic Research Working Paper: 7345; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C81, D84, L60, O31, O32. **KW** Innovation. Patents. Research and Development. Quality. Latent Variables.

AB We model early expectations about the value and technological importance ("quality") of a patented innovation as a latent variable common to a set of four indicators: the number of patent claims, forward citations, backward citations and family size. The model is estimated for four technology areas using a sample of about 8000 U.S. patents applied for during 1960-91. We measure how much "noise" each individual indicator contains and construct a more informative, composite measure of quality. The variance in "quality", conditional on the four indicators, is just one-third of the unconditional variance. We show the variance reduction generated by subsets of indicators, and find forward citations to be particularly important. Our measure of quality is significantly related to subsequent decisions to renew a patent and to litigate infringements. Using patent and R&D data for 100 U.S. manufacturing firms, we find that adjusting for quality removes much of the apparent decline in research productivity (patent counts per R&D) observed at the aggregate level.

Larsen, Jens

TI Financial Frictions and the Monetary Transmission Mechanism: Theory, Evidence and Policy Implications. **AU** Bean, Charles; Larsen, Jens; Nikolov, Kalin.

Laxton, Douglas

PD June 2000. **TI** International Spillovers of Macroeconomic Shocks: A Quantitative Exploration. **AU** Laxton, Douglas; Prasad, Eswar S. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/101; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 15. **PR** not available. **JE** E32, E37, F41, F42. **KW** Macroeconomic Shocks. International Spillovers. Interest Rates. Macroeconomic Simulations. Spillovers.

AB This paper provides a quantitative exploration of international spillovers of macroeconomic shocks among the major industrial economies. The particular topical example analyzed here concerns the possible effects on the industrial economies of adverse shocks to the current U.S. economic expansion. The potential spillover effects of U.S. shocks to other industrial economies are found to be quite large. Extant economic conditions, particularly the low levels of nominal interest rates and the consequent possibility of liquidity traps in countries such as Japan, could significantly magnify these spillover effects.

Lazear, Edward P.

PD August 1999. **TI** Economic Imperialism. **AA** Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7300; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 63. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** A11, A14, B41, D50. **KW** Economic Methodology. Rational Individuals. Maximizing Behavior. Statistical Techniques.

AB Economics is not only a social science, it is a genuine science. Like the physical sciences, economics uses a methodology that produces refutable implications and tests these implications using solid statistical techniques. In particular, economics stresses three factors that distinguish it from other social sciences. Economists use the construct of rational individuals who engage in maximizing behavior. Economic models adhere strictly to the importance of equilibrium as part of any theory. Finally, a focus on efficiency leads economists to ask questions that other social sciences ignore. These ingredients have allowed economics to invade intellectual territory that was previously deemed to be outside the discipline's realm.

PD September 1999. **TI** Educational Production. **AA** Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 7349; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 41. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C51, I21, J23. **KW** School Quality. Education. Class Size. Public Goods. Private Schools.

AB The literature on class size yields a number of findings. First, class size effects are difficult to find except when using data where class size variations are truly exogenous. Second, Catholic schools have large classes and better performance. Third, to the extent that class size matters, it is more important for disadvantaged children. Special education classes are smaller than advanced placement classes. Fourth, when many students have joined a class recently, the joiners and their classmates do worse. The theory presented below reconciles all of these facts by recognizing that classroom teaching is a public good where congestion effects are potentially important. Because the optimal class size is larger for well-behaved students, the observed relation of educational output to class size is small or even positive. However, increasing class size to ranges away from equilibrium levels will adversely affect educational output. The theory argues for a particular non-linear relation of educational output to class size and is consistent with observed variations in class size by grade level, student and teacher characteristics. The theory provides a measurable and operational way to define school quality that can be tested empirically.

Lee, Jong-Wha

TI International Data on Educational Attainment Updates and Implications. **AU** Barro, Robert J.; Lee, Jong-Wha.

Lehmann, Markus A.

PD November 2000. **TI** Voluntary Environmental Agreements and Competition Policy: The Case of Germany's Private System for Packaging Waste Recycling. **AA** Max Planck Project Group 'Common Goods', Bonn, Germany. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 78/2000;

"Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 22. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D62, D78, L22, L44, Q28. **KW** Voluntary Agreements. Antitrust. Firm Theory. Waste Management. Environmental Agreements.

AB The paper takes the viewpoint of the neoinstitutional theory of the firm to analyze Germany's voluntary Dual Management System for Packaging Waste Collection and Recycling (DSD); namely, its governance structure and its contractual relations with upstream and downstream firms. Two aspects crucial for assessing the antitrust implications of voluntary environmental agreements are highlighted. First, the institutional fine-tuning of a voluntary agreement matters when assessing its implications for market competition. Second, the design of the threat with respect to the instruments it prescribes is of crucial importance for the degree of centralization and the anti- competitive impact of the private institutions that subsequently emerge.

Leon, Hyginus

TI Price Volatility and Financial Instability. **AU** Worrell, DeLisle; Leon, Hyginus.

TI Inflation Targeting and the Unemployment-Inflation Trade-off. **AU** Clifton, Eric V.; Leon, Hyginus; Wong, Chorng-Huey.

Lerner, Josh

PD September 2000. **TI** Where Does State Street Lead? A First Look at Finance Patents, 1971- 2000. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7918; 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** G28, G29, O31, O32, O34. **KW** Finance Patents. Patents. Academic Patents.

AB This paper empirically examines patents for financial formulas and methods, whose patentability was recently confirmed in the litigation between State Street Bank and Trust and Signature Financial Group. The number of such filings and awards has been accelerating. Patent filings by academics have been very infrequent, which appears to be a consequence of a lack of awareness or interest on the part of faculty members, rather than any fundamental unsuitability of their research for patenting. The failure to cite academic research in finance patents appears to be problematic, and may reflect patent examiners' limited exposure to finance research and patents. The final section discusses the challenges that these developments pose to academic finance.

Leruth, Luc

PD June 2000. **TI** Indonesia: Implementing National Policies in a Decentralized Context: Special Purpose Programs to Protect the Poor. **AU** Leruth, Luc; Ahmad, Ehtisham. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/102; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** not available. **JE** E61, E64, H53, H72, I38. **KW** Social Welfare. Fiscal Decentralization. Energy Prices. Indonesia. Decentralization.

AB In the context of continuing adjustments in the economy, the Government of Indonesia proposes to bring energy prices closer to long run marginal cost, while adequately compensating the poor. We focus on the constraints on central government policy objectives towards the poor as decentralization takes effect. However, local governments currently lack credible social protection instruments, and their objectives usually do not match those of the central government, which imposes constraints on program designs. We discuss the suitability of a number of safety net mechanisms in a decentralized context and draw policy implications.

TI Transition Economies: How Appropriate is the Size and Scope of Government? **AU** Gupta, Sanjeev; Leruth, Luc; de Mello, Luiz; Chakravarti, Shamit.

Levinsohn, James

PD August 2000. **TI** Estimating Production Functions Using Inputs to Control for Unobservables. **AU** Levinsohn, James; Petrin, Amil. **AA** Levinsohn: University of Michigan, NBER, and Ford School of Public Policy. Petrin: University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7819; 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 the U.S.). **JE** C31, D23, D24. **KW** Simultaneity. Intermediate Inputs. Unobservables. Production Functions.

AB We introduce a new method for conditioning out serially correlated unobserved shocks to the production technology by building ideas first developed in Olley and Pakes (1996). Olley and Pakes show how to use investment to control for correlation between input levels and the unobserved firm-specific productivity process. We prove that like investment, intermediate inputs (those inputs which are typically subtracted out in a value-added production function) can also solve this simultaneity problem. We highlight three potential advantages to using an intermediate inputs approach relative to investment. Our results indicate that these advantages are empirically important.

TI Differentiated Products Demand Systems from a Combination of Micro and Macro Data: The New Car Market. **AU** Berry, Steven; Levinsohn, James; Pakes, Ariel.

Levinson, Arik

PD August 1999. **TI** An Industry-Adjusted Index of State Environmental Compliance Costs. **AA** University of Wisconsin, Madison and NBER. **SR** National Bureau of Economic Research Working Paper: 7297; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 35. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C33, H41, H73, L51, Q38. **KW** Industrial Composition. Compliance Costs. Environmental Regulation. State Level.

AB This paper describes a new, industry-adjusted index of state environmental compliance costs from 1977 to 1994. The index has two principal advantages: it controls for states' industrial compositions, and it can be calculated for 17 years, thus facilitating comparisons both among states and within states over time. Several notable facts emerge. First, differences in states' industrial compositions play a large role in determining their environmental compliance costs. Second, after controlling for industrial composition, the variance across states in compliance costs declined steadily between 1977 and 1994. Third, this cost index is negatively correlated with subjective indices of state environmental efforts compiled by various environmental organizations. In sum, the cost index described here provides some new data on historical trends in state regulatory differences, differs from the conventional wisdom regarding states' relative environmental efforts, and provides a useful tool for researchers exploring the effects of compliance costs on economic activity.

Lewbel, Arthur

PD April 2000. **TI** Nonparametric Censored and Truncated Regression. **AU** Lewbel, Arthur; Linton, Oliver. **AA** Lewbel: Boston College. Linton: London School of Economics and Yale University. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/389; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 38. **PR** no charge. **JE** C13, C14, C24. **KW** Semiparametric Regression. Nonparametric Regression. Censoring. Truncation. Latent Variables.

AB The nonparametric censored regression model with a fixed, known censoring point (normalized to zero), is y = max[O, m(x) + e], where both the regression function m(x) and the distribution of the error e are unknown. This paper provides estimators of m(x) and its derivatives. The convergence rate is the same as for an uncensored nonparametric regression and its derivatives. We also provide root n estimates of weighted average derivatives of m(x), which equal the coefficients in linear or partly linear specifications for m(x). An extension permits estimation in the presence of a general form of heteroskedasticity. We also extend the estimator to the nonparametric truncated regression model, in which only uncensored data points are observed. We give the relationship upon which the estimators are based.

Ley, Eduardo

PD May 2001. **TI** Whose Inflation? A Characterization of the CPI Plutocratic Bias. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/59; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 17. **PR** not available. **JE** C43, C82, D31, D63. **KW** Consumer Price Index. Plutocratic Index. Democratic Index. Group Index. Household Price Index.

AB Prais (1958) showed that the CPI computed by statistical agencies can be interpreted as a weighed average of household price indexes, the weight of each household determined by its total expenditures. We decompose the difference between the standard CPI and a democratically weighed index (i.e., the plutocratic bias) as the product of average income, income inequality, and the covariance between individual price indexes and a parameter related to each good's income elasticity. This decomposition allows us to interpret variations in the size and sign of the plutocratic bias, and also to discuss issues pertaining to group indexes.

Li, Huirong

PD December 1998. **TI** Stochastic Threshold Models on Interest Rate. **AU** Li, Huirong; Yang, Jian. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9903; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 45. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C22, C51, G12. **KW** Stochastic Threshold. Short-Term Interest Rates. Conditional Volatility. Maximum Likelihood. Time Series.

AB Threshold models have been found useful in modeling nonlinearities in many financial time series. In this framework, the financial variable evolves according to different dynamics, which are solely determined by the threshold regimes that the observed indicator variable falls into. This paper generalizes the threshold models to a class of stochastic threshold models, which allow for stochastic dependence of the current economic state on the threshold regimes. In these models, different economic states can occur within a certain threshold regime and each state occurs with some probability depending on the threshold regime and other recently observed information. Model identification and maximum likelihood estimation are developed. A study on short-term interest rates is conducted. The authors find that the short-term interest rate behaves asymmetrically in a rising versus a declining market. Declining market has significantly negative duration (in "return clock") dependence and rising market has insignificantly positive duration dependence. The authors find that the stochastic threshold model fits the data best in terms of alternative model selection criteria and in-sample forecasting. It also provides the best out-of-sample forecasting.

PD January 1999. **TI** Modeling Stock Volatility with Trading Information. **AU** Li, Huirong; Yang, Jian. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9904; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 37. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C22, G12. **KW** Volatility. Asymmetry. Trading Variable. Information Arrivals. Stochastic Threshold.

AB This paper studies volatility in individual stocks of the Toronto Stock Exchange (TSE), using a recently developed nonlinear approach, a stochastic threshold model. Trading information is embedded into the determination process of volatility in the stochastic threshold model with a generalized autoregressive conditional heteroskedastic variance (STGARCH). We use the number of price changes (quote changes) to approximate the trading information. This trading variable has significantly positive impact on stock volatility following a declining market and ambiguous impact on the stock volatility following a rising market; there is a higher probability to fall into a highly volatile state after a declining market than after a rising market. The GARCH- type persistence in volatility is reduced significantly in our nonlinear model for individual stocks with high persistence. The STGARCH model also gives satisfactory fitting in terms of alternative model selection criteria.

Liang, Hong

TI From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. **AU** Chopra, Ajai; Kang, Kenneth; Karasulu, Meral; Liang, Hong; Ma, Henry; Richards, Anthony.

Lildholt, Peter

TI Range-Based Covariance Estimation With a View to Foreign Exchange Rates. **AU** Brunetti, Celso; Lildholt, Peter.

Lin, I-Fen

TI Educational Attainment in Blended Families. **AU** Case, Anne; Lin, I-Fen; McLanahan, Sara.

Linton, Oliver

PD April 2000. **TI** Yield Curve Estimation by Kernel Smoothing Methods. **AU** Linton, Oliver; Mammen, E.; Nielsen, Jens Perch; Tanggaard, C. **AA** Linton: London School of Economics. Mammen: Ruprechts-Karls- Universitat. Nielsen: Codanhus, Copenhagen. Tanggaard: Aarhus School of Business. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/385; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 46. **PR** no charge. **JE** C14, G12. **KW** Coupon Bonds. Kernel Estimation. Nonparametric Regression. Term Structure. Yield Curves.

AB We introduce a new method for the estimation of discount functions, yield curves, and forward curves from government issued coupon bonds. Our approach is nonparametric and does not assume a particular functional form for the discount function, although we do show how to impose various restrictions in the estimation. Our method is based on kernel smoothing and is defined as the minimum of some localized population moment condition. The solution to the sample problem is not explicit and our estimation procedure is iterative, rather like the backfitting method of estimating additive nonparametric models. We establish the asymptotic normality of our methods using the asymptotic representation of our estimator as an infinite series with declining coefficients. The rate of convergence is standard for one-dimensional nonparametric regression. We investigate the finite sample performance of our method, in comparison with other well-established methods, in a small simulation experiment.

TI The Existence and Asymptotic Properties of a Backfitting Projection Algorithm under Weak Conditions. **AU** Mammen, E.; Linton, Oliver; Nielsen, Jens Perch.

TI Nonparametric Censored and Truncated Regression. **AU** Lewbel, Arthur; Linton, Oliver.

PD July 2000. **TI** Nonparametric Estimation with Aggregated Data. **AU** Linton, Oliver; Whang, Yoon-Jae. **AA** Linton: London School of Economics and Political Science. Whang: EWHA University. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/397; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 52. **PR** no charge. **JE** C13, C14, C24. **KW** Aggregated Data. Deconvolution. Grouped Data. Kernel Estimation. Nonparametric Regression.

AB We introduce a kernel-based estimator of the density function and regression function for data that have been grouped into family totals. We allow for a common intra-family component but require that observations from different families be independent. We establish consistency and asymptotic normality for our procedures. As usual, the rates of convergence can be very slow depending on the behavior of the characteristic function at infinity. We investigate the practical performance of our method in a simple Monte Carlo experiment.

TI Testing the Capital Asset Pricing Model Efficiently Under Elliptical Symmetry: A Semiparametric Approach. **AU** Hodgson, Douglas; Linton, Oliver; Vorkink, Keith.

PD July 2000. **TI** Edgeworth Approximations for Semiparametric Instrumental Variable Estimators Statistics. **AA** London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/399; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 52. **PR** no charge. **JE** C14. **KW** Bandwidth Selection. Edgeworth Approximation. Instrumental Variables. Kernel Estimation. Local Polynomials.

AB We establish the validity of higher order asymptotic expansions to the distribution of a version of the nonlinear semiparametric instrumental variable considered in Newey (1990), as well as to the distribution of a Wald statistic derived from it. We employ local polynomial smoothing with variable bandwidth, which includes local linear, kernel, and [a version of] nearest neighbor estimates as special cases. Our expansions are valid to order n^-2e for some 0 < e < 1/2, where e depends on the smoothness and dimensionality of the data distribution and on the order of the polynomial chosen by the practitioner. We use the expansions to define optimal bandwidth selection methods for both estimation and testing problems and apply our methods to simulated data.

TI Limit Theorems for Estimating the Parameters of Differentiated Product Demand Systems. **AU** Berry, Steven; Linton, Oliver; Pakes, Ariel.

PD February 2001. **TI** Estimating Multiplicative and Additive Hazard Functions by Kernel Methods. **AU** Linton, Oliver; Nielsen, Jens Perch; van der Geer, Sara. **AA** Linton: London School of Economics and Political Science. Nielsen: Codanhus, Copenhagen. Van der Geer: University of Leiden. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/411; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 40. **PR** no charge. **JE** C13, C14, C34. **KW** Additive Models. Censoring. Kernel Estimation. Hazard Models. Survival Analysis.

AB We propose new procedures for estimating the univariate quantities of interest in both additive and multiplicative nonparametric marker dependent hazard models. We work with a full counting process framework that allows for left truncation and right censoring. Our procedures are based on kernels and on the idea of marginal integration. We provide a central limit theorem for our estimator.

TI The Estimation of Conditional Densities. **AU** Chen, Xiaohong; Linton, Oliver; Robinson, Peter M.

PD June 2001. **TI** A Nonparametric Regression Estimator that Adapts to Error Distribution of Unknown Form. **AU** Linton, Oliver; Xiao, Zhijie. **AA** Linton: London

School of Economics and Political Science. Xiao: University of Illinois at Urbana-Champaign. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/419; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 89. **PR** no charge. **JE** C13, C14, C24. **KW** Adaptive Estimation. Asymptotic Expansions. Kernel Estimation. Local Likelihood Estimation. Nonparametric Regression.

AB We propose a new estimator for nonparametric regression based on local likelihood estimation using an estimated error score function obtained from the residuals of a preliminary nonparametric regression. We show that our estimator is asymptotically equivalent to the infeasible local maximum likelihood estimator (Staniswalis (1989)), and hence improves upon standard kernel estimators when the error distribution is not normal. We investigate the finite sample performance of our procedure on simulated data.

Lippi, Francesco

TI The Monetary Transmission Mechanism: Evidence from the Industries of Five OECD Countries. **AU** Dedola, Luca; Lippi, Francesco.

Lippi, Marco

TI The Generalized Dynamic Factor Model: Representation Theory. **AU** Forni, Mario; Lippi, Marco.

Lipsey, Robert E.

PD August 1999. **TI** Affiliates of U.S. and Japanese Multinationals in East Asian Production and Trade. **AA** NBER. **SR** National Bureau of Economic Research Working Paper: 7292; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 23. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E23, F14, F19, F23, L23. **KW** Export Patterns. Industry Distribution. East Asia. Foreign Direct Investment. Comparative Advantage.

AB Since 1977, and in some cases starting before that, most East Asian countries' export patterns in manufacturing have been transformed from industry distributions typical of developing countries to distributions more like those of advanced countries. The process of change in most cases started with inward FDI to produce for export in the new industries, particularly by U.S. firms in electronics and computer- related machinery. The U.S. firms were followed, in electronics, by Japanese multinationals. Over time, in most cases, the U.S.-owned affiliates turned more to sales in host-country markets and their share in host country exports declined, although the host countries' specializations in the new industries continued. U.S. and Japanese firms played somewhat different roles. U.S. firms' investments were always distributed more along the lines of U.S. export comparative advantage, far from the previous patterns of the host countries. The industry distribution of Japanese investments initially followed more the lines of the host countries' comparative advantage and Japanese affiliates were less export-oriented than U.S. affiliates. However, Japanese affiliates have become more like U.S. affiliates in both export orientation and industry composition.

PD September 1999. **TI** Foreign Production by U.S. Firms and Parent Firm Employment. **AA** National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7357; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D21, F14, F23, J23, L64. **KW** Production. Employment. Multinational Firms. Parent Firms. Manufacturing.

AB Despite the persistent fears that production abroad by U.S. multinationals reduces employment at home, there has, in fact, been almost no aggregate shift of production or employment to foreign countries. Some continuing shifts to foreign locations by U.S. manufacturing firms have been largely offset by shifts into the United States by foreign manufacturing multinationals. An analysis of individual firm data indicates that higher levels of production in developing countries by a firm are associated with lower employment at home for a given level of production. The reason is that U.S. multinationals tend to allocate their more labor-intensive production to developing country affiliates and retain more capital-intensive and skill-intensive operations in the United States.

Longhofer, Stanley D.

TI Anatomy of a Fair-Lending Exam: The Uses and Limitations of Statistics. **AU** Calem, Paul S.; Longhofer, Stanley D.

Longin, Francois

PD August 2000. **TI** Extreme Correlation of International Equity Markets. **AU** Longin, Francois; Solnik, Bruno H. **AA** Longin: ESSEC, Cergy-Pontoise and CEPR. **SR** CEPR Discussion Paper: 2538; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F36, G15. **KW** Correlation. Extreme Value Theory. International Markets. Equity Markets. Volatility.

AB Testing the hypothesis that international equity market correlation increases in volatile times is a difficult exercise, and misleading results have often been reported in the past because of a spurious relationship between correlation and volatility. This paper focuses on extreme correlation, that is to say the correlation between returns in either the negative or positive tail of the multivariate distribution. Using "extreme value theory" to model the multivariate distribution tails, we derive the distribution of extreme correlation for a wide class of return distributions. Using monthly data on the five largest stock markets from 1958 to 1996, we reject the null hypothesis of multivariate normality for the negative tail, but not for the positive tail. We also find that correlation is not related to market volatility per se but to the market trend. Correlation increases in bear markets, but not in bull markets.

Loupias, Claire

PD December 2001. **TI** Monetary Policy and Bank Lending in France: Are There Asymmetries? **AU** Loupias, Claire; Savignac, Frederique; Sevestre, Patrick. **AA** Loupias: Banque de France, Paris. Savignac and Sevestre: Erudite, Universite Paris XII-Val de Marne and Banque de France, Paris. **SR** European Central Bank Working Paper: 101; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 27. **PR** no charge. **JE** E51, E52, G21. **KW** Monetary Policy. Credit Channel.

AB This paper aims at providing some empirical evidence about the impact of monetary policy on Kashyap and Stein (2000) using a panel data set comprising 312 banks observed quarterly over the period 1993- 2000. We find that bank lending decreases after a monetary policy tightening. Moreover, as in several other Euro area economies, banks' liquidity appears to impact significantly on their lending behavior.

Lucifora, Claudio

TI Inside the Black Box: Labour Market Institutions, Wage Formation and Unemployment in Italy. **AU** Dell'Aringa, Carlo; Lucifora, Claudio.

Lulfesmann, Christoph

TI The Theory of Human Capital Revisited: On the Interaction of General and Specific Investments. **AU** Kessler, Anke; Lulfesmann, Christoph.

Lunnemann, Patrick

PD December 2001. **TI** Monetary Transmission: Empirical Evidence from Luxembourg Firm-Level Data. **AU** Lunnemann, Patrick; Matha, Thomas. **AA** Banque Centrale du Luxembourg. **SR** European Central Bank Working Paper: 111; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 26. **PR** no charge. **JE** D21, D92, E22, E52. **KW** Investment. User Cost of Capital. Credit Channel. Panel Data.

AB This paper investigates the transmission of monetary policy using data from a panel of Luxembourg firms. The results indicate that the sales accelerator may be at work. A very robust result is the negative effect of the user cost of capital on firms' investment ratio. Changes in user costs are significantly affected by changes in the monetary policy indicator. In addition, firm specific balance sheet characteristics, such as the lagged cash stock to capital ratio influence the investment behaviour according to the broad credit channel theory. Using various sample splits, it is shown that young firms, in particular, are more sensitive to user cost changes, sales growth and the lagged cash to capital ratio.

Luttmer, Erzo G. J.

PD July 2000. **TI** Subjective Discount Factors. **AU** Luttmer, Erzo G. J.; Mariotti, Thomas. **AA** Luttmer: London School of Economics and CEPR. Mariotti: London School of Economics and Universite de Toulouse I. **SR** CEPR Discussion Paper: 2503; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** D51, D91, G12. **KW** Asset Pricing. Consumption-Wealth Ratios. General Equilibrium. Hyperbolic Discounting. Volatility.

AB This paper describes the equilibrium of a discrete-time exchange economy in which consumers with arbitrary subjective discount factors and quasi-homothetic period utility functions follow linear Markov consumption and portfolio strategies. Explicit expressions are given for state prices and consumption-wealth ratios. If utility is logarithmic or endowment growth is i.i.d., then this economy is observationally equivalent to one in which consumers discount geometrically. We provide analytically convenient continuous-time approximations and examine the effects of non-geometric subjective discount factors in an economy in which log endowments are subject to temporary and permanent shocks that are governed by a Feller (1951) square-root process. Hyperbolic and quasi-hyperbolic discount factors can significantly increase the volatility of aggregate wealth and raise the expected excess return on aggregate wealth.

Lutz, Byron F.

TI The Impact of Employer-Provided Health Insurance on Dynamic Employment Transitions. **AU** Gilleskie, Donna B.; Lutz, Byron F.

Lyon, Thomas P.

PD November 2000. **TI** Self-Regulation, Taxation and Public Voluntary Environmental Agreements. **AU** Lyon, Thomas P.; Maxwell, John W. **AA** Indiana University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 80/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 55. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D60, D72, K32, L51, Q28. **KW** Self-Regulation. Voluntary Agreements. Environmental Regulation. Economic Welfare.

AB An increasingly popular instrument for solving environmental problems is the "public voluntary agreement (VA)", in which government offers modest technical assistance and positive publicity to firms that reach certain environmental goals. Prior papers treat such agreements as a superior, low-cost instrument that can be used to pre-empt a threat of traditional, inefficient, regulation. We present a more general model in which public VAs may instead be weak tools used when political opposition makes environmental taxes non-feasible. We explore the conditions under which taxes, public VAs, and unilateral industry actions are to be expected, the implications for industry size, as well as the welfare implications of the various instruments.

Lyons, Richard K.

TI Managers, Investors, and Crises: Mutual Fund Strategies in Emerging Markets. **AU** Kaminsky, Graciela; Lyons, Richard K.; Schmukler, Sergio.

TI Order Flow and Exchange Rate Dynamics. **AU** Evans, Martin D. D.; Lyons, Richard K.

Ma, Henry

TI From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. **AU** Chopra, Ajai; Kang, Kenneth; Karasulu, Meral; Liang, Hong; Ma, Henry; Richards, Anthony.

TI From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. **AU** Chopra, Ajai; Kang, Kenneth; Karasulu, Meral; Liang, Hong; Ma, Henry; Richards, Anthony.

MacGregor, Bryan D.

TI Estimating the Rental Adjustment Process. **AU** Hendershott, Patric H.; MacGregor, Bryan D.; Tse, Raymond Y. C.

MacKellar, Landis

PD January 2000. **TI** Economic Development Problems of Landlocked Countries. **AU** MacKellar, Landis;

Woergoetter, Andreas; Worz, Julia. **AA** MacKellar: International Institute for Applied Systems Analysis (IIASA). Woergoetter: Institute for Advanced Studies, Vienna and CEPR. Worz: Institute for Advanced Studies, Vienna. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 14; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 14. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** F14, F43, O11, O40. **KW** Economic Growth. Geography. International Trade. Landlocked Countries.

AB Do landlocked countries face special economic development problems? Whereas traditional neoclassical theory is ambiguous, more recent directions in trade theory and the theory of economic growth suggest reasons why landlocked countries might be at a disadvantage. Our empirical evidence confirms the hypothesis that landlocked countries experience slower economic growth.

Maehle, Nils O.

TI Treatment of Mobile Phone Licenses in the National Accounts. **AU** Dippelsman, Robert J.; Maehle, Nils O.

Malchow-Moeller, Nikolaj

PD November 2001. **TI** Off-Farm Activities by Agricultural Households in Nicaragua: Exploiting Comparative Advantages or Fighting Agricultural Problems? **AU** Malchow-Moeller, Nikolaj; Svarer, Michael. **AA** Malchow-Moeller: University of Aarhus. Svarer: University of Aarhus and Centre for Research in Social Integration and Marginalization. **SR** Aarhus Department of Economics Working Paper: 2001/11; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 33. **PR** no charge. **JE** D13, J22, J43, O15, Q12. **KW** Labor Supply. Household Behavior. Agricultural Households. Comparative Advantages.

AB This paper considers off-farm labor activities by agricultural households in Nicaragua. It compares the roles of comparative advantages of households and individuals, and agricultural conditions and market imperfections, in shaping off-farm labor supply. An econometric specification is developed which allows for random household-specific effects and easy estimation. Results reveal that non-agricultural off-farm work is largely determined by comparative advantages, whereas agricultural off-farm work is used extensively to deal with a number of agricultural conditions and market imperfections.

Mammen, E.

TI Yield Curve Estimation by Kernel Smoothing Methods. **AU** Linton, Oliver; Mammen, E.; Nielsen, Jens Perch; Tanggaard, C.

PD April 2000. **TI** The Existence and Asymptotic Properties of a Backfitting Projection Algorithm under Weak Conditions. **AU** Mammen, E.; Linton, Oliver; Nielsen, Jens Perch. **AA** Mammen: Ruprecht-Karls-Universitat. Linton: London School of Economics and Yale University. Nielsen: Codanhus, Copenhagen. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/386; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 60. **PR** no charge. **JE** C14. **KW** Additive Models. Backfitting. Kernel Estimation. Local Polynomials. Nonparametric Regression.

AB We derive the asymptotic distribution of a new backfitting procedure for estimating the closest additive approximation to a nonparametric regression function. The procedure employs a recent projection interpretation of popular kernel estimators provided by Mammen, Marron, Turlach, and Wand (1997), and the asymptotic theory of our estimators is derived using the theory of additive projections reviewed in Bickel, Klaassen, Ritov, and Wellner (1993). Our procedure achieves the same bias and variance as the oracle estimator based on knowing the other components, and in this sense improves on the method analyzed in Opsomer and Ruppert (1997). We provide "high level" conditions independent of the sampling scheme. We then verify that these conditions are satisfied in a regression and a time series autoregression under weak conditions.

Mandler, Michael

PD August 2001. **TI** Compromises Between Cardinality and Ordinality in Preference Theory and Social Choice. **AA** Yale University and University of London. **SR** Yale Cowles Foundation Discussion Paper: 1322; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 34. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** D11, D63. **KW** Preference Theory. Welfare Economics. Cardinal Utility. Pigou-Dalton Principle. Utility Functions.

AB By taking sets of utility functions as a primitive description of agents, we define an ordering over assumptions on utility functions that gauges their implicit measurement requirements. Cardinal and ordinal assumptions constitute two types of measurement requirements, but several standard assumptions in economics lie between these extremes. We apply the ordering to different theories for why consumer preferences should be convex. We also show that diminishing marginal utility, rather than the standard stronger assumption of cardinality, justifies utilitarian recommendations on redistribution and axiomatizes the Pigou-Dalton principle. We show that transitivity and order-density (but not completeness) characterize the ordinal preferences that can be induced from sets of utility functions, present a general cardinality theorem for additively separable preferences, and provide sufficient conditions for orderings of assumptions on utility functions to be acyclic and transitive.

Manganelli, Simone

PD February 2002. **TI** Duration, Volume and Volatility Impact of Trades. **AA** European Central Bank. **SR** European Central Bank Working Paper: 125; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 25. **PR** no charge. **JE** C32, G14. **KW** Autoregressive Conditional Duration. GARCH. Ultra High Frequency Data. Empirical Market Microstructure.

AB This paper develops a new econometric framework to model duration, volume and volatility simultaneously. We obtain an econometric reduced form that incorporates causal and feedback effects among these variables. We construct impulse-response functions that show how the system reacts to a perturbation of its long-run equilibrium. The methodology is applied to two groups of stocks from NYSE, classified according to their trade intensity. We document how the two groups of stocks are characterized by different dynamics: 1) volume is more persistent for frequently traded stocks than for the infrequently traded ones; 2) the well-known positive relationship between volume and price variability holds only for the frequently traded stocks at the ultra high frequency level; 3) the trade arrival process can be considered exogenous only for the not frequently traded stocks; 4) the more frequently traded the stock, the faster the market returns to its full information equilibrium after a perturbation.

TI CAViaR: Conditional Value at Risk By Quantile Regression. **AU** Engle, Robert F.; Manganelli, Simone.

Mani, Muthukumara

TI Trade Integration and Political Turbulence: Environmental Policy Consequences. **AU** Fredriksson, Per G.; Mani, Muthukumara.

TI Economic and Environmental Benefits of Eliminating Log Export Bans - - The Case of Costa Rica. **AU** Kishor, Nalin; Mani, Muthukumara; Constantino, Luis.

Manne, Alan S.

PD June 2000. **TI** A Multi-Gas Approach to Climate Policy -- With and Without GWPs. **AU** Manne, Alan S.; Richels, Richard G. **AA** Manne: Stanford University. Richels: Electric Power Research Institute. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 44/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 32. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** Q25, Q28. **KW** Global Warming. Climate Policy. Environmental Policy. Air Pollution.

AB When dealing with multiple greenhouse gases, we need some way to establish equivalence among gases. The Intergovernmental Panel on Climate Change (IPCC) has suggested the use of global warming potentials (GWPs) for making such trade-offs. We begin by examining the implications of such an approach for mitigation policy. We then discuss several significant limitations of GWPs. These include their failure to reflect damages, their sensitivity to the choice of time horizon, and their insensitivity to both the choice of and proximity to a prescribed target. We then explore an alternative approach where the relative price of each gas is an endogenous output rather than an exogenous input into the analysis. Our findings yield some important insights for those concerned with climate change policy making, particularly with regard to the role of each gas in accomplishing a long-term objective.

Manzini, Paola

PD April 2000. **TI** A Bargaining Model of Voluntary Environmental Agreements. **AU** Manzini, Paola; Mariotti, Marco. **AA** Manzini: Queen Mary and Westfield College. Mariotti: University of Exeter. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 81/2000; "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** D21, L13, L51, Q28. **KW** Firm Behavior. Environmental Regulation. Voluntary Agreements. Negotiation.

AB We present an explicit model of firm-regulator negotiations in a market with several firms. We describe how the regulatory surplus is distributed between firms and regulator, and analyze the impact of various oligopoly parameters on the resulting level of environmental regulation. Our main result is that a "toughest firm principle" holds: the outcome of negotiations is essentially determined by the firm with the most aggressive attitude towards environmental control.

Marinucci, D.

TI The Averaged Periodogram for Nonstationary Vector Time Series. **AU** Robinson, Peter M.; Marinucci, D.

PD July 2001. **TI** Semiparametric Fractional Cointegrational Analysis. **AU** Marinucci, D.; Robinson, Peter M. **AA** Marinucci: Universita la Sapienza. Robinson: London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/420; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 30. **PR** no charge. **JE** C14, C22. **KW** Semiparametric Analysis. Fractional Cointegration.

AB Fractional cointegration is viewed from a semiparametric viewpoint as a narrow-band phenomenon at frequency zero. We study a narrow-band frequency domain least squares estimate of the cointegrating vector, and related semiparametric methods of inference for testing the memory of observables and the presence of fractional cointegration. These procedures are employed in analyzing empirical macroeconomic series; their usefulness and feasibility in finite samples is supported by results of a Monte Carlo experiment.

TI Narrow-Band Analysis of Nonstationary Processes. **AU** Robinson, Peter M.; Marinucci, D.

PD July 2001. **TI** Finite Sample Improvements in Statistical Inference with I(1) Processes. **AU** Marinucci, D.; Robinson, Peter M. **AA** Marinucci: Universita la Sapienza. Robinson: London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/422; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 28. **PR** no charge. **JE** C22. **KW** Ordinary Least Squares. Finite Sample. Statistical Inference. I(1) Processes. Parametric Estimates.

AB Robinson and Marinucci (1998) investigated the asymptotic behavior of a narrow-band semiparametric procedure termed Frequency Domain Least Squares (FDLS) in the broad context of fractional cointegration analysis. Here we restrict analysis to the standard case when the data are I(1) and the cointegrating errors are I(0). We prove that modifications of the Fully-Modified Ordinary Least Squares (FM-OLS) procedure of Phillips and Hansen (1990) which use the FDLS idea have the same asymptotically desirable properties as FM-OLS, and, on the basis of a Monte Carlo study, find evidence that they have superior finite-sample properties. The new procedures are also shown to compare satisfactorily with parametric estimates.

Mariotti, Marco

TI A Bargaining Model of Voluntary Environmental Agreements. **AU** Manzini, Paola; Mariotti, Marco.

Mariotti, Thomas

TI Subjective Discount Factors. **AU** Luttmer, Erzo G. J.; Mariotti, Thomas.

Marquez, Robert

TI Competition Among Regulators. **AU** Dell'Ariccia, Giovanni; Marquez, Robert.

Marsiliani, Laura

PD June 2000. **TI** Inequality, Environmental Protection and Growth. **AU** Marsiliani, Laura; Rengstrom, T. I. **AA** Marsiliani: CentER and Tilburg University. Rengstrom: CentER, Tilburg University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 36/2000; "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** D62, D72, E62, H20, Q28. **KW** Environmental Policy. Majority Voting. Fiscal Structure. Income Distribution. Growth.

AB This paper explores the hypothesis that societies characterized by low-income inequality (such as the Nordic European countries) generate political-economic equilibria in which environmental policy is more stringent. The authors model an overlapping-generations economy in which individuals differ in skills to address the question of the extent that, in modern democracies, income distribution influences the stringency of environmental policy and consequently the growth of a country. Individuals work when they are young and own capital when they are old. Pollution externalities are present due to the use of a polluting factor. The government uses the revenue from a capital-income tax and a pollution tax for a lump-sum transfer to the old generation. In political-economic equilibrium, the lower the skill of the median individual relative to the average, the smaller the pollution tax and the capital stock are, and the greater the capital income-tax and the relative use of the polluting factor. The authors present an empirical analysis for two panels of seven and ten industrialized countries from the late seventies to late nineties. Their framework is able to explain the stylized facts regarding inequality, environmental protection, and growth.

Martinez-Pages, Jorge

TI Financial Systems and the Role of Banks in Monetary Policy Transmission in the Euro Area. **AU** Ehrmann, Michael; Gambacorta, Leonardo; Martinez-Pages, Jorge; Sevestre, Patrick; Worms, Andreas.

TI Financial Systems and the Role of Banks in Monetary Policy Transmission in the Euro Area. **AU** Ehrmann, Michael; Gambacorta, Leonardo; Martinez-Pages, Jorge; Sevestre, Patrick; Worms, Andreas.

Mason, Joseph R.

TI Causes of U.S. Bank Distress During the Depression. **AU** Calomiris, Charles W.; Mason, Joseph R.

Masson, Paul R.

TI Global Financial Crises: Institutions and Incentives. **AU** Kumar, Manmohan S.; Masson, Paul R.; Miller, Marcus.

Matha, Thomas

TI Monetary Transmission: Empirical Evidence from Luxembourg Firm-Level Data. **AU** Lunnemann, Patrick; Matha, Thomas.

Mattozzi, Andrea

TI Moving Skills From Hands to Heads: Import of Technology and Export Performance. **AU** Navaretti, Giorgio Barba; Galeotti, Marzio; Mattozzi, Andrea.

Matulich, Scott C.

PD September 2000. **TI** Cooperative Bargaining to Internalize Open Access Externalities: Implications of the American Fisheries Act. **AU** Matulich, Scott C.; Sever, Murat; Inaba, Fred. **AA** Matulich and Inaba: Washington State University. Server: American Express, Phoenix. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 75/2000; "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** C72, D43, L52, Q22, Q28. **KW** Voluntary Agreements. Fishery Cooperatives. Rationalization. Non- Cooperative Games. Market Failure.

AB The United States Congress recently passed a law that creates an alternative to individual transferable quota (ITQ) management. The American Fisheries Act promises the ability to rationalize one of the world's largest fisheries, the North Pacific pollock fishery, without the overt appearance of allocating permanent property rights to a public resource. The Act enabled pollock fishers to form cooperative bargaining units that are guaranteed a fixed share of the total allowable catch providing they deliver to historic processors. This paper explores the political economy of policy change and the innovative use of fishery cooperatives to advance voluntary de-capitilization and rationalization that Congress intended to benefit both vessels and processors. Game theory offers insights into the likelihood of achieving congressional intent. It is argued that the Act introduces a new market failure while attempting to rid the fishery of the open access externality. It is further argued that outcomes of voluntary agreements, whether targeting environmental concerns or natural resource management, are sensitive to market structure and institutional contexts.

Maxwell, John W.

TI Self-Regulation, Taxation and Public Voluntary Environmental Agreements. **AU** Lyon, Thomas P.; Maxwell, John W.

Mazzucato, Mariana

TI Modelling the Dynamics of Industry Populations. **AU** Geroski, Paul A.; Mazzucato, Mariana.

McCallum, Bennett T.

TI An Optimizing IS-LM Framework with Endogenous Investment. **AU** Casares, Miguel; McCallum, Bennett T.

PD September 2000. **TI** Timeless Perspectives vs. Discretionary Monetary Policy in Forward- Looking Models. **AU** McCallum, Bennett T.; Nelson, Edward. **AA** McCallum: Carnegie Mellon University and NBER.

Nelson: Bank of England. **SR** National Bureau of Economic Research Working Paper: 7915; 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** E31, E52, E58. **KW** Monetary Policy. Targeting Rules. Instrument Rules. Discretionary Policy. Output.

AB This paper reviews the distinction between the timeless perspective and discretionary modes of monetary policymaking, the former representing rule-based policy as recently formalized by Woodford (1999b). In models with forward-looking expectations, this distinction is greater than in the models that have been typical in the rules-vs.- discretion literature; typically there is a second inefficiency from discretionary policymaking, distinct from the familiar inflationary bias. The paper presents calculations of the quantitative magnitude of this second inefficiency, using calibrated models of two types prominent in the current literature. In addition, it examines the distinction between instrument rules and targeting rules; the results indicate that targeting-rule outcomes can be very closely approximated by instrument rules. Also included is a brief investigation of operationality issues, involving the unobservability of current output and the possibility that an incorrect concept of the natural-rate level of output, essential in measuring the output gap, is used by the policymaker. In all of the cases examined, the unconditional average performance of timeless perspective policymaking is at least as good as that provided by optimal discretionary behavior.

PD September 2000. **TI** The Present and Future of Monetary Policy Rules. **AA** Carnegie Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 7916; 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** E42, E52, E58. **KW** Monetary Policy Rules. Inflation Targeting. Money.

AB To consider the future prospects of monetary policymaking in accordance with policy rules, one must evaluate their present importance. That requires some definition of what constitutes rule- based monetary policy in practice, since no actual central bank will ever be literally bound by any simple formula (or any strict optimal control scheme). Consideration of the rules-versus-discretion literature, plus more recent analysis by Woodford (1999), indicates that rule-based policy is conducted to satisfy relationships specified from a "timeless perspective." Given this conception, it seems reasonably clear that today's prominent regimes (e.g., inflation targeting) do largely represent rule-based policymaking. Whether these will prevail into the future will depend in part on political trends, but their fundamental soundness gives room for hope. Regarding the effects of a gradually diminishing role of money, it would appear that the feasibility and attractiveness of rule-based policymaking will not be seriously impaired so long as a tangible medium of exchange has some importance, even if small. In the complete absence of monetary transactions, there would be no monetary policy of any type, rule-based or discretionary. But it seems highly unlikely that money will disappear in the foreseeable future.

McClellan, Mark

PD August 1999. **TI** Comparing Hospital Quality at For-Profit and Not-for-Profit Hospitals. **AU** McClellan, Mark; Staiger, Douglas. **AA** McClellan: Stanford University and NBER. Staiger: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper:7324 ; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** I11, I12, I18, L15, L31. **KW** Hospital Quality. Quality Care. Mortality. Hospitals. Health Production.

AB Do not-for-profit hospitals provide better care than for-profit hospitals? We compare patient outcomes in for-profit and not-for-profit hospitals between 1984 and 1994 using a new method for estimating differences across hospitals that yields far more accurate estimates of hospital quality than previously available. We find that, on average, for-profit hospitals have higher mortality among elderly patients with heart disease, and that this difference has grown over the last decade. However, much of the difference appears to be associated with the location of for-profit hospitals. Within specific markets, for-profit ownership appears if anything to be associated with better quality care. Moreover, the small average difference in mortality between for- profit and not-for-profit hospitals masks an enormous amount of variation in mortality within each of these ownership types. Overall, these results suggest that factors other than for-profit status per se may be the main determinants of quality of care in hospitals.

PD August 1999. **TI** The Quality of Health Care Providers. **AU** McClellan, Mark; Staiger, Douglas. **AA** McClellan: Stanford University and NBER. Staiger: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7327; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 38. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C33, I11, I12, J14, L15. **KW** Health Care. Elderly. Heart Disease. Mortality Rates. Patient Demographics.

AB Obtaining better information on the quality of health care providers is one of the most pressing issues in health policy today. This paper (1) develops a new method for measuring quality of care that overcomes the key limitations of available quality measures, and (2) applies this method to estimating the quality of hospital care for elderly patients with heart disease. The approach optimally combines information from all available current and past quality indicators in order to more accurately estimate and forecast each provider's quality level. For patients with heart disease, the method is able to predict and forecast differences in patient outcomes across hospitals remarkably well -- far better than existing methods. The approach also provides an empirical basis for choosing among potential quality indicators. In particular, the authors find that differences across hospitals in short-term mortality rates following a heart attack, adjusted for patient demographics, are excellent indicators of quality of care: They vary dramatically across hospitals, are persistent over time, are highly correlated with alternative quality indicators, and are highly correlated with mortality rates that adjust more extensively for patient severity.

McDermott, C. John

TI The Long-Run Behavior of Commodity Prices: Small Trends and Big Variability. **AU** Cashin, Paul; McDermott, C. John.

McDonald, Ian

TI Demographic Change in Asia: The Impact of Optimal National Saving, Investment, and the Current Account. **AU** Besanger, Serge; Guest, Ross S.; McDonald, Ian.

McGrattan, Ellen R.

TI Can Sticky Price Models Generate Volatile and Persistent Real Exchange Rates? **AU** Chari, V. V.; Kehoe, Patrick J.; McGrattan, Ellen R.

McLanahan, Sara

TI Educational Attainment in Blended Families. **AU** Case, Anne; Lin, I-Fen; McLanahan, Sara.

Megginson, William L.

PD July 2000. **TI** The Impact of Privatization on Capital Market Development and Individual Share Ownership. **AU** Megginson, William L.; Boutchkova, Maria K. **AA** University of Oklahoma. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 53/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 20. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** G32, G38, L33, L50. **KW** Privatization. Market Development. Ownership. Capital Markets. Corporate Finance.

AB This study has two objectives: to estimate the impact of share issue privatizations on the growth of world capital markets (especially stock markets), and to examine the effect privatization has had on the pattern of share ownership by individuals and institutional investors. We begin by documenting the increasing importance of capital markets, and the declining role of commercial banks, in corporate financial systems around the world. We then show that privatization programs have had a dramatic impact both on the development of non-U.S. stock markets and on the participation of individual and institutional investors in those markets.

Mellado, Pamela

TI Determinants of Private Capital Flows in the 1970s and 1990s: Is There Evidence of Contagion? **AU** Hernandez, Leonardo; Mellado, Pamela; Valdes, Rodrigo.

Meredith, Guy

PD October 2001. **TI** Why Has the Euro Been So Weak? **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/155; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 36. **PR** $15.00. **JE** F31, F41, F47. **KW** Exchange Rates. Equity Prices. Euro Weakness.

AB The weakness of the euro has been surprising given the widely-held expectation that it would be a strong currency. This paper critically examines explanations for the slide in the euro, finding that many are questionable on conceptual or empirical grounds. Two explanations are instead advanced that appear to be consistent both with theory and data. The first originates in the global surge in equity prices since the mid-1990s, which created a demand shock that disproportionately affected the U.S. economy. Model simulations indicate that this can explain the strength of the dollar against other currencies in recent years, accounting for about half of the decline in the effective value of the euro. The other component of euro weakness can be attributed to a mismatch between the demand and supply of euro-denominated assets that arose with the creation of the single currency in 1999. The effect of both these factors should fade over time, although near-term market volatility could be exacerbated by uncertainties about the fundamentals driving currency values.

Messner, Matthias

PD October 1999. **TI** Constitutional Conservatism and Resistance to Reform. **AU** Messner, Matthias; Polborn, Mattias K. **AA** Messner: University Pompeu Fabra. Polborn: University of Munich and University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9912; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 20. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** D72. **KW** Constitution. Conservatism. Overlapping Generations. Political Economy. Voting Behavior.

AB We analyze an overlapping generations model of voting over "reform projects". These resemble investments in that they first require some investment expenditure and later bring a payoff; consequently, older people are more conservative (against reforms) than younger ones. We show that if people vote about a constitution (which is a rule of what majority is required in an election for a reform to take place), the constitution will require more than a simple majority. Moreover, from an intuitive social point of view, the equilibrium constitution is too conservative.

Metcalf, Gilbert E.

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

PD September 2000. **TI** Environmental Levies and Distortionary Taxation: Pigou, Taxation, and Pollution. **AA** Tufts University and NBER. **SR** National Bureau of Economic Research Working Paper: 7917; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 13. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** H21, H23, Q28. **KW** Tax Distortions. Pollution Tax. Environmental Taxation. Environment.

AB Bovenberg and de Mooij (1994) showed that, in the presence of preexisting distorting taxes, the optimal pollution tax typically lies below social marginal damages. Many have viewed this result as a refutation of the so-called "double dividend hypothesis," which suggests that a tax on pollution can both improve the environment and reduce distortions in the tax system. Bovenberg and de Mooij's paper triggered a large literature on optimal environmental tax rates in a second-best world. In this note, I argue that the emphasis on tax rates is misguided. Using an analytical general equilibrium model, I show that for reasonable parameter values, an increase in tax distortions (arising from an increase in required tax revenues) leads to a fall in the optimal Pigouvian tax rate even while environmental quality improves. In general, knowing the direction of changes in optimal environmental tax rates due to changes in the economy is not sufficient for understanding the impact on environmental quality.

Michalopoulos, Charles

TI Welfare Dynamics Under Time Limits. **AU** Grogger, Jeff; Michalopoulos, Charles.

Milesi-Ferretti, Gian Maria

TI The Transfer Problem Revisited: Net Foreign Assets and Real Exchange Rates. **AU** Lane, Philip R.; Milesi-Ferretti, Gian Maria.

TI The Transfer Problem Revisited: Net Foreign Assets and Real Exchange Rates. **AU** Lane, Philip; Milesi-Ferretti, Gian Maria.

Miller, Marcus

TI Global Financial Crises: Institutions and Incentives. **AU** Kumar, Manmohan S.; Masson, Paul R.; Miller, Marcus.

Millock, Katrin

PD September 2000. **TI** Contracts for Clean Development -- The Role of Technology Transfers. **AA** CIRED, CNRS-EHESS. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 70/2000; "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** D82, F42, O14, Q25, Q28. **KW** Climate Change. Asymmetric Information. Clean Development. Optimal Incentives. Technology Transfers.

AB The Clean Development Mechanism (CDM) offers abatement cost savings under the Kyoto Protocol by allowing credits for emission reductions obtained in signatory developing countries. The paper shows that it is necessary to include technology transfers in the CDM to obtain correct incentives for emission reductions when there are monitoring difficulties.

Mishkin, Frederic S.

PD September 2000. **TI** Prudential Supervision: Why is it Important and What are the Issues? **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 7926; 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** D82, G21, G28. **KW** Banks. Asymmetric Information. Prudential Supervision.

AB This paper outlines the problems that asymmetric information creates for the financial system, and shows that the presence of asymmetric information explains why banks are so important. The paper then explains why prudential supervision of banks is needed, and what forms it takes. The paper ends by outlining the key issues in the design of prudential supervision and uses them to organize a general discussion of the papers in this conference volume, providing a brief overview of their content. The linkages between these papers are explored, which highlights some general conclusions.

Mitra, Kaushik

TI Learning Stability in Economics with Heterogeneous Agents. **AU** Honkapohja, Seppo; Mitra, Kaushik.

TI Performance of Monetary Policy with Internal Central Bank Forecasting. **AU** Honkapohja, Seppo; Mitra, Kaushik.

Moen, Jarle

PD August 2000. **TI** Is Mobility of Technical Personnel a Source of R&D Spillovers? **AA** Norwegian School of Economics and Business Administration and Statistics Norway. **SR** National Bureau of Economic Research Working Paper: 7834; 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** J24, J31, J62, O32. **KW** Labor Mobility. Knowledge Externalities. R&D Investments.

AB Labor mobility is often considered to be an important source of knowledge externalities, making it difficult for firms to appropriate returns to R&D investments. In this paper, I argue that inter-firm transfers of knowledge embodied in people should be analyzed within a human capital framework. Testing such a framework using a matched employer-employee data set, I find that the technical staff in R&D- intensive firms pays for the knowledge they accumulate on the job through lower wages in the beginning of their career. Later they earn a return on these implicit investments through higher wages. This suggests that the potential externalities associated with labor mobility, at least to some extent, are internalized in the labor market.

Moizeau, Fabien

TI Conspicuous Consumption, Social Status and Clubs. **AU** Jaramillo, Fernando; Kempf, Hubert; Moizeau, Fabien.

Mojon, Benoit

TI Monetary Transmission in the Euro Area: Where do we Stand? **AU** Angeloni, Ignazio; Kashyap, Anil; Mojon, Benoit; Terlizzese, Daniele.

Moldovanu, Benny

TI License Auctions and Market Structure. **AU** Jehiel, Philippe; Moldovanu, Benny.

Monnet, Cyril

PD February 2002. **TI** Optimal Contracts in a Dynamic Costly State Verification Model. **AU** Monnet, Cyril; Quintin, Erwan. **AA** Monnet: European Central Bank. Quintin: Federal Reserve Bank of Dallas. **SR** European Central Bank Working Paper: 126; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 27. **PR** no charge. **JE** C72, D81, D82. **KW** Dynamic Contracts. Theory of Uncertainty. Costly State Verificiation. Monitoring.

AB This paper describes optimal contracts in a dynamic costly state verification model with stochastic monitoring. An agent operates a risky project on behalf of a principal over several periods. Each period, the principal can observe the revenues from the project provided he incurs a fixed cost. We show that an optimal contract exists with the property that, in each period and for every possible revenue announcement by the agent, either the principal claims the entire proceeds from the project or promises to claim nothing in the future. This structure of payments enables the principal to minimize audit costs over the duration of the project. Those optimal contracts are such that the agent's expected income rises with time. Moreover, except in at most one period, the principal claims the entire returns of the project whenever audit occurs. We also provide conditions under which all optimal contracts must satisfy these properties.

Montiel, Peter

TI Post-Crisis Exchange Rate Policy in Five Asian Countries: Filling in the "Hollow Middle"? **AU** Hernandez, Leonardo; Montiel, Peter.

Montini, Massimiliano

PD February 2000. **TI** Italian Policies and Measures to Respond to Climate Change. **AA** University of Siena and FEEM. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 37/2000; "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** F42, K32, K33, Q25, Q28. **KW** Climate Change. International Treaties. International Law. Environmental Policy. Sustainable Development.

AB The paper describes and comments on the Italian policies and measures planned to implement the 1997 Kyoto Protocol, which has the aim of contributing to the overall reduction of greenhouse gas (GHG) emissions in industrialized countries over the next 10-15 years. The first part of the paper describes the main features and characteristics of the Kyoto Protocol designed to achieve the reduction of anthropogenic GHG emissions to a level which would prevent dangerous interference with the climatic system. The paper goes on to identify and discuss the major problems linked with the signature and ratification process as well as with the effective implementation of the Kyoto Protocol around the world. The second part of the paper shifts focus to Italy and to a description and analysis of the Italian policies and measures planned before and after the adoption of the Kyoto Protocol. Attention is drawn to the 1998 National Plan for the reduction of GHG emissions. Finally, Italy's pro-active approach in planning the implementation of the Kyoto Protocol is placed in a Mediterranean context to see what role the implementation of the Kyoto Protocol could play in promoting sustainable development in the Mediterranean area.

Moore, Mark P.

TI The Phillips Curve is Back? Using Panel Data to Analyze the Relationship Between Unemployment and Inflation in an Open Economy. **AU** DiNardo, John; Moore, Mark P.

Moore, Michael J.

TI The Euro as an International Currency: Explaining Puzzling First Evidence. **AU** Hau, Harald; Killeen, William; Moore, Michael J.

Morales, R. Armando

PD May 2001. **TI** Monetary Implications of Cross-Border Derivatives for Emerging Economies. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/58; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 38. **PR** not available. **JE** E44, F31, G13, G15. **KW** Options. Monetary Policy. Financial Transactions. International Finance.

AB This paper surveys concepts, practices and analytical literature to assess benefits and risks for monetary stability of cross-border currency and interest rate derivative operations in calm and turbulent periods, with a view of extracting implications for emerging economies. Monetary authorities must prevent one-sided positions in the currency, favor asset substitutability, and incorporate the enriched information set provided by derivative-based transactions into monetary policy design. In some circumstances, the use of derivatives by monetary authorities may help fulfill this role. By contrast, surcharges to compensate for a downward impact of derivatives on the cost of capital appear neither advisable nor necessary.

Morana, Claudio

TI Monetary Policy and the Stock Market in the Euro Area. **AU** Cassola, Nuno; Morana, Claudio.

Morel, Benoit

TI Product Ecolabelling, Competition and the Environment. **AU** Nadai, Alain; Morel, Benoit.

Moretto, Michele

TI The Timing of Adoption of Cleaner Technologies: Private Costs and Public Incentives. **AU** Dosi, Cesare; Moretto, Michele.

PD July 2000. **TI** Liquidity: What Can a "Hausbank" Do That Other Lenders Cannot Do? **AU** Moretto, Michele; Tamborini, Roberto. **AA** Moretto: University of Padova and FEEM. Tamborini: University of Trento. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 50/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 23. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** G21, G32, M10. **KW** Banks. Liquidity. Debt Contracts. Credibility.

AB Our interest here concerns liquidity supply as a distinctive feature of the bank-borrower relationship. Any agent facing an opportunity or a commitment may find him/herself unexpectedly illiquid, and hence he/she may find it profitable to borrow "on call" if this costs less than missing the opportunity or defaulting on the commitment, or costs less than using non-money goods as means of payment. This is the essence of what Hicks called "the overdraft economy". Accordingly, we call a debt contract inclusive of the liquidity service an "overdraft debt contract", and we investigate its efficiency properties in a continuous time stochastic model of a repeated bank-borrower relationship where the key problem is the credibility of the mutual commitment between the two parties. Our main finding is that efficient, i.e. cost-minimizing, overdraft debt contracts emerge in the absence of perfect commitment and enforceability as the borrower and the bank can exert mutual threat of termination.

PD July 2000. **TI** Option to Revoke and Regulation of Local Utilities. **AU** Moretto, Michele; Valbonesi, Paola. **AA** University of Padova. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 51/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 20. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C73, L33, L51, L94, L98. **KW** Public Utilities. Option-to-Revoke. Stochastic Games.

AB We study a long-term relationship between a risk-neutral firm that has been delegated to manage a local utility project and a regulator that has always the option-to-revoke the delegation. We show that when the threat of revocation is credible and the cost of exercising it is not too high, the "cooperative" equilibrium is an efficient solution which guarantees the utility with an appropriate level of return. The

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regulation timing consists of an endogenous regulatory lag where the regulation has a fixed-price nature followed by a period of rate-of- return regulation in which the firm is motivated to adjust its output price downward to avoid revocation. We also show that excessive revocation costs make the firm an unregulated monopolist with an infinite regulatory lag.

PD September 2000. **TI** The Value of Licenses for Recreational Resources Use. **AU** Moretto, Michele; Rosato, Paolo. **AA** Moretto: University of Padua. Rosato: University of Trieste. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 64/2000; "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** D81, G13, Q26, Q28. **KW** Option Value. Irreversibility. Natural Resources. Licenses. Recreation Management.
AB Tools for recreational resources management are topics of great theoretical and practical interest. The most commonly used tool undoubtedly is the license or permit. The implementation of a system of licenses to regulate the use of a natural resource is far from simple as it presupposes the answer to a number of questions. This paper focuses on the point of view of the purchaser and, in particular, models his behavior when considering the purchase of a license that authorizes him to benefit from a natural resource in accordance with certain rules and procedures. The model assumes that the behavior can be compared to that of an investor faced with a Call option, i.e. the right (but not the obligation) to make an investment at any time in a given financial unit at a pre-established price. The model was used to study the effect on purchase timing and license duration of certain factors such as the uncertainty of the benefits and the irreversibility of the purchase. The results show that under uncertainty the consumer tends to delay the purchasing time and, then, to purchase a license of longer duration than the one that would be purchased considering only the present value deriving from the expected flow of benefits.

Morgan, John

TI Are Two Heads Better Than One? An Experimental Analysis of Group vs. Individual Decisionmaking. **AU** Blinder, Alan S.; Morgan, John.

Mori, Tomoya

PD December 2000. **TI** Skills, Agglomeration and Segmentation. **AU** Mori, Tomoya; Turrini, Alessandro. **AA** Mori: Kyoto University. Turrini: United Nations Conference on Trade and Development and Universita di Bergamo. **SR** CEPR Discussion Paper: 2645; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** F12, F16, R12, R13. **KW** Agglomeration. Core-Periphery Model. Interpersonal Inequality. Regional Inequality. Skill Heterogeneity.
AB This paper investigates the role of skill heterogeneity in explaining location patterns induced by pecuniary externalities (Krugman (1991)). In this setting, sellers with higher skills perform better in the marketplace, and their sales are larger. Selling to distant locations leads to lower sales because of both (pecuniary) transport costs and communication costs that reduce the perceived quality of goods. A symmetry-breaking result is obtained: symmetric configurations cannot be stable, and regional inequality is inevitable. The relatively more skilled choose to stay in the location with higher aggregate income and skill, while the relatively less skilled stay in the other. The model allows analysis of the links between the extent of interregional inequality and the extent of interpersonal skill inequality.

Morris, Stephen

PD November 2001. **TI** Equilibrium Selection in Global Games with Strategic Complementarities. **AU** Morris, Stephen; Frankel, David M.; Pauzner, Ady. **AA** Morris: Yale University. Frankel and Pauzner: Tel Aviv University. **SR** Yale Cowles Foundation Discussion Paper: 1336; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 31. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C72, D82. **KW** Equilibrium Selection. Global Games. Strategic Complementarities. Supermodular Games. Signal Noise.
AB We study games with strategic complementarities, arbitrary numbers of players and actions, and slightly noisy payoff signals. We prove limit uniqueness: as the signal noise vanishes, the game has a unique strategy profile that survives iterative dominance. This generalizes a result of Carlsson and van Damme (1993) for two player, two action games. The surviving profile, however, may depend on fine details of the structure of the noise. We provide sufficient conditions on payoffs for there to be noise-dependent selection.

Motonishi, Taizo

PD September 1999. **TI** Causes of the Long Stagnation of Japan during the 1990's: Financial or Real? **AU** Motonishi, Taizo; Yoshikawa, Hiroshi. **AA** Motonishi: Nagasaki University. Yoshikawa: University of Tokyo. **SR** National Bureau of Economic Research Working Paper: 7351; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** E22, E32, G21, G32, N15. **KW** Stagnation. Corporate Investment. Real Profitability. Financial Constraints. Japan.
AB Corporate investment is the most important factor to explain the long stagnation of Japan during the 1990's. Using the Bank of Japan diffusion indices of "real profitability" and "banks' willingness to lend", we estimate investment functions for four groups of firms: large/small and manufacturing/non-manufacturing. Our results suggest that for large firms, financing constraints are not significant whereas the converse is true for small firms. A fall of investment during 1992- 94 is largely explained by real factors. However, the credit crunch occurred at the beginning of 1997 and it lowered the growth rate of GDP by 1.6 percent.

Mourougane, Annabelle

PD March 2002. **TI** Can Confidence Indicators Be Useful to Predict Short Term Real GDP Growth? **AU** Mourougane, Annabelle; Roma, Moreno. **AA** European Central Bank. **SR** European Central Bank Working Paper: 133; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 20. **PR** no charge. **JE** C22, E27. **KW** Forecasting. Real GDP. Confidence Indicators. Kalman Filter.
AB We investigate the usefulness of the European

Commission confidence indicators in forecasting real GDP growth rates in the short-run in selected euro areas countries (Belgium, Spain, Germany, France, Italy and the Netherlands) which account for almost 90 percent of the euro area. We estimate a linear relationship between real GDP and confidence indicators and we compare the forecasting performance of the estimated models with a benchmark ARIMA model. We generally find that confidence indicators can be useful in forecasting real GDP growth rates in the short run in a number of countries (Belgium, Germany, France, Italy and the Netherlands). Notwithstanding some signs of instability in the relation between confidence indicators and real GDP, improvements with the use of time-varying parameter models appear to be fairly limited but confirm the findings obtained with constant parameter techniques. The results obtained are robust to a wide range of variant tests implemented.

Munch, Jakob Roland

PD October 2001. **TI** Rent Control and Tenancy Duration. **AU** Munch, Jakob Roland; Svarer, Michael. **AA** Munch: Danish Economic Council. Svarer: University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/07; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 24. **PR** no charge. **JE** C41, D45, L51, R31. **KW** Rent Control. Mobility. Duration Model. Tenancy Duration. Housing Market.
AB This paper investigates how rent control affects mobility in the Danish private rental housing market. Based on a unique and extensive data set, a measure of the degree of rent regulation of each housing unit is calculated, and this is coupled with socio-economic characteristics and spells of tenancy duration for each household. To accommodate the special features of such a data set we apply a proportional hazard duration model, which encompasses both the presence of left-truncated tenancy durations and right-censored observations, and allows for a very flexible specification of the time dependency as captured by the baseline hazard function. We find that tenancy mobility is severely reduced by the presence of rent control. Tenancy duration for a typical household in the private rental sector is found to be more than six years longer if the apartment belongs to the 10 per cent most regulated units than if it belongs to the 10 per cent least regulated units.

Murphy, Russell D., Jr.

PD October 2001. **TI** Private Costs and Public Infrastructure: The Mexican Case. **AU** Murphy, Russell D., Jr..; Feltenstein, Andrew. **AA** Feltenstein: International Monetary Fund. Murphy, Jr.: Virginia Tech. **SR** International Monetary Fund Working Paper: WP/01/164; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 23. **PR** $15.00. **JE** H41. **KW** Mexico. Public Infrastructure.
AB One objective of government investment is to develop public infrastructure which may reduce private sector costs. In a developing economy, the scope for payoffs to investments of this sort may be particularly large. A major concern related to the recent fiscal adjustment in Mexico is that it has been carried out, in part, by depleting public infrastructure stocks. The paper estimates the effects of public infrastructure on private sector costs in Mexico and calculates the implied optimal infrastructure stocks. Estimates indicate that previous results suggesting a large productive role of public infrastructure capital are not robust. There is little evidence that public infrastructure plays a large role in reducing private sector costs.

Nachega, Jean-Claude

TI Budgetary Convergence in the WAEMU: Adjustment Through Revenue or Expenditure? **AU** Dore, Ousmane; Nachega, Jean-Claude.

Nadai, Alain

PD November 2000. **TI** Product Ecolabelling, Competition and the Environment. **AU** Nadai, Alain; Morel, Benoit. **AA** Nadai: Center for the Study and the Improvement of Regulation. Morel: Carnegie Mellon University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 82/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 39. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D43, L13, Q28. **KW** Quality. Ecolabel. Voluntary Agreements. Environmental Regulation. Negotiation.
AB The paper explores the impact of a third-party product ecolabel (i.e. green label) on competition and the environment, and the firms' strategies during the negotiation of the minimum environmental requirements underlying a product's eligibility for the ecolabel. The introduction includes some empirical observation about the development of the European ecolabel. The second part presents the model. We assume Cournot competition in a homogeneous industry made up of multi-product firms each selling the whole range of product-variants, from green to brown.

Navaretti, Giorgio Barba

PD July 2000. **TI** Moving Skills From Hands to Heads: Import of Technology and Export Performance. **AU** Navaretti, Giorgio Barba; Galeotti, Marzio; Mattozzi, Andrea. **AA** Navaretti and Galeotti: Universita degli Studi di Milano, FEEM, and Centro Studi Luca d'Agliano. Mattozzi: University of Pennsylvania and Centro Studi Luca d'Agliano. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 54/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 32. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** F15, O14, O19, O30. **KW** Technology Imports. Export Performance. Economic Integration. Textile Industry. Development.
AB This paper examines the link between imported technologies and a country's export performance, as measured by product quality. The analysis is set in the background of the process of regional integration between the EU and its neighboring developing countries. The underlying question is whether trade integration fosters or dampens learning and technological upgrading. We find that unit values of exports from these countries to the EU rose steadily between 1988 and 1996, relative to the unit values of world exports to Europe. If increases in unit values satisfactorily proxy increases in product quality, then trade integration has fostered product upgrading and technological learning in the sample countries. We find that imported technologies and other sources of knowledge have a strong bearing on this pattern. Technological inflows are captured by the degree of involvement of European companies in export flows from our sample countries (Outward Processing Trade) and by the skill content of the machines imported.

TI Moving Skills from Hands to Heads: Import of Technology and Export Performance. AU Galeotti, Marzio; Navaretti, Giorgio Barba.

Nelson, Doug R.

TI Victims of Progress: Economic Integration, Specialization and Wages for Unskilled Labor. AU Francois, Joseph; Nelson, Doug R.

Nelson, Edward

TI Timeless Perspectives vs. Discretionary Monetary Policy in Forward- Looking Models. AU McCallum, Bennett T.; Nelson, Edward.

Neumark, David

PD August 1999. TI A Cross-National Analysis of the Effects of Minimum Wages on Youth Employment. AU Neumark, David; Wascher, William. AA Neumark: Michigan State University and NBER. Wascher: Board of Governors of the Federal Reserve System. SR National Bureau of Economic Research Working Paper: 7299; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 28. PR $10.00 per copy (plus $10.00 per order for shipping outside U.S.). JE C23, J23, J31, J38, K31. KW Minimum Wages. Youth Employment. Labor Markets. Collective Bargaining.

AB The authors estimate the employment effects of changes in national minimum wages using a pooled cross-section time-series data set comprising sixteen OECD countries for the period 1975-1997. They pay particular attention to the impact of cross-country differences in minimum wage systems and in other labor market institutions and policies that may either reduce or amplify the effects of minimum wages. Overall, the results generally are consistent with the view that minimum wages cause employment losses among youth. However, the evidence also suggests that the employment effects of minimum wages vary considerably across countries. Disemployment effects of minimum wages appear to be smaller when there are subminimum wages for youths, while minimum wages set by collective bargaining may entail more deleterious employment effects. The authors also find that government policies restricting employers' ability to adjust nonpecuniary characteristics of jobs tend to exacerbate the negative effects of minimum wages on youth employment, while countries with active labor market policies designed to bring non-employed individuals into the work force tend to exhibit smaller disemployment effects from minimum wages.

TI Assessing Affirmative Action. AU Holzer, Harry; Neumark, David.

Neves, Joao C.

TI Distribution Costs and Real Exchange Rate Dynamics During Exchange- Rate-Based-Stabilizations. AU Burstein, Ariel T.; Neves, Joao C.; Rebelo, Sergio.

Nielsen, Helena S.

PD July 2000. TI Hit Twice? Danish Evidence on the Double-Negative Effect on the Wages of Immigrant Women. AU Nielsen, Helena S.; Rosholm, Michael; Smith, Nina. AA Nielsen: University of Aarhus. SR CEPR Discussion Paper: 2502; 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, J16, J31, J71. KW Double-Negative Effect. Gender Wage Gap. Immigrants. Wage Assimilation.

AB In this paper, we investigate whether there is a double-negative effect on the wages of immigrant women in Denmark stemming from a negative effect from both gender and foreign country of origin. We estimate separate wage equations for Danes and a number of immigrant groups correcting for sample selection and individual specific effects. Based on a Danish panel of register data, we find that all women are affected by a substantial gender discrimination in wages, but only Pakistani women experience a double-negative effect.

Nielsen, Jens Perch

TI Yield Curve Estimation by Kernel Smoothing Methods. AU Linton, Oliver; Mammen, E.; Nielsen, Jens Perch; Tanggaard, C.

TI The Existence and Asymptotic Properties of a Backfitting Projection Algorithm under Weak Conditions. AU Mammen, E.; Linton, Oliver; Nielsen, Jens Perch.

TI Estimating Multiplicative and Additive Hazard Functions by Kernel Methods. AU Linton, Oliver; Nielsen, Jens Perch; van der Geer, Sara.

Nielsen, Lars Mayland

TI Can Nominal Wage and Price Rigidities Be Equivalent Propagation Mechanisms? The Case of Open Economies. AU Hansen, Bo William; Nielsen, Lars Mayland.

Nielsen, Morten

TI Semiparametric Analysis of Stationary Fractional Cointegration and the Implied-Realized Volatility Relation in High-Frequency Options Data. AU Christensen, Bent Jesper; Nielsen, Morten.

PD October 2001. TI Efficient Likelihood Inference in Nonstationary Univariate Models. AA University of Aarhus. SR Aarhus Department of Economics Working Paper: 2001/08; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. PG 48. PR no charge. JE C12, C13, C22. KW Fractional Integration. Nonstationarity. Likelihood Inference. Estimation Efficiency. Optimal Tests.

AB Recent literature shows that embedding fractionally integrated time series models with spectral poles at the long-run and/or seasonal frequencies in autoregressive frameworks, leads to estimators and test statistics with non-standard limiting distributions that must be simulated on a case-by-case basis. However, we show that by embedding the models in a general I(d) framework, the resulting estimators and tests regain all the desirable properties from standard statistical analysis. We examine the three likelihood-based test statistics, (Wald, likelihood ratio, and Lagrange multiplier), both in general and in the special case where the dynamics of the model are characterized by a scalar parameter. The finite sample properties of the tests are evaluated by Monte Carlo experiments. In contrast to what might be expected from the literature, the likelihood ratio test is found to outperform the Lagrange multiplier and Wald tests.

TI Seasonality in Economic Models. **AU** Brendstrup, Bjarne; Hylleberg, Svend; Nielsen, Morten; Skipper, Lars; Stentoft, Lars.

Nikolov, Kalin

TI Financial Frictions and the Monetary Transmission Mechanism: Theory, Evidence and Policy Implications. **AU** Bean, Charles; Larsen, Jens; Nikolov, Kalin.

Noel, Brett J.

TI Is the Threat of Training More Effective than Training Itself? Experimental Evidence from the UI System. **AU** Black, Dan A.; Smith, Jeffrey; Berger, Mark C.; Noel, Brett J.

Nordhaus, William D.

PD September 2001. **TI** The Progress of Computing. **AA** Yale University and NBER. **SR** Yale Cowles Foundation Discussion Paper: 1324; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 30. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** D24, N10, O31, O33, O41. **KW** Productivity. Hedonic Pricing. Computers.

AB The present study analyzes computer performance over the last century and a half. Three results stand out. First, there has been a phenomenal increase in computer power over the twentieth century. Performance in constant dollars or in terms of labor units has improved since 1900 by a factor in the order of 1 trillion to 5 trillion, which represent compound growth rates of over 30 percent per year for a century. Second, there were relatively small improvements in efficiency (perhaps a factor of ten) in the century before World War II. Around World War II, however, there was a substantial acceleration in productivity, and the growth in computer power from 1940 to 2001 has averaged 55 percent per year. Third, this study develops estimates of the growth in computer power relying on performance rather than on input-based measures typically used by official statistical agencies. The price declines using performance-based measures are markedly higher than those reported in the official statistics.

Obersteiner, Michael

PD April 2000. **TI** Free Fall or Restructuring: An Empirical Analysis of Economic Performance of Russian Industries and Regions. **AA** Institute for Advanced Studies, Vienna and International Institute for Applied Systems Analysis (IIASA). **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 16; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 27. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** L60, O11, P27, R12. **KW** Russian Regions. Industrial Development. Relocation. Economies of Scale. Transition Economies.

AB Improvements in economic efficiency and productivity are the most important sources for economic growth. However, they have yet to occur in Russia. The Soviet Union left an institutional vacuum and large economic distortions behind, which set the stage for an established elite to systematically exploit factors of production for their personal benefit lacking the incentives to restructure. This paper generates some empirical highlights of the outcomes of industrial transformation from 1987 to 1997. The following results are worth mentioning: (1) Early steps of liberalization, the attempts at macro- stabilization and the launch of the privatization package did not bring about improved economic efficiency in industrial production; (2) Less concentrated and highly localized industries performed better, which can mainly be explained by the performance of the resource extracting industries; (3) Price liberalization revealed increasing returns in industrial production and the contribution of capital to output declined rapidly, while the contribution of labor increased.

PD September 1999. **TI** Determinants of Long-Term Economic Development: An Empirical Cross- Country Study Involving Rough Sets Theory and Rule Induction. **AU** Obersteiner, Michael; Wilk, Szymon. **AA** Obersteiner: Institute for Advanced Studies, Vienna. Wilk: International Institute for Applied Systems Analysis. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 11; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 24. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** C49, F43, O40. **KW** Economic Growth. Rough Sets. Rule Induction.

AB Empirical findings on determinants of long-term economic growth are numerous, sometimes inconsistent, highly exciting and still incomplete. The empirical analysis was almost exclusively carried out by standard econometrics. This study compares results gained by cross-country regressions as reported in the literature with those gained by the rough sets theory and rule induction. The main advantages of using rough sets are being able to classify classes and to discretize. Thus, we do not have to deal with distributional, independence, (log-)linearity, and many other assumptions, but can keep the data as they are. The main difference between regression results and rough sets is that most education and human capital indicators can be labeled as robust attributes. In addition, we find that political indicators enter in a non-linear fashion with respect to growth.

Obstfeld, Maurice

PD August 2000. **TI** Do We Really Need a New International Monetary Compact? **AU** Obstfeld, Maurice; Rogoff, Kenneth. **AA** Obstfeld: University of California, Berkeley and NBER. Rogoff: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7864; 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** E42, E52, F41, F42. **KW** Monetary Policy. International Welfare. Open Economy Macroeconomics.

AB In recent years, many countries have instituted monetary reforms aimed at improving anti-inflation credibility. Is it a problem, however, that international welfare spillover effects seldom receive much consideration in the design of monetary reforms? Surprisingly, the answer may be no. Under plausible conditions, as domestic rules improve and international financial markets become more complete, the Nash and cooperative monetary rule setting games converge. We base our analysis on a utility-theoretic sticky-wage, new open economy macroeconomics model; the question we pose simply could not

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have been adequately formulated using earlier models of monetary cooperation.

PD August 1999. **TI** New Directions for Stochastic Open Economy Models. **AU** Obstfeld, Maurice; Rogoff, Kenneth. **AA** Obstfeld: UC Berkeley and NBER. Rogoff: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 7313; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 33. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** F12, F31, F41, J31. **KW** Open Economy. Sticky Wages. Monetary Regime. Terms of Trade. Monetary Policy.
AB The paper develops a simple stochastic new open economy macroeconomic model based on sticky nominal wages. Explicit solution of the wage-setting problem under uncertainty allows one to analyze the effects of the monetary regime on welfare, expected output, and the expected terms of trade. Despite the potential interplay between imperfections due to sticky wages and monopoly, the optimal monetary policy rule has a closed-form solution. To motivate our model, we show that observed correlations between terms of trade and exchange rates are more consistent with our traditional assumptions about nominal rigidities than with a popular alternative based on local-currency pricing.

Ollikainen, Markku

TI Renewable Resources in an Overlapping Generations Economy without Capital. **AU** Koskela, Erkki; Ollikainen, Markku; Puhakka, Mikko.

Orphanides, Athanasios

PD December 2001. **TI** Monetary Policy Rules, Macroeconomic Stability and Inflation: A View from the Trenches. **AA** Board of Governors of the Federal Reserve System. **SR** European Central Bank Working Paper: 115; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 23. **PR** no charge. **JE** E31, E52, E58. **KW** Monetary Policy Rules. Real-Time Data. Greenbook Forecasts. Stagflation.
AB I estimate a forward-looking monetary policy reaction function for the Federal Reserve for the periods before and after Paul Volcker's appointment as Chairman in 1979, using information that was available to the FOMC in real time from 1966 to 1995.The results suggest broad similarities in policy and point to a forward looking approach to policy consistent with a strong reaction to inflation forecasts during both periods. This contradicts the hypothesis, based on analysis with ex post constructed data, that the instability of the Great Inflation was the result of weak FOMC policy responses to expected inflation. A difference is that prior to Volcker's appointment, policy was too activist in reacting to perceived output gaps that retrospectively proved over ambitious. Drawing on contemporaneous accounts of FOMC policy, I discuss the implications of the findings for alternative explanations of the Great Inflation and the improvement in macroeconomic stability since then.

Ouliaris, Sam

TI Key Features of Australian Business Cycles. **AU** Cashin, Paul; Ouliaris, Sam.

Overland, Jody

PD December 2000. **TI** Political Instability and Growth in Dictatorships. **AU** Overland, Jody; Simons, Kenneth; Spagat, Michael. **AA** Overland and Simons: University of London. Spagat: University of London and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2653; 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** D90, O10. **KW** Bifurcation. Dictatorship. Growth. Political Economy.
AB This paper models growth in dictatorships each facing a period of an endogenous probability of "political catastrophe" that would extinguish the regime's wealth extraction ability. Domestic capital exhibits a bifurcation point determining economic growth or shrinkage. With low initial domestic capital, the dictator plunders the country's resources and the economy shrinks. With high initial domestic capital, the economy eventually grows faster than is socially optimal.

Ozaki, Hiroyuki

PD November 1999. **TI** Solutions for Some Dynamic Problems with Uncertainty Aversion. **AU** Ozaki, Hiroyuki; Streufert, Peter A. **AA** Ozaki: Tohoku University. Streufert: University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9915; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 36. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** D81, E21. **KW** Expected Utility. Expectations. Uncertainty Aversion. Saving.
AB In a discounted expected-utility problem, tomorrow's utilities are aggregated across tomorrow's states by the expectation operator. In our problems, this aggregation is accomplished by a Choquet integral of the form integral u times d times P to the alpha, where alpha specifies uncertainty aversion. We solve all finite-state problems by either a closed form or a finite-dimensional iteration, and show that uncertainty aversion reduces the perceived return on investment, thereby decreasing the saving rate given elastic preferences and increasing the saving rate given inelastic preferences.

Pakes, Ariel

TI Limit Theorems for Estimating the Parameters of Differentiated Product Demand Systems. **AU** Berry, Steven; Linton, Oliver; Pakes, Ariel.

TI Differentiated Products Demand Systems from a Combination of Micro and Macro Data: The New Car Market. **AU** Berry, Steven; Levinsohn, James; Pakes, Ariel.

Paldam, Martin

PD December 2001. **TI** The Economic Freedom of Asian Tigers -- An Essay of Controversy. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/17; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 27. **PR** no

charge. **JE** H50, O11, O17, O53, P52. **KW** East Asian Economies. Economic Freedom. Regulation. Growth.
AB The "tigers" are a group of 4-5 East Asian countries, which have joined the rich western countries after a period of 30-40 years of "miraculous" growth. Large controversies surround the attempt to explain how they did it. The paper briefly surveys the discussion. The economic freedom index allows an analysis of the main controversy: the role of the state in their rapid growth. After a discussion of the likely biases the data are considered. Three of the 5 countries have a level of regulation much like West European countries, while 2 are as close to laissez-faire as any country in the world. All are much more market friendly than the lesser developed countries they left behind only 40 years ago. It is also concluded that the extent to which the countries are laissez-faire can be only one aspect of the miracle.

Panunzi, Fausto

TI Reallocation of Corporate Resources and Managerial Incentives in Internal Capital Markets. **AU** Brusco, Sandro; Panunzi, Fausto.

Paolini, Dimitri

TI Delegation and Information Revelation. **AU** Gautier, Axel; Paolini, Dimitri.

Papandreou, Andreas

PD July 2000. **TI** Externality, Convexity and Institutions. **AA** University of Macedonia. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 48/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 27. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D23, D52, D62. **KW** Organizational Behavior. Transaction Costs. Property Rights. Incomplete Markets. Externalities.
AB Economic theory has acknowledged the role of institutions in shaping economic space. However, the distinction between physical and institutional descriptions of economic activity has not received adequate attention within the mainstream paradigm. This paper shows how a proper distinction between the physical and institutional space in economic models clarifies the concept of externality and provides a better interpretation of the relationship between externality and nonconvexity. I argue that within the Arrow-Debreu framework externality should be viewed as incongruence between the physical and institutional descriptions of the economic space. I also argue that contrary to conventional wisdom, detrimental externality has no special association with nonconvexity. Starrett's fundamental nonconvexity has to do with the specific institutional structure of Arrow markets rather than the detrimental nature of externality. An understanding that "externality" is purely an institutional construct will assist in a proper appraisal of the critical economic function of institutions.

Park, Joon Y.

TI Nonlinear Instrumental Variable Estimation of an Autoregression. **AU** Phillips, Peter C. B.; Park, Joon Y.; Chang, Yoosoon.

Parsley, David C.

PD August 2000. **TI** Explaining the Border Effect: The Role of Exchange Rate Variability, Shipping Costs, and Geography. **AU** Parsley, David C.; Wei, Shang-Jin. **AA** Parsley: Vanderbilt University. Wei: World Bank, NBER, and Harvard University. **SR** National Bureau of Economic Research Working Paper: 7836; 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** F15, F31, F36, F41. **KW** Sticky Prices. Border Effects, International Segmentation.
AB This paper exploits a three-dimensional panel data set of prices on 27 traded goods, over 88 quarters, across 96 cities in the U.S. and Japan. We show that a simple average of good-level real exchange rates tracks the nominal exchange rate well, suggesting strong evidence of sticky prices. Focusing on dispersion in prices between city-pairs, we find that crossing the U.S.-Japan "Border" is equivalent to adding as much as 43,000 trillion miles to the cross-country volatility of relative prices. We turn next to economic explanations for this so-called border effect and to its dynamics. Distance, unit-shipping costs, and exchange rate variability, collectively, explain a substantial portion of the observed international market segmentation. Relative wage variability, on the other hand, has little independent impact on segmentation.

Pastor, Gonzalo

PD June 2000. **TI** Turkmenistan -- The Burden of Current Agricultural Policies. **AU** Pastor, Gonzalo; van Rooden, Ron. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/98; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 24. **PR** not available. **JE** O11, O13, O21, Q17, Q18. **KW** Agricultural Policies. Transition Economies. Protection. Turkmenistan.
AB This paper analyses the economic costs of current agricultural policies in Turkmenistan. It argues that the opportunity cost of continuing with these policies is very high for the budget, the average farmer, and the economy as a whole. The paper calls for the development of nontraditional agricultural crops, which are more profitable than wheat and cotton in the international commodity markets, and a comprehensive and sustained reform strategy for the agricultural sector.

PD October 2001. **TI** The Russian Financial Crisis and its Consequences for Central Asia. **AU** Pastor, Gonzalo; Damjanovic, Tatiana. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/169; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 34. **PR** $15.00. **JE** E52, E58, E65. **KW** Russian Financial Crisis. Exchange Rate Policy. External Debt Issues.
AB This paper reviews the economic conditions in central Asia at the time of the Russian financial crisis of August 1998; the channels by which the crisis was transmitted to the central Asian region; and the policy responses. The paper concludes that, while real exchange rates of central Asian national currencies vis-a-vis the Russian ruble have returned to their pre-crisis levels following the nominal devaluations that ensued, other indicators of external competitiveness, such as unit labor cost indices, suggest the need for further surveillance in this area. Also, it is not yet clear if full exchange rate flexibility has been established in central Asia despite the protracted and costly exits from the nominal exchange rates in place at the time of the crisis. Finally, the debt-to-GDP ratios in

central Asia, which grew rapidly between 1998 and 1999 in the context of large exchange rate adjustments, remain a challenge for the Tajik and Kyrgyz authorities, in particular.

Pauzner, Ady

TI Equilibrium Selection in Global Games with Strategic Complementarities. **AU** Morris, Stephen; Frankel, David M.; Pauzner, Ady.

Pavcnik, Nina

PD August 2000. **TI** What Explains Skill Upgrading in Less Developed Countries? **AA** Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7846; 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** F14, F15, F16, J31, O15. **KW** Skilled Labor. Capital Deepening. Skill-Biased Technology.

AB Although many developing countries have experienced growing income inequality and an increase in the relative demand for skilled workers during the 1980s, the sources of this trend remain a puzzle. This paper examines whether investment and adoption of skill-biased technology have contributed to within-industry skill upgrading using plant-level data from Chile. Using semiparametric and parametric approaches, I investigate whether plant-level measures of capital and investment, the use of imported materials, foreign technical assistance, and patented technology affect the relative demand for skilled workers. I find a positive relationship between these measures and skill upgrading. Capital deepening and the adoption of skill-biased technology therefore might contribute to the increased relative demand for skilled workers within industries.

PD August 2000. **TI** Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants. **AA** Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7852; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C14, D24, F13, O54. **KW** Chile. Trade Liberalization. Productivity.

AB This paper empirically investigates the effects of trade liberalization on plant productivity in the case of Chile, which underwent a massive trade liberalization that significantly exposed its plants to competition from abroad during the late 1970s and early 1980s. Methodologically, I approach this question in two steps. First, I estimate a production function to obtain a measure of plant productivity. I estimate the production function semiparametrically to correct for the presence of selection and simultaneity biases in the estimates of the input coefficients required to construct a productivity measure. I explicitly incorporate plant exit in the estimation to correct for the selection problem induced by liquidated plants. Second, I identify the impact of trade liberalization on plants' productivity in a regression framework. Using plant-level panel data on Chilean manufacturers, I find evidence of within plant productivity improvements that can be attributed to a liberalized trade policy, especially for the plants in the import-competing sector. In many cases, aggregate productivity improvements stem from the reshuffling of resources and output from less to more efficient producers.

Paxson, Christina

PD September 1999. **TI** Work, Welfare, and Child Maltreatment. **AU** Paxson, Christina; Waldfogel, Jane. **AA** Paxson: Princeton University and NBER. Waldfogel: Columbia University. **SR** National Bureau of Economic Research Working Paper: 7343; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, E24, H55, I38, J13. **KW** Work Behavior. Welfare. Child Maltreatment. Panel Data. Family Structure.

AB Using state-level panel data on the number of reports and substantiated cases of maltreatment, the authors examine whether socioeconomic factors play different roles for different types of maltreatment. A key finding is that the economic circumstances of parents matter: increases in the fractions of children with absent fathers and working mothers are related to increases in many of the measures of maltreatment, as are increases in the share of families with two non-working parents, and those with incomes below 75 percent of the poverty line. The authors also examine the links between family structure, welfare benefits, and child maltreatment. Welfare programs affect the incentives of women and men to work and to live in single or dual-families. By changing the family structure and work behavior of parents as well as their incomes, welfare reforms can be expected to affect the incidence of child maltreatment. The authors' analysis indicates that: 1) consistent with other research, the characteristics of state's welfare systems have affected the work behavior and structure of families during the 1977-1996 time period; 2) decreases in a state's welfare benefit levels are associated with large increases in child neglect, and with small decreases in physical abuse.

Peek, Joe

TI Troubled Banks, Impaired Foreign Direct Investment: The Role of Relative Access to Credit. **AU** Klein, Michael W.; Peek, Joe; Rosengren, Eric.

Pelz, Eduard A.

TI Will the Valuation Ratios Revert to Their Historical Means? Some Evidence From Breakpoint Tests. **AU** Carlson, John B.; Pelz, Eduard A.; Wohar, Mark.

Perroni, Carlo

TI Issue Linkage and Issue Tie-In in Multilateral Negotiations. **AU** Conconi, Paola; Perroni, Carlo.

TI The Value of MFN Treatment to Developing Countries. **AU** Ghosh, Madanmohan; Perroni, Carlo; Whalley, John.

Perry, Allen

PD June 2000. **TI** Impacts of Climate Change on Tourism in the Mediterranean: Adaptive Responses. **AA** University of Wales Swansea. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 35/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 8. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** J14, L83, Q25, Q26, Q28. **KW** Tourism. Climate Change. Drought. Heatwaves. Adaptive Responses.

AB Key sensitivities to Mediterranean tourism include drought and heatwaves, both of which are likely to increase with projected greenhouse warming. Adaptive responses must include lengthening of the present season and particularly taking care to cater to the increasing number of older people in the population of Northern European countries who will demand high environmental and accommodation standards and look for more off-peak holidays than the mass market tourist. Climate change in Northern Europe may affect the push-pull factors which currently favor a summer peak of tourists in many Mediterranean destinations. Infrastructure and beaches may well be at risk from sea level rise and there are likely to be increased problems from forest fires, water supplies and hygiene.

Pesendorfer, Martin

TI Information Structures in Optimal Auctions. **AU** Bergemann, Dirk; Pesendorfer, Martin.

Petrin, Amil

TI Estimating Production Functions Using Inputs to Control for Unobservables. **AU** Levinsohn, James; Petrin, Amil.

Phillips, John W.

TI Estate Taxes, Life Insurance, and Small Business. **AU** Holtz-Eakin, Douglas; Rosen, Harvey S.; Phillips, John W.

Phillips, Peter C. B.

TI A CUSUM Test for Cointegration Using Regression Residuals. **AU** Xiao, Zhijie; Phillips, Peter C. B.

PD September 2001. **TI** Bootstrapping Spurious Regression. **AA** Cowles Foundation, Yale University, University of Auckland, and University of York. **SR** Yale Cowles Foundation Discussion Paper: 1330; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 18. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C22. **KW** Asymptotic Theory. Bootstrap. Cointegration. Nonstationarity. Residual Diagnostics.

AB The bootstrap is shown to be inconsistent in spurious regression. The failure of the bootstrap is spectacular in that the bootstrap effectively turns a spurious regression into a cointegrating regression. In particular, the serial correlation coefficient of the residuals in the bootstrap regression does not converge to unity, so the bootstrap is not even first order consistent. The block bootstrap serial correlation coefficient does converge to unity and is therefore first order consistent, but has a slower rate of convergence and a different limit distribution from that of the sample data serial correlation coefficient. The analysis covers spurious regressions involving both deterministic trends and stochastic trends.

PD September 2001. **TI** Nonlinear Instrumental Variable Estimation of an Autoregression. **AU** Phillips, Peter C. B.; Park, Joon Y.; Chang, Yoosoon. **AA** Phillips: Cowles Foundation. Yale University, University of Auckland, and University of York. Park: Seoul National University. Chang: Rice University. **SR** Yale Cowles Foundation Discussion Paper: 1331; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 19. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C22, C25. **KW** Cauchy Estimator. Instrumental Variables. Estimation. Nonlinear Instruments. Unit Root.

AB In this paper, we study instrumental variable (IV) estimation methods that allow for certain nonlinear functions of the data as instruments. The context of the discussion is the simple unit root model where certain advantages to the use of nonlinear instruments are revealed. In particular, certain classes of IV estimators and associated t-tests are shown to have simpler (standard) limit theory in contrast to the least squares estimator, providing an opportunity for the study of optimal estimation in certain IV classes and furnishing tests and confidence intervals that allow for unit root and stationary alternatives. The Cauchy estimator studied in recent work by So and Shin (1999) is shown to have such an optimality property in the class of certain IV procedures with bounded instruments.

TI Fully Nonparametric Estimation of Scalar Diffusion Models. **AU** Bandi, Frederico M.; Phillips, Peter C. B.

Pisauro, Giuseppe

PD May 2001. **TI** Intergovernmental Relations and Fiscal Discipline: Between Commons and Soft Budget Constraints. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/65; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 30. **PR** not available. **JE** E62, H61, H71, H72, H77. **KW** Fiscal Federalism. Budget Constraints. Bailout. Budgetary Institutions.

AB Fiscal decentralization is likely to entail a bias in the budget process toward higher public expenses and deficits. The paper reviews lessons drawn from the theoretical literature and international experience on the design of intergovernmental relations. The institutional setup should address the dual problem of "common tax resources" and "soft" budget constraints, where policies devised to correct one problem may exacerbate the other. An approach based on full tax autonomy of lower-tier governments and reliance on market discipline, not supplemented by self- imposed constitutional limits, is not advisable. More effective seems to be a cooperative approach with some preeminence granted to the central government.

Pita Barros, Pedro Luis

PD August 2000. **TI** Waiting Lists and Patient Selection. **AA** Universidade Nova de Lisboa and CEPR. **SR** CEPR Discussion Paper: 2519; 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** H51, I11, I18. **KW** Cream-Skimming. Waiting Lists.

AB We develop a model of waiting lists for public hospitals when physicians deliver both private and public treatment. Public treatment is free but rationed, i.e., only cases meeting some medical criteria are admitted for treatment. Private treatment has no waiting time but entails payment of a fee. Both physicians and patients take into account that each patient treated in the private practice schedule reduces the waiting list for public treatment. We show that physicians do not necessarily select the mildest cases from the waiting list. We provide sufficient conditions on the rationing policy under which cream skimming is always partial. We show that, to a large extent, one can by-pass the analysis of doctors' behavior in the characterization of patient selection.

Poirson, Helene

PD June 2000. **TI** Factor Reallocation and Growth in Developing Countries. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/94; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** not available. **JE** O11, O41. **KW** Factor Reallocation. Dualism. Growth. Developing Countries. Allocation Inefficiency.

AB This paper examines the extent to which developing countries benefit from intersectoral factor transfers by specifying the impact and determinants of sectoral changes and of the degree of dualism (or allocation inefficiency) in a dual economy model. Conditions under which factor reallocation is growth-enhancing are derived. An empirical error- correction equation is estimated for 30 developing countries during 1965-80. Results suggest that labor reallocation effects are especially important in countries with high rates of investment (and thus high rates of labor transfer) and/or at low levels of development (and thus high degrees of dualism).

PD June 2000. **TI** The Impact of Intersectoral Labor Reallocation on Economic Growth. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/104; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 27. **PR** not available. **JE** J24, O11, O14, O41. **KW** Growth. Labor Allocation. Labor Efficiency. Education.

AB This study seeks to explain economic growth differences in an aggregate production function framework, where labor reallocation from agriculture to modern sectors influences labor efficiency growth. The econometric analysis uses a panel of 65 countries over 1960-90. The results highlight: (a) the differences among countries in the impact of labor reallocation on growth, controlled for using the intersectoral wedge in labor productivities; (b) the significance of labor reallocation effects, even after controlling for capital accumulation, initial conditions, and country effects; (c) the role of slow labor reallocation in explaining the dummy variable for Sub-Saharan Africa; (d) the role of initial education levels in explaining differences in labor reallocation rates.

Polborn, Mattias K.

PD December 2000. **TI** Endogenous Majority Rules with Changing Preferences. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 2000/12; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 25. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** D72. **KW** Supermajority. Taxation. Constitution. Overlapping Generations. Political Economy.

AB This paper provides a new explanation why several US states have implemented supermajority requirements for tax increases. We model a dynamic and stochastic OLG economy where individual preferences depend on age and change over time in a systematic way. In this setting, we show that the first population of voters will choose a supermajority rule in order to influence the outcomes of future elections. We explore the robustness of the basic model and also find some empirical support for predictions derived from the model.

PD October 1999. **TI** Information and Dynamic Adjustment in Life Insurance. **AU** Polborn, Mattias K.; Hoy, Mike; Sadanand, Asha. **AA** Polborn: University of Munich and University of Western Ontario. Hoy and Sadanand: University of Guelph. **SR** University of Western Ontario, Department of Economics Research Report: 9911; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 34. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** D81, D82, G22, L52. **KW** Life Insurance. Information. Adverse Selection. Insurance Regulation.

AB Genetic tests can be expected to produce a large amount of economically important information in the future. What are the effects on a life insurance market if more information becomes available over time, for individuals and possibly also for insurers? Should people buy insurance before or after becoming informed? How do earlier trades influence the market equilibrium in later periods? We also analyze the scope for a Pareto improving regulation of the insurance market.

TI Constitutional Conservatism and Resistance to Reform. **AU** Messner, Matthias; Polborn, Mattias K.

Portes, Richard

PD September 1999. **TI** The Determinants of Cross-Border Equity Flows. **AU** Portes, Richard; Rey, Helene. **AA** Portes: London Business School and NBER. Rey: London School of Economics. **SR** National Bureau of Economic Research Working Paper: 7336; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C23, F12, F21, F32, G15. **KW** Equity Flows. Trading Costs. Market Capitalization. Asymmetric Information. Portfolio Composition.

AB The authors apply a new approach to a new panel data set on bilateral gross cross-border equity flows between 14 countries, 1989- 96. The remarkably good results have strong implications for theories of asset trade. The authors find that the geography of information heavily determines the pattern of international transactions. Their model integrates elements of the finance literature on portfolio composition and the international macroeconomics and asset trade literature. Gross asset flows depend on market size in both source and destination country as well as trading costs, in which both information and the transaction technology play a role. The resulting augmented "gravity" equation has equity market capitalization representing market size and distance proxying some informational asymmetries, as well as a variable representing openness of each economy. But other variables explicitly represent information transmission (telephone call traffic and multinational bank branches), and information asymmetry between domestic and foreign investors (degree of insider trading), and the efficiency of transactions ("financial market sophistication"). This equation accounts for almost 70 percent of the variance of the transaction flows.

Poterba, James M.

PD August 1999. **TI** Pre-Retirement Cashouts and Foregone Retirement Saving: Implications for 401(k) Asset

Accumulation. **AU** Poterba, James M.; Wise, David A.; Venti, Steven F. **AA** Poterba: MIT and NBER. Wise: NBER. Venti: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7314; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 36. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D31, G23, J14, J26. **KW** Retirement. Social Security. Pension Funds. 401k.

AB This paper presents new evidence on the potential importance of 401(k) assets in contributing to the retirement resources of future retirees. The authors use data on past 401(k) participation rates by age and income decile, along with information on average 401(k) contribution rates, to project the future 401(k) contribution trajectories of households that are currently headed by individuals between the ages of 29 and 39. The authors allow for the possibility of pre-retirement withdrawal of 401(k) assets when individuals experience employment transitions. Between 2025 and 2035, 401(k) balances are likely to be a much more important factor in financial preparation for retirement than they are today. Moreover, the authors find that pre- retirement withdrawals have a small effect on the balance in 401(k) accounts. They estimate that these withdrawals typically reduce average 401(k) assets in the retirement saving system. Most of those who do withdraw assets have very small accumulated balances. By comparison, the expense ratio charged by the financial institutions administering 401(k) accounts has a larger effect on retirement resources than the possibility of pre-retirement withdrawal.

Poyago-Theotoky, Joanna

PD September 2000. **TI** Voluntary Approaches and the Organisation of Environmental R&D. **AA** University of Nottingham. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 74/2000; "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** D43, L13, L51, O32, Q28. **KW** Voluntary Approaches. Environmental Innovation. Environmental Policy. Emission Taxes. R&D Co-Operation.

AB The present paper uses a setting where firms commit to environmental R&D expenditure that reduces their emission levels before the regulator sets the emission tax. It examines two scenarios with respect to the organization of environmental R&D: (i) independent R&D and (ii) an industry-wide environmental R&D Cartel (ERC). In the first scenario (1) firms choose their emission-reducing R&D non-cooperatively, (2) the regulator sets the emission tax and (3) firms compete in the market by choosing quantities. In the second scenario, both the second and third stages remain the same, however, in the first stage firms form an industry-wide ERC that cooperatively undertakes environmental R&D. Thus, in both R&D scenarios, the regulator follows a time-consistent policy; this corresponds to the case where the regulator is unable to commit credibly to the emission tax. It is shown that for relatively small damages, environmental innovation is higher in the case of an ERC compared to independent R&D, while for relatively large damages the opposite is true. The same ranking applies to the comparison of social welfare. However, firms always have an incentive to be part of an industry-wide ERC as this increases their profitability.

Prasad, Eswar S.

TI International Spillovers of Macroeconomic Shocks: A Quantitative Exploration. **AU** Laxton, Douglas; Prasad, Eswar S.

TI Inequality, Transfers and Growth: New Evidence from the Economic Transition in Poland. **AU** Keane, Michael P.; Prasad, Eswar S.

Premaratne, Gamini

TI Adjusting the Tests for Skewness and Kurtosis for Distributional Misspecifications. **AU** Bera, Anil K.; Premaratne, Gamini.

PD August 2001. **TI** A Test for Asymmetry with Leptokurtic Financial Data. **AU** Premaratne, Gamini; Bera, Anil K. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0117; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 17. **PR** not available. **JE** C12, C52. **KW** Leptokurtosis. Financial Data.

AB Most of the tests for asymmetry are developed under the null hypothesis of normal distribution. As is well known, many financial data exhibits fat tail, and commonly used tests (such as the standard root-b1 test based on sample skewness) are not valid for leptokurtic financial data. Also, the root-b1 test uses the third moment, which may not be robust in the presence of gross outliers. In this paper, we propose a simple parametric test for symmetry based on the Pearson type IV family of distributions, which take account of keptokurtosis explicitly. Our test is based on a function that bounded over the real line, and we expect it to be more well-behaved than the test based on sample skewness (third moment). Results from our Monte Carlo study reveal that the suggested test performs quite well in finite samples, and it is robust to excess kurtosis. We also apply the test to stock return data to illustrate its usefulness.

Preston, Ian

TI Racial and Economic Factors in Attitudes to Immigration. **AU** Dustmann, Christian; Preston, Ian.

Prokopenko, Vassili

TI Financial Development and Poverty Alleviation: Issues and Policy Implications for Developing and Transition Countries. **AU** Holden, Paul; Prokopenko, Vassili.

Propper, Carol

TI Measuring Income Risk. **AU** Burgess, Simon; Gardiner, Karin; Jenkins, Stephen P.; Propper, Carol.

PD July 2000. **TI** The Demand for Private Medical Insurance in the UK: A Cohort Analysis. **AU** Propper, Carol; Rees, Hedley. **AA** Propper: University of Bristol and CEPR. **SR** CEPR Discussion Paper: 2513; 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 Insurance. Public Sector Quality. Private Sector Insurance. Pseudo-Cohort Panel.

AB This paper examines the determinants of the demand for private health insurance in the UK from 1978 to 1996. The focus is the impact of public and private sector quality on demand. Use of a pseudo-cohort panel allows examination of generational change and the investigation of dynamics. The results indicate that there has been generational change. Further, changes in the contractual status of senior doctors employed in the public sector has had impact on demand for the private alternative. Once these factors are taken into account, there is limited evidence of habit in purchase.

Puhakka, Mikko

TI Renewable Resources in an Overlapping Generations Economy without Capital. **AU** Koskela, Erkki; Ollikainen, Markku; Puhakka, Mikko.

Quigley, John M.

TI Comparing Wealth Effects: The Stock Market Versus the Housing Market. **AU** Case, Karl E.; Quigley, John M.; Shiller, Robert J.

Quintin, Erwan

TI Optimal Contracts in a Dynamic Costly State Verification Model. **AU** Monnet, Cyril; Quintin, Erwan.

Raedy, Jana Smith

TI Capital Gains Holding Periods and Equity Trading: Evidence >From the 1998 Tax Act. **AU** Blouin, Jennifer L.; Shackelford, Douglas A.; Raedy, Jana Smith.

Rajabiun, Reza

TI An Applied General Equilibrium Analysis of EU Integration for Hungary and Slovakia: What Happens in the Labour Markets? **AU** Kimakova, Alena; Rajabiun, Reza.

Ramaswamy, Ramana

PD June 2000. **TI** The Yen-Dollar Rate: Have Interventions Mattered? **AU** Ramaswamy, Ramana; Samiei, Hossein. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/95; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** E42, E52, F31. **KW** Currency Interventions. Exchange Rates. Expectations. Foreign Exchange.

AB Using daily data for 1995-99, this paper estimates a simple forward looking model of the exchange rate to show that foreign exchange interventions have, on the whole, had small but persistent effects on the yen-dollar rate. Contrary to conventional wisdom, sterilized interventions have mattered. Consistent with conventional wisdom, coordinated interventions have a higher probability of success and move the yen-dollar rate by a larger margin than unilateral interventions. A probit model indicates that both an excessive appreciation and depreciation of the yen provoke interventions, and that interventions occur in clusters -- if there is one today, there will likely be another tomorrow.

Rashid, Salim

PD July 2001. **TI** Can There Be a Theory of Money? **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0113; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 26. **PR** not available. **JE** B19, E19, E51. **KW** Monetary Theory. Quantity Theory. Monetarism. Irving Fisher. Milton Friedman.

AB The possibility of obtaining a "theory" of money is questioned, where a theory is taken to mean an explanatory framework using a small number of observables. The root of the problem lies in the maximizing nature of economic agents. Money is means to effect transactions and savings; what will be used as money depends upon such a miscellany of factors that no "theory" can be expected to emerge. A critical examination of the Quantity Theory, both as theory and as a testable proposition, supports this claim.

Rasmussen, Bo Sandemann

PD September 2001. **TI** Efficiency Wages and the Long-Run Incidence of Progressive Taxation. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/05; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 20. **PR** no charge. **JE** H22, H32, J41. **KW** Efficiency Wages. Employment. Progressive Taxation. Tax Reforms.

AB Progressive income taxation has been recognized to provide incentives for wage restraint in models with imperfectly competitive labor markets. Recent research has established that bargaining over individual working hours may reverse the wage restraining effect, such that increased tax progression may reduce employment. In the present paper an alternative explanation for such adverse employment effects is suggested. Using an efficiency wage model, it is shown that long-run adjustment in the number of firms to changes in profits may imply that an increase in tax progression has adverse employment effects when all the budgetary effects of the tax reform are taken into account.

PD February 2002. **TI** Credibility, Cost of Reneging and the Choice of Fixed Exchange Rate Regime. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2002/03; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 10. **PR** no charge. **JE** F31, F33, F41. **KW** Monetary Union. Fixed Exchange Rate. Credibility. Reneging Cost. Exchange Rates.

AB The choice of exchange rate regime is considered for a small open economy. Assuming that different forms of fixed exchange rate regimes involve different costs of reneging, it is shown that one potential beneficial aspect of joining a monetary union with a common currency is that it is less likely to be exposed to "speculative attacks" than less formalized fixed exchange rate arrangements.

Rebelo, Sergio

TI Distribution Costs and Real Exchange Rate Dynamics During Exchange- Rate-Based-Stabilizations. **AU** Burstein, Ariel T.; Neves, Joao C.; Rebelo, Sergio.

Rees, Hedley

TI The Demand for Private Medical Insurance in the UK: A Cohort Analysis. **AU** Propper, Carol; Rees, Hedley.

Reese, Stefan

TI Climate Change and Coastal Zones: An Overview of the State-of-the- Art on Regional and Local Vulnerability Assessment. **AU** Sterr, Horst; Klein, Richard; Reese, Stefan.

Renault, Eric

TI Semi-Parametric Indirect Inference. **AU** Dridi, Ramdan; Renault, Eric.

Rengstrom, T. I.

TI Inequality, Environmental Protection and Growth. **AU** Marsiliani, Laura; Rengstrom, T. I.

Restuccia, Diego

PD December 1998. **TI** Public Policy, Price Distortions, and Investment Rates. **AU** Restuccia, Diego; Urrutia, Carlos. **AA** Restuccia: University of Western Ontario. Urrutia: Universidad Carlos III de Madrid. **SR** University of Western Ontario, Department of Economics Research Report: 9901; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 44. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** E21, E22, E61. **KW** Investment Goods. Consumption Goods. Income Distribution.

AB Differences in the relative price of investment over consumption goods across countries are big, even after excluding non-tradable consumption goods. We interpret these differences as arising from differences in a wide range of policies that increase the cost of investment. Under this interpretation, we measure investment distortions using Summers and Heston's data and show that this measure is negatively correlated with investment rates and income per worker in a cross section of countries. We show that the steady state relation between relative investment distortions and relative investment rates predicted by a standard growth model closely resembles what we observe in the data. Moreover, simulations of a calibrated version of the model in which distortions follow a stochastic process common to all countries account for around 90 percent of the final disparity in relative investment rates. The model, however, cannot account for the disparity in income across countries and its evolution over time.

Rey, Helene

TI The Determinants of Cross-Border Equity Flows. **AU** Portes, Richard; Rey, Helene.

Richels, Richard G.

TI A Multi-Gas Approach to Climate Policy -- With and Without GWPs. **AU** Manne, Alan S.; Richels, Richard G.

Ridder, G.

PD August 2000. **TI** Measuring the Equilibrium Effects of Unemployment Benefits Dispersion. **AU** Ridder, G.; van den Berg, Gerard J. **AA** Ridder: Johns Hopkins University. van den Berg: Vrije Universiteit Amsterdam and CEPR. **SR** CEPR Discussion Paper: 2541; 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** C41, E24, H53, J31, J64. **KW** Equilibrium Search. Minimum Wage. Welfare. Unemployment.

AB We analyze the impact of unemployment benefits and minimum wages using an equilibrium search model, which allows for dispersion of benefits and productivity levels, job-to-job transitions, and structural and frictional unemployment. The estimation method uses readily available aggregate data on marginal distributions of unemployment durations as well as wages and benefit levels. Different causes of structural and frictional unemployment are investigated. We investigate the efficiency of the imposition of a single benefit level for all household types and the introduction of an Earned Income Tax Credit.

Rigobon, Roberto

PD September 1999. **TI** On the Measurement of the International Propagation of Shocks. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 7354; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 28. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** C32, E32, F32, G15, G21. **KW** Measurement of Shocks. International Propagation. Contagion. Transmission Mechanisms.

AB In this paper I offer an alternative identification assumption that allows one to test for changing patterns regarding the international propagation of shocks when endogenous variables, omitted variables, and heteroskedasticity are present in the data. Using this methodology, I demonstrate that the propagation mechanisms of 36 stock markets remained relatively stable throughout the last three major international crises which have been associated with "contagion" (i.e., Mexico 1994, Hong Kong 1997, and Russia 1998). These findings cast considerable doubt upon theories that suggest that the propagation of shocks is crisis contingent, and driven by endogenous liquidity issues, multiple equilibria, and political contagion. Rather, these findings would seem to support theories that identify such matters as trade, learning, and aggregate shocks as the primary transmission mechanisms in this process.

Rivera Batiz, Luis A.

PD June 2000. **TI** Currency Boards, Credibility, and Macroeconomic Behavior. **AU** Rivera Batiz, Luis A.; Sy, Amadou. **AA** Rivera Batiz: McGill University and Universitat Pompeu Fabra. Sy: International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/97; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 45. **PR** not available. **JE** F31, F33. **KW** Credibility. Currency Board. Currency Crisis. Exchange Rates. Devaluation.

AB Currency boards operate differently from standard pegs. The former exhibit greater currency stability and lower transaction costs, inflation, and nominal interest rates, but are limited in their use of devaluation. We extend Drazen and Masson's (1994) signaling model to consider the choice between currency board arrangements and standard pegs. The model shows that currency boards' effectiveness hinges on their credibility properties and that they can improve welfare even with high unemployment persistence. By reducing expected inflation and the negative employment effect arising from expected but unrealized inflation, currency boards can produce less unemployment than peg regimes that abstain from devaluation.

Robalo Marques, Carlos

TI The Bank Lending Channel of Monetary Policy: Identification and Estimation Using Portuguese Micro Bank

Data. **AU** Farinha, Luisa; Robalo Marques, Carlos.

Robinson, Peter M.

TI A Model for Long Memory Conditional Heteroscedasticity. **AU** Giraitis, Liudas; Robinson, Peter M.; Surgailis, Donatas.

TI Edgeworth Expansions for Spectral Density Estimates and Studentized Sample Mean. **AU** Velasco, Carlos; Robinson, Peter M.

TI Whittle Pseudo-Maximum Likelihood Estimation for Nonstationary Time Series. **AU** Velasco, Carlos; Robinson, Peter M.

TI Testing of Seasonal Fractional Integration in UK and Japanese Consumption and Income. **AU** Gil-Alana, L. A.; Robinson, Peter M.

TI Whittle Estimation of ARCH Models. **AU** Giraitis, Liudas; Robinson, Peter M.

PD December 2000. **TI** The Averaged Periodogram for Nonstationary Vector Time Series. **AU** Robinson, Peter M.; Marinucci, D. **AA** Robinson: London School of Economics and Political Science. Marinucci: Universita degli Studi Roma. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/408; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 18. **PR** no charge. **JE** C22. **KW** Periodogram. Nonstationarity. Fractional Models.

AB Frequency domain statistics are studied in the presence of fractional deterministic and stochastic trends. It is shown how the behavior of the sample variance-covariance matrix of nonstationary processes can be dominated by components corresponding to a possibly degenerating band around zero frequency. This property is used to establish the limiting distribution of the averaged periodogram matrix, of memory estimates for nonstationary series, and for frequency domain regression estimates under nonstandard conditions.

PD February 2001. **TI** The Memory of Stochastic Volatility Models. **AA** London School of Economics and Political Science. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/410; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 34. **PR** no charge. **JE** C22. **KW** Stochastic Volatility. Long Memory. Gaussian Processes.

AB A valid asymptotic expansion for the covariance of functions of multivariate normal vectors is applied to approximate autovariances of time series generated by nonlinear transformation of Gaussian latent variates, and nonlinear functions of these, with special reference to long memory stochastic volatility models; this serves to identify the roles played by the underlying Gaussian processes and the nonlinear transformation. Implications for simple stochastic volatility models are examined in detail, with numerical and Monte Carlo calculations. Applications to cyclic behavior, cross-sectional and temporal aggregation, and multivariate models are discussed.

TI The Estimation of Conditional Densities. **AU** Chen, Xiaohong; Linton, Oliver; Robinson, Peter M.

TI Parametric Estimation under Long-Range Dependence. **AU** Giraitis, Liudas; Robinson, Peter M.

TI Semiparametric Fractional Cointegrational Analysis. **AU** Marinucci, D.; Robinson, Peter M.

PD July 2001. **TI** Narrow-Band Analysis of Nonstationary Processes. **AU** Robinson, Peter M.; Marinucci, D. **AA** Robinson: London School of Economics and Political Science. Marinucci: Universita la Sapienza. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/421; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 52. **PR** no charge. **JE** C22. **KW** Nonstationary Processes. Long-Range Dependence. Least Squares Estimation. Narrow-Band Estimation. Cointegration.

AB The behavior of averaged periodograms and cross-periodograms of a broad class of nonstationary processes is studied. The processes include nonstationary ones that are fractional of any order, as well as asymptotically stationary fractional ones. The cross-periodogram can involve two nonstationary processes of possibly different orders, or a nonstationary and an asymptotically stationary one. The averaging takes place either over the whole frequency band, or over one that degenerates slowly to zero frequency as sample size increases. In some cases these alternatives are found to make no asymptotic difference, and in particular we indicate how the behavior of the mean and variance changes across the two-dimensional space of integration orders. The results employ only local-to-zero assumptions on the spectra of the underlying weakly stationary sequences. It is shown how the results can be applied in fractional cointegration with unknown integration orders.

TI Finite Sample Improvements in Statistical Inference with I(1) Processes. **AU** Marinucci, D.; Robinson, Peter M.

PD July 2001. **TI** Determination of Cointegrating Rank in Fractional Systems. **AU** Robinson, Peter M.; Yajima, Yoshihiro. **AA** Robinson: London School of Economics and Political Science. Yajima: University of Tokyo. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/01/423; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 42. **PR** no charge. **JE** C22. **KW** Fractional Cointegration. Long Memory. Cointegration.

AB This paper develops methods of investigating the existence and extent of cointegration in fractionally integrated systems. We focus on stationary series, with some discussion of extension to nonstationarity. The setting is semiparametric, so that modeling is effectively confined to a neighborhood of frequency zero. We first discuss the definition of fractional cointegration. The initial step of cointegration analysis entails partitioning the vector series into subsets with identical differencing parameters, by means of a sequence of hypothesis tests. We then estimate cointegrating rank by analyzing each subset individually. Two approaches are considered here, both of which are based on the eigenvalues of an estimate of the normalized spectral density matrix at frequency zero. An empirical application to a trivariate series of oil prices is included.

Rodriguez-Palenzuela, Diego

TI Measurement Bias in the HICP: What Do We Know, and What Do We Need to Know? **AU** Wynne, Mark A.; Rodriguez-Palenzuela, Diego.

TI Inflation Dynamics and Dual Inflation in Accession Countries: A "New Keynesian" Perspective. **AU** Arratibel, Olga; Rodriguez-Palenzuela, Diego; Thimann, Christian.

Roemer, John E.

PD September 2001. **TI** What We Owe Our Children, They Their Children, ... **AU** Roemer, John E.; Veneziani, Roberto. **AA** Roemer: Yale University. Veneziani: London School of Economics and Political Sciences. **SR** Yale Cowles Foundation Discussion Paper: 1326; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 28. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C61, D63, D90, H21. **KW** Justice. Development. Dynamic Programming. Welfare. Optimal Taxation.

AB Egalitarian theorists, since Rawls, have in the main advocated equalizing some objective measure of individual well-being, such as primary goods, functioning, or resources, rather than subjective welfare. This discussion, however, has implicitly assumed a static environment. By analyzing a society that survives for many generations, we demonstrate that equality of opportunity for some objective condition is incompatible with human development over time. We argue that this incompatibility can be resolved by equalizing opportunities for welfare. Thus, "subjectivism" seems necessary if we are to hope for a society that can both equalize opportunities and support the development of human capacity over time.

PD September 2001. **TI** Value and Politics. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1327; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 26. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** D30, D72, P16. **KW** Political Economy. Distribution. Economic Distribution.

AB A brief, historical review of the study of the interdependency between politics and economic distribution is offered. While the impact of economic interests on politics has been acknowledged for thousands of years, and the impact of politics on distribution for hundreds, it is only in the last thirty years that formal models of the interdependency between economic distribution and politics have been formulated. A general model of political-economic equilibrium is proposed, in which political competition and economic distribution jointly determine each other. Several examples are given. The author proposes that political economy, conceived of as studying this process of joint determination, is in its infancy.

PD September 2001. **TI** Egalitarianism Against the Veil of Ignorance. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1328; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 24. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** D31, D63, H23. **KW** Ignorance. Equality. Social Welfare Function.

AB J. Rawls and R. Dworkin have each used veils of ignorance to justify equality (Rawls) or to compute what equality entails (Dworkin). J. Harsanyi has also derived a distributive ethic from a veil of ignorance argument, which, although not egalitarian, is believed by Harsanyi to be not excessively inegalitarian. Harsanyi's analysis does not determine a unique social choice function, but rather a family of such functions. Here, by appending more information to Harsanyi's environment, and an Axiom of Neutrality, I uniquely determine a social welfare function by extending Harsanyi's argument. I show that this function is strongly inegalitarian, in that it recommends resource transfers from disabled to able individuals. Some concluding remarks are offered against using the veil of ignorance in studying the distributive ethics.

Rogoff, Kenneth

TI Do We Really Need a New International Monetary Compact? **AU** Obstfeld, Maurice; Rogoff, Kenneth.

PD November 2001. **TI** The Law of One Price Over 700 Years. **AU** Rogoff, Kenneth; Froot, Kenneth A.; Kim, Michael. **AA** Rogoff: International Monetary Fund. Froot: Harvard University, Kim: Princeton University. **SR** International Monetary Fund Working Paper: WP/01/174; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 19. **PR** $15.00. **JE** F3, F31. **KW** Purchasing Power Parity. Exchange Rates.

AB This paper examines annual commodity price data from England and Holland over a span of seven centuries. Our data incorporates transaction prices on seven commodities: barley, butter, cheese, oats, peas, silver, and wheat, as well as pound/shilling nominal exchange rates going back, in some cases, to 1273. We find that the magnitude, volatility, and persistence of deviations from the law of one price have not declined by as much as one might expect. We find this despite lower transport costs, reduced trade protection, and fewer wars and plagues in the modern era. Our analysis is consistent with growing evidence that goods-market arbitrage remains highly imperfect, even today.

TI New Directions for Stochastic Open Economy Models. **AU** Obstfeld, Maurice; Rogoff, Kenneth.

Roland, Gerard

PD July 2000. **TI** Law Enforcement and Transition. **AU** Roland, Gerard; Verdier, Thierry. **AA** Roland: Universite Libre de Bruxelles, University of California, Berkeley, and CEPR. Verdier: DELTA, Paris. **SR** CEPR Discussion Paper: 2501; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, $8 or 8 euros. **JE** H41, H54, K42, P51. **KW** Accession. Coordination Problems. Dual Track. Law Enforcement.

AB We present a simple model to analyze law enforcement problems in transition economies. Law enforcement implies coordination problems and multiplicity of equilibria due to a law abidance and a fiscal externality. We analyze two institutional mechanisms for solving the coordination problem. A first mechanism, which we call 'dualism', follows the scenario of Chinese transition where the government keeps direct control over economic resources and where a liberalized non- state sector follows market rules. The second mechanism we put forward is accession to the European Union. We show that accession to the European Union, even without external borrowing, provides a mechanism to eliminate the 'bad' equilibrium, provided the 'accessing' country is small enough relative to the European Union. Interestingly, we show that accession without conditionality is better than with conditionality because conditionality creates a coordination problem of its own that partly annihilates the positive effects of expected accession.

Roma, Moreno

TI Can Confidence Indicators Be Useful to Predict Short Term Real GDP Growth? **AU** Mourougane, Annabelle; Roma, Moreno.

Romano, Richard

TI Neighborhood Schools, Choice, and the Distribution of Educational Benefits. **AU** Epple, Dennis; Romano, Richard.

Rosato, Paolo

TI The Value of Licenses for Recreational Resources Use. **AU** Moretto, Michele; Rosato, Paolo.

TI Recreation Management in Venice Lagoon. **AU** Defrancesco, Edi; Rosato, Paolo.

Rose, Andrew K.

TI Estimating the Effect of Currency Unions on Trade and Output. **AU** Frankel, Jeffrey A.; Rose, Andrew K.

PD September 2000. **TI** Currency Unions and International Integration. **AU** Rose, Andrew K.; Engel, Charles. **AA** Rose: University of California, Berkeley and NBER. Engel: University of Wisconsin and NBER. **SR** National Bureau of Economic Research Working Paper: 7872; 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** F15, F31, F33, F41. **KW** Currency Unions. Integration. Monetary Union. Exchange Rates. Trade.

AB This paper characterizes the integration patterns of international currency unions. We empirically explore different features of currency unions, and compare them both to countries with sovereign monies, and to regions within nations. We ask: are countries within international currency unions as integrated as regions within political unions? We do this by examining the criteria for Mundell's concept of an optimum currency area. We find that members of currency unions are more integrated than countries with their own currencies, but less integrated than regions within a country. For instance, we find that currency union members have more trade and less volatile real exchange rates than countries with their own monies, but less trade and more volatile exchange rates than regions within individual countries. Business cycles are more highly synchronized across currency union countries than across countries with sovereign monies, but not as synchronized as regions of a single country. Finally, currency union membership is not associated with significantly greater risk sharing, though risk sharing is widespread within countries.

Rose, Nancy L.

PD August 2000. **TI** Regulating Executive Pay: Using the Tax Code to Influence CEO Compensation. **AU** Rose, Nancy L.; Wolfram, Catherine. **AA** Rose: MIT and NBER. Wolfram: University of California, Berkeley and NBER. **SR** National Bureau of Economic Research Working Paper: 7842; 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** G38, H25, J33, L51. **KW** Tax Deductability. Performance Based Pay. Executive Compensation.

AB This study explores corporate responses to 1993 legislation, implemented as section 162(m) of the Internal Revenue Code, that capped the corporate tax deductibility of top management compensation at $1 million per executive unless it qualified as substantially "performance-based." We detail the provisions of this regulation, describe its possible effects, and test its impact on U.S. CEO compensation during the 1990s. Data on nearly 1400 publicly-traded U.S. corporations are used to explore the determinants of section 162(m) compensation plan qualification and the effect of section 162(m) on CEO pay. Our analysis suggests that section 162(m) may have created a "focal point" for salary compensation, leading some salary compression close to the deductibility cap. There is weak evidence that compensation plan qualification is associated with higher growth rates. There is little evidence that the deductibility cap has had significant effects on overall executive compensation levels or growth rates at firms likely to be affected by the deductibility cap, however, nor is there evidence that it has increased the performance sensitivity of CEO pay at these firms. We conclude that corporate pay decisions seem to be relatively insulted from this type of blunt policy intervention.

Rosen, Harvey S.

TI Self-Employment, Family Background, and Race. **AU** Hout, Michael; Rosen, Harvey S.

TI Estate Taxes, Life Insurance, and Small Business. **AU** Holtz-Eakin, Douglas; Rosen, Harvey S.; Phillips, John W.

Rosengren, Eric

TI Troubled Banks, Impaired Foreign Direct Investment: The Role of Relative Access to Credit. **AU** Klein, Michael W.; Peek, Joe; Rosengren, Eric.

Rosholm, Michael

TI Hit Twice? Danish Evidence on the Double-Negative Effect on the Wages of Immigrant Women. **AU** Nielsen, Helena S.; Rosholm, Michael; Smith, Nina.

TI A Comparison of Different Estimators for Panel Data Sample Selection Models. **AU** Jensen, Peter; Rosholm, Michael; Verner, Mette.

TI Left Censoring in Duration Data: Theory and Applications. **AU** D'Addio, Anna Christina; Rosholm, Michael.

Ross, Stephen A.

TI Rebels, Conformists, Contrarians and Momentum Traders. **AU** Gatev, Evan; Ross, Stephen A.

Rudebusch, Glenn D.

PD August 2000. **TI** Eurosystem Monetary Targeting:

Lessons from US Data. **AU** Rudebusch, Glenn D.; Svensson, Lars E. O. **AA** Rudebusch: Federal Reserve Bank of San Francisco. Svensson: Princeton University and CEPR. **SR** CEPR Discussion Paper: 2522; 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, E52, E58. **KW** ECB. Inflation Targeting. Monetary Targeting.

AB Using a small empirical model of inflation, output, and money estimated on US data, we compare the relative performance of monetary targeting and inflation targeting. The results show that monetary targeting would be quite inefficient, with both higher inflation and output variability. This is true even with a nonstochastic money demand formulation. Our results are also robust to using a P* model of inflation. Therefore, in these popular frameworks, there is no support for the prominent role given to money growth in the Eurosystem's monetary policy strategy.

Ruge-Murcia, Francisco J.

PD October 2001. **TI** Inflation Targeting Under Asymmetric Preferences. **AA** Universite de Montreal. **SR** International Monetary Fund Working Paper: WP/01/161; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 31. **PR** $15.00. **JE** E52, E58, E61. **KW** Inflation Targets. Asymmetric Preferences. Credibility.

AB This paper develops and estimates a game-theoretical model of inflation targeting where the central banker's preferences are asymmetric around the targeted rate. Specifically, positive deviations from the target can be weighted more, or less, severely than negative ones in the central banker's loss function. It is shown that some of the previous results derived under the assumption of symmetry are not robust to this generalization of preferences. Estimates of the central banker's preference parameters for Canada, Sweden, and the United Kingdom are statistically different from the one implied by the commonly-used quadratic loss function.

Sacerdoti, Emilio

PD October 2001. **TI** Inflation Dynamics in Madagascar, 1971-2000. **AU** Sacerdoti, Emilio; Xiao, Yuan. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/168; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 18. **PR** $15.00. **JE** C32, E31, F41, O55. **KW** Madagascar. Exchange Rate. Cointegration. Error Correction Model.

AB The paper analyzes the dynamics of inflation in Madagascar in the period 1971-2000, applying cointegration analysis and error correction modeling. The empirical results, based on quarterly data, confirm that there exists a stable money demand relationship, as well as a purchasing power relationship in the long run. The former enters the short-run dynamics of inflation and money growth, while the latter affects the short run dynamics of the exchange rate only. It is also found that an appreciation has a direct negative impact on inflation and that inflation inertia is important. In addition, a Full Information Maximum Likelihood (FIML) estimation of the system is conducted and the impulse responses to various shocks is traced.

Sadanand, Asha

TI Information and Dynamic Adjustment in Life Insurance. **AU** Polborn, Mattias K.; Hoy, Mike; Sadanand, Asha.

Saglam, H. C.

TI Growth Maximising Patent Lifetime. **AU** Bucci, Alberto; Saglam, H. C.

Samiei, Hossein

TI The Yen-Dollar Rate: Have Interventions Mattered? **AU** Ramaswamy, Ramana; Samiei, Hossein.

Samwick, Andrew A.

TI Performance Incentives Within Firms: The Effect of Managerial Responsibility. **AU** Aggarwal, Rajesh K.; Samwick, Andrew A.

Sandilands, Roger

TI An Early Harvard Memorandum on Anti-Depression Policies: Introductory Note. **AU** Laidler, David; Sandilands, Roger.

Sarno, Lucio

PD August 2000. **TI** Nonlinear Dynamics, Spillovers and Growth in the G7 Economies: An Empirical Investigation. **AA** Warwick Business School and CEPR. **SR** CEPR Discussion Paper: 2537; 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, F43, O41. **KW** Growth. Equilibrium Correction. Nonlinear Dynamics. Spillovers.

AB This paper proposes an empirical growth model, which is consistent with a stochastic steady-state labor productivity level varying over time and across countries, where the disequilibrium mechanism leading to long-run equilibrium follows a nonlinear equilibrium correction model. Using data for the G7 economies during the postwar period since 1950, the empirical analysis yields a long-run model which implies plausible estimates of the production function parameters. Postwar economic growth in each of the G7 countries appears to be well characterized by a nonlinear equilibrium correction model where the dynamic adjustment towards long-run equilibrium is governed by a logistic function, while also capturing spillover effects in growth dynamics.

Sartzetakis, Eftíchios

TI Stable International Environmental Agreements: An Analytical Approach. **AU** Diamantoudi, Effrosyni; Sartzetakis, Eftichios.

Sauer, Petr

PD June 2000. **TI** Negotiation Between Authority and Polluters -- Model for Support of Decision-Making in Environmental Policy: Principles and Experimental Case Test. **AU** Sauer, Petr; Dvorak, Antonin; Fiala, Petr. **AA** University of Economics Prague. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 33/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 24. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C99, D82, Q25, Q28. **KW** Environmental

Policy. Voluntary Agreements. Laboratory Experiments. Air Pollution. Asymmetric Information.

AB The paper describes a relatively new approach to pollution reduction problem solving that relies on negotiation between polluters and authorities in which traditional economic tools of environmental policies are used and where there is the economic information asymmetry between the polluters and the authority. The approach can result in negotiated voluntary environmental agreements between authorities and polluters. Design and results of a laboratory environmental policy experiment on air pollution reduction in a city are presented in the paper to illustrate the efficacy of the suggested approach. The case is created based on field data. A step toward a verification of the hypothesis of a possibility to establish the suggested approach as a new institution for environmental pollution management in practice is the most important result. The case also shows the usefulness of laboratory environmental policy experiments both for research and teaching. Some problems of practical applications of this kind of environmental policy tool mix are also discussed in the paper.

Savignac, Frederique

TI Monetary Policy and Bank Lending in France: Are There Asymmetries? **AU** Loupias, Claire; Savignac, Frederique; Sevestre, Patrick.

Scarpa, Riccardo

PD June 2000. **TI** Reliability of Benefit Value Transfers from Contingent Valuation Data with Forest-Specific Attributes. **AU** Scarpa, Riccardo; Hutchinson, George W.; Chilton, Sue M. **AA** Scarpa: Universita della Tuscia, Italy and University of Newcastle upon Tyne. Hutchinson: Queen's University. Chilton: University of York. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 34/2000; "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** C81, Q23, Q26. **KW** Benefit Transfer. Estimate Reliability. Forest Recreation. Non- Market Valuation. Contingent Valuation.

AB We investigate the reliability of transferring benefit estimates of forest recreation obtained from discrete choice CV data and conditional on forest-specific attributes. The transfer reliability is checked against the forest-specific estimates of mean and median willingness to pay. We report and discuss the outcomes of formal tests of the null hypothesis of no difference for 26 recreational forests in Ireland, when the value transfer is based on single and double-bounded data collected at the remaining 25 forests. Contrary to the unconditional value transfers of Downing and Ozuna, we find that value transfers conditional on site-specific recreational attributes are mostly transferable.

TI Modelling Zero Bids in Contingent Valuation Surveys. **AU** Strazzera, Elisabetta; Scarpa, Riccardo; Calia, Pinuccia; Garrod, Guy; Willis, Ken.

TI Willingness to Pay for Rural Landscape Preservation: A Case Study in Mediterranean Agriculture. **AU** Cicia, Gianni; Scarpa, Riccardo.

Schankerman, Mark

TI The Quality of Ideas: Measuring Innovation with Multiple Indicators. **AU** Lanjouw, Jean Olson; Schankerman, Mark.

Scharf, Kimberley A.

TI The New Federalism: Distributional Conflict, Voluntarism, and Segregation. **AU** Horstmann, Ignatius J.; Scharf, Kimberley A.

Schinasi, Garry J.

PD May 2001. **TI** Financial Implications of the Shrinking Supply of U.S. Treasury Securities. **AU** Schinasi, Garry J.; Kramer, Charles F.; Smith, Todd R. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/61; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 51. **PR** not available. **JE** E44, E62, G15, H62. **KW** Treasury Securities. Financial Markets. Public Debt.

AB Recent improvements in fiscal positions in advanced countries have sharply curtailed the issuance of government securities and created the possibility that government securities could disappear in some countries. The possibility that this might occur in the United States has attracted the most attention, in large part because of the international role of the U.S. dollar and the widespread perception that U.S. treasury securities have the lowest total financial risk (the combination of credit, market, and liquidity risks) among U.S. dollar assets. This paper analyzes the unique features of government securities and links them to the important roles that government securities, in particular U.S. treasury securities, have come to play in national and international financial markets. The paper then identifies and examines financial market-oriented public policy questions raised by the shrinking supply of U.S. treasuries.

Schlingemann, Frederik P.

PD September 2000. **TI** Asset Liquidity and Segment Divestitures. **AU** Schlingemann, Frederik P.; Stulz, Rene M.; Walkling, Ralph A. **AA** Schlingemann: University of Pittsburgh. Stulz: Ohio State University and NBER. Walkling: Ohio State University. **SR** National Bureau of Economic Research Working Paper: 7873; 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** G31, G34, G39. **KW** Divestitures. Segment Divestitures. Asset Liquidity. Liquid Markets.

AB We investigate a sample of firms whose number of reported segments falls by one or more for the first time in their reporting history. The firms in our sample have a significantly larger diversification discount, underperform, and underinvest relative to comparable firms. Firms are more likely to divest segments from industries with a more liquid market for corporate assets, segments unrelated to the core activities of the firm, poorly performing segments, and small segments. The liquidity of the market for corporate assets plays an important role in explaining why some firms divest assets while others stop reporting them without divesting them, and why some firms divest core segments while others divest unrelated segments.

Schmeidler, David

TI Inductive Inference: An Axiomatic Approach. **AU** Gilboa, Itzhak; Schmeidler, David.

TI Cognitive Foundations of Probability. AU Gilboa, Itzhak; Schmeidler, David.

TI Subjective Distributions. AU Gilboa, Itzhak; Schmeidler, David.

TI A Derivation of Expected Utility Maximization in the Context of a Game. AU Gilboa, Itzhak; Schmeidler, David.

Schmukler, Sergio

TI Managers, Investors, and Crises: Mutual Fund Strategies in Emerging Markets. AU Kaminsky, Graciela; Lyons, Richard K.; Schmukler, Sergio.

Schob, Ronnie

TI Optimal Central Bank Conservatism and Monopoly Trade Unions. AU Berger, Helge; Hefeker, Carsten; Schob, Ronnie.

Schulze-Ghattas, Marianne

TI Managing Financial Crises: The Experience in East Asia. AU Boorman, Jack; Lane, Timothy; Schulze-Ghattas, Marianne; Bulir, Ales; Ghosh, Atish R.; Hamann, Javier; Mourmouras, Alexandros; Phillips, Steven.

TI Managing Financial Crises: The Experience in East Asia. AU Boorman, Jack; Lane, Timothy; Schulze-Ghattas, Marianne; Bulir, Ales; Ghosh, Atish R.; Hamann, Javier; Mourmouras, Alexandros; Phillips, Steven.

Scovazzi, Tullio

PD June 2000. TI Ideas Behind the New or Updated Mediterranean Legal Instruments. AA University of Milano-Bicocca, Italy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 39/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 10. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE F42, K32, K33, Q25, Q28. KW International Law. Mediterranean. Environmental Policy. Prime Responsibility.

AB This paper is mainly concerned with the legal instruments regulating the Mediterranean environment. Cooperation in this field is based on a regional treaty, the Convention on the Protection of the Mediterranean Sea against Pollution, and its relevant protocols. All these instruments constitute the so-called "Barcelona system". The new legal picture of the Mediterranean, however, is not limited to the Barcelona system. There are agreements on marine mammals, fisheries, and another field of future cooperation could be the preservation of a common underwater archaeological and cultural heritage. Many of the new or updated instruments mentioned above have not entered into force yet, more for time-consuming domestic procedures than for lack of political will. The Mediterranean could be considered a primary heritage and concern for the bordering States (and for the EU as well). The governing regime could be oriented towards the protection of the marine environment, the sound management of living resources, the preservation of the common cultural heritage. It would be interesting to evaluate whether the idea of "prime responsibility" (applied in the case of Antarctica) may have some application in the Mediterranean.

Segal, Uzi

PD June 1999. TI Tit for Tat: Foundations of Preferences for Reciprocity in Strategic Settings. AU Segal, Uzi; Sobel, Joel. AA Segal: University of Western Ontario. Sobel: University of California, San Diego. SR University of Western Ontario, Department of Economics Research Report: 9905; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. PG 28. PR International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. JE C72, C73. KW Game Theory. Preferences. Reciprocity.

AB This paper assumes that in addition to the conventional (selfish) preferences over outcomes, players in a strategic environment have preferences over struggles. In the context of two-player games, it provides conditions under which a player's preferences over strategies can be represented as a weighted average of the individual's selfish payoffs and the selfish payoffs of the opponent. The weight one player places on the opponent's selfish utility depends on the opponent's behavior. In this way, the framework is rich enough to describe the behavior of individuals who repay kindness with kindness and meanness with meanness. The paper assumes that each player has an ordering over his opponent's strategies that describes the niceness of these strategies. It introduces a condition that insures that the weight on opponent's utility increases if and only if the opponent chooses a nicer strategy.

Segerson, Kathleen

TI Voluntary Agreements with Industries: Participation Incentives with Industry-Wide Targets. AU Dawson, Na Li; Segerson, Kathleen.

Seitz, Shannon N.

PD March 1999. TI Labor Supply, Divorce and Remarriage. AA University of Western Ontario. SR University of Western Ontario, Department of Economics Research Report: 9902; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. PG 31. PR International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. JE J12, J16, J21, J22. KW Marriage. Employment. Labor Supply. Labor Markets. Women.

AB This paper considers the role of the entire marital history in labor market decisions. A distinction is made between married, remarried, single and divorced women in the estimation of standard participation and labor supply functions. In specifications controlling for unobserved individual heterogeneity, white remarried women are more likely to participate in the labor force and have higher labor supply than that of white married women. The results indicate that a substantial fraction of the total change in employment rates of all married women over time is due to the increase in the number of remarried women in the population.

Senhadji, Abdelhak S.

TI *Threshold Effects in the Relationship Between Inflation* and Growth. AU Khan, Mohsin S.; Senhadji, Abdelhak S.

Seshadri, Ananth

TI Efficient Investment in Children. **AU** Aiyagari, S. Rao; Greenwood, Jeremy; Seshadri, Ananth.

TI The U.S. Demographic Transition. **AU** Greenwood, Jeremy; Seshadri, Ananth.

Sever, Murat

TI Cooperative Bargaining to Internalize Open Access Externalities: Implications of the American Fisheries Act. **AU** Matulich, Scott C.; Sever, Murat; Inaba, Fred.

Sevestre, Patrick

TI Monetary Policy and Bank Lending in France: Are There Asymmetries? **AU** Loupias, Claire; Savignac, Frederique; Sevestre, Patrick.

Shackelford, Douglas A.

TI Capital Gains Holding Periods and Equity Trading: Evidence >From the 1998 Tax Act. **AU** Blouin, Jennifer L.; Shackelford, Douglas A.; Raedy, Jana Smith.

Shiller, Robert J.

TI Comparing Wealth Effects: The Stock Market Versus the Housing Market. **AU** Case, Karl E.; Quigley, John M.; Shiller, Robert J.

Shimer, Robert

PD August 1999. **TI** The Impact of Young Workers on the Aggregate Labor Market. **AA** Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7306; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 39. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D82, E24, J31, J41, J64. **KW** Unemployment Rate. Labor Force Participation. Job Creation. Mismatch. Young Workers.

AB This paper estimates the response of the unemployment rate and labor force participation rate to exogenous variation in the youth share of the working age population, using cross-state variation in lagged birth rates as an instrumental variable. A one percent increase in the youth share reduces the unemployment rate of young workers by more than one percent, and of older workers by more than two percent, holding conditions in other states constant. It raises the labor force participation rate by about a third of a percent for young workers, and by much less for older workers, again ceteris paribus. These results are consistent with increasing returns to scale ("thick market externalities") in the labor market. Young workers are frequently mismatched in their employment, and firms create jobs to take advantage of this mismatch. Data on gross job creation and destruction in manufacturing support this theory. I also reconcile these results with existing evidence on the labor market impact of young workers.

TI Productivity Gains From Unemployment Insurance. **AU** Acemoglu, Daron; Shimer, Robert.

Shubik, Martin

TI Inflationary Bias in a Simple Stochastic Economy. **AU** Karatzas, Ioannis; Shubik, Martin; Sudderth, William D.; Geanakoplos, John.

PD December 2001. **TI** Money and the Monetization of Credit. **AA** Yale Cowles Foundation. **SR** Yale Cowles Foundation Discussion Paper: 1343; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 21. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C78, E41, E42, E51. **KW** Credit. Fiat Money. Networks. Money. Velocity.

AB A network approach to the relationship between credit and fiat money is discussed.

Siliverstovs, Boriss

PD October 2001. **TI** Multicointegration in US Consumption Data. **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/06; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 26. **PR** no charge. **JE** C12, C22, C32, C51, E21. **KW** Cointegration. Multicointegration. I(2) Processes. Consumption. Income.

AB The present paper tests for the existence of multicointegration between real per capita private consumption expenditure and real per capita disposable personal income in the USA. In doing so, we exploit the fact that the flows of disposable income and consumption expenditure on the one hand, and the stock of consumers' wealth, (which can be considered as cumulative past discrepancies between the flows of income and expenditure), on the other hand, can be thought of as a stock-flow model, in which multicointegration is likely to occur. We apply recently developed I(2) techniques for testing for multicointegrating relations and find supporting evidence for the existence of multicointegration in this simple bivariate model.

Silvestri, Fabio Frontoso

TI Voluntary Agreements as Information Sharing Devices: Competition and Welfare Effects. **AU** Cavaliere, Alberto; Silvestri, Fabio Frontoso.

Simigiannis, George

TI Is There a Bank Lending Channel of Monetary Policy in Greece? Evidence from Bank Level Data. **AU** Brissimis, Sophocles N.; Kamberoglou, Nicos C.; Simigiannis, George T.

Simons, Kenneth

TI Political Instability and Growth in Dictatorships. **AU** Overland, Jody; Simons, Kenneth; Spagat, Michael.

Sinn, Hans-Werner

PD August 1999. **TI** The Crisis of Germany's Pension Insurance System and How It Can Be Resolved. **AA** CESifo and NBER. **SR** National Bureau of Economic Research Working Paper: 7304; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 25. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D12, D61, D91, H55. **KW** Pension Insurance Systems. Pay-As-You-Go. Funded Systems. Saving. Public Pensions.

AB The paper discusses the options for a reform of the German pension system using a model developed at CES for the German Council of economic advisors to the Federal Ministry of Economics and Research. It is argued that the German pay-as-you-go-system is efficient in a present value sense but will nevertheless need the support of a funded system to avoid a financial crisis. The paper investigates the possibility of introducing obligatory private savings at a variable rate where the time path of the savings rate is chosen so as to stabilize the sum of this rate and the pay-as-you-go contribution rate, given the time path of pensions as defined in the present system.

Skaksen, Mette Rose

PD December 2001. **TI** Should Governments Subsidize Inward Foreign Direct Investment? **AA** University of Aarhus. **SR** Aarhus Department of Economics Working Paper: 2001/15; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 30. **PR** no charge. **JE** F21, F23, H25, J51. **KW** Multinationals. International Trade. Subsidies. Unions. Foreign Direct Investment.

AB We analyze the incentive for a government to subsidize inward Foreign Direct Investment (FDI) when labor markets are imperfectly competitive. Contrary to the traditional assumption in the literature, we allow the production in the multinational firm to either complement or substitute for local production. A new result is that the wage does not necessarily increase in the host country when production is moved to this country. The reason is that the union in the host country internalizes product market externalities between the firms. Furthermore, it is shown that when a single country subsidizes inward FDI, total world welfare might increase as well.

Skinner, Jonathan

TI Do the Rich Save More? **AU** Dynan, Karen E.; Skinner, Jonathan; Zeldes, Stephen P.

Skipper, Lars

TI Seasonality in Economic Models. **AU** Brendstrup, Bjarne; Hylleberg, Svend; Nielsen, Morten; Skipper, Lars; Stentoft, Lars.

TI Seasonality in Economic Models. **AU** Brendstrup, Bjarne; Hylleberg, Svend; Nielsen, Morten; Skipper, Lars; Stentoft, Lars.

Slemrod, Joel

PD September 2000. **TI** The Optimal Elasticity of Taxable Income. **AU** Slemrod, Joel; Kopczuk, Wojciech. **AA** Slemrod: University of Michigan and NBER. Kopczuk: University of Michigan. **SR** National Bureau of Economic Research Working Paper: 7922; 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** H21, H23, H24, H26, H31. **KW** Income Elasticity. Taxation. Optimal Taxation.

AB The strength of the behavioral response to a tax rate change depends on the environment individuals operate in, and may be manipulated by instruments controlled by the government. We first derive a measure of the social benefit to affecting this elasticity. We then examine this effect in the solution to the optimal income taxation problem when such an instrument is available, first in a general model and then in an example where the government chooses the income tax base.

Slivinski, Al

PD November 1999. **TI** Team Incentives and Organizational Form. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9916; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 31. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** L31. **KW** Nonprofit Organizations. Incentives. Efficiency. Teams.

AB Conventional wisdom regarding nonprofit firms is that they are inefficient, due to the absence of a profit motive. However, the costs and product quality realized by profit-taking firms is determined by how well those firms deal with a host of internal incentive and information issues. A similar approach to the study of nonprofit organizations has not been attempted. This paper undertakes such an investigation, centered on the problem of providing incentives for members of a team to provide efficient effort. Holmstrom (1982) showed that the introduction of a budget-breaker, or principal, into a team allowed for the provision of such incentives where it would otherwise be impossible. A similar result obtains for a nonprofit team, but the role of principal differs from that found in profit-taking teams. It is shown that donors, government regulators, or Trustees can fulfill this role in a nonprofit team. One implication of this is that nonprofit firms may indeed pay employees less than otherwise identical employees filling identical posts in profit-taking firms.

Slok, Torsten

TI Do Asset Prices in Transition Countries Contain Information About Future Economic Activity? **AU** Christoffersen, Peter; Slok, Torsten.

TI Interpreting Real Exchange Rate Movements in Transition Countries. **AU** De Broeck, Mark; Slok, Torsten.

Smets, Frank

PD March 2002. **TI** Openness, Imperfect Exchange Rate Pass-Through and Monetary Policy. **AU** Smets, Frank; Wouters, Raf. **AA** Smets: European Central Bank. Wouters: National Bank of Belgium. **SR** European Central Bank Working Paper: 128; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 34. **PR** no charge. **JE** E58, F41. **KW** Monetary Policy. Open Economies. Exchange Rate Pass-Through.

AB This paper analyses the implications of imperfect exchange rate pass-through for optimal monetary policy in a linearized open-economy dynamic general equilibrium model calibrated to euro area data. Imperfect exchange rate pass through is modeled by assuming sticky import price behavior. The degree of domestic and import price stickiness is estimated by reproducing the empirical identified impulse response of a monetary policy and exchange rate shock conditional on the response of output, net trade and the exchange rate. It is shown that a central bank that wants to minimize the resource costs of staggered price setting will aim at minimizing a weighted average of domestic and import price inflation.

Smirnych, Larissa

PD February 2000. **TI** Einkommen, Geschlecht und Arbeitsplatzwechsel in Russland 1998 (Earnings, Gender, and Mobility in the RF 1995-1998). **AU** Smirnych, Larissa; Woergoetter, Andreas. **AA** Smirnych: Universitat Woronesch. Woergoetter: Institute for Advanced Studies, Vienna and CEPR. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 15; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 25. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** D31, J16, J31, J62, R23. **KW** Labor Markets. Gender. Russia. Income. Mobility.

AB (This paper is written in German). The relation between mobility and earnings is investigated for the Russian Federation with data from RLMS, its most important socio-economic data panel. Conventional earnings equations provide individual, firm specific and aggregate factors estimated for 1998. Mobility does not boost income relative to job stayers. The exception from this Russian labor market rule is formed by the small group of academics and managers. The gender gap of about 30% may be reduced by higher education or leadership. Both premia are larger for women than for men. Aggregate indicators indicate the large frictions on the Russian labor market, illustrated by large region specific and branch related income disparities.

Smith, Anthony A., Jr.

TI Consumption-Savings Decisions with Quasi-Geometric Discounting. **AU** Krusell, Per.; Smith, Anthony A., Jr..

Smith, Jeffrey

PD September 2000. **TI** A Critical Survey of Empirical Methods for Evaluating Active Labor Market Policies. **AA** University of Western Ontario and NBER. **SR** University of Western Ontario, Department of Economics Research Report: 2000/06; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 30. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** J38, J58, J68, J78. **KW** Evaluation Research. Labor Markets. Empirical Methods.

AB Abstract not available.

TI Evaluating Profiling as a Means of Allocating Government Services. **AU** Berger, Mark C.; Black, Dan A.; Smith, Jeffrey.

TI Is the Threat of Training More Effective than Training Itself? Experimental Evidence from the UI System. **AU** Black, Dan A.; Smith, Jeffrey; Berger, Mark C.; Noel, Brett J.

Smith, Nina

TI Hit Twice? Danish Evidence on the Double-Negative Effect on the Wages of Immigrant Women. **AU** Nielsen, Helena S.; Rosholm, Michael; Smith, Nina.

Smith, Todd R.

TI Financial Implications of the Shrinking Supply of U.S. Treasury Securities. **AU** Schinasi, Garry J.; Kramer, Charles F.; Smith, Todd R.

Smulders, Sjak

PD August 1999. **TI** Green Taxes and Administrative Costs: The Case of Carbon Taxation. **AU** Smulders, Sjak; Vollebergh, Herman R. J. **AA** Smulders: Tilburg University. Vollebergh: Erasmus University Rotterdam. **SR** National Bureau of Economic Research Working Paper: 7298; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 62. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** D62, H21, H23, H25, K32. **KW** Green Taxes. Administrative Costs. Environmental Taxes. Externalities. Carbon Taxation.

AB This paper explores the trade-off between incentive effects and administrative costs associated with the implementation of various environmental tax instruments, with special reference to carbon taxes. In a simple model, we show under what conditions it is optimal to use input rather than emission taxes to internalize environmental externalities. Mixed tax regimes are also studied. If linkage of emissions to inputs is close, if abatement possibilities are costly, and if administrative costs of emission taxes are high, emission taxes should not be introduced. It is shown that these conditions directly apply to current tax policies toward CO_2 emissions in several European countries that have pre-existing energy taxes. First, there is a one- to-one correspondence between carbon content of energy and CO_2 emissions. Second, only few possibilities exist to abate CO_2 emissions separately. Third, "piggy-backing" on existing administration for energy excises allows for saving on administrative costs. Broadening the carbon tax base by removing certain widely-used exemptions for energy production is likely to increase incentives for carbon reduction without significant additional administrative costs.

Sobel, Joel

TI Tit for Tat: Foundations of Preferences for Reciprocity in Strategic Settings. **AU** Segal, Uzi; Sobel, Joel.

Sobolev, Yuri V.

PD June 2000. **TI** Exchange-Rate-Based Stabilization: A Model of Financial Fragility. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/122; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 36. **PR** not available. **JE** E31, E51, F31, F32, F41. **KW** Exchange Rates. Stabilization. Disinflation. Banking Crises. Financial Fragility.

AB Interactions between banks and open capital accounts are investigated as rationalizations for empirical regularities characterizing disinflation programs anchored by the exchange rate. The financial system is characterized by bank dominance and lending externality -- banks do not internalize the effect of their lending on other banks' information about potential borrowers. Model dynamics simulation shows that remonetization in the wake of disinflation increases loanable funds supply and translates into bank credit expansion financed by capital inflows. A credit-driven boom results, accompanied by overvaluation and current account deficits, which generate financial fragilities and vulnerability to a shock that can trigger banking and balance-of-payments crises.

Soderlind, Paul

PD July 2000. **TI** Inflation Forecast Uncertainty. **AA** Stockholm School of Economics and CEPR. **SR** CEPR Discussion Paper: 2499; 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** C53, E31, E37. **KW** Survey Data. Survey of Forecasters. TGARCH. VAR.

AB We study the inflation uncertainty reported by individual forecasters in the Survey of Professional Forecasters 1969-1999. Three popular methods of estimating uncertainty from survey data are analyzed in the context of models for forecasting and asset pricing. We find that inflation uncertainty fluctuates over time in a way that traditional time series models fail to capture. Uncertainty is highly correlated with the level of inflation, in particular with recent positive inflation surprises. We also find that disagreement among forecasters increases with the inflation rate and causes above-average fluctuations in individual uncertainty.

Solnik, Bruno H.

TI Extreme Correlation of International Equity Markets. **AU** Longin, Francois; Solnik, Bruno H.

Spagat, Michael

TI Political Instability and Growth in Dictatorships. **AU** Overland, Jody; Simons, Kenneth; Spagat, Michael.

Spagnolo, Giancarlo

PD June 2000. **TI** Optimal Leniency Programs. **AA** Stockholm School of Economics and L.E.A.R., Rome. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 42/2000; "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** K21, K42. **KW** Self-Reporting. Law Enforcement. Antitrust. Cartel Deterrence. Crime Deterrence.

AB Leniency programs reduce sanctions for law violators that self- report. We focus on their ability to deter cartels -- and organized crime in general -- by increasing incentives to "cheat" on partners. Moderate leniency programs that reduce/cancel sanctions for the reporting party cannot affect organized crime. Courageous leniency programs that reward self-reporting parties may completely and costlessly deter it. When fines/rewards are pure transfers, optimal leniency programs maximize rewards for self-reporting. When financing rewards are costly, optimal leniency programs are restricted to the first reporting party, and make this residual claimant for the fines paid by the others.

PD July 2000. **TI** Self-Defeating Antitrust Laws: How Leniency Programs Solve Bertrand's Paradox and Enforce Collusion in Auctions. **AA** Stockholm School of Economics and L.E.A.R., Rome. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 52/2000; "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** D43, D44, K21, L13, L41. **KW** Antitrust Law. Leniency. Self-Reporting. Collusion. Auctions.

AB I find that current US and EU Antitrust laws -- in particular their "moderate" leniency programs that only reduce or at best cancel sanctions for price-fixing firms that self-report -- may make collusion enforceable even in one-shot competitive interactions, like Bertrand oligopolies and first-price auctions, where no collusion would be supportable otherwise. The reduced sanctions for firms that self-report provide the otherwise missing credible threat necessary to discipline collusive agreements: they ensure that if a firm unilaterally deviates from collusive strategies, other firms find it convenient to punish it by reporting information to the Antitrust Authority.

Spilimbergo, Antonio

TI Political Economy, Sectoral Shocks, and Border Enforcement. **AU** Hanson, Gordon H.; Spilimbergo, Antonio.

Springael, Linda

TI Import Diversion under European Antidumping Policy. **AU** Konings, Jozef; Springael, Linda; Vandenbussche, Hylke.

Staiger, Douglas

TI Comparing Hospital Quality at For-Profit and Not-for-Profit Hospitals. **AU** McClellan, Mark; Staiger, Douglas.

TI The Quality of Health Care Providers. **AU** McClellan, Mark; Staiger, Douglas.

Staiger, Robert W.

TI Strategic Trade, Competitive Industries and Agricultural Trade Disputes. **AU** Bagwell, Kyle; Staiger, Robert W.

TI Domestic Policies, National Sovereignty and International Economic Institutions. **AU** Bagwell, Kyle; Staiger, Robert W.

Starkey, Katara

TI Industry-University Cooperative Research Centers. **AU** Adams, James D.; Chiang, Eric P.; Starkey, Katara.

Stavrev, Emil

PD July 2000. **TI** A Small Continuous Time Macro-Econometric Model of the Czech Republic. **AA** Czech National Bank. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 18; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 38. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** C51, C52, C53, E17, E50. **KW** Macro-Econometric Models. Exchange Rates. Monetary Policy. Fiscal Policy. Capital Inflows.

AB In this paper we estimate a continuous time macro-econometric model of the Czech economy. The model is built as a system of twelve non- linear differential equations. We illustrate how the model can be used to determine the nominal equilibrium exchange rate of the Czech koruna in a macro-economic framework. The paper also investigates the effectiveness of monetary and fiscal policies in the presence of a fixed exchange rate regime and massive capital inflows. The search for an equilibrium point is outlined and stability and sensitivity analyses are provided, along with in-sample static and dynamic predictions with the approximate discrete analogue.

PD July 2000. **TI** A Comparative Analysis of the Czech Republic and Hungary: Using Small Continuous-Time Macroeconometric Models: **AA** Czech National Bank. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 19; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 31. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** C51, C52, C53, E17, E52. **KW** Lucas Critique. Macro-Econometric Models. Inflation. Monetary Policy. Fiscal Policy.
AB In this paper we estimate a continuous-time macro-econometric model of the Hungarian economy and compare it with the Czech model described in Stavrev (1998). On the basis of the estimated models we provide simulations and compare the results between the two countries for i) anti-inflationary policy; ii) monetary and fiscal policies; iii) the effect of different wage indexation schemes; iv) the effect of nominal wage rigidities and v) the effect of price and nominal wage freeze.

PD March 1999. **TI** Estimation of Income, Own- and Cross-Price Elasticities: An Application for Bulgaria. **AU** Stavrev, Emil; Kambourov, Gueorgui. **AA** Stavrev: Institute for Advanced Studies, Vienna and CERGE-EI. Kambourov: CERGE-EI. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 06; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 20. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** C39, C51, D12, R22. **KW** Own-Price Elasticity. Cross-Price Elasticity. Income Elasticities. Unit Values. Quality Effects.
AB In this paper we estimate income elasticities and own- and cross- price elasticities for a number of categories of goods. The methodology used was proposed by Deaton (1987). Expenditure and quantity data from Household Budget Surveys for Bulgaria are used. The households are geographically separated into clusters. The prices are assumed to be the same within each of the clusters, so that the effects of income and other demographic factors on unit values are determined and the variances and covariances of the measurement errors estimated in the first stage. Then, in the second stage, the spatial price variation between the different clusters is used for the estimation of own- and cross-price elasticities for various categories of goods. We report income elasticities and own- and cross-price elasticities for eight goods.

PD March 1999. **TI** Share Equations Versus Double Logarithmic Functions in the Estimation of Income, Own- and Cross-Price Elasticities: An Application for Bulgaria. **AU** Stavrev, Emil; Kambourov, Gueorgui. **AA** Stavrev: Institute for Advanced Studies, Vienna and CERGE-EI. Kambourov: CERGE-EI. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 07; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 13. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** C39, C51, D12, R22. **KW** Own-Price Elasticity. Cross-Price Elasticity. Income Elasticities. Unit Values. Quality Effects.
AB In this paper, we compare the results obtained by using double logarithmic demand functions with the ones obtained by using functions that relate budget shares to the logarithms of prices and incomes in order to estimate income elasticities and own- and cross-price elasticities for a number of categories of goods. The share equation functional form allows us to model households which do not purchase all goods and estimate unconditional demands that are of interest for policy purposes. We report income elasticities and own- and cross-price elasticities for eight goods for 1993. We compare these estimates with those obtained by using the double logarithmic demand specification.

Steinmeier, Thomas L.

TI Pensions and Retiree Health Benefits in Household Wealth: Changes from 1969 to 1992. **AU** Gustman, Alan L.; Steinmeier, Thomas L.

Stern, Scott

TI When Does Start-Up Innovation Spur the Gale of Creative Destruction? **AU** Gans, Joshua S.; Hsu, David H.; Stern, Scott.

TI The Diffusion of Science-Driven Drug Discovery: Organizational Change in Pharmaceutical Research. **AU** Cockburn, Iain M.; Henderson, Rebecca; Stern, Scott.

Sterr, Horst

PD June 2000. **TI** Climate Change and Coastal Zones: An Overview of the State-of-the- Art on Regional and Local Vulnerability Assessment. **AU** Sterr, Horst; Klein, Richard; Reese, Stefan. **AA** Sterr and Reese: University of Kiel. Klein: Potsdam Institute for Climate Impact Research. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 38/2000; "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** Q24, Q25. **KW** Climate Change. Coastal Zones. Vulnerability. Adaptation. Methodologies.
AB This paper provides an overview of the latest developments in methodologies for assessing the vulnerability of coastal zones to climate change at regional and local scales. The focus of vulnerability assessment in coastal zones used to be on erosion and land loss due to sea-level rise. Methodologies now increasingly consider the wide range of climate and impact variables that play a part in determining coastal vulnerability, as well as non-climatic developments. The paper presents a conceptual framework for vulnerability assessment that identifies a number of system components that can be considered determinants of vulnerability. It then goes on to outline a number of steps that are required for the actual assessment of coastal vulnerability, such as scenario development, data collection and impact assessment. The approach is illustrated using a regional and local case study in Germany.

Stinebrickner, Ralph

TI The Relationship Between Family Income and Schooling Attainment: Evidence from a Liberal Arts College with a Full Tuition Subsidy Program. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph.

TI Working During School and Academic Performance. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph.

Stinebrickner, Todd R.

PD December 2000. **TI** The Relationship Between Family Income and Schooling Attainment: Evidence from a Liberal Arts College with a Full Tuition Subsidy Program. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph. **AA** Stinebrickner, T.: University of Western Ontario. Stinebrickner, R.: Berea College. **SR** University of Western Ontario, Department of Economics Research Report: 2000/08; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 34. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** H52, I21, I22, I28, J24. **KW** Schooling Attainment. Income. Tuition Subsidy. Education.

AB Researchers have long been interested in understanding why a strong relationship between family income and educational attainment exists at virtually all levels of schooling. In part due to a recent increase in the disparity between the wages of college graduates and the wages of individuals with less than a college degree, there has been a specific interest in understanding why individuals from low income families are less likely to graduate from college than other students. Using unique new data obtained directly from a liberal arts school that maintains a full tuition subsidy program, this paper provides direct evidence that family environment reasons that are unrelated to the tuition costs of college are very important. The paper pays close attention to the issue of selection bias by deriving a set of seemingly very plausible conditions under which the estimator of interest is "conservative." The findings, which suggest that non-trivial differences in educational attainment would exist even if tuition was zero for all students, have implications for expensive policy programs such as the full tuition subsidy program that was recently approved by the state of California.

PD December 2000. **TI** Working During School and Academic Performance. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph. **AA** Stinebrickner, T.: University of Western Ontario. Stinebrickner, R.: Berea College. **SR** University of Western Ontario, Department of Economics Research Report: 2000/09; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 21. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** C51, I21, I22, J22. **KW** Work-Study. Academic Performance. Endogeneity Bias. Instrumental Variables. Education.

AB Unique new data from a college with a mandatory work-study program are used to examine the relationship between working during school and academic performance. Particular attention is paid to the importance of biases that are potentially present because the number of hours that are worked is endogenously chosen by the individual. A "naive" OLS regression, which indicates that a positive and statistically significant relationship exists between hours-worked and grade performance, highlights the potential importance of endogeneity bias in this context. Although a fixed effects estimator suggests that working an additional hour has an effect on grades which is quantitatively very close to zero, the authors suggest that there are likely to exist causes of endogeneity which are not addressed by the fixed effects estimator. Indeed, an instrumental variables approach indicates that working an additional hour has a negative and quantitatively large effect on grade performance at this school. The results suggest that, even if results appear "reasonable," a researcher should be cautious when drawing policy conclusions about the relationship between hours- worked and a particular outcome of interest.

Stone, Mark R.

PD June 2000. **TI** The Corporate Sector Dynamics of Systemic Financial Crises. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/114; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 43. **PR** not available. **JE** E44, F31, F32, G30. **KW** Financial Crises. Corporate Restructuring. Capital Inflows. Interest Rates. Current Account.

AB This paper puts together a set of stylized facts of the corporate sector dynamics of systemic financial crises based on recent crisis episodes, with a view to identifying the key issues and their policy implications. The evidence suggests that corporate crisis dynamics are triggered by a cutoff of capital inflows and are amplified into a historically severe recession by exchange rate depreciation, high interest rates, and current account adjustment. The adverse consequences of these dynamics can be forestalled and assuaged by policies that improve monitoring of the corporate sector and boost non-bank sources of corporate financing.

PD October 2001. **TI** Systemic Financial Crisis, Balance Sheets, and Model Uncertainty. **AU** Stone, Mark R.; Weeks, Melvyn. **AA** Stone: International Monetary Fund. Weeks: University of Cambridge. **SR** International Monetary Fund Working Paper: WP/01/162; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 22. **PR** $15.00. **JE** C52, F34. **KW** Currency Crisis. Bank Crisis. Financial Reform.

AB This paper empirically examines the probability and intensity of financial crises during the 1990s in order to inform crisis prevention and mitigation policies. The econometric analysis uses a decision- theoretic approach, rather than the more standard general-to-specific approach, to address the high degree of model uncertainty. The results affirm the importance of balance sheets in the probability and intensity of financial crises, especially corporate balance sheet stresses and foreign exchange liquidity shortfalls. Model uncertainty is a bigger problem for estimating crisis intensity compared to crisis probability.

Stracca, Livio

TI Non-Standard Central Bank Loss Functions, Skewed Risks, and Certainty Equivalence. **AU** Al-Nowaihi, Ali; Stracca, Livio.

Strahan, Philip E.

TI Bankers on Boards: Monitoring, Conflicts of Interest, and Lender Liability. **AU** Kroszner, Randall S.; Strahan, Philip E.

Strazzera, Elisabetta

PD July 2000. **TI** Modelling Zero Bids in Contingent Valuation Surveys. **AU** Strazzera, Elisabetta; Scarpa, Riccardo; Calia, Pinuccia; Garrod, Guy; Willis, Ken. **AA** Strazzera: CRENOS, DRES, and Universita di Cagliari. Riccardo: CREAM and Universita della Tuscia. Calia: Universita di Bologna. Garrod and Willis: CREAM and University of Newcastle upon Tyne. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 55/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 22. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C35, C51, C81, D60, H41. **KW** Contingent Valuation. Zero Bids. Protest Votes. Selectivity Bias. Sample Selection Model.

AB When modeling data generated from a discrete choice contingent valuation question, the treatment of zero bids affects the welfare estimates. Zero bids may come from respondents who are not interested in the provision of the public good; alternatively, some zero-bidders may be protesting about the valuation exercise, but hold positive values for the good. In this paper we investigate the effect of different levels of information on zero-bidders on welfare estimates for the population. We find that different strategies of identification may have non-trivial effects. We recommend use of full debriefing questions for zero-bidders, and use of sample selection models to correct for bias caused by protest behavior.

Streufert, Peter A.

TI Solutions for Some Dynamic Problems with Uncertainty Aversion. **AU** Ozaki, Hiroyuki; Streufert, Peter A.

Strumpf, Koleman S.

TI The Behavioral Dynamics of Youth Smoking. **AU** Gilleskie, Donna B.; Strumpf, Koleman S.

Stulz, Rene M.

TI Asset Liquidity and Segment Divestitures. **AU** Schlingemann, Frederik P.; Stulz, Rene M.; Walkling, Ralph A.

TI A New Approach to Measuring Financial Contagion. **AU** Bae, Kee-Hong; Karolyi, G. Andrew; Stulz, Rene M.

TI Banks, the IMF, and the Asian Crisis. **AU** Kho, Bong-Chan; Stulz, Rene M.

Sudderth, William D.

TI Inflationary Bias in a Simple Stochastic Economy. **AU** Karatzas, Ioannis; Shubik, Martin; Sudderth, William D.; Geanakoplos, John.

TI Inflationary Bias in a Simple Stochastic Economy. **AU** Karatzas, Ioannis; Shubik, Martin; Sudderth, William D.; Geanakoplos, John.

Summers, Victoria

TI Bank Debit Taxes in Latin America: An Analysis of Recent Trends. **AU** Coelho, Isaias; Ebrill, Liam; Summers, Victoria.

Surgailis, Donatas

TI A Model for Long Memory Conditional Heteroscedasticity. **AU** Giraitis, Liudas; Robinson, Peter M.; Surgailis, Donatas.

Svarer, Michael

TI Rent Control and Tenancy Duration. **AU** Munch, Jakob Roland; Svarer, Michael.

TI Off-Farm Activities by Agricultural Households in Nicaragua: Exploiting Comparative Advantages or Fighting Agricultural Problems? **AU** Malchow-Moeller, Nikolaj; Svarer, Michael.

Svensson, Lars E. O.

TI Eurosystem Monetary Targeting: Lessons from US Data. **AU** Rudebusch, Glenn D.; Svensson, Lars E. O.

Sy, Amadou

TI Currency Boards, Credibility, and Macroeconomic Behavior. **AU** Rivera Batiz, Luis A.; Sy, Amadou.

PD October 2001. **TI** Emerging Market Bond Spreads and Sovereign Credit Ratings: Reconciling Market Views with Economic Fundamentals. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/165; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 15. **PR** $15.00. **JE** G15, G20, F30. **KW** Bond Spreads. Credit Ratings. Monitoring. Sovereign Risk. Risk Appetite.

AB This paper uses a panel data estimation of a simple univariate model of sovereign spreads on ratings to analyze statistically significant deviations from the estimated relationship. We find evidence of an asymmetric adjustment of spreads and ratings when such deviations are significant. In addition, the paper illustrates how significant disagreements between market and rating agencies' views can be used as a signal that further technical and sovereign analysis is warranted. For instance, spreads were "excessively low" for most emerging markets before the Asian crisis. More recently, spreads were "excessively high" for a number of emerging markets.

Tabakis, Evangelos

PD February 2002. **TI** Analysing and Combining Multiple Credit Assessments of Financial Institutions. **AU** Tabakis, Evangelos; Vinci, Anna. **AA** European Central Bank. **SR** European Central Bank Working Paper: 123; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 27. **PR** no charge. **JE** C21, C51, G15, G21, G28. **KW** Ratings. Default Probabilities. Credit Risk. Basel Capital Accord. Internal-Ratings.

AB The last consultative papers of the Basel Committee on Banking Supervision set the path for a future where a wealth of credit assessment sources may be available. New external credit assessment institutions and internal ratings-based assessments will be added to ratings of major international rating agencies and to benchmark assessment methods used by supervisors or central banks. In its first part, this paper contributes to the development of a toolbox to analyze and compare credit assessments by examining the ratings of three leading rating agencies on a set of credit institutions. The analysis decomposes the historical default rate corresponding to a rating into two components drawing on a "core" of published information and an "analyst contribution". In the second part of the paper, correlation and variance analysis of the analyst contributions lead to a combination of the available ratings, building on both the common core and the analyst part.

Taber, Christopher R.

TI Selection on Observed and Unobserved Variables: Assessing the Effectiveness of Catholic Schools. **AU** Altonji, Joseph G.; Elder, Todd E.; Taber, Christopher R.

Tamborini, Roberto

TI Liquidity: What Can a "Hausbank" Do That Other Lenders Cannot Do? **AU** Moretto, Michele; Tamborini, Roberto.

Tanggaard, C.

TI Yield Curve Estimation by Kernel Smoothing Methods. **AU** Linton, Oliver; Mammen, E.; Nielsen, Jens Perch; Tanggaard, C.

Tanzi, Vito

PD June 2000. **TI** Fiscal Reform Over Ten Years of Transition. **AU** Tanzi, Vito; Tsibouris, George. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/00/113; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 31. **PR** not available. **JE** E62, H20, H30, H60, P35. **KW** Fiscal Reform. Transition Economies. Price Liberalization. Privatization. Stabilization.

AB This paper analyzes fiscal reforms in transition economies during the decade leading up to 1998. The paper argues that macroeconomic stabilization, price liberalization, and privatization -- the core reforms visualized by the shock therapy approach -- are necessary but not sufficient conditions for a complete transition to a market economy. Further deep changes, such as the creation of new fiscal institutions, changes in incentives and processes, and changes in the role of government, are needed.

Taub, Bart

PD May 2001. **TI** Hidden Markov Models of Strategic Information Control. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0107; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 24. **PR** not available. **JE** D81, D82. **KW** Markov Model. Stochastic Process.

AB A stochastic process impinges on an agent and a principal in distinct ways. From the agent's perspective the process is noise that interferes with his perception of productivity states, leading him to sometimes take actions that are in retrospect mistaken. From the principal's perspective the noise is in fact the productivity of the agent's action, and he would like to coordinate the agent's actions with the process. The strategic use of information is modeled using a hidden Markov model framework, in which the state of a Markov process is unobservable, but it drives a signal that is correlated with it. This framework allows the agent's optimization problem to be simplified using a measure change (a Girsanov transformation). The simplified representation of the agent's problem then becomes a set of constraints for the principal. The key methodological innovation is that the informativeness of the signal is directly controllable by the principal.

PD May 2001. **TI** Private-Information Insurance Contracts in Continuous Time. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0108; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 17. **PR** not available. **JE** D81, D82. **KW** Insurance Contract. Private Information.

AB A continuous-time private-information insurance contract is analyzed. The special case analyzed is equivalent to a credit equilibrium. Defection from the contact and its equivalent credit equilibrium using smooth-pasting methods is analyzed. The contract and its equivalent standard credit equilibrium cannot be made immune to defection. Immunity from defection can be reinstated by constructing a constrained insurance contract as described in [3], but the insurance value provided is reduced below that of the full-information case.

PD May 2001. **TI** Search Without Replacement. **AA** University of Illinois. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0109; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 4. **PR** not available. **JE** D81, D83, J41. **KW** Matching Models. Job Search.

AB This note analyzes settings in which there is McCall-type search, but when searchers accept a job, the job is removed from the distribution of jobs as well as the searcher being removed. The basic intuition is that the best jobs get taken first, a kind of cream- skimming. This leaves a pool of worse jobs on subsequent rounds, adding to the pressure to accept lower-payoff jobs sooner rather than later. In its most extreme form, the number of initial jobs matches the number of workers and all jobs are accepted on the first round.

PD May 2001. **TI** Segmented Risk Sharing in a Continuous-Time Setting. **AU** Taub, Bart; Chade, Hector. **AA** Taub: University of Illinois. Chade: Arizona State University. **SR** University of Illinois, Urbana-Champaign, Office of Research Faculty Working Paper: 01/0110; The University of Illinois, Department of Economics, 484 Wohlers Hall, 1206 South Sixth Street, Champaign, IL 61820. Website: www.cba.uiuc.edu/research/. **PG** 30. **PR** not available. **JE** D81, D82, D83. **KW** Risk Sharing. Risk Aversion. Insurance Contracting.

AB In an economy with a continuum of individuals, each individual has a stochastic, continuously evolving endowment process. Individuals are risk-averse and would therefore like to insure their endowment processes. It is feasible to obtain insurance by pooling endowments across individuals because the processes are mutually independent. We characterize the payoff from an insurance contacting scheme of this type, and we investigate whether such a scheme would survive as an equilibrium in a noncooperative setting.

Taylor, Mark P.

TI Unemployment Duration and Exit States in Britain. **AU** Boheim, Rene; Taylor, Mark P.

Taylor, Michael W.

TI The New Capital Adequacy Framework: Institutional Constraints and Incentive Structures. **AU** Karacadag, Cem;

Taylor, Michael W.

Temin, Peter

TI The Antebellum Tariff on Cotton Textiles Revisited. **AU** Irwin, Douglas A.; Temin, Peter.

Terlizzese, Daniele

TI Monetary Transmission in the Euro Area: Where do we Stand? **AU** Angeloni, Ignazio; Kashyap, Anil; Mojon, Benoit; Terlizzese, Daniele.

Terrones, Marco

TI Fiscal Deficits and Inflation: A New Look at the Emerging Market Evidence. **AU** Catao, Luis; Terrones, Marco.

Thimann, Christian

TI Inflation Dynamics and Dual Inflation in Accession Countries: A "New Keynesian" Perspective. **AU** Arratibel, Olga; Rodriguez-Palenzuela, Diego; Thimann, Christian.

Thomas, Alun

PD May 2001. **TI** An Exploration of the Private Sector Response to Changes in Government Saving Across OECD Countries. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/69; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** not available. **JE** C21, E21, E62. **KW** Fiscal Policy. National Saving. Fiscal Balance. Ricardian Effects.

AB Several recent papers have examined the response of national saving to changes in fiscal policy. This paper uses knowledge about the intergenerational fiscal position of a country to determine whether this information helps to explain cross-country differences in the nature of the response. Using OECD data the paper finds that in countries in intergenerational fiscal balance, the private sector completely offsets fiscal policy changes whereas in other countries the private sector offset is only partial. Moreover, in countries with large intergenerational fiscal imbalances, strong fiscal consolidation packages reduce the impact of changes in fiscal policy on national saving.

Thomson, James B.

PD August 2001. **TI** PSAF, Economic Capital and the New Basel Accord. **AA** Federal Reserve Bank of Cleveland. **SR** Federal Reserve Bank of Cleveland Working Paper: 01/11; Federal Reserve Bank of Cleveland, Research Department, P.O. Box 6387, Cleveland, OH 44101-1387. Website: www.clev.frb.org. **PG** 19. **PR** no charge. **JE** G20, L30. **KW** Capital. Hurdle Rate. Correspondent Banking.

AB The 1980 Monetary Control Act requires the Reserve Banks to recover their costs of providing payments services over time, including a normal return on capital -- that is, the same after tax return on equity that a private firm would require. To date, this private sector adjustment factor has been estimated and applied as a single hurdle rate for all Reserve Bank payments services. Capital budgeting theory suggests that firms should use a different hurdle rate for each distinct type of activity according to its risks. For Reserve Bank payments services, this might entail estimating separate private sector adjustment factors for paper-based services and for electronic services. Alternatively, a single hurdle rate of capital could be used for all services if capital is allocated to each service according to its risk.

TI Federal Home Loan Bank Lending to Community Banks: Are Targeted Subsidies Necessary? **AU** Craig, Ben; Thomson, James B.

Thugge, Kamau

TI International Trade and Poverty Alleviation. **AU** Bannister, Geoffrey J.; Thugge, Kamau.

Thurik, A. Roy

TI Impeded Industrial Restructuring: The Growth Penalty. **AU** Audretsch, David B.; Thurik, A. Roy.

Tienda, Marta

TI Are There Returns to the Wages of Young Men from Working While in School? **AU** Hotz, V. Joseph; Xu, Lixin; Tienda, Marta; Ahituv, Avner.

Tiomo, Andre

TI Investment, The Cost of Capital, and Monetary Policy in the Nineties in France: A Panel Data Investigation. **AU** Chatelain, Jean-Bernard; Tiomo, Andre.

Tiongson, Erwin

TI Corruption and the Provision of Health Care and Education Services. **AU** Gupta, Sanjeev; Davoodi, Hamid; Tiongson, Erwin.

Tomat, Gian Maria

PD January 2002. **TI** Durable Goods, Price Indexes and Quality Change: An Application to Automobile Prices in Italy, 1988-1998. **AA** Bank of Italy. **SR** European Central Bank Working Paper: 118; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 34. **PR** no charge. **JE** C43, C51, D91. **KW** Durable Goods. Quality Change. Hedonic Regressions. Elementary Index Numbers.

AB The paper analyzes the problems of measurement of durable consumer prices posed by quality change. Theoretical price indexes are defined and used to analyze several empirical methods of estimation of quality adjusted price indexes. The paper shows that hedonic regressions and other quality adjustment methods commonly used by statistical agencies do not always provide reliable price estimators. The analysis suggests that the application of methods of measurement based on chain indexes may remove the measurement problems associated with quality change. The paper includes an application of the theory to the analysis of automobile prices in Italy during the period 1988-1998.

Trajtenberg, Manuel

PD October 2000. **TI** R&D Policy in Israel: An Overview and Reassessment. **AA** Tel Aviv University and NBER. **SR** National Bureau of Economic Research Working Paper: 7930; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 54. **PR** $10.00 per copy (plus $10.00 per order for shipping outside U.S.). **JE** L52, O31, O38. **KW** Research and Development. Israel. High Technology. Innovation Policy.

AB The goal of this paper is to provide an overview of research and development (R&D) policy in Israel, and critically examine the policies currently in place as well as proposals to change them. We review the various programs of the Office of the Chief Scientist (OCS) of the Ministry of Industry and Trade, followed by a discussion of studies on the impact of OCS support, and an overview of the rise of the High-Tech sector in Israel. We then examine outstanding policy issues and suggestions for reform. We discuss allocation schemes for the OCS Grants Program in view of a rigid budget constraint, and assess possible departures from "neutrality;" we also examine several related issues. Next we review the difficulties in setting a policy target for R&D spending, and lastly we ask whether government policy should perhaps also be aimed at the supply side of the market for R&D personnel, rather than just subsidizing the demand side. These policy issues are relevant not just for Israel but for any economy contemplating active government involvement in R&D.

Tse, Raymond Y. C.

TI Estimating the Rental Adjustment Process. **AU** Hendershott, Patric H.; MacGregor, Bryan D.; Tse, Raymond Y. C.

Tsibouris, George

TI Fiscal Reform Over Ten Years of Transition. **AU** Tanzi, Vito; Tsibouris, George.

Turrini, Alessandro

TI Skills, Agglomeration and Segmentation. **AU** Mori, Tomoya; Turrini, Alessandro.

Ulph, Alistair

TI The Effects of Environmental Policy on the Performance of Environmental RJVs. **AU** Katsoulacos, Yannis; Ulph, Alistair; Ulph, David.

Ulph, David

TI The Effects of Environmental Policy on the Performance of Environmental RJVs. **AU** Katsoulacos, Yannis; Ulph, Alistair; Ulph, David.

Umetsu, Chieko

TI Basinwide Water Management: A Spatial Model. **AU** Chakravorty, Ujjayant; Umetsu, Chieko.

Urrutia, Carlos

TI Public Policy, Price Distortions, and Investment Rates. **AU** Restuccia, Diego; Urrutia, Carlos.

Valbonesi, Paola

TI Option to Revoke and Regulation of Local Utilities. **AU** Moretto, Michele; Valbonesi, Paola.

Valderrama, Maria

PD December 2001. **TI** Credit Channel and Investment Behavior in Austria: A Micro- Econometric Approach. **AA** Oesterreichische Nationalbank, Vienna. **SR** European Central Bank Working Paper: 108; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 22. **PR** no charge. **JE** C23, D92, E22, E52, G31, G32. **KW** Credit Channel. Investment Demand. Panel Data.

AB Using individual firm data, this study analyses the credit channel in Austria. The estimation is based on an accelerator specification of investment demand augmented by the liquidity ratio and a firm specific user cost of capital. The results show that there is a credit channel in Austria affecting all firms, while the interest rate channel is significant as long as the liquidity ratio is not included in the regression. Taking into account trade credit or lending relationships increases the significance but not necessarily the size of the interest rate channel. The interest rate channel is not significant for young firms due mainly to the fact that young firms rely more heavily on sales to increase investment. In general it is found that firms can reduce the sensitivity of investment to their liquidity position by building lending relationships with a housebank or using trade credit as a substitute for bank loans.

Valdes, Rodrigo

TI Optimal Fiscal Strategy for Oil Exporting Countries. **AU** Engel, Eduardo; Valdes, Rodrigo.

TI Determinants of Private Capital Flows in the 1970s and 1990s: Is There Evidence of Contagion? **AU** Hernandez, Leonardo; Mellado, Pamela; Valdes, Rodrigo.

Valentinyi, Akos

TI Inflation, Growth, and Credit Services. **AU** Gillman, Max; Kejak, Michal; Valentinyi, Akos.

van den Berg, Gerard J.

TI Measuring the Equilibrium Effects of Unemployment Benefits Dispersion. **AU** Ridder, G.; van den Berg, Gerard J.

van der Geer, Sara

TI Estimating Multiplicative and Additive Hazard Functions by Kernel Methods. **AU** Linton, Oliver; Nielsen, Jens Perch; van der Geer, Sara.

van Rooden, Ron

TI Turkmenistan -- The Burden of Current Agricultural Policies. **AU** Pastor, Gonzalo; van Rooden, Ron.

Vandenbussche, Hylke

TI Import Diversion under European Antidumping Policy. **AU** Konings, Jozef; Springael, Linda; Vandenbussche, Hylke.

Vavra, David

TI Towards the EMU: A Need For Exchange Rate Flexibility? **AU** Cincibuch, Martin; Vavra, David.

Vedder, Hans H. B.

PD November 2000. **TI** Voluntary Agreements and Competition Law. **AA** University of Amsterdam. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 79/2000; "Publication Office", Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 17. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** K21, K32, L41, L42, L44. **KW** Environmental Agreements. Competition Law. Integration Principle. Polluter Pays Principle. Voluntary Agreements.

AB Many voluntary agreements (VA's) fall under the European or Dutch cartel prohibition (Article 81 EC, Article 6 Mededingingswet). This paper starts with an abstract description of the relation between competition and environmental protection. Particular attention is paid to the role in this relation of the "integration" and "polluter pays" principles enshrined in, respectively, Article 6 and 175 EC. After that it describes current European and Dutch competition policy vis a vis VA's. The paper concludes with some recommendations of what competition policy as regards VA's should be. These recommendations are primarily based on legal reasoning.

Velasco, Andres

TI Balance Sheets and Exchange Rate Policy. **AU** Cespedes, Luis Felipe; Chang, Roberto; Velasco, Andres.

Velasco, Carlos

PD May 2000. **TI** Edgeworth Expansions for Spectral Density Estimates and Studentized Sample Mean. **AU** Velasco, Carlos; Robinson, Peter M. **AA** Velasco: Universidad Carlos III. Robinson: London School of Economics. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/390; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 40. **PR** no charge. **JE** C22. **KW** Edgeworth Expansions. Spectral Estimates. Stationary Series. Studentized Statistics. Bandwidth Choice.

AB We establish valid Edgeworth expansions for the distribution of smoothed nonparametric spectral estimates, and of studentized versions of linear statistics such as the sample mean, where the studentization employs such a nonparametric spectral estimate. Particular attention is paid to the spectral estimate at zero frequency and, correspondingly, the studentized sample mean, to reflect econometric interest in autocorrelation-consistent or long-run variance estimation. Our main focus is on stationary Gaussian series, though we discuss relaxation of the Gaussian assumption. We only impose smoothness conditions on the spectral density that are local to the frequency of interest. We deduce empirical expansions from our Edgeworth expansions designed to improve on the normal approximation in practice, and also deduce a feasible rule of bandwidth choice.

PD May 2000. **TI** Whittle Pseudo-Maximum Likelihood Estimation for Nonstationary Time Series. **AU** Velasco, Carlos; Robinson, Peter M. **AA** Velasco: Universidad Carlos III. Robinson: London School of Economics. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/391; 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** C22. **KW** Long-Range Dependence. Nonstationarity. Fractional Models. Frequency. Tapering.

AB Whittle pseudo-maximum likelihood estimates of parameters for stationary time series have been found to be consistent and asymptotically normal in the presence of long-range dependence. Generalizing the definition of the memory parameter d, we extend these results to include possibly nonstationary ($0.5 <= d < 1$) or antipersistent ($-0.5 < d < 0$) observations. Using adequate data tapers we can apply this estimation technique to any degree of nonstationarity ($d >=0.5$) without prior knowledge of the memory of the series. We analyze the performance of the estimates on simulated and real data.

Velilla, Pilar

TI Hedonic House Prices Without Characteristics: The Case of New Multiunit Housing. **AU** Bover, Olympia; Velilla, Pilar.

Venables, Anthony J.

PD August 2000. **TI** Winners and Losers from Regional Integration Agreements. **AA** London School of Economics and CEPR. **SR** CEPR Discussion Paper: 2528; 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, F15, F43. **KW** Comparative Advantage. Developing Countries. Integration. Customs Unions. Trade.

AB How are the benefits -- and costs -- of a customs union divided between member countries? Outcomes depend on the comparative advantage of member countries, relative to each other and to the rest of the world. Countries with a comparative advantage between that of their partners and the rest of the world do better than countries with an "extreme" comparative advantage. As a consequence, integration between low-income countries tends to lead to divergence of member country incomes, while agreements between high-income countries cause convergence. Results suggest that developing countries are likely to be better served by "north-south" than by "south-south" free trade agreements.

Veneziani, Roberto

TI What We Owe Our Children, They Their Children, ... **AU** Roemer, John E.; Veneziani, Roberto.

Venti, Steven F.

TI Pre-Retirement Cashouts and Foregone Retirement Saving: Implications for 401(k) Asset Accumulation. **AU** Poterba, James M.; Wise, David A.; Venti, Steven F.

Ventura, Gustavo

TI On Inflation as a Regressive Consumption Tax. **AU** Erosa, Andres; Ventura, Gustavo.

TI Taxes and Marriage: A Two-Sided Search Analysis. **AU** Chade, Hector; Ventura, Gustavo.

Verdier, Thierry

TI Law Enforcement and Transition. **AU** Roland, Gerard; Verdier, Thierry.

Vermaelen, Theo

TI Stock Repurchases in Canada: Performance and Strategic Trading. **AU** Ikenberry, David; Vermaelen, Theo; Lakonishok, Josef.

Vermeulen, Philippe

TI The Interest Rate and Credit Channels in Belgium: An Investigation with Micro-Level Firm Data. **AU** Butzen, Paul; Fuss, Catherine; Vermeulen, Philippe.

Verner, Mette

TI A Comparison of Different Estimators for Panel Data Sample Selection Models. **AU** Jensen, Peter; Rosholm, Michael; Verner, Mette.

Vetter, Henrik

PD December 2001. **TI** Conditionality and Ratchet Effects in Environmental Policy. **AA** Aarhus University. **SR** Aarhus Department of Economics Working Paper: 2001/12; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 12. **PR** no charge. **JE** D82, Q18, Q28. **KW** Environmental Policy. Adverse Selection. Agricultural Policy.

AB One way to integrate environmental concerns into European agricultural policy is to let agricultural income support be contingent on the farmer's environmental performance. In a repeated relationship with asymmetric information concerning parameters such as the individual farmer's cost of supplying environmental quality, there will be adverse selection problems in maximizing the environmental return of the income support policy. Adverse selection takes the form of ratchet effects and these are detrimental to environmental quality.

PD December 2001. **TI** Environmental Taxes in Monopolistic Competition. **AA** Aarhus University. **SR** Aarhus Department of Economics Working Paper: 2001/13; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 26. **PR** no charge. **JE** D43, D62, H21, H23, Q28. **KW** Environmental Taxation. Taxation. Product Markets. Monopolistic Competition. Externalities.

AB Taxes can change product selection bias in markets where set-up or fixed costs play an important role. We demonstrate that the Pigouvian correction for externalities will introduce products in the socially optimal order, but too few firms survive. Allowing for firm-specific taxes we find the optimal tax, which is strictly less than the Pigouvian tax rate. The optimal tax leaves the monopolistically competitive industry with too few firms.

PD December 2001. **TI** Taxes, Quotas and Externalities in Monopolistic Competition. **AA** Aarhus University Library. **SR** Aarhus Department of Economics Working Paper: 2001/14; Department of Economics, University of Aarhus, Building 350, Universitetsparken, DK- 8000 Aarhus C, Denmark. Website: www.econ.au.dk/afn. **PG** 26. **PR** no charge. **JE** D43, D61, D62, H23, Q28. **KW** Taxation. Quotas. Environmental Externalities. Monopolistic Competition.

AB In this paper we investigate environmental regulation by taxes and quotas in the context of a monopolistically competitive industry. First, we find the combination of a quota and a tax supporting the first best solution. We then explain why the allocative equivalence between the two instruments vanishes in monopolistically competitive industries. We show that if the regulator is to choose between the two instruments, then quotas are unambiguously preferable to taxes if income effects can be ignored.

Vijselaar, Focco

PD February 2002. **TI** New Technologies and Productivity Growth in the Euro Area. **AU** Vijselaar, Focco; Albers, Ronald. **AA** European Central Bank. **SR** European Central Bank Working Paper: 122; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 22. **PR** no charge. **JE** E22, L63, L86, O47. **KW** Information Technology. Communication Technology. Sectoral Developments. Growth Accounting. Euro Area. Measurement Issues.

AB This paper provides an overview of the currently available evidence on the importance of information and communication technologies (ICT) for developments in productivity growth in the euro area. On the basis of the available data, there is evidence of an increased contribution of ICT to economic growth both in terms of production and investment in the second half of the 1990s. However, there is little, if any, evidence of significant positive spillover effects from the use of ICT to overall productivity growth. This implies that there is no reason to believe that potential output growth in the euro area has increased significantly in recent years on account of new technologies.

Vinci, Anna

TI Analysing and Combining Multiple Credit Assessments of Financial Institutions. **AU** Tabakis, Evangelos; Vinci, Anna.

Vines, David

TI Government Guarantees, Investment and Vulnerability to Financial Crises. **AU** Irwin, Gregor; Vines, David.

Vollebergh, Herman R. J.

TI Green Taxes and Administrative Costs: The Case of Carbon Taxation. **AU** Smulders, Sjak; Vollebergh, Herman R. J.

von Kalkreuth, Ulf

PD December 2001. **TI** Monetary Transmission in Germany: New Perspectives on Financial Constraints and Investment Spending. **AA** Deutsche Bundesbank. **SR** European Central Bank Working Paper: 109; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 28. **PR** no charge. **JE** E22, E52, E58. **KW** Monetary Transmission. Firm Investment. User Cost. Firm Finance. Credit Channel.

AB In order to obtain a better understanding of the transmission channels for monetary policy, this paper assesses the importance of the interest rate and credit channels on business fixed investment in Germany. Our unbalanced panel of financial statements contains 44,345 firm/year observations for 6,408 firms. We uncover a rather solid interest channel. A transitory increase in nominal interest rates by 100 basis points would depress investment demand by almost 4 percent within the first year. Using our direct measure of creditworthiness, we can also document a balance-sheet channel. Relative to unconstrained firms, financially constrained firms exhibit increased sensitivity to internal funds, and decreased sensitivity to the user cost as well as to market demand. Furthermore, changes in the rating of firms seem to affect investment demand in a way that is consistent with the presence of a balance-sheet channel. This balance-sheet channel, however, seems to be of secondary importance.

Vorkink, Keith

TI Testing the Capital Asset Pricing Model Efficiently Under Elliptical Symmetry: A Semiparametric Approach. **AU** Hodgson, Douglas; Linton, Oliver; Vorkink, Keith.

Vytlacil, Edward

TI Identifying the Role of Cognitive Ability in Explaining the Level of and Change in the Return to Schooling. **AU** Heckman, James J.; Vytlacil, Edward.

Wagner, Martin

PD April 2001. **TI** The CEEC10's Real Convergence Prospects. **AU** Wagner, Martin; Hlouskova, Jaroslava. **AA** Wagner: University of Bern. Hlouskova: Institute for Advanced Studies, Vienna. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 20; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 45. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** F02, F43, O11, O19. **KW** Transition Economies. Growth. Convergence. European Union. Accession.

AB The Central and Eastern European countries' prospects of becoming EU members depend heavily on, among other things, their per capita GDP levels. The growth prospects of these economies cannot be directly assessed, as the economic growth process in the transition countries is shown to not yet be described adequately by neoclassical growth theory. Thus, an indirect approach is taken, which maps the Western European growth experience on 10 Central and Eastern European countries (CEEC10). This indirect approach is used to project growth rates of the CEEC10 and the time required to close the income gaps to the European Union (EU). The sensitivity of the results is analyzed by presenting a wide variety of economically meaningful scenarios. Finally, possible beneficial effects of EU membership or pre-accession aids are studied. The effects on the reduction of the times to converge are computed.

Waldfogel, Jane

TI Work, Welfare, and Child Maltreatment. **AU** Paxson, Christina; Waldfogel, Jane.

Walkling, Ralph A.

TI Asset Liquidity and Segment Divestitures. **AU** Schlingemann, Frederik P.; Stulz, Rene M.; Walkling, Ralph A.

Ward, Melanie

PD July 2000. **TI** Gender, Salary and Promotion in the Academic Profession. **AA** IZA, Bonn and CEPR. **SR** CEPR Discussion Paper: 2506; 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** J44, J71. **KW** Academic Profession. Gender Discrimination. Promotion. Salary.

AB This paper examines the hypothesis that the gender salary gap observed in the academic labor market is predominantly explained by the differing average characteristics of male and female academics and barriers to female promotion. Preliminary analysis reveals that the crowding of women onto the lower rungs of academia is a strong determinant of their lower average salary. This effect should be transitory as young women, now entering the profession, move up its ranks. We construct a rank attainment model and investigate the current and predicted distribution of females across ranks. Significant evidence of barriers to female promotion is revealed.

Warshawsky, Mark J.

TI Life-Cycle Saving, Limits on Contributions to DC Pension Plans, and Lifetime Tax Benefits. **AU** Gokhale, Jagadeesh; Kotlikoff, Laurence J.; Warshawsky, Mark J.

TI Comparing the Economic and Conventional Approaches to Financial Planning. **AU** Gokhale, Jagadeesh; Warshawsky, Mark J.; Kotlikoff, Laurence J.

Wascher, William

TI A Cross-National Analysis of the Effects of Minimum Wages on Youth Employment. **AU** Neumark, David; Wascher, William.

Weeks, Melvyn

TI Systemic Financial Crisis, Balance Sheets, and Model Uncertainty. **AU** Stone, Mark R.; Weeks, Melvyn.

Wei, Shang-Jin

TI Explaining the Border Effect: The Role of Exchange Rate Variability, Shipping Costs, and Geography. **AU** Parsley, David C.; Wei, Shang-Jin.

Welch, Ivo

PD September 2001. **TI** The Equity Premium Consensus Forecast Revisited. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1325; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 8. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** F47, G12, G19. **KW** Equity Premium. Stock Market Forecast.

AB This paper presents the results of a survey of 510 finance and economics professors. The consensus forecast for the 1-year equity premium is about 3 percent to 3.5 percent; the consensus forecast for the 30-year equity premium (arithmetic) is about 5 percent to 5.5 percent. The consensus 30-year stock market forecast is about 10 percent. These forecasts are considerably lower than those taken just 3 years ago.

PD November 2001. **TI** The Optimal Concentration of Creditors. **AU** Welch, Ivo; Bris, Arturo. **AA** Yale University. **SR** Yale Cowles Foundation Discussion Paper: 1338; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 33. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** G21, G32. **KW** Banks. Capital Structure. Creditors.

AB There are situations in which dispersed creditors (e.g., public creditors) have more difficulties and higher costs when collecting their claims in financial distress than concentrated creditors (e.g., banks). Under this assumption, our model predicts that measures of debt concentration relate: positively to creditors' chosen aggregate debt collection expenditures; positively to management's chosen expenditures to avoid paying; positively to total net litigation costs/waste in financial distress; and positively to accomplished claim recovery by creditors (to which we present some preliminary favorable empirical evidence). Under additional assumptions, measures of debt concentration relate: positively to intrinsic firm quality; positively to creditor monitoring and negatively to managerial waste; positively to optimal continuation/discontinuation choices; and negatively to issuing marketing expenses. In a signaling model, when concentration alone is not a sufficient signal, firms choose the ultimately concentrated debt, (i.e., a house bank), and have to pay a high interest.

Whalley, John

TI Endogenous Effort and Intersectoral Labour Transfers Under Industrialization. **AU** Ghosh, Madanmohan; Whalley, John.

TI Evaluating Tax Reform in Vietnam Using General Equilibrium Methods. **AU** Chan, Nguyen; Ghosh, Madanmohan; Whalley, John.

TI The Value of MFN Treatment to Developing Countries. **AU** Ghosh, Madanmohan; Perroni, Carlo; Whalley, John.

TI The Environmental Regime in Developing Countries. **AU** Jha, Raghbendra; Whalley, John.

TI The Choice of Structural Model in Trade-Wages Decompositions. **AU** Abrego, Lisandro; Whalley, John.

Whang, Yoon-Jae

TI Nonparametric Estimation with Aggregated Data. **AU** Linton, Oliver; Whang, Yoon-Jae.

White, Michael

TI Taxing and Subsidizing House Investment: The Rise and Fall of Housing's Favored Status. **AU** Hendershott, Patric H.; White, Michael.

Wilk, Szymon

TI Determinants of Long-Term Economic Development: An Empirical Cross- Country Study Involving Rough Sets Theory and Rule Induction. **AU** Obersteiner, Michael; Wilk, Szymon.

Winkelmann, Rainer

TI Dutch Migrants in New Zealand - Did They Fare Well? **AU** Hartog, Joop; Winkelmann, Rainer.

Wintrobe, Ronald

PD November 1999. **TI** Slobodan Milosevic and the Fire of Nationalism. **AA** University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9917; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 38. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** A12, D74, P26. **KW** Serbia. Nationalism. Ethnic Cleansing. War. Dictatorship.

AB This paper is an attempt to understand the Milosevic regime in Serbia. The author focuses on nationalism, ethnic cleansing and war, especially on the most recent war with NATO. He first looks at how its behavior has typically been understood. He then suggests a different approach based on his model of dictatorship. The basic argument is simple: First, like any dictator, Milosevic needs support in order to survive in office. His provocative and warlike actions towards other groups are best understood, not as the latest round in a centuries-old tradition of ethnic fighting, but as the attempts of a competitive politician trying to survive in a situation where the old bases of power have collapsed. Second, in attempting to survive the wave of democratization that swept Eastern Europe after 1989, Milosevic played a wild card -- the nationalist card. Nationalism can be wild because, under some circumstances, it is contagious. Ethnic cleansing and war are seen in this light as neither deliberate, coldly planned strategies of brutal repression, nor the results of complete miscalculation, but the results of a process in which the leadership of the regime was reacting to events which it may have set in motion, but did not entirely control.

Wise, David A.

TI Pre-Retirement Cashouts and Foregone Retirement Saving: Implications for 401(k) Asset Accumulation. **AU** Poterba, James M.; Wise, David A.; Venti, Steven F.

Woergoetter, Andreas

TI Economic Development Problems of Landlocked Countries. **AU** MacKellar, Landis; Woergoetter, Andreas; Worz, Julia.

TI Einkommen, Geschlecht und Arbeitsplatzwechsel in Russland 1998 (Earnings, Gender, and Mobility in the RF 1995-1998). **AU** Smirnych, Larissa; Woergoetter, Andreas.

Wohar, Mark

TI Will the Valuation Ratios Revert to Their Historical Means? Some Evidence From Breakpoint Tests. **AU** Carlson, John B.; Pelz, Eduard A.; Wohar, Mark.

Wolak, Frank

TI Diagnosing Market Power in California's Restructured Wholesale Electricity Market. **AU** Borenstein, Severin; Bushnell, James; Wolak, Frank.

Wolfram, Catherine

TI Regulating Executive Pay: Using the Tax Code to Influence CEO Compensation. **AU** Rose, Nancy L.; Wolfram, Catherine.

Wong, Chorng-Huey

TI Inflation Targeting and the Unemployment-Inflation Trade-off. **AU** Clifton, Eric V.; Leon, Hyginus; Wong, Chorng-Huey.

Wonnacott, Paul

PD October 1999. **TI** An Economic Theory of the GATT: A Generalization. **AU** Wonnacott, Paul; Wonnacott, Ronald J. **AA** Wonnacott, P.: Middlebury College. Wonnacott, R.: University of Western Ontario. **SR** University of Western Ontario, Department of Economics Research Report: 9909; Research Report Coordinator, Economics Reference Center, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2 Canada. Website: www.ssc.uwo.ca/economics/econref/html/RRPaper.html. **PG** 5. **PR** International $10.00 (Canadian) plus $3.00 (Canadian) per order handling fee; pre-paid orders only; make checks payable to the University of Western Ontario. **JE** F13, F42. **KW** International Trade. Trade Negotiations. Protection. Terms of Trade. GATT.

AB Bagwell and Staiger (1999) conclude that the reason for governments to enter trade negotiation is the terms-of-trade externality, which creates an inefficiency in unilateral trade policies. To address this conclusion, the authors consider that protection may be motivated by many other objectives than just unilateral attempts at terns-of-trade improvements, including the desire to: (1) increase incomes (or prevent trade-driven losses) in import-competing countries; (2) increase employment; (3) improve the balance of trade. It may or may not be sensible for countries to increase tariffs for any of these reasons, but they do. In each case, trade agreements may be appealing to governments as a way to prevent an inefficiency that arises from unilateral trade policies. The justification for the GATT is that it restrains unilateral protection, regardless of its political or economic motivation. Moreover, this conclusion holds even if each country has a different motive for protection.

Wonnacott, Ronald J.

TI An Economic Theory of the GATT: A Generalization. **AU** Wonnacott, Paul; Wonnacott, Ronald J.

Woodford, Michael

PD August 2000. **TI** Monetary Policy in a World Without Money. **AA** Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7853; 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** E42, E43, E52, E58. **KW** Monetary Policy. Electronic Money. Interest Rates. Stabilization.

AB This paper considers whether the development of "electronic money" poses any threat to the ability of central banks to control the value of their national currencies through conventional monetary policy. It argues that even if the demand for base money for use in facilitating transactions is largely or even completely eliminated, monetary policy should continue to be effective. Macroeconomic stabilization depends only upon the ability of central banks to control a short-term nominal interest rate, and this would continue to be possible, in particular through the use of a "channel" system for the implementation of policy, like those currently used in Canada, Australia, and New Zealand.

Worrell, DeLisle

PD May 2001. **TI** Price Volatility and Financial Instability. **AU** Worrell, DeLisle; Leon, Hyginus. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/60; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 43. **PR** not available. **JE** C22, E44, F31, G10, G21. **KW** Volatility. Financial Instability. GARCH Models. Exchange Rates. Interest Rates.

AB Statistical measures of the volatility of exchange rates, interest rates, and stock prices are estimated for a number of countries. Periods of high volatility are identified and compared with periods of financial difficulty. The results indicate that GARCH models of volatility could be potentially useful in assessing financial soundness. Daily data are more revealing, but monthly series allow comparisons among many countries. Country specific models may be needed for more reliable inference.

Worz, Julia

TI Economic Development Problems of Landlocked Countries. **AU** MacKellar, Landis; Woergoetter, Andreas; Worz, Julia.

PD September 1999. **TI** Group Lending and Its Implications in Credit Markets for Poor People. **AA** Institute for Advanced Studies, Vienna. **SR** Institute for Advanced Studies (IHS), Transition Economics Series Working Paper: 12; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/departments/tec/pub/trseries.html. **PG** 19. **PR** ATS 80.00 - EUR 5.81 individuals; ATS 250.00 - EUR 18.17 institutions; prices subject to change without notice. **JE** D82, G21, O16. **KW** Micro Credit. Group Lending. Joint Liability. Collateral. Grameen Bank.

AB Group lending has proved to be a successful form of lending in credit markets for poor people. In this paper, the policy of the Grameen Bank in Bangladesh is modeled. It is shown that under certain conditions making borrowers jointly liable for their loans can induce repayment even in the absence of formal credit enforcement mechanisms. A distinction is made between ability and willingness to repay. Both aspects crucially depend on the social setting and on the loan size. If social ties are too loose, the social pressure generated by joint liability is not sufficient to induce borrowers to repay. This constraint is more binding in the case of micro-credits.

Wouters, Raf

TI Openness, Imperfect Exchange Rate Pass-Through and Monetary Policy. **AU** Smets, Frank; Wouters, Raf.

Wynne, Mark A.

PD March 2002. **TI** Measurement Bias in the HICP: What Do We Know, and What Do We Need to Know? **AU** Wynne, Mark A.; Rodriguez-Palenzuela, Diego. **AA** Wynne: Federal Reserve Bank of Dallas. Rodriguez-Palenzuela: European Central Bank. **SR** European Central Bank Working Paper: 131; European Central Bank, Eurotower, Kaiserstrasse 29, D-60311 Frankfurt am Main, Germany. Website: www.ecb.int/pub/. **PG** 42. **PR** no charge. **JE** C43, E31. **KW** Consumer Price Index. HICP. Measurement Error.

AB The Harmonized Index of Consumer Prices (HICP) is the primary measure of inflation in the euro area, and plays a central role in the policy deliberations of the European Central Bank (ECB). Among the rationales given for defining price stability as prevailing at some positive measured inflation rate is the possibility that the HICP as published incorporates measurement errors of one sort or another that may cause it to systematically overstate the true rate of inflation in the euro area. The purpose of this paper is to review what is known about the scope of measurement error in the HICP. We conclude that given the scant research on price measurement issues in the EU and the ongoing improvements in the HICP, there is almost no scientific basis at this time for a point (or even an interval) estimate of a positive bias in the HICP.

Xiao, Yuan

TI Inflation Dynamics in Madagascar, 1971-2000. **AU** Sacerdoti, Emilio; Xiao, Yuan.

Xiao, Zhijie

TI A Nonparametric Regression Estimator that Adapts to Error Distribution of Unknown Form. **AU** Linton, Oliver;

Xiao, Zhijie.

PD September 2001. **TI** A CUSUM Test for Cointegration Using Regression Residuals. **AU** Xiao, Zhijie; Phillips, Peter C. B. **AA** Xiao: University of Illinois, Urbana-Champaign. Phillips: Cowles Foundation, Yale University, University of Auckland, and University of York. **SR** Yale Cowles Foundation Discussion Paper: 1329; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 17. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C22. **KW** CUSUM Test. Cointegration. Residual-Based Test. Semiparametric Method. Structural Change.

AB We show that the conventional CUSUM test for structural change can be applied to cointegrating regression residuals leading to a consistent residual based test for the null hypothesis of cointegration. The proposed tests are semiparametric and utilize fully modified residuals to correct for endogeneity and serial correlation and to scale out nuisance parameters. The limit distribution of the test is derived under both the null and the alternative hypothesis. The tests are easy to use and are found to perform quite well in a Monte Carlo experiment.

Xu, Chunlei

TI Dynamic Arbitrage-Free Asset Pricing with Proportional Transaction Costs. **AU** Deng, Xiaotie; Xu, Chunlei; Zhang, Shunming.

Xu, Lixin

TI Are There Returns to the Wages of Young Men from Working While in School? **AU** Hotz, V. Joseph; Xu, Lixin; Tienda, Marta; Ahituv, Avner.

Yajima, Yoshihiro

TI Prediction and Signal Extraction of Strongly Dependent Processes in the Frequency Domain. **AU** Hidalgo, Javier; Yajima, Yoshihiro.

TI Determination of Cointegrating Rank in Fractional Systems. **AU** Robinson, Peter M.; Yajima, Yoshihiro.

Yang, Jian

TI Stochastic Threshold Models on Interest Rate. **AU** Li, Huirong; Yang, Jian.

TI Modeling Stock Volatility with Trading Information. **AU** Li, Huirong; Yang, Jian.

Yao, Qiwei

TI Adaptive Varying-Coefficient Linear Models. **AU** Fan, Jianqing; Yao, Qiwei; Cai, Zongwu.

Yariv, Leeat

PD December 2001. **TI** Believe and Let Believe: Axiomatic Foundations for Belief Dependent Utility Functionals. **AA** Yale University and University of California, Los Angeles. **SR** Yale Cowles Foundation Discussion Paper: 1344; Yale University, Cowles Foundation Library, P.O. Box 208281, New Haven, CT 06520-8281. Website: cowles.econ.yale.edu/. **PG** 14. **PR** no charge up to 3 papers; $3.00 each in U.S.; $4.00 each International. **JE** C91, D81, D91. **KW** Axiomatic Foundations. Beliefs. Time Preference. Utility Functions.

AB A large body of experimental data demonstrates that people's beliefs influence their well-being beyond the indirect effect through the actions taken. This paper presents a model that incorporates beliefs into an agent's utility function. The paper provides axiomatic foundations for a special class of non-additive utility indices defined over infinite streams of beliefs and actions. The paper assumes that: 1). there exists a (null) belief that does not have any effect on future preferences; 2). the agent has finite memory -- only finite histories have an effect on current preferences; and 3). if the agent knows she will not be getting any additional future information, she prefers today's beliefs to be consistent with her past choices. Preferences satisfying these assumptions admit a generalized discounted utility representation in which all terms depend on both actions and beliefs. Experimental testability of the proposed framework is also discussed.

Yelowitz, Aaron

TI Health Insurance and Less Skilled Workers. **AU** Currie, Janet; Yelowitz, Aaron.

Yoshikawa, Hiroshi

TI Causes of the Long Stagnation of Japan during the 1990's: Financial or Real? **AU** Motonishi, Taizo; Yoshikawa, Hiroshi.

Young, Alwyn

PD August 2000. **TI** The Razor's Edge: Distortions and Incremental Reform in the People's Republic of China. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7828; 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** D43, P21, P23, P27. **KW** Partial Reform. Rent-Seeking Behavior. Barriers to Trade. Comparative Advantage.

AB In a partially reformed economy, distortions beget distortions. Segments of the economy which are freed from centralized control respond to the rent seeking opportunities implicit in the remaining distortions of the economy. The battle to capture, and then protect, these rents leads to the creation of new distortions, even as the reform process tries to move forward. In this paper I illustrate this idea with a study of the People's Republic of China. Under the plan, prices were skewed so as to concentrate profits, and hence revenue, in industry. As control over factor allocations was loosened, local governments throughout the economy sought to capture these rents by developing high margin industries. Continued reform, and growing interregional competition between duplicative industries, threatened the profitability of these industrial structures, leading local governments to impose a variety of interregional barriers to trade. Thus, the reform process led to the fragmentation of the domestic market and the distortion of regional production away from patterns of comparative advantage.

PD August 2000. **TI** Gold Into Base Metals: Productivity Growth in the People's Republic of China During the Reform Period. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 7856; 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** O40, O53, P24, P27. **KW** China. Productivity. Growth. Inflation.

AB With minimal sleight of hand, it is possible to transform the recent growth experience of the People's Republic of China from the extraordinary into the mundane. Systematic understatement of inflation by enterprises accounts for 2.5 percent growth per annum in the non- agricultural economy during the reform period (1978-1998). The usual suspects, (i.e., rising participation rates, improvements in educational attainment, and the transfer of labor out of agriculture), account for most of the remainder. The productivity performance of the non-agricultural economy during the reform period is respectable, but not outstanding. To the degree that the reforms have improved efficiency, these gains may lie principally in agriculture.

Zaffaroni, Paolo

PD March 2000. **TI** Stationarity and Memory of ARCH Models (Infinity). **AA** Banca d'Italia. **SR** London School of Economics and Political Science, STICERD Econometrics Discussion Paper: EM/00/383; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 28. **PR** no charge. **JE** C22. **KW** ARCH. GARCH. Nonlinear Moving Average. Stationarity. Memory.

AB Sufficient conditions for strict stationarity of an autoregressive conditional heteroskedastic process of infinite order (ARCH(Infinity)) are established, without imposing covariance stationarity and for any specification of the conditional second moment coefficients. Generalized autoregressive conditional heteroskedasticity (GARCH(p,q)) as well as the case of hyperbolically decaying coefficients (such as the autoregressive coefficients of an autoregressive fractionally integrated moving average process (ARFIMA(p,d,q))) are included, once the non-negativity constraints are imposed. We show the necessary and sufficient conditions for covariance stationarity of ARCH(Infinity), both for the levels and the squares. These prove to be much stronger than the strict stationarity conditions. The covariance stationarity condition for the levels rules out long memory in the squares.

Zakrajsek, Egon

TI Factor Supplies and Specialization in the World Economy. **AU** Harrigan, James; Zakrajsek, Egon.

Zeckhauser, Richard J.

TI Enrollee Mix, Treatment Intensity, and Cost in Competing Indemnity and HMO Plans. **AU** Altman, Daniel; Cutler, David M.; Zeckhauser, Richard J.

TI Congressional Vote Options. **AU** King, David C.; Zeckhauser, Richard J.

Zeldes, Stephen P.

TI Do the Rich Save More? **AU** Dynan, Karen E.; Skinner, Jonathan; Zeldes, Stephen P.

Zeng, Jinli

TI Optimal Tax Mix in a Two-Sector Growth Model with Transitional Dynamics. **AU** Davies, James B.; Zhang, Jie; Zeng, Jinli.

Zhang, Jie

TI Optimal Tax Mix in a Two-Sector Growth Model with Transitional Dynamics. **AU** Davies, James B.; Zhang, Jie; Zeng, Jinli.

Zhang, Shunming

TI Dynamic Arbitrage-Free Asset Pricing with Proportional Transaction Costs. **AU** Deng, Xiaotie; Xu, Chunlei; Zhang, Shunming.

Zivin, Joshua

TI How Do Doctors Behave When Some (But Not All) of Their Patients are in Managed Care? **AU** Glied, Sherry; Zivin, Joshua.

Zoega, Gylfi

TI Why Do Firms Invest in General Training? "Good" Firms and "Bad" Firms as a Source of Monopsony Power. **AU** Booth, Alison L.; Zoega, Gylfi.

Zoli, Edda

PD October 2001. **TI** Cost and Effectiveness of Banking Sector Restructuring in Transition Economies. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/01/157; International Monetary Fund, 700 19th Street, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** $15.00. **JE** G21, G28, P20, H60. **KW** Bank Restructuring. Transition Countries. Fiscal Costs of Banking Crisis.

AB The paper analyses the cost and effectiveness of bank restructuring policies in 11 transition countries during 1991-98. It argues that country-specific banking sector features, the size of bad loans inherited from the centrally planned system, and weaknesses in the restructuring policies implemented were the main factors affecting the overall fiscal costs, with the latter two being more significant. The paper finds no significant relationship between the size of restructuring costs and overall improvement in banking sector performance for the sample countries as a whole.