ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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

Abayasiri-Silva, Kaludura

PD March 1996. **TI** Economies of Scale and Imperfect Competition in an Applied General Equilibrium Model of the Australian Economy. **AU** Abayasiri-Silva, Kaludura; Horridge, Mark. **AA** Monash University. **SR** Centre of Policy Studies and the Impact Project, Working Paper: OP/84; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. **PG** 26. **PR** not available. **JE** C68, D58, L11, L13. **KW** Scale Economies. Imperfect Competition. General Equilibrium.

AB Recently some researchers have suggested that economies of scale and imperfect competition play a major role in determining the effects of exogenous policy shocks. Thus they have emphasized the need to incorporate industrial organization features into computable general equilibrium (CGE) models. However, our knowledge of this new paradigm is still in its infancy -- it is not yet clear how models of this type should be specified and to what extent their predictions are sensitive to the choice of specification. This paper describes a 23-sector CGE model of the Australian economy, based on ORANI and on Horridge (1987a and 1987b), which incorporates economies of scale and imperfect competition. The model is used to investigate whether adding these new features affects simulation results. We present results for three different types of non-competitive regimes and compare these with results generated by a traditional (constant returns and perfect competition) version of the same model.

Abbink, Klaus

TI Money Does Not Induce Risk Neutral Behavior, but Binary Lotteries Do Even Worse. **AU** Selten, Reinhard; Sadrieh, Abdolkarim; Abbink, Klaus.

Abel, Andrew B.

PD November 1995. **TI** The Effects of Irreversibility and Uncertainty on Capital Accumulation. **AU** Abel, Andrew B.; Eberly, Janice C. **AA** University of Pennsylvania and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5363; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 29. **PR** $5.00. **JE** D81. E22. **KW** Capital Accumulation. Irreversible Investment.

AB When investment decisions cannot be reversed and returns to capital are uncertain, the firm faces a higher user cost of capital than if it could reverse its decisions. This higher user cost tends to reduce the firm's capital stock. Opposing this effect is the irreversibility constraint itself; when the constraint binds, the firm would like to sell capital but cannot. This effect tends to increase the firm's capital stock. We show that a firm with irreversible investment may have a higher or a lower expected capital stock, even in the long run, compared to an otherwise identical firm with reversible investment. Furthermore, an increase in uncertainty can either increase or decrease the expected long-run capital stock under irreversibility relative to that under reversibility. However, changes in the expected growth rate of demand, the interest rate, the capital share in output, and the price elasticity of demand all have unambiguous effects.

Abul Naga, Ramses H.

PD June 1996. **TI** Prediction and Sufficiency in the Model of Factor Analysis. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9616; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 25. **PR** no charge. **JE** C10, C40, C80, I30. **KW** Latent Variables. Factor Analysis. Sufficiency. Living Standards Analysis. Exponential Distribution.

AB We contrast two approaches to the prediction of latent variables in the model of factor analysis. The likelihood statistic constitutes the set of minimal sufficient statistics for the unobservables when sampling arises from the exponential family of distributions. Linear predictors on the other hand can be obtained as distribution-free statistics. The paper provides conditions under which a class of linear predictors is sufficient for the exponential family of distributions. We also derive linear predictors for left-hand variables, and discuss in some detail prediction and sufficiency under the general normality assumption. We illustrate our results with the help of Chinese data on living standards.

PD November 1996. **TI** Family Background, Intergenerational Mobility, and Earnings Distribution: Evidence from the United States. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9623; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 20. **PR** no charge. **JE** I30, J62. **KW** Inequality. Intergenerational Mobility. Welfare Dominance.

AB An emerging literature in the field on income distribution suggests that inequality may persist in the long run. U.S. father and son income data extracted from the PSID support the hypothesis that the distribution of earnings of children raised in privileged environments welfare-dominates that of children of disadvantaged backgrounds. We provide the following explanations for this finding: (i) children raised in privileged backgrounds tend to have higher average earnings and more equally distributed incomes than children originated from disadvantaged environments, (ii) income inheritance is

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substantial for the less privileged group. On the whole though the intergenerational probability matrix of earnings exhibits a pattern of symmetry with transitions from class i to class j equally likely as movements from class j to class i.

Acemoglu, Daron

PD August 1995. TI Asymmetric Business Cycles: Theory and Time Series Evidence. AU Acemoglu, Daron; Scott, Andrew. AA Acemoglu: Massachusetts Institute of Technology. Scott: Oxford University. SR Massachusetts Institute of Technology, Department of Economics Working Paper: 95/24; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 23. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE E32, E23, D24. KW Asymmetries. Cyclical Indicator. Increasing Returns. Regime Shifts. Unobserved Components.
AB We offer a theory of economic fluctuations based on intertemporal increasing returns: agents who have been active in the past face lower costs of action today. This specification explains the observed persistence in individual and aggregate output fluctuations even in the presence of independent and identically distributed shocks, essentially because individuals respond to the same shock differently depending on their recent past experience. A feature of our model is that output growth follows an unobserved components process with special emphasis on an underlying cyclical indicator. The exact process for output, the sharpness of turning pints and the degree of asymmetry are determined by the form that heterogeneity takes. We suggest a general formulation for models with latent cyclical variables which, under certain assumptions, reduces to a number of state space models that have been successfully used to model U.S. GNP. Using our general formulation we find that allowing for richer heterogeneity enables us to obtain a better fit to the data and also that U.S. business cycles are asymmetric, with this asymmetry manifesting itself as steep declines into recession. We estimate a strongly persistent cyclical component which is not well approximated by discrete regime shifts nor by linear models. Our estimates of the relative size of intertemporal returns needed to explain U.S. GNP vary but on the whole are not implausibly large.

PD October 1995. TI Matching, Heterogeneity and the Evolution of Income Distribution. AA Massachusetts Institute of . Technology. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 95/25; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 37. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D31, J41. KW Search. Mismatch. Human Capital. Wage Inequality. Income Inequality.
AB This paper presents a model in which firms and workers have to engage in costly search to find a production partner. In this setting, the skill, job and wage distributions and their evolutions are endogenized. The presence of search costs implies that there are two redistributive forces in the labor market. First, because skilled workers sometimes produce with jobs intended for unskilled workers and vice versa, the gap between skilled and unskilled workers gets compressed. Second, because skilled workers always have a better outside option, unskilled wages are pushed down. We show that these forces can lead to a non-ergodic equilibrium process whereby at high levels of initial inequality, wage inequality can keep rising whereas it could be decreasing starting from lower levels of inequality. The model predicts that increasing wage inequality is more likely to arise in economies with less frictional labor markets, less redistributive taxation and less public schooling. These predictions are in line with the diverse cross-country patterns that we observe.

PD January 1996. TI Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach. AU Acemoglu, Daron; Verdier, Thierry. AA Acemoglu: Massachusetts Institute of Technology. Verdier: CERAS and DELTA. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/5; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 24. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D23, D52, K42. KW Property Rights. Corruption. Talent. Law Enforcement. Development.
AB We consider an economy where property rights are necessary to ensure sufficient rewards to ex ante investments. Because enforcement of property rights influences the ex post distribution of rents, there is room for corruption. We characterize the optimal organization of the society and optimal degree of property right enforcement subject to incentive constraints of the agents. We find that three frequently mentioned government failures arise quite naturally as part of the optimal mechanism; (i) rents for government employees, (ii) corruption, and (iii) misallocation of talent. Therefore, these observations are not in themselves proof of government failure. We also discover that the general equilibrium aspect of our model leads to a number of new results: there may exist a "free lunch" such that over a certain range it is possible to simultaneously reduce corruption, misallocation of talent and increase investments; and it will often be the case that bureaucracies will impose a certain amount of self-discipline.

PD February 1996. TI Why Do Firms Train? Theory and Evidence. AU Acemoglu, Daron; Pischke, Jorn-Steffen. AA Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/7; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 33. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D82, J24, J42. KW Human Capital. Germany. Apprenticeship System. Monopsony. Training.
AB This paper offers and tests a theory of training whereby workers do not pay for general training they receive. The crucial ingredient in our model is that the current employer has superior information about the worker's ability relative to other firms. This informational advantage gives the employer an ex post monopsony power over the worker which encourages the firm to provide training. We show that the model can lead to multiple equilibria. In one equilibrium quits are endogenously high, and as a result employers have limited monopsony power and are willing to supply only little training, while in another equilibrium quits are low and training high. We also derive predictions from our model not shared by other explanations of firm sponsored training. Using microdata from Germany, we show that the predictions of the specific human capital model are rejected, while our model receives support from the data.

PD February 1996. TI Agency Costs in the Process of Development. AU Acemoglu, Daron; Zilibotti, Fabrizio. AA Acemoglu: Massachusetts Institute of Technology. Zilibotti: Universitat Pompeu Fabra. SR Massachusetts

Institute of Technology, Department of Economics, Working Paper: 96/8; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 39. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D82, E44, G23. KW Agency Costs. Development. Information. Financial Institutions. Social Experimentation.

AB We analyze an economy where production is subject to moral hazard. The degree of the incentive (agency) costs introduced by the presence of moral hazard naturally depends on the information structure in the economy; it is cheaper to induce correct incentives in a society which possesses better ex post information. The degree of ex post information depends on the number of projects and entrepreneurs in the economy; the more projects, the better the information. This implies that at the early stages of development, the range of projects and the amount of information are limited and agency costs are high. Since the information created by a project is an externality on others, the decentralized economy is constrained inefficient; in particular, it does not "experiment" enough. The analysis of the role of information also opens the way to an investigation of the development of financial institutions. We contrast the information aggregation role of stock markets and information production role of banks. Because the amount of available information increases with development, our model predicts the pattern of financial development observed in practice; banks first and stock markets later.

PD June 1996. TI Changes in Unemployment and Wage Inequality: An Alternative Theory and Some Evidence. AA Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/15; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 36. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE E24, J31, J64. KW Search. Matching. Unemployment. Wage Inequality. Job Structure.

AB This paper offers an alternative theory for the increase in unemployment and wage inequality experienced in the U.S. over the past two decades. In this model firms decide the composition of jobs and then match these jobs with skilled and unskilled workers. The demand for skills is endogenous and an increase in the proportion of skilled workers or their productivity can change the nature of equilibrium such that firms start creating separate jobs for the skilled and the unskilled. Such a change increases skilled wages, reduces unskilled wages and increases the unemployment rate of both skilled and unskilled workers. Although skilled workers are better off as a result of this change, total social surplus can decrease. A testable implication which distinguishes this theory from others is derived and some evidence in support of this implication is provided.

PD June 1996. TI Agency Costs in the Process of Development. AU Acemoglu, Daron; Zilibotti, Fabrizio. AA Acemoglu: Massachusetts Institute of Technology. Zilibotti: Universitat Pompeu Fabra. SR Centre for Economic Policy Research, Discussion Paper: 1421; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 44. PR 4 pounds or $8.00. JE D82, E44, G23. KW Agency Costs. Development. Information. Financial Institutions. Social Experimentation.

AB See abstract for Daron Acemoglu and Fabrizio Zilibotti, February 1996. "Agency Costs in the Process of Development".

Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/8; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139.

PD June 1996. TI Was Prometheus Unbound by Chance? Risk, Diversification and Growth. AU Acemoglu, Daron; Zilibotti, Fabrizio. AA Acemoglu: Massachusetts Institute of Technology. Zilibotti: Universitat Pompeu Fabra. SR Centre for Economic Policy Research, Discussion Paper: 1426; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 48. PR 4 pounds or $8.00. JE D82, E44, G23. KW Chance. Development. Diversification. Financial Intermediaries. Growth. Risk.

AB This paper offers a theory of development which links the degree of market incompleteness to capital accumulation and growth. At early stages of development, the presence of indivisible projects limits the degree of risk-spreading (diversification) that the economy can achieve. The desire to avoid highly risky investments slows down capital accumulation. The typical development pattern will consist of a lengthy period of "primitive accumulation" with highly variable output, followed by take-off and financial deepening and lastly, steady growth. "Lucky" countries will spend relatively less time in the primitive accumulation stage. Although all agents are price-takers and there are no technological spillovers, the decentralized equilibrium is inefficient because individuals do not take into account their impact on the diversification opportunities of others.

PD September 1996. TI Changes in Unemployment and Wage Inequality: An Alternative Theory and Some Evidence. AA Massachusetts Institute of Technology. SR Centre for Economic Policy Research, Discussion Paper: 1459; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE E24, J31, J64. KW Search. Matching. Unemployment. Wage Inequality. Job Structure.

AB See abstract for Daron Acemoglu, June 1996. "Changes in Unemployment and Wage Inequality: An Alternative Theory and Some Evidence". Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/15; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139.

PD September 1996. TI Why do Firms Train? Theory and Evidence. AU Acemoglu, Daron; Pischke, Jorn-Steffen. AA Massachusetts Institute of Technology. SR Centre for Economic Policy Research, Discussion Paper: 1460; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 33. PR 4 pounds or $8.00. JE D82, J24. KW Asymmetric Information. Human Capital. German Apprenticeship. Monopsony. Training.

AB See abstract for Daron Acemoglu and Jorn-Steffen Pischke, February 1996. "Why Do Firms Train? Theory and Evidence". Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/7; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139.

PD October 1996. TI Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach. AU Acemoglu, Daron; Verdier, Thierry. AA Acemoglu: Massachusetts Institute of Technology. Verdier: DELTA, Paris.

SR Centre for Economic Policy Research, Discussion Paper: 1494; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 24. **PR** 4 pounds or $8.00. **JE** D22, D23, H40. **KW** Property Rights. Corruption. Allocation of Talent. Law Enforcement. Development.
AB See abstract for Daron Acemoglu and Thierry Verdier, January 1996. "Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approachi". Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/5; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139.

Adams, Philip D.

PD March 1996. **TI** Reaching the Planners: Generating Detailed Commodity Forecasts from a Computable General Equilibrium Model. **AU** Adams, Philip D.; Dixon, Peter B. **AA** Monash University. **SR** Centre of Policy Studies and the Impact Project, Working Paper: OP/83; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. **PG** 27. **PR** not available. **JE** C53, C68, C81. **KW** General Equilibrium Forecasting. Input-Output Data. Microeconomic Forecasting. Disaggregating Forecasts.
AB The largest computable general equilibrium (CGE) models currently in operation produce forecasts divided into about 100 commodities (goods and services). This level of detail may seem overwhelming to macroeconomists but is often inadequate for micro planning. For example, a forecast for business services (a typical commodity at the 100-level) is of marginal interest in planning educational programs for sub-categories of business services such as accountancy, advertising and architecture. As a step towards generating information for micro planning, this paper describes a tops-down method for disaggregating CGE forecasts. The method relies on detailed sales data often collected by input-output sections of statistical agencies. An application is reported in which forecasts from a 114-commodity CGE model are disaggregated into forecasts for 780 commodities. Within each of the 114 core commodities, differences in prospects are forecast for sub- commodities reflecting differences in their sales patterns and in the degree to which they face import competition.

Ades, Alberto

TI The Rise and Fall of Elites: A Theory of Economic Development and Social Polarization in Rent-seeking Societies. **AU** Verdier, Thierry; Ades, Alberto.

Ait-Sahalia, Yacine

PD November 1995. **TI** Nonparametric Pricing of Interest Rate Derivative Securities. **AA** University of Chicago and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5345; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 19. **PR** $5.00. **JE** E12. **KW** Derivative Securities. Nonparametric Estimation. Bonds.
AB We propose a nonparametric estimation procedure for continuous-time stochastic models. Because prices of derivative securities depend crucially on the form of the instantaneous volatility of the underlying process, we leave the volatility function unrestricted and estimate it

nonparametrically. Only discrete data are used but the estimation procedure still does not rely on replacing the continuous-time model by some discrete approximation. Instead the drift and volatility functions are forced to match the densities of the process. We estimate the stochastic differential equation followed by the short term interest rate and compute nonparametric prices for bonds and bond options.

PD November 1995. **TI** Testing Continuous-Time Models of the Spot Interest Rate. **AA** University of Chicago and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5346; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 17. **PR** $5.00. **JE** C40. **KW** Interest Rates.
AB Different continuous-time models for interest rates coexist in the literature. We test parametric models by comparing their implied parametric density to the same density estimated nonparametrically. We do not replace the continuous-time model by discrete approximations, even though the data are recorded at discrete intervals. The principal source of rejection of existing models is the strong nonlinearity of the drift. Around its mean, where the drift is essentially zero, the spot rate behaves like a random walk. The drift then mean-reverts strongly when far away from the mean. The volatility is higher when away from the mean.

PD November 1995. **TI** Nonparametric Estimation of State-Price Densities Implicit in Financial Asset Prices. **AU** Ait-Sahalia, Yacine; Lo, Andrew W. **AA** Ait-Sahalia: University of Chicago and National Bureau of Economic Research. Lo: Massachusetts Institute of Technology and National Bureau of Economic Research.. **SR** National Bureau of Economic Research Working Paper: 5351; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 27. **PR** $5.00. **JE** C40, G12. **KW** Asset Prices. State-Price Density. Options Prices.
AB Implicit in the prices of traded financial assets are Arrow-Debreu state prices or, in the continuous-state case, the state-price density (SPS). We construct an estimator for the SPD implicit in option prices and derive an asymptotic sampling theory for this estimator to gauge its accuracy. The SPD estimator provides an arbitrage-free method of pricing new, more complex, or less liquid securities while capturing those features of the data that are most relevant from an asset-pricing perspective, e.g., negative skewness and excess kurtosis for asset returns, volatility "smiles" for option prices. We perform Monte Carlo simulation experiments to show that the SPD estimator can be successfully extracted from option prices and we present an empirical application using S&P 500 index options.

Aizenman, Joshua

PD November 1995. **TI** The Impact of Inflation on Budgetary Discipline. **AU** Aizenman, Joshua; Hausmann, Ricardo. **AA** Aizenman: Dartmouth College and National Bureau of Economic Research. Hausmann: Inter-American Development Bank. **SR** National Bureau of Economic Research Working Paper: 5338; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 23. **PR** $5.00. **JE** E31, H61. **KW** Budget. Inflation.
AB This paper investigates budgetary rules for an economy characterized by inflation and volatile relative prices. We view

the budgetary process as a limited contingencies contract between the treasury and the ministers. The budgetary process allows a minister, whose realized real budget falls short of a threshold, to ask for a budget revision. Upon cost verification by the treasury, the minister obtains the extra funds needed to meet the expenditure threshold level. The contract sets both the projected budget and the threshold real expenditure that justifies budget revisions. We identify the efficient contract, and show that for significant state verification costs and for low volatility, the contract is non contingent (i.e., a nominal contract). For volatility significant enough the contract becomes contingent -- it reduces the initial allocation [i.e., the projected budget], and reduces the threshold associated with budgetary revisions. Both adjustments imply that in volatile economics the projected revenue understates the realized budget, hence the average budget error in positive. As the volatility increases, the contract converges to a full ex-post indexation. Hence, one of the costs of inflation is that nominal contracts lose their disciplining role in determining the real allocation. Instead, the economy shifts towards more costly arrangements, like ex-post indexation, where the discipline is accomplished by constant monitoring. The last part of the paper uses the data from 12 Latin American countries to test the model's predictions. Our tests confirm that in an inflationary environment the planned budget is under-predicting the realized one -- higher inflation increases the budget error and hence the average budget error is positive.

PD   November 1995.   TI   Optimal Buffer Stocks and Precautionary Savings with Disappointment Aversion. AA   Dartmouth College and National Bureau of Economic Research.   SR   National Bureau of Economic Research Working Paper: 5361; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138.   PG   18. PR $5.00.   JE   E21.   KW   Precautionary Savings. Buffer Stocks. Disappointment Aversion.
AB   Developing countries use various risk reduction schemes, ranging from active management of buffer stocks and international reserves to commodity stabilization funds. The purpose of this paper is to reexamine the design of these schemes in a generalized expected utility maximization model where agents are disappointment averse. We derive first the generalized risk premium, showing that disappointment aversion increases the conventional risk premium by a term proportional to the standard deviation times the degree of disappointment aversion. Next, we show that disappointment aversion modifies times the characteristics of precautionary saving. The concavity of the marginal utility continues to determine precautionary saving, but its effect is of a second order magnitude (proportional to the variance) compared to the first order effect (proportional to the standard deviation) induced by disappointment aversion. Hence, higher volatility increases the precautionary saving of a disappointment averse agent. This result applies even if the income process approaches a random walk. Finally, we reexamine the optimal size of buffer stocks, showing that disappointment aversion increases its size by a first order magnitude. A buffer stock that is rather small when agents are maximizing the conventional expected utility is rather large when agents are disappointment averse.

Aksin, O. Zeynep

PD   December 1996.   TI   Staffing an Inbound Call Center. AU   Aksin, O. Zeynep; Harker, Patrick T.   AA   Aksin:

INSEAD. Harker: University of Pennsylvania.   SR   INSEAD Working Papers: 97/15/TM; INSEAD, Boulevard de Constance, 77305   Fontainebleau,   Cedex,   France.   Website: www.insead.fr/Research.   PG   29.   PR   no   charge. JE   J24, L96, M11, M12.   KW   Call Center. Staffing.
AB   This paper studies a staffing problem for inbound call centers with multiple call types and service agents that specialize in these different call types. The staffing problem seeks to allocate servers in a call center where performance is determined by its server allocation as well as its telecommunication and information technology resources; profit maximization is the goal of this problem. For the pure loss case, which does not allow for reneged calls, it is shown that a greedy allocation procedure yields the optimal servers allocation. Similarly, for the more general case with only one type of call class, a simple search procedure is shown to result in the optimal number of servers. Heuristics are proposed for the general multi-class of the staffing problem, whose performances are evaluated through numerical examples at the end of the paper.

al-Nowaihi, Ali

PD   April 1996.   TI   Independent but Accountable: Walsh Contracts and the Credibility Problem.   AU   al-Nowaihi, Ali; Levine, Paul.   AA   al-Nowaihi: University of Leicester. Levine: University of Surrey.   SR   Centre for Economic Policy Research, Discussion Paper: 1387; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom.   PG   48.   PR   4 pounds or $8.00. JE   C72, E61.   KW   Central Banks. Contract. Credibility. Renegotiation. Reputation.
AB   Walsh (1995) addresses the government-central bank principal-agent problem where there exists a severe information extraction problem. This is solved by a "Walsh contract" which links the income of the central bank to observed macroeconomic variables, output and inflation. The contract does not solve the time-inconsistency problem, however. There will be circumstances where a renegotiation of the contract benefits all parties involved and non-renegotiation-proofness   destroys   its   credibility   as   a commitment device. But the contract's strength is that renegotiation can be very visible and this facilitates a reputational solution to the problem, set out in this paper.

Alogoskoufis, George S.

PD   September 1996.   TI   Public Investment and Endogenous Growth in a Small Open Economy. AU   Alogoskoufis, George S.; Kalyvitis, Sarantis C. AA   Athens University of Economics and Business. SR   Centre for Economic Policy Research, Discussion Paper: 1479; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   14.   PR   4 pounds or $8.00.   JE   H54, O41. KW   Endogenous Growth. Public Capital. Adjustment Costs. Public Investment.
AB   This paper examines the effects of three alternative rules for public investment on output growth in a model with private and public capital. The rules considered are: (i) a fixed ratio of public capital to output; (ii) a fixed growth rate for public capital; and (iii) a fixed ratio of public investment to output. We find that all these rules are closely associated with the growth rate of output and generate endogenous growth. A permanent change in the policy rule implies a new long-run growth rate of

output, but the economy will only gradually approach the new steady state due to adjustment costs in private capital accumulation.

Altonji, Joseph G.

AB This paper uses PSID data on the extended family to test whether inter vivos transfers from parents to children are motivated by altruism. Specifically, the paper tests whether an increase by one dollar in the income of parents actively making transfers to a child coupled with a one dollar reduction in that child's income results in the parents increasing their transfer to the child by one dollar. This restriction on parental and child transfer-income derivatives is derived for the standard altruism model augmented to include uncertain and liquidity constraints. These additional elements pin down the timing of inter vivos transfers. The paper's method of estimating income-transfer derivatives takes into account unobserved heterogeneity across families in the degree of altruism. The findings strongly reject the altruism hypothesis. Redistributing one dollar from a recipient child to donor parents leads to less than a 13 cent increase in the parents' transfer to the child -- far less than the one dollar increase implied by altruism.

Anderson, Erin

Anderson, Simon P.

AB Social policies are likely to have an ever-more prominent role in trade policy discussions in the years ahead for the new World Trade Organization (WTO). Many developing countries perceive the entwining of these social issues with trade policy as a threat to both their sovereignty and their economies, while significant groups in advanced economies consider it unfair, ecologically unsound, and even immoral to trade with countries adopting much lower standards than theirs. This paper examines why these issues are becoming more prominent, whether the WTO is an appropriate forum to discuss them, and how they affect developing and other economies. It concludes that (a) the direct effect on developing economies is likely to be small and for some may even be positive through improved terms of trade and/or compensatory transfer payments, but (b) there is an important indirect negative effect on them and other economies, namely, the potential erosion of the rules-based multilateral trading system that would result from an over-use of trade measures to pursue environmental or labor market objectives.

AB Rapid industrialization in East Asia, particularly China, is raising questions about who will feed the region in the next century and how Asia will pay for its food imports. The paper addresses this question by first reviewing existing food sector projections and then taking an economy-wide perspective using projections to 2005, based on the global CGE model known as GTAP. After showing the impact of implementing the Uruguay Round, the paper explores the effects of slower global agricultural productivity growth and of slower economic growth in China. Several policy shocks are also examined. They include the entry of China (and hence Taiwan) into the World Trade Organization (WTO), and the failure to fully abolish the bilateral quotas on textiles and clothing trade as promised under the Uruguay Round.

Angehrn, Alber A.

AB The ICDT Model described in this paper is a framework for categorizing and analyzing Internet-related business strategies. The model provides the basis for a systematic approach: (1) to the analysis of how traditional products and services are redesigned in the light of the new opportunities and competitive pressures resulting from the rapid penetration of the Internet; and (2) to identify specific competencies companies need to acquire and organizational adjustments companies need to undergo in order to fully exploit the business opportunities created by the Internet.

Angerhrn, Albert A.

Antolin, Pablo

AB This paper examines gross worker flows in Spain.

Unemployment inflows are counter-cyclical while outflows are a-cyclical. Changes introduced in the Spanish labor market have increased the magnitude and variability of both flows, in particular inflows, without affecting the a-cyclical behavior of outflows. Engagements and flows into employment from non-employment are pro-cyclical. Separations are a-cyclical, while flows out of employment to non-employment are counter-cyclical. Hence job-to-job movements must be pro-cyclical. Engagements and separations have responded positively to a wider variety of contractual forms. The Spanish evidence seems to be reasonably explained by the existence of a dual labor market between workers under permanent and fixed-term job contracts.

Arulampalam, Wiji
TI Who Gets Over the Training Hurdle? A Study of the Training Experiences of Young Men and Women in Britain. **AU** Booth, Alison L.; Arulampalam, Wiji.

Asea, Patrick
PD April 1996. **TI** On the Ineffectiveness of Tax Policy in Altering Long-Run Growth: Harberger's Superneutrality Conjecture. **AU** Asea, Patrick; Mendoza, Enrique G.; Milesi-Ferretti, Gian Maria. **AA** Asea: University of California at Los Angeles. Mendoza: Board of Governors of the Federal Reserve System. Milesi-Ferretti: International Monetary Fund. **SR** Centre for Economic Policy Research, Discussion Paper: 1378; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 52. **PR** 4 pounds or $8.00. **JE** E62, O41, O57. **KW** Endogenous Growth. Private Investment. Tax Structure. Tax Rate.
AB Harberger's superneutrality conjecture contends that, although in theory the mix of direct and indirect taxes affects investment and growth, in practice tax policy is ineffective as an instrument to promote growth. This paper provides evidence to support this view by examining the predictions of endogenous growth models driven by human capital accumulation. The empirical work is based on numerical simulations and cross-country regressions, using a new methodology for constructing aggregate effective tax rates. Results show significant investment effects from taxes that are consistent with negligible growth effects. The results are robust to the introduction of other growth determinants.

Atack, Jeremy
PD June 1995. **TI** Irregular Production and Time-Out-of-Work in American Manufacturing Industry in 1870 and 1880: Some Preliminary Estimates. **AU** Atack, Jeremy; Bateman, Fred. **AA** Atack: Vanderbilt University and National Bureau of Economic Research. Bateman: University of Georgia. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 69; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** L60, N61. **KW** Manufacturing. Capacity. Lay-Offs. Nineteen Century.
AB This paper makes use of hitherto untabulated data from the censuses of manufacturing for 1870 and 1880 to investigate the extent to which firms operated at less than their full capacity year round in these census years and thus provides some evidence of the extent to which workers may have faced temporary or permanent lay-off. We conclude that firms

nationwide operated for the equivalent of 254 days (out of, perhaps, 309 working days) during the 1870 census year from the end of May, 1869 to the beginning of June, 1870 and 261 days during the 1880 census year from the beginning of June 1879 to the end of May, 1880. Workers put in the equivalent of slightly more days of work in each of these years in their customary industrial employment because larger firms were more likely to operate for more days per year. There were, however, significant regional and industry differences. Although our estimates are broadly consistent with independent estimates and are generally in accord with expectations, they raise important questions about economic performance in the late nineteenth century which remain unanswered here.

PD August 1996. **TI** "Location, Location, Location!" The Market for Vacant Urban Land: New York 1835-1900. **AU** Atack, Jeremy; Margo, Robert A. **AA** Vanderbilt University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper Series on Historical Factors in Long Run Growth: 91; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** N51, R14, R33. **KW** Urban Land. Vacant Land. New York. Land Price.
AB We present new archival evidence on the price of vacant land in New York City between 1835 and 1900. Before the Civil War, the price of land per square foot fell steeply with distance from New York's City Hall located in the central business district. After the Civil War, the distance gradient flattened and the fit of a simple regression of land price on distance from the CBD declined markedly. Average nominal land prices at the CBD increased at an average annual rate of over 3 percent per year between 1835 and 1895 before declining as the century came to an end.

Athey, Susan
PD October 1995. **TI** Characterizing Properties of Stochastic Objective Functions. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/1; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 51. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C61, D84. **KW** Stochastic Dominance. Convexity. Conditional Expectation. Uncertainty. Comparative Statics.
AB This paper studies properties of stochastic objective functions, that is, objective functions which can be written as the expected value of a payoff function. Given a set of assumptions on the payoff function, the paper characterize exact conditions on the parameterized probability distribution such that the expected value of the payoff function satisfies a given property. First proven is a result which characterizes the property monotonicity, unifying and extending the existing stochastic dominance literature. The mathematical structure underlying stochastic dominance theorems depends on the linearity of the integral. Then it is shown that the same mathematical structure underlies characterizations of an entire class of properties, a class which we call "linear difference properties," which includes supermodular, concave, and sign restrictions on partial derivatives. The results about supermodularity of the stochastic objective function can be applied to derive monotone comparative statics predictions.

PD July 1996. **TI** Comparative Statics under Uncertainty:

Single Crossing Properties and Log-Supermodularity. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/22; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 37. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C62, D84. **KW** Monotone Comparative Statics. Single Crossing. Affiliation. Likelihood Ratio.

AB This paper develops necessary and sufficient conditions for monotone comparative statics predictions in several general classes of stochastic optimization problems. There are two main results. The first pertains to single crossing properties (of marginal returns, incremental returns, and indifference curves) in stochastic problems with a single random variable, and the second class involves log-supermodularity of functions with multiple random variables (where log-supermodularity of a density corresponds to the property affiliation from auction theory). The results are then applied to derive comparative statics predictions in problems of investment under uncertainty, signaling games, mechanism design, and games of incomplete information such as pricing games and mineral rights auctions. The results are formulated to highlight the tradeoffs between assumptions about payoff functions and assumptions about probability distributions; further, they apply even when the choice variables are discrete, there are potentially multiple optima, or the objective function is not differentiable.

Atkeson, Andrew

PD October 1995. **TI** How Mexico Lost Its Foreign Exchange Reserves. **AU** Atkeson, Andrew; Rios-Rull, Jose-Victor. **AA** Atkeson: University of Pennsylvania and National Bureau of Economic Research. Rios-Rull: Federal Reserve Bank of Minneapolis. **SR** National Bureau of Economic Research Working Paper: 5329; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 38. **PR** $5.00. **JE** F31, O54. **KW** Foreign Exchange. Mexico.

AB In standard models of the balance of payments, crises occur when investors begin to doubt the credibility of the government's commitment to its exchange rate policy. In this paper, we develop an alternative model in which balance of payments crises occur even if the credibility of government fiscal, monetary, and exchange rate policies is never in doubt. In this alternative model, international lending is constrained by the risk of repudiation. Balance of payments crises occur when the government and citizens of a country hit their international. borrowing constraints. Our model is broadly consistent with events in Mexico from 1987-1995. More generally, our model suggests that countries which undertake sweeping macroeconomic and structural reforms should expect to face a balance of payments crisis when they exhaust their access to international capital inflows.

Attanasio, Orazio P.

PD September 1995. **TI** Consumer Durables and Inertial Behavior: Estimation and Aggregation of (S,s) Rules. **AA** University College London and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5282; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 27. **PR** $5.00. **JE** E21, L62. **KW** Automobile Consumption. (S,s) Model. Inertial Behavior.

AB This paper presents an (S,s) model for automobile consumption and estimates it using a data set of U.S. households. The model allows for unobserved heterogeneity in both the target level and the band width, takes into account the possibility of a zero desired level, constrains the band to be nonnegative and allows asymmetric bands. The model is estimated on a novel data set which contains information on both stock values and automobile expenditure for a large number of households observed over a period of a year. The (S,s) rule is specified in terms of the ratio of car stock to non durables. The shortcuts usually employed in the empirical literature on (S,s) rules can be avoided thanks to the richness of the data set and the rigorous specification of the stochastic model. Having estimated the model and considered "goodness of fit" measures, aggregation issues are considered. First, the paper presents number of negative results. Then, several simulations aimed at evaluating the effects induced by inertial behavior on aggregate dynamics are considered.

PD November 1995. **TI** Humps and Bumps in Lifetime Consumption. **AU** Attanasio, Orazio P.; Banks, James; Meghir, Costas; Weber, Guglielmo. **AA** Attanasio and Banks: Institute for Fiscal Studies and National Bureau of Economic Research. Meghir: University College London. Weber: Universita de Padova. **SR** National Bureau of Economic Research Working Paper: 5350; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 23. **PR** $5.00. **JE** D91, E21. **KW** Lifetime Consumption. Precautionary Savings. Consumption Profiles.

AB In this paper we argue that once one departs from the simple classroom example, or "stripped down life-cycle model," the empirical model for consumption growth can be made flexible enough to fit the main features of the data. More specifically, we show that allowing demographics to affect household preferences and relaxing the assumption of certainty equivalence can generate hump-shaped consumption profiles over age that are very similar to those observed in household-level data sources, without appealing to alternative explanations (such as liquidity constraints, myopia or mental accounting). The hump-shape is partly attributable to precautionary savings, and partly due to demographics; the tracking (whereby consumption jumps with income) is instead due to the permanent nature of the income shocks. We use U.S. household-level data to estimate preference parameters and income profiles, and then simulate consumption profiles for different education groups. Our simulated profiles show that the key features observed in the data can be closely matched in simulation. We also show that neglecting uncertainty produces consumption profiles that are "too flat", whereas neglecting demographics generates consumption profiles that peak "too late.".

Avery, Christopher

PD November 1996. **TI** Multi-Dimensional Uncertainty and Herd Behavior in Financial Markets. **AU** Avery, Christopher; Zemsky, Peter. **AA** Avery: Harvard University. Zemsky: INSEAD. **SR** INSEAD Working Papers: 96/79/FIN/SM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 34. **PR** not available. **JE** D83, G12, G14. **KW** Herd Behavior. Asset Prices. Uncertainty. Risk.

AB We study the relationship between rational herd behavior

and asset prices. We define herd behavior as occurring when an agent trades against his initial assessment and instead follows the trend in previous trade. When traders have an informational advantage on a single dimension (the new asset value), price adjustments by a competitive market maker prevent any herd behavior. If the market maker is additionally uncertain as to whether the underlying asset value has changed, we show that herd behavior is possible. However, such herd behavior need not affect the asset price because the market correctly discounts the informativeness of trades during periods of herding. When the market is uncertain about both whether the asset value has changed and whether traders are well or poorly informed on average about the new asset value, then herd behavior can lead to significant, short-run price movements that do not reflect the true asset value.

Ayres, Leslie W.

TI Use of Materials Balances to Estimate Aggregate Waste Generation in the US. **AU** Ayres, Robert U.; Ayres, Leslie W.

Ayres, Robert U.

PD June 1995. **TI** Use of Materials Balances to Estimate Aggregate Waste Generation in the US. **AU** Ayres, Robert U.; Ayres, Leslie W. **AA** INSEAD. **SR** INSEAD Working Papers: 97/10/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 46. **PR** no charge. **JE** D24, L74. **KW** Waste Generation. Materials Balances. Material Flows.
AB Material flows and transformations for the U.S. economy for a single year (1988) are constructed from published commodity transaction data. Particular emphasis is placed on accounting for the mass difference between known commodity inputs to each industrial sector and known commodity outputs from the sector. Inputs of "free goods" (air, water, topsoil) from the environment can also be estimated from process data. The difference between total inputs and commodity outputs can be characterized as "missing mass". The authors attempt to account for missing mass in terms of known level of waste treatment and disposal, by environmental medium. In some cases, at least, official (EPA) contractor estimates based on other methodologies appear to be too small by significant margins. This paper summarizes the results of the first stage of a much larger study now being prepared for publication in book form.

TI An Application of Exergy Accounting to Four Basic Metal Industries. **AU** Masini, Andrea; Ayres, Robert U..

PD December 1996. **TI** Environmental Concerns and Sustainable Development. **AA** INSEAD. **SR** INSEAD Working Papers: 96/89/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. **PG** 36. **PR** no charge. **JE** O13, O14, Q20, Q30. **KW** Environmental Regulation. Economic Growth. Dirty Industries. Development. Clean Technology.
AB This paper reviews a number of issues related to sustainable economic growth, with reference to the so-called "developing countries". Among the issues considered is the question raised by L. Summers when he was at the World Bank, namely whether there is not a good economic case for encouraging "dirty" industries to migrate from high-wage countries to low wage countries. The paper then reviews the

global, regional and local environmental implications of agricultural and industrial development, including a number of tables. Implications for emissions and associated health and other problems are reviewed. The paper then discusses technological opportunities for "win-win" solutions, especially by utilizing new technologies to "leapfrog" beyond capital and materials intensive Western developmental patterns, such as centralized electric power generation and distribution systems. It briefly considers the impact of pressures on developing countries to adopt "clean technology" in the light of international trade and competitiveness concerns. Finally, it discusses approaches to environmental regulation, concluding with a discussion of the need for a global regulatory authority.

PD January 1997. **TI** The Kuznets Curve and the Life Cycle Analogy. **AA** INSEAD. **SR** INSEAD Working Papers: 97/08/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 11. **PR** no charge. **JE** O11, O47. **KW** Kuznets Curve. Life Cycle. Growth.
AB The growth and, especially, the successions of industrial sectors strongly suggests an "aging" phenomenon. In fact, the Kuznets curve was originally based on this notion. More recently, the aging idea has been more fully elaborated into a "life cycle" scheme (conception, birth, childhood, adolescence, maturity and senescence) which corresponds quite closely with the observed stages of development of a new technology or product. The question arises: is the life cycle analogy sufficiently general to constitute a set of "stylized facts" around which a theory could be developed? In particular, is the life cycle reversible? If so, under what circumstances? The paper addresses these questions and concludes with some observations about the environmental Kuznets curve (EKC) and its applicability to the question of whether economic growth is compatible with long-term sustainability.

PD February 1997. **TI** Industrial Metabolism: Work in Progress. **AA** INSEAD. **SR** INSEAD Working Papers: 97/09/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 17. **PR** no charge. **JE** L65. L66, Q25. **KW** Industrial Metabolism. Materials. Energy.
AB This paper is a review of the origins and evolution of the Industrial Metabolism (IM) perspective. It includes brief discussions of IM as a systematic view of how and why materials and energy are extracted from the earth, processed and transformed by industry and finally returned to the environment as wastes and effluents. Various topics considered include the bio-geo-chemical cycles (of C, N, S), analogous industrial material cycles, the mass balance principle, the special problem of dissipative uses of materials, toxification and measures of sustainability. Implications for economic theory and for government policy are also discussed briefly.

PD February 1997. **TI** Theories of Economic Growth. **AA** INSEAD. **SR** INSEAD Working Papers: 97/13/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 36. **PR** no charge. **JE** O30, O40. **KW** Economic Growth. Endogenous Growth.
AB This paper is a review of the current state of the theory of economic growth. It concludes that the theory is gravely deficient, both in terms of underlying economic assumptions (micro-foundations) and naive treatment of technology. The

dominant neo-classical theory is based on the self-contradictory assumption that the economy grows while in a state of Pareto-optimal competitive equilibrium driven by exogenous technical change. The so-called "new" theory of endogenous growth replaces this by the assumption that capital is really free-floating knowledge that is a public good available to all. Since both assumptions are inconsistent with historical and current reality (as well as common sense) a new theory, based on more realistic assumptions, is badly needed. The new theory should explicitly reflect, among other stylized facts, the phenomenon of learning by doing and the existence of productive knowledge that is a private good. It should also reflect the fact that new technologies create new sectors that grow, develop, and mature at different times and rates according to a characteristic life cycle.

Azar, Christian

PD 1996. **TI** Technological Change and the Long-Run Cost of Reducing CO2 Emissions. **AA** INSEAD. **SR** INSEAD Working Papers: 96/84/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. **PG** 49. **PR** no charge. **JE** O13, Q25, Q41. **KW** Carbon Dioxide. Emissions.
AB There is a wide-spread perception that stringent measures to control CO2 emissions will entail very high or even unaffordable costs to the society. The manner in which estimates of·the costs of reducing the emissions of CO2 are presented have generally contributed to this belief. Presented in another way, a completely different picture emerges. There is almost complete consensus among long-term energy modellers that it is possible to reduce the emissions of CO2 significantly below the present level, while at the same time increasing GDP per capita severalfold over the next century. This paper reviews several studies of the costs of reducing the CO2 emissions. It focuses on how technological development has been death with in the models. Generally, the price and performance of alternative technologies have been assumed to be exogenous, whereas they will depend significantly on the extent to which these technologies are employed. However, some studies do model technological change endogenously. Four such studies are reviewed. The main policy implication is that policy makers need to create markets for these technologies in order to avoid "lock-out" of potentially superior technologies and to enable learning-by-doing, which will bring costs down.

Bacchetta, Philippe

PD May 1996. **TI** Do Capital Market Imperfections Exacerbate Output Fluctuations? **AU** Bacchetta, Philippe; Caminal, Ramon. **AA** Bacchetta: Universite de Lausanne. Caminal: Institut d'Analisi Economica. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9612; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 23. **PR** no charge. **JE** E32, E44. **KW** Market Imperfections. Agency Costs. Business Cycle.
AB We develop a dynamic general equilibrium macroeconomic model where a proportion of firms are credit constrained due to asymmetric information. In general, a macroeconomic shock has additional effects created by a reallocation of funds between credit-constrained and unconstrained firms. We show, however, that the output response to shocks is not necessarily amplified and can be dampened by the presence of asymmetric information. This depends on the impact of the shock on the composition of external and internal funds for credit-constrained firms. Furthermore, we show that it is important to distinguish between firms' collateral and firms' cash flow in determining the dampening or amplifying effect of agency costs.

PD June 1996. **TI** Do Capital Market Imperfections Exacerbate Output Fluctuations? **AU** Bacchetta, Philippe; Caminal, Ramon. **AA** Bacchetta: Studienzentrum Gerzensee. Caminal: Universitat Autonoma de Barcelona. **SR** Centre for Economic Policy Research, Discussion Paper: 1422; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** E32, E42. **KW** Credit Market Imperfections. Agency Costs. Business Cycles.
AB See abstract for Philippe Bacchetta and Ramon Caminal, May 1996. "Do Capital Market Imperfections Exacerbate Output Fluctuations? Universite de Lausanne Cahiers de Recherches Economiques: 9612; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland.

Bai, Jushan

PD May 1996. **TI** A Note on Spurious Break and Regime Shift in Cointegrating Relationship. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/13; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 12. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C13, C22. **KW** Spurious Break. Spurious Regression. Change Point. Cointegration. Broken Trend.
AB The simulations result of Nunes, Kuan, and Newbold suggests that it is possible to estimate a spurious break for a regression model with I(1) disturbances. In this note, we provide a rigorous proof for this phenomenon. We also show that their finding applies to integrated regressors, so that a spurious regression may lead to a spurious break. However, if two integrated processes are cointegrated with a structural change in the cointegrating relationship, the break point can be consistently estimated. The consistency is in terms of the integer index rather than in terms of the sample fraction. This rapid rate of convergence is not attainable for stationary or, more generally, for I(0) regressors. Furthermore, the consistency holds even when magnitudes of breaks are small but do not converge to zero too fast. These consistency results are also obtained for a broken trend model.

PD June 1996. **TI** An Inequality for Vector-Valued Martingales and its Applications. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/16; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 10. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C13, C22. **KW** Hajek-Renyi. Martingales. Mixingales. Multiple Regressions. Strong Consistency.
AB In this paper, we derive a general Hajek-Renyi type of inequality for vector-valued martingales. Several well known inequalities are shown to be special cases of this general inequality. We also derive a similar inequality for dependent sequences. We then apply the inequality to the problem of strong consistency of least squares estimators for multiple

regressions.

Baker, Laurence C.

PD November 1995. TI The Effects of HMOs on Conventional Insurance Premiums: Theory and Evidence. AU Baker, Laurence C.; Corts, Kenneth S. AA Baker: Stanford University and National Bureau of Economic Research. Corts: Harvard University. SR National Bureau of Economic Research Working Paper: 5356; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 33. PR $5.00. JE I11. KW Health Maintenance Organization. Insurance Premium.
AB We develop a model of imperfectly competitive insurers that compete with HMO's for consumers who have private information about their health status. We illustrate two conflicting effects of increasing HMO activity on conventional insurance premiums. We term these effects market discipline -- HMO competition may limit the ability of insurers to exercise market power, thus driving prices down -- and market segmentation -- HMOs may skim the healthiest patients, thus driving insurers' costs and prices up. We empirically examine the relative importance of these effects using data from a firm-level survey that provides data on premiums, together with market-level measures of HMO activity. Our results suggest that the market segmentation effect is important, and that increases in HMO activity may increase insurance premiums.

PD November 1995. TI HMOs and Fee-For-Service Health Care Expenditures: Evidence from Medicare. AA Stanford University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5360; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 27. PR $5.00. JE H51, I11. KW Health Maintenance Organization. Medicare. Managed Care.
AB Increasing levels of HMO activity may influence health expenditures in other sectors of the market. Medicare provides FFS coverage to the majority of its beneficiaries and may thus provide a way of examining these so-called spillover effects. This paper examines 1986-1990 Medicare FFS expenditures at the county- and MSA-levels, coupled with county- and MSA-level measures of HMO market share. Fixed-effects and IV estimates of the relationship between market share and expenditures are presented. All of the models imply that FFS expenditures are concave in market share and that expenditures are decreasing in market share for market shares above about 18 percent. Many of the estimates suggest that expenditures become decreasing in market share at much lower levels (between 0 and 10 percent). Fixed-effects estimates imply that increases in market share from 20 to 30 percent would be associated with expenditures reductions of 3.4 percent -- 6.6 percent in Part A expenditures and 2.5 percent -- 5.6 percent in Part B expenditures. IV estimates imply larger responses. The results are consistent with the hypothesis that managed care can affect nonmanaged-care expenditures.

Balazs, Katharina

TI Transforming the Mind-Set of the Organization: An Owner's Manual. AU Kets de Vries, Manfred F. R.; Balazs, Katharina.

Baldwin, Richard E.

PD November 1995. TI Investment Creation and Investment Diversion: Simulation Analysis of the Single Market Programme. AU Baldwin, Richard E.; Forslid, Rikard; Haaland, Jan. AA Baldwin: University of Geneva and National Bureau of Economic Research. Forslid: University of Lund. Haaland: Norwegian School of Economics and Business Administration. SR National Bureau of Economic Research Working Paper: 5364; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 34. PR $5.00. JE E22, F13. KW Investment. Capital Stocks.
AB This paper studies the investment creation and diversion effects of the EU's Single Market program (EU92). We first present empirical evidence which suggests that EU92 caused investment diversion in the European Free Trade Association (EFTA) nations and investment creation in the EU. The economic logic behind this is simple. Discriminatory liberalization shifts production of tradable goods from nonintegrating countries to the integrating region. Since tradable sectors are capital intensive relative to nontraded sectors, the production shifting raises the rental rate in the integrating regions, lowering it elsewhere. Investment creation and diversion is the result. To simulate what would have occurred if the EFTAns had never gained access to EU92 (via EU membership or the European Economic Area), we employ a computable general equilibrium model with endogenous capital stocks. The results show a modest drop in EFTA capital stocks when they are excluded from EU92, but an important rise (almost 5 percent) when they are included. In terms of real income, the difference between the included and excluded cases is quite large for the EFTAns (5.5 percent of GDP0. In all cases, the EU experiences investment creation and income gains. The effects on the US and Japan are trivially small, but mostly negative in terms of capital stocks and real income.

PD May 1996. TI Growth and European Integration: Towards an Empirical Assessment. AU Baldwin, Richard E.; Seghezza, Elena. AA University of Geneva. SR Centre for Economic Policy Research, Discussion Paper: 1393; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE F10, F15, O41. KW Growth. Trade. European Integration. Investment.
AB Broadly speaking, European integration affects growth by stimulating the accumulation of physical capital and/or knowledge capital (i.e. technology). This paper surveys existing empirical work on integration and growth concluding that there is strong evidence that trade liberalization promotes growth by boosting investment in physical capital. Because European integration has substantially liberalized European trade, we conclude that it has promoted European growth. We find much less econometric support for trade-induced technology-led growth. Nonetheless cross-country data reveals a rough correlation between the national total factor productivity growth rates and the degree (and duration) of European integration. Our exploratory regressions into this phenomenon prove inconclusive, but we suggest several directions for future research.

PD May 1996. TI Trade Liberalization and Endogenous Growth: A q-Theory Approach. AU Baldwin, Richard E.; Forslid, Rikard. AA Baldwin: University of Geneva. Forslid: University of Lund. SR Centre for Economic Policy Research, Discussion Paper: 1397; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE F12, F15, O41. KW Endogenous Growth. Trade

Liberalization. Tobin's q.
AB This paper has two purposes. It introduces a direct approach to policy analysis in endogenous growth models -- the q-theory approach -- and uses this to illustrate several new openness-and-growth links that appear when we enrich the economic content of the early trade and growth models. The approach -- inspired by Tobin's q -- is merely a change of state variables and re-interpretation of steady-state conditions. The main difference is its focus on investment, which is after all, the heart of growth models. The approach's simplicity permits us to complicate the early models in interesting directions and to explicitly include trade barriers. The latter allows study of incremental policy reform rather than mere shifts from autarky to free trade (or small deviations from free trade) as in the early literature.

PD June 1996. TI Trade-Induced Investment-Led Growth. AU Baldwin, Richard E.; Seghezza, Elena. AA Graduate Institute of International Studies. SR Centre for Economic Policy Research, Discussion Paper: 1420; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 32. PR 4 pounds or $8.00. JE F12, F43. KW Neoclassical Growth. Trade-Induced Investment-Led Growth. Trade and Growth.
AB This paper presents five theoretical openness-and-growth links that can account for trade-induced investment-led growth. The links are all demonstrated with neoclassical growth models developed in the context of trade models that allow for imperfect competition and scale economies. This sort of old-growth-theory-in-a-new-trade model has not been thoroughly explored in the literature since the profession skipped from old-growth-old-trade models straight to new-growth-new-trade models. Nonetheless, such models are necessary to explain several key aspects of the econometric evidence on trade and growth. For example, cross-country data suggests that openness influences growth only via its effect on investment, and suggests that openness promotes investment in all countries whatever the capital-intensity of their exports (contrary to predictions of the old-growth-old-trade models).

Ball, Laurence
PD November 1995. TI Expectations and the Effects of Monetary Policy. AU Ball, Laurence; Croushore, Dean. AA Ball: Johns Hopkins University and National Bureau of Economic Research. Croushore: Federal Reserve Bank of Philadelphia. SR National Bureau of Economic Research Working Paper: 5344; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 17. PR $5.00. JE E50. KW Monetary Policy. Output.
AB This paper examines the predictive power shifts in monetary policy, as measured by changes in the federal funds rate, for output, inflation, and survey expectations of these variables. We find that policy shifts have larger effects on actual output than on expected output, suggesting that agents underestimate the effects of policy on aggregate demand. Our results help to explain the real effects of monetary policy, and they provide a strong rejection of the rational expectations hypothesis.

Banks, James
TI Humps and Bumps in Lifetime Consumption. AU Attanasio, Orazio P.; Banks, James; Meghir, Costas; Weber, Guglielmo.

Barrett, Alan
PD October 1996. TI The Effect of Immigrant Admission Criteria on Immigrant Labour-Market Characteristics. AA Economic and Social Research Institute. SR Centre for Economic Policy Research, Discussion Paper: 1491; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 18. PR 4 pounds or $8.00. JE F22, J61. KW Immigration. Immigrant Skills. Admission Criteria.
AB The skill levels of immigrants entering the United States has declined in recent decades, but most immigrants to the United States continue to be admitted on the basis of family contacts, without reference to labor market characteristics. This situation has given rise to a debate about the criteria on which immigrants are admitted or excluded. In this paper I examine how the relative skill levels of immigrants admitted under different criteria vary across countries, those criteria being the possession of highly-valued skills and family connections. I draw on the model of Borjas (1987) to predict how the relative skill levels of family-based and skill-based immigrant groups will differ across countries. Using data from the Immigration and Naturalization Service, I test the model and show that: (a) the relative skill levels of the two groups do indeed differ across countries; and (b) the pattern across countries is consistent with the Borjas predictions. The policy implication is that the effects of changing admission criteria will differ across countries, but in a predictable way.

Barro, Robert J.
PD October 1995. TI Inflation and Economic Growth. AA Harvard University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5326; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 19. PR $5.00. JE E31. KW Inflation. Growth.
AB Data for around 100 countries from 1960 to 1990 are used to assess the effects of inflation on economic performance. If a number of country characteristics are held constant, then regression results indicate that the impact effects from an increase in average inflation by 10 percentage points per year are a reduction of the growth rate of real per capita GDP by 0.2-0.3 percentage points per year and a decrease in the ratio of investment to GDP by 0.4-0.6 percentage points. Since the statistical procedures use plausible instruments for inflation, there is some reason to believe that these relations reflect causal influences from inflation to growth and investment. However, statistically significant results emerge only when high-inflation experiences are included in the sample. Although the adverse influence of inflation on growth looks small, the long-term effects on standards of living are substantial. For example, a shift in monetary policy that raises the long-term average inflation rate by 10 percentage points per year is estimated to lower the level of real GDP after 30 years by 4-7%, more than enough to justify a strong interest in price stability.

PD October 1995. TI Optimal Debt Management. AA Harvard University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5327; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 32. PR $5.00. JE H21, H63. KW Debt Management. Ricardian Equivalence.
AB Optimal debt management can be thought of in three stages. First, if taxes are lump sum and the other conditions for

Ricardian equivalence hold, then the division of government financing between debt and taxes is irrelevant, and the whole level of public debt is indeterminate from an optimal-tax standpoint. Second, if taxes are distorting, then the timing of taxes will generally matter; for example, it may be desirable to smooth tax rates over time. Finally, if there is uncertainty about real interest rates, levels of public outlay, GDP, and so on, then the relation of tax rates to states of nature becomes important. In some cases, optimal taxation dictates the smoothing of tax rates over states of nature, and this element may pin down the composition of the debt. This paper studies dynamic optimal taxation in an equilibrium model that yields a form of tax smoothing as a basis for debt management. The main analysis uses a tractable form of the one-sector stochastic growth model. The type of taxation that yields the clearest results on tax smoothing is a proportional levy on consumption. In a simple benchmark case, optimal debt management entails the issue of indexed consoles.

Barros, Pedro P.
PD July 1996. **TI** Competition Policy in Portugal. **AU** Barros, Pedro P.; Mata, Jose. **AA** Barros: Universidade Nova de Lisboa. Mata: Banco de Portugal. **SR** Centre for Economic Policy Research, Discussion Paper: 1441; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 48. **PR** 4 pounds or $8.00. **JE** K21, L41, L11. **KW** Competition Policy. Portugal. Antitrust.
AB Modern economies predominantly rely on the working of markets. To ensure that markets are a level playing field for economic agents, competition policies are usually included in the legal framework that regulates economic activities. Portugal is no exception to this rule. This paper reviews the legal aspects of Portuguese competition policy from an economist's point of view, its economic implications and gives a brief account of past experience.

Barsoux, Jean-Louis
TI Set Up to Fail: How Bosses Create Their Own Poor Performances. **AU** Manzoni, Jean-Francois; Barsoux, Jean-Louis.

Bartov, Eli
PD October 1995. **TI** Exchange Rate Variability and the Riskiness of U.S. Multinational Firms: Evidence From the Breakdown. **AU** Bartov, Eli; Bodnar, Gordon M.; Kaul, Aditya. **AA** Bartov: New York University. Bodnar: University of Pennsylvania and National Bureau of Economic Research. Kaul: University of Rochester. **SR** National Bureau of Economic Research Working Paper: 5323; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 22. **PR** $5.00. **JE** F31. **KW** Exchange Rates. Multinational Firms. Volatility. Stock Returns.
AB This study assesses the impact of exchange rate variability on the riskiness of U.S. multinational firms by examining the relation between exchange rate variability and stock return volatility and by decomposing this relation into components of systematic and diversifiable risk. Focusing on two periods around the 1973 switch from fixed to floating exchange rates, we find a significant increase in the volatility of U.S. multinational monthly stock returns corresponding to the period of increased exchange rate variability. This increase in

stock return volatility is also significant relative to the increase in stock return volatility for firms in three control samples. Using a single factor market model, we show this increase in total volatility led to a significant increase in market risk (beta) for the multinational firms relative to the control samples between the two periods. Collectively, these results suggest that the increase in exchange rate variability after 1973 was perceived by investors to be associated with an increase in the riskiness of cash flows of multinational firms that required compensation in terms of higher expected returns.

Basu, Susanto
PD November 1995. **TI** Procyclical Productivity: Increasing Returns or Cyclical Utilization? **AA** University of Michigan and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5336; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 26. **PR** $5.00. **JE** E23, E32. **KW** Cyclical Utilization. Increasing Returns. Productivity.
AB It has long been argued that cyclical fluctuations in labor and capital utilization and the presence of overhead labor and capital are important for explaining procyclical productivity. Here I present two simple and direct tests of these hypotheses, and a way of measuring the relative importance of these two explanations. The intuition behind the paper is that materials input is likely to be measured with less cyclical error than labor and capital input, and materials are likely to be used in strict proportion to value added. In that case, materials growth provides a good measure of the unobserved changes in capital and labor input. Using this measure, I find that the true growth of variable labor and capital inputs is, on average, almost twice the measured change in the capital stock or labor hours. More than half of that is caused by the presence of overhead inputs in production; the rest is due to cyclical factor utilization.

Bateman, Fred
TI Irregular Production and Time-Out-of-Work in American Manufacturing Industry in 1870 and 1880: Some Preliminary Estimates. **AU** Atack, Jeremy; Bateman, Fred.

Bayoumi, Tamim
PD October 1995. **TI** Is Regionalism Simply a Diversion? Evidence From the Evolution of the EC and EFTA. **AU** Bayoumi, Tamim; Eichengreen, Barry. **AA** Bayoumi: International Monetary Fund. Eichengreen: University of California, Berkeley and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5283; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 29. **PR** $5.00. **JE** F02, F13, F15, O52. **KW** Gravity Model. Regionalism. Europe. International Trade.
AB This paper considers the impact on trade of preferential arrangements in Europe since the 1950's. Using a first difference version of the gravity model, we find that the EC and EFTA altered the pattern of international trade. We also find evidence of trade diversion in several cases, notably that of the EC in the 1960's.

PD March 1996. **TI** International Evidence on the Determinants of Saving. **AU** Bayoumi, Tamim; Masson, Paul R.; Samiei, Hossein. **AA** International Monetary Fund. **SR** Centre for Economic Policy Research, Discussion Paper: 1368; Centre for Economic Policy Research, 25-28 Old

Burlington Street, London W1X 1LB, United Kingdom. **PG** 48. **PR** 4 pounds or $8.00. **JE** C33, E21, J11. **KW** Saving. International Comparisons.
AB A broad set of possible determinants of private saving behavior is examined, using data for a large sample of industrial and developing countries. Both time-series and cross-section estimates are obtained. Results suggest that there is a partial offset on private saving of changes in public saving and (for developing countries) in foreign saving, that demographics and growth are important determinants of private saving rates, and that interest rates and terms of trade have positive, but less robust, effects. Increases in per capita GDP seem to increase saving at low income levels (relative to the United States), but decrease it at higher ones.

PD April 1996. **TI** Getting Pegged: Comparing the 1879 and 1925 Gold Resumptions. **AU** Bayoumi, Tamim; Bordo, Michael D. **AA** Bayoumi: International Monetary Fund. Bordo: Rutgers University. **SR** Centre for Economic Policy Research, Discussion Paper: 1390; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 56. **PR** 4 pounds or $8.00. **JE** F31, F33, F36. **KW** Exchange Rate. Pegs. Gold Standard. Foreign Exchange.
AB We compare the resumption of convertibility into gold by the United States in 1879 and the United Kingdom in 1925 to ascertain the degree to which the outcomes reflect differences in strategies adopted by the authorities or in the external environment. It is concluded that external factors were the most important determinant of the very different outcomes of the two episodes.

PD August 1996. **TI** R&D Spillovers and Global Growth. **AU** Bayoumi, Tamim; Coe, David T.; Helpman, Elhanan. **AA** Bayoumi and Coe: International Monetary Fund. Helpman: Tel Aviv University. **SR** Centre for Economic Policy Research, Discussion Paper: 1467; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 26. **PR** 4 pounds or $8.00. **JE** O31, O40. **KW** Productivity. Research and Development. Spillovers.
AB We examine the growth promoting roles of research and development, international research and development spillovers, and trade in a world econometric model. A country can raise its total factor productivity by investing in research and development. Countries can also boost their productivity by trading with other countries that have large "stocks of knowledge" from their cumulative research and development activities. We use a special version of MULTIMOD that incorporates research and development spillovers among industrial countries and from industrial countries to developing countries. Our simulations suggest that research and development, research and development spillovers, and trade play important roles in boosting growth in industrial and developing countries.

PD October 1996. **TI** Operationalizing the Theory of Optimum Currency Areas. **AU** Bayoumi, Tamim; Eichengreen, Barry. **AA** Bayoumi: International Monetary Fund. Eichengreen: University of California, Berkeley. **SR** Centre for Economic Policy Research, Discussion Paper: 1484; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 29. **PR** 4 pounds or $8.00. **JE** F33, F36. **KW** Optimum Currency Areas. Empirical Work.

AB Recent years have seen a wave of empirical studies attempting to give empirical content to the theory of optimum currency areas as a way of marshalling evidence on the costs and benefits of EMU. This paper reviews this empirical literature, as a way of examining the success with which theory has been operationalized. We also report some new work on the impact of German unification and increasing economic integration in Europe on correlations of underlying disturbances and on geographic specialization of production. We conclude with some thoughts about directions for future research.

Bekaert, Geert
PD October 1995. **TI** Emerging Equity Market Volatility. **AU** Bekaert, Geert; Harvey, Campbell R. **AA** Bekaert: Stanford University and National Bureau of Economic Research. Harvey: Duke University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5307; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 33. **PR** $5.00. **JE** G15. **KW** Market Volatility.
AB Returns in emerging capital markets are very different from returns in developed markets. While most previous research has focused on average returns, we analyze the volatility of the returns in emerging equity markets. We characterize the time-series of volatility in emerging markets and explore the distributional foundations of the variance process. Of particular interest is evidence of asymmetries in volatility and the evolution of the variance process after periods of capital market reform. We shed indirect light on the question of capital market integration by exploring the changing influence of world factors on the volatility in emerging markets. Finally, we investigate the cross-section of volatility. We use measures such as asset concentration, market capitalization to GDP, size of the trade sector, cross-sectional volatility of individual securities within each country, turnover, foreign exchange variability and national credit ratings to characterize why volatility is different across emerging markets.

Bell, David R.
PD February 1997. **TI** The "84/14/2" Rule Revisited: What Drives Choice, Incidence and Quantity Elasticities? **AU** Bell, David R.; Chiang, Jeongwen; Padmanabhan, Vijay. **AA** Bell: University of California, Los Angeles. Chiang: Washington University and Hong Kong University. Padmanabhan: INSEAD. **SR** INSEAD Working Papers: 97/16/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 27. **PR** no charge. **JE** M31. **KW** Elasticities. Price Promotion. Marketing.
AB A brand's total price elasticity, conditional on a purchase occasion, can be decomposed into three components: the brand choice, purchase incidence and purchase quantity elasticity. Gupta (1988) has analysed this relationship within the context of a single product category. This research makes three new substantive contributions. First, while the authors confirm that the majority of the promotion effect is derived from choice, the relative emphasis on incidence and quantity varies systematically across categories. Storable products have relatively higher weight on quantity, perishable products have a higher weight on incidence. Second, the authors utilize a generalized least squares meta analysis procedure (Montgomery and Srinivasan, 1996) to show how factors such

as marketing effort, category structure, brand franchise and consumer demographic variables influence elasticities. One key finding is that unpredictability of marketing effort has more influence on elasticity response than does relative levels of marketing effort. Third, they show that in several instances where important decision variables do not affect total elasticities, this is due to offsetting effects within two or more of the three behavioral components of elasticity.

Ben-David, Dan

PD March 1996. TI Technological Convergence and International Trade. AU Ben-David, Dan; Rahman, A. K. M. Atiqur. AA Ben-David: Tel Aviv University. Rahman: University of Houston. SR Centre for Economic Policy Research, Discussion Paper: 1359; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 32. PR 4 pounds or $8.00. JE C22, O11, O41. KW Income Convergence. Technology. TFP. Productivity. International Trade.
AB This paper builds on earlier evidence showing that, while most countries exhibit little evidence of unconditional income convergence, countries that trade heavily with one another tend to exhibit a much higher incidence of convergence. Two alternative explanations for the trade-related convergence are explored here. The first alternative is that the trade-related income convergence is due to a convergence in capital-labor ratios. Little support is found for this explanation. The other alternative examined here is that of a trade-related convergence in technologies. This alternative is corroborated by a high incidence of·convergence in total factor productivities among countries that trade heavily with one another -- an outcome that is not common between these same countries when they are grouped randomly rather than on the basis of trade.

Benabou, Roland

PD June 1996. TI Unequal Societies. AA New York University. SR Centre for Economic Policy Research, Discussion Paper: 1419; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 44. PR 4 pounds or $8.00. JE D31, E62, I22, O41, P16. KW Income Distribution. Political Economy. Taxation. Welfare State. Education Finance.
AB This paper seeks to explain the significant variations in the social contract observed across nations. It shows how countries with similar technologies and preferences, as well as equally democratic political systems, can sustain very different average and marginal tax rates. Similarly, it provides an explanation for the striking difference between the US and European systems of education finance and health insurance. With imperfect credit and insurance markets some redistributive policies can have a positive effect on output, growth, or · more generally ex-ante welfare. Aggregate efficiency gains, in turn, imply a very different political economy from that of standard models: the extent of political support for such redistributions decreases with the degree of inequality, at least over some range. Moreover, capital market imperfections make future earning a function of current resources. Hence there exists potential for multiple steady states, with mutually reinforcing high inequality and low redistribution, or vice versa. Temporary shocks to the distribution of income or the political system can then have permanent effects.

PD July 1996. TI Inequality and Growth. AA New York University. SR Centre for Economic Policy Research, Discussion Paper: 1450; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 68. PR 4 pounds or $8.00. JE D31, D72, E62, O11. KW Growth. Inequality. Redistribution. Political Instability. Property Rights.
AB This paper presents and extends the main theories linking income distribution and growth, as well as the relevant empirical evidence. The first model integrates political-economy and imperfect capital markets theories. It allows for imperfect democracy and embodies the trade-off between the growth costs and benefits of redistribution through taxes, land reform or public schooling: such policies simultaneously depress savings incentives and ameliorate the wealth constraints that impede investment by the poor. The second model is a growth version of the prisoner's dilemma, which captures the essence of theories where sociopolitical conflict reduces the security of property rights, thereby discouraging accumulation. The economy's growth rate is shown to fall with interest groups' rent-seeking abilities, as well as with the gap between rich and poor. It is not income inequality per se that matters, however, but inequality in the relative distribution of earning and political power. For each of the three channels of political economy, capital markets and social conflict, the empirical evidence is surveyed.

Benhabib, Jess

PD May 1996. TI Indeterminacy and Sector-Specific Externalities. AU Benhabib, Jess; Farmer, Roger E. A. AA Benhabib: New York University. Farmer: University of California at Los Angeles. SR Centre for Economic Policy Research, Discussion Paper: 1403; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 40. PR 4 pounds or $8.00. JE E32, D62, D24. . KW Sunspots. Indeterminacy. Business Fluctuations. Increasing Returns.
AB We introduce mild increasing returns to scale into a version of the Real Business Cycle model. These increasing returns to scale occur as a consequence of sector-specific externalities, that is, externalities where the output of the consumption and investment sectors have external effects on the output of firms within their own sector. Keeping the production technologies for both sectors identical, for expositional simplicity, we show that indeterminacy can easily occur for parameter values typically used in the real business cycle literature, and in contrast to some earlier literature on indeterminacies, for externalities mild enough so that labor demand curves are downward sloping.

PD May 1996. TI The Monetary Transmission Mechanism. AU Benhabib, Jess; Farmer, Roger E. A. AA Benhabib: New York University. Farmer: University of California at Los Angeles. SR Centre for Economic Policy Research, Discussion Paper: 1404; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE E32, E52, D24, E31. KW Sunspots. Indeterminacy. Sticky Prices. Business Fluctuations.
AB In this paper we take as given that market economies are characterized by a set of stylized responses to increases in the stock of money. Innovations to the stock of money lead to increased output and reductions in short-term interest rates in the short run and only in the long run do nominal prices respond. These features of the monetary transmission

mechanism have been discussed at least since David Hume. Most authors have attributed the real effects of money in the short run either to mistaken expectations or to non-market clearing or both. In this paper we argue that neither of these channels is needed to explain the facts. We show that a competitive market clearing model in which money enters the production function is fully capable of mimicking the broad features of the data. Our argument relies on an explanation of "price stickiness" that exploits a multiplicity of equilibria in a rational expectations model.

Bennett, John

PD May 1996. TI A Macro-Theoretic Model of the Chinese Economy. AU Bennett, John; Dixon, Huw David. AA Bennett: University of Wales Swansea. Dixon: University of York. SR Centre for Economic Policy Research, Discussion Paper: 1370; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 32. PR 4 pounds or $8.00. JE O11, P21, P52. KW China. Transition. Open Economy. Agricultural Subsidy.
AB A stylized model of the Chinese economy is developed with three production sectors: agriculture, non-traded industrial goods, and industrial exports. The state purchases food from farmers by dual-track pricing; urban food sales are subsidized through ration coupons. Marginal prices clear markets except that currency controls constrain the availability of intermediates, the only imports. Devaluation is found to stimulate real variables, but deflates money variables; the reverse occurs with monetary expansion or raising the plan-track food procurement price. Lowering urban food subsidies or raising enterprise taxation reduces the budget deficit, reduces open and disguised unemployment, and deflates nominal prices.

Bensaou, Ben M.

PD 1996. TI Information Technology in Japan: Are there Lessons for the West? AU Bensaou, Ben M.; Earl, Michael. AA Bensaou: INSEAD. Earl: London School Business. SR INSEAD Working Papers: 96/88/TM/ABA; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 23. PR no charge. JE O30, O53. KW Information Technology. Japan. Culture.
AB There is an apparent paradox about the adoption and use of Information Technology in Japanese Corporations. Visit factories and they are often hi-tech. This paper seeks to explain the contrast and claims that it makes sense -- both culturally and competitively. The authors also describe hidden strengths in the way Japanese companies manage IT. The second half of the paper suggests that much is about to change. Organizational computing in Japan may well take off -- and a new level of competitiveness will result. There are lessons to be learnt in the west, particularly about the match of IT culture.

PD 1996. TI Information Technology in Japanese Firms: Are There Lessons for the West? AU Bensaou, Ben M.; Earl, Michael. AA Bensaou: INSEAD. Earl: London Business School. SR INSEAD Working Papers: 96/92/TM/ABA; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 19. PR no charge. JE M14, O33, O53. KW Information Technology. Japan. Culture.
AB See abstract for Ben M. Bensaou and Michael Earl, 1996. "Information Technology in Japan: Are There Lessons for the West?" INSEAD Working Papers: 96/88/TM/ABA; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research.

Bernanke, Ben S.

PD June 1996. TI Measuring Monetary Policy. AU Bernanke, Ben S.; Mihov, Ilian. AA Bernanke: Princeton University. Mihov: INSEAD. SR INSEAD Working Papers: 96/74/EPS/FIN; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 31. PR not available. JE C33, E32, E31, E52. KW Central Banks. Monetary Policy. VAR.
AB We develop and implement a general, VAR-based methodology for measuring innovations in the stance of monetary policy and their effect on the economy. Within this framework we are able to (1) perform statistical comparisons of existing proposed policy indicators, (2) derive a new indicator which is "optimal", in the sense of being most consistent with estimates of the central bank's operating procedures, and (3) compare and analyze the dynamic responses of economic variables to alternative measures of policy shocks. We also propose a new measure of the overall stance of policy (including the endogenous or anticipated part) which is consistent with our approach.

PD September 1996. TI What Does the Bundesbank Target? AU Bernanke, Ben S.; Mihov, Ilian. AA Bernanke: Princeton University. Mihov: INSEAD. SR INSEAD Working Papers: 96/73/EPS/FIN; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 32. PR not available. JE C33, E58, E31, E43. KW Bundesbank. Germany. Inflation. Central Banks.
AB Although its primary ultimate objective is price stability, the Bundesbank has drawn a distinction between its money-focused strategy and the inflation targeting approach recently adopted by a number of central banks. We show that, holding constant the current forecast of inflation, German monetary policy responds very little to changes in forecasted money growth; we conclude that the Bundesbank is much better described as an inflation targeter than as a money targeter. An additional contribution of the paper is to apply the structural VAR methods of Bernanke and Mihov (1995) to determine the optimal indicator of German monetary policy: We find that the Lombard rate has historically been a good indicator, although the use of the call rate as an indicator cannot be statistically rejected.

Bernard, Andrew B.

PD April 1996. TI Exports and Success in German Manufacturing. AU Bernard, Andrew B.; Wagner, Joachim. AA Bernard: Massachusetts Institute of Technology. Wagner: Universitat Luneburg. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/10; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 30. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE F11, D21, L60. KW Trade. Productivity. Growth. Exports.
AB While Germany has a very open, export-oriented manufacturing sector, to date there has been little or no research on the role of exporting in German firm performance. This paper documents the significant differences between exporters and non-exporters and attempts to identify the

sources of these disparities. Exporters are much larger, more capital-intensive, and more productive than non-exporters. However, the bulk of the evidence suggests that these performance characteristics predate entry into the export market. We find no positive effects on employment, wage or productivity growth after entry. Our results provide confirming evidence that success leads to exporting, rather than the reverse.

Bertocchi, Graziella

PD September 1996. **TI** Did Colonization Matter for Growth? An Empirical Exploration into the Historical Causes of Africa's Underdevelopment. **AU** Bertocchi, Graziella; Canova, Fabio. **AA** Bertocchi: Universita di Modena. Canova: Universitat Pompeu Fabra. **SR** Centre for Economic Policy Research, Discussion Paper: 1444; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 21. **PR** 4 pounds or $8.00. **JE** E13, N17, O41, Q32. **KW** Colonization. Growth. Africa.
AB This paper investigates the impact of twentieth-century European colonization on African countries. We find that colonization mattered for growth. The following had some beneficial growth effects: being a dependency rather than a colony; being a colony of France or the United Kingdom rather than Belgium, Italy or Portugal; and being less exploited. On average, growth accelerates after independence. Variables proxying for colonial heritage add explanatory power to standard growth regressions, while indicators for human capital and political and ethnic instability lose significance. The coefficient of a dummy for sub-Saharan Africa becomes less significant in a cross section of 98 countries after controlling for colonial experience.

PD September 1996. **TI** Trade, Wages and the Persistence of Underdevelopment. **AA** Universita di Modena. **SR** Centre for Economic Policy Research, Discussion Paper: 1445; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 18. **PR** 4 pounds or $8.00. **JE** F21, J51, O11, O41. **KW** Underdevelopment. Wage Bargaining. Trade. International Capital Flows.
AB We consider a small, unionized economy which interacts with an economically larger one, and we study the growth implications of different institutional structures for the labor markets. We study three possible scenarios. Under decentralized bargaining in the large economy, the two countries converge to the same level of wages and income, even though these levels will be lower than under perfect competition. Under centralized bargaining in the large economy, the small one will end up with a higher capital to labor ratio and GDP in the steady state. This outcome will not necessarily be associated with higher wages and per capita GNP, however. Another possible scenario, with a competitive labor market in the large economy, predicts long-run equalization of per capita capital and production, but lower wages and per capita GNP in the small economy.

Bhandari, Jagdeep S.

TI An Analysis of State-Wide Variation in Bankruptcy Rates in the United States. **AU** Weiss, Lawrence A.; Bhandari, Jagdeep S.; Robins, Russell.

Biddle, Jeff E.

PD November 1995. **TI** Beauty, Productivity and Discrimination: Lawyers' Looks and Lucre. **AU** Biddle, Jeff E.; Hamermesh, Daniel S. **AA** Biddle: Michigan State University. Hamermesh: University of Texas and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5366; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 25. **PR** $5.00. **JE** J24, J31, L84. **KW** Beauty. Productivity. Earnings. Attorneys.
AB We propose several models in which an ascriptive characteristic generates earnings differentials and is sorted across sectors. The general approach shows how to distinguish the ultimate sources of labor-market returns to such characteristics; the specific example uses longitudinal data on a large sample of attorneys who graduated from one law school. Beauty is measured by ratings of their matriculation photographs. 1) Better-looking attorneys who graduated in the 1970's earned more after 5 years of practice than their worse-looking classmates, other things being equal, an effect that grew even larger by the fifteenth year of practice. There is no impact of beauty on earnings among 1980's graduates. 2) Attorneys in the private sector are better-looking than those in the public sector, with the differences of attaining an early partnership rises with beauty. The results support a theory of dynamic sorting and the role of customer behavior. We cannot determine whether this is because clients discriminate or because better-looking lawyers are able to obtain greater pecuniary gains for their clients.

Bjoernerstedt, Jonas

TI On the Evolution of Imitative Behavior. **AU** Schlag, Karl H.; Bjoernerstedt, Jonas.

Blomstrom, Magnus

PD April 1996. **TI** Multinational Corporations and Spillovers. **AU** Blomstrom, Magnus; Kokko, Ari. **AA** Stockholm School of Economics. **SR** Centre for Economic Policy Research, Discussion Paper: 1365; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 56. **PR** 4 pounds or $8.00. **JE** F23, F21. **KW** Multinational Corporations. Foreign Investment. Spillovers. Technology Transfer.
AB This paper examines spillover effects of the activities of multinational corporations (MNCs). Such effects are most likely to be found in host countries, where the operations of foreign multinationals may influence local firms in the MNC's own industry as well as firms in other industries. There is no comprehensive evidence on the exact nature or magnitude of these effects, however, although it is suggested that host country spillovers vary systematically between countries and industries. In particular, the positive effects of foreign investment are likely to increase with the level of local capability and competition. The spillovers to the home countries of MNCs are often more difficult to identify, for various reasons. Earlier studies suggest that the effects are generally positive, but the increasing international division of labor within multinationals complicates the analysis. The impact on the home country is likely to depend on what activities these firms concentrate on at home.

Bodnar, Gordon M.
TI   Exchange Rate Variability and the Riskiness of U.S. Multinational Firms: Evidence From the Breakdown. AU   Bartov, Eli; Bodnar, Gordon M.; Kaul, Aditya.

Bolton, Patrick
PD   August 1996. TI   Blocks, Liquidity, and Corporate Control. AU   Bolton, Patrick; von Thadden, Ernst-Ludwig. AA   Bolton: London School of Economics, Universite Libre de Bruxelles, CentER, Tilburg, and Centre for Economic Policy Research. Von Thadden: Universite de Lausanne, and Centre for Economic Policy Research. SR   Universite de Lausanne Cahiers de Recherches Economiques: 9619; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG   25. PR   no charge. JE   G12, G32. KW   Ownership Structure. Corporate Control. Liquidity. Ownership Concentration. Block Pricing.
AB   The paper develops a simple model of optimal corporate ownership structure in which costs and benefits of ownership concentration are analyzed. The main question addressed is how to reconcile the liquidity benefits obtained through dispersed corporate ownership with control management, which is effective only with some degree of ownership concentration. One option is for a firm to create and maintain a controlling block, thus limiting ownership dispersion. Another is to seek maximum ownership dispersion and rely on secondary trading to create a controlling interest when needed. The paper analyzes these options and provides criteria for the optimal choice of ownership structure.

Boone, Peter
PD   October 1995. TI   Politics and the Effectiveness of Foreign Aid. AA   London School of Economics. SR   National Bureau of Economic Research Working Paper: 5308; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   35. PR $5.00. JE   F35, I30, P50. KW   Foreign Aid. Poverty. Economic Regimes.
AB   Critics of foreign aid programs have long argued that poverty reflects government failure. In this paper I analyze the effectiveness of foreign aid programs to gain insights into political regimes in aid recipient countries. My analytical framework shows how three stylized political/economic regimes labeled egalitarian, elitist and laissez- faire would use foreign aid. I then test reduced form equations using data on nonmilitary aid flows to 96 countries. If find that models of elitist political regimes best predict the impact of foreign aid. Aid does not significantly increase investment and growth, nor benefit the poor as measured by improvements in human development indicators, but it does increase the size of government. I also find that the impact of aid does not vary according to whether recipient governments are liberal democratic or highly repressive. But liberal political regimes and democracies, ceteris paribus, have on average 30% lower infant mortality than the least free regimes. This may be due to greater empowerment of the poor under liberal regimes even though the political elite continues the receive the benefits of aid programs. An implication is that short term aid targeted to support new liberal regimes may be a more successful means of reducing poverty than current programs.

Booth, Alison L.
PD   March 1996. TI   Quitting Externalities with Uncertainty About Future Productivity. AU   Booth, Alison L.; Zoega, Gylfi. AA   Booth: University of Essex. Zoega: Birkbeck College. SR   Centre for Economic Policy Research, Discussion Paper: 1360; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   28. PR   4 pounds or $8.00. JE   E32, J23, J24, J41. KW   Quitting Externalities. Uncertainty. Under-Investment.
AB   This paper looks at the effect of quitting on the number of workers trained under conditions of uncertainty about future productivity when workers have both firm-specific and industry-specific skills. A new effect is found which works in the opposite direction to the undertraining result of Stevens (1994, 1995): A high quit rate makes investment in training less irreversible in the presence of firing costs and hence also less risky. This effect makes firms start hiring new workers at a lower level of productivity and hire more workers for a given increase in productivity. A rise in the quit rate can now either decrease or increase the number of trained workers.

PD   September 1996. TI   Who Gets Over the Training Hurdle? A Study of the Training Experiences of Young Men and Women in Britain. AU   Booth, Alison L.; Arulampalam, Wiji. AA   Booth: University of Essex. Arulampalam: University of Warwick. SR   Centre for Economic Policy Research, Discussion Paper: 1470; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   24. PR   4 pounds or $8.00. JE   C25, I21, J24. KW   Hurdle. Training. Skill Segmentation.
AB   Using longitudinal data from the British National Child Development Study, this paper examines gender differences in the determinants of work-related training. The analysis covers a crucial decade in the working lives of the 1958 birth cohort of young men and women -- the years spanning the ages 23 to 33. Hurdle negative binomial models are used to estimate the number of work-related training events lasting at least three days. This approach takes into account the fact that more than one-half of the men and two-thirds of the women in the sample experienced no work-related training lasting three or more days over the period 1981-91. Our analysis suggests that reliance on work-related training to improve the skills of the work-force will result in an increase in the skills of the already educated, but will not improve the skills of individuals entering the labor market with relatively low levels of education.

Bordignon, Massimo
PD   July 1996. TI   Optimal Regional Redistribution Under Asymmetric Information. AU   Bordignon, Massimo; Manasse, Paolo; Tabellini, Guido. AA   Bordignon: Universita Cattolica del Sacro. Manasse and Tabellini: Universita Bocconi. SR   Centre for Economic Policy Research, Discussion Paper: 1437; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   48. PR   4 pounds or $8.00. JE   H23, H77, R13. KW   Intergovernmental Grants. Regional Redistribution. Asymmetric Information. Fiscal Federalism.
AB   This paper studies optimal redistribution among two different regions in a federal state. Regional governments supply local public goods financed by distorting local taxes. They have better information on their tax bases than the federal government. We model this both as an adverse selection

problem relating to the size of local tax bases and/or as a moral hazard problem relating to local tax enforcement. Moral hazard alone does not affect the first-best redistribution rule, which is a lump sum transfer from the rich to the poor region. In all other cases the optimal transfer rule involves a lump sum tax on the rich regions and a premium for fiscal effort by the poor regions, with the transfer falling short of the first-best level. In the equilibrium with moral hazard and adverse selection, tax evasion occurs only in the poor region, even though the possibility of lax tax enforcement benefits the rich and harms the poor region because it reduces equilibrium redistribution.

Bordo, Michael D.

PD January 1995. **TI** A Comparison of the Stability and Efficiency of the Canadian and American Banking Systems 1870-1925. **AU** Bordo, Michael D.; Rockoff, Hugh; Redish, Angela. **AA** Bordo and Rockoff: Rutgers University and National Bureau of Economic Research. Redish: University of British Columbia. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 67; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** G21, N21. **KW** Banking Systems. Stability. Bank Failures.
AB In this paper we compare the performance of the U.S. and Canadian banking systems from 1870-1925 in terms of stability and efficiency. In an earlier study we found that the Canadian banking systems, based nationwide branch banking, dominated the U.S. system, based on unit banking, on both criteria in the period 1920-1980. In this study we find that there is little significant difference between the two systems in the preceding 50 years. The difference between the two periods we attribute to the merger movement in Canada after 1900 which allowed the Canadian banking system to evolve from a system with incomplete regional diversification, and hence subject to a significant risk of an occasional failure by a large bank, to one characterized by national diversification and greater stability. The greater stability in turn allowed the financial structure of the banking system to evolve in a more efficient direction.

PD November 1995. **TI** The Gold Standard as a "Good Housekeeping Seal of Approval". **AU** Bordo, Michael D.; Rockoff, Hugh. **AA** Bordo: Princeton University and National Bureau of Economic Research. Rockoff: Rutgers University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5340; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 19. **PR** $5.00. **JE** E58. **KW** Gold Standard. Currency.
AB In this paper we argue that adherence to the gold standard rule of convertibility of national currencies into a fixed weight of gold served as a "good housekeeping seal of approval" which facilitated access by peripheral countries to foreign capital from the core countries of western Europe. We survey the historical background of gold standard adherence in the period 1870-1914 by nine important peripheral countries. The sample includes the full range of commitment of the gold standard from continuous adherence, through intermittent adherence, to non-adherence. Evidence on the pattern of long-term government bond yields suggests that long-term commitment to the gold standard mattered even when bonds were denominated in gold: countries that remained on gold throughout the classical era were charged lower rates than countries that had a mixed record of adherence. Estimation of a model analogous to the CAPM, using the differential between peripheral country rates and UK rates augmented by a list of 'fundamentals' and a dummy variable to capture gold standard adherence, reveals that capital markets attached significant weight to gold standard adherence. Countries with poor adherence records were charged considerably more than those with good records, enough to explain the determined effort to stay on gold made by a number of capital importing countries.

PD November 1995. **TI** Real Versus Pseudo-International Systemic Risk: Some Lessons from History. **AU** Bordo, Michael D.; Mizrach, Bruce; Schwartz, Anna J. **AA** Bordo: Princeton University and National Bureau of Economic Research. Mizrach: Rutgers University. Schwartz: National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5371; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 36. **PR** $5.00. **JE** G15. **KW** Systemic Risk. Financial Crises.
AB This paper considers the meaning of domestic and international systemic risk. It examines scenarios that have been adduced as creating systemic risk both within countries and among them. It distinguishes between the concepts of real and pseudo-systemic risk. We examine history of episodes commonly viewed either as financial crises or as evidencing systemic risk to glean lessons for today. We also present some statistical evidence on possible recent systemic risk linkages between the stock markets of emerging countries. The paper concludes with a discussion of the lessons yielded by the record.

TI Getting Pegged: Comparing the 1879 and 1925 Gold Resumptions. **AU** Bayoumi, Tamim; Bordo, Michael D.

Borjas, George J.

PD November 1995. **TI** Immigration and the Welfare State: Immigration Participation in Means-Tested Entitlement Programs. **AU** Borjas, George J.; Hilton, Lynette. **AA** Borjas: Harvard University and National Bureau of Economic Research. Hilton: Barents Group, LLC. **SR** National Bureau of Economic Research Working Paper: 5372; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 23. **PR** $5.00. **JE** H53, I38, J61. **KW** Immigration. Welfare State. Benefits.
AB This paper documents the extent to which immigrants participate in the many programs that make up the welfare state. The immigrant-native difference in the probability of receiving cash benefits is small, but the gap widens once other programs are included in the analysis: 21 percent of immigrant households receive some type of assistance, as compared to only 14 percent of native households. The types of benefits received by earlier immigrants influence the types of benefits received by newly arrived immigrants. Hence there might be ethnic networks which transmit information about the availability of particular benefits to new immigrants.

Bound, John

TI The Effect of Measured School Inputs on Academic Achievement: Evidence From the 1920s, 1930s and 1940s Birth Cohorts. **AU** Loeb, Susanna; Bound, John.

Bourguignon, Francois

PD September 1996. **TI** Distribution of Export Price Risk

in a Developing Country. AU Bourguignon, Francois; Suwa-Eisenmann, Akiko; Lambert, Sylvie. AA Bourguignon and Suwa-Eisenmann: DELTA-ENS. Lambert: INRA. SR Centre for Economic Policy Research, Discussion Paper: 1482; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 27. PR 4 pounds or $8.00. JE D58, O11. KW General Equilibrium. International Trade. Distribution of Risk. Export Prices. Price Risk.
AB We address the issue of social distribution of an aggregate risk (on agricultural export price), from a macroeconomic perspective. Individual incomes in representative social groups are computed as a function of export prices, which are assumed to be stochastic, using an applied general equilibrium model of an archetype developing economy. The statistical properties of the resulting distribution of individual incomes are then examined. We consider a mapping of different policies on agricultural prices (stabilization or complete pass-through), monetary rules (accommodating or not) and exchange rate regimes (fixed versus flexible).

Bradford, David F.
PD October 1995. TI Consumption Taxes: Some Fundamental Transition Issues. AA Princeton University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5290; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 42. PR $5.00. JE H24. KW Taxation. Consumption-Based Taxation.
AB A number of tax reform plans under discussion in the United States would replace the existing hybrid income-based system with a consumption-based system. In this paper I use uniform (single-rate) consumption and income taxes: (a) to explain how the problem of taxing "old savings" or "old capital" manifests itself in the shift from an income to a consumption base; (b) to indicate the tradeoffs that must be confronted in dealing with this phenomenon; (c) to show how price level changes that may or may not accompany a transition affect the distribution of gains and losses; (d) to sketch out how a transition might affect interest rates and asset prices (including owner-occupied housing); (e) to explore the case in equity for protecting the tax-free recovery of old savings; and (f) to emphasize the incentive problems that arise if savers and investors anticipate a change in the tax rate in a consumption-based system.

Brock, William A.
PD October 1995. TI Discrete Choice With Social Interactions I: Theory. AU Brock, William A.; Durlauf, Steven N. AA Brock: University of Wisconsin. Durlauf: University of Wisconsin and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5291; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 35. PR $5.00. JE D60. KW Social Utility. Threshold Effect.
AB This paper provides an analysis of aggregate behavioral outcomes when individual utility exhibits social interaction effects. We study generalized logistic models of individual choice which incorporate terms reflecting the desire of individuals to conform to the behavior of others in an environment of noncooperative decision making. Laws of large numbers are generated in such environments. Multiplicity of

equilibria in these models, which are equivalent to the existence of multiple self-consistent means for average choice behavior, will exist when the social interactions exceed a particular threshold. Local stability of these multiple equilibria is also studied. The properties of the noncooperative economy are contrasted with the properties of an economy in which a social planner determines the set of individual choices. The model is additionally shown to be well suited to explaining a number of empirical phenomena, such as threshold effects in individual behavior, ethnic group fixed effects of income equations, and large cross-group differences in binary choice behavior.

Brulhart, Marius
PD July 1996. TI Regional Integration, Scale Economies and Industry Location in the European Union. AU Brulhart, Marius; Torstensson, Johan. AA Brulhart: Trinity College. Torstensson: Lund University. SR Centre for Economic Policy Research, Discussion Paper: 1435; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE F12, F15, R12. KW Regional Integration. Economic Geography. European Union. Scale Economies.
AB This paper analyzes the effects of regional integration on the location of increasing-returns industry and the resulting pattern of trade. Theoretically, it is shown that regional integration may initially lead to a dispersion of industry inside the customs union. Below a certain threshold of internal trade costs, however, industry concentration in the central member country will again increase. This non-monotonic relationship with regional integration also applies to equilibrium levels of intra-industry trade (IIT). A strictly monotonic negative relationship is found between, on one hand, the degree of scale economies and, on the other hand, industrial concentration both in the central country and intra-union IIT. Empirical evidence for the European Union lends support to some of the theoretical predictions. Employment in scale-intensive industries tends to be concentrated at the center of the EU, and IIT is relatively low in these sectors. An IIT growth reversal is detected for the scale-intensive industries.

Buiter, Willem H.
PD October 1996. TI Interpreting the ERM Crisis: Country-Specific and Systemic Issues. AU Buiter, Willem H.; Corsetti, Giancarlo; Pesenti, Paolo A. AA Buiter: University of Cambridge. Corsetti: University of Rome III. Pesenti: Princeton University. SR Centre for Economic Policy Research, Discussion Paper: 1466; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 50. PR 4 pounds or $8.00. JE F31, F32, F33, F41, F42. KW Monetary Policy. Systemic Crises. Exchange Rate Mechanism. Policy Coordination.
AB Most interpretations of the Exchange Rate Mechanism crisis of 1992-3 ignore the key role played by structural policy spillovers among European countries, and overlook the effects of coordination (or lack thereof) of monetary and exchange rate policies among the countries making up the periphery of the system. This paper provides a simple analytical framework, able to encompass the recent literature on currency crises, while developing it by bringing out the decisive role of the strategic interactions among national policy-makers in a multi-country monetary and exchange rate game. In contrast to an

approach that focuses exclusively on country-specific issues, a systemic view is ultimately able to unravel more coherently, and more convincingly, the "puzzles" of the ERM crisis.

PD October 1996. TI Promoting an Effective Market Economy in a Changing World. AU Buiter, Willem H.; Lago, Ricardo; Stern, Nicholas. AA Buiter: University of Cambridge. Lago and Stern: European Bank for Reconstruction and Development. SR Centre for Economic Policy Research, Discussion Paper: 1468; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 42. PR 4 pounds or $8.00. JE E63, F33, H11, H20, H40. KW Transition Economics. Macroeconomic Stabilization. Political Economy. Market Institutions.
AB In this paper we examine the main challenges in promoting an effective market economy. While the paper ranges widely across the spectrum of economic institutions and policies, the central theme is the importance of macroeconomic stability for economic growth in the medium and long run. Macroeconomic stability may be seen as a public good. Its provision is among the essential responsibilities of the state both in modern market economies and in economies transforming themselves into modern market economies. Following this brief introduction, Section II considers four key aspects of the economic environment of the coming decades: increasing internationalization; market-orientation; diminished government role; and high real interest rates. Section III reviews the reasons why macroeconomic stability matters for economic performance and summarizes the key empirical evidence supporting the existence of a causal link. Section IV deals with the design of domestic and international policies and institutions to promote macroeconomic stability and Section V asks how national governments and international institutions can take advantage of the current relatively stable global macroeconomic environment to improve medium-term economic performance and promote long-term growth. Section VI concludes.

Bulkley, George

PD July 1996. TI Individually Rational Union Membership. AU Bulkley, George; Myles, Gareth D. AA University of Exeter. SR University of Exeter, Department of Economics Discussion Paper: 96/12; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. PG 21. PR no charge. JE D71, H41, J51. KW Trade Unions. Free-Riding. Individual Incentives.
AB The analysis of the determinants of union membership has typically met difficulties with the free-rider problem that union membership is not individually-rational. We assume that workers differ in their reservation wages and hence in their choice of contracts, preventing free-riding on the contract choice of others. This implies that joining a union is equivalent to buying a vote on the contract and provides an individual incentive to join the union. An equilibrium trade union membership is characterized in which membership is taken up by those with relatively "extreme" tastes. The union achieves a centralist objective even though no member precisely supports such a view.

Bulow, Jeremy

PD October 1996. TI Toeholds and Takeovers. AU Bulow, Jeremy; Klemperer, Paul; Huang, Ming. AA Bulow: Stanford University. Klemperer: Nuffield College. Huang: University of Chicago. SR Centre for Economic Policy Research, Discussion Paper: 1486; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 26. PR 4 pounds or $8.00. JE D44, G34. KW Toeholds. Takeovers. Auctions. Corporate Acquisitions. Footholds. Winner's Curse.
AB Part ownership of a takeover target can help a bidder win a takeover auction, often at a low price. A bidder with a "toehold" bids aggressively in a standard ascending auction because its offers are both bids for the remaining shares and asks for its own holdings. While the direct effect of a toehold on a bidder's strategy may be small, the indirect effect is large in a common value auction. When a firm bids more aggressively, its competitors face an increased winner's curse and must bid more conservatively. This allows the toeholder to bid more aggressively still, and so on. One implication is that a controlling minority shareholder may be immune to outside offers. The board of a target may increase the expected sale price by allowing a second bidder to buy a toehold on favorable terms, or by running a sealed bid auction.

Burda, Michael C.

PD March 1996. TI Matching Across Space: Evidence on Mobility in the Czech Republic. AU Burda, Michael C.; Profit, Stefan. AA Humboldt Universitat Berlin. SR Centre for Economic Policy Research, Discussion Paper: 1364; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE J41, J61, J64. KW Regional Mobility. Matching Function. Spatial Interactions. Czech Republic.
AB The increase in dispersion of regional unemployment in the Czech Republic, despite low overall joblessness, is suggestive of low labor mobility. At the same time, standard matching functions estimated with district level panel data exhibit spatial instability. A simple model of non-sequential search with endogenous search intensity can link this instability to spatial interdependence in matching, inducing complex functional forms and non-constant returns to scale. We find a statistically significant non-uniform impact of surrounding districts on local matching, even after controlling for boundaries and sectoral heterogeneity. Constant returns for this modified matching function cannot, however, be rejected in most cases.

Burgelman, Robert A.

PD September 1996. TI Complex Strategic Integration in the Lean Multibusiness Corporation. AU Burgelman, Robert A.; Doz, Yves L. AA Burgelman: Stanford University. Doz: INSEAD. SR INSEAD Working Papers: 97/03/SM; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. PG 26. PR no charge. JE J63, M10. KW Multibusiness Corporation. Strategic Integration.
AB Complex strategic integration (CSI), upon which more and more corporate strategies are being based, involves the exploitation of new growth opportunities spread across the domains of multiple business units, by combining resources from these units. This paper conceptually explores what skills,

resources and tools managers use in performing CSI. It also develops propositions on the impact the following points have on the managers' ability to successfully perform strategic integration: 1. delayering, downsizing and destaffing; 2. shifting from capital to knowledge as the key integration resource; 3. introducing new information technology-based management tools.

Burgess, Simon

AB This paper characterizes the nature of poverty from a dynamic life- cycle perspective. Using panel data from the National Longitudinal Survey of Youth, we find that 40% of young Americans experienced at least one year of poverty, and most of these experienced one or two years. A significant group, by age 34, had suffered five or more years of poverty out of thirteen. The overall poverty rate of 12.9% for this sample averages these different life-cycle paths. We investigate poverty transition rates and find an average annual outflow rate of 40% and an inflow rate of 6%.

Burnside, Craig

AB This paper presents capital utilization corrected measures of technology shocks for aggregate and disaggregated (two digit Standard Industrial Classification code) industries. We correct for variations in capital utilization by employing industrial electrical use as a measure of capital services. In contrast, the standard measures of technology shocks used in the Real Business Cycle literature are based on economy wide data and assume that capital services are proportional to the stock of measured capital. To assess the impact of these differences, we contrast selected properties of the competing technology shock measures. We argue that the properties of technology shocks for the manufacturing sector are quite different than those used in the RBC literature. We also find that correcting for capital utilization has important implications for the properties of the Solow residual.

Caballero, Ricardo J.

AB We analyze market impediments to the process of structural adjustment. We focus on incomplete-contract inefficiencies in the transactions between workers and firms that render the quasi-rents from "specific" investment appropriable. During adjustment, the result is a depressed rate of creation of the new productive structure and excessive destruction of the old one, leading to an employment crisis. Moreover, appropriability weakens the incentives for extensive restructuring, and results in a "sclerotic" productive structure. An adequate managed- adjustment program ought to combine vigorous creation incentives in the expanding sector with measures to support employment in the contracting one. In contrast, the common prescription of gradualism does not act as an effective "synchronizer"of creation and destruction, for it can only reduce destruction by also reducing an already depressed creation rate.

AB The standard version of q theory, in which investment is positively related to marginal q, breaks down in the presence of fixed costs of adjustment. With fixed costs, q is a non-monotonic function of investment. Therefore its inverse, which is the traditional investment function, does not exist. Depending upon auxiliary assumptions, the correlation between investment and marginal q can be either positive or negative. Given certain homogeneity assumptions, a version of the theory based on average q still holds, although under the same assumptions profits and sales perform as well as average q. More generally, q is no longer a sufficient statistic.

Cabral, Luis M. B.

AB Research and development alliances normally involve repeated, non- contractible actions (investments in research and development), and uncertainty regarding both success and the termination date. Accordingly, this paper models these agreements as equilibria of infinite-period supergames. The approach is normative, namely that of finding optimal equilibria from the perspective of the firms involved in the agreement. The results show that repeated interaction allows for important gains in equilibrium pay-offs. The optimal solutions are still inefficient from the firms' perspective, however. The sources of inefficiency include delay in investment, suboptimal levels of investment, and abandonment

of profitable projects. Lastly, the paper considers research cooperation between firms that also interact in the product market. In some cases, product market interaction is irrelevant from the perspective of optimal research agreements. In other cases, optimal agreements imply that firms behave more aggressively in the product market.

Cabrales, Antonio
TI   On the Persistence of Leadership or Leapfrogging in International Trade. AU   Motta, Massimo; Thisse, Jacques-Francois; Cabrales, Antonio.

Cadot, Olivier
PD   August 1996. TI   Regional Integration and Lobbying for Tariffs Against Non-Members. AU   Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo. AA   Cadot: INSEAD. de Melo: World Bank. Olarreaga: University of Geneva. SR   Centre for Economic Policy Research, Discussion Paper: 1448; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   32. PR   4 pounds or $8.00. JE   F11, F13, F15. KW   Free Trade. Customs Union. Political Economy. Lobbying.
AB   Using an extension of the influence-driven lobbying approach developed by Grossman and Helpman, we study the impact of regional integration arrangements (RIAs) on trade policy towards non-members in a three-good, three-country model. We explore under what conditions the formation of an RIA between countries A and B leads, through lobbying pressure, to a higher or lower tariff against country C. Comparing free trade areas (FTAs) with and without rules of origin and customs unions (CUs) with varying degrees of economic and political integration, we show how increasingly deep integration, both within an FTA and a CU, can lead to rising protection against non-member imports. These results, which abstract from two differences between FTAs and CUs, namely the extent of free-riding in CUs and the component of a CU's tariffs designed to improve the members' terms of trade, need to be qualified accordingly. As it stands, the results nevertheless suggest that FTAs are likely to welfare-dominate CUs.

Calomiris, Charles W.
PD   February 1996. TI   Financing the American Corporation: The Changing Menu of Financial Relationships. AU   Calomiris, Charles W.; Ramirez, Carlos D. AA   Calomiris: University of Illinois, Urbana-Champaign. Ramirez: George Mason University. SR   National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 79; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG   not available. PR $5.00. JE   G20, G30, N20. KW   Corporate Finance. Institutional Change. Financial Innovation.
AB   The history of the financing of the American corporation can be described along many dimensions. One dimension of that history that underlies various measures of historical change in corporate finance is the range of feasible relationships between corporations and intermediaries. Intermediaries (including commercial banks, investment banks, pensions, insurance companies, mutual funds, venture capitalists, and commercial paper dealers) provide alternative mechanisms for reducing "frictions" -- communicating information, controlling the use of funds, and physically transacting with corporations -- all of which arise from a corporation's financing needs. The menu of financial relationship choices available to firms has varied over time. That changing menu has been the driving force behind the history of America corporate finance. Changes in potential relationships have sometimes been dictated by conscious regulatory policy, and sometimes by "induced" private financial innovations. The peculiar fragmentation of financial intermediation in the United States has been a costly feature of American corporate finance history, which is traceable to regulatory distortions that limited particular kinds of relationships. In large part, the history of institutional change and financial innovation in the United States has been the history of attempts to work around costly restrictions on relationships not faced by corporations in most other countries.

Caminal, Ramon
TI   Do Capital Market Imperfections Exacerbate Output Fluctuations? AU   Bacchetta, Philippe; Caminal, Ramon.

TI   Do Capital Market Imperfections Exacerbate Output Fluctuations? AU   Bacchetta, Philippe; Caminal, Ramon.

Canova, Fabio
TI   Did Colonization Matter for Growth? An Empirical Exploration into the Historical Causes of Africa's Underdevelopment. AU   Bertocchi, Graziella; Canova, Fabio.

Canzoneri, Matthew B.
PD   June 1996. TI   Trends in European Productivity and Real Exchange Rates: Implications for the Maastricht Convergence Criteria and for Inflation Targets after EMU. AU   Canzoneri, Matthew B.; Diba, Behzad; Eudey, Gwen. AA   Georgetown University. SR   Centre for Economic Policy Research, Discussion Paper: 1417; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   52. PR   4 pounds or $8.00. JE   E31, E58, F02, F11. KW   Inflation. Productivity. Maastricht Treaty.
AB   While overall inflation has fallen dramatically in countries like Italy and Spain, inflation in the home good sector remains stubbornly higher than inflation in the traded good sector. If nominal exchange rates are fixed, these real appreciations imply an inflation differential with countries like Germany. We first show that the real appreciations can be explained largely by differences in productivity trends across the traded and non-traded goods sectors. We then analyze the implications of the trends in productivity for the consistency of the Maastricht convergence criteria, and we discuss the pressure productivity trends put on monetary policy in countries like Italy and Spain to meet the convergence criteria; we also discuss steps that might be taken to change the trends in productivity. Lastly, we calculate the implications of current trends in productivity for the differences in regional inflation under a common currency. Comparisons are made with regional productivity trends in the United States.

PD   June 1996. TI   Mechanisms for Achieving Monetary Stability: Inflation Targeting Versus the ERM. AU   Canzoneri, Matthew B.; Nolan, Charles; Yates, Anthony. AA   Canzoneri: Georgetown University, Nolan and Yates: Bank of England. SR   Centre for Economic Policy Research, Discussion Paper: 1418; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United

Kingdom. **PG** 28. **PR** 4 pounds or $8.00. **JE** E58, E52, E61. **KW** Inflation Targeting. Inflation Bias.

AB Canzoneri (1985) and Rogoff (1985) showed that imposing symmetric penalties on a central bank for deviations from an announced inflation target would reduce the Barro-Gordon inflation bias, but only at the expense of distorting the central bank's stabilization effort. More recently, Walsh (1995) and Persson and Tabellini (1993) showed that a simple linear penalty on all observed inflation would eliminate the inflation bias without distorting the stabilization effort. We view this result as a methodological criticism of the Barro-Gordon model, and not a statement about the ease with which the bias can be eliminated. Thus, we begin by modifying the Barro-Gordon model to reintroduce the trade- off between inflation credibility and stabilization, even when linear inflation penalties are imposed. We then discuss how either type of penalty might actually be imposed, and ask whether inflation targeting (supported by one or the other type of penalty) is likely to bring a better resolution to the credibility-stabilization trade-off than the ERM.

PD September 1996. **TI** Fiscal Constraints on Central Bank Independence and Price Stability. **AU** Canzoneri, Matthew B.; Diba, Behzad. **AA** Georgetown University. **SR** Centre for Economic Policy Research, Discussion Paper: 1463; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 25. **PR** 4 pounds or $8.00. **JE** E30, E50. **KW** Central Bank Independence. Monetary Policy. Fiscal Policy. Price Discrimination. Price Stability.

AB We use a new theory of price determination -- developed by Woodford, Simms and others -- to characterize central bank independence and price stability. If fiscal policy guarantees that the price level is determined independently of government's present value budget constraint, we can say that the central bank is operating in a monetary dominant regime; it has the "functional independence" necessary to control the price level independently of the dictates of fiscal solvency (if it so chooses), and it can be held accountable for price stability (if that is its mandate). If fiscal policy does not allow this, we say the central bank is operating in a fiscal dominant regime. Numerical exercises suggest that price stability may be beyond the control of the central bank in such a regime. We show that strict enforcement of the Maastricht Treaty's deficit criterion would ensure a monetary dominant regime.

PD September 1996. **TI** Relative Labour Productivity and the Real Exchange Rate in the Long Run: Evidence for a Panel of OECD Countries. **AU** Canzoneri, Matthew B.; Diba, Behzad; Cumby, Robert E. **AA** Georgetown University. **SR** Centre for Economic Policy Research, Discussion Paper: 1464; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 24. **PR** 4 pounds or $8.00. **JE** F00, F31. **KW** Exchange Rates. Labor Productivity. Purchasing Power Parity.

AB The Balassa-Samuelson model, which explains real exchange rate movements in terms of sectoral productivities, rests on two components. First, the model implies that the relative price of non-traded goods in each country should reflect the relative productivity of labor in the traded and non-traded goods sectors. Second, the model assumes that purchasing power parity (PPP) holds for traded goods in the long run. We test each of these implications using data from a panel of OECD countries. Our results suggest that the first of these two fits the data quite well. The evidence on purchasing power parity in traded goods is considerably less favorable. When we look at US dollar exchange rates, PPP does not appear to hold for traded goods, even in the long run. When we look at Deutsche Mark exchange rates, PPP appears to be a somewhat better characterization of traded goods prices.

PD October 1996. **TI** Do Exchange Rates Move to Address International Macroeconomic Imbalances? **AU** Canzoneri, Matthew B.; Vinals, Jose; Valles, Javier. **AA** Canzoneri: Georgetown University. Vinals and Valles: Banco de Espana. **SR** Centre for Economic Policy Research, Discussion Paper: 1498; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 23. **PR** 4 pounds or $8.00. **JE** E58, F33, F41, F42. **KW** European Monetary Union. Exchange Rates. Optimal Currency Areas.

AB This paper provides empirical evidence on the effectiveness of movements in nominal exchange rates in smoothing cyclical imbalances between countries, as explained by the literature on optimal currency areas. We use restrictions from the Mundell-Flemming model (on which the theory of optimal currency areas is based) to identify VAR systems that explain the exchange rate movements and the relative output movements of potential members of a European Monetary Union (EMU). We find that the shocks that cause most of the variation in relative output do not seem to result in movements in nominal exchange rates. Moreover, the shocks that explain movements in nominal exchange rates are monetary in nature, rather than real. Such results make it hard to argue that the loss of exchange rate flexibility accompanying EMU would come at a significant cost to macroeconomic stability.

Carter, Susan B.

PD October 1995. **TI** Myth of the Industrial Scrap Heap: A Revisionist View of Turn-of-the- Century American Retirement. **AU** Carter, Susan B.; Sutch, Richard. **AA** Carter: University of California, Riverside. Sutch: University of California, Berkeley and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 73; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** J14, J26, N31. **KW** Retirement. Pensions. Family Economy.

AB Using the census survival method to calculate net flows across employment states between 1900 and 1910, we find that approximately one- fifth of all men who reached the age of 55 eventually retired before their death. Many of these retirees appear to have planned their withdrawal from paid employment by accumulating assets, becoming self- employed, and then liquidating their assets to provide a stream of income to finance consumption in old age. This "modern" retirement behavior, we argue, has important implications for the economic history of capital and labor markets, of saving and investment, of insurance and pensions, and of the family economy.

PD October 1995. **TI** Fixing the Facts: Editing of the 1880 U.S. Census of Occupations with Implications for Long-Term Trends and the Sociology of Official Statistics. **AU** Carter, Susan B.; Sutch, Richard. **AA** Carter: University of California, Riverside. Sutch: University of California, Berkeley and National Bureau of Economic Research. **SR** National Bureau of Economic Research,

Working Paper Series on Historical Factors in Long Run Growth: 74; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG not available. PR $5.00. JE C81, J24, N31. KW Official Statistics. Census. Occupation. American Industrialization.

AB We argue that the enumerators' occupational returns from the important census of 1880 were heavily edited prior to publication. The effect was to substantially reduce the number of individuals reported with an occupation. For youthful and older males and all women the editing was so substantial as to qualitatively affect the apparent trend in labor force participation for these groups over time. The stylized facts regarding labor market dynamics during the period of American industrialization and the historical stories constructed around them will now need to be reexamined. We content that the editing was secretly authorized by Francis Amasa Walker, Superintendent of the Tenth Census of 1880 and one of the most prominent and decorated economists, statisticians, and public servants in America at this time. While other scholars have identified potential sources of bias in census figures, no one has heretofore suggested that the official statistics of the United States were covertly altered to present a picture different from information collected by census enumerators. If we are correct, the sociology of official nineteenth-century American statistics will require rethinking.

Casella, Alessandra

PD November 1995. TI Large Countries, Small Countries and the Enlargement of Trade Blocs. AA Columbia University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5365; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 24. PR $5.00..JE F13, F14, O52. KW Trade Blocs. Country Size. Economies of Scale.

AB Are there systematic forces such that countries of different sizes participating in a free trade bloc gain differently from the entry of new members? If economies of scale imply that firms located in large countries enjoy lower costs, then the gains from enlarging the bloc will fall disproportionately on small countries, because the entry of new members diminishes the importance of the domestic market and improves the small countries' relative competitiveness. The theoretical prediction is clear, but the empirical analysis of trade flows towards Spain and Portugal after their 1986 entry into the European Community yields mixed results. France and the U.K. appear to have lost market shares relative to the small countries in the Community, but the same is not true for Italy and, to a lesser degree, for Germany.

PD June 1996. TI The Role of Market Size in the Formation of Jurisdictions. AA Columbia University. SR Centre for Economic Policy Research, Discussion Paper: 1429; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 56. PR 4 pounds or $8.00. JE F15, H41, R12. KW Economic Integration. Market Size. Coalition Formation. Nash Equilibrium.

AB Administrative and political reorganization is being actively debated even in the mature, stable economies of Western Europe. This paper investigates the possibility of such reorganization being tied to the integration of economic markets. The paper describes the equilibrium of a game where heterogeneous individuals form coalitions for the provision of a public good, and where the number and composition of these coalitions depend on the overall size of the market. Changes in the extent of the market put pressure on existing jurisdictions because they change both the desired public goods and, more importantly, the trade- offs that determine the borders of the jurisdictions. Thus individuals will want to renegotiate the agreements that support the existing jurisdictions and form alternative coalitions.

Caselli, Francesco

PD April 1996. TI A Representative Consumer Theory of Distribution. AU Caselli, Francesco; Ventura, Jaume. AA Caselli: Harvard University. Ventura: Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/11; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 28. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D91, O41. KW Representative Consumer. Growth. Models. Income Distribution.

AB This paper shows that growth models featuring the representative consumer (RC) assumption can generate rich dynamics for the cross- sections of consumption, wealth and income. We consider a class of growth models with three sources of consumer heterogeneity: initial wealth, non-acquired skills and taste for consumption-smoothing. Despite this heterogeneity, the models in this class admit a RC and, consequently, exhibit aggregate dynamics that are indistinguishable from those of the standard homogeneous-consumer models. One could therefore interpret our research as an attempt to make explicit the distributive dynamics that underlie the popular RC models. We examine the behavior of consumers' relative consumption, wealth and income, and derive cross- sectional equations that show how these quantities (at any date) are related to both average variables and the consumer's individual characteristics. Using these equations, we study the distributive dynamics of the Ramsey and the linear growth models. While the former is consistent with the existence of alternating periods of conditional convergence and divergence in a cross-section of individual incomes, the latter is not. Using data from the Panel Study of Income Dynamics (PSID), we find evidence of conditional convergence in the 1970's, and divergence thereafter. This finding is therefore inconsistent with the linear growth model, but not with some versions of the Ramsey model.

Castanheira, Micael

PD April 1996. TI Restructuring and Capital Accumulation in Transition Economies: A General Equilibrium Perspective. AU Castanheira, Micael; Roland, Gerard. AA Universite Libre de Bruxelles. SR Centre for Economic Policy Research, Discussion Paper: 1372; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 32. PR 4 pounds or $8.00. JE E21, E61, P41, P51. KW Eastern Europe. Transition. Dynamics. Restructuring. Investment.

AB This paper addresses the issue of the optimal speed of economy-wide restructuring from a state-owned to a privately-owned economy. The analysis is from a general equilibrium perspective, focusing on the role of endogenously generated capital accumulation. Sensitivity of the optimal speed of transition is performed with respect to preferences and

technology. It is found in particular that adverse productivity shocks to the state sector, occurring early on in transition tend to create macroeconomic contraction and slow down investment and the speed of transition. Such shocks tend to accelerate transition if they occur at a later stage, however. This may shed light on the effect of adverse productivity shocks on output contraction in the early phase of transition in Central and Eastern Europe.

PD July 1996. TI The Optimal Speed of Transition: A General Equilibrium Analysis. AU Castanheira, Micael; Roland, Gerard. AA Universite Libre de Bruxelles. SR Centre for Economic Policy Research, Discussion Paper: 1442; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE E21, E61, P41, P51. KW Transition. Eastern Europe. Optimal Speed. General Equilibrium. Transitional Dynamics.
AB We present in this paper a bench-mark model for the optimal speed of transition from a state-owned to a private market economy, based on the consumption-savings decision in a closed economy. This bench-mark model abstracts from rigidities or frictions to focus on the macroeconomic conditions for accumulation of private capital and closure or restructuring of state-owned enterprises (SOE's). It is shown that an excess rate of closure of SOE's, compared to the welfare optimum, generates a substitution effect that accelerates the pace of transition, and an income effect, that slows down transition. When the latter effect dominates, too high a speed of closure of SOE's may result in suboptimally slow growth of the private sector. This will especially be the case if such a deviation occurs at an early stage of transition. Lastly, the model sheds some light on macroeconomic contraction in Central and Eastern Europe in the early phase of transition.

Cecchetti, Stephen G.
PD October 1995. TI International Cycles. AU Cecchetti, Stephen G.; Kashyap, Anil K. AA Cecchetti: Ohio State University and National Bureau of Economic Research. Kashyap: University of Chicago and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5310; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 28. PR $5.00. JE E32, L60, O57. KW Business Cycles. Seasonal Shifts. Production Reallocation.
AB We study twenty years of monthly production data for 11 manufacturing industries in 19 countries. Using the fact that in some countries production virtually shuts down for one summer month, together with the differences in the timing of aggregate cyclical fluctuations, we are able to learn about the cost structure of different industries. Our primary finding is that during a boom year summer shut-downs are shorter. Rather than increasing production further during the rest of the year, producers reallocate activity from high output months to low output months. We also find that there are important seasonal/cyclical interactions common to all industries within a given country, and that these countries effects are larger than the pure industry effects. The correlation of the cross-country differences with measures of taxation and labor market structure suggests the possibility that differences in the willingness (and ability) to substitute labor intertemporally are responsible for the variation.

Chaloupka, Frank J.
PD October 1995. TI The Impact of Price, Availability, and Alcohol Control Policies on Binge Drinking in College. AU Chaloupka, Frank J.; Wechsler, Henry. AA Chaloupka: University of Illinois and National Bureau of Economic Research. Wechsler: Harvard University. SR National Bureau of Economic Research Working Paper: 5319; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 18. PR $5.00. JE I10, K42. KW Alcohol. Binge Drinking. College.
AB The effects of beer prices, alcohol availability, and policies related to driving under the influence of alcohol on drinking and binge drinking among youths and young adults are estimated using data from a nationally representative survey of students in U.S. colleges and universities. Drinking participation, participation in binge drinking and level of drinking equations are estimated using appropriate econometric methods. The estimates indicate that the drinking practices of college students are sensitive to the price of beer, with an average estimated price elasticity of drinking participation of -0.066 and an average estimated price elasticity of binge drinking of -0.145. However, when dividing the sample by gender, one finds that the effects of prices on drinking are limited to young women. In addition, a significant negative relationship is found for the strength of policies related to drinking and driving among youths and young adults and drinking by college students. However, the results indicate that many elements of campus life, (including participation in a fraternity or sorority, living on campus, and the ready availability of alcoholic beverages) are among the most important determinants of drinking and binge drinking among college students.

Chan, Louis K. C.
PD November 1995. TI A Cross-Market Comparison of Institutional Equity Trading Costs. AU Chan, Louis K. C.; Lakonishok, Josef. AA University of Illinois and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5374; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 20. PR $5.00. JE G12. KW Trading Costs. Nasdaq. New York Stock Exchange.
AB We compare execution costs (market impact plus commission) on the New York Stock Exchange (NYSE) and on Nasdaq for institutional investors. The differences in cost generally conform to each market's area of specialization. Controlling for firm size, trade size and the money management firm's identity, costs are lower on Nasdaq for trades in comparatively smaller firms. For the smallest firms, the cost advantage under a pre-execution benchmark is 0.68 percent. However, trading costs for the larger stocks are lower on NYSE. For the largest stocks, costs are lower by 0.48 percent on NYSE. Given the extreme difficulty of controlling for variables other than market structure, however, comparisons of costs should be interpreted with extreme caution.

PD November 1995. TI Momentum Strategies. AU Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef. AA University of Illinois and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5375; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 23. PR $5.00. JE G12, G13. KW Future Returns. Stock Returns. Earnings Forecasts. Past Earnings.

AB We relate the predictability of future returns from past returns to the market's underreaction to information, focusing on past earnings news. Past return and past earnings surprise each predict large drifts in future returns after controlling for the other. There is little evidence of subsequent reversals in the returns of stocks with high price and earnings momentum. Market risk, size and book-to-market effects do not explain the drifts. Security analysts' earnings forecasts also respond sluggishly to past news, especially in the case of stocks with the worst past performance. The results suggest a market that responds only gradually to new information.

Checchi, Daniele

TI More Equal But Less Mobile? Education Financing and Intergenerational Mobility in Italy and in the United States. AU Ichino, Andrea; Rustichini, Aldo; Checchi, Daniele.

Chen, Tain-Jy

PD October 1995. TI Bilateral Negotiations and Multilateral Trade: The Case of Taiwan- U.S. Trade Talks. AU Chen, Tain-Jy; Liu, Meng-Chun. AA Chung-Hua Institution for Economic Research. SR National Bureau of Economic Research Working Paper: 5324; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 32. PR $5.00. JE F13. KW Taiwan. Trade Talks.

AB This paper reviews the history of bilateral trade negotiations between Taiwan and the U.S. The question posed at the outset is: does bilateralism enhance or jeopardize multilateralism? The U.S.-Taiwan experience seems to suggest a grossly negative answer. Bilateral negotiations for market opening with the threat of unilateral trade sanctions (such as Section 301 action) tend to encourage trade preferences and U.S. negotiators are inclined to accept such preferential arrangements in areas where U.S. domestic interests are homogeneous and concentrated. Even in the case of tariff negotiations where any tariff concessions made by Taiwan are extended to other trading partners on an MFN basis, bilateralism does not necessarily enhance multilateral principles. The scope of tariff concessions made by Taiwan shows a strong bias in favor of the sectors in which the U.S. has a comparative advantage in Taiwan's market and the sectors in which U.S. domestic industries exhibit monopoly power. Meanwhile, U.S. commitments to GATT strengthen its position in bilateral negotiations and help persuade Taiwan, which is not a member of GATT, to make similar concessions.

Chevalier, Judith

PD July 1995. TI Risk Taking by Mutual Funds as a Response to Incentives. AU Chevalier, Judith; Ellison, Glenn. AA Chevalier: University of Chicago, National Bureau of Economic Research and Massachusetts Institute of Technology. Ellison: Massachusetts Institute of Technology and National Bureau of Economic Research. SR Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/3; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 50. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE G23, D84. KW Mutual Funds. Incentives. Riskiness. Agency Problems.

AB This paper examines the agency conflict between mutual funds investors and mutual fund companies. Investors would like the fund company to use its judgment to maximize risk-adjusted fund returns. A fund company, however, in its desire to maximize its value as a concern has an incentive to take actions which increase the inflow of investment. We use a semiparametric model to estimate the shape of the flow-performance relationship for a sample of growth and income funds observed over the 1982-1992 period. The shape of the flow-performance relationship creates incentives for fund managers to increase or decrease the riskiness of the fund which are dependent on the fund's year-to-date return. Using a new dataset of mutual fund portfolios which includes equity portfolio holdings for September and December of the same year, we show that mutual funds do alter their portfolio riskiness between September and December in a manner consistent with these risk incentives.

Chiang, Jeongwen

TI The "84/14/2" Rule Revisited: What Drives Choice, Incidence and Quantity Elasticities? AU Bell, David R.; Chiang, Jeongwen; Padmanabhan, Vijay.

Chinn, Menzie

TI Financial Repression and Capital Mobility: Why Capital Flows and Covered Interest Rate Differentials Fail to Measure Capital Market Integration. AU Dooley, Michael P.; Chinn, Menzie.

Christiano, Lawrence J.

PD October 1995. TI Tobin's q and Asset Returns: Implications for Business Cycle Analysis. AU Christiano, Lawrence J.; Fisher, Jonas. AA Christiano: Northwestern University and National Bureau of Economic Research. Fisher: University of Western Ontario. SR National Bureau of Economic Research Working Paper: 5292; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 39. PR $5.00. JE E22, E32. KW Tobin's q. Adjustment Costs. Business Cycles.

AB The marginal cost of plant capacity, measured by the price of equity, is significantly procyclical. Yet, the price of a major intermediate input into expanding plant capacity, investment goods, is countercyclical. The ratio of these prices is Tobin's q. Following convention, we interpret the fact that Tobin's q differs from unity at all as reflecting that there are diminishing returns to expanding plant capacity by installing investment goods ("adjustment costs"). However, the phenomenon that interests us is not just that Tobin's q differs from unity, but also that its numerator and denominator have such different cyclical properties. We interpret the sign switch in their covariation with output as reflecting the interaction of our adjustment cost specification with the operation of two shocks: one which affects the demand for equity, and another which shifts the technology for producing investment goods. The adjustment costs cause the two prices to respond differently to these two shocks, and this is why it is possible to choose the shock variances to reproduce the sign switch. These model features are incorporated into a modified version of a model analyzed in Boldrin, Christiano and Fisher (1995). That model incorporates assumptions designed to help account for the observed mean return on risk free and risky assets. We find that the various modifications not only account for the sign switch, but they also continue to account for the salient features of mean asset returns.

Christiansen, James A.

PD October 1994. TI Management Consulting Organizations. AA INSEAD. SR INSEAD Working Papers: 97/01/SM; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. PG 23. PR no charge. JE L84, M10. KW Management Consultants. Case Teams. Industry Expertise.

AB This paper describes large international management consulting organizations such as McKinsey, BCG, and their competitors. The paper focuses on the internal functioning of these organizations, looking first at their organization structure, and then at professional roles within the firm, internal communications patterns, and the evolution of individuals and firms over time. As these firms are highly efficient and effective assemblers and distributors of knowledge and information, the characteristics which support this capability receive particular attention. In addition, these organizations operate simultaneously according to three organizing principles. They are, simultaneously, traditional power-based hierarchies, sets of task-oriented case teams, and sets of diverse interest groups which build up knowledge and expertise on particular industries and functions. These three aspects of the firms' functioning are described briefly. Finally, the limitations of mono-disciplinary research on business decisions are discussed, and further research topics are suggested.

Chui, Michael

TI Phases of Imitation and Innovation in a North-South Endogenous Growth Model. AU Currie, David; Levine, Paul; Pearlman, Joseph; Chui, Michael.

Coco, Giuseppe

PD December 1996. TI Collateral, Heterogeneity in Risk Attitude and the Credit Market Equilibrium. AA University of Exeter. SR University of Exeter, Department of Economics Discussion Paper: 97/02; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. PG 21. PR no charge. JE D82, G14. KW Collateral. Credit Rationing.

AB This paper examines the argument that the availability of collateral rules out credit rationing. A model of the credit market with ex-ante asymmetric information and heterogeneous entrepreneurs' attitudes toward risk is set up. It is shown that, due to the interplay between project choice and entrepreneurs' preferences, using collateral as a signal to screen safer projects may prove impossible. Instead, a partially-separating two-contracts equilibrium with rationing at one contract emerges. Contrary to previous theoretical research and consistently with conventional wisdom and systematic evidence, the use of collateral is never negatively correlated with project risk.

Coe, David T.

TI R&D Spillovers and Global Growth. AU Bayoumi, Tamim; Coe, David T.; Helpman, Elhanan.

Cole, Robert

TI Evaluating Mental Health Capitation Treatment: Lessons From Panel Data. AU Dwyer, Debra Sabatini; Cole, Robert; Mitchell, Olivia S.; Reed, Sylvia K.

Coles, M. G.

PD April 1996. TI Wage Bargaining, Inventories, and Union Legislation. AU Coles, M. G.; Hildreth, A. K. AA University of Essex. SR Centre for Economic Policy Research, Discussion Paper: 1361; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 52. PR 4 pounds or $8.00. JE C73, J31. KW Dynamic Bargaining. Wage Determination.

AB This paper analyzes the Rubinstein bargaining game with random alternating offers when the firm has an inventory of finished goods. If the firm can sell out of that inventory during a strike, we show that the negotiated wage is a decreasing function of the inventory stock. Conversely, if the union can form an effective picket line, which blockades firm deliveries during a strike, the negotiated wage is higher and increases with the inventory stock. Noting that the 1980 and 1982 Employment Acts changed unions' ability to form effective picket lines, the empirical section tests these theoretical predictions using a panel of firms over the period 1972-90. It was found that inventory levels did not have a significant effect on unionized firm wages prior to 1982, but have a significantly negative effect post legislation. For union firms post-legislation, and for non-union firms generally, the wage elasticity with respect to inventories is -0.1. The figures show that the mean union wage differential fell from 2.6% to 0.6% over 1974-81 and 1982-90.

Coles, Melvyn G.

PD September 1996. TI Decentralized Trade, Entrepreneurial Investment and the Theory of Unemployment. AA University of Essex. SR Centre for Economic Policy Research, Discussion Paper: 1478; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 21. PR 4 pounds or $8.00. JE C78, E24. KW Investment. Search. Unemployment. Efficiency.

AB This paper considers an equilibrium model of unemployment in a labor market where all vacancies are advertised in a newspaper. Unemployment occurs in occupations that are short on vacancies. New vacancies are created by entrepreneurial search and investment, so it may take some time before an unemployed worker finds a job. Wages are determined by bargaining. A unique rational expectations equilibrium is shown to exist. The unemployment-vacancy dynamics are consistent with so-called Beveridge curves. Individual unemployment spells can be long -- especially in low turnover markets -- while markets with high turnover experience large variations in unemployment and little wage variation. Although this latter case appears to exhibit "sticky wages", this market outcome is (asymptotically) fully efficient. Although the appropriate government policy is to subsidize entrepreneurial investment (there is a wage bargaining distortion and a search externality), simulations show that the required subsidies are very small for appropriate parameter values. A laissez-faire policy is (almost) optimal even with unemployment spells as long as a year in some markets.

Cornelli, Francesca

PD May 1996. TI The Capital Structure of Firms in Central and Eastern Europe. AU Cornelli, Francesca; Portes, Richard; Schaffer, Mark E. AA Cornelli: London Business

School. Portes: London Business School and Centre for Economic Policy Research. Schaffer: Heriott-Watt University. **SR** Centre for Economic Policy Research, Discussion Paper: 1392; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** G32, P34, E22. **KW** Capital Structure. Transition Economies. Enterprise Debt. Eastern Europe.

AB According to more recent theories on the optimal capital structure, the availability of external financing is not always guaranteed, or it may come at different costs, depending on the methods of financing used (debt vs. equity, long-term debt vs. short-term debt, etc.). Under such circumstances, firms' investment and financing decisions are interdependent. This paper studies the optimal capital structure for enterprises in transition economies and investigates the actual capital structure and its determinants in Hungary and Poland.

Corsetti, Giancarlo
TI Interpreting the ERM Crisis: Country-Specific and Systemic Issues. **AU** Buiter, Willem H.; Corsetti, Giancarlo; Pesenti, Paolo A.

Corts, Kenneth S.
TI The Effects of HMOs on Conventional Insurance Premiums: Theory and Evidence. **AU** Baker, Laurence C.; Corts, Kenneth S.

Costa, Dora L.
PD October 1995. **TI** The Political Economy of State Provided Health Insurance in the Progressive Era: Evidence From California. **AA** Massachusetts Institute of Technology and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5328; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 32. **PR** $5.00. **JE** I11, I18. **KW** Health Insurance. California.

AB I investigate why the United States did not adopt European style health insurance in the 1910's by examining voting determinants on the 1918 referendum on state-provided health insurance in California. I find that although the persuasiveness of interest groups, especially doctors, was an important determinant of the 1918 vote, interest groups alone could not explain the resounding defeat of state-provided health insurance. Voters, I find, were unwilling to pass a costly measure with an unpredictable outcome.

PD November 1995. **TI** Long-Term Trends in Health, Welfare, and Economic Growth In the United States. **AU** Costa, Dora L.; Steckel, Richard H. **AA** Costa: Massachusetts Institute of Technology and National Bureau of Economic Research. Steckel: Ohio State University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 76; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** I12, I31, J14. **KW** Health. Welfare. Growth. Body Mass. Mortality Risk.

AB We present evidence showing that the course of economic growth and of health, as measured by stature, Body Mass Index (BMI), mortality rates, or the prevalence of chronic conditions, diverged in the nineteenth century and converged in the twentieth. To analyze the change in welfare resulting from changes in health, we estimate a Human Development Index and a Borda Ranking and we calculate Usher-adjusted incomes and the willingness to pay for a reduction in mortality risk. Prior to the Civil War the increase in income was insufficient to compensate for the decline in health, whereas improvements in health outpaced economic growth in the twentieth century. We identify numerous possible causes of the nineteenth century decline in health, including greater exposure to disease, hardship created by the Civil War, and rising inequality. Our evidence on trends in waist-hip ratio, BMI, and the prevalence of chronic conditions at older ages suggests that early life conditions may exert an impact on mortality and morbidity that is not manifest until older ages. The dramatic twentieth century improvement in early life conditions implies that cohorts who are now approaching their sixties will experience a much greater rate of increase in health and longevity than past generations.

Craig, Lee A.
TI Were Free Southern Farmers "Driven to Indolence" by Slavery? A Stochastic Production Frontier Approach. **AU** Field-Hendrey, Elizabeth B.; Craig, Lee A.

Cron, Axel
PD June 1996. **TI** Puzzling Integratedness of Interest Rates: A Case for Nonparametric Threshold Cointegration? **AU** Cron, Axel; Weidmann, Jens. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B371; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 16. **PR** no charge. **JE** C14, E43. **KW** Unit Roots. Cointegration. Interest Rates. Term Structure. Monte Carlo.

AB It is commonly found in empirical studies that nominal interest rates contain a unit root, implying that these variables have a permanent memory. One of the characteristics of a nonstationary time series is that it has no tendency to return to its mean values, and can become arbitrarily high or even negative. With respect to interest rates this seems contrary to economic intuition and stylized facts. This paper questions the reliability of the unit root hypothesis alone to describe the time series behavior of interest rates and tries another tack, i.e. threshold cointegration, applying nonparametric methods. Three different data sets representing two different long-run relations are examined. Two are related to the yield spread in the American and the German market while the third is akin to the relationship between U.S. and Eurodollar interest rates. Overall, the empirical evidence corroborates the existence of threshold cointegration in these data sets. Furthermore, using Monte Carlo simulations the paper shows that undetected threshold cointegration leads one to overestimate the error-correction-coefficients in error correction models. With respect to empirical modelling this implies the wide-spread view that the longer the observation period the better suited are cointegration techniques has to be, at least partly, revised for variables such as interest rates or inflation rates.

Croushore, Dean
TI Expectations and the Effects of Monetary Policy. **AU** Ball, Laurence; Croushore, Dean.

Cumby, Robert E.
TI Relative Labour Productivity and the Real Exchange

Rate in the Long Run: Evidence for a Panel of OECD Countries. AU Canzoneri, Matthew B.; Diba, Behzad; Cumby, Robert E.

Currie, David

PD October 1996. TI Phases of Imitation and Innovation in a North-South Endogenous Growth Model. AU Currie, David; Levine, Paul; Pearlman, Joseph; Chui, Michael. AA Currie and Chu: London Business School. Levine: University of Surrey. Pearlman: London Guildhall University. SR Centre for Economic Policy Research, Discussion Paper: 1489; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 19. PR 4 pounds or $8.00. JE F43, O41. KW Innovation. Imitation. Subsidies. Growth.

AB In this paper, we develop a North-South endogenous growth model to examine three phases of development in the South: imitation of Northern products; imitation and innovation; and finally, innovation only. In particular, the model has the features of catching up (and potentially overtaking), which are of particular relevance to the Pacific Rim economies. We show that the possible equilibria depend on cross-country assimilation effects and the ease of imitation. We then apply the model to analyze the impact of research and development subsidies. There are some clear global policy implications which emerge from our analysis. First, because subsidies to Southern innovation benefit the North as well, it is beneficial to the North to pay for some of these subsidies. Second, because the ability of the South to assimilate Northern knowledge and innovate depends on Southern skills levels, the consequent spillover benefits on growth make the subsidizing of Southern education by the North particularly attractive.

Currie, Janet

PD November 1995. TI Strikes and the Law in the U.S., 1881-1894: New Evidence on the Origins of American Exceptionalism. AU Currie, Janet; Ferrie, Joseph P. AA Currie: University of California, Los Angeles and National Bureau of Economic Research. Ferrie: Northwestern University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5368; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 26. PR $5.00. JE J51, J52, K31, N31. KW Labor Unions. Strikes. Labor History.

AB The origins of American exceptionalism -- the apolitical nature of American labor unions compared to their European counterparts -- have puzzled labor historians. Recently, the hypothesis has been advanced that organized labor abandoned attempts to win reform through legislation because the reforms did not have the desired consequences. We evaluate this claim using information on each state's legal environment and unique strike-level data on over 12,000 labor disputes between 1881 and 1894. We find that the law affected strike costs and strike outcomes, though not always in the anticipated directions. For example, laws outlawing blacklisting were associated with the increased use of strike breakers, while the legalization of unions, one of the hardest won legislative changes, had little impact. Only maximum hours laws had clearly pro-labor effects. Our results are consistent with the view that the American labor movement abandoned political activism and embraced business unionism because unions found the law to be an inaccurate instrument for effecting change in labor

markets.

Dalebout, Arco

TI Case-Based Reasoning Systems: From Automation to Decision-Aiding and Stimulation. AU Dutta, Soumitra; Wierenga,.Berend; Dalebout, Arco.

Danthine, Jean-Pierre

PD February 1996. TI Labour Contracts, Operating Leverage and Asset Pricing. AU Danthine, Jean-Pierre; Donaldson, John B. AA Danthine: University of Lausanne Donaldson: Columbia University. SR Centre for Economic Policy Research, Discussion Paper: 1353; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 48. PR 4 pounds or $8.00. JE E32, G12. KW Excess Volatility. Risk Premium. Labor Contracts.

AB This paper studies the pricing of financial assets in a complete general equilibrium set-up. We begin with an asset pricing model a la Lucas grafted on a standard Real Business Cycle model. We provide a new decentralized interpretation of such a model in which firms make meaningful investment decisions. We then confront qualitatively and quantitatively the implications of this model with financial observations. Drawing lessons from this exercise, we progressively enrich the model by introducing costs of adjusting the stock of capital, corporate debt and risk-sharing labor contracts. We find the latter to be particularly important in reconciling the model's predictions with observations. We conclude that additional progress towards solving outstanding puzzles may from a richer modeling of the real side of our economies.

PD August 1996. TI Front-Running by Mutual Fund Managers: It Ain't That Bad. AU Danthine, Jean-Pierre; Moresi, Serge. AA Danthine: Universite de Lausanne and Centre for Economic Policy Research. Moresi: Georgetown University. SR Universite de Lausanne Cahiers de Recherches Economiques: 9618; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 21. PR no charge. JE G14, G23. KW Front-Running. Insider Trading. Noise Trading.

AB This paper evaluates the welfare implications of front-running by mutual fund managers. It extends the model of Kyle (1985) to a situation in which the insider with fundamentals-information competes against an insider with trade-information and in which noise trading is endogenized. Noise traders are small investors trading through mutual funds to hedge non-tradable or illiquid assets. The insider with trade- information is one of the fund managers. We find that her front-running activity reduces the liquidity costs of her customers, but it also reduces their hedging benefits. As a result, the customers of the front- running manager may be worse off and place smaller orders. The opposite is true, however, for those investors who are not subject to front- running. In aggregate, front-running has either no or positive consequences for welfare.

PD October 1996. TI Non-Falsified Expectations, General Equilibrium Asset Pricing and the Peso Problem. AU Danthine, Jean-Pierre; Donaldson, John B. AA Danthine: Universite de Lausanne and Centre of Economic Policy Research. Donaldson: Columbia University. SR Universite de Lausanne Cahiers de Recherches Economiques: 9621; Departement d'Econometrie et

d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 23. **PR** no charge. **JE** D84, E32, G12. **KW** Rational Expectations. Asset Pricing. Business Cycle.

AB We discuss the extent to which the expectation of a rare-event, not present in the usual postwar sample data, but not rationally excludable from the set of possibilities -- the peso problem -- can affect the equilibrium behavior of rational agents and the characteristics of market equilibrium. To that end we describe quantitatively the macroeconomic and financial properties of a standard equilibrium business cycle model modified to allow for a very small probability of a depression state. We are careful to contrast what would be the stationary probability distribution descriptive of the dynamic rational expectations equilibrium from the empirically observed behavior of the economy under the same RE assumption when the depression does not appear in the sample. The effects of small probability events appear to be significant. Discipline is maintained by broadly searching for the General Equilibrium implications of the peso problem.

Darby, Michael R.

TI Virtuous Circles of Productivity: Star Bioscientists and the Institutional Transformation of Industry. **AU** Zucker, Lynne G.; Darby, Michael R.

TI Social Construction of Trust to Protect Ideas and Data in Space Science and Geophysics. **AU** Zucker, Lynne G.; Darby, Michael R.

Dawar, Niraj

PD 1996. **TI** Can Low Price Signal High Quality? Experimental Evidence. **AU** Dawar, Niraj; Sarvary, Miklos. **AA** Dawar: INSEAD. Sarvary: Stanford University. **SR** INSEAD Working Papers: 96/91/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. **PG** 9. **PR** no charge. **JE** C90, D80, L15. **KW** Price Signal. Experiment. Product Quality.

AB Economic signaling theory suggests that consumers interpret the price signal within the context of market conditions. Under specific conditions it predicts that low price may signal high quality. Results from an experiment designed to test the behavioral assumptions underlying this prediction indicate that consumers intentions to purchase conform to the predictions of economic signaling theory, but their judgments of product quality do not. The results suggest that consumers' response to signals may be complex than previously shown.

De Cecco, Marcello

PD June 1996. **TI** The Use of SDRs in the Financing of Official Safety-Net Mechanisms. **AU** De Cecco, Marcello; Giavazzi, Francesco. **AA** De Cecco: Universita di Roma. Giavazzi: Universita Bocconi, Milano. **SR** Centre for Economic Policy Research, Discussion Paper: 1414; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 28. **PR** 4 pounds or $8.00. **JE** F31, F33. **KW** IMF. Drawing Rights. International Finance. Currency Crises.

AB The question addressed in this paper is whether the IMF should be involved in Mexico-style crises and, if the answer is positive, whether the existing IMF financing mechanisms are adequate to support the crisis-management role that the Fund would play. The paper outlines a plan that satisfies three characteristics: (i) speed, because crisis intervention cannot wait; (ii) risk redistribution, because speed will always come at the cost of higher risk, and this needs to be redistributed across lending countries, and the justification for IMF intervention lies in the ability of this institution, compared with international agencies, to redistribute risk across a large number of potential lenders; (iii) temporary creation of liquidity, because a mechanism designed for crisis management should not produce a permanent increase in international liquidity.

De Grauwe, Paul

PD May 1996. **TI** Forward Interest Rates as Predictors of EMU. **AA** Katholieke Universiteit Leuven. **SR** Centre for Economic Policy Research, Discussion Paper: 1395; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 24. **PR** 4 pounds or $8.00. **JE** F33, F36, F42. **KW** Monetary Integration. European Integration.

AB The use of forward interest rates with a settlement time after the start of EMU (1 January 1999) allows us to derive probabilities attached by the market to the occurrence of EMU. We use the DM/ECU forward interest rates as our central source of information. We arrive at the conclusion that the market attaches a very low probability to the ECU being transformed into the Euro, with an irrevocably fixed exchange rate with the other EMU member countries, by 1999. We also compute the probabilities of entry into EMU for individual currencies.

PD September 1996. **TI** Inflation Targeting to Achieve Inflation Convergence in the Transition Towards EMU. **AA** Katholieke Universiteit Leuven. **SR** Centre for Economic Policy Research, Discussion Paper: 1457; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 20. **PR** 4 pounds or $8.00. **JE** F33, F36, F42. **KW** Monetary Integration. European Monetary Union. Inflation.

AB In this paper we analyze the use of inflation targeting as a device to facilitate inflation convergence of countries outside EMU to the EMU- inflation rate, and compare it with exchange rate pegging. We find that inflation targeting suffers from a similar credibility problem as a policy of exchange rate pegging. We also find, however, that inflation targeting is inherently more sustainable than exchange rate pegging. This relates to the fact that a lack of credibility of the exchange rate peg spills over into an increasing appreciation of the currency, inviting speculative attacks and a collapse of the exchange rate peg. Inflation targeting can avoid such situations. Despite the advantages inflation targeting remains plagued by serious credibility issues. In order to reduce these problems and thereby facilitate the convergence process (by high-inflation countries), we propose to combine inflation targeting with the Rogoff-proposal to appoint a conservative central banker.

PD September 1996. **TI** The Prospects of a Mini Currency Union in 1999. **AA** Katholieke Universiteit Leuven. **SR** Centre for Economic Policy Research, Discussion Paper: 1458; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 22. **PR** 4 pounds or $8.00. **JE** F33, F36, F42. **KW** Monetary Integration. Maastricht Treaty. Currency Union.

AB In this paper we analyze the prospects of a mini currency union in Europe. We argue that the Maastricht strategy will

create a situation in which the countries excluded from the EMU will use their negative voting power to bar the entry of a number of core countries into the union. The countries excluded will have a strong legal basis to do so because several core countries will fail one or more Maastricht convergence norms. Thus, the scenario that the financial markets believe in today is highly unrealistic. Instead countries will be confronted with the choice of a maxi currency union or no currency union.

De Koning, Alice J.

AB   The paper argues that a framework can be built using the story and anchor-and-adjust models which integrates research decision making, particularly cognitive biases and maps, executive team decision making, and resource allocation and acquisition decision processes. Propositions are developed focusing on the managerial implications of the story model.

AB   Over the last decade, we have heard more and more calls for companies to change into global network organizations, and to build stronger cross-border regional organizations. The challenges to managers, in creating these more complex businesses, has been less closely considered. The goal of this paper and our research into integration of European operations of many companies, is specifically to address the needs of managers.   Often   the   transition   between   stages   in internationalization   address   the   issue   of   organizational changes. We propose to look underneath those changes, and explore the managerial issues of the organizational transitions. Through   describing   our   observations   and   inferring   our conclusions, we intend to make managers aware of the options that are available, and to help them make choices both in terms of achieving their organizational goals and identifying efficient and effective mechanisms.

De Long, J. Bradford

AB   The 1970's were America's only peacetime inflation, as uncertainty about prices made every business decision a speculation on monetary policy. In magnitude, the total rise in the price level from the spurt in inflation to the five-to-ten percent per year range in the 1970's was as large as the jumps in prices from the major wars of this century. The truest cause of the 1970's inflation was the shadow of the Great Depression. The memory left by the Depression predisposed the left and center to think that any unemployment was too much, and eliminated any mandate the Federal Reserve might have had for controlling inflation by risking unemployment. The Federal Reserve gained, or regained, its mandate to control inflation at the risk of unemployment during the 1970's as discontent built over that decade's inflation. It is hard to see how the Federal Reserve could have acquired such a mandate without an unpleasant lesson like the inflation of the 1970's. Thus the memory of the Great Depression meant that the U.S. was highly likely to suffer an inflation like the 1970's in the post-World War II period -- maybe not as long, and maybe not in that particular decade, but nevertheless an inflation of recognizably the same genus.

de Melo, Jaime

AB   This   paper   uses   a   price-leadership   model   of   the international vanilla market to study the welfare consequences of alternative pricing policies for Madagascar -- a country that controls   domestic   production   through   a   single-channel marketing system and is the leader in the vanilla market. Econometric estimates of the model are used for simulations of welfare and revenue gains and losses and internal redistribution of income from alternative pricing policies. The results indicate that Madagascar could have gained between 0.9-2.6% of GDP per year on average over the period 1981-91 by following optimal pricing policies, and that producers were overtaxed suggesting that political economy considerations played a role in the pricing decisions.

De Meyer, Arnoud

AB   Over the last fifteen years the operations discipline has developed and implemented many action programs. In order to survive in the fierce international competition of delivering quality products at lower cost, numerous manufacturers around the world have vigorously pursued programs like statistical quality   control,   just-in-time   production,   worker   training,

flexible manufacturing systems, design for manufacture, materials requirements planning, and many others. One proposition we intend to pursue in this paper is that successful programs added unique and powerful capabilities to the operations function, and their utilities were strong enough to provide unique and powerful competencies that top management could leverage in building competitive advantages. In other words, these successful programs were transformed into significant operations capabilities, which in turn were instrumental to the core competencies of the entire company. We examine some of those operations action programs that have successfully progressed to become strategic drivers, and compare their characteristics against some of the programs that have not made those strides yet.

PD 1996. TI Falling Behind in Innovation: The 1996 Report on the European Manufacturing Futures Survey. AU De Meyer, Arnoud; Pycke, Bart. AA INSEAD. SR INSEAD Working Papers: 96/95/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 14. PR no charge. JE L60. KW Manufacturing Strategy. International Manufacturing. Delivery Systems.
AB Since 1983 we have carried out at INSEAD, the biannual Manufacturing Futures Survey. More than 10 years of empirical studies in manufacturing strategies in Europe have proven a valuable basis to analyze the manufacturing capabilities of the average European manufacturer and the action programs which are implemented. Analyzing trends from previous surveys from 1986 till 1994, the results of the 1996 survey come as no surprise to us. The ability to compete on price and to introduce new products quickly remain the Achilles heel for European manufacturers. Europe's traditional strength in producing high performance products and the skills it acquired in quality management over the last decade may not be enough to fend off new, indigenous competitors from the Asia Pacific region. Although market pressures have prompted European firms to roll out new products more quickly, half of them made no improvement over the last two years in the timely completion of new product development projects or in decreasing the number of avoidable engineering changes. Manufacturing delivers but interface management, be it cross-departmental (e.g. in new product development projects) or inter-company (e.g. in the sourcing process), remains weak.

PD October 1996. TI Building Customer Partnerships as a Competitive Weapon?: The Right Choice for Globalizing Competition? AU De Meyer, Arnoud; Katayama, Hiroshi; Kim, Jay S. AA De Meyer: INSEAD. Katayama: Waseda University. Kim: Boston University. SR INSEAD Working Papers: 96/94/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 14. PR no charge. JE L60. KW Manufacturing Strategy. International Comparison. Customer Partnerships. Manufacturing Integration.
AB The Global Manufacturing Futures Survey is a bi-yearly survey carried out in Japan, Europe, and the United States (and eight other countries), with the objective of gauging current thinking on manufacturing strategy. The survey respondents are typically senior manufacturing managers. This paper reports on the results of 1996 for the three major industrialized regions. All have invested in continuous improvement (but with decreasing marginal returns for the most advanced companies) and are heavily internalizing their production basis. And all are

confronted with fierce competition based on price from new competitors outside their region. As a consequence they are in the process of redefining their manufacturing paradigm, and attempt to revitalize their competitive position through investments in customer partnerships. Japanese companies de-emphasize the traditional manufacturing techniques of J.I.T., SPC, SQC, etc. in favor of integration of information technology, and this in order to increase their design flexibility. U.S. based companies move from an emphasis on empowerment and continuous improvement to crossfunctional and cross-organizational integration in order to build together with their customers an integrated supply chain. European companies are consolidating their past restructuring efforts and emphasize customer responsiveness and volume flexibility.

de Meza, David
TI Optimal Taxation and the Private Provision of Public Goods. AU Itaya, Jun-ichi; de Meza, David; Myles, Gareth D.

TI Public Firms are Repellent. AU Estrin, Saul; de Meza, David; Parker, David.

PD November 1996. TI Does Asset Ownership Always Motivate Managers? The Property Rights Theory of the Firm with Alternating-Offers Bargaining. AU de Meza, David; Lockwood, Ben. AA University of Exeter. SR University of Exeter, Department of Economics Discussion Paper: 97/01; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. PG 27. PR no charge. JE C78, D23. KW Asset Ownership. Bargaining. Property Rights.
AB This paper studies the Hart-Grossman-Moore "incomplete contracts" approach to the theory of the firm, under the alternative assumption that bargaining over gains from trade is modeled strategically, rather than axiomatically. With strategic bargaining, the disagreement payoffs (payoffs to the two managers if they do not trade with each other) affect the managers' agreement payoffs, and hence the incentive to invest, very differently than in the axiomatic case. A key result is that extra asset ownership may decrease incentives to invest. Sufficient conditions for integration and non-integration to be optimal that have been developed for the axiomatic case are shown not to apply to the strategic case. On the contrary, type i integration (giving all asset to manager i) is shown often top be desirable if motivating manager j does not equal to i is particularly important. Also, in contrast to the axiomatic case, no-trade prices have a role to play in improving efficiency of investment.

Deardorff, Alan V.
PD November 1995. TI Determinants of Bilateral Trade: Does Gravity Work in a Neoclassical World? AA University of Michigan. SR National Bureau of Economic Research Working Paper: 5377; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 26. PR $5.00. JE F15, F17. KW Bilateral Trade. Trade Flows. Gravity Models.
AB This paper derives bilateral trade from two cases of the Heckscher- Ohlin Model, both also representing a variety of other models as well. First is frictionless trade, in which the absence of all impediments to trade in homogeneous products

causes producers and consumers to be indifferent among trading partners. Resolving this indifference randomly, expected trade flows correspond exactly to the simple frictionless gravity equation preferences are identical and homothetic, or if demands are uncorrelated with supplies, and they depart from the gravity equation systematically when there are such correlations. In the second case, countries produce distinct goods, as in the H-O Model with complete specialization or a variety of other models, and preferences are either Cobb-Douglas or CES. Here trade tends to the standard gravity equation with trade declining in distance, with departures from it that depend on relative transport costs. Conclusions are, first, that even a simple gravity equation can be derived from standard trade theories, and second, that because the gravity equation characterizes many models, its use to test any of them is suspect.

Deaton, Angus
PD October 1995. TI Measuring Poverty Among the Elderly. AU Deaton, Angus; Paxson, Christina. AA Princeton University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5296; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 33. PR $5.00. JE I32, J14. KW Poverty. Elderly. Child Costs.
AB Poverty counts are counts of individuals in poverty but are calculated from household or family data on income or expenditure. The transition from one to the other requires assumptions about intrahousehold allocation, about differences in needs across different people, and about the extent of economies of scale. The number of elderly in poverty, or the number of children in poverty, is sensitive to these assumptions and to differences in living arrangements across age groups. We explore the sensitivity of poverty counts to variations in assumptions about child costs and economies of scale using data from the United States and from six large Indian states. Because living arrangements of the elderly are so different in the United States and India, the use of the latter forces us to think about household structure and poverty in the United States. We argue that the official poverty counts in the United States are compromised by unrealistically high costs of children and by unrealistically high economies of scale. We provide a discussion of how economies of scale and child costs can be estimated from the data, using identifying assumptions that label private goods and adult goods, and we make calculations based on the 1990 Consumer Expenditure Survey. We obtain plausible estimates of child costs, together with a number of interesting but hard-to-explain anomalies when we try to estimate economies of scale.

Decryse, Hans
PD June 1996. TI R&D Decisions When Quality and Variety Interact. AU Decryse, Hans; Irmen, Andreas. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9614; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 22. PR no charge. JE D21, L15. KW R&D. Quality Standards. Product Differentiation.
AB Often a quality improvement necessitates modifications of varietal product features. This paper studies firms' incentives to invest in quality improving R&D when this decision affects the goods' degree of varietal differentiation. Intuitively, one is inclined to argue that private incentives to provide quality are insufficient relative to the social optimum if a quality improvement reduces varietal differentiation. We find that this argument depends on whether the game is simultaneous or sequential. In the former case private incentives turn out to be excessive relative to the social optimum, in the latter case insufficient. As a result a regulator might either want to impose minimum or maximum quality standards.

Demertzis Maria
PD September 1996. TI Is a Two-Speed System in Europe the Answer to the Conflict Between the German and the Anglo-Saxon Models of Monetary Control? AU Demertzis Maria; Hughes Hallett, Andrew J.; Rummel, Ole J. AA University of Strathclyde. SR Centre for Economic Policy Research, Discussion Paper: 1481; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 65. PR 4 pounds or $8.00. JE F15, F33, R11. KW European Monetary Union. Two-Speeds. Optimal Currency Areas. Random Shocks. Monetary Control.
AB The Treaty of Maastricht requires that by 1 January 1999, at the latest, there shall be a nucleus of a monetary union. The issue of monetary union must therefore rest on the presumption that a small "credible" group of countries that fulfils the convergence criteria will be able to adopt a single currency, while the remaining peripheral countries will continue to use their national monetary instrument until monetary convergence is attained. In this paper we accept the core/periphery distinction as given and evaluate the conditions under which it is sustainable. We approach the issue through the literature on optimal currency areas and concentrate on the importance of countries hit by symmetric shocks of similar size. We adopt the Bayoumi and Eichengreen methodology of examining correlations of shocks within and between groups and discover that, while the split as is currently understood may be justified, the core is no more an optimal currency area than the periphery.

Dermine, Jean
PD August 1996. TI Loan Valuation, A Modern Finance Perspective. AA INSEAD. SR INSEAD Working Papers: 96/60/FIN; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 11. PR not available. JE D82, E51, G12. KW Loans. Banking. Credit. Risk.
AB The valuation of bank loans has attracted a lot of attention recently, and the case for marking-to-market loan portfolios has been made. In this note, five different valuation methods are evaluated vis- a-vis a benchmark, the Loan Arbitrage-Free Valuation. This model takes into account five variables that should be reflected in the economic value of a loan transaction, namely the probability of failure, the recovery rate, the tax implications, the level of debt and equity funding, and the risk premium demanded by the market.

Dex, Shirley
PD June 1996. TI Women's Employment Transitions Around Childbearing. AU Dex, Shirley; Joshi, Heather; Macran, Susan; McCulloch, Andrew. AA Dex and McCulloch: University of Cambridge. Joshi: City University. Macran: University of Leeds. SR Centre for Economic Policy Research, Discussion Paper: 1408; Centre for Economic

Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 56. **PR** 4 pounds or $8.00. **JE** C23, J13, J22, J24. **KW** Labor Dynamics. Mothers. Employment History. Panel Data.

AB The dynamics of women's labor supply are examined at a crucial stage of the life-cycle. This paper uses the longitudinal employment history records for 3,893 33-year-old mothers in the 5th sweep of the 1958 National Child Development Study cohort. Models of binary recurrent events are estimated which correct for unobserved heterogeneity, using SABRE software. These models focus (a) on women's first transition from first childbirth until the interview and (b) on all the monthly transitions. Evidence of a polarization was found between highly- educated, high-wage mothers and lower-educated, low-wage mothers.

Diaz, M. Pilar

PD July · 1996. **TI** Employment, Macroeconomic Fluctuations and Job Security. **AU** Diaz, M. Pilar; Snower, Dennis J. **AA** Birkbeck College. **SR** Centre for Economic Policy Research, Discussion Paper: 1430; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** D83, E32, J21, J32, J64. **KW** Job Security. Unemployment. Wage Determination. Firing. Hiring Costs.

AB The paper explores the influence of job security provisions on employment and unemployment. We show that this influence depends on the persistence of the macroeconomic fluctuations to which the labor market is exposed, and on employees' bargaining power in wage negotiations. Specifically, costs of firing and hiring reduce employment and stimulate unemployment when the macroeconomic fluctuations are sufficiently prolonged and employees have sufficient bargaining power; but firing and hiring costs can have the opposite effect if the fluctuations are transient and employees are weak. In this way, the paper offers an explanation for Europe's favorable unemployment performance vis-a-vis the United States in the 1950s and 1960s (when macroeconomic fluctuations were transient and union strength was moderate), and Europe's relatively unfavorable unemployment performance since the mid- 1970s (when fluctuations were prolonged and unions were stronger).

Diba, Behzad

TI Trends in European Productivity and Real Exchange Rates: Implications for the Maastricht Convergence Criteria and for Inflation Targets after EMU. **AU** Canzoneri, Matthew B.; Diba, Behzad; Eudey, Gwen.

TI Fiscal Constraints on Central Bank Independence and Price Stability. **AU** Canzoneri, Matthew B.; Diba, Behzad.

TI Relative Labour Productivity and the Real Exchange Rate in the Long Run: Evidence for a Panel of OECD Countries. **AU** Canzoneri, Matthew B.; Diba, Behzad; Cumby, Robert E.

Dick, Andrew W.

PD October 1995. **TI** The Implicit Taxes From College Financial Aid. **AU** Dick, Andrew W.; Edlin, Aaron S. **AA** Dick: University of Rochester. Edlin: University of California, Berkeley and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5316; National Bureau of Economic Research,

1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 24. **PR** $5.00. **JE** H20, I22. **KW** Financial Aid. College.

AB Families who heed the "experts'" advice and save for their children's college education typically receive less financial aid. The variation in the net price of college functions as a large tax on savings. College financial aid also functions as an income tax. This paper estimates the size and determinants of these income and asset taxes. We find that the marginal income tax typically ranges from 2% to 16% and the marginal asset levy from somewhat under 10% to as high as 25%. If a typical family chooses to accumulate $100,000 in assets rather than consuming these resources, it loses financial aid worth $10,000-$20,000.

Dimarana, Betina

TI Asia-Pacific Food Markets and Trade in 2005: A Global, Economy-Wide Perspective. **AU** Anderson, Simon P.; Martin, Will; Dimarana, Betina; Hertel, Tomas.

DiNardo, John E.

PD April 1996. **TI** The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too? **AU** DiNardo, John E.; Pischke, Jorn-Steffen. **AA** DiNardo: University of California, Irvine. Pischke: Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/12; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 30. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** J31, O33. **KW** Wage Structure. Skill-Biased. Technical Change. Computers. Wage Premium.

AB Are the large measured returns to on-the-job computer-use productivity gains or the result of unobserved heterogeneity unrelated to productivity? We examine this issue with two large cross-sectional surveys from Germany. First, we confirm that the estimated wage differential associated with computer use in Germany is very similar to the U.S. differential. Second, using standard techniques we also measure large differentials for on-the-job use of calculators, telephones, pens or pencils, or for those who work while sitting down. Along with our reanalysis of U.S. data these findings cast some doubt on the interpretation of the computer-use wage differential as reflecting true productivity effects.

Ding, Hua

PD May 1996. **TI** Chinese Empirical Evidence on the Linear and Quadratic Expenditure Systems. **AU** Ding, Hua; Kaddour, Hadri. **AA** Ding: University of Nanjing. Kaddou: University of Exeter. **SR** University of Exeter, Department of Economics Discussion Paper: 96/11; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 16. **PR** no charge. **JE** D12, D21, O12, P50. **KW** Demand Systems. Expenditure Systems. China.

AB The linear expenditure system (LES) and the quadratic expenditure system (QES) are fitted to aggregated data on average consumer and microeconomic data on individual households in the Jiangsu province of China. Our results show that the QES is more appropriate for the analysis of household budget data than the LES. The pattern of expenditure in Jiangsu is explored. The comparison between estimates from

aggregated and microeconomic data shows that the numerical results from these two sorts of data are rather close. The estimation method adopted, based on only two successive years, seems to be an appropriate method to estimate a demand system for an economy witnessing rapid structural change such as China. An interesting comparison is that the marginal consumption pattern of Jiangsu in 1992 is quite similar to that of the U.K. in 1972.

Dittmar, Robert
TI   Is Technical Analysis in the Foreign Exchange Market Profitable? A Genetic Programming Approach. AU   Neely, Christopher J.; Weller, Paul; Dittmar, Robert.

Dixit, Avinash
PD   July 1996. TI   Common Agency and Coordination: General Theory and Application to Tax Policy. AU   Dixit, Avinash; Grossman, Gene M.; Helpman, Elhanan. AA   Dixit and Grossman: Princeton University. Helpman: Tel Aviv University. SR   Centre for Economic Policy Research, Discussion Paper: 1436; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   40. PR   4 pounds or $8.00. JE   D72, H21. KW   Common Agency. Tax Policy. Lobbying. Political Economy.

AB   We develop a model of common agency with complete information and general preferences with non-transferable utility, and prove that the principals' Nash equilibrium in truthful strategies implements an efficient action. We apply this theory to construct a positive model of public finance, where organized special interests can lobby the government for consumer and producer taxes or subsidies and targeted lump-sum taxes or transfers. The lobbies use only the non-distorting transfers in their non-cooperative equilibrium, but their inter-group competition for transfers turns into a prisoners' dilemma in which the government captures all the gain that is potentially available to the parties. Therefore, we suggest that pressure groups capable of sustaining an ex-ante agreement will make a commitment to forgo direct transfers and to confine their lobbying to distorting taxes and subsidies.

Dixon, Huw David
PD   April 1996. TI   International Fiscal Policy Coordination with Demand Spillovers and Labour Unions. AU   Dixon, Huw David; Santoni, Michele. AA   Dixon: University of York. Santoni: University of Warwick. SR   Centre for Economic Policy Research, Discussion Paper: 1391; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   40. PR   4 pounds or $8.00. JE   E62, F41, L13. KW   Imperfect Competition. Fiscal Policy. Open Economy. Oligopoly.

AB   We explore the incentives for governments to cooperate by expanding expenditure. We model three countries, of which two are in a monetary union (the EU). The labor markets of both EU countries are unionized, and there is involuntary unemployment. We use a general model of bargaining, and explore in some detail the intra- and inter-country effects of changes in bargaining power. We then examine optimal government expenditure in each EU country. We find that there is a positive spillover, and that expenditures are strategic complements. The coordinated equilibrium involves higher expenditure than the uncoordinated equilibrium.

TI   A Macro-Theoretic Model of the Chinese Economy. AU   Bennett, John; Dixon, Huw David.

Dixon, Peter B.
TI   Reaching the Planners: Generating Detailed Commodity Forecasts from a Computable General Equilibrium Model. AU   Adams, Philip D.; Dixon, Peter B.

PD   March 1996. TI   A Microsimulation/Applied General Equilibrium Approach to Analyzing Income Distribution in Australia: Plans and Preliminary Illustration. AU   Dixon, Peter B.; Malakellis, Michael; Meagher, G. A. AA   Monash University. SR   Centre of Policy Studies and the Impact Project, Working Paper: IP/67; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. PG   38. PR   not available. JE   C53, C68, D31, D58. KW   Forecasting. Macroeconomic Modeling. Microeconomic Reform. Income Distribution. Comparative Dynamics.

AB   Microsimulation (MS) is distinguished from other approaches to distributional analysis in that it relies primarily on a theoretical framework built up from the characteristics -- economic, social and demographic -- of individuals. However, changes in the incomes of individuals generally depend not only on changes which apply to them directly (such as a change in income tax rates) but also on changes which are mediated by the operation of markets (such as a change in the terms of trade). Applied general equilibrium (AGE) models can be characterized as economy-wide models which include disaggregated commodity and factor markets. In this paper we present a research program for integrating MS and AGE approaches to distributional analysis and report results for a preliminary application. In particular, we employ the MONASH dynamic AGE model of the Australian economy to investigate the likely impact of a raft of microeconomic reforms on (inter alia) output and employment in more than 100 industries over the period 1994-95 to 2004-05.

Djankov, Simeon
PD   April 1996. TI   Intra-Industry Trade, Foreign Direct Investment and the Reorientation of East European Exports. AU   Djankov, Simeon; Hoekman, Bernard. AA   Djankov: University of Michigan. Hoekman: World Bank. SR   Centre for Economic Policy Research, Discussion Paper: 1377; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   36. PR   4 pounds or $8.00. JE   F14, F15, F23. KW   Intra-Industry Trade. Direct Investment. Central Europe. Eastern Europe. Economic Integration.

AB   In the first half of the 1990s many Central and East European countries (CEECs) experienced very high growth rates of exports to OECD nations. This paper investigates the contribution of sources of comparative advantage and economic restructuring on the pattern, composition and volume of trade. The importance of the redirection of traditional Council of Mutual Economic Assistance goods to OECD markets is found to be limited. A strong relationship is found to exist between export performance and growth in vertical intra-industry trade with the EU. The latter reflects the sourcing of inputs from EU firms, with associated transfers of technology and marketing-related services. Inflows of foreign direct investment are found to be highly correlated with the volume of intra-industry trade.

PD June 1996. **TI** Effective Protection and Investment Incentives in Egypt and Jordan During the Transition to Free Trade with Europe. **AU** Djankov, Simeon; Hoekman, Bernard. **AA** Djankov: University of Michigan. Hoekman: World Bank. **SR** Centre for Economic Policy Research, Discussion Paper: 1415; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 20. **PR** 4 pounds or $8.00. **JE** F13, F14. **KW** Egypt. Jordan. Trade Agreements. Effective Protection.

AB This paper assesses the possible impact of a Euro-Mediterranean Agreement (EMA) on Egypt and Jordan and identifies policy options that will increase the benefits of free trade with Europe. The extent to which these countries will benefit from an EMA depends greatly on the investment response and thus on improvements in the investment climate. The latter will be determined by many factors. Three that can be affected by an EMA and are emphasized are the modalities of the tariff reduction strategy that will be pursued, the extent to which transaction costs are reduced, and upgrading the quality and lowering the costs of intermediate service inputs through greater competition. Many of the policy and institutional changes that are required are not or only in part subject to the coverage of the EMA.

PD July 1996. **TI** Fuzzy Transition and Firm Efficiency: Evidence From Bulgaria, 1991-4. **AU** Djankov, Simeon; Hoekman, Bernard. **AA** Djankov: University of Michigan. Hoekman: World Bank. **SR** Centre for Economic Policy Research, Discussion Paper: 1424; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** D24, F14, O52, P31. **KW** Bulgaria. Transition. Trade. Efficiency. Reform.

AB This paper investigates the relationship between firm restructuring and international competition in Bulgaria during 1991. Two hypotheses are tested. First, firms in industries that are subject to significant international competition demonstrate greater increases in efficiency over time than firms in industries that remain sheltered from such competition. Second, firms within an industry that rely significantly upon export sales reduce costs faster than those that rely primarily on the local market. Neither hypothesis is rejected. The firm-level data suggest that international competition led to substantial cost efficiency improvements. Entry and exit of firms is found to have a significant additional impact on the evolution of marginal costs in most industries.

Dolado, Juan J.

PD September 1996. **TI** The Effects of Migration on the Relative Demand of Skilled Versus Unskilled Labour: Evidence from Spain. **AU** Dolado, Juan J.; Jimeno, Juan F.; Duce, Rosa. **AA** Dolado: Bank of Spain. Jimeno and Duce: FEDEA. **SR** Centre for Economic Policy Research, Discussion Paper: 1476; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 18. **PR** 4 pounds or $8.00. **JE** H30, J51, J61. **KW** Immigration. Heterogeneous Labor. Wages. Unions.

AB In this paper we construct a simple model of the effects of immigration on the labor market outcomes of natives. In this model, skilled and unskilled labor are substitutes, immigrants are complementary to the former, and wages are determined by bargaining. We are able to prove that, irrespective of the degree of competition in the market for skilled labor, there are sufficient conditions for immigration to raise total employment. We then estimate the effects of immigration on wages and employment of both types of workers across Spanish provinces following the lifting of some restrictions on migration policy in 1991. We find little evidence that the subsequent inflows of immigrants are associated with negative effects on both wages and employment of less-skilled natives.

PD October 1996. **TI** Short- and Long-Run Phillips Trade-Offs and the Cost of Disinflationary Policies. **AU** Dolado, Juan J.; Lopez-Salido, J. David; Vega, Juan Luis. **AA** Banco de Espana. **SR** Centre for Economic Policy Research, Discussion Paper: 1483; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 52. **PR** 4 pounds or $8.00. **JE** C32, E12, E13, E24. **KW** Phillips Trade-offs. Sacrifice Ratio. Vector Autoregressions. Shocks.

AB This paper studies the joint behavior of inflation and unemployment in Spain over the period 1964-95 in order to estimate dynamic Phillips trade-offs and sacrifice ratios in response to a demand shock. We organize our empirical approach as a structural (albeit eclectic) one. In so doing, we use a Structural VAR to identify demand shocks in a framework where the high persistence in both series allows us to differentiate between permanent and transitory components. Our eclecticism comes from using three alternative identifying schemes which fit the data equally well, but place different emphasis on the effects of demand shocks on the unemployment rate. Our estimates suggest, according to the reader's prior belief (Keynesian or monetarist), that a one percentage point reduction in inflation following an aggregate demand contraction is associated with cumulated output losses of between 2.6% and 5% over five years.

Donaldson, John B.

TI Labour Contracts, Operating Leverage and Asset Pricing. **AU** Danthine, Jean-Pierre; Donaldson, John B.

TI Non-Falsified Expectations, General Equilibrium Asset Pricing and the Peso Problem. **AU** Danthine, Jean-Pierre; Donaldson, John B.

Dooley, Michael P.

PD November 1995. **TI** Financial Repression and Capital Mobility: Why Capital Flows and Covered Interest Rate Differentials Fail to Measure Capital Market Integration. **AU** Dooley, Michael P.; Chinn, Menzie. **AA** Dooley: University of California, Santa Cruz and National Bureau of Economic Research. Chinn: University of California, Santa Cruz. **SR** National Bureau of Economic Research Working Paper: 5347; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 17. **PR** $5.00. **JE** F32, F41, G15. **KW** Capital Markets. Reserve Requirements.

AB Required reserves on banks' deposit liabilities have been utilized by both industrial and developing countries to discourage and sterilize international capital flows. In this paper we utilize an open economy macro model incorporating bank credit to evaluate this policy. The model suggests that high levels of reserve requirements are a perverse policy tool in that they amplify the effects of foreign monetary shocks, but changes in reserve requirements can insulate a repressed financial market from international financial shocks. The model also suggests that traditional measures of capital mobility such as interest parity conditions or the scale of gross private capital

flows are of no value in assessing the openness of repressed financial systems.

AB This paper reviews recent theoretical and empirical work on controls over international capital movements. Theoretical contributions reviewed focus on "second best" arguments for capital market restrictions as well as arguments based on multiple equilibria. The empirical literature suggests that controls have been "effective" in the narrow sense of influencing yield differentials. But there is little evidence that controls have helped governments meet policy objectives, with the exception of reduction in the governments' debt service costs, and no evidence that controls have enhanced economic welfare in a manner suggest by theory.

Dow, James

AB I present a simple model in which it is possible that opening a new market makes everybody worse off. Unlike previous examples in the literature, the analysis does not rely on relative price changes of different consumption goods. This is shown in a standard framework in which uninformed traders with hedging needs interact with risk-averse informed traders in security markets where prices are set by a competitive market-making system. The paper emphasizes cross-market links between hedging and speculative demands: risk-averse arbitrageurs can hedge in the new market to lower the risk of speculative positions in the pre-existing market. This causes a greater incidence of speculative activity in the old market, leading some traders with pure hedging motives in that market to withdraw, so reducing liquidity in the old market. The general point argued here is that a risk-averse informed trader who believes an asset to be mispriced will typically be able to reduce the risk of speculating on his belief by hedging with other assets. The availability of such hedging instruments will in turn determine which types of speculative activity are of low risk, and this will influence the strategies to which traders will devote resources.

Doz, Yves L.

Drastal, Susan

Duce, Rosa

Dumas, Bernard

AB Black and Scholes's (1973) implied volatilities tend to be systematically related to the option's exercise price and time to expiration. Derman and Kani (1994), Dupire (1994), and Rubinstein (1994) attribute this behavior to the fact that the Black/Scholes constant volatility assumption is violated in practice. These authors hypothesize that the volatility of the underlying asset's return is a deterministic function of the asset price and time, and develop the deterministic volatility function (DVF) option valuation model, which has the potential of fitting the observed cross-section of option prices exactly. Using a sample of Standard and Poors index of 500 companies (S&P 500) options during the period June 1988 through December 1993, we evaluate the economic significance of the implied deterministic volatility function by examining the predictive and hedging performance of the DVF option valuation model.

Durlauf, Steven N.

Dustmann, C.

AB This paper investigates the human capital investments of migrants whose duration in the host country is limited, either by contract or by their own choice. The first part of the paper develops a model, distinguishing between migrants who immigrate on a fixed contract, and migrants who choose their return point freely. The analysis has a number of interesting implications for empirical work. Some are explored in the second part of the paper, which is an empirical analysis of investments of migrants into language capital.

Dutta, Soumitra

Support. Knowledge. Case-Based. Intelligent Agents.
AB Case-based reasoning (CBR) has emerged as a major research area within artificial intelligence research over the last decade due to both its widespread usage by humans and its appeal as a methodology for building intelligent systems. Conventional CBR systems have been largely designed as automated problem solvers for producing a solution to a given problem by adapting the solution to a similar, previously solved problem. Such systems have had limited success in real-world applications. More recently, there has been a search for new paradigms and directions for increasing the utility of CBR systems for decision support. This paper focuses on the synergy between the research areas of decision support systems (DSS's) and CBR. A conceptual framework for DSS's is presented and used to develop a taxonomy of three different types of CBR systems: conventional, decision-aiding and stimulative. The major characteristics of each type of CBR system are explained with a particular focus on decision-aiding and stimulative CBR systems. The research implications of the evolution in the design of CBR systems from automation towards decision-aiding and stimulation are explored.

PD October 1996. TI Assessing Software Excellence: A Model and an Empirical Test. AU Dutta, Soumitra; Van Wassenhove, Luk N.. AA INSEAD. SR INSEAD Working Papers: 96/69/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 29. PR not available. JE D23, L86, L15. KW Computer Software. Productivity. Quality.
AB The strategic importance of software has long been recognized by both practitioners and academics. Organizations have faced two challenges in leveraging the strategic potential of software. First, there is a need for increased maturity in software development processes. Second, many organizations have struggled to derive adequate business value from software to key stakeholders. Several models for assessing and improving the maturity of software processes have been proposed in the literature. Taking guidance from recent developments in the domain of Total Quality Management, this research proposes a model of Software Excellence, which extends the narrow focus of current software maturity models on the "software factory" to the broader organizational context. The validity and usefulness of the Software Excellence Model is demonstrated by an empirical test -- a questionnaire-based survey of European organizations.

Dwyer, Debra Sabatini
PD October 1995. TI Evaluating Mental Health Capitation Treatment: Lessons From Panel Data. AU Dwyer, Debra Sabatini; Cole, Robert; Mitchell, Olivia S.; Reed, Sylvia K. AA Dwyer: Syracuse University. Cole and Reed: University of Rochester. Mitchell: University of Pennsylvania and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5297; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 24. PR $5.00. JE I11. KW Mental Health.
AB The paper evaluates a capitation-financed system of mental health services delivery developed in Rochester, New York. Cost/benefit analysis of the treatment program is implemented on three years of data using program evaluation techniques. Patient outcomes are compared across randomly assigned study groups as well as across enrollment status. The analysis implements difference-in-difference econometric techniques recently developed in the labor economics literature to control for potentially non-random attrition as well as selective non- compliance. We find that patients enrolled in the capitation program do experience significantly lower costs without becoming sicker, even after controlling for attrition and sample selection.

Dynan, Karen E.
PD October 1995. TI The Underrepresentation of Women in Economics: A Study of Undergraduate Economics Students. AU Dynan, Karen E.; Rouse, Cecilia Elena. AA Dynan: Federal Reserve Board. Rouse: Princeton University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5299; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 17. PR $5.00. JE J16, J44. KW Women Economists. Gender Gap.
AB Although women are underrepresented in the field of economics, many people see little need for intervention, arguing that women are inherently less interested in economics, or are less willing or able to acquire the math skills needed to do well in the subject. At the same time, others support active efforts to increase the number of women in the field, pointing to other possible causes of their current underrepresentation. These people argue, for example, that women are deterred from entering the field because of a lack of female role models, or that women are discouraged by an unappealing classroom environment. This study attempts to assess these hypotheses. We examine the factors that influence undergraduate students' decisions to become economics majors by analyzing a survey of students in the introductory economics course at Harvard University as well as data on an entire class of students from Harvard's registrar. We find that although women in the introductory economics course at Harvard tend to begin the course with a weaker math background than men, math background does not appear to explain much of the gender difference in students' decisions about whether to major in economics. The class environment and the presence of absence of role models also do not explain much of the gender gap. On the other hand, women do less well in economics relative to their other courses than men do, and controlling for this difference in relative performance significantly diminishes the estimated gender gap. An economically large, but statistically insignificant, difference between sexes in the probability of majoring in economics remains, however. This remaining gender gap may be due to differing tastes or information about the nature of economics. As evidence, we find that women who were considering majoring in economics when they began introductory economics were about as likely to choose economics as were men.

Earl, Michael
TI Information Technology in Japan: Are there Lessons for the West? AU Bensaou, Ben M.; Earl, Michael.

TI Information Technology in Japanese Firms: Are There Lessons for the West? AU Bensaou, Ben M.; Earl, Michael.

Eberly, Janice C.
TI The Effects of Irreversibility and Uncertainty on Capital Accumulation. AU Abel, Andrew B.; Eberly, Janice C.

Eckaus, Richard S.

AB An even dozen of the influences on development in China and India are scrutinized, with occasional comparisons to the former Soviet Union. The best explanations of the superior growth performance of China are its higher savings rates and higher capital productivity. Foreign investment has also been higher in China than in India. There has been a clearer and more definite commitment to economic reform in China, as compared to India, with more support by the Chinese bureaucracy for the economic reforms as well as reduction in the gross inefficiencies of the previous system. Much of the decision making with respect to reforms has been decentralized and many of the reforms have originated at the provincial and local levels in China, while in India the reforms have originated and been propelled by central government actions, often with local government resistance. In addition there has been no phenomenon in India like the boom in China in cooperative enterprises created and managed at the local level. Neither China nor India has made significant progress in privatizing their public enterprise, but China may have been more successful than has India in increasing their efficiency.

AB China has managed its international trade and payments as an effective adjunct to its development policy and without persistent problems. It has moved away from the completely planned and managed international trade and payments policy with which it entered its reform period in 1978 and which it maintained for several years afterward. Although there is still not complete freedom to import and export and to hold and use foreign exchange, an increasing amount of leeway has been given to exporters and importers. A dual price system for foreign exchange was created in the 1980's to facilitate trade without imposing all the costs of a full devaluation. Subsequently the exchange rates have been unified. Though there have been difficulties, they have not been persistent, and have not become major obstacles to its economic growth.

AB The special problems of small countries in achieving economic growth are considered. Relevant aspects of growth and resource allocation theory are examined and subjected to some simple econometric tests. The special hypotheses that have been suggested for small developing countries are also considered. In addition some sociological features of small countries that may be of significance for their economic development are suggested.

Edlin, Aaron S.

Eichenbaum, Martin

Eichengreen, Barry

AB This paper is concerned with the fact that the incidence of speculative attacks tend to be temporally correlated; that is, currency crises appear to pass "contagiously" from one country to another. The paper provides a survey of the theoretical literature, and analyses the contagious nature of currency crises empirically. Using 30 years of panel data from 20 industrialized countries, we find evidence of contagion. Contagion appears to spread more easily to countries that are closely tied by international trade linkages than to countries in similar macroeconomic circumstances.

Elliot, Graham

AB This paper examines the efficiency of the forward yen/dollar market using micro survey data. We first argue that the conventional tests of efficiency (unbiasedness) of the forward rate or of the survey forecasts do not correspond directly to the zero-profit condition. Instead, we use the survey data to calculate directly potential profits of individual forecasters based on a natural trading rule. We find that although the survey data are not the best predictor of future spot rate in terms of typical mean square forecast error criteria,

the survey data can be used to obtain on average positive profits. However; these profits are small and highly variable. We also examine profits generated by a trading rule using regression forecasts, where forward premium is an explanatory variable. These profits are also small and highly variable.

Ellison, Glenn
TI   Risk Taking by Mutual Funds as a Response to Incentives. AU   Chevalier, Judith; Ellison, Glenn.

PD   August 1995. TI   Basins of Attraction, Long Run Equilibria, and the Speed of Step-by- Step Evolution. AA   Massachusetts   Institute   of   Technology. SR   Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/4; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG   42. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE   C70. KW   Learning. Equilibrium Selection. Waiting Times. Local Interaction. Markov Process.
AB   The paper provides a general analysis of the types of models with '?- perturbations which have been used recently to discuss the evolution of social conventions. Two new measures of the size and structure of the basins of attraction of dynamic systems, the radius and coradius, are introduced in order to bound the speed with which evolution occurs. The main theorem uses these measures to provide a characterization useful for determining long run equilibria and rates of convergence. Evolutionary forces are most powerful when evolution may proceed via small steps through a series of intermediate steady states. A number of applications are discussed. The selection of the risk dominant equilibrium in 2 * 2 games is generalized to the selection of 1/2- dominant equilibria in arbitrary games. Other applications involve two-dimensional local interaction and cycles as long run equilibria.

Emons, Winand
PD   October 1996. TI   Expertise, Contingent Fees, and Excessive Litigation. AA   Universitat Bern. SR   Centre for Economic Policy Research, Discussion Paper: 1487; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   14. PR   4 pounds or $8.00. JE   D82, K41. KW   Litigation. Contingent Fees. Expert Services. Incentives.
AB   Plaintiffs have either strong or weak cases. Both cases should be taken to court, yet weak cases need more work by the attorney than strong cases. Only the attorney knows whether a case needs additional work or not; the plaintiff is forced to rely on the attorney's recommendation. We show that under contingent fees there will generally be excessive litigation. In contrast, an hourly fee implements the efficient amount of litigation.

Engel, Charles
PD   October 1995. TI   The Forward Discount Anomaly and the Risk Premium: A Survey of Recent Evidence. AA   University of Washington and National Bureau of Economic Research. SR   National Bureau of Economic Research Working Paper: 5312; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   98. PR $5.00. JE   F31, G12. KW   Risk Premium. Interest Parity. Cointegration.
AB   Forward exchange rate unbiasedness is rejected in tests from the current floating exchange rate era. This paper surveys advances in this area since the publication of Hodrick's (1987) survey. It documents that the change in the future exchange rate is generally negatively related to the forward discount. Properties of the expected forward forecast error are reviewed. Issues such as the relation of uncovered interest parity to real interest parity, and the implications of uncovered interest parity for cointegration of various quantities are discussed. The modeling and testing for risk premiums is surveyed. Included in this area are tests of the consumption CAPM, tests of the latent variable model, and portfolio-balance models of risk premiums. General equilibrium models of the risk premium are examined and their empirical implications explored. The survey does not cover the important areas of learning and peso problems, tests of rational expectations based on survey data, or the models of irrational expectations and speculative bubbles.

Eshel, Ilan
PD   January   1996.   TI   Evolutionary   Dynamics   of Populations with a Local Interaction Structure. AU   Eshel, Ilan; Sansone, Emilia; Shaked, Avner. AA   Eshel: Tel Aviv University. Sansone: University of Naples. Shaked: University of Bonn. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B350; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers.   PG   19. PR   no charge. JE   C72, C79. KW   Population Dynamics. Isolation. Local Interaction. Altruism. Inclusive Fitness.
AB   A model of a population with a Local Interaction structure is presented. Individuals interact with others in a given Interaction neighborhood to obtain their payoff. Individuals either imitate or else they die and are replaced by one of their neighbors in another neighborhood -- the Propagation neighborhood. An individual with a higher payoff is more likely to be imitated or to replace his neighbor. An unbeatable strategy can repel the invasion of any mutant.

Esquivel, Gerardo
TI   The Political Economy of Mexico's Entry to NAFTA. AU   Tornell, Aaron; Esquivel, Gerardo.

Estrella, Arturo
PD   November 1995. TI   Predicting U.S. Recessions: Financial Variables As Leading Indicators. AU   Estrella, Arturo; Mishkin, Frederic S. AA   Federal Reserve Bank of New York and National Bureau of Economic Research. SR   National Bureau of Economic Research Working Paper: 5379; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   23. PR $5.00. JE   E32, G10. KW   Recessions. Financial Variables.
AB   This article examines the performance of various financial variables as predictors of subsequent U.S. recessions. Series such as interest rates and spreads, stock prices, currencies, and monetary aggregates are evaluated singly and in comparison with other financial and non- financial indicators. The analysis focuses on out-of-sample performance from 1 to 8 quarters ahead. Results show that stock prices are useful with 1-2 quarter horizons, as are some well-known macroeconomic indicators. Beyond 2 quarters, the slope of the yield curve emerges as the clear choice, and typically performs better by itself out of sample than in conjunction with other variables.

Estrin, Saul

PD November 1996. **TI** Public Firms are Repellent. **AU** Estrin, Saul; de Meza, David; Parker, David. **AA** Estrin: London Business School. de Meza: University of Exeter. Parker: St. Anthony's College Oxford. **SR** University of Exeter, Department of Economics Discussion Paper: 96/21; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 15. **PR** no charge. **JE** L32, L43. **KW** Price Controls. Entry Deterrence. Mixed Duopoly.

AB Break-even pricing by public firms and price controls on private firms are generally efficient given industry structure but may impact adversely on that structure. A commitment to low prices repels potential entrants so desirable products may never be introduced. This paper explores the welfare trade offs. It also shows, in contrast to the result under all-round profit maximization, that if the post-entry game is Cournot, entry is discouraged relative to Bertrand competition. Nevertheless, deregulation may be even more beneficial under Bertrand competition than under Cournot.

Eudey, Gwen

TI Trends in European Productivity and Real Exchange Rates: Implications for the Maastricht Convergence Criteria and for Inflation Targets after EMU. **AU** Canzoneri, Matthew B.; Diba, Behzad; Eudey, Gwen.

Farmer, Roger E. A.

TI Indeterminacy and Sector-Specific Externalities. **AU** Benhabib, Jess; Farmer, Roger E. A.

TI The Monetary Transmission Mechanism. **AU** Benhabib, Jess; Farmer, Roger E. A.

Favero, Carlo A.

PD September 1996. **TI** Monetary Policy, Forward Rates and Long Rates: Does Germany Differ from the United States? **AU** Favero, Carlo A.; Iacone, Fabrizio; Pifferi, Marco. **AA** Universita Bocconi. **SR** Centre for Economic Policy Research, Discussion Paper: 1456; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 17. **PR** 4 pounds or $8.00. **JE** E43, E52. **KW** Monetary Policy. Institutional Forces. Expectations.

AB In this paper we analyze the impact of monetary policy shocks on the term structure of interest rates in the United States and Germany. We estimate the term structure of spot rates and of the instantaneous forward rate. We interpret the instantaneous forward rate as the expectations for the overnight rate prevailing at each point in the future. We then proceed to derive a measure of policy shocks by using information on the effective intervention. Finally, we evaluate the impact of monetary policy on the term structure of interest rates by regressing the change in the yield curve between the day before and the day after meetings on expected and unexpected modification in policy rates. We conduct such exercise for the United States and Germany over the period 1991-1995 to evaluate the sign and the magnitude of the response of the term structures in the two countries to expected and unexpected modifications in monetary policy.

Feenberg, Daniel

TI The Effects of Increased Tax Rates on Taxable Income and Economic Efficiency: A Preliminary Analysis of the 1993 Tax Rate Increases. **AU** Feldstein, Martin; Feenberg, Daniel.

Feldstein, Martin

PD November 1995. **TI** The Effects of Increased Tax Rates on Taxable Income and Economic Efficiency: A Preliminary Analysis of the 1993 Tax Rate Increases. **AU** Feldstein, Martin; Feenberg, Daniel. **AA** National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5370; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 37. **PR** $5.00. **JE** H21, H24. **KW** Tax Rates. Taxable Income. Efficiency.

AB The 1993 tax legislation raised marginal tax rates to 36 percent from 31 percent on taxable incomes between $140,000 and $250,000 and to 39.6 percent on incomes above $250,000. This paper uses recently published IRS data on taxable incomes by adjusted gross income class to analyze how the 1993 tax rate increases affected taxable income, tax revenue, and economic efficiency. Our estimates are based on a difference-in-difference procedure comparing growth of taxable incomes among taxpayers with AGI's over $200,000 to the growth of incomes of lower income taxpayers. We use the NBER TAXSIM model to adjust for interyear differences in the composition of the two taxpayer groups. The results show that high income taxpayers would have reported 7.8 percent more taxable income in 1993 than they did if their tax rates had not increased. Because of the high threshold for the increase in tax rates, this decline in taxable income caused the Treasury to lose more than half of the extra revenue that would have been collected if taxpayers had not changed their behavior.. Several possible statistical biases could cause the estimated effect of the tax changes to either underestimate or overestimate the true long-run effect. The paper concludes with a discussion of these problems and of plans for future analysis.

Fernandez, Raquel

PD November 1995. **TI** Education Finance Reform and Investment in Human Capital: Lessons from California. **AU** Fernandez, Raquel; Rogerson, Richard. **AA** Fernandez: New York University and National Bureau of Economic Research. Rogerson: University of Minnesota. **SR** National Bureau of Economic Research Working Paper: 5369; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 36. **PR** $5.00. **JE** H52, I22. **KW** Educational Finance. California.

AB This paper examines the effect of different education financing systems on the level and distribution of resources devoted to public education. We focus on California, which in the 1970's moved from a system of mixed local and state financing to one of effectively pure state finance and subsequently saw its funding of public education fall between ten and fifteen percent relative to the rest of the U.S. We show that a simple political economy model of public finance can account for the bulk of this drop. We find that while the distribution of spending became more equal, this was mainly at the cost of a large reduction in spending in the wealthier communities with little increase for the poorer districts. Our model implies that there is no simple trade-off between equity and resources; we show that if California had moved to the

opposite extreme and abolished state aid altogether, funding for public education would also have dropped by almost ten percent.

Ferrer, Geraldo

PD September 1996. **TI** The Economics of Tire Remanufacturing. **AA** INSEAD. **SR** INSEAD Working Papers: 96/58/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 25. **PR** not available. **JE** Q31, Q25, L62. **KW** Remanufacturing. Recycling. Retreading. Material Recovery. Pollution Prevention.
AB The world market for tires is described to identify the current material flow from raw materials to tires and the used tire disposal problem. Then, I describe the value-adding operations in the tire production process and in the tire retreading process. Once retreading is identified as the only recovery alternative that maximizes tire utilization, I explain why heat generation is the only recovery alternative, when retreading is not technically feasible. The economic values of heat generation in electric plants and in cement kilns are discussed. The paper culminates with the case of retreading, the tire remanufacturing process, and the recommendation of a simple decision rule for selecting the number of times a tire should be retreaded to maximize its utilization.

PD September 1996. **TI** Parts Recovery Problem: The Value of Information in Remanufacturing. **AA** INSEAD. **SR** INSEAD Working Papers: 96/63/TM; Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 17. **PR** not available. **JE** D23, D84, L23. **KW** Remanufacturing. Job Shop. Stochastic Process. Yield.
AB This paper deals with the uncertainty in the quality of the goods used as inputs in the remanufacturing shop. The manager in this job shop has to select an efficient procedure to determine whether a given part can be recovered and sent to the assembly line. Such procedure may identify bad parts earlier or later in the recovery process, as a function of the process design. Different scenarios are compared, where knowledge acquisition happens at different times in the recovery process, gaining insights about the importance of information systems in remanufacturing.

PD October 1996. **TI** On the Economics of Remanufacturing a Widget. **AA** INSEAD. **SR** INSEAD Working Papers: 96/64/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 20. **PR** not available. **JE** L62, Q21. **KW** Remanufacturing. Recycling. Material Recovery. Product Design. Resource Conservation.
AB This paper provides a framework for defining an efficient remanufacturing procedure of a generic durable good at the end of its useful life. For many materials, the recycling technology (material recovery) is broadly available. However, the design of most products does not favor the recovery of the value-added in the good. Products designed for optimal marketing and ease of manufacturing are not necessarily good candidates for a recovery scheme. Design measures such as recyclability, disassemblability and reusability are clearly defined and used as the basis of the product recovery framework. I apply this framework and the design measures to a bicycle to illustrate their application and managerial relevance.

PD October 1996. **TI** Market Segmentation and Product

Line Design In Remanufacturing. **AA** INSEAD. **SR** INSEAD Working Papers: 96/66/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 7. **PR** not available. **JE** D11, Q31, L23. **KW** Remanufacturing. Market Segmentation. Self-Selection.
AB This paper describes an environment where two products are offered, one is remanufactured and the other is all-new. Examining the trade-offs between the customer's utility and production cost variables, the model identifies conditions under which the remanufacturing product may coexist with the all-new product. The paper concludes with some insights on why remanufacturing can be successful with some products but nonexistent with many others.

Ferrie, Joseph P.

PD August 1995. **TI** A New Sample of Americans Linked from the 1850 Public Use Micro Sample of the Federal Census of Population to the 1860 Federal Census Manuscript Schedules. **AA** Northwestern University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 71; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** J10, N31. **KW** Longitudinal Data. Nineteenth Century Data. Census.
AB Though the geographic, occupational, and financial mobility of average Americans were important aspects of nineteenth century U.S. economic development, the extent and correlates of this economic mobility have remained open to debate in the absence of individual-level longitudinal data. This essay describes a new sample of 4,837 individuals linked from the 1850 Public Use Micro Sample of the federal census of population to the 1860 federal census manuscripts schedules, using the new national 1860 federal census index. The linked sample provides information on occupation, wealth, family structure, and location in both 1850 and 1860. The construction of the sample is described in detail, along with tests of its representativeness and examples of potential uses.

TI Strikes and the Law in the U.S., 1881-1894: New Evidence on the Origins of American Exceptionalism. **AU** Currie, Janet; Ferrie, Joseph P.

PD June 1996. **TI** The Entry Into the U.S. Labor Market of Antebellum European Immigrants, 1840-60. **AA** Northwestern University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 88; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** F22, J61, N31, N34. **KW** International Migration. Antebellum Immigration. Occupational Mobility.
AB This study examines the occupational mobility of antebellum immigrants as they entered the U.S. White collar, skilled, and semi- skilled immigrants left unskilled jobs more rapidly after arrival than farmers and unskilled workers. British and German immigrants fared better than the Irish; literate immigrants in rapidly growing counties and places with many immigrants fared best. These findings have implications for (1) the accuracy of estimates of immigrant occupational mobility; (2) the size of the human capital transfer resulting from

antebellum immigration; and (3) the causes of the difficulty experienced by some immigrant groups in transferring their skills to the U.S.

Field-Hendrey, Elizabeth B.
PD   April 1996. TI   Were Free Southern Farmers "Driven to Indolence" by Slavery? A Stochastic Production Frontier Approach. AU   Field-Hendrey, Elizabeth B.; Craig, Lee A. AA   Field-Hendrey: Queens College. Craig: North Carolina State University and National Bureau of Economic Research. SR   National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 82; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG   not available. PR $5.00. JE   N51, Q12. KW   Southern Farmers. Slavery. Antebellum South. Efficient Farms.
AB   Antebellum critics of slavery argued that it was responsible for the relative inefficiency of free southern farms. We examine this issue, employing a stochastic production function, which allows us to distinguish between technological superiority and technical inefficiency, and controlling for crop mix, which we treat as endogenous. We find that although large plantations enjoyed a technological advantage, slave farms were less efficient than free northern farms but more efficient than free southern farms. In addition, free southern farms were significantly less efficient than comparable northern farms.

Fildes, Robert
PD   September 1996. TI   Generalising About Univariate Forecasting Methods: Further Empirical Evidence. AU   Fildes, Robert; Hibon, Michele; Makridakis, Spyros; Meade, Nigel. AA   Fildes: Lancaster University. Hibon and Makridakis: INSEAD. Meade: Imperial College. SR   INSEAD Working Papers: 96/70/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   26. PR   not available. JE   C22, C51. KW   Comparative Methods. Time Series. ARIMA. Exponential Smoothing.
AB   This paper extends the empirical evidence on the forecasting accuracy of extrapolative methods. The robustness of the major conclusions of the M-Competition data is examined in the context of the telecommunications data of Fildes (1992). The performance of Robust trend, found to be a successful method for forecasting the telecommunications data by Fildes, is compared with that of other successful methods using the M- Competition data. Although it is established that the structure of the telecommunications data is more homogeneous than that of the M- Competition data, the major conclusions of the M-Competition continue to hold for this new data set. In addition, while the Robust Trend method is confirmed to be the best performing method for the telecommunications data, for the 1001 M-Competition series, this method is outperformed by methods such as Single or Damped Smoothing. However, the performance of smoothing methods is shown to depend on how the smoothing parameters are estimated. A data based choice of fixed smoothing constants from a cross-sectional study of the time series was found to perform well.

Finegan, T. Aldrich
TI   Compulsory Schooling Legislation and School Attendance in Turn-of- the-Century America: A "Natural Experiment" Approach. AU   Margo, Robert A.; Finegan, T. Aldrich.

Fisher, Jonas
TI   Tobin's q and Asset Returns: Implications for Business Cycle Analysis. AU   Christiano, Lawrence J.; Fisher, Jonas.

Flandreau, Marc
PD   November 1996. TI   The Burden of Intervention: Externalities in Multilateral Exchange Rates Arrangements. AA   CNRS and OFCE. SR   Centre for Economic Policy Research, Discussion Paper: 1504; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   25. PR   4 pounds or $8.00. JE   E50, F31. KW   Target Zone. Central Bank Intervention. Key-Currency Regimes. Exchange Rates.
AB   In this paper we consider a regime where several target zones coexist. Parities are defended by manipulating money supplies in participating countries. As a result, interventions aimed at one given exchange rate influence other exchange rates as well. Such "externalities" are shown to have dramatic implications; shocks on each fundamental affect the whole range of exchange rates involved, intra- marginal interventions arise endogenously, and the exchange rate distribution does not exhibit the u-shaped pattern which is typical of traditional target zone models. Moreover, we compute the stationary distribution of exchange rates and fundamentals, and show that both are influenced by the "rules of the game", i.e. currency used in interventions, sterilization procedures, etc.

Fleming, Jeff
TI   Implied Volatility Functions: Empirical Tests. AU   Dumas, Bernard; Fleming, Jeff; Whaley, Robert E.

Flood, Robert P.
PD   October 1995. TI   Collapsing Exchange Rate Regimes: Another Linear Example. AU   Flood, Robert P.; Kramer, Charles; Garber, Peter M. AA   Flood: International Monetary Fund and National Bureau of Economic Research. Kramer and Garber: International Monetary Fund. SR   National Bureau of Economic Research Working Paper: 5318; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   18. PR $5.00. JE   F31. KW   Exchange Rates. Sterilization.
AB   In the literature on speculative attacks on a fixed exchange rate, it is usually assumed that the monetary authority responsible for fixing the exchange rate reacts passively to the monetary disruption caused by the attack. This assumption is grossly at odds with actual experience where monetary-base implications of the attacks are usually sterilized. Such sterilization renders the standard monetary-approach attack model unable to provide intellectual guidance to recent attack episodes. In this paper we describe the problems with the standard model and develop a version of the portfolio-balance exchange rate model that allows the study of episodes with sterilization. Sterilized attacks may be regarded as a laboratory test of the monetary versus portfolio-balance exchange rate models. The monetary model fails the test. These issues are motivated by reference to the December 1994 collapse of the Mexican peso.

Floud, Roderick
PD   May 1996. TI   Health, Height, and Welfare: Britain 1700-1980. AU   Floud, Roderick; Harris, Bernard.

AA Floud:.London Guildhall University and National Bureau of Economic Research. Harris: University of Southampton. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 87; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** I12, I31. **KW** Health. Height. Britain. Human Development.
AB This paper reviews the evidence regarding the main trends in the height of the British population since the early eighteenth century. We argue that the average heights of successive birth cohorts of British males increased slowly between the middle of the eighteenth century and the first quarter of the nineteenth century. Average heights fell during the second quarter of the nineteenth century, before rising from the 1850's onwards. This analysis is supported by an examination of the main trends in children's heights during the twentieth century. Our findings are compared with the results of an alternative method of measuring human welfare -- a modified version of the United Nations' Human Development Index. The main trends in human development reinforce the conclusions drawn from our own interpretation of the anthropometric evidence.

Forslid, Rikard

TI Investment Creation and Investment Diversion: Simulation Analysis of the Single Market Programme. **AU** Baldwin, Richard E.; Forslid, Rikard; Haaland, Jan.

TI Trade Liberalization and Endogenous Growth: A q-Theory Approach. **AU** Baldwin, Richard E.; Forslid, Rikard.

Francois, Joseph F.

PD April 1996. **TI** A Green Light for Environment, or a Green Light for Protection? The EU-US Dispute Over US Corporate Average Fuel Economy Regulations. **AU** Francois, Joseph F.; Nordstrom, Hakan. **AA** World Trade Organization. **SR** Centre for Economic Policy Research, Discussion Paper: 1373; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** F13, K32, K33, Q38. **KW** Fuel Economy. CAFE. Trade Dispute. GATT. Environment.
AB The U.S. Corporate Average Fuel Economy (CAFE) regulation mandates, subject to a civil penalty, producers to achieve a certain fleet average fuel economy on sales of new passenger cars. Analyzing the incentive effects of CAFE, we find that it affords differential tax treatment to car models with identical fuel economy, and therefore differential incentives for improvements. In fact, the incentives may be negative for producers that specialize in small or large models. This casts doubt over the environmental merits of fleet averaging. Moreover, product-mix taxes can be abused by exploiting the specialization patterns of domestic and foreign firms.

PD June 1996. **TI** A User's Guide to Uruguay Round Assessments. **AU** Francois, Joseph F.; McDonald, Bradley; Nordstrom, Hakan. **AA** World Trade Organization. **SR** Centre for Economic Policy Research, Discussion Paper: 1410; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** F13, F47, D58. **KW** Uruguay Round. Computable General Equilibrium. Trade Liberalization. GATT. WTO.

AB In this paper we provide a broad overview of the computable general equilibrium (CGE) literature on the Uruguay Round, detailing the policy experiments of various studies and differences in model structures and relating these to the overall pattern of results. We supplement this overview with a discussion of implementation and offsetting factors. Overall, the literature points to significant potential gains from the Uruguay Round, particularly from non-tariff barrier (NTB) liberalization. Strict monitoring and enforcement of NTB-related provisions would yield significant benefits, while lax implementation would imply significant missed opportunities.

PD June 1996. **TI** Trade Liberalization and Investment in a Multilateral Framework. **AU** Francois, Joseph F.; McDonald, Bradley; Nordstrom, Hakan. **AA** World Trade Organization. **SR** Centre for Economic Policy Research, Discussion Paper: 1411; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 28. **PR** 4 pounds or $8.00. **JE** F13, F47, E22. **KW** Trade. Investment. Capital Accumulation.
AB This paper explores trade policy and investment linkages in a multicountry framework. This is done under alternative steady-state closure rules linking trade to consumption, production, and investment, and emphasizing the general equilibrium nature of capital accumulation mechanisms. When policy shocks are capital friendly, induced investment may be greater than suggested by current savings rates. As a result, multiplier-type analysis can be very misleading. The importance and direction of this magnification hinges critically on the sensitivity of savings rates with respect to real returns. As illustration, we offer a numerical assessment of the Uruguay Round, highlighting such linkages.

PD June 1996. **TI** Public Procurement: A Post-Uruguay Round Perspective. **AU** Francois, Joseph F.; Nelson, Douglas; Palmeter, N. David. **AA** Francois: World Trade Organization. Nelson: Tulane University. Palmeter: Graham & James. **SR** Centre for Economic Policy Research, Discussion Paper: 1412; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** F13, H57, H56. **KW** Uruguay Round. Government Procurement. Trade Liberalization.
AB This paper reviews the implications of the Uruguay Round Government Procurement Agreement, both for current practice in the United States and for general conditions of market access in other major markets. We emphasize the relative importance of government purchases within given markets. Because of the concentrated nature of U.S. procurement patterns, the potential impact of preferences on overall conditions of market access is relatively limited. For those sectors we flag as important in terms of procurement practices, it is likely that future liberalization will have to involve both the expansion of the Procurement Agreement and of the relevant commitments under the General Agreement on Trade in Services.

PD July 1996. **TI** Transition Dynamics and Trade Policy Reform in Developing Countries. **AU** Francois, Joseph F.; Nordstrom, Hakan; Shiells, Clinton R. **AA** Francois and Nordstrom: World Trade Organization. Shiells: International Monetary Fund. **SR** Centre for Economic Policy Research, Discussion Paper: 1452; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** F13, F43,

O41, E13. **KW** Trade. Development. Growth. Investment.

AB This paper emphasizes the relevance of classical transition dynamics for trade policy, particularly for developing countries. The empirical evidence from cross-country growth regressions points to important transitional growth effects related to trade policy reforms. The paper employs a simple growth model to examine these effects, formally developing the transitional dynamics and contrasting policy reforms in countries near steady state (developed countries) with countries far from steady state (developing). Policy reforms that appear identical in a static or steady-state framework can have a substantially greater impact on developing countries, once transitional accumulation effects have been accounted for.

Frank, Richard G.

AB During the 1980's the share of prescriptions sold by retail pharmacies that was accounted for by generic products roughly doubled. The price response to generic entry of brand-name products has been a source of controversy. In this paper we estimate models of price responses to generic entry in the market for brand-name and generic drugs. We study a sample of 32 drugs that lost patent protection during the early to mid-1980's Our results provide strong evidence that brand-name prices increase after entry and are accompanied by large price decreases in the price of generic drugs.

Frankel, Jeffrey A.

AB A country's suitability for entry into a currency union depends on a number of economic conditions. These include, inter alia, the intensity or trade with other potential members of the currency union, and the extent to which domestic business cycles are correlated with those of the other countries. But international trade patterns and international business cycle correlations are endogenous. This paper develops and investigates the relationship between the two phenomena. Using 30 years of data for 20 industrialized countries, we uncover a strong and striking empirical finding: countries with close trade links tend to have more tightly correlated business cycles. It follows that countries are more likely to satisfy the criteria for entry into a currency union after taking steps towards economic integration than before.

Frey, Rudiger

AB We deal with the valuation and hedging of non path-dependent European options on one or several underlyings in a model of an international economy which allows for both interest rate and exchange rate risk. Using martingale theory we provide a unified and easily applicable approach to pricing and hedging Black-Scholes type options on stocks, bonds, forwards, futures and exchange rates. We also cover the pricing and hedging of options to exchange two Black-Scholes type options for one another. The contingent claims may pay off in arbitrary currencies.

AB This paper studies the pricing and hedging of derivatives assuming that markets are only finitely elastic. It shows that even with continuous security trading it is possible to find hedging strategies for the large trader which have the potential to synthesize the payoff of certain derivative contracts including options.

Fry, Jane M.

AB The application of compositional data analysis methods in economics has some attraction. In particular, this methodology ensures that the stochastic component of budget share models will satisfy the restriction of shares to the unit simplex. The methodology relies upon the use of "log-ratios" in the statistical analysis. Such an approach is not possible when the data to be analyzed includes observations where the observed budget share is zero. We, therefore, extend the methods of compositional data analysis to the situation where the data to be analyzed includes observations where the observed budget share is zero. The modified compositional data methods are discussed both in statistical terms and through potential economic interpretations of the method. Further, the modified methodology is applied to the 1988 Australian Household Expenditure Survey yielding estimates for a system of Engel curves.

Fry, Tim R. L.

Fullerton, Don

PD November 1995. TI Why Have Separate Environmental Taxes? AA University of Texas and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5380; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 28. PR $5.00. JE H21, H23, Q28, Q38. KW Environmental Tax. Pollution. Compliance Costs.

AB Each environmental tax in the U.S. is designed to collect revenue for a trust fund used to clean up a particular pollution problem. Each might be intended to collect from a particular industry thought to be responsible for that pollution problem, but none represents a good example of an incentive-based tax designed to discourage the polluting activity itself. A different tax for each trust fund means that each tax rate is typically less than one percent. But each separate tax has an extra cost of administration and compliance, since taxpayers must read another set of rules and fill out another set of forms. This paper provides evidence on compliance costs that are high relative to the small revenue from each separate tax. In addition, an input-output model is used to show how current U.S. environmental tax burdens are passed from taxed industries to all other industries. Thus the extra cost incurred to administer each separate tax .achieves neither targeted incentives not targeted burdens.

Gabel, H. Landis

PD January 1997. TI The Firms, its Routines, and the Environment. AU Gabel, H. Landis; Sinclair-Desgagne, Bernard. AA Gabel: INSEAD. Sinclair-Desgagne: Ecole Polytechnique de Montreal. SR INSEAD Working Papers: 97/05/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. PG 18. PR no charge. JE D21, Q20. KW Environmental Economics. Firm Behavior.

AB This paper starts with the critical observation that neoclassical environmental economics is inconsistent in assuming that markets are flawed but that firms are perfect. By assumption, firms flawlessly maximize profits. From this point, the paper goes on to examine in a non-mathematical way how the neoclassical model of the firm might be modified to allow for the inclusion of an organizational constraint deriving from an organization's need to control its agents' behavior with internal management systems, policies, standard operating procedures, and routines. When a firm is modeled in this way, one can explain some interesting organizational failures. These organizational failures are defined as deviations from the behavior of the simpler neoclassical firm. The authors use their model to explain an observation that has generated considerable controversy in the literature on environmental policy. That observation is that strict environmental regulations may prompt companies to find profitable opportunities which they had overlooked previously (sometimes called "low hanging fruit"). The authors conclude the paper with the corporate and public policy implications of their results.

Gali, Jordi

PD November 1995. TI Non-Walrasian Unemployment Fluctuations. AA New York University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5337; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 43. PR $5.00. JE J22, J64. KW Unemployment. Labor Supply.

AB We modify the standard real business cycle model by assuming that wages are set by a monopoly union at the firm level. In the context of such a model, we introduce a measure of unemployment and analyze its equilibrium behavior. We show that a calibrated version of the model is capable of generating both a procyclical labor supply and a countercyclical unemployment rate, in a way qualitatively consistent with the evidence. The model stresses the role of countercyclical markups in the goods market as a key mechanism underlying the countercyclical behavior of unemployment.

PD December 1996. TI Technology, Employment, and the Business Cycle: Do Technology Shocks Explain Aggregate Fluctuations? AA New York University. SR Centre for Economic Policy Research, Discussion Paper: 1499; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 29. PR 4 pounds or $8.00. JE E24, E32. KW Business Cycles. New Keynesian. Sticky Prices. Vector Autoregression.

AB Using data for the G7 countries, conditional correlations of employment and productivity are estimated, based on a decomposition of the two series into technology and non-technology components. The picture that emerges is hard to reconcile with the predictions of the standard real business cycle model. For a majority of countries the following results stand out: (a) technology shocks appear to induce a negative comovement between productivity and employment, counterbalanced by a positive comovement generated by demand shocks; (b) the impulse responses show a persistent decline in employment in response to a positive technology shock; and (c) measured productivity increases temporarily in response to a positive demand shock. More generally, the pattern of economic fluctuations attributed to technology shocks seems to be largely unrelated to major post-war cyclical episodes. A simple model with monopolistic competition, sticky prices and variable effort is shown to be able to account for the empirical findings.

Galor, Oded

PD June 1996. TI Technological Progress, Mobility, and Economic Growth. AU Galor, Oded; Tsiddon, Daniel. AA Galor: Brown University. Tsiddon: Tel-Aviv University. SR Centre for Economic Policy Research, Discussion Paper: 1413; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 44. PR 4 pounds or $8.00. JE D31, J62, O43, J24. KW Earnings Mobility. Income Distribution. Inequality. Human Capital. Growth.

AB This paper analyses the relationship between technological progress, intergenerational earnings mobility, and economic growth. The analysis demonstrates that the interplay between technological progress and two components that determine individual earnings -- parental human capital and individual ability -- governs mobility, technological progress, and economic growth. In periods of major technological inventions the ability effect is the dominating factor. The decline in the relative importance of initial parental conditions (i.e. the driving force behind the persistence of inequality) enhances mobility and generates a larger concentration of high-ability individuals in technologically-advanced sectors, stimulating further technological progress and economic growth. Once existing technologies become more accessible, however, mobility is diminished and inequality becomes more

persistent. The reduction in the concentration of human capital in technologically-advanced sectors diminishes the likelihood of major technological breakthroughs and slows down future economic growth. User friendliness, therefore, becomes unfriendly to future economic growth.

Galunic, Charles D.

PD October 1996. TI Resource Recombinations in the Firm: Knowledge Structures and the Potential for Schumpeterian Innovation. AU Galunic, Charles D.; Rodan, Simon. AA INSEAD. SR INSEAD Working Papers: 96/75/OB; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 27. PR not available. JE D23, D24, D82.. KW Schumpeter. Innovation. Knowledge. Creativity. Productivity.
AB Schumpeterian innovation rests on the ability to imagine and realize novel combinations of firm resources and capabilities. Firms are envisioned as owning stocks of varied resources that are clustered in distinct competencies. Although the resource-based view literature has exposed the importance of these capabilities to firm performance, their treatment is largely in the singular and their interaction and recombination requires exploration. Building on the resource-based view of the firm (RBV), the notion of creative resource recombination is explored and a theory of innovation based on resource recombinations is advanced.

PD January 1997. TI From Security to Mobility: An Examination of Employee Commitment and an Emerging Psychological Contract. AU Galunic, Charles D.; Anderson, Erin. AA INSEAD. SR INSEAD Working Papers: 97/02/OB/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. PG 26. PR no charge. JE J62. J63. KW Employment Relation. Commitment. Psychological Contract.
AB The traditional employment relation maintained a well defined psychological contract: Job security was exchanged for employee commitment. This paper empirically examines an emerging, alternative contract: the exchange of commitment for firm investments that enhance employee mobility. We examine this contract and test its impact on employee commitment.

Gang, Ira N.

TI Is Child Like Parent? Educational Attainment and Ethnic Origin. AU . Zimmermann, Klaus F.; Gang, Ira N.

Garber, Peter M.

TI Collapsing Exchange Rate Regimes: Another Linear Example. AU Flood, Robert P.; Kramer, Charles; Garber, Peter M.

Gatsios, Konstantine

PD May 1996. TI Time-Consistent Solutions to the Stochastic Dynamic Strategic Export Subsidy Problem. AU Gatsios, Konstantine; Kollintzas, Tryphon; Lagopoulos, Costas. AA Gatsios and Lagopoulos: Athens University of Economics and Business. Kollintzas: Athens University of Economics and Business. SR Centre for Economic Policy Research, Discussion Paper: 1405; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 64. PR 4 pounds or $8.00.

JE C16, C73, F13. KW Time Consistency. Export Subsidy. Exhaustible Resource. Learning By Doing.
AB In this paper we obtain the time-consistent solution to a stochastic dynamic version of the strategic export subsidy problem. The dynamic structure of the problem emanates either from an exhaustible resource or from a learning-by-doing technology. In any given period, nature "chooses" the stochastic demand and cost parameters first. Then, governments choose subsidies. Lastly, firms choose output levels. We establish existence, uniqueness, and representation results for the time-consistent equilibrium of the game. Various interesting features of the solution are illustrated by simulation analysis. In particular, subsidies jump immediately to positive levels and, perhaps paradoxically, are reduced gradually to zero in the exhaustible resource case, while they keep rising in the learning-by-doing case. Subsidies are higher in the learning-by-doing case.

PD November 1996. TI International Migration, Welfare and the Provision of Public Goods. AU Gatsios, Konstantine; Hatzipanayotou, Panos; Michael, Michael S. AA Gatsios: Athens University of Economics and Business. Hatzipanayotou: Aristotelian University of Thessaloniki. Michael: University of Cyprus. SR Centre for Economic Policy Research, Discussion Paper: 1500; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 15. PR 4 pounds or $8.00. JE F22, H41, J61. KW International Migration. Public Goods. Wages. Welfare.
AB The objective of this paper is to highlight the importance of the "public finance" impact of international migration on wages and welfare. To this end, we construct a general equilibrium model of a labor- exporting (source) and a labor- importing (host) country with identical consumers, producing many private traded goods and one public consumption good. Within this framework, it is shown that, contrary to existing literature, international migration may have adverse effects on wages and welfare in both countries, even if commodity prices are constant. The analysis describes and explains the conditions under which these adverse effects may occur. Furthermore, under certain conditions a conflict of interests arises among the migrating workers, the non- migrating workers, and the government seeking to maximize social welfare.

Genesove, David

PD October 1995. TI Validating the Conjectural Variation Method: The Sugar Industry, 1890-1914. AU Genesove, David; Mullin, Wallace P.. AA Genesove: Massachusetts Institute of Technology. Mullin: Michigan State University. SR Massachusetts Institute of Technology, Department of Economics Working Paper: 95/20; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 45. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE L13, D43, L66. KW Oligopoly. Conjectural Variations. Market Power.
AB The Conjectural Variations (CV) methodology uses the responsiveness of price to cost determinants under differing demand conditions to infer market power and cost. It thus substitutes demand information for complete cost information. In this paper we use the American sugar refining industry at the turn of the century to assess the efficacy of the CV approach. We do so by comparing direct measures of marginal cost and price-cost markups with the indirect estimates obtained from the CV method. We find that the CV method performs

reasonably well. It yields estimates of industry conduct that are close to the direct measure we derive from full cost information, and robust to the choice of the functional form of demand. The conduct parameter is underestimated, but the deviation is minimal in our context. The CV methodology does a better job of detecting differences in conduct arising from different structural regimes (corresponding to the aftermath of entry), but only when the researcher imposes the (a priori known) restriction of cost stability.

PD October 1995. **TI** Validating the Conjectural Variation Method: The Sugar Industry, 1890-1914. **AU** Genesove, David; Mullin, Wallace P. **AA** Genesove: Massachusetts Institute of Technology and National Bureau of Economic Research. Mullin: Michigan State University. **SR** National Bureau of Economic Research Working Paper: 5314; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 45. **PR** $5.00. **JE** L11, L66. **KW** Conjectural Variation. Sugar. Market Power.
AB See abstract for David Genesove and Wallace P. Mullin, October 1995. "Validating the Conjectural Variation Method: The Sugar Industry, 1890-1914". Massachusetts Institute of Technology, Department of Economics Working Paper: 95/20; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139.

Geroski, Paul A.
PD July 1996. **TI** Corporate Growth and Profitability. **AU** Geroski, Paul A.; Machin, Stephen J.; Walters, Chris F. **AA** Geroski and Walters: London Business School. Machin: University College London. **SR** Centre for Economic Policy Research, Discussion Paper: 1431; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** L11, L21, G12. **KW** Corporate Growth. Gibrats Law. Panel Data.
AB This paper argues that current-period corporate growth rates reflect changes in current expectations about the long-run profitability of a firm. Using data on a balanced panel of 271 large, quoted UK firms over the period 1976-82, we report the existence of a positive, statistically significant and robust correlation between current-period growth rates and a natural measure of changes in current expectations about long-run profitability, namely changes in the stock market valuation of the firm.

PD July 1996. **TI** Innovations, Patents and Cash Flow. **AU** Geroski, Paul A.; Van Reenen, John; Walters, Chris F. **AA** Geroski and Walters: London Business School. Van Reenen: Institute for Fiscal Studies. **SR** Centre for Economic Policy Research, Discussion Paper: 1432; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** N44, O33, C23. **KW** Innovation. Patents. Panel Data.
AB In this paper we estimate a dynamically recursive model of the relationship between innovations, patents and cash flow. Our results suggest that: (i) lagged patents are significant predictors of current innovation, but lagged innovations do not affect the conditional expectation of current patents; (ii) patents are influenced primarily by advances in the science base as measured by research and development intensity and spillovers, while innovations are more sensitive to cash flow and demand

shocks; (iii) innovations have a greater impact on cash flow than patents; and (iv) both patents and innovations show strong history dependence. We use our model to simulate the effects of spending #500m on any one of three different types of traditional government policies designed to support innovative activities of firms. These simulations suggest that the role for state intervention in promoting technological advance is decidedly limited.

PD July 1996. **TI** How Persistently do Firms Innovate? **AU** Geroski, Paul A.; Van Reenen, John; Walters, Chris F. **AA** Geroski and Walters: London Business School. Van Reenen: Institute for Fiscal Studies. **SR** Centre for Economic Policy Research, Discussion Paper: 1433; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** O33, C23, O31. **KW** Innovation. Patents. Duration. Dependence.
AB This paper examines the innovative history of a number of UK firms using two large databases, looking for evidence consistent with the view that firms who innovate typically do so persistently. The first sample contains 3,304 firms who registered at least one patent in the United States during the period 1969-88, while the second consists of 1,624 firms who produced at least one major innovation at any time in the United Kingdom from 1945-82. Both datasets yield the same conclusion, namely that very few innovative firms are persistently innovative.

Giavazzi, Francesco
PD November 1995. **TI** Non-Keynesian Effects of Fiscal Policy Changes: International Evidence and the Swedish Experience. **AU** Giavazzi, Francesco; Pagano, Marco. **AA** National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5332; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 31. **PR** $5.00. **JE** E62, O52. **KW** Sweden. Fiscal Policy. Non-Keynesian Effects.
AB In earlier work we documented two episodes in which a sharp fiscal consolidation was associated with a surprisingly large expansion in private domestic demand. In this paper we draw on further evidence to investigate if and when fiscal policy changes can have such non- Keynesian effects. In the first part of the paper, we analyze cross- country data for 19 OECD countries. The cross-country evidence on private consumption confirms that fiscal policy changes -- both contractions and expansions -- can have non-Keynesian effects if they are sufficiently large and persistent. It also suggests that these effects can result not only from changes in public consumption, but to some extent also from changes in taxes and transfers. Our evidence and that from other studies agree that during the Swedish fiscal expansion of the early 1990's a large negative error appears in the consumption function. There is less consensus about how this error should be interpreted, but it is clear that most obvious candidates (wealth effects and after-tax real interest rate effects) are not sufficient to explain it. We suggest that this revision in permanent income may have been triggered, at least in partly, by the fiscal expansion of the early 1990's.

TI The Use of SDRs in the Financing of Official Safety-Net Mechanisms. **AU** De Cecco, Marcello; Giavazzi, Francesco.

Giulietti, Monica

PD July 1996. TI Price-Cost Margins in the Italian Grocery Trade: An Empirical Analysis. AA University of Exeter. SR University of Exeter, Department of Economics Discussion Paper: 96/13; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. PG 17. PR no charge. JE C23, C78, L13, L42, L81. KW Vertical Relationships. Efficient Bargaining. Italian Grocery. Price- Cost Margins. Price Competition.

AB In this work the determinants of retailers' price-cost margins are investigated using a theoretical model of bilateral bargaining. We use bimonthly data on 36 grocery products in Italy over the period 1989-1992 to test the theoretical predictions on the effect of vertical relationships on the retailers' price-cost margin. Using a fixed effects panel data model in first differences we found evidence of efficient bargaining between the large chains and food manufacturers. Furthermore, our analysis of price competition seems to reveal some form of price leadership by buying groups and large independent shops.

Godo, Yoshihisa

TI Economics and Politics of Rice Policy in Japan: A Perspective on the Uruguay Round. AU Hayami, Yujiro; Godo, Yoshihisa.

Goldberg, Pinelopi Koujianou

PD November 1995. TI Causes and Consequences of the Export Enhancement Program for Wheat. AU Goldberg, Pinelopi Koujianou; Knetter, Michael M. AA Goldberg: Princeton University ad National Bureau of Economic Research. Knetter: Dartmouth University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5359; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 24. PR $5.00. JE F13, L66. KW Export Enhancement. Wheat. Farm Policy.

AB This paper uses regression analysis to study the causes and impacts of the Export Enhancement Program for wheat. We find that the overwhelming causes of the EEP, faltering export markets and swelling government stocks are primarily attributable to the overvaluation of the dollar in the 1980's, not the increase in EC subsidies to wheat farmers in 1985. We also find that what had been a fairly robust relationship between export shares, exchange rates, and loan rates broke down after 1985, probably due to a variety of changes in farm policy. In any case, export shares did not rebound in spite of the weaker dollar and the implementation of the EEP in the post-1985 period.

Gordon, Robert J.

PD October 1996. TI The Time-Varying NAIRU and Its Implications for Economic Policy. AA Northwestern University. SR Centre for Economic Policy Research, Discussion Paper: 1492; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 37. PR 4 pounds or $8.00. JE E24, E31. KW Inflation. Phillips Curve. Monetary Policy.

AB This paper estimates the NAIRU (standing for the Non-Accelerating Inflation Rate of Unemployment) as a parameter that varies over time. The NAIRU is the unemployment rate that is consistent with a constant rate of inflation. Its value is determined in an econometric model in which the inflation rate depends on its own past values ("inertia"), demand shocks proxied by the difference between the actual unemployment rate and the estimated NAIRU, and a set of supply shock variables. The estimation in this paper applies to the US economy over the period 1955- 96.The estimated NAIRU differs somewhat for alternative measures of the inflation rate. The NAIRU estimated for the GDP deflator varies over the past 40 years within the narrow range of 5.7-6.4%; its estimated value for the most recent quarter (1996:Q1) is 5.7%. In that quarter a lower NAIRU of 5.3% is obtained for the chain-weighted personal consumption expenditure deflator. Recent research claiming that there is a three- percentage-point range of uncertainty about the NAIRU is rejected as inconsistent with the behavior of the U.S. economy in the late 1980's and early 1990's.

PD October 1996. TI Macroeconomic Policy in the Presence of Structural Maladjustment. AA Northwestern University. SR Centre for Economic Policy Research, Discussion Paper: 1493; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 39. PR 4 pounds or $8.00. JE E30, E50, E60. KW Monetary Policy. Labor Markets. Budget Deficit.

AB This paper analyses two-way interactions between structural reform and macroeconomic policy. If structural reforms increase the flexibility of labor markets, they are likely to improve the short-run inflation- unemployment trade-off, providing an incentive for policy-makers to expand aggregate demand. In turn, the promise by policy-makers that they will encourage a decline in unemployment in response to good news on inflation can be used to strike a political deal with political interests opposed to the introduction or extension of structural reform. In 1992-3 several European countries dropped out of the ERM to pursue more expansionary monetary policies. The difference in the performance of these countries and those that maintained a peg between their currencies and the Deutsche mark provides an important test case of the consequences of expansionary monetary policy. The depreciating nations by 1995 enjoyed a substantial relative acceleration of nominal GDP and, surprisingly, an even greater deceleration of inflation, so that their growth rate of real GDP accelerated more than their growth rate of nominal GDP in relation to the pegging countries. The continued deceleration of inflation in the depreciating countries provides evidence that their natural unemployment rate has declined and that expansionary monetary policy has interacted beneficially with structural reform.

Goto, Junichi

PD October 1995. TI EU, NAFTA, and Asian Responses: A Perspective From the Calculus of Participation. AU Goto, Junichi; Hamada, Koichi. AA Goto: Kobe University. Hamada: Yale University. SR National Bureau of Economic Research Working Paper: 5325; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 26. PR $5.00. JE F13. KW Asia. Nafta. International Trade.

AB This paper assesses the economic conditions for Asian countries to cope with the formation of EU and NAFTA. Is it desirable for them to form their own trading area? And, if desirable, is it better to have a closed one like the EAEC or a

more open one like the APEC? Relying on public economics and the calculus of participation combined with the Dixit-Stiglitz-Krugman framework, we find the following: (i) the development of the EAEC by the leadership of Malaysia would be a natural response of Asian countries against two big blocs in the world, EU and NAFTA; (ii) it is natural for the United States to discourage this move because the formation of an economic bloc in Asia will have a negative economic impact on the non-Asian countries; (iii) it is natural for the U.S. to propose an opposing coalition like the APEC to nullify the possible economic impact of the EAEC; but (iv) perhaps the APEC will be a good roundabout way towards international free trade.

Griliches, Zvi
PD November 1995. **TI** The Discovery of the Residual: An Historical Note. **AA** Harvard University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5348; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 10. **PR** $5.00. **JE** N01, N10, O47. **KW** Residual. Total Productivity. Growth Accounting.
AB This note reviews the history of the "residual", from its earliest articulation in Copeland (1937) to its codification in Solow (1957), describing the various earlier contributions by Tinbergen, .Stigler, Schomookler, Fabricant, Kendrick, Abramovitz and others.

Grilli, Vittorio
TI Liquidity Models in Open Economies: Theory and Empirical Evidence. **AU** Roubini, Nouriel; Grilli, Vittorio.

Grossman, Gene M.
PD May 1996. **TI** Intergenerational Redistribution With Short-Lived Governments. **AU** Grossman, Gene M.; Helpman, Elhanan. **AA** Grossman: Princeton University. Helpman: Tel Aviv University. **SR** Centre for Economic Policy Research, Discussion Paper: 1396; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 52. **PR** 4 pounds or $8.00. **JE** D91, E13, H11, H23. **KW** Generations. Redistribution.
AB We study the politics of intergenerational redistribution in an overlapping-generations model with short-lived governments. The successive governments -- who care about the welfare of the currently- living generations and possibly about campaign contributions -- are unable to pre-commit the future course of redistributive taxation. In a stationary politico-economic equilibrium, the tax rate in each period depends on the current state of the economy and all expectations about future political outcomes are fulfilled. We find that multiple stationary equilibria exist in many political settings. Steady-state welfare is often lower than it would be in the absence of redistributive politics.

TI Common Agency and Coordination: General Theory and Application to Tax Policy. **AU** Dixit, Avinash; Grossman, Gene M.; Helpman, Elhanan.

Grossman, Herschel I.
PD November 1995. **TI** Predation and Accumulation. **AU** Grossman, Herschel I.; Kim, Minseong. **AA** Brown University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5357; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 22. **PR** $5.00. **JE** D91. **KW** Predation. Prey. Dynasties.
AB This paper incorporates the economic theory of predation into the theory of economic growth. The analytical framework is a dynamic general-equilibrium model of the interaction between two dynasties, one of which is a potential predator and the other is its prey. Each generation of each dynasty has to decide how to allocate its endowment of inherited wealth not only to consumption and productive capital. Productive capital forms the basis for accumulation of wealth, but in each generation predation can cause both the destructive of wealth and a redistribution of wealth from the prey dynasty to the predator dynasty. We find that, if the current wealth of the potential predator dynasty is small relative to the current wealth of the prey dynasty, then the current generation of the prey dynasty chooses to tolerate predation rather than to deter predation. We also find that over generations the security of the prey dynasty's property and the rate of accumulation of the prey dynasty's productive capital both steadily decrease, while the inherited wealth of the predator dynasty grows relative to the inherited wealth of the prey dynasty. Eventually, a generation of the prey dynasty will find that with predation its property would be so insecure that it is better off increasing its defensive fortifications sufficiently to deter predation. Importantly, the relation between the security of the prey dynasty's property and its accumulation of productive capital, both of which are endogenous in the process of economic growth, is neither continuous nor monotonic.

Guest, Avery M.
TI Fertility and Marriage in New York State in the Era of the Civil War. **AU** Haines, Michael R.; Guest, Avery M.

Guinnane, Timothy W.
TI Turning Points in the Civil War: Views from the Greenback Market. **AU** Willard, Kristen L.; Guinnane, Timothy W.; Rosen, Harvey S.

Guiso, Luigi
PD June 1996. **TI** Background Uncertainty and the Demand for Insurance Against Insurable Risks. **AU** Guiso, Luigi; Jappelli, Tullio. **AA** Guiso: Banca d'Italia. Jappelli: Istituto Universitario Navale. **SR** Centre for Economic Policy Research, Discussion Paper: 1423; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** D81, D82, L84. **KW** Insurance. Background Risk. Prudence. Italy.
AB Theory suggests that people facing higher uninsurable background risk buy more insurance against other risks that are insurable. This proposition is supported by Italian cross-sectional data. It is shown that the probability of purchasing casualty insurance increases with earnings uncertainty. This finding is consistent with consumer preferences being characterized by decreasing absolute prudence.

PD November 1996. **TI** Investment and Demand Uncertainty. **AU** Guiso, Luigi; Parigi, Giuseppe. **AA** Banca d'Italia. **SR** Centre for Economic Policy Research, Discussion Paper: 1497; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 28. **PR** 4 pounds or $8.00. **JE** D80, E22. **KW** Investment. Demand Uncertainty.

Irreversibility.

AB Theoretical models of investment under uncertainty predict that the sign and the strength of the investment-uncertainty relationship is in principle ambiguous and can vary greatly across groups of firms depending on the degree of irreversibility of investment and the market power of the firm. This paper investigates the effects of uncertainty on the investment decisions of a sample of Italian manufacturing firms, using information on the subjective probability distribution of future demand for firms' products according to entrepreneurs. The results support the view that uncertainty slows down capital accumulation. Consistent with the predictions of the theory, there is considerable heterogeneity in the effect of uncertainty on investment: it is stronger for firms that cannot easily reverse investment decisions and for those with substantial market power. We show that the negative effect of uncertainty on investment cannot be explained by uncertainty proxying for liquidity constraints, credit rationing being more likely among riskier firms. Evidence of a negative effect of past uncertainty on hours currently worked reinforces the conclusion of a negative relationship between uncertainty and investment.

Gustman, Alan L.

AB This paper investigates individual responses to a simple scheme to privatize social security. The analysis explores the sensitivity of outcomes to how individuals project life expectancy, how they value spouse and survivor benefits, and to expected future reductions in social security benefits. Depending on assumptions made, first year participation ranges from 20 percent to almost 100 percent. Estimated time paths for taxes decline immediately with privatization, but the decline in benefits grows slowly over a period of two or three decades. Labor force participation rates are not greatly affected by privatization, even if major changes in pensions are induced.

Gylfason, Thorvaldur

AB Some channels through which increased inflation tends to reduce economic growth, and vice versa, are studied within a simple model incorporating money into an optimal growth framework with constant returns to capital. The model includes the potential impact of inflation on: (a) saving through real interest rates (or uncertainty); (b) the income velocity of money; (c) the government budget deficit through the inflation tax and tax erosion; and (d) efficiency in production through the wedge between the returns to real and financial capital. The effect of inflation on growth is estimated using the random-effects panel model applied to two sets of unbalanced panel data side-by-side, from the Penn World Tables and from the World Bank, covering 170 countries from 1960 to 1993. The cross-country links between inflation and growth are economically and statistically significant and robust.

Haaland, Jan

Haggard, Stephan

AB This paper investigates how start-up firms in Vietnam operate in the face of two significant market frictions: a poorly developed legal system and inadequate market information. We argue that these two market frictions actually offset each other. Poor market information and the consequent difficulty of locating trading partners can help make self- enforcing contracts workable. Firms that have nowhere else to go will refrain from breaking their agreements. If it is difficult to locate alternative trading partners, firms will invest in maintaining their existing relationships. Our empirical analysis is consistent with this hypothesis.

Haines, Michael R.

AB This paper analyzes a five percent systematic sample of households from the manuscripts of the New York State Census of 1865 for seven counties (Allegany, Dutchess, Montgomery, Rensselaer, Steuben, Tompkins, and Warren). The sample was selected to provide a diversity of locations, settlement dates, and types of agricultural economy. Two substantial urban areas (the cities of Troy and Poughkeepsie) are in the sample. This census was the first in the United States to ask a question on children ever born. These parity data, along with own-children estimates of age-specific overall and marital fertility rates, are used to examine the relation of fertility with rural-urban residence, occupation, ethnicity, literacy, and location within the state. Singulate mean ages at first marriage and other nuptiality measures are also estimated. The parity data provide direct evidence of fertility decline in the United States during the first half of the nineteenth century. Township data are added to the individual records to provide contextual variables. The issue of ideational versus socioeconomic and structural factors in fertility is discussed.

PD March 1996. **TI** Long Term Marriage Patterns in the United States from Colonial Times to the Present. **AA** Colgate University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 80; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** J12, N30. **KW** Marriage Patterns. Family Formation. Malthus. Nuptiality.

AB Marriage in colonial North America was notable for being early (for women) and marked by low percentages never marrying. This was different from the distinctive northwest European pattern of late marriage and high proportions never married. But the underlying neolocal family formation behavior was the same in both colonial North America and the areas of origin of this population. Thus, Malthus was correct. Abundant resources rather than basic behavioral differences made early and extensive marriage possible in the colonies. Between 1800 and the present there have been long cycles in nuptiality. Since about 1800, female age at first marriage rose from relatively low levels to a peak around 1900. Thereupon a gradual decline commenced with a trough being reached about 1960 at the height of the baby boom. Then there began another rapid upswing in female marriage age. Proportions never married at ages 5-54 replicated these cycles with a lag of about 20-30 years. Since 1880 male nuptiality patterns have generally paralleled those of women. Male marriages ages were higher than those of females with proportions never marrying also usually higher. Considerations of differentials by race and ethnicity are important in looking at the American experience over time. Black ages at marriage have, for example, moved from being lower to being higher than those for whites.

PD May 1996. **TI** The Use of the Census to Estimate Childhood Mortality: Comparisons from the 1900 and 1910 United States Census Public Use Samples. **AU** Haines, Michael R.; Preston, Samuel H. **AA** Haines: Colgate University and National Bureau of Economic Research. Preston: University of Pennsylvania. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 85; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** I12, J11, N31. **KW** Child Mortality. 1900 Census. 1910 Census. Life Tables.

AB This paper presents estimates of child mortality by race and nativity for the United States as a whole and the Death Registration Area based on the public use microsamples of the 1900 and 1910 censuses. The estimates from the 1910 census are new. The paper compares the indirect estimates to mortality rates and parameters based on published census and vital statistics data. The federal censuses of 1900 and 1910 both asked questions of adult women on children ever born and children surviving which, when tabulated by age of marriage duration of women, can be used to estimate the probabilities of their children dying at various ages up to 25. Although the data on children ever born for 1910 were partially tabulated and published in conjunction with the 1940 federal census, the information on children surviving was never tabulated and published by the Census Bureau. None of the information from 1900 census was ever published. This paper applies the basic indirect age and marriage duration methods, as well as a method involving the backward projection of the age

distribution of surviving own-children of younger adult women. The results match reasonably well of life tables calculated from aggregated census and vital statistics for the total white, native white and foreign-born white populations.

Halpern, Laszlo

PD March 1996. **TI** Real Exchange Rates and Exchange Rate Policy in Hungary. **AA** Hungarian Academy of Sciences. **SR** Centre for Economic Policy Research, Discussion Paper: 1366; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** F41, E52. **KW** Exchange Rate. Foreign Exchange. Monetary Policy. Hungary.

AB Five real exchange rate indicators are computed to assess the international competitiveness of Hungarian industry. These indicators are explained in econometric equations by employment, unemployment, productivity, interest spread and real producer wage. Causality tests reveal that external performance has an impact on real exchange rates and contributes to the explanation of real exchange rates. There is very limited scope for policy intervention to constrain the negative effects of capital inflow without incurring other costs.

Hamada, Koichi

TI EU, NAFTA, and Asian Responses: A Perspective From the Calculus of Participation. **AU** Goto, Junichi; Hamada, Koichi.

Hamermesh, Daniel S.

PD October 1995. **TI** Unemployment Insurance and Household Welfare: Microeconomic Evidence 1980-93. **AU** Hamermesh, Daniel S.; Slesnick, Daniel T. **AA** Hamermesh: University of Texas and National Bureau of Economic Research. Slesnick: University of Texas. **SR** National Bureau of Economic Research Working Paper: 5315; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 23. **PR** $5.00. **JE** I31, J38, J65. **KW** Unemployment Insurance. Household Welfare.

AB This study examines the relative economic well-being of households that receive unemployment insurance (UI) benefits, as measured by consumption flows that are derived from information on households' spending in the Consumer Expenditure Surveys from 1980-1993. For each quarter during this period we obtain the per-capita and equivalence- scale adjusted economic welfare of the two types of households. Adjusting for differences in the households' characteristics, we find: 1) The average UI recipient household during this period had a level of economic well-being that was on average between 3 and 8 percent below that of otherwise identical households (depending on the welfare measure used); 2) During a substantial part of this time the economic well-being of households that received UI benefits was at least that of other households; and 3) There is no cyclical variation in the relative well- being of UI recipient households compared to others. The findings imply that during the 1980's and early 1990's states' UI programs did a satisfactory job of maintaining the well-being of UI recipients. Emergency programs enacted during recessions raised potential duration sufficiently to prevent the economic position of the average UI recipient from deteriorating.

TI Beauty, Productivity and Discrimination: Lawyers'

Looks and Lucre. **AU** Biddle, Jeff E.; Hamermesh, Daniel S.

PD May 1996. **TI** Adjustment Costs in Factor Demand. **AU** Hamermesh, Daniel S.; Pfann, Gerard A. **AA** Hamermesh: University of Texas-Austin. Pfann: Rijksuniversiteit Limburg. **SR** Centre for Economic Policy Research, Discussion Paper: 1371; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** D21, J23. **KW** Individual. Dynamic. Firm. Behavior.
AB This study discusses the nature of adjustment costs, which underpin the dynamic theory of input demand. We examine the implications of the conventional assumption that they are quadratic-symmetric. A recent rapidly-growing literature based on microeconomic data shows that this assumption is inferior to many alternatives. We demonstrate the importance of this new knowledge for predicting macroeconomic fluctuations in employment and investment. We indicate its relevance for constructing general equilibrium simulation models, drawing inferences about the likely impacts of labor market and investment policies, and analyzing firms' dynamic behavior in factor markets.

Hammour, Mohamad L.

TI On the Ills of Adjustment. **AU** Caballero, Ricardo J.; Hammour, Mohamad L..

Hardouvelis, Gikas A.

PD May 1996. **TI** Greek Closed-End Fund Premia: Differences and Similarities with US Premia and Their Implications. **AU** Hardouvelis, Gikas A.; Tsiritakis, Emmanuel D. **AA** Hardouvelis: National Bank of Greece. Tsiritakis: University of Piraeus. **SR** Centre for Economic Policy Research, Discussion Paper: 1406; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** G14, G15, G23. **KW** Closed End. Mutual Funds. Asset Value. Excess Volatility. Noise Trading.
AB The prices of Greek closed-end funds behave similarly to the prices of US funds: they deviate substantially from their net asset values (NAVs); they are more volatile than their NAVs; and they are overly-sensitive to the movements of the domestic stock market index. Furthermore, their premia are: (i) positively correlated cross-sectionally; (ii) positively correlated with the future NAV returns; and (iii) negatively correlated with the future returns on the funds. Yet most Greek funds are subsidiaries of banks that have considerable influence on their pricing, whereas US funds are owned mainly by small investors. Future explanations to the closed-end fund puzzle should, therefore, transcend the narrow institutional characteristics of asset composition and ownership of US closed-end funds.

Harhoff, Dietmar

PD May 1996. **TI** Legal Form, Growth and Exit of West German Firms -- Empirical Results for Manufacturing, Construction, Trade and Service Industries. **AU** Harhoff, Dietmar; Stahl, Konrad; Woywode, Michael. **AA** Harhoff and Woywode: Zentrum fur Europaische Wirtschaftsforschung. Stahl: University of Mannheim. **SR** Centre for Economic Policy Research, Discussion Paper: 1401; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** D92, J23, K22, L11. **KW** Employment Growth. Insolvency. Liquidation. Limited Liability. Exit.
AB In this paper we discuss determinants of firm survival and growth in Germany within its pre-1989 boundaries. We argue that the legal form adopted by a firm is an important indicator of the riskiness of projects undertaken, and that firms under limited liability should be characterized by higher than average insolvency and employment growth rates. We test these predictions by considering the survival chances and employment growth rates of various types of enterprises in a sample of approximately 11,000 West German firms from all major sectors of the German economy. We distinguish between voluntary liquidation without losses to creditors, and bankruptcy as forced liquidation. We demonstrate that firms under limited liability are characterized by higher growth and higher insolvency rates than comparable firms under full liability. Surprisingly, the likelihood of insolvencies is a non-monotonic function of firm size while the likelihood of voluntary liquidation decreases monotonically. Firms whose owners are approaching retirement age are characterized by relatively high hazards of voluntary liquidation, while the propensity to insolvency is not affected by the owner's age. The basic empirical results hold in pooled samples as well as in estimates at the level of the one-digit industries of manufacturing, construction, trade, and services.

Harker, Patrick T.

TI Staffing an Inbound Call Center. **AU** Aksin, O. Zeynep; Harker, Patrick T.

Harris, Bernard

TI Health, Height, and Welfare: Britain 1700-1980. **AU** Floud, Roderick; Harris, Bernard.

Harvey, Campbell R.

TI Emerging Equity Market Volatility. **AU** Bekaert, Geert; Harvey, Campbell R.

Haskel, Jonathan

PD February 1996. **TI** The Decline in Unskilled Employment in UK Manufacturing. **AA** Queen Mary and Westfield College. **SR** Centre for Economic Policy Research, Discussion Paper: 1356; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** J23, J31. **KW** Skill. Employment. Computers.
AB Almost all studies of skilled/unskilled employment over the 1980's use data on manuals and non-manuals to measure skill. This paper constructs data on skilled/unskilled employment using occupational data from the UK New Earnings Survey Panel Data set. It merges these data with other product and labor market information on trade, computers, unionization, subcontracting etc. The major findings are: (a) the ratio of skilled to unskilled employment rose by 4.4%; (b) the averaging effect of the shift of employment between industries is negligible in explaining this rise; (c) the introduction of microprocessors/computers increased the employment ratio by 1.5%; and (d) there is no significant effect from trade, unionization, subcontracting, small firms or entry.

PD October 1996. **TI** Small Firms, Contracting-Out, Computers and Wage Inequality: Evidence From UK Manufacturing. **AA** Queen Mary and Westfield College. **SR** Centre for Economic Policy Research, Discussion Paper:

1490; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 21. **PR** 4 pounds or $8.00. **JE** J31, L60. **KW** United Kingdom. Wage Inequality. Skill Premia. Computers. Small Firms.
AB What demand-side and institutional factors raised the skilled wage premium over the 1980s in UK manufacturing? Using a panel of 80 industries for 1980-89 we find that: (i) the average skill premium rose by around 13 percentage points; (ii) computer introduction explains around 50% of this rise; (iii) growth in small firms and in contracting- out together explain around 20%; and (iv) the fall in unionization explains around 15%.

Hatzipanayotou, Panos
TI International Migration, Welfare and the Provision of Public Goods. **AU** Gatsios, Konstantine; Hatzipanayotou, Panos; Michael, Michael S.

Hausmann, Ricardo
TI The Impact of Inflation on Budgetary Discipline. **AU** Aizenman, Joshua; Hausmann, Ricardo.

Hayami, Yujiro
PD November 1995. **TI** Economics and Politics of Rice Policy in Japan: A Perspective on the Uruguay Round. **AU** Hayami, Yujiro; Godo, Yoshihisa. **AA** Hayami: Aoyama Gakuin University. Godo: Meiji Gakuin University. **SR** National Bureau of Economic Research Working Paper: 5341; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 25. **PR** $5.00. **JE** F13, L66, O53. **KW** Rice Policy. Japan. Tariffs.
AB This paper reviews the recent problems of the opening of Japan's rice market and evaluates the Japanese government's rice policy from both an economic and political viewpoint. The Japanese government made strenuous resistance to the opening of Japan's rice market during the negotiations on agricultural trade at the GATT Uruguay Round. Eventually Japan's rice was made exempt from tariffication by compensating in the form of increased "minimum access" import quotas. However, the tariffication rule of the final agreement guarantees that importing countries can impose considerably high tariffs. Thus, the volume of Japan's rice imports could be decreased if the Japanese government have effectively protected the vested interests of the domestic rice distribution system, while hindering the structural improvement of the Japanese rice industry.

Hayashi, Fumio
TI Parental, Altruism and Inter Vivos Transfers: Theory and Evidence. **AU** Altonji, Joseph G.; Hayashi, Fumio; Kotlikoff, Laurence J.

Heckman, James
PD October 1995. **TI** The Schooling Quality-Earnings Relationship: Using Economic Theory to Interpret Functional Forms Consistent With the Evidence. **AU** Heckman, James; Layne-Farrar, Anne; Todd, Petra. **AA** Heckman: University of Chicago and National Bureau of Economic Research. Layne-Farrar and Todd: University of Chicago. **SR** National Bureau of Economic Research Working Paper: 5288; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 60. **PR** $5.00. **JE** I21, J31. **KW** School Quality. Returns-to-Schooling. Earnings.
AB This paper investigates the economic and empirical foundations of the evidence relating earnings to schooling quality. We replicate the Card- Krueger model for Census years 1970, 1980 and 1990 and find that it consistently produces a strong relationship between schooling quality and the rate of return to schooling. We test key identifying assumptions used by Card and Krueger and others. Several assumptions are rejected. When they are relaxed, the evidence for a strong effect of schooling quality on earning is greatly weakened. A crucial identifying assumption is the absence of selective migration on the basis of earnings. Nonparametric tests strongly reject this hypothesis. The conventional assumption of linearity of the earnings-schooling relationship widely used in the literature is also rejected. The only surviving evidence of any schooling quality effect is in the return to college education. We also test and reject conventional efficiency unit models of the pricing of labor services. The empirically concordant model of earnings is a model of heterogeneous human capital in which regional shocks affect the prices of less-skilled labor.

Helpman, Elhanan
PD October 1995. **TI** Politics and Trade Policy. **AA** Tel Aviv University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5309; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 31. **PR** $5.00. **JE** F13. **KW** Trade Policy.
AB First I describe a number of political economy approaches that have been developed to explain trade policies. All approaches are presented in a unified framework that helps to see the key differences among them. These comparisons revolve around tariff formulas that are predicted by political equilibria. A typical formula explains cross-sectoral variations in rates of protection as well as differences in average rates of protection across countries. Second, I review a set of results that emerge from a new approach to the interaction of international economic relations with domestic politics. Importantly, there are two- way interactions in such systems. They link the formation of trade policies in the international arena with the activities of domestic special interest groups. The use of a framework of this sort is essential for a proper analysis of a host of important problems, such as negotiations about tariff levels or free trade areas. Recent studies have developed suitable tools for this purpose.

TI Intergenerational Redistribution With Short-Lived Governments. **AU** Grossman, Gene M.; Helpman, Elhanan.

TI Common Agency and Coordination: General Theory and Application to Tax Policy. **AU** Dixit, Avinash; Grossman, Gene M.; Helpman, Elhanan.

TI R&D Spillovers and Global Growth. **AU** Bayoumi, Tamim; Coe, David T.; Helpman, Elhanan.

Hennig-Schmidt, Heike
PD January 1996. **TI** Behavior of Groups as Players in a Bargaining Experiment. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B355; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 20.

PR no charge. JE C71, C79. KW Experimental Economics. Bargaining. Equity Principle. Fairness. Threats.
AB We report on a two-person bargaining experiment where both players were represented by groups of three persons each. The discussions within the groups were recorded on video tapes and have been transcribed into text protocols. Analyzing the final payoffs and proposals we got several results that we were able to sustain by means of the test protocols: groups prefer divisions of the coalition value that correspond to the "equity principle" (Selten 1978, 1987) and are justified by fairness conditions. Payoffs in sessions with low alternatives for strong groups do not differ significantly from payoffs in sessions with high alternatives. Groups try to assert their demands by threats which, however, have no positive effects on negotiations. Subjects don't behave according to strategies in the game theoretic sense. But they have "strategic ideas" about how to achieve their bargaining goal, resulting in distinguishable negotiation patterns.

PD January 1996. TI Wie Verhalten Sich Spielergruppen in Einem Verhandlungsexperiment? AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B356; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG 21. PR no charge. JE C71, C79. KW Experimental Economics.
AB Abstract not available. This paper is written in German.

PD January 1996. TI How Do Players Groups Behave in a Bargaining Experiment? AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B356e; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG 19. PR no charge. JE C71, C79. KW Experimental Economics. Bargaining. Aspiration Level. Adaptation. Equity Principle.
AB We report on a two-person bargaining experiment, where both players are represented by groups of three persons each. Both groups negotiate on the decision of a given amount. If they do not come to an agreement, they receive a guaranteed payoff which is higher for one group than for the other. The discussions within the groups were recorded on video and transcribed afterwards into text protocols. From these protocols the behavior of the player groups has been analyzed.

Henrekson, Magnus
PD September 1996. TI Growth Effects of European Integration. AU Henrekson, Magnus; Torstensson, Johan; Torstensson, Rasha. AA Henrekson: Industrial Institute for Economic and Social Research. Torstensson, J. and Torstensson, R.: Lund University. SR Centre for Economic Policy Research, Discussion Paper: 1465; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 21. PR 4 pounds or $8.00. JE F15, F43. KW Economic Growth. Long-Run Growth. European Integration. Regional Integration.
AB This paper deals with the effects of European integration in the EC and EFTA on economic growth. Base regressions suggest that EC and EFTA memberships do in fact have a positive and significant effect on economic growth, and that there is no significant difference between EC and EFTA membership. This result is not completely robust with respect

to changes in the set of control variables and to measurement errors. Nonetheless, the results suggest that regional integration may not only affect resource allocation, but also long-run growth rates. This conclusion is strengthened by the fact that we obtain similar results when we use panel data for a sample of OECD countries. In addition, we explore possible indirect effects of regional integration.

Herbertsson, Tryggvi Thor
TI Does Inflation Matter for Growth? AU Gylfason, Thorvaldur; Herbertsson, Tryggvi Thor.

Herrendorf, Berthold
PD April 1996. TI Rogoff's "Conservative" Central Banker Restored. AU Herrendorf, Berthold; Lockwood, Ben. AA Herrendorf: University of Warwick. Lockwood: University of Exeter. SR Centre for Economic Policy Research, Discussion Paper: 1386; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 28. PR 4 pounds or $8.00. JE E52, E58. KW Conservative. Central Banks. Delegation. Incomplete Information.
AB This paper shows that delegation of monetary policy to a weight- conservative central banker is optimal, although the government can also use an inflation contract, an employment target, an inflation target, or any combination of these, to control the central banker. The key feature of our model is a stochastic inflation bias, arising when wage-setters receive some information about a supply shock prior to signing nominal wage contracts. Weight-conservatism is shown to be desirable if the stochastic inflation bias cannot be eliminated by optimal choice of the delegation parameters.

Hertel, T. W.
PD September 1996. TI Why Do the Gains from Trade Reforms Vary Between Countries? AU Hertel, T. W.; McCorriston S. AA Hertel: Centre for Global Trade Analysis. McCorriston: University of Exeter. SR University of Exeter, Department of Economics Discussion Paper: 96/14; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. PG 21. PR no charge. JE C68, F12, F13. KW Trade Policy. Multi-Region Model. Computable General Equilibrium.
AB Gains from trade policy reform are not distributed equally between countries, the variation in the distribution of welfare changes being particularly notable between developed and developing countries. This paper assesses, both theoretically and empirically, what factors determine the distribution of welfare gains between countries. The theoretical model shows that asymmetrical features of the world economy including the relative size of the differentiated products sector in each country, the dominance of domestic markets by indigenous producers, trade costs (trade barriers and transportation costs) and the relative importance of specific export markets play an important role. The share of intermediate goods in total costs and the sourcing of intermediate goods are also important. Using a multi-region computable general equilibrium model that closely replicates the theoretical model, the results substantiate the proposition that the initial patterns of asymmetry explain almost all of the observed relative welfare changes between countries.

Hertel, Tomas

TI Asia-Pacific Food Markets and Trade in 2005: A Global, Economy-Wide Perspective. **AU** Anderson, Simon P.; Martin, Will; Dimarana, Betina; Hertel, Tomas.

Hibon, Michele

TI Generalising About Univariate Forecasting Methods: Further Empirical Evidence. **AU** Fildes, Robert; Hibon, Michele; Makridakis, Spyros; Meade, Nigel.

Hildreth, A. K.

TI Wage Bargaining, Inventories, and Union Legislation. **AU** Coles, M. G.; Hildreth, A. K.

Hillion, Pierre

PD September 1996. **TI** The Czechoslovak Privatization Auction: An Empirical Investigation. **AU** Hillion, Pierre; Young S. David. **AA** INSEAD. **SR** INSEAD Working Papers: 96/57/FIN/AC; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 20. **PR** not available. **JE** D51, L33, P21. **KW** Czech Republic. Privatization. Auctions.
AB The 1992 Czechoslovak mass-privatization program resembled a multiround Walrasian auction with tatonnement in which participants, endowed with points, bid simultaneously for non-uniform products, i.e., shares. The creation of this artificial primary market provides economists with a unique opportunity to investigate empirically (1) the role and aims of the auctioneer in a politically-motivated giveaway scheme, (2) the price-setting mechanism, and (3) the bidding strategies and rationality of the auction's participants. Unlike more conventional auctions, price discovery was only a secondary motive to the auctioneer. The principal aim was to transfer the shares quickly to the investing public in a politically acceptable manner. We show that the price- updating rules adopted after each bidding round did achieve the auctioneer's principal aim, but they also served to inject noise. The results suggest an inherent tradeoff between socially acceptable outcomes in such auctions and efficient price discovery.

Hilton, Lynette

TI Immigration and the Welfare State: Immigration Participation in Means-Tested Entitlement Programs. **AU** Borjas, George J.; Hilton, Lynette.

Hoekman, Bernard

TI Intra-Industry Trade, Foreign Direct Investment and the Reorientation of East European Exports. **AU** Djankov, Simeon; Hoekman, Bernard.

TI Effective Protection and Investment Incentives in Egypt and Jordan During the Transition to Free Trade with Europe. **AU** Djankov, Simeon; Hoekman, Bernard.

TI Fuzzy Transition and Firm Efficiency: Evidence From Bulgaria, 1991-4. **AU** Djankov, Simeon; Hoekman, Bernard.

PD October 1996. **TI** Trade and Competition Policy in the WTO System. **AA** The World Bank. **SR** Centre for Economic Policy Research, Discussion Paper: 1501; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 20. **PR** 4 pounds or $8.00. **JE** F13, L40. **KW** Anti-Trust.

Competition Policy. Trade Negotiations.
AB This paper surveys the major options that have been proposed concerning a possible agreement on trade-related anti-trust principles and evaluates both their desirability and feasibility. Three criteria are used to evaluate the options: (i) the extent to which they enhance the contestability of markets for foreign firms; (ii) whether they will enhance the national economic welfare of WTO members; and (iii) their effect on the functioning and integrity of the existing trading system.

PD October 1996. **TI** Multilateral Disciplines on Government Procurement: What's In It For Developing Countries? **AA** The World Bank. **SR** Centre for Economic Policy Research, Discussion Paper: 1502; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 29. **PR** 4 pounds or $8.00. **JE** F13, H57. **KW** Government Procurement. Trade Negotiations. World Trade Organization.
AB This paper assesses existing multilateral rules on government procurement from a developing country perspective. It summarizes the economics of discriminatory procurement and investigates to what extent data on procurement reported by members of the WTO Government Procurement Agreement (GPA) reveal changes in sourcing patterns and national purchasing practices over the 1983-92 period. Available data suggest that changes in procurement practices -- or the lack thereof -- are largely consistent with what theory would predict. Large countries have not been induced to change sourcing patterns, while small countries appear to have become more open. As most developing countries are relatively small in economic terms, this suggests that there may be potentially large welfare gains for developing countries from accession to the GPA.

Holland, Allison

PD June 1996. **TI** The Determinants of UK Business Cycles. **AU** Holland, Allison; Scott, Andrew. **AA** Holland: Bank of England. Scott: Harvard University. **SR** Centre for Economic Policy Research, Discussion Paper: 1409; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 52. **PR** 4 pounds or $8.00. **JE** E13, E33, N14. **KW** Business Cycles. Money. Preference Shocks. Productivity Shocks. Taxes.
AB This paper considers the ultimate causes of post-war UK business cycles. It constructs estimates of a productivity and preference shock both of which are highly persistent, volatile and potentially capable of explaining UK business cycles. The productivity term is the dominant explanation of UK output fluctuations, but our estimated preference shift is crucial in understanding employment. Granger causality tests are used to establish whether these productivity and preference terms are predictable and so can be potentially considered as the ultimate cause of UK business cycles, or whether they are themselves Granger caused by other variables. The estimated productivity term is not predicted by any demand-side variable, but is, to a limited extent, predicted by oil prices and the share of taxes in GDP. This suggests that our "productivity" shock may also reflect other supply-side influences. In contrast, we find our "preference" shift is predicted to a substantial extent by real variables.

Holtz-Eakin, Douglas

PD October 1995. **TI** Scale Economies, Returns to

Variety, and the Productivity of Public Infrastructure. AU Holtz-Eakin, Douglas; Lovely, Mary E. AA Holtz-Eakin: Syracuse University and National Bureau of Economic Research. Lovely: Syracuse University. SR National Bureau of Economic Research Working Paper: 5295; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 22. PR $5.00. JE H54. KW Public Infrastructure. Manufacturing Productivity.

AB We examine the productivity of public infrastructure in a general equilibrium context. In our model, infrastructure lowers costs in a manufacturing sector characterized by both firm-level returns to scale and industry-level external returns to variety. Infrastructure alters factor prices, intermediate prices and the allocation of factors across sectors. The effect on manufacturing or aggregate output, however, is indeterminate. In particular, our theory suggests that the degree of monopoly power influences public capital's productivity effect. We test the model using state-level panel data. We confirm the absence of direct effects on output, but find suggestive evidence of a positive impact of public capital on manufacturing variety as measured by the number of manufacturing establishments. These results indicate the need for future research on potentially important indirect channels by which public capital affects manufacturing productivity.

Horridge, Mark

TI Economies of Scale and Imperfect Competition in an Applied General Equilibrium Model of the Australian Economy. AU Abayasiri-Silva, Kaludura; Horridge, Mark.

TI The Theoretical Structure of MONASH-MRF. AU Peter, Matthew W.; Horridge, Mark; Meagher, G. A.; Naqvi, Farzana; Parmenter, B. R.

Huang, Ming

TI Toeholds and Takeovers. AU Bulow, Jeremy; Klemperer, Paul; Huang, Ming.

Hughes Hallett, Andrew J.

TI Is a Two-Speed System in Europe the Answer to the Conflict Between the German and the Anglo-Saxon Models of Monetary Control? AU Demertzis Maria; Hughes Hallett, Andrew J.; Rummel, Ole J.

PD December 1996. TI Four Essays and a Funeral: Budgetary Arithmetic under the Maastricht Treaty. AU Hughes Hallett, Andrew J.; McAdam, Peter. AA University of Strathclyde. SR Centre for Economic Policy Research, Discussion Paper: 1505; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 38. PR 4 pounds or $8.00. JE E63, F15, H63. KW Convergence Criteria. Debt. Deficit. Credibility. Monetary Union.

AB This paper analyses four popular themes in the debate about the transition to monetary union: (a) fiscal discipline creating gains in credibility; (b) there being perceptible risk of a bail out for the highly indebted countries; (c) budgets being successfully cut to the required 3% limit in conditions of low growth and low inflation; and (d) the convergence criteria actually being mutually consistent. The usual accounting identities show the first two effects are likely to be small or non-existent, whereas the second two are unlikely to be satisfied.

Iacone, Fabrizio

TI Monetary Policy, Forward Rates and Long Rates: Does Germany Differ from the United States? AU Favero, Carlo A.; Iacone, Fabrizio; Pifferi, Marco.

Ichino, Andrea

PD October 1996. TI More Equal But Less Mobile? Education Financing and Intergenerational Mobility in Italy and in the United States. AU Ichino, Andrea; Rustichini, Aldo; Checchi, Daniele. AA Ichino: Universita Bocconi. Rustichini: Universite Catholique de Louvain. Checchi: Universita di Milano. SR Centre for Economic Policy Research, Discussion Paper: 1496; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 31. PR 4 pounds or $8.00. JE I22, J62. KW Intergenerational Mobility. Italy. United States. Education Financing.

AB A state school system should be expected to reduce income inequality and to make intergenerational mobility easier. It is therefore somewhat surprising to observe that Italy, in comparison to the United States, displays less inequality between occupational incomes, but lower intergenerational upward mobility, not only between occupations, but also between education levels. In this paper we provide evidence on this empirical puzzle, and offer a theoretical explanation building around the idea that even if in Italy moving up on the social ladder is easier, the incentive to move may be lower, making mobility less likely.

Ichniowski, Casey

PD November 1995. TI The Effects of Human Resource Management Practices on Productivity. AU Ichniowski, Casey; Shaw, Kathryn; Prennushi, Giovanna. AA Ichniowski: Columbia University and National Bureau of Economic Research. Shaw: Carnegie-Mellon University and National Bureau of Economic Research. Prennushi: Carnegie-Mellon University. SR National Bureau of Economic Research Working Paper: 5333; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 38. PR $5.00. JE J20, M12. KW Human Resources. Work Practices.

AB Increasingly, firms are considering the adoption of new work practices, such as problem-solving teams, enhanced communication with workers, employment security, flexibility in job assignments, training workers for multiple jobs, and greater reliance on incentive pay. This paper provides empirical evidence to address the question: to these human resource management practices improve worker productivity? For this study, we constructed our own data base through personal site visits to 26 steel plants which contained one specific steelmaking process, and collected longitudinal data with precise measures on productivity, work practices, and the technology in these production lines. The empirical results consistently support the following conclusion: the adoption of a coherent system of these new work practices, including work teams, flexible job assignments, employment security, training in multiple jobs, and extensive reliance on incentive pay, produces substantially higher levels of productivity than do more "traditional" approaches involving narrow job definitions, strict work rules, and hourly pay with close supervision. In contrast, adopting individual work practice innovation in isolation have no effect on productivity. We interpret this evidence as support for recent theoretical models which stress

the importance of complementarities among a firm's work practices.

Irmen, Andreas

PD May 1996. TI Competition in Multi-Characteristics Spaces: Hotelling was Almost Right. AU Irmen, Andreas; Thisse, Jacques-Francois. AA Irmen: Universite de Lausanne. Thisse: Universite Catholique de Louvain. SR Universite de Lausanne Cahiers de Recherches Economiques: 9613; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 22. PR no charge. JE L10, M30, R30. KW Product Positioning. Multi-Characteristics Space.
AB Lancasterian models of product differentiation typically assume a one-dimensional characteristics space. We show that standard results on prices and locations no longer hold when firms compete in a multi- characteristics space. In the location game with n characteristics, firms choose to maximize differentiation in the dominant characteristic and to minimize differentiation in the others when the salience coefficient of the former is sufficiently large. Thus, the principle of minimum differentiation holds for all but one characteristic. Furthermore, prices do not necessarily fall when products get closer in the characteristics space because price competition is relaxed when products are differentiated enough in the dominant characteristic.

TI R&D Decisions When Quality and Variety Interact. AU Decryse, Hans; Irmen, Andreas.

PD July 1996. TI Precommitment in Competing Vertical Chains. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9617; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 38. PR no charge. JE L22, L42, L81. KW Vertical Restraints. Vertical Separation. Contract Theory.
AB The design of distribution channels is an important marketing decision since a revision implies costly reorganization. Hence, it makes sense to study strategic motives of alternative distribution devices. A precommitment is a strategic move that affects the other players' expectations on how oneself will behave and thus induces them to choose in one's own favor (Schelling (1960)). How these tactics can be used by firms to favorably influence competition between vertical chains is the topic of the literature reviewed in this survey.

PD October 1996. TI Mark-Up Pricing and Bilateral Monopoly. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9622; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 9. PR no charge. JE L12, L42. KW Bilateral Monopoly. Double Marginalization. Selling Costs. Mark-Up Pricing.
AB It is an empirically established fact that managers use cost based percentage margins when they price their goods. As a consequence, percentage mark-ups should be determined as equilibrium choices. This paper incorporates this empirical observation into the analysis of competition among bilateral monopolists. We compare the Nash equilibrium in percentage and in absolute mark-ups and show that the former exhibits

lower equilibrium prices. In addition, the downstream monopolists is unequivocally better-off under percentage mark-up pricing which proves to be an effective strategy for squeezing the upstream margin. These results turn out to be surprisingly general.

PD October 1996. TI Competition in Multi-Characteristics Spaces: Hotelling was Almost Right. AU Irmen, Andreas; Thisse, Jacques-Francois. AA Irmen: University of Lausanne. Thisse: Universite Catholique de Louvain and CERAS-ENPC. SR Centre for Economic Policy Research, Discussion Paper: 1446; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 44. PR 4 pounds or $8.00. JE L15, M32. KW Product Positioning. Multi-Characteristics Space. Agglomeration.
AB See abstract Andreas Irmen and Jacques-Francois Thisse, May 1996. "Competition in Multi-Characteristics Spaces: Hotelling was Almost Right". Universite de Lausanne Cahiers de Recherches Economiques: 9613; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland.

Itaya, Jun-ichi

PD September 1996. TI Optimal Taxation and the Private Provision of Public Goods. AU Itaya, Jun-ichi; de Meza, David; Myles, Gareth D. AA Itaya: Otaru University of Commerce. de Meza and Myles: University of Exeter. SR University of Exeter, Department of Economics Discussion Paper: 96/18; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. PG 29. PR no charge. JE H21, H41. KW Taxation. Public Goods. Private Provision.
AB This paper investigates the role of taxation when public goods are privately provided. When a fixed income is to be distributed, the non- concavity of social welfare as a function of income ensures that it is optimal to create sufficient inequality that the poor do not contribute to public goods provision. With endogenous incomes it is generally still optimal to set taxes to ensure that those with low earning opportunities do not contribute. Finally, the combined use of optimal income and commodity taxes eliminates the non-concavity and allows the first-best to be decentralized.

Ito, Takatoshi

PD November 1995. TI Explaining Asset Bubbles in Japan. AU Ito, Takatoshi; Iwaisako, Tokuo. AA Ito: International Monetary Fund and National Bureau of Economic Research. Iwaisako: Harvard University. SR National Bureau of Economic Research Working Paper: 5358; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 32. PR $5.00. JE E12, E31, O53. KW Asset Bubbles. Japan.
AB This paper examines the stock and land price behaviors during the bubble economy period (the second half of the 1980's), paying considerable attention to the linkage of the two markets and the effects of monetary policy. In particular, we examine whether the booms in these asset prices can be justified by changes of the fundamental economic variables such as the interest rates or the growth of the real economy. A complex chain of events is needed to explain the process of

asset price inflation and deflation. Our empirical results suggest (i) that the initial increases of asset prices are sown by a sharp increase in bank lending to real estate; (ii) that a considerable comovement between stock and land prices is consistent with a theory that emphasizes the relationship between the collateral value of land and cash flow for constrained firms; (iii) that although the real economy was doing well and the interest rates were still low, asset price increases from mid- 1987 to mid-1989 cannot be fully justified by the movement of fundamentals alone; and (iv) the stock price increase in the second half of 1989 and the land price increase in 1990 is not explained by any asset pricing model based on fundamentals or rational bubbles.

TI   Heterogeneous Expectations and Tests of Efficiency in the Yen/Dollar Forward Foreign Exchange Rate Market. AU   Elliot, Graham; Ito, Takatoshi.

Iwaisako, Tokuo
TI   Explaining Asset Bubbles in Japan. AU   Ito, Takatoshi; Iwaisako, Tokuo.

Jain, S. K.
TI   Extensions of G-Based Matrix Partial Orders. AU   Werner, Jan; Mitra, S. K.; Jain, S. K..

Jappelli, Tullio
PD   September 1995. TI   Testing for Liquidity Constraints in Euler Equations With Complementary Data Sources. AU   Jappelli, Tullio; Pischke, Jorn-Steffen; Souleles, Nicholas S.. AA   Jappelli: Istituto di Studi Economici and Centre for Economic Policy Research. Pischke: Massachusetts Institute of Technology. Souleles: University of Pennsylvania. SR   Massachusetts Institute of Technology, Department of Economics Working Paper: 95/19; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG   58. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE   C51, D91, E21. KW   Consumption. Liquidity Constraints. Switching Regression. Two Sample Estimators.
AB   Previous tests for liquidity constraints using consumption Euler equations have frequently split the sample on the basis of wealth arguing that low wealth consumers are more likely to be constrained. We propose alternative tests using different and more direct information on borrowing constraints obtained from the 1983 Survey of Consumer Finances. In a first stage we estimate probabilities of being constrained which are then utilized in a second sample, the Panel Study of Income Dynamics, to estimate switching regressions models of the Euler equation. Our estimates indicate stronger excess sensitivity associated with the possibility of liquidity constraints than the sample splitting approach.

TI   Background Uncertainty and the Demand for Insurance Against Insurable Risks. AU   Guiso, Luigi; Jappelli, Tullio.

Jegadeesh, Narasimhan
TI   Momentum Strategies. AU   Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef.

Jimeno, Juan F.
TI   The Effects of Migration on the Relative Demand of Skilled Versus Unskilled Labour: Evidence from Spain. AU   Dolado, Juan J.; Jimeno, Juan F.; Duce, Rosa.

PD   October 1996. TI   Monetary Union and European Unemployment. AU   Jimeno, Juan F.; Vinals, Jose. AA   Jimeno: FEDEA. Vinals: Banco de Espana. SR   Centre for Economic Policy Research, Discussion Paper: 1485; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG   38. PR   4 pounds or $8.00. JE   E52, E61, F33, F41, J64. KW   Monetary Union. Unemployment. Structural Reforms.
AB   In this paper we analyze the likely effects of Economic and Monetary Union (EMU) on European unemployment. We start by describing the current unemployment situation in the European Union (EU). In so doing, we try to assess the relative importance of European, national and regional shocks in driving national and regional unemployment rates, and also to estimate the degree of real wage rigidity across EU countries. We then discuss various factors which, in principle, may contribute towards explaining the high and persistent EU unemployment rates, focusing on several labor market institutions like collective bargaining, job security legislation and unemployment benefits. The final part of the paper analyzes, in light of the above evidence, the likely impact of EMU on European unemployment in the short and medium term. We conclude that while the presently high European unemployment rates should not preclude EMU from being established, the operation of the monetary union will be smoother and its net economic benefits larger if Member countries succeed in implementing those structural labor market reforms which are needed for unemployment to go to lower, more reasonable rates.

Joshi, Heather
TI   Women's Employment Transitions Around Childbearing. AU   Dex, Shirley; Joshi, Heather; Macran, Susan; McCulloch, Andrew.

Jovanovic, Boyan
PD   October 1995. TI   Research and Productivity. AU   Jovanovic, Boyan; Nyarko, Yaw. AA   Jovanovic: University of Pennsylvania and National Bureau of Economic Research. Nyarko: New York University. SR   National Bureau of Economic Research Working Paper: 5321; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   19. PR $5.00. JE   O32. KW   Research. Technology. Productivity.
AB   We model research as a signal on an unknown parameter of a technology. We distinguish applied from basic research and show that firms in the same industry can optimally choose different research portfolios, and that basic research can seem to have a higher rate of return than applied research, even though it really doesn't -- essentially, firms on a "fast track" upgrading policy opt for basic research but fast and slow-track upgrading policies can coexist in a long-run equilibrium. We also derive the lag structure for how R&D affects the firm's stock of knowledge.

Joyce, Theodore
PD   November 1995. TI   State Reproductive Policies and Adolescent Pregnancy Resolution: The Case of Parental Involvement Laws. AU   Joyce, Theodore; Kaestner, Robert. AA   Joyce: National Bureau of Economic Research. Kaestner: Baruch College and National Bureau of Economic Research. SR   National Bureau of Economic Research Working Paper: 5354; National Bureau of Economic Research, 1050

Massachusetts Avenue, Cambridge, MA 02138. **PG** 28.
PR $5.00. **JE** I10, J13, K32. **KW** Abortion Regulation.
Reproductive Policies. Parental Involvement.
AB State laws regulating abortion have increased markedly
in the wake of recent Supreme Court decisions. We test whether
one form of abortion regulation, parental involvement laws,
affects how pregnancies are resolved. Specifically, we examine
whether laws that require minors to notify or obtain consent
from a parent before receiving an abortion affect the likelihood
that a pregnancy will be terminated. We use individual data on
births and abortions from three southern states. We detect no
significant effects of parental involvement laws on the
probability of abortion for minors as a single treatment group, a
finding contrary to several recent studies. We do find, however,
that for non-black minors 16 years of age, South Carolina's
parent consent statue is associated with a 10 percentage point
fall in the probability of abortion, a relative decline of over 20
percent. We believe this to be an upper bound estimate given
potential underreporting of induced terminations. We conclude
that minors include their parents in the decision to terminate a
pregnancy. Other minors seek abortion in a neighboring state.
Overall, the impact of parental involvement laws on pregnancy
resolution of minors is not large.

Kaddour, Hadri
TI Chinese Empirical Evidence on the Linear and Quadratic
Expenditure Systems. **AU** Ding, Hua; Kaddour, Hadri.

Kaestner, Robert
TI State Reproductive Policies and Adolescent Pregnancy
Resolution: The Case of Parental Involvement Laws.
AU Joyce, Theodore; Kaestner, Robert.

Kalay, Avner
PD November 1996. **TI** The Law of One Price and
Differential Settlement Arrangements. **AU** Kalay, Avner;
Viallet, Claude. **AA** Kalay: University of Utah and Tel Aviv
University. Viallet: INSEAD. **SR** INSEAD Working Papers:
97/07/FIN; INSEAD, Boulevard de Constance, 77305
Fontainebleau, Cedex, France. Website:
www.insead.fr/Research. **PG** 17. **PR** no charge.
JE E31, F31, G12. **KW** One Price. Paris Bourse. NYSE.
Settlement Days.
AB This paper investigates institutional restrictions that
result in conflicting conditions for no profit opportunities. The
authors examine the stock price behavior of 21 U.S. firms listed
for trade in both the Paris Bourse and the NYSE. A trade in the
NYSE is settled within five business days, while transactions
executed in the Paris Bourse are settled only once a month.
Therefore, lack of arbitrage implies that the market value of a
riskless asset traded in Paris should follow a step function -- a
fixed price between two settlement days and a jump equal to
the French monthly risk free interest rate around the settlement
day. The same asset traded in the NYSE should grow
exponentially during the month leading to unavoidable
contemporaneous price differences. The evidence presented
points out to profit opportunities within France.

Kalyvitis, Sarantis C.
TI Public Investment and Endogenous Growth in a Small
Open Economy. **AU** Alogoskoufis, George S.; Kalyvitis,
Sarantis C.

Karanassou, Marika
PD November 1996. **TI** Is the Natural Rate a Reference
Point? **AU** Karanassou, Marika; Snower, Dennis J.
AA Birkbeck College. **SR** Centre for Economic Policy
Research, Discussion Paper: 1507; Centre for Economic Policy
Research, 25-28 Old Burlington Street, London W1X 1LB,
United Kingdom. **PG** 10. **PR** 4 pounds or $8.00.
JE E24, E37, J64. **KW** Unemployment. Natural Rate.
Labor Markets. Capital Accumulation. Population Growth.
AB This paper explores the two common concepts of the
natural rate of unemployment (NRU): (i) the stable, long-run
equilibrium rate of unemployment; and (ii) the equilibrium
unemployment rate at which there is no tendency for this rate to
change, given the exogenous variables. The first concept
(common in the theoretical literature) is impractical for
empirical assessment, since it is generally impossible to find
reliable estimates of the long-run values of the exogenous
variables and since it is inherently unable to provide an analysis
of how the NRU changes through time. Consequently, the
second concept is used in empirical studies. The paper shows
that this latter natural rate is not necessarily a reference point (a
value towards which the equilibrium unemployment rate tends
with the passage of time). Specifically, it is not a reference
point in multi-equation labor market models containing lagged
endogenous variables and exogenous variables with non-zero
long- run growth rates. Since these features are exceedingly
common, our analysis casts serious doubts on the usefulness of
the natural rate hypothesis as a predictive tool.

Kashyap, Anil K.
TI International Cycles. **AU** Cecchetti, Stephen G.;
Kashyap, Anil K.

Katayama, Hiroshi
TI Building Customer Partnerships as a Competitive
Weapon?: The Right Choice for Globalizing Competition?
AU De Meyer, Arnoud; Katayama, Hiroshi; Kim, Jay S.

Katsoulacos, Yannis
PD May 1996. **TI** Endogenous Innovation Spillovers and
Technology Policy. **AU** Katsoulacos, Yannis; Ulph, David.
AA Katsoulacos: Athens University of Economics and
Business. Ulph: University College London. **SR** Centre for
Economic Policy Research, Discussion Paper: 1407; Centre for
Economic Policy Research, 25-28 Old Burlington Street,
London W1X 1LB, United Kingdom. **PG** 36. **PR** 4
pounds or $8.00. **JE** L13, O33. **KW** Innovation.
Spillovers. Technology Policy. Joint Ventures. Development
Subsidies.
AB A model of research and development competition and
cooperation in the presence of spillovers is developed. Unlike
virtually all the literature, however, this model treats these
spillovers as endogenous and under the control of firms. This
model distinguishes between the amount of research and
development that firms do and the amount of spillover they
generate; between information sharing and research
coordination; between each of the latter and cooperation;
between substitute and complementary research paths; between
firms located in the same industry or in different industries.
These distinctions matter because coordination can arise
without cooperation while cooperation need not induce
information sharing. In many cases, however, allowing
cooperation is sufficient to induce full information

sharing/research coordination. Our analysis suggests that cooperative arrangements between firms may often produce too little research and development.

Kaul, Aditya

TI   Exchange Rate Variability and the Riskiness of U.S. Multinational Firms: Evidence From the Breakdown. AU   Bartov, Eli; Bodnar, Gordon M.; Kaul, Aditya.

Kets de Vries, Manfred F. R.

PD   1996.   TI   Transforming the Mind-Set of the Organization: An Owner's Manual. AU   Kets de Vries, Manfred F. R.; Balazs, Katharina.   AA   INSEAD. SR   INSEAD Working Papers: 96/81/ENT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG   37. PR   no charge. JE   L21, M14, M20.   KW   Individual Change. Organizational Change. Resistance. Locus of Control. Focal Event.
AB   In this paper the processes of individual and organizational change - - their characteristics and dynamics -- are explored, and resemblances between personal and organizational change are highlighted. Factors such as a period of distress, a crystallization of discontent, a focal event, and a public declaration of intent are shown to play a role in both individual and organizational change. The process of working through the loss associated with change -- a process that, like the process of mourning, is made up of a number of predictable stages: shock, disbelief, discarding, and realization -- is outlined. Social support, locus of control, and hardiness are introduced as factors facilitating the change process. Finally, a case study showcasing a company that experienced a dramatic transformation is presented to highlight some of the critical change variables and to show how top management can use many of the levers that make for a successful transformation and change program.

PD   September 1996.   TI   What's Playing in the Organizational Theater? Collusive Relationships in Management.   AA   INSEAD.   SR   INSEAD Working Papers: 96/61/ENT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research.   PG   44.   PR   not available. JE   C71, C72, D11.   KW   Superior. Subordinate. Leader. Psychology. Therapy.
AB   This paper takes as its point of departure concepts derived from couple therapy to better understand collusive relationships in organizations. As we examine these dysfunctional workplace relationships -- these interpersonal "gridlocks" -- ideas about projective identification will be introduced as a way of understanding them. Four main types of collusive superior-subordinate interaction patterns are identified -- the narcissistic, the sadomasochistic, the paranoid, and the controlling -- and the consequences of each such dyad in organizations are explored. In conclusion, the paper presents a number of recommendations on how to recognize the presence of such collusive arrangements and suggests preventive steps that can be taken.

PD   September 1996.   TI   Leadership for Creativity: Generating Peak Experiences. AA   INSEAD. SR   INSEAD Working Papers: 96/62/ENT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research.   PG   42.   PR   not available.

JE   D23, D24, M12.   KW   Creativity. Organizational Behavior. Productivity.
AB   This article consists of two parts. In the first part, attention is paid to the nature of creativity and the role of creativity in organizations. Some of the characteristics and inner dynamics of creative people are discussed. The notions of play and transitional space are introduced. Behavioral aspects of noncreative people are also explored. In this context, the concept of alexithymia -- a condition that characterizes individuals who have difficulties with emotions -- is mentioned. In the second part of the paper, the question of what leaders can do to make people more creative -- that is, what steps can be taken to get the best out of them -- is explored. As illustration, two leaders who manage that process successfully are introduced: Percy Barnevik and Richard Branson. These two leaders are extremely effective at handling the charismatic and "architectural" roles of leadership. In the first role, they envision, empower, and energize; in the second role, they design organizations and institute effective control and reward systems. Finally, the "jazz combo" metaphor is used to explain the effectiveness with which Branson and Barnevik function in these multifaceted leadership roles.

Kim, Jay S.

TI   Operations Capabilities and Strategic Competencies: Transform and Leverage. AU   De Meyer, Arnoud; Kim, Jay S.

TI   Building Customer Partnerships as a Competitive Weapon?: The Right Choice for Globalizing Competition? AU   De Meyer, Arnoud; Katayama, Hiroshi; Kim, Jay S.

Kim, Minseong

TI   Predation and Accumulation. AU   Grossman, Herschel I.; Kim, Minseong.

Kirchgaessner, Gebhard

PD   October 1996. TI   Ideologie et Information en Matiere de Conseils Politiques: Quelques Remargues et un Exemple Reel. AA   University of St. Gallen. SR   Universite de Lausanne Cahiers de Recherches Economiques: 9624; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG   37. PR   no charge. JE   B41, D40, D78, H42.   KW   Consulting. Public Monopoly. Competition. Insurance.
AB   Applying the economic model of behavior, this paper is an attempt to analyze scientific policy consultation. First it is shown why (social) science and --especially-- scientific consulting can lead to "reasonable" results even if the experts only pursue their own personal interests. Then, as a case study, the political debate about housing insurance in Switzerland is documented. Whereas in seven cantons there is private insurance, in the remaining nineteen cantons there exist state monopolies. While private insurance companies demand to open the market, the state monopolies try to defend their position. The reports presented by both sides and especially their empirical propositions are discussed. We conclude with some remarks on the role of the economic policy advisor from the view point of modern political economy.

Kirchkamp, Oliver

PD   October 1995. TI   Asynchronous Evolution of Pairs:

How Spatial Evolution Leads to Inequality. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B329; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 27. **PR** no charge. **JE** C72, D62, D63, R12, R13. **KW** Evolution. Game Theory. Networks.
AB We present a simple model of spatial evolution that avoids several problems that arise with more complex networks of players. We consider a world where pairs of players are permanently · matched. These players learn from the whole population but they are more likely to learn strategies used by their partners. Thus, several features of spatial evolution are captured while nonlinearities that would arise with more complex networks are avoided. We can identify characteristics of evolution in networks such as stable cooperation in prisoners' dilemma games and long run exploitation among different strategies. We furthermore discuss evolution of repeated game strategies in this framework comparing synchronous models with asynchronous ones.

PD June 1996. **TI** Simultaneous Evolution of Learning Rules and Strategies. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B379; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 16. **PR** no charge. **JE** C72, D62, D73, D83, R12. **KW** Evolution. Game Theory. Networks.
AB We study a model of local evolution. Agents are located on a network and interact strategically with their neighbors. Strategies are chosen with the help of learning rules that are based on the success of strategies observed in the neighborhood. The standard literature on local evolution assumes these learning rules to be exogenous and fixed. In this paper we consider a specific evolutionary dynamics that determines these learning rules endogenously. We find with the help of simulations that in the long run learning rules behave deterministically but are asymmetric in the sense that while learning they put more weight on the learning players' experience than on the observed players'. Nevertheless, stage game behavior under these learning rules is similar to behavior with symmetric learning rules.

PD October 1996. **TI** Spatial Evolution of Automata in the Prisoner's Dilemma. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B330; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany . Website: www.econ.uni-bonn.de/sfb/papers. **PG** 46. **PR** no charge. **JE** C63, C73, D62, D83, R12. **KW** Evolution. Game Theory. Networks. Prisoner's Dilemma. Overlapping Generations.
AB The paper applies the idea of evolution to a spatial model. We assume that prisoners' dilemmas or coordination games are played repeatedly within neighborhoods where players do not optimize but instead copy successful strategies. Discriminatory behavior of players is introduced representing strategies as small automata, identical for a player but possibly in different states against different neighbors. Extensive simulations show that cooperation persists even in a stochastic environment, that players do not always coordinate on risk dominant equilibria in 2 X 2 coordination games and that success among surviving strategies may differ. We also present two analytical models that explain some of these phenomena.

Klemperer, Paul
TI Toeholds and Takeovers. **AU** Bulow, Jeremy; Klemperer, Paul; Huang, Ming.

Knetter, Michael M.
TI Causes and Consequences of the Export Enhancement Program for Wheat. **AU** Goldberg, Pinelopi Koujianou; Knetter, Michael M.

Kokko, Ari
TI Multinational Corporations and Spillovers. **AU** Blomstrom, Magnus; Kokko, Ari.

Kollintzas, Tryphon
TI Time-Consistent Solutions to the Stochastic Dynamic Strategic Export Subsidy Problem. **AU** Gatsios, Konstantine; Kollintzas, Tryphon; Lagopoulos, Costas.

Kotlikoff, Laurence J.
PD October 1995. **TI** Privatization of Social Security: How It Works and Why it Matters. **AA** Boston University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5330; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 30. **PR** $5.00. **JE** H20, H55, J14. **KW** Social Security. Privatization. Tax Structure.
AB This paper uses the Auerbach-Kotlikoff Dynamic Life-Cycle Model (AK Model) to examine the macroeconomic and efficiency effects of privatizing social security. It also uses a simple privatization proposal, the Personal Security System, as a framework to discuss a number of other issues associated with social security's privatization, including transition rules and changes in the overall degree of progressivity. According to the AK Model's simulations, privatizing social security can generate very major long-run increases in output and living standards. These gains come largely at the expense of existing generations, but not exclusively at their expense. Indeed, the pure efficiency gains from privatization can be substantial. Efficiency gains refers here to the welfare improvement available to future generations after existing generations have been fully compensated for their losses from privatization. The precise size of the efficiency gain depends on the existing tax structure, the linkage between benefits and taxes under the existing social security system, and the choice of the tax instrument used to finance benefits during the transition.

TI Parental, Altruism and Inter Vivos Transfers: Theory and Evidence. **AU** Altonji, Joseph G.; Hayashi, Fumio; Kotlikoff, Laurence J.

Kramer, Charles
TI Collapsing Exchange Rate Regimes: Another Linear Example. **AU** Flood, Robert P.; Kramer, Charles; Garber, Peter M.

Kremer, Michael
PD March 1996. **TI** How Much Does Sorting Increase Inequality? **AA** Massachusetts Institute of Technology, National Bureau of Economic Research and Harvard Institute of International Development. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/18; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 28. **PR** $7.00

U.S., Canada, Mexico; $10.00 other international. JE D31, J12. KW Segregation. Neighborhoods. Marriage. Assortative Mixing. Inequality.

AB Social commentators from William Julius Wilson to Charles Murray have argued that increased sorting of people into internally homogenous neighborhoods, schools, and marriages is spurring long-run inequality. Calibration of a formal model suggests that these fears are misplaced. In order to increase the steady-state standard deviation of education by one percent, the correlation between neighbors' education would have to double, or the correlation between spouses' education would have to increase by one-third. In fact, both correlations have declined slightly over the past few decades. Sorting has somewhat more significant effects on intergenerational mobility than on inequality.

AB Existing models of open-access resources are applicable to non- storable resources, such as fish. Many open-access resources, however, are used to produce storable goods. Elephants, rhinos, and tigers are three prominent examples. Anticipated future scarcity of these resources will increase current prices, and current poaching. This implies that, for given initial conditions, there may be rational expectations equilibria leading both to extinction and to survival. Governments may be able to eliminate extinction equilibria by promising to implement tough anti-poaching measures if the population falls below a threshold. Alternatively, they, or private agents, may be able to eliminate extinction equilibria by accumulating a sufficient stockpile of the storable good.

AB Evidence from the United States, Britain, and France suggests that recent growth in wage inequality has been accompanied by greater segregation of high- and low-skill workers into separate firms. A model in which workers of different skill levels are imperfect substitutes can simultaneously account for these increases in segregation and inequality either through technological change, or, more parsimoniously, through observed changes in the skill distribution.

Krueger, Alan

AB What effect does a severe disability have on individuals' employment and earnings? Has the computer revolution lessened the adverse labor market consequences of severe disabilities? This paper investigates the labor market effects of severe, traumatic disabilities resulting from spinal cord injuries (SCI's). We compare the employment experiences of a sample of individuals with SCI's to those of former co-workers over the same period, and to two random samples of individuals in New Jersey. The analysis is based in large part on a 1994 telephone survey of New Jersey adults who had SCI's within the past ten years. Results indicate that the occurrence of an SCI causes a steep decline in employment, hours worked, and weekly earnings, but relatively little change in wage rates for those who work. The computer revolution has the potential to expand employment opportunities for people with disabilities. Our results indicate that having computer skills is associated with higher earnings, and a faster return to work and earnings recovery, for SCI individuals, after holding constant other variables such as education.. Despite the benefits, individuals with SCI's are less likely to use computers than the general population.

Krugman, Paul

AB A number of recent studies appear to show that international trade is a secondary factor in the growing inequality of wages, with technology probably the main culprit. These studies have, however, been subjected to severe and in some cases harshly worded criticism by trade theorists, who argue that the authors of these studies have misspecified the impacts of both technology and trade on factor prices. This paper shows that it is the critics who are confused. In particular, much recent discussion about technology, trade, and wages is marked by a failure to distinguish between the models we all use and the particular thought experiments we typically use to teach these models -- which happen not to be the appropriate though experiments we need to analyze the real- world issues.

Kruse, Douglas

Kuhn, Kai-Uwe

CEMFI. **SR** Centre for Economic Policy Research, Discussion Paper: 1399; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 52. **PR** 4 pounds or $8.00. **JE** J30, J41, J51. **KW** Bargaining. Insider. Outsider. Quits. Wage Determination.

AB In this paper we develop a theory of union bargaining power based on firm-specific skills acquired by the insider work-force. We show that unions increase the bargaining power of insiders only in states of the world in which the firm would like to retain insiders but not hire outsiders. Union formation leads to inefficient retention of workers in the firm. Furthermore, new workers are hired at wages below the going market rate. Union power may either increase or decrease the amount of hiring of the firm, however. This paper can thus be understood as developing an insider-outsider theory in which harassment or discrimination of new workers by the insider work-force is neither individually rational nor needed to explain inefficient hiring decisions or union formation.

PD September 1996. **TI** Market Transparency, Competitive Pressure and Price Volatility. **AU** Kuhn, Kai-Uwe; Martinez, Catalina B. **AA** Kuhn: Institut d'Analisi Economica. Martinez: Universitat Autonoma de Barcelona. **SR** Centre for Economic Policy Research, Discussion Paper: 1472; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 27. **PR** 4 pounds or $8.00. **JE** D43, D82, D83, L41. **KW** Market Transparency. Signaling. Search. Information Exchange. Advertising.

AB In this paper we analyze the role of asymmetric information between firms and consumers about market conditions. In standard models of oligopoly informational advantages of firms over customers do not play a role because all prices are observable. When customers are unable to observe all relevant prices in the market, however, they will attempt to infer the level of unobserved prices from those they can observe. This generates an incentive to use price policies to signal the price realizations of rivals. We show that even with arbitrarily low levels of uncertainty about marginal costs of production, equilibrium prices and price variability are strictly higher in a market with private information about costs. We show how firms can exploit this effect to relax competition through information exchange and analyze the role of advertising in such markets.

Kuon, Bettina

PD May 1996. **TI** Spontaneous Behavior and Experienced Player's Strategies in Two-Person Bargaining With Incomplete Information. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B373; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 22. **PR** no charge. **JE** C72, C78, C92. **KW** Bargaining. Incomplete Information. Experiments. Bounded Rationality.

AB Two players bargain over the allocation of a sum of money. They are only incompletely informed about the opponent's alternative in case of conflict. The paper investigates two different experimental approaches: the spontaneous behavior of subjects in a game playing experiment and the strategies programmed by highly experienced subjects. The synopsis of these two experimental approaches is a novelty in experimental research and it provides a vivid picture of the boundedly rational behavior in the bargaining game. The paper's main focus is on the agreement outcomes, the average payoffs, the concession behavior and the individual adaptation to experience.

La Porta, Rafael

PD October 1995. **TI** Good News for Value Stocks: Further Evidence on Market Efficiency. **AU** La Porta, Rafael; Shleifer, Andrei; Lakonishok, Josef; Vishny, Robert. **AA** La Porta: Harvard University. Shleifer: Harvard University and National Bureau of Economic Research. Lakonishok: University of Illinois and National Bureau of Economic Research. Vishny: University of Chicago and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5311; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 16. **PR** $5.00. **JE** G14. **KW** Value Stocks. Market Efficiency.

AB This paper examines the hypothesis that the superior return to so-called value stocks is the result of expectational errors made by investors. We study stock price reactions around earnings announcements for value and glamour stocks over a 5 year period after portfolio formation. The announcement returns suggest that a significant portion of the return difference between value and glamour stocks is attributable to earnings surprises that are systematically more positive for value stocks. The evidence is inconsistent with a risk-based explanation for the return differential.

Lago, Ricardo

TI Promoting an Effective Market Economy in a Changing World. **AU** Buiter, Willem H.; Lago, Ricardo; Stern, Nicholas.

Lagopoulos, Costas

TI Time-Consistent Solutions to the Stochastic Dynamic Strategic Export Subsidy Problem. **AU** Gatsios, Konstantine; Kollintzas, Tryphon; Lagopoulos, Costas.

Lakonishok, Josef

TI Good News for Value Stocks: Further Evidence on Market Efficiency. **AU** La Porta, Rafael; Shleifer, Andrei; Lakonishok, Josef; Vishny, Robert.

TI A Cross-Market Comparison of Institutional Equity Trading Costs. **AU** Chan, Louis K. C.; Lakonishok, Josef.

TI Momentum Strategies. **AU** Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef.

Lambert, Sylvie

TI Distribution of Export Price Risk in a Developing Country. **AU** Bourguignon, Francois; Suwa-Eisenmann, Akiko; Lambert, Sylvie.

Lamo, Ana R.

PD September 1996. **TI** Unemployment in Europe and Regional Labour Fluctuations. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9620; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 23. **PR** no charge. **JE** C33, E32, E37, J60. **KW** Regional Fluctuations. Geographical Region. Unemployment. Mismatch

Index. Large Cross-Section.

AB This paper studies the relationship between region-specific shocks in the European labor market and unemployment rates in Europe. The existing empirical literature in this topic employs measures hardly useful to analyze the issue at hand. We use a model for non-stationary evolving distributions to identify disaggregate and aggregate disturbances and analyze their joint dynamics. Our main findings are that unemployment is lower the lower the mobility of regional shocks is and the more alike those shocks across regions. Further, the dynamics of regional shocks have substantial predictive power for aggregate unemployment fluctuations.

Lamont, Owen

AB In the presence of principal-agent problems, published macroeconomic forecasts by professional economists may not measure expectations. Forecasters may use their forecasts in order to manipulate beliefs about their ability. I test a cross-sectional implication of models of reputation and information-revelation. I find that as forecasters become older and more established, they produce more radical forecasts. Since these more radical forecasts are in general less accurate, ex post forecast accuracy grows significantly worse as forecasters become older and more established. These findings indicate that reputational factors are at work in professional macroeconomic forecasts.

Lane, Philip R.

AB This paper studies the link between profitability, fiscal policy and exchange rate regimes, looking explicitly at these individual components. The different types of government spending and taxation affect profitability through two main channels: changes in labor costs, and movements in the nominal exchange rate when the exchange rate is flexible. This implies that the different components of fiscal policy have different effects on profitability depending on the exchange rate regime. Using a panel of OECD countries over 1960-94, considerable empirical support appears for the predictions of our model. Increases in government wage consumption lead to higher labor costs and a nominal exchange rate appreciation; hence, they have a stronger negative impact on profitability under a flexible exchange rate regime. The opposite holds for increases in labor taxation. In contrast, government non-wage consumption and transfers have only minor effects on exchange rates and profitability, and regime effects are small in these cases.

Laruelle, Annick

AB This paper assesses the current distribution of voting power in the EU Council of Ministers in terms of fairness. The aim of this paper is three-fold. First, we define fairness in the European context and discuss the potential definitions of the European Union; a state, an association of states or a federal state. Second, we look for a definition of the EU which, in terms of power allocation, corresponds best to the respective fairness criteria. Lastly, we suggest an empirical method to determine fair power allocations with a given definition of the EU.

Lasserre, Philippe

AB The purpose of this paper is to address two sets of questions. First, this research attempts to understand what are the features of joint ventures which make it more or less satisfactory from the point of view of Western managers, and, what generic conclusions can one draw in terms of the preparation and structuring of joint ventures? This part is based on the empirical testing of hypothesis. Second, this research tries to identify the major differences in joint venture characteristics across countries in the Asia Pacific region. The objective is to draw a profile of the various countries' joint venture environments. This part will be an empirical comparative description of samples grouped by countries.

Layne-Farrar, Anne

Lazear, Edward P.

AB It has long been recognized in finance and other literature that variance provides option value. The same point carries over to the labor market. Firms like variance in new employees because they can keep the good workers and terminate the bad ones. But market wages must adjust to make the marginal firm indifferent between high and low variance workers. The market equilibrium for new, risky workers is explored to determine how workers and firms line up on the various sides of the

market. Firms in growing industries prefer young, high variance workers. Growing industries will be characterized by high turnover rates. In order to risky workers to provide option value, it is necessary that the initial employer have some advantage over other firms. Private information or mobility costs can provide that advantage. Also required is that the risk have a firm specific component. General variations in ability provide no option value to an initial hirer.

Leahy, John V.

TI Fixed Costs: The Demise of Marginal q. **AU** Caballero, Ricardo J.; Leahy, John V.

Leith, Campbell B.

PD January 1997. **TI** Interest Rate Feedback Rules in an Open Economy with Forward Looking Inflation. **AU** Leith, Campbell B.; Wren-Lewis, Simon. **AA** University of Exeter. **SR** University of Exeter, Department of Economics Discussion Paper: 97/04; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 18. **PR** no charge. **JE** E30, E40. **KW** Interest Rates. Inflation. Feedback Rules.
AB With the adoption of an explicit inflation target in the UK, there has been renewed interest in the properties of alternative feedback rules for interest rates based on an inflation target. In this paper we compare the stabilization properties of the two forms of feedback rule that have been used most frequently in the literature and in policy discussion. Specifically, we examine the relative merits of relating excess inflation to the level of real interest rates, or the change in nominal interest rates in the face of various types of shock. We explain why the relative performance of the rules is dependent upon the nature of the shock considered and whether or not excess inflation is defined in terms of consumer or output price inflation.

Leung, Charles

PD April 1996. **TI** Convergence, Endogenous Growth, and Productivity Disturbances **AU** Leung, Charles; Quah, Danny T. **AA** Leung: Chinese University of Hong Kong. Quah: London School of Economics. **SR** Centre for Economic Policy Research, Discussion Paper: 1383; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 24. **PR** 4 pounds or $8.00. **JE** E32, O41. **KW** Dependence. Increasing Returns. Stochastic Growth. Convergence. Time Series.
AB Kelly (1992) has recently shown that evidence on convergence cannot be taken as evidence against endogenous growth in general. This study uses a well-known class of stochastic growth models to show other difficulties with traditional empirical studies of convergence. Key parameters typically cannot be estimated consistently in cross-section regressions. · When the parameters are assumed known, implications for convergence are unavailable except under restrictive and economically unmotivated assumptions. Those same assumptions that relate key parameters to cross-country convergence render cross-section regressions impossible to estimate consistently.

Levine, Paul

TI Independent but Accountable: Walsh Contracts and the Credibility Problem. **AU** al-Nowaihi, Ali; Levine, Paul.

TI Phases of Imitation and Innovation in a North-South Endogenous Growth Model. **AU** Currie, David; Levine, Paul; Pearlman, Joseph; Chui, Michael.

Levinsohn, James

PD November 1995. **TI** Carwars: Trying to Make Sense of U.S.-Japan Trade Frictions in the Automobile and Automobile Parts Market. **AA** University of Michigan and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5349; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 22. **PR** $5.00. **JE** F13, L62. **KW** Auto Industry. Trade Dispute.
AB This paper tries to make sense of the recent trade dispute between U.S. and Japan in autos and auto parts. The paper argues that there are structural differences between the way that the auto industries are organized in the U.S. and Japan, and that these differences have contributed to the growing bilateral trade deficit in auto parts. The paper also provides econometric estimates of what would have happened had the threatened 100 percent tariff on Japanese luxury cars not been withdrawn by the U.S.

Lewis, Karen K.

PD October 1995. **TI** Stochastic Regime Switching and Stabilizing Policies Within Regimes. **AA** University of Pennsylvania and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5289; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 26. **PR** $5.00. **JE** F31, G12. **KW** Regime Switching. Asset Prices. Exchange Rates.
AB This paper describes a class of stochastic stabilizing policies within asset price regimes that can be easily incorporated into the framework of regime switching recently proposed by Froot and Obstfeld (1991). In contrast to previous treatments of market-driven fundamentals within the regime, authorities stochastically counteract movements in these fundamentals before asset prices reach boundary points. The paper describes how the stabilizing intra-regime intervention policies can be used to characterize the behavior of monetary authorities before fixing an exchange rate, as in the case studied by Flood and Garber (1983). An intervention policy within target zone bands consistent with empirical evidence is also a member of this class of policies. Furthermore, the stylized features of these intervention policies may be matched to actual data in a natural way.

Liebeskind, Julia Porter

PD October 1995. **TI** Social Networks, Learning, and Flexibility: Sourcing Scientific Knowledge in New Biotechnology Firms. **AU** Liebeskind, Julia Porter; Oliver, Amalya Lumerman; Zucker, Lynne G.; Brewer, Marilynn B. **AA** Liebeskind: University of Southern California. Oliver: Hebrew University. Zucker: University of California, Los Angeles and National Bureau of Economic Research. Brewer: Ohio State University. **SR** National Bureau of Economic Research Working Paper: 5320; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138.

AB We examine how two highly successful new biotechnology firms (NBF's) source their most critical input -- scientific knowledge. We find that scientists at the two NBF's enter into large numbers of collaborative research efforts with scientists at other organizations, especially universities. Formal market contracts are rarely used to govern these exchanges of scientific knowledge. Our findings suggest that the use of boundary-spanning social networks by the two NBF's increases both their learning and their flexibility in ways that would not be possible within a self-contained hierarchical organization.

Lindbeck, Assar

AB This paper explores the implications of the ongoing reorganization of firms for inequality in the labor market. We show how recent technological advances in physical and human capital can lead to the breakdown of occupational barriers, creating demands for new combinations of skills, and thereby leading to new patterns of wage inequality. Specifically, our analysis indicates how the changes can segment the labor market into an expanding sector of restructured firms where wages are rising, a contracting sector of traditional firms where wages are relatively stagnant, and an expanding pool of the unemployed. The analysis helps explain various significant labor market phenomena, such as: the increased versatility of work; the widening dispersion of wages within occupational, educational, and job tenure groups in the United Kingdom and the United States, accompanied by a narrowing of the male-female wage differentials; the reorganization of firms from task- oriented departments to customer-oriented teams; and the breakdown of occupational barriers.

Liu, Meng-Chun

Lo, Andrew W.

Loch, Christoph H.

AB This paper presents an analytical model of concurrent engineering, where an upstream and a downstream task are overlapped to minimize time- to-market. The gain from overlapping activities must be weighed against the delay from rework that results from proceeding in parallel based on preliminary information. Communication reduces the negative effect of rework at the expense of communication time. The paper derives the optimal levels of concurrency combined with communication, and analyzes how these two decisions interact in the presence of uncertainty and dependence. Uncertainty is modeled via the average rate of engineering changes, and its resolution via the change of the modification rate over time. In addition, dependence is modeled by the impact the modifications impose on the downstream task. The model yields three main results. First, a dynamic decision rule for determining the optimal meeting schedule is presented. Second, the optimal concurrency between activities when communication follows the optimal pattern described by our decision rule is derived. Third, choosing communication and concurrency separately prevents achieving the optimal time-to-market, resulting in a need for information.

Lockwood, Ben

AB This paper shows that in tax and tariff policy games where the tax instruments are specific, rather than ad valorem, choice of numeraire may affect the resulting Nash equilibrium in taxes or tariffs. One possible resolution to this problem is presented. Each country is assigned a conjecture relating tax instruments to prices; each country's conjecture must embody a different normalization rule.

AB This paper considers the problem facing a central government which can transfer resources between regional governments by use of intergovernmental grants. Regions provide a public good, and are subject to privately observed

shocks either to income, or demand for, or cost of, the public good. There may be public good spillovers between regions. In this set-up, central government has an insurance role, and possibly also a role as coordinator of regional public good provision. When grants are chosen to maximize regional expected utility, notable results are; (i) depending on the source of the shock, the grant may induce over -- or undersupply of the public good relative to the Samuelson rule; (ii) with asymmetric information, and with spillovers, there is two-way distortion of public good supply -- that is, qualitatively different distortions (relative to the Samuelson rule) at different points in the support of the distribution of the shock; (iii) with symmetric information, the optimal grant is always linear in the public good, but with asymmetric information, the grant will have a quasi-concave or quasi-convex, rather than a constant slope, depending on the source of the shock.

Loeb, Susanna
PD November 1995. **TI** The Effect of Measured School Inputs on Academic Achievement: Evidence From the 1920s, 1930s and 1940s Birth Cohorts. **AU** Loeb, Susanna; Bound, John. **AA** Loeb: University of Michigan. Bound: University of Michigan and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5331; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 26. **PR** $5.00. **JE** J21. **KW** School Characteristics. Student Achievement.
AB The study presented here uses data from the NORC General Social Surveys to explore the effects of measurable school characteristics on student achievement. What separates this study from many others is the use of aggregate data on older cohorts, usually associated with research on the influence of school inputs on earnings. Earnings studies have tended to find substantial effects, while much of the research on achievement using contemporary, cross-sectional data has not. We find substantively large effects, similar in size to those found in many earnings-focused studies. In this way, our results point to the importance of aggregation and cohort effects in modeling the relationship between school inputs and student outcomes. The level of data aggregation, in particular, appears important, bringing into question causal interpretations of the results of studies using aggregate data to assess school input effects.

Lopez-Salido, J. David
TI Short- and Long-Run Phillips Trade-Offs and the Cost of Disinflationary Policies. **AU** Dolado, Juan J.; Lopez-Salido, J. David; Vega, Juan Luis.

Lovely, Mary E.
TI Scale Economies, Returns to Variety, and the Productivity of Public Infrastructure. **AU** Holtz-Eakin, Douglas; Lovely, Mary E.

Lutz, Stefan
PD April 1996. **TI** Trade Effects of Minimum Quality Standards With and Without Deterred Entry. **AA** University of Mannheim. **SR** Centre for Economic Policy Research, Discussion Paper: 1384; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** F12, F13, L13. **KW** Product Differentiation. Oligopoly. Trade. Quality

Standards. Entry.
AB In a model of vertical product differentiation, duopolistic firms face quality-dependent costs and compete on quality and price in two segmented markets. Minimum quality standards, set uniformly or according to the principle of mutual recognition, can be used to increase welfare. The analysis includes entry deterrence by the choice of a particular standard. With identical costs, both industries remain in the market under either regulatory alternative. Mutual recognition is the optimal policy choice for either region. With significantly different costs, the full-harmonization outcome includes only one firm and leads to a maximal sum of regional welfares.

PD May 1996. **TI** Does Mutual Recognition of National Minimum Quality Standards Support Regional Convergence? **AA** University of Mannheim. **SR** Centre for Economic Policy Research, Discussion Paper: 1385; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** F12, F13, L13. **KW** Product Differentiation. Oligopoly. Trade. Quality Standards. Regional Convergence.
AB In a model of vertical product differentiation, duopolistic firms face quality-dependent costs and compete on quality and price in two segmented markets. Minimum quality standards, set according to the principle of Mutual Recognition, can be used to increase welfare. The results of the one-shot game suggest that standards achieve initial convergence in terms of qualities produced and national welfares. Therefore, the static game is repeated in multiple periods and firms' qualities in the previous period determine their costs. In an N-period game, quality standards will, in fact, lead to convergence in terms of qualities and national welfares.

PD July 1996. **TI** Vertical Product Differentiation, Quality Standards, and International Trade Policy. **AA** University of Mannheim. **SR** Centre for Economic Policy Research, Discussion Paper: 1443; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** F12, F13, L13. **KW** Product Differentiation. Oligopoly. Trade. Quality. Regulation.
AB This paper studies the influence of minimum quality standards in a partial-equilibrium model of vertical product differentiation and trade in which duopolistic firms face quality-dependent costs and compete on quality and price in two segmented markets. Three alternative standard setting arrangements are Full Harmonization, National Treatment and Mutual Recognition. Under these alternatives, standards can be found that increase welfare in both regions. The analysis integrates the governments' choice of a particular standard setting alternative into the model. Mutual Recognition emerges as one regulatory alternative that always improves welfare in both regions when compared to the case without regulation. Under certain cost conditions, both regions will prefer Mutual Recognition over the alternatives.

PD August 1996. **TI** Vertical Product Differentiation and Entry Deterrence. **AA** University of Mannheim. **SR** Centre for Economic Policy Research, Discussion Paper: 1455; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 13. **PR** 4 pounds or $8.00. **JE** L12, L13, L15. **KW** Product Differentiation. Oligopoly. Quality Standards.
AB This paper studies how the existence of a potential entrant influences an incumbent's choice of quality in a model

of vertical product differentiation and entry. Both firms face fixed set-up costs and quality-dependent costs of production, and compete on quality and price. With identical quality-dependent costs, the incumbent will always deter entry if possible, i.e. if fixed costs are high. Quality will be set at a level lower than the optimal quality set if entry was accommodated. If entry is not blockaded, quality will be set at a level strictly lower than the optimal quality set under monopoly.

Machin, Stephen J.

TI Corporate Growth and Profitability. **AU** Geroski, Paul A.; Machin, Stephen J.; Walters, Chris F.

PD July 1996. **TI** Technology and Changes in Skill Structure: Evidence From an International Panel of Industries. **AU** Machin, Stephen J.; Ryan, Annette; Van Reenen, John. **AA** Machin and Ryan: University College London. Van Reenen: Institute for Fiscal Studies. **SR** Centre for Economic Policy Research, Discussion Paper: 1434; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 48. **PR** 4 pounds or $8.00. **JE** J51, O33. **KW** Employment. Skills. Technology. Research. Development.

AB This paper examines the evidence that rapid upgrading of the skill structure in recent years was driven by technological change. Four countries are examined who have had different wage inequality and unemployment trends -- Denmark, Sweden, the United Kingdom and the United States. The analysis of more skilled workers leads us to the following conclusions: (i) within-industry changes are the driving force of aggregate shifts across all four countries; (ii) there is evidence of skill-biased technical change and capital-skill complementarity; (iii) the results are robust to using education instead of occupation as a measure of skill, and computerization instead of research and development as a measure of technology; (iv) in the Anglo-Saxon countries a maximum of one-third of the aggregate change in the skill structure can be accounted for purely by technological factors; (v) the decline of collective bargaining, rather than trade, in the United Kingdom and the United States is an important factor in explaining the changes.

Macran, Susan

TI Women's Employment Transitions Around Childbearing. **AU** Dex, Shirley; Joshi, Heather; Macran, Susan; McCulloch, Andrew.

Makridakis, Spyros

TI Generalising About Univariate Forecasting Methods: Further Empirical Evidence. **AU** Fildes, Robert; Hibon, Michele; Makridakis, Spyros; Meade, Nigel.

Malakellis, Michael

TI A Microsimulation/Applied General Equilibrium Approach to Analyzing Income Distribution in Australia: Plans and Preliminary Illustration. **AU** Dixon, Peter B.; Malakellis, Michael; Meagher, G. A.

Manasse, Paolo

TI Optimal Regional Redistribution Under Asymmetric Information. **AU** Bordignon, Massimo; Manasse, Paolo; Tabellini, Guido.

Manzini, Paola

PD October 1996. **TI** Game Theoretic Models of Wage Bargaining. **AA** University of Exeter. **SR** University of Exeter, Department of Economics Discussion Paper: 96/15; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 46. **PR** no charge. **JE** C78. J31. **KW** Bargaining. Wage Determination.

AB Rather than a complete survey, this paper aims at being a tool to help apply game theoretic bargaining models to wage negotiations. In this perspective, we review a number of articles which explicitly deal with wage determination as well as purely game theoretical models which we believe can be fruitfully extended to account for specific features of labor markets. We discuss some common shortcomings in the wage negotiation literature, and suggest possible lines of research worth pursuing to deal with such weaknesses.

PD October 1996. **TI** On the Foundations of Wage Bargaining. **AU** Manzini, Paola; Snower, Dennis J. **AA** Manzini: University of Exeter. Snower: Birkbeck College London. **SR** University of Exeter, Department of Economics Discussion Paper: 96/16; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 40. **PR** no charge. **JE** C78, J31, J32. **KW** Bargaining. Outside Option. Insider-Outsider. Labor Turnover.

AB This paper provides strategic foundations for the insight that the bargaining power of employees depends on the firm's labor turnover costs. The analysis shows how these costs determine the firm's degree of substitutability between two sets of wage negotiations, (i) those the firm conducts with its incumbent employees and (ii) the alternative negotiations it could conduct with new job seekers. In this context, labor turnover costs not only influence the negotiators' alternatives to bargaining (i.e. the negotiator's fall back positions and outside options); they affect the nature of the bargaining process itself. This approach leads to a new theory of wage determination.

PD October 1996. **TI** Strategic Wage Bargaining With Destructive Power: The Role of Commitment. **AA** University of Exeter. **SR** University of Exeter, Department of Economics Discussion Paper: 96/17; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 8. **PR** no charge. **JE** C78, J31. **KW** Bargaining. Commitment.

AB We build a simple alternating offers bargaining model in which one of the players can commit to damage the "pie" they are bargaining over. In the unique equilibrium partition his share does not vary monotonically with the discount factor.

PD November 1996. **TI** Strategic Bargaining with Destructive Power. **AA** University of Exeter. **SR** University of Exeter, Department of Economics Discussion Paper: 96/19; Department of Economics, University of Exeter, Amory Building, Rennes Drive, Exeter Devon, EX4 4JR, England. Website: www.ex.ac.uk/~BPearson/Research/Discussion Papers Econ/Discussion Papers.html. **PG** 19. **PR** no charge.

JE C78. KW Bargaining. Commitment.
AB This paper studies a two-player alternating offers bargaining model in which one of the agents has the ability to damage permanently the "pie" bargained over. I show how this feature can result in an increase of the cost of rejecting an offer for the "non-harming player." Beside the "Rubinstenian" bilateral monopoly outcome, I show that it is possible to select a "harming" equilibrium in which the sequence of damages to the pie is endogenously determined and payoffs do not vary monotonically with the discount factor.

Manzocchi, Stefano

PD May 1996. TI Are Capital Flows Consistent with the Neoclassical Growth Model? Evidence From a Cross-Section of Developing Countries. AU Manzocchi, Stefano; Martin, Philippe. AA Manzocchi: Universita di Ancona. Martin: Graduate Institute of International Studies. SR Centre for Economic Policy Research, Discussion Paper: 1400; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 28. PR 4 pounds or $8.00. JE F21, O33, O41, O11. KW Growth Theory. Capital Movements. Developing Countries.
AB We identify the determinants of capital movements in an "augmented- Solow" model where capital mobility is restricted to a subset of capital assets. We then test the prediction of the neoclassical model and find that it is consistent with the evidence on net capital flows in a cross- section of developing countries over the period 1960-82. We find that this is no longer true after 1982, however: the episodes of foreign debt repudiation and the world financial crisis of the early 1980s are the most natural candidates for an explanation of this pattern.

Manzoni, Jean-Francois

PD 1996. TI Understanding Organizational Implications of Change Processes: A Multimedia Simulation Approach. AU Manzoni, Jean-Francois; Angerhrn, Albert A. AA INSEAD. SR INSEAD Working Papers: 96/82/CALT 4; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 19. PR no charge. JE M14, M20. KW Change Process. Information Systems. Multimedia Simulation.
AB Executive Information Systems (EIS), groupware and other types of computer-based information and communication systems are increasingly used in companies to support major change processes leading to the redesign of work processes, information flows, responsibilities for resource allocation, and decision making. However, the high failure rate in implementing such systems is an indication of the resistance to change normally encountered in organizations and the limited skills of IS managers in the domain of change management. The "EIS Simulation", a multimedia business simulation, has been successfully used to increase managerial awareness of the dynamics and the problems arising when implementing information systems which have important implications for work processes and power redistribution within companies. This paper illustrates the innovative design of this multimedia simulation and the broader pedagogical value of such an experiential learning approach.

PD 1996. TI Set Up to Fail: How Bosses Create Their Own Poor Performances. AU Manzoni, Jean-Francois; Barsoux, Jean-Louis. AA INSEAD. SR INSEAD Working Papers: 96/90/AC/OB; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 25. PR no charge. JE J63, M12. KW Bosses. Poor Performers.
AB This paper explores how managers behave differently towards perceived higher and lower performers -- and how a manager's expectations of subordinate performance tend to get acted out by the subordinates. It focuses particularly on the way boss behavior towards "lower performers", while intended to increase performance, often ends up discouraging and alienating these subordinates. The boss and perceived lower performer become entrapped in a vicious circle which is costly for the bosses, the subordinates, team and the wider organization. The paper considers how to recognize such a dynamic and how to break out of the vicious circle.

Margo, Robert A.

PD August 1995. TI The Farm-Nonfarm Wage Gap in the Antebellum United States: Evidence from the 1850 and 1860 Censuses of Social Statistics. AA Vanderbilt University and National Bureau of Economic Research. SR National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 72; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG not available. PR $5.00. JE J31, N31, N51, N61. KW Wage Gap. Antebellum U. S. Census.
AB Sectoral wage gaps for workers of comparable skill are central to issues in economic development and economic history. This paper presents new archival evidence on the farm-nonfarm wage gap for the United States just prior to the American Civil War. Measured at the level of local labor markets, the wage gaps are small and not very persistent over time. Aggregated to reflect the geographic distribution of farm and nonfarm labor, the gaps are larger than previously thought. I also show that investment in manufacturing capital between 1850 and 1860 responded to labor market inefficiencies indicated by the gaps: counties with relatively low farm wages experienced above-average investment.

PD July 1996. TI Compulsory Schooling Legislation and School Attendance in Turn-of- the-Century America: A "Natural Experiment" Approach. AU Margo, Robert A.; Finegan, T. Aldrich. AA Vanderbilt University and National Bureau of Economic Research. SR National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 89; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG not available. PR $5.00. JE I21, I28, N31. KW Compulsory Schooling. School Attendance. 1900 Census.
AB Recent research by Joshua Angrist and Alan Krueger has used information on exact dates of birth in the 1960 to 1980 federal censuses to study the impact of compulsory schooling laws on school attendance. This paper modifies their methodology to analyze similar data in the 1900 federal census to measure the impact of turn-of-the-century compulsory schooling laws. Using data on 14-year olds from the 1900 census public use microdata sample we compare attendance rates of children born after January 1, 1900 with those born before, across states with and without compulsory schooling laws. In states that combined school-leaving with child labor laws, we find that compulsion significantly raised attendance rates.

TI "Location, Location, Location!" The Market for Vacant

Urban Land: New York 1835-1900. **AU** Atack, Jeremy; Margo, Robert A.

Marimon, Ramon

PD July 1996. **TI** "Actual" versus "Virtual" Employment in Europe: Is Spain Different? **AU** Marimon, Ramon; Zilibotti, Fabrizio. **AA** Marimon: European University Institute. Zilibotti: Universitat Pompeu Fabra. **SR** Centre for Economic Policy Research, Discussion Paper: 1427; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 48. **PR** 4 pounds or $8.00. **JE** C23, J21, J31, L60. **KW** Employment. Panel Data. Sectoral Effects. Spain. Virtual Economy.

AB We study the evolution of sectoral employment and labor cost in 11 European countries over the last two decades. Our statistical approach consists of decompositions for country, industry and temporal effects. Virtual economies are constructed by filtering country effects. We find that sectoral effects account for more than 80% of the long-run differentials across countries and industries in employment growth, whereas country-specific effects are more important in the analysis of labor-cost dynamics. The initial distribution of labor across sectors plays a crucial role in explaining cross-country differences in employment. We pay special attention to Spain, a country that has experienced a high persistent unemployment rate, and show that this may be the result of a severe sectoral reallocation problem, originating from the very heavy weight of agricultural employment in 1975. Our study of the virtual economies also provides new evidence about the relative performance of some industries and countries, e.g. the poor performance of Belgium, the relatively good performance of Italy, in particular its textile sector, etc.

Martin, Philippe

TI Are Capital Flows Consistent with the Neoclassical Growth Model? Evidence From a Cross-Section of Developing Countries. **AU** Manzocchi, Stefano; Martin, Philippe.

Martin, Will

TI Asia-Pacific Food Markets and Trade in 2005: A Global, Economy-Wide Perspective. **AU** Anderson, Simon P.; Martin, Will; Dimarana, Betina; Hertel, Tomas.

Martinez, Catalina B.

TI Market Transparency, Competitive Pressure and Price Volatility. **AU** Kuhn, Kai-Uwe; Martinez, Catalina B.

Masini, Andrea

PD September 1996. **TI** An Application of Exergy Accounting to Four Basic Metal Industries. **AU** Masini, Andrea; Ayres, Robert U.. **AA** INSEAD. **SR** INSEAD Working Papers: 96/65/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 19. **PR** not available. **JE** D62, Q41, L23. **KW** Energy. Efficiency. Resource Conservation.

AB This paper aims to demonstrate that the thermodynamic quantity known as exergy provides a systematic and uniform general-purpose indicator for both materials and energy resource inputs, useful product outputs, waste products and energy losses for any industrial process. In fact, an energy balance groups together both mass and energy flows, thus providing a concise means of characterizing any materials transformation process. It links resource analysis, industrial engineering and environmental analysis. Moreover, it can be used for assessing process efficiency, identifying potential opportunities for future technological advances, and, finally, it even provides a basis for first-order evaluation of the potential for harm associated with waste materials released into the environment. To demonstrate these capabilities an exergy accounting has been carried out for four metal industries: steel, aluminum, copper and lead. Production processes have been analyzed and compared in order to identify major inefficiencies as well as areas of potential risk for the environment. The results are presented in a common analytical framework, using data for the U.S. in 1988.

Maskin, Eric S.

TI Wage Inequality and Segregation by Skill. **AU** Kremer, Michael; Maskin, Eric S..

Masson, Paul R.

TI International Evidence on the Determinants of Saving. **AU** Bayoumi, Tamim; Masson, Paul R.; Samiei, Hossein.

Mata, Jose

TI Competition Policy in Portugal. **AU** Barros, Pedro P.; Mata, Jose.

McAdam, Peter

TI Four Essays and a Funeral: Budgetary Arithmetic under the Maastricht Treaty. **AU** Hughes Hallett, Andrew J.; McAdam, Peter.

McClellan, Mark B.

PD October 1995. **TI** Where the Money Goes: Medical Expenditures in a Large Corporation. **AU** McClellan, Mark B.; Wise, David A. **AA** McClellan: Stanford University and National Bureau of Economic Research. Wise: Harvard University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5294; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 28. **PR** $5.00. **JE** I11. **KW** Health Plans. Medical Expenditures.

AB We use a new data file of insurance claims under employer-provided health plans to describe the pattern of expenditures in a large corporation: who spends? on what? for how long? The description is illustrative of detail that can be distilled for other firms. There are three noticeable features of spending: (1) The differences in the provisions of the two FIRM plans seem to have substantial effects on health care expenditures. Inpatient expenditures are a much larger fraction of the total under a first-dollar coverage plan available to hourly employees. (2) Substance abuse and other mental health disorders account for a surprisingly large fraction of health care costs. (3) The components of health care cost differ substantially across individuals, demographic groups, and plans, suggesting that further analysis of the "micro" details of medical expenditures may help to assess the probable implications of alternative insurance reforms. (4) There is substantial persistence in individual health care expenditures from year to year. Illustrative calculations suggest that this persistence may lead to considerable inequality in individual costs under demand-side insurance reforms such as those

coupled with IHA saving plans, and thus may place important limitations on plans that might otherwise be attractive. The exploratory analysis contained in this paper suggests that firm data can provide important insights into the black box that erupts expenditures under private insurance plans. And, hence these data may provide greater understanding of how plan reforms may affect expenditures.

McCorriston S.
TI   Why Do the Gains from Trade Reforms Vary Between Countries? AU   Hertel, T. W.; McCorriston S.

McCulloch, Andrew
TI   Women's Employment Transitions Around Childbearing. AU   Dex, Shirley; Joshi, Heather; Macran, Susan; McCulloch, Andrew.   ·

McDonald, Bradley
TI   A User's Guide to Uruguay Round Assessments. AU   Francois, Joseph F.; McDonald, Bradley; Nordstrom, Hakan.

TI   Trade Liberalization and Investment in a Multilateral Framework. AU   Francois, Joseph F.; McDonald, Bradley; Nordstrom, Hakan.

McLaren, Keith
TI   Compositional Data Analysis and Zeros in Micro Data. AU   Fry, Jane M.; Fry, Tim R. L.; McLaren, Keith.

McMillan, John
TI   Trust and Search in Vietnam's Emerging Private Sector. AU   Haggard, Stephan; McMillan, John; Woodruff, Christopher.

Meade, Nigel
TI   Generalising About Univariate Forecasting Methods: Further Empirical Evidence. AU   Fildes, Robert; Hibon, Michele; Makridakis, Spyros; Meade, Nigel.

Meagher, G. A.
PD   March 1996. TI   Future Workforce Skills: Projections with the MONASH Model. AU   Meagher, G. A.; Parmenter, Brian R. AA   Monash University. SR   Centre of Policy Studies and the Impact Project, Working Paper: G/116; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. PG   15. PR   not available. JE   C68, D58, E47, I20, J21. KW   Labor Market Forecasting. General Equilibrium. Training. Vocational Education. Australia.
AB   Since 1993 the Centre of Policy Studies has been using the MONASH model to produce year-by-year forecasts for the Australian economy, typically with forecast horizons of about ten years. MONASH is a large dynamic applied general equilibrium model. The MONASH forecasting system takes as inputs macroeconomic forecasts from Syntec Economic Services, forecasts for the agricultural and mining sectors from the Australian Bureau of Agricultural and Resource Economics, forecasts for international tourism from the Bureau of Tourism Research, and scenarios on technical change from extrapolations of recent historical experience. The MONASH model then produces consistent forecasts for 112 industries, 56 regions and 282 occupations. The occupational forecasts give

projections of the demand for the ASCO unit groups in each of the six Australian States. These forecasts provide a background for assessing the skills likely to be required in the Australian workforce in the next decade. In this paper we report a selection of our most recent (as at February 1995) forecasts for occupations, and explain how they relate to the macroeconomic and industrial dimensions of the overall forecasts.

PD   March 1996. TI   Economic Modeling and the National Strategy for Vocational Education and Training. AU   Meagher, G. A.; Parmenter, Brian R. AA   Monash University. SR   Centre of Policy Studies and the Impact Project, Working Paper: G/117; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. PG   11. PR   not available. JE   C68, D58, E47, I20, J21. KW   Vocational Education. Training. General Equilibrium. Labor Market Forecasting. Australia.
AB   In 1994, the Australian National Training Authority (ANTA) was established by agreement between the Commonwealth, State and Territory governments. Central to the agreement is the National Strategy for Vocational Education and Training (VET) which is organized around the four main themes of responsiveness, quality, accessibility and efficiency. To promote efficiency in the allocation of training resources, ANTA and a number of State government agencies responsible for VET planning take into account employment forecasts generated using the MONASH model of the Australian economy. To promote responsiveness to the needs of industry, a network of industry training and advisory bodies (ITAB's) has been set up. The ITABs' responsibilities include the development of "Industry-credible, high-quality industry training plans as frameworks for identifying training needs in each industry, and for considering resource requirements". In this paper we review some of the issues that arise in reconciling the information produced at these diverse levels of planning. In particular, we consider the role of the MONASH forecasting system as a planning framework for vocational education and training, and the caveats that must be born in assessing the performance of the system in this role.

PD   March 1996. TI   Coordinating Policies for Human Resources Development. AA   Monash University. SR   Centre of Policy Studies and the Impact Project, Working Paper: G/118; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. PG   18. PR   not available. JE   C68, D58, E47, I20, J21. KW   Vocational Education. Training. General Equilibrium. Human Resources. Policy Coordination. Australia.
AB   In its recent White Paper on Employment and Growth, the Australian Government announced a comprehensive new agenda to supplement its existing employment policies. It includes the following major elements: reforms to labor market assistance; training and education reforms; a reconstructed social security system; a regional strategy; workplace agreements; and microeconomic reforms. An important consideration in the implementation of such a multi-faceted policy program is that its various elements are not independent of each other.. In this paper, we consider some of the issues associated with coordinating policies for human resources development, using the White Paper and the National Vocational Education and Training (VET) Strategy to provide a context for the discussion. In particular, we review the role of the MONASH forecasting system as a vehicle for coordinating the training plans of decentralized advisory bodies within the National VET Strategy. We also describe how the system can

be used to delineate interdependencies in the Government's program, and include a quantitative assessment of effects of proposed microeconomic reforms on the demand for labor in particular occupations.

TI A Microsimulation/Applied General Equilibrium Approach to Analyzing Income Distribution in Australia: Plans and Preliminary Illustration. AU Dixon, Peter B.; Malakellis, Michael; Meagher, G. A.

TI The Theoretical Structure of MONASH-MRF. AU Peter, Matthew W.; Horridge, Mark; Meagher, G. A.; Naqvi, Farzana; Parmenter, B. R.

Meghir, Costas
TI Humps and Bumps in Lifetime Consumption. AU Attanasio, Orazio P.; Banks, James; Meghir, Costas; Weber, Guglielmo.

Melitz, Jacques
TI The Costs/ Benefits of a Common Monetary Policy in France and Germany and Possible Lessons for Monetary Union. AU Weber, Axel A.; Melitz, Jacques.

PD April 1996. TI The Costs/Benefits of a Common Monetary Policy in France and Germany and Possible Lessons for Monetary Union. AU Melitz, Jacques; Weber, Axel A. AA Melitz: INSEE. Weber: Universitat Bonn. SR Centre for Economic Policy Research, Discussion Paper: 1374; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 48. PR 4 pounds or $8.00. JE F21, F15, F41, F33. KW Currency Areas. Shocks. Monetary Union. France. Germany.
AB In order to study the costs and benefits of a monetary union between Germany and France, we attempt to go beyond a mere focus on asymmetries and examine what each country would have lost or gained had there been a common monetary policy. We try to identify the macroeconomic effects of such a change within a structural VAR model, which is first estimated by employing mixed long-run and short-run identification schemes, and subsequently simulated under the restrictions of a common monetary policy. Our analysis centers on the effect of identical monetary policy on movements in output, inflation and the current account. We also study the effects on interest rate differentials in order to draw possible inferences about monetary integration. Based on the usual interpretations of national preferences in both countries, the results imply that, if anything, Germany would lose from any French participation in the setting of domestic monetary policy. By contrast, however, France would clearly gain from corresponding German participation in French decision-making.

Mendoza, Enrique G.
TI On the Ineffectiveness of Tax Policy in Altering Long-Run Growth: Harberger's Superneutrality Conjecture. AU Asea, Patrick; Mendoza, Enrique G.; Milesi-Ferretti, Gian Maria.

Menon, Jayant
PD March 1996. TI How Reliable are Intra-Industry Trade Measures as Indicators of Adjustment Costs? AA Monash University. SR Centre of Policy Studies and the Impact Project, Working Paper: G/119; Centre of Policy Studies and the Impact Project, Monash University, Clayton,

Victoria 3168, Australia. PG 13. PR not available. JE F31, F32, L65. KW Intra-Industry Trade. Matched Changes. Adjustment Costs.
AB A number of recent papers have examined measures of intra-industry trade (IIT) and related indicators such as matched and unmatched changes in trade (MCIT and UCIT) as indicators of adjustment costs associated with trade expansion or contraction. We make three contributions to this literature. First, we clarify what is meant by adjustment costs in the context of these IIT-related measures. Second, we present new measures of MCIT and UCIT. Third, we compare our measures with existing measures using some simple numerical examples and data on Irish chemicals trade. We find that previous IIT-related measures tend to overestimate the extent of MCIT, and underestimate UCIT. We also find that the extent of the bias in these measures can be substantial. Thus, they are unreliable as indicators of adjustment costs. Our measures overcome these limitations.

Michael, Michael S.
TI International Migration, Welfare and the Provision of Public Goods. AU Gatsios, Konstantine; Hatzipanayotou, Panos; Michael, Michael S.

Mihov, Ilian
TI Measuring Monetary Policy. AU Bernanke, Ben S.; Mihov, Ilian.

TI What Does the Bundesbank Target? AU Bernanke, Ben S.; Mihov, Ilian.

Milesi-Ferretti, Gian Maria
PD October 1995. TI Growth Effects of Income and Consumption Taxes: Positive and Normative Analysis. AU Milesi-Ferretti, Gian Maria; Roubini, Nouriel. AA Milesi-Ferretti: International Monetary Fund. Roubini: New York University and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5317; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 28. PR $5.00. JE H24. KW Taxation. Growth.
AB The effects of income and consumption taxation are examined in the context of models in which the growth process is driven by the accumulation of human and physical capital. The different channels through which these taxes affect economic growth are discussed, and it is shown that in general the taxation of factor incomes (human and physical capital) is growth-reducing. The effects of consumption taxation on growth depend crucially on the elasticity of labor supply, and therefore on the specification of the leisure activity. The paper also derives implications for the optimal intertemporal choice of tax instruments.

TI On the Ineffectiveness of Tax Policy in Altering Long-Run Growth: Harberger's Superneutrality Conjecture. AU Asea, Patrick; Mendoza, Enrique G.; Milesi-Ferretti, Gian Maria.

PD October 1996. TI On the Taxation of Human and Physical Capital in Models of Endogenous Growth. AU Milesi-Ferretti, Gian Maria; Roubini, Nouriel. AA Milesi-Ferretti: International Monetary Fund. Roubini: New York University. SR Centre for Economic Policy Research, Discussion Paper: 1477; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB,

United Kingdom. **PG** 30. **PR** 4 pounds or $8.00. **JE** E62, F41, O41. **KW** Taxation. Endogenous Growth. Human Cápital. Leisure.
AB This paper studies the effects of factor income taxation and of subsidies to human capital accumulation in models of endogenous growth. It examines in particular how these effects depend on the specification of the leisure activity and on the technology and tax treatment of the sector producing human capital. It shows that the negative effects of factor income taxes on economic growth are stronger when the human capital sector is a market good. Under these circumstances, a subsidy to human capital accumulation can offset the direct growth effects of labor taxation, making it akin to a consumption tax. The paper then derives the normative implications of the analysis for the optimal taxation of factor incomes, showing that all tax and subsidy "wedges" should be eliminated in the long run.

PD November 1996. **TI** Current Account Sustainability: Selected East Asian and Latin American Experiences. **AU** Milesi-Ferretti, Gian Maria; Razin, Assaf. **AA** Milesi-Ferretti: International Monetary Fund. Razin: Tel Aviv University. **SR** Centre for Economic Policy Research, Discussion Paper: 1509; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** F32, F34. **KW** Current Account. Sustainability. Savings. Exchange Rates. Exports.
AB A number of developing countries have run large and persistent current account deficits in both the late-1970's/early-1980's and in the early-1990's, raising the issue of whether these persistent imbalances are sustainable. This paper puts forward a notion of current account sustainability and compares the experience of three Latin American countries -- Chile, Colombia and Mexico -- and three East Asian countries -- Korea, Malaysia and Thailand. It identifies a number of potential sustainability indicators and discusses their usefulness in predicting external crises.

Mishkin, Frederic S.
TI Predicting U.S. Recessions: Financial Variables As Leading Indicators. **AU** Estrella, Arturo; Mishkin, Frederic S.

Mitchell, Olivia S.
TI Evaluating Mental Health Capitation Treatment: Lessons From Panel Data. **AU** Dwyer, Debra Sabatini; Cole, Robert; Mitchell, Olivia S.; Reed, Sylvia K.

Mitra, S. K.
TI Extensions of G-Based Matrix Partial Orders. **AU** Werner, Jan; Mitra, S. K.; Jain, S. K..

Mizrach, Bruce
TI Real Versus Pseudo-International Systemic Risk: Some Lessons from History. **AU** Bordo, Michael D.; Mizrach, Bruce; Schwartz, Anna J.

Mocan, H. Naci
PD October 1995. **TI** The Child Care Industry: Cost Functions, Efficiency, and Quality. **AA** University of Colorado and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5293; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 27. **PR** $5.00. **JE** J13. **KW** Child Care.
AB Using a newly compiled data set, this paper provides insights into the characteristics of the child care industry. First, there is no difference in average quality of the services produced between nonprofit and for-profit centers. This indicates that nonprofit status cannot be taken as a signal of higher quality. Second, the hypothesis of relative inefficiency of nonprofit centers with respect to for-profits is unfounded. On the other hand, centers that receive public money, either from the state or federal government, that is tied to higher standards, have variable costs that are 19 percent higher than other centers. Child care workers with 13 to 15 years of education and workers with 16 and more years of education are substitutes. Both of these groups are complements to workers with 12 and less years of education. Centers have inelastic demand for workers. There are economies of scale in production. Controlling for the level of quality of services, a 10 percent increase in hours of children served brings about only an 8.5 percent increase in costs in the long-run. There is no evidence of economies of scope. Serving various age groups jointly is not more efficient than serving them separately, although the issue is less clear in the case of preschoolers and school aged children. The cost of increasing the quality of an average center from mediocre to good is between 12-16 cents per child-hour.

Morcom, Charles
TI Elephants. **AU** Kremer, Michael; Morcom, Charles.

Moresi, Serge
TI Front-Running by Mutual Fund Managers: It Ain't That Bad. **AU** Danthine, Jean-Pierre; Moresi, Serge.

Motta, Massimo
PD December 1996. **TI** On the Persistence of Leadership or Leapfrogging in International Trade. **AU** Motta, Massimo; Thisse, Jacques-Francois; Cabrales, Antonio. **AA** Motta and Cabrales: Universitat Pompeu Fabra. Thisse: Universite Catholique de Louvain. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9625; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 16. **PR** no charge. **JE** F12, F13, L15. **KW** International Trade. Product Differentiation. Country Asymmetries. Integrated Markets.
AB When two countries starting from different quality levels (reflecting different conditions on domestic market demands) open to trade, two possible equilibria arise. In the first one, the quality leader maintains its position. In the second, leapfrogging occurs. However, the latter is possible only if the initial quality gap is not too wide. Further, when the risk dominance criterion is used, only the former equilibrium is selected.

Mulligan, Casey B.
PD March 1996. **TI** Adoption of Financial Technologies: Implications for Money Demand and Monetary Policy. **AU** Mulligan, Casey B.; Sala-i-Martin, Xavier. **AA** Mulligan: University of Chicago. Sala-i-Martin: Yale University and Universitat Pompeu Fabra. **SR** Centre for Economic Policy Research, Discussion Paper: 1358; Centre for

Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 60. PR 4 pounds or $8.00. JE E41, E44, E52. KW Money Demand. Inflation Tax. Financial Technology. Welfare Cost. Monetary Policy.

AB This paper argues that the relevant decision for the majority of US households is not the fraction of assets to be held in interest-bearing form, but whether to hold such assets at all. The implication is that, instead of studying money demand using time series, one can look at a cross-section of households and analyze variations in the amount of assets. This study finds that: (a) the elasticity of money demand is very small when the interest rate is small; (b) the probability that a household holds any amount of interest-bearing assets is positively related to the level of financial assets; and (c) the cost of adopting financial technologies is positively related to age and negatively related to the level of education. The finding that the elasticity is very small for interest rates below 5% suggests that the welfare costs of inflation are small. We find that roughly one-half of the money elasticity of demand can be attributed to the intensive margin and the other half to the extensive margin. The intensive margin is less important at lower interest rates.

Mullin, Wallace P.

TI Validating the Conjectural Variation Method: The Sugar Industry, 1890-1914. AU Genesove, David; Mullin, Wallace P..

TI Validating the Conjectural Variation Method: The Sugar Industry, 1890-1914. AU Genesove, David; Mullin, Wallace P.

Musiela, Marek

PD June 1996. TI Continuous -- Time Term Structure Models. AU Musiela, Marek; Rutkowski, Marek. AA Musiela: University of New South Wales. Rutkowski: Politechnika Warsaw. SR Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B377; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG 40. PR no charge. JE G13, E43. KW Term Structure. Interest Rates. Forward Measure. Martingale.

AB In this paper the problem of continuous-time modelling of the term structure of interest rates is considered in a general manner. Described are certain properties valid for wide classes of term structure models, so that a basis for the discussion of any specific model is developed.

Muzyka, Daniel F.

PD 1996. TI Towards a Theoretical Model for Adaptive Entrepreneurial Organizations Using Genetic Algorithms. AU Muzyka, Daniel F.; De Koning, Alice J. AA INSEAD. SR INSEAD Working Papers: 96/85/ENT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 21. PR no charge. JE M13. KW Genetic Algorithms. Entrepreneurial Organizations.

AB This paper proposes the use of genetic algorithm modeling techniques to develop a rigorous theory for adaptive entrepreneurial organizations. In particular, we focus on the need for more rigorous theory of adaptation to sort out the comprehensive action lists that have been generated by years of field research by many people. After describing how a basic genetic algorithm model works, and what assumptions drive the model, we develop a series of propositions which specifically link the GA models to earlier findings on entrepreneurial organizations. The paper is a beginning in the process of building a theoretical model.

Myles, Gareth D.

TI Individually Rational Union Membership. AU Bulkley, George; Myles, Gareth D.

TI Optimal Taxation and the Private Provision of Public Goods. AU Itaya, Jun-ichi; de Meza, David; Myles, Gareth D.

Naqvi, Farzana

TI The Theoretical Structure of MONASH-MRF. AU Peter, Matthew W.; Horridge, Mark; Meagher, G. A.; Naqvi, Farzana; Parmenter, B. R.

TI The Theoretical Structure of MONASH-MRF. AU Peter, Matthew W.; Horridge, Mark; Meagher, G. A.; Naqvi, Farzana; Parmenter, B. R.

Neal, Derek

PD November 1995. TI The Effect of Catholic Secondary Schooling on Educational Attainment. AA University of Chicago and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5353; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 33. PR $5.00. JE I21. KW Catholic School. Secondary School. Educational Attachment.

AB Using data from the National Longitudinal Survey of Youth, this paper provides a detailed analysis of the effect of Catholic secondary schooling on high-school graduation rates and also examines Catholic schooling's effect on college graduation rates and future wages. The paper uses data from the National Catholic Educational Association and the Survery of Churches and Church Membership to construct measures of access to Catholic secondary schooling for each county in the United States. These measures of access provide instruments for Catholic school attendance. The results indicate that Catholic secondary schools are geographically concentrated in urban areas and that Catholic schooling greatly increases educational attainment among urban minorities. The gains from Catholic schooling are modest for urban whites and negligible for suburban whites. Related analyses suggest that urban minorities benefit greatly from access to Catholic schooling primarily because the public schools available to them are quite poor.

Neelamegham, Ramya

TI Price Elasticity Dynamics Over the Product Life Cycle: A Study of Consumer Durables. AU Parker, Philip M.; Neelamegham, Ramya.

Neely, Christopher J.

PD September 1996. TI Is Technical Analysis in the Foreign Exchange Market Profitable? A Genetic Programming Approach. AU Neely, Christopher J.; Weller, Paul; Dittmar, Robert. AA Neely and Dittmar: Federal Reserve Bank of St Louis. Weller: University of Iowa. SR Centre for Economic Policy Research, Discussion Paper: 1480; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X

1LB, United Kingdom. **PG** 24. **PR** 4 pounds or $8.00. **JE** F31, G15. **KW** Trading Rules. Genetic Programming. Exchange Rates.
AB We use genetic programming techniques to identify optimal technical trading rules. We find strong evidence of economically significant out- of-sample excess returns to the rules for each of six exchange rates ($/DM, $/Yen, $/SF, $/#, DM/Yen, SF/#), over the period 1981-95. Some of the rules have a structure similar to those used by technical analysts. Betas calculated for the returns according to various benchmark portfolios provide no evidence that the returns to these rules are compensation for bearing systematic risk. "Bootstrapping" results for the $/DM indicate that the trading rules are detecting patterns in the data that are not captured by standard statistical models.

Nelson, Douglas
TI Public Procurement: A Post-Uruguay Round Perspective. **AU** Francois, Joseph F.; Nelson, Douglas; Palmeter, N. David.

Neuman, Manfred J. M.
PD July 1995. **TI** The Strategy of Monetary Targeting: Can the German Experience Provide a Model for the ECB? **AU** Neuman, Manfred J. M.; von Hagen, Jurgen. **AA** Neuman: University of Bonn. von Hagen: University of Mannheim. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B324; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 13. **PR** no charge. **JE** E52, E58. **KW** Monetary Targeting. ECB. Germany. Bundesbank. Central Banks.
AB This paper studies the Deutsche Bundesbank's concept of monetary targeting and discusses its merits relative to the Anglo-Saxon concept of direct inflation targeting. It is shown that monetary targeting is an effective device for anchoring medium-term inflation expectations. At the same time, this intermediate approach permits sufficient flexibility for leaning against the wind of currency appreciation and for responding to short-term events. Since there is no evidence that suggests that money demand will be unstable at the European level, it is argued that monetary targeting makes a suitable concept for the future ECB. Direct inflation targeting, in contrast, is likely to either prevent the ECB from gaining credibility or to require responding to price level shocks in an overly contractionary fashion.

PD July 1996. **TI** The Information Content of German Discount Rate Changes. **AU** Neuman, Manfred J. M.; Weidmann, Jens. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B367; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 18. **PR** no charge. **JE** E43, E52. **KW** Discount Rate. Announcement Effects. Germany. Bundesbank.
AB Discount rate changes always receive considerable attention in financial markets and a bulk of empirical papers shows that asset prices react to them. However, among researcher, there is no consensus yet about why markets respond to such changes. This paper analyzes this issue for the Bundesbank's discount rate changes after 1979. The empirical results indicate that the overnight rate reacts to changes in the discount rate to the extent that they are unanticipated. In contrast, the response to anticipated changes in the discount rate is much smaller and insignificant. Moreover, the response of the overnight rate cannot be attributed to a direct 'borrowing cost effect', but exclusively to announcement effects.

Neven, Damien J.
PD May 1996. **TI** Swiss Competition Policy in the Last Decade. **AU** Neven, Damien J.; von Ungern-Sternberg, Thomas. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9611; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 27. **PR** no charge. **JE** K21, L40. **KW** Competition Policy. Switzerland. Political Economy.
AB This paper provides a critical review of the competition policy implemented under the 1985 law. In that framework, the Cartel Commission operated with a set of general substantive legal provisions. Both the concept of effective and the evaluation of countervailing benefits (the ill famed "saldo" method) provided the Commission with a substantial degree of freedom. The composition of the Cartel Commission, populated with representatives of various interest groups with no obvious interest in competition, made it potentially vulnerable to direct outside pressure. Economic expertise was not enhanced by this composition. We find no evidence that the decisions of the Cartel Commission have been closely associated with the views of particular interest groups. The Commission may have used the absence of appropriate checks and balances to pursue a somewhat unorthodox "policy towards competition". In important instances, as revealed by the case law, the Commission has attempted to introduce competition in the Swiss economy, even though there was no clear anti-trust issue in the cases at hand. Consumers may have benefited from this policy. Nevertheless, the legal and institutional framework have been used to pursue objectives that were beyond those normally assigned to a competition agency.

PD May 1996. **TI** Relative Prices, Trade and Restructuring in European Industry. **AU** Neven, Damien J.; Wyplosz, Charles. **AA** Neven: Universite de Lausanne and Centre for Economic Policy Research. Wyplosz: Graduate Institute of International Studies and Centre for Economic Policy Research. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9615; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. **PG** 22. **PR** no charge. **JE** F11, F02, J30. **KW** Trade. Europe. Labor Market.
AB This paper explores the link between trade and European labor markets by using evidence on relative commodity prices and intra-sectoral skill levels at the NACE three digit level for the four large EC countries and for the period 1976-1990. We find that if the relative import prices of unskilled labor intensive sectors have not fallen significantly over time, substantial and varied restructuring is observed in those sectors. Defensive restructuring, involving upgrading of skills and expansion is about as common as the contraction of employment and wages which is predicted by the Hecksher-Ohlin principle.

PD June 1996. **TI** Competition Policy in Switzerland. **AU** Neven, Damien J.; von Ungern-Sternberg, Thomas. **AA** University of Lausanne. **SR** Centre for Economic

Policy Research, Discussion Paper: 1416; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 52. **PR** 4 pounds or $8.00. **JE** K21, L41. **KW** Competition Policy. Switzerland. Political Economy.
AB This paper provides a critical review of competition policy in Switzerland. We analyze the legal statute, the institutional arrangements for its implementation and the case law since 1985. We find that the Cartel Commission, which was given wide discretion by the law, has been relatively immune from judicial and political challenge and vulnerable to interest groups. The analysis of the relevant markets, the evaluation of dominance and that of countervailing benefits tend to be poorly motivated. In addition, the concept of effective competition, which is central to the implementation of the law, has not been substantiated by the case law. Accordingly, the decisions tend to be highly judgmental, which reflects the weak accountability of the Commission. Fortunately, both the substantial provisions of the law and the institutional framework have been improved by the recent revision of the statute. Being more accountable, the Commission may have no choice but to improve its practice.

PD August 1996. **TI** Relative Prices, Trade and Restructuring in European Industry. **AU** Neven, Damien J.; Wyplosz, Charles. **AA** Neven: University of Lausanne. Wyplosz: Graduate Institute of International Studies. **SR** Centre for Economic Policy Research, Discussion Paper: 1451; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** F02, F11, J31. **KW** Trade. Europe. Labor Market.
AB This paper explores the link between trade and European labor markets by using evidence on relative commodity prices and intra-sectoral skill levels at the NACE three-digit level for the four large EC countries and for the period 1976-90. We find that if the relative import prices of unskilled labor intensive sectors have not fallen significantly over time, substantial and varied restructuring is observed in those sectors. Defensive restructuring, involving upgrading of skills and expansion, is about as common as the contraction of employment and wages predicted by the Hecksher-Ohlin principle.

Niederkofler, Martin
TI When Product Development Performance Makes a Difference: A Statistical Analysis in the Electronics Industry. **AU** Terwiesch, Christian; Loch, Christoph H.; Niederkofler, Martin.

Nielsen, J. Aase
TI The Pricing of Asian Options Under Stochastic Interest Rates. **AU** Sandmann, Klaus; Nielsen, J. Aase.

Nolan, Charles
TI Mechanisms for Achieving Monetary Stability: Inflation Targeting Versus the ERM. **AU** Canzoneri, Matthew B.; Nolan, Charles; Yates, Anthony.

Nordstrom, Hakan
TI A Green Light for Environment, or a Green Light for Protection? The EU-US Dispute Over US Corporate Average Fuel Economy Regulations. **AU** Francois, Joseph F.; Nordstrom, Hakan.

TI A User's Guide to Uruguay Round Assessments. **AU** Francois, Joseph F.; McDonald, Bradley; Nordstrom, Hakan.

TI Trade Liberalization and Investment in a Multilateral Framework. **AU** Francois, Joseph F.; McDonald, Bradley; Nordstrom, Hakan.

TI Transition Dynamics and Trade Policy Reform in Developing Countries. **AU** Francois, Joseph F.; Nordstrom, Hakan; Shiells, Clinton R.

Nyarko, Yaw
TI Research and Productivity. **AU** Jovanovic, Boyan; Nyarko, Yaw.

O'Grada, Cormac
TI Migration as Disaster Relief: Lessons from the Great Irish Famine. **AU** O'Rourke, Kevin H.; O'Grada, Cormac.

O'Rourke, Kevin H.
PD August 1996. **TI** Migration as Disaster Relief: Lessons from the Great Irish Famine. **AU** O'Rourke, Kevin H.; O'Grada, Cormac. **AA** University College Dublin. **SR** Centre for Economic Policy Research, Discussion Paper: 1462; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 21. **PR** 4 pounds or $8.00. **JE** F22, N33. **KW** Famine. Migration. Emigration. Ireland. Irish Famine.
AB Mass emigration was one key feature of the Great Irish Famine which distinguishes it from today's famines. By bringing famine victims to overseas food supplies, it undoubtedly saved many lives. Poverty traps prevented those most in need from availing of this form of relief, however. Cross-county data show that the ratio of emigration to deaths was higher in richer than in poorer counties. Another key feature of the Famine emigration was that it was irreversible. The Famine thus had a permanent impact on Ireland's population and economy, whereas typically famines only reduce population in a transitory fashion. Famine emigration spurred post-Famine emigration by eliminating poverty traps; the result was a sustained decline in the Irish population, and a convergence of living standards both within Ireland and between Ireland and the rest of the world.

Obstfeld, Maurice
PD October 1995. **TI** Models of Currency Crises With Self-Fulfilling Features. **AA** University of California, Berkeley and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5285; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 15. **PR** $5.00. **JE** F31. **KW** Currency. Exchange Rates. Speculation.
AB The discomfort a government suffers from speculation against its currency determines the strategic incentives of speculators and the scope for multiple currency-market equilibria. After describing an illustrative model in which high unemployment may cause an exchange-rate crisis with self-fulfilling features, the paper reviews some other self-reinforcing mechanisms. Recent econometric evidence seems to support the practical importance of these mechanisms.

Olarreaga, Marcelo

TI Pricing Policy Under Double Market Power: Madagascar and the International Vanilla Market. **AU** de Melo, Jaime; Olarreaga, Marcelo; Takacs, Wendy.

TI Regional Integration and Lobbying for Tariffs Against Non-Members. **AU** Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo.

Oliver, Amalya Lumerman

TI Social Networks, Learning, and Flexibility: Sourcing Scientific Knowledge in New Biotechnology Firms. **AU** Liebeskind, Julia Porter; Oliver, Amalya Lumerman; Zucker, Lynne G.; Brewer, Marilynn B.

Orszag, J. Michael

PD March 1996. **TI** A Macro Theory of Employment Vouchers. **AU** Orszag, J. Michael; Snower, Dennis J. **AA** Orszag and Snower: Birkbeck College. Dennis: not available. **SR** Centre for Economic Policy Research, Discussion Paper: 1367; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 36. **PR** 4 pounds or $8.00. **JE** J23, J24, J31, J32, J64. **KW** Employment Policy. Unemployment Benefits. Government Budget.
AB This paper explores the optimal design of subsidies for hiring unemployed workers ("employment vouchers" for short) in the context of a simple macroeconomic model of the labor market. Focusing on the short- term and long-term effects of the vouchers on employment and unemployment, the analysis shows how the optimal policy depends on the rates of hiring and firing, and on the problems of displacement and deadweight. It also examines the roles of the government budget constraint and of the level of unemployment benefits in optimal policy design.

PD September 1996. **TI** Incapacity Benefits Versus Benefit Transfers. **AU** Orszag, J. Michael; Snower, Dennis J. **AA** Birkbeck College. **SR** Centre for Economic Policy Research, Discussion Paper: 1471; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 18. **PR** 4 pounds or $8.00. **JE** J23, J24, J31, J32, J64. **KW** Incapacity Benefits. Employment Policy. Labor Force Participation.
AB The paper explores the employment implications of allowing people the opportunity of using a portion of their incapacity benefits to provide employment vouchers for employers that hire them. The analysis indicates that introducing this policy could increase employment, raise the incomes of incapacity benefit recipients, and reduce employers' labor costs.

Padilla, A. Jorge

TI A Theory of Union Power and Labour Turnover. **AU** Kuhn, Kai-Uwe; Padilla, A. Jorge.

Padmanabhan, Vijay

PD January 1997. **TI** New Products, Upgrades, and New Releases: A Rationale for Sequential Product Introduction. **AU** Padmanabhan, Vijay; Rajiv, Surendra; Srinivasan, Kannan. **AA** Padmanabhan: INSEAD. Rajiv: University of Chicago. Srinivasan: Carnegie Mellon University. **SR** INSEAD Working Papers: 97/06/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France.

Website: www.insead.fr/Research. **PG** 20. **PR** no charge. **JE** C70, D82, L15. **KW** Network Externality. New Products. Asymmetric Information. Adverse Selection. Signaling. Game Theory.
AB Network externality is an important consideration in many high- technology product markets. In these markets, consumers' expectations about the future installed base and the resultant externality benefits play a critical role in their product adoption decisions. The authors investigate the strategic implications of consumer uncertainty regarding network externality and analyse how a firm, endowed with high externality, can create favourable consumer beliefs about the anticipated installed base of its product, through its new product introduction strategy. The authors first consider a market where consumers are homogeneous in their valuation of quality and show that under complete information, the optimal strategy entails introducing full (efficient) quality in the first period itself; providing any upgrade in the second period is sub-optimal. However, under asymmetric information about externality, a high-externality firm provides less- than-full quality initially and then makes the quality differential through provision of an upgrade in the second period. Thus, under-provision of introductory quality (i.e., withholding quality) serves as a signal of high externality. The authors demonstrate the robustness of this insight even in the presence of consumer heterogeneity on quality- valuation. They further show that externality signaling in heterogeneous market entails sequential targeting of consumer segments thereby providing a rationale for the phenomena of new products, upgrades and new releases.

TI The "84/14/2" Rule Revisited: What Drives Choice, Incidence and Quantity Elasticities? **AU** Bell, David R.; Chiang, Jeongwen; Padmanabhan, Vijay.

Pagano, Marco

TI Non-Keynesian Effects of Fiscal Policy Changes: International Evidence and the Swedish Experience. **AU** Giavazzi, Francesco; Pagano, Marco.

PD November 1995. **TI** Why Do Companies Go Public? An Empirical Analysis. **AU** Pagano, Marco; Panetta, Fabio; Zingales, Luigi. **AA** Pagano: Universita di Napoli. Zingales: University of Chicago and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5367; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 42. **PR** $5.00. **JE** G32. **KW** Public Offering. Profitability. Leverage.
AB This paper empirically analyzes the determinants of an initial public offering (IPO) and the consequences of this decision on a company's investment and financial policy. We compare both the ex ante and the ex post characteristics of IPO's with those of a large sample of privately held companies of similar size. We find that (i) the likelihood of an IPO is positively related to the market-to-book ratio prevailing in the relevant industrial sector and to a company's size, (ii) IPO's are followed by an abnormal reduction in profitability, (iii) the new equity capital raised upon listing is not used to finance subsequent investment and growth, but to reduce leverage, (iv) going public reduces the cost of bank credit; (v) it is often associated by equity sales by controlling shareholders, and is followed by a higher turnover of control than for other companies.

Palmeter, N. David
TI   Public Procurement: A Post-Uruguay Round Perspective.
AU   Francois, Joseph F.; Nelson, Douglas; Palmeter, N. David.

Panetta, Fabio
TI   Why Do Companies Go Public? An Empirical Analysis.
AU   Pagano, Marco; Panetta, Fabio; Zingales, Luigi.

Parigi, Giuseppe
TI   Investment and Demand Uncertainty. AU   Guiso, Luigi; Parigi, Giuseppe.

Parker, David
TI   Public Firms are Repellent. AU   Estrin, Saul; de Meza, David; Parker, David.

Parker, Philip M.
TI   Marketing Information: A Competitive Analysis.
AU   Sarvary, Miklos; Parker, Philip M..

PD   September 1996. TI   Price Elasticity Dynamics Over the Product Life Cycle: A Study of Consumer Durables. AU   Parker,   Philip   M.;   Neelamegham,   Ramya. AA   INSEAD. SR   INSEAD Working Papers: 96/71/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   10. PR   not available. JE   D12, C22. KW   Life Cycle. Product. Time Series.
AB   Extending the work of Parker (1992), which considers only first purchases, and Simon (1988) which considers brand-level sales, this paper empirically provides support for the hypothesis that total category sales price elasticities first decease in absolute value, but then ultimately increase, if the product in question faces the decline phase of the product life cycle (due to competitive substitutes or changes in tastes, etc.). As an interesting artifact of the methodology, the paper also shows how the Bass model can be easily modified to account for total category sales (first plus repeat purchases) and that, in the limit, the Bass model converges to stochastic repeat purchase models (bridging two radically different modeling traditions). If unadjusted, the Bass model applied to sales data is grossly misspecified when the time series studied exceeds 5 to 10 years for consumer durables.

PD   October 1996. TI   Sources of Innovativeness: An Integrated Empirical Study. AU   Parker, Philip M.; Sarvary, Miklos. AA   Parker: INSEAD. Sarvary: Stanford University. SR   INSEAD Working Papers: 96/72/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research.   PG   15.   PR   not available. JE   D11, M31, M32, L63. KW   Marketing. Opinion Leaders. Consumer Theory. Electronics.
AB   One of the central planning themes behind new product launches is the correct identification and marketing to opinion leaders, early adopters, or innovators. Motivated by the comprehensive review in Gatignon and Robertson (1985), this paper simultaneously tests various prevailing consumer theories concerning the identification of this key segment of consumers. We study ten home-office and high-end consumer electronics innovations using a sample of some 900 individuals from the "lead" segment. In addition to uncovering new aspects of consumer innovativeness, including one's proneness to be affected by marketing activities and intra-family influences, our study gauges the relative importance of all relevant forces driving individual adoption timing for new products, as hypothesized in the extant literature.

Parmenter, Brian R.
TI   Future Workforce Skills: Projections with the MONASH Model. AU   Meagher, G. A.; Parmenter, Brian R.

TI   Economic Modeling and the National Strategy for Vocational Education and Training. AU   Meagher, G. A.; Parmenter, Brian R.

Paxson, Christina
TI   Measuring Poverty Among the Elderly. AU   Deaton, Angus; Paxson, Christina.

PD   October 1995. TI   Saving and Growth: Evidence From Micro Data. AA   Princeton University and National Bureau of Economic Research. SR   National Bureau of Economic Research Working Paper: 5301; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   27. PR $5.00. JE   D91, E21. KW   Saving. Growth. Life-Cycle Theory.
AB   This paper examines whether the observed cross-country correlation between aggregate saving rates and economic growth can be explained by models in which higher growth increases saving rates, rather than the other way around. The paper focuses on two explanations of why growth might increase saving. First, standard life-cycle theory implies that higher growth will increase the life-time wealth of younger savers relative to older dissavers, thereby increasing the aggregate saving rate. Second, models of consumption with habit formation imply that consumption responds slowly to unexpected income growth, and so unanticipated growth can produce a higher saving rate at least in the short run. I assess the validity of these explanations using time-series of cross-sections of household income and consumption surveys from four countries: the U.S., Britain, Taiwan and Thailand. I find that although in three out of the four countries there is evidence that saving behavior is consistent with life-cycle theory, there is simply too little life-cycle saving for higher growth to have a large effect on the aggregate saving rate. The habit formation model also implies very small effects of growth on saving rates. A large portion of the observed cross-country correlation between saving and growth cannot be explained by these models.

Pearlman, Joseph
TI   Phases of Imitation and Innovation in a North-South Endogenous Growth Model. AU   Currie, David; Levine, Paul; Pearlman, Joseph; Chui, Michael.

Perotti, Roberto
TI   Profitability, Fiscal Policy, and Exchange Rate Regimes.
AU   Lane, Philip R.; Perotti, Roberto.

Persson, Mats
TI   Debt, Cash Flow and Inflation Incentives: A Swedish Example. AU   Persson, Torsten; Svensson, Lars E. O.; Persson, Mats.

Persson, Torsten
PD   May 1996. TI   Monetary Cohabitation in Europe. AU   Persson, Torsten; Tabellini, Guido. AA   Persson:

Stockholm University. Tabellini: Universita di Brescia and Universita Bocconi. **SR** Centre for Economic Policy Research, Discussion Paper: 1380; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** E42, E52, F33, F42. **KW** EMU. Inflation Targets. Policy Coordination.
AB How can monetary policy in stage III of European Monetary Union be coordinated between the "ins" and the "outs"? This paper compares alternative institutional mechanisms, and concludes that a generalized system of inflation targets at the European level has several merits: it strengthens domestic credibility of monetary policy; it rules out deliberate attempts to gain competitiveness through devaluations; it forces monetary policy to respond automatically to various macroeconomic shocks, which is stabilizing for the real exchange rate; and it distributes these shocks symmetrically across countries. On the basis of a simple theoretical model of policy coordination, the paper shows that a system of inflation targets approximates an optimal policy of international· cooperation. Preliminary empirical evidence supports these theoretical results.

PD September 1996. **TI** Separation of Powers and Accountability: Towards a Formal Approach to Comparative Politics. **AU** Persson, Torsten; Roland, Gerard; Tabellini, Guido. **AA** Persson: Stockholm University. Roland: Universite Libre de Bruxelles. Tabellini: Universita Bocconi. **SR** Centre for Economic Policy Research, Discussion Paper: 1475; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 29. **PR** 4 pounds or $8.00. **JE** D72, D82, H11. **KW** Separation of Powers. Incomplete Contracts. Legislative Organization. Information Revelation.
AB A political constitution is like an incomplete contract: it spells out a procedure for making decisions and for delegating power, without specifying the contents of those decisions. This creates a problem: the appointed policymaker could use this power for his own benefit against the interests of the citizens. In democracies, elections are the primary mechanism for disciplining public officials. But elections are not sufficient. Separation of powers between executive and legislative bodies also helps the voters, in two distinct ways. First, it can elicit information held by the appointed officials and not otherwise available to the voters. Second, by playing one body against the other and by aligning the interest of the weaker body with their own, the voters can induce the two bodies to discipline each other. Separation of power only works to the voters' advantage if it is appropriately designed, however, and it can be detrimental if it creates a "common pool" problem. These advantages of separation of powers are present both in Presidential and in Parliamentary democracies. Government appointment rules in Parliamentary democracies must be appropriately designed, however, to prevent collusion.

PD September 1996. **TI** Debt, Cash Flow and Inflation Incentives: A Swedish Example. **AU** Persson, Torsten; Svensson, Lars E. O.; Persson, Mats. **AA** Stockholm University. **SR** Centre for Economic Policy Research, Discussion Paper: 1488; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 37. **PR** 4 pounds or $8.00. **JE** E31, E62, H62, H63. **KW** Inflation. Trade Gains. Inflation Costs. Public Debt.
AB The fiscal gains from, and hence the political incentives

for, an increase in the inflation rate of ten percentage points may be substantial: Swedish data from 1994 suggests an annual real flow of 3-4% of GDP, or a capitalized value of nearly 100 percent of GDP. These gains would have arisen mainly from the nominalistic features of the tax and transfer systems rather than from the traditional sources: seignorage and real depreciation of public debt. The welfare costs of such an inflation increase would have been even larger, however, and would thus have reduced net welfare. Possible institutional reforms, aimed at making the political costs of inflation more equal to the social costs, are presented and discussed.

Pesenti, Paolo A.
TI Interpreting the ERM Crisis: Country-Specific and Systemic Issues. **AU** Buiter, Willem H.; Corsetti, Giancarlo; Pesenti, Paolo A.

Peter, Matthew W.
PD April 1996. **TI** The Theoretical Structure of MONASH-MRF. **AU** Peter, Matthew W.; Horridge, Mark; Meagher, G. A.; Naqvi, Farzana; Parmenter, B. R. **AA** Monash University. **SR** Centre of Policy Studies and the Impact Project, Working Paper: OP/85; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. **PG** 121. **PR** not available. **JE** C68, D58, R13. **KW** Multiregional. Regional Modeling. CGE. Government Finances.
AB This paper presents the theoretical specification of the MONASH-MRF model. MONASH-MRF is a multiregional model of the Australian economy. Included is a complete documentation of the model's equations, variables and coefficients. The documentation is designed to allow the reader to cross-reference the equation system presented in this paper in ordinary algebra, with the computer implementation of the model in the TABLO language presented in CoPS/IMPACT Preliminary Working Paper No. OP-82.

Pfann, Gerard A.
TI Adjustment Costs in Factor Demand. **AU** Hamermesh, Daniel S.; Pfann, Gerard A.

Pifferi, Marco
TI Monetary Policy, Forward Rates and Long Rates: Does Germany Differ from the United States? **AU** Favero, Carlo A.; Iacone, Fabrizio; Pifferi, Marco.

Pischke, Jorn-Steffen
TI Testing for Liquidity Constraints in Euler Equations With Complementary Data Sources. **AU** Jappelli, Tullio; Pischke, Jorn-Steffen; Souleles, Nicholas S..

TI Why Do Firms Train? Theory and Evidence. **AU** Acemoglu, Daron; Pischke, Jorn-Steffen.

TI The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too? **AU** DiNardo, John E.; Pischke, Jorn-Steffen.

TI Why do Firms Train? Theory and Evidence. **AU** Acemoglu, Daron; Pischke, Jorn-Steffen.

Portes, Richard
TI The Capital Structure of Firms in Central and Eastern Europe. **AU** Cornelli, Francesca; Portes, Richard; Schaffer,

Mark E.

Poterba, James M.

PD October 1995. **TI** Stock Ownership Patterns, Stock Market Fluctuations and Consumption. **AU** Poterba, James M.; Samwick, Andrew A.. **AA** Poterba: Massachusetts Institute of Technology and National Bureau of Economic Research. Samwick: Dartmouth College and National Bureau of Economic Research. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/2; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 53. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** G11, E21. **KW** Stock Market. Consumption. Life Cycle.

AB The market value of corporate stock in the United States increased by nearly one trillion dollars between December 1994 and July 1995. This paper explores the distribution of the stock ownership, and hence the gains from the stock price rise, and what the rise in stock prices implies for consumer spending. It begins by noting the substantial change in the pattern of stock ownership during the postwar period. Individual investors have gradually replaced their direct stock holdings with mutual funds, pension funds, and other financial intermediaries. It then documents the substantial predictive power of stock price fluctuations for future consumption growth, and considers two potential explanations for this relationship. The first, or "leading indicator," view, holds that stock market responds to news that suggests consumption will rise in the future. An alternative and not necessarily exclusive view, the "wealth effect," holds that higher stock prices raise consumption by raising household net worth, and thereby expanding consumption opportunity sets. This paper tests for the importance of the wealth effect. Virtually no evidence is found to support important wealth effects associated with stock price changes.

PD October 1995. **TI** The Effects of Special Saving Programs on Saving and Wealth. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A. **AA** Poterba: Massachusetts Institute of Technology and National Bureau of Economic Research. Venti: Dartmouth College and National Bureau of Economic Research. Wise: Harvard University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5287; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 30. **PR** $5.00. **JE** D91, E21. **KW** Savings. IRA.

AB Individual saving through targeted retirement saving accounts -- IRA's and 401(k)'s -- grew rapidly in the United States during the 1980's. The microeconomic evidence presented in this paper suggests that most of the contributions to these programs represent new saving that would not otherwise have occurred. The micro evidence is compared with macro saving measured by National Income and Product Accounts and Flow of Funds data.

PD October 1995. **TI** Lump-Sum Distributions From Retirement Saving Plans: Receipt and Utilization. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A. **AA** Poterba: Massachusetts Institute of Technology and National Bureau of Economic Research. Venti: Dartmouth College and National Bureau of Economic Research. Wise: Harvard University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5298; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 30. **PR** $5.00. **JE** D91, E21, J14. **KW** Savings. Pension Plans. Lump-Sum Distribution.

AB One of the central issues in evaluating the ongoing shift from defined benefit (DB) to defined contribution (DC) pension plans is the degree to which assets in DC plans will be withdrawn before plan participants reach retirement age. The annual flow of withdrawals from such plans, which are known as lump sum distributions and which are frequently but not always associated with employment changes, has exceeded $100 billion in recent years. This flow is substantially greater than the flow of new contributions to IRA's and other targeted retirement saving programs. This paper draws on data from the 1993 Current Population Survey and the Health and Retirement Survey to summarize the incidence and disposition of lump sum distributions. We find that while less than half of all lump sum distributions are rolled over into IRA's or other retirement saving plans, large distributions are substantially more likely to be saved than smaller ones are. Consequently, more than half of the dollars paid out as lump sum distributions are reinvested. We also explore the correlation between various individual characteristics and the probability of rolling over a lump sum distribution. This is a first step toward developing a model than can be used to evaluate the long-term effects of lump sum distributions, or policies that might affect them, on the financial status of elderly households.

Powell, Alan A.

PD March 1996. **TI** How Does the Share of Imports Change During Structural Adjustment? **AA** Monash University. **SR** Centre of Policy Studies and the Impact Project, Working Paper: OP/86; Centre of Policy Studies and the Impact Project, Monash University, Clayton, Victoria 3168, Australia. **PG** 30. **PR** not available. **JE** C22, D12, F47, O12. **KW** Import Substitution. Armington Elasticity. Consumption. Structural Adjustment. Market Penetration.

AB Estimating the price responsiveness of market shares during a period of structural transition requires a distinction to be made between responses to variables explicitly recognized in the model and those due to more general changes in the trading environment. Broadly, the latter is the approach followed in the present paper; however, the trend "parameter" capturing ultimate market share at a fixed level of price competitiveness is itself made a logistic function of the relative price variable measuring such competitiveness. The application of the model is to quarterly data on the share of imports in Australian personal consumption. Most of the signal relevant to price competition between domestic and imported consumer goods occurred over the four years 1985- 1988. This coincided with sizable movements in the real exchange rate; and therefore, presumably, with collinear movements in the prices of the components within the domestic and the imported aggregates, which would be favorable circumstances for the application of Hicks' composite commodity idea. The responses in aggregate market shares during this episode suggest a very long-run Armington elasticity in the range 3.4 to 4.8, with short-run (quarterly) values of 0.6 to 0.8.

Prennushi, Giovanna

TI The Effects of Human Resource Management Practices on Productivity. **AU** Ichniowski, Casey; Shaw, Kathryn; Prennushi, Giovanna.

Preston, Samuel H.
TI The Use of the Census to Estimate Childhood Mortality: Comparisons from the 1900 and 1910 United States Census Public Use Samples. **AU** Haines, Michael R.; Preston, Samuel H.

Profit, Stefan
TI Matching Across Space: Evidence on Mobility in the Czech Republic. **AU** Burda, Michael C.; Profit, Stefan.

Propper, Carol
TI Poverty Dynamics Among Young Americans. **AU** Burgess, Simon; Propper, Carol.

Puga, Diego
PD February 1996. **TI** The Spread of Industry: Spatial Agglomeration in Economic Development. **AU** Puga, Diego; Venables, Anthony J. **AA** London School of Economics. **SR** Centre for Economic Policy Research, Discussion Paper: 1354; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** F12, O14, R12. **KW** Location. Agglomeration. Industrialization. Linkages.

AB This paper describes the spread of industry from country to country as a region grows. All industrial sectors are initially agglomerated in one country, tied together by input-output links between firms. Growth expands industry more than other sectors, bidding up wages in the country in which industry is clustered. At some point some firms start to move away, and when a critical mass is reached industry expands in another country, raising wages there. We establish the circumstances in which industry spills over, which sectors move out first, and which are more important in triggering a critical mass.

Pycke, Bart
TI Falling Behind in Innovation: The 1996 Report on the European Manufacturing Futures Survey. **AU** De Meyer, Arnoud; Pycke, Bart.

Quah, Danny T.
PD February 1996. **TI** Twin Peaks: Growth and Convergence in Models of Distribution Dynamics. **AA** London School of Economics. **SR** Centre for Economic Policy Research, Discussion Paper: 1355; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 24. **PR** 4 pounds or $8.00. **JE** C23, O41, O57. **KW** Catch-Up. Convergence Club. Divergence. Polarization. Stratification.

AB Convergence concerns poor economies catching up with rich ones. At issue is what happens to the cross-sectional distribution of economies, not whether a single economy tends towards its own steady state. It is the latter, however, that has preoccupied the traditional approach to convergence analysis. This paper describes an alternative body of research that overcomes this shortcoming in the traditional approach. The new findings -- on persistence and stratification; on the formation of convergence clubs; and on the distribution polarizing into twin peaks of rich and poor -- suggest the relevance of a class of theoretical ideas different from those surrounding the production-function accounting traditionally favored.

TI Convergence, Endogenous Growth, and Productivity Disturbances **AU** Leung, Charles; Quah, Danny T.

Rahman, A. K. M. Atiqur
TI Technological Convergence and International Trade. **AU** Ben-David, Dan; Rahman, A. K. M. Atiqur.

Rajiv, Surendra
TI New Products, Upgrades, and New Releases: A Rationale for Sequential Product Introduction. **AU** Padmanabhan, Vijay; Rajiv, Surendra; Srinivasan, Kannan.

Ramirez, Carlos D.
TI Financing the American Corporation: The Changing Menu of Financial Relationships. **AU** Calomiris, Charles W.; Ramirez, Carlos D.

Rangan, Subramanian
PD October 1996. **TI** Operational Flexibility as Asset Stock: Theory and Evidence From Multinational Operations in the Triad. **AA** INSEAD. **SR** INSEAD Working Papers: 96/77/SM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 30. **PR** not available. **JE** F23, F31, G13. **KW** Operational Flexibility. Multinational Firms. Network Coordination. Exchange Rates. Real Options.

AB Business scholars are divided on whether manufacturing multinationals operate flexibly, i.e. shift production in response to currency changes. Flexibility optimists point to information and sunk cost advantages and predict sizable responsiveness. Flexibility pessimists claim administrative heritage and internal opportunism will stifle flexibility. Empirical analysis spanning the 1977-1993 period supports the flexibility optimism view but in a qualified manner. Multinationals do systematically exploit currency shifts, but their responses are noticeably stunted. Flexibility in the current period needs appropriate investments in previous periods. But due to bounded rationality and a focus on regional responsiveness multinational managers in the 1950's, 1960's, and 1970's did not make such investments. This hypothesis is selected over the alternatives considered.

Rau, P. Raghavendra
PD September 1996. **TI** Glamour, Value and the Post-Acquisition Performance of Acquiring Firms. **AU** Rau, P. Raghavendra; Vermaelen, Theo. **AA** INSEAD. **SR** INSEAD Working Papers: 96/76/FIN; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 25. **PR** not available. **JE** C51, G34. **KW** Mergers. Acquisitions. Performance. Profitability. Productivity.

AB Extant literature on the post acquisition performance of bidders in mergers and tender offers is divided as to whether or not the bidders underperform in the long-term after the acquisition. In addition, standard long-horizon test used for testing this underperformance have been shown to be biased. We use a methodology robust to these criticisms to show that bidders in mergers underperform while bidders in tender offers overperform in the three years after the acquisition. We also show that the underperformance is not uniform -- glamour firms, characterized by low book-to-market ratios, significantly underperform, while value firms significantly outperform control portfolios with the same size and book-to-market ratio. We find that this difference in performance is partly due to

hubris on the part of the glamour bidders and partly due to timing -- glamour bidders especially in mergers, systematically pay for their acquisitions using their own overvalued shares.

Razin, Assaf

PD April 1996. **TI** A Pecking Order Theory of Capital Inflows and International Tax Principles. **AU** Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. **AA** Razin: International Monetary Fund. Sadka: Tel Aviv University. Yuen: University of Hong Kong. **SR** Centre for Economic Policy Research, Discussion Paper: 1381; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 48. **PR** 4 pounds or $8.00. **JE** F21, F35, H25, H32. **KW** Capital Inflows. Foreign Investment. Foreign Portfolio Debt Investment.
AB Even though financial markets today show a high degree of integration, the world capital market is still far from the textbook story of high capital mobility. The failure to have a tax scheme in which the rate of returns across countries are equated can result in inefficient capital flows across countries. This comes from the interactions of market failure and the tax system. The purpose of this paper is to highlight some key sources of market failure in the context of international capital flows and to provide guidelines for efficient tax structure in the presence of capital market imperfections. We distinguish among three main types of international capital flows: foreign portfolio debt investment (FPDI), foreign portfolio equity investment (FPEI), and foreign direct investment (FDI). The paper emphasizes the efficiency of non-uniform tax treatment of the various vehicles of international capital flows.

TI Current Account Sustainability: Selected East Asian and Latin American Experiences. **AU** Milesi-Ferretti, Gian Maria; Razin, Assaf.

Rebelo, Sergio

TI Sectoral Solow Residuals. **AU** Burnside, Craig; Eichenbaum, Martin; Rebelo, Sergio.

Redish, Angela

TI A Comparison of the Stability and Efficiency of the Canadian and American Banking Systems 1870-1925. **AU** Bordo, Michael D.; Rockoff, Hugh; Redish, Angela.

Reed, Sylvia K.

TI Evaluating Mental Health Capitation Treatment: Lessons From Panel Data. **AU** Dwyer, Debra Sabatini; Cole, Robert; Mitchell, Olivia S.; Reed, Sylvia K.

Rios-Rull, Jose-Victor

TI How Mexico Lost Its Foreign Exchange Reserves. **AU** Atkeson, Andrew; Rios-Rull, Jose-Victor.

Ritschl, Albrecht

PD February 1996. **TI** Sustainability of High Public Debt: What the Historical Record Shows. **AA** Universitat Pompeu Fabra. **SR** Centre for Economic Policy Research, Discussion Paper: 1357; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** E62, H63, N10, N40. **KW** Debt Retirement. Default. War Finance. Reparations. Growth.
AB Proposals for reducing high public debt are sometimes viewed with skepticism, both because of adverse consequences for growth and political economy considerations. This paper looks into the debt history of Britain, Germany and France, to gain more insights into why national debt was accumulated and how it was reduced. The historical evidence studied here leaves only a limited role for public choice interpretations, as most of the historical debt record was dominated by international conflict. Whichever strategy towards reducing the debt burden was adopted, there seem to be no visible effects on long-term growth performance.

Robins, Russell

TI An Analysis of State-Wide Variation in Bankruptcy Rates in the United States. **AU** Weiss, Lawrence A.; Bhandari, Jagdeep S.; Robins, Russell.

Rockoff, Hugh

TI A Comparison of the Stability and Efficiency of the Canadian and American Banking Systems 1870-1925. **AU** Bordo, Michael D.; Rockoff, Hugh; Redish, Angela.

TI The Gold Standard as a "Good Housekeeping Seal of Approval". **AU** Bordo, Michael D.; Rockoff, Hugh.

PD December 1995. **TI** From Plowshares to Swords: The American Economy in World War II. **AA** Rutgers University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 77; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** H56, N12, N31. **KW** National Defense. World War II. Money Creation.
AB This paper examines the U.S. economy in World War II. It argues that the mobilization must be viewed as a rapidly evolving historical process rather than, as is often the case a single undifferentiated event. For example, the employment of unemployed resources, a factor often cited to explain the success of the mobilization, was important during the national defense period, but was relatively unimportant during the period of active U.S. involvement. On the financial side, money creation was more important during the first year of active involvement than in subsequent years. The most significant legacy of the war, viewed in relation to the prosperous era that followed, may have been the change in the macroeconomic regime. The paper also discusses the limitations of the basic time series.

PD May 1996. **TI** The Paradox of Planning in World War II. **AA** Rutgers University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 83; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** D74, H56, L69, N42. **KW** Munitions Production. Resource Mobilization.
AB According to the standard accounts of the mobilization of resources in the United States during WWII things went badly in the beginning because of the agencies in charge were given insufficient authority and were mismanaged. But then in 1943, the story continues, the War Production Board installed the famous Controlled Materials Plan which solved the major problems, and turned disaster into triumph. A reexamination of the Plan in light of information on munitions production,

however, reveals that the Plan was too little too late to account for the success of the mobilization. One implication is that pecuniary incentives may have played a larger role than has been recognized.

Rodan, Simon
TI Resource Recombinations in the Firm: Knowledge Structures and the Potential for Schumpeterian Innovation. **AU** Galunic, Charles D.; Rodan, Simon.

Rodrik, Dani
PD November 1995. **TI** Trade Strategy, Investment and Exports: Another Look at East Asia. **AA** Columbia University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5339; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 24. **PR** $5.00. **JE** E22, F10. **KW** East Asia. Exports. Investment.
AB The exports booms in South Korea and Taiwan starting in the early 1960's are anomalous when compared with later export booms in other, non-East Asian countries such as Chile and Turkey. First, these booms have taken place in the context of comparatively small changes in relative prices in favor of exportables. Second, they have been associated from the start with booms in investment. This paper offers an argument and a formal model to suggest that exports in East Asia may have been driven by an increase in the profitability of investment, with outward orientation a consequence of the investment boom rather than its instigator. In economies like South Korea and Taiwan, an increase in investment required an increase in imports of capital goods. Since savings rose alongside the desired investment, the investment boom was accompanied by a boom in both exports and imports. Moreover, this could happen with a relatively small change in the relative price of exportables.

PD May 1996. **TI** Why do More Open Economies Have Bigger Governments? **AA** Columbia University. **SR** Centre for Economic Policy Research, Discussion Paper: 1388; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** E62, F15, H11. **KW** Openness. Fiscal Policy. Government. Trade.
AB This paper demonstrates that there is a robust empirical association between the extent to which an economy is exposed to trade and the size of its government sector. This association holds for a large cross- section of countries, in low- as well as high-income samples, and is robust to the inclusion of a wide range of controls. The explanation appears to be that government consumption plays a risk-reducing role in economies exposed to a significant amount of external risk. When openness is interacted with explicit measures of external risk, such as terms-of-trade uncertainty and product concentration of exports, it is the interaction terms that enter significantly, and the openness term that loses significance (or turns negative). The paper also demonstrates that government consumption is the "safe" activity, in the empirically relevant sense, in the vast majority of countries.

Rogerson, Richard
TI Education Finance Reform and Investment in Human Capital: Lessons from California. **AU** Femandez, Raquel; Rogerson, Richard.

Roland, Gerard
PD March 1996. **TI** Managerial Career Concerns, Privatization and Restructuring in Transition Economies. **AU** Roland, Gerard; Sekkat, Khalid. **AA** Universite Libre de Bruxelles. **SR** Centre for Economic Policy Research, Discussion Paper: 1363; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** H32, P21. **KW** Transition Economies. Privatization. Restructuring. Management.
AB We set up a dynamic adverse selection model to explain how career concerns may induce managers in state-owned enterprises (SOEs) to restructure their firms. It is shown how government monopsony power over managers led to the ratchet effect under the socialist economy, even under reforms coming short of privatization. The introduction of a managerial labor market, through privatization, introduces competition for managers and eliminates the ratchet effect, thereby inducing managers to restructure. Prospects of privatization also provide incentives to restructure even when managerial skills are asset-specific, provided insider control is strong enough to give managers enough rents from privatization. The model is consistent with the empirical evidence on restructuring of SOEs in transition economies.

TI Restructuring and Capital Accumulation in Transition Economies: A General Equilibrium Perspective. **AU** Castanheira, Micael; Roland, Gerard.

TI The Optimal Speed of Transition: A General Equilibrium Analysis. **AU** Castanheira, Micael; Roland, Gerard.

TI Separation of Powers and Accountability: Towards a Formal Approach to Comparative Politics. **AU** Persson, Torsten; Roland, Gerard; Tabellini, Guido.

Rose, Andrew K.
TI Contagious Currency Crises. **AU** Eichengreen, Barry; Rose, Andrew K.; Wyplosz, Charles.

TI The Endogeneity of the Optimum Currency Area Criteria. **AU** Frankel, Jeffrey A.; Rose, Andrew K.

Rosen, Harvey S.
TI Turning Points in the Civil War: Views from the Greenback Market. **AU** Willard, Kristen L.; Guinnane, Timothy W.; Rosen, Harvey S.

Rosenbloom, Joshua L.
PD January 1996. **TI** The Extent of the Labor Market in the United States, 1850-1914. **AA** University of Kansas and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 78; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** J31, J61, N31. **KW** Labor Market. Integration. Wage Determination.
AB Between the middle of the nineteenth century and the beginning of World War I improvements in transportation and communication encouraged increasing interregional and international economic integration. This paper traces and analyzes the progress of increasing labor market integration in the United States during this period of "globalization." It argues that although the falling cost and increasing speed of

transportation and communication in this period initiated a substantial expansion of labor market boundaries, the pattern of increasing integration was strikingly uneven. By the end of the nineteenth century, labor markets in the northern United States were part of a tightly integrated regional labor market that was in turn closely linked with labor markets in northern Europe. But this regional and international integration coincided with the persistent failure of integration between northern and southern labor markets within the United States. The importance of this finding is two-fold. First, it suggests that the forces shaping the determination of wages, the evolution of wage structure, and the growth of unions cannot be understood at either a purely local, or a purely national level. Second, it shows that the process of market integration was complex, depending on the interaction between historically determined market institutions and falling transportation and communication costs.

PD May 1996. TI Strikebreaking and the Labor Market in the United States 1881-1894. AA University of Kansas and National Bureau of Economic Research. SR National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 86; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG not available. PR $5.00. JE J52, N31. KW Strikes. Strikebreakers. Labor Conflict.
AB See abstract for Joshua L. Rosenbloom, January 1996. "The Extent of the Labor Market in the United States, 1850-1914". National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 78; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org.

Roubini, Nouriel
PD October 1995. TI Liquidity Models in Open Economies: Theory and Empirical Evidence. AU Roubini, Nouriel; Grilli, Vittorio. AA Roubini: New York University and National Bureau of Economic Research. Grilli: Ministero del Tesoro and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5313; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 10. PR $5.00. JE F31, F41. KW Liquidity Models. VAR. Liquidity Puzzle.
AB This paper presents an overview of recent theoretical and empirical research on "liquidity models" in open economies; this is a class of optimizing models where money has effects on real asset prices and economic activity without relying on the "ad-hoc" assumption of price/wage stickiness. The non-neutrality of money derives from a temporary segmentation between goods and asset markets. After surveying the theoretical literature on liquidity models, we present empirical evidence based on VAR econometric techniques for the seven major industrial countries. Such evidence is shown to be consistent with the main implications of the liquidity models.

TI Growth Effects of Income and Consumption Taxes: Positive and Normative Analysis. AU Milesi-Ferretti, Gian Maria; Roubini, Nouriel.

TI On the Taxation of Human and Physical Capital in Models of Endogenous Growth. AU Milesi-Ferretti, Gian Maria; Roubini, Nouriel.

Rouse, Cecilia Elena
TI The Underrepresentation of Women in Economics: A Study of Undergraduate Economics Students. AU Dynan, Karen E.; Rouse, Cecilia Elena.

Rummel, Ole J.
TI Is a Two-Speed System in Europe the Answer to the Conflict Between the German and the Anglo-Saxon Models of Monetary Control? AU Demertzis Maria; Hughes Hallett, Andrew J.; Rummel, Ole J.

Rustichini, Aldo
TI More Equal But Less Mobile? Education Financing and Intergenerational Mobility in Italy and in the United States. AU Ichino, Andrea; Rustichini, Aldo; Checchi, Daniele.

Rutkowski, Marek
TI Continuous -- Time Term Structure Models. AU Musiela, Marek; Rutkowski, Marek.

Ryan, Annette
TI Technology and Changes in Skill Structure: Evidence From an International Panel of Industries. AU Machin, Stephen J.; Ryan, Annette; Van Reenen, John.

Sadka, Efraim
TI A Pecking Order Theory of Capital Inflows and International Tax Principles. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

Sadrieh, Abdolkarim
TI Money Does Not Induce Risk Neutral Behavior, but Binary Lotteries Do Even Worse. AU Selten, Reinhard; Sadrieh, Abdolkarim; Abbink, Klaus.

Saint-Paul, Gilles
PD June 1996. TI Voting for Jobs: Policy Persistence and Unemployment. AA DELTA, Paris. SR Centre for Economic Policy Research, Discussion Paper: 1428; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 36. PR 4 pounds or $8.00. JE E62, D72, H53, J64. KW Fiscal Policy. Unemployment. Voting. Political Economy. Job Creation.
AB This paper studies, in a model with unemployment, how labor market status affects the preferences for public spending, in the form of a public good or subsidies. It then derives the implications for the dynamics of government expenditures under the hypothesis of majority voting. These will exhibit positive persistence if the employed are marginally more powerful than the unemployed, and negative persistence if the unemployed are marginally more powerful. Under a uniform distribution of tastes for the public good, there is no persistence. The preferences of the unemployed may be non-single-peaked, so that high unemployment may destroy the existence of a voting equilibrium.

PD October 1996. TI Understanding Labour Market Institutions: A Political Economy Perspective. AA Delta, Paris. SR Centre for Economic Policy Research, Discussion Paper: 1438; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 64. PR 4 pounds or $8.00. JE E24, H53, J62.

KW Labor Market. Institutions. Political Economy. Unemployment Benefits. Minimum Wage.
AB In this paper we argue that many of the rigidities that characterize European labor markets can be understood as the outcome of political influence by incumbent employees. We then empirically investigate the determinants of labor market institutions and show that the results are consistent with this view. Among other things, we find: that higher exposure of the employed to unemployment facilitates a reduction in the level of employment protection; that unemployment benefits are lower, the more employment reacts to wages; and that a higher level of unemployment and a right-wing government slow down the growth rate of the minimum wage.

Sala-i-Martin, Xavier
TI Adoption of Financial Technologies: Implications for Money Demand and Monetary Policy. AU Mulligan, Casey B.; Sala-i-Martin, Xavier.

Salkever, David S.
TI Generic Entry and the Pricing of Pharmaceuticals. AU Frank, Richard G.; Salkever, David S.

Samiei, Hossein
TI International Evidence on the Determinants of Saving. AU Bayoumi, Tamim; Masson, Paul R.; Samiei, Hossein.

Samwick, Andrew A.
TI Stock Ownership Patterns, Stock Market Fluctuations and Consumption. AU Poterba, James M.; Samwick, Andrew A..

Sandmann, Klaus
PD March 1996. TI The Pricing of Asian Options Under Stochastic Interest Rates. AU Sandmann, Klaus; Nielsen, J. Aase. AA Sandmann: University of Bonn. Nielsen: University of Aarhus. SR Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B323; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG 18. PR no charge. JE C15, D84, G13. KW Asian Options. Risk. Monte Carlo.
AB The purpose of this paper is to analyze the effect of stochastic interest rates on the pricing of Asian options. It is shown that a stochastic, in contrast to a deterministic, development of the term structure of interest rates has a significant influence. The price of the underlying asset, e.g. a stock or oil, and the prices of bonds are assumed to follow correlated two dimensional Ito processes. The average considered in the Asian options are calculated on a discrete time grid, e.g. all closing prices on Wednesdays during the lifetime of the contract. The value of an Asian option will be obtained through the application of Monte Carlo simulation, and for this purpose the stochastic processes for the basis assets need not to be severely restricted. However, to make comparison with published results originating from models with deterministic interest rates we will stay within the setting of a Gaussian framework.

Sansone, Emilia
TI Evolutionary Dynamics of Populations with a Local Interaction Structure. AU Eshel, Ilan; Sansone, Emilia; Shaked, Avner.

Santoni, Michele
TI International Fiscal Policy Coordination with Demand Spillovers and Labour Unions. AU Dixon, Huw David; Santoni, Michele.

Sarvary, Miklos
TI Can Low Price Signal High Quality? Experimental Evidence. AU Dawar, Niraj; Sarvary, Miklos.

PD September 1996. TI Marketing Information: A Competitive Analysis. AU Sarvary, Miklos; Parker, Philip M.. AA Sarvary: Stanford University. Parker: INSEAD. SR INSEAD Working Papers: 96/01/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 23. PR not available. JE D82, D83, L86. KW Information. Sales. Strategy. Complements. Substitutes.
AB Selling information that is later used in decision making constitutes an increasingly important business in modern economics (Jensen 1991). Information is sold under a large variety of forms: industry reports, consulting services, database access, and/or professional opinions given by medical, engineering, accounting/financial and legal professionals, among others. This paper is the first attempt in marketing to study competition in the rapidly emerging information sector. Specifically, this paper attempts to answer the following questions. (1) Is competition fundamentally different when competing firms sell information rather than traditional goods and services, and -- if yes -- why? (2) What are the implications of such differences for decision makers (marketers and regulators)? (3) Can economists explain some of the observed marketing strategies in the information industry?.

TI Sources of Innovativeness: An Integrated Empirical Study. AU Parker, Philip M.; Sarvary, Miklos.

Satchell, Stephen
PD May 1996. TI Tactical Style Allocation: Applications of the Markov Switching Model to Value-Growth Investment and Tactical Asset Allocation. AU Satchell, Stephen; Yoon, Youngjun. AA Satchell: University of Cambridge. Yoon: Union Bank of Switzerland. SR University of Cambridge, Discussion Papers in Accounting and Finance: AF25; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. PG 11. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE G12, G15. KW Markov Switching. Tactical Allocation. Value Growth.
AB In this paper the authors use a Markov Switching model to model and analyze two dynamic investment strategies concerning switching across asset classes in European markets, Japan and USA. The first application is to Tactical Style Allocation, rotating between Growth and Value portfolios, this extends earlier work by Sharpe (1991) and Capual, Rowley and Sharpe(1993). Another application is to Tactical Asset Allocation in which assets are switching between equity and bonds. In both cases the outperformance of an asset class is predicted and value is added by following the strategies based on the model's forecast.

Schaffer, Mark E.
TI The Capital Structure of Firms in Central and Eastern Europe. AU Cornelli, Francesca; Portes, Richard; Schaffer, Mark E.

Schlag, Karl H.

PD July 1996. **TI** On the Evolution of Imitative Behavior. **AU** Schlag, Karl H.; Bjoernerstedt, Jonas. **AA** Schlag: University of Bonn. Bjoernerstedt: Stockholm University. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B378; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 25. **PR** no charge. **JE** C72, C79, D81. **KW** Multi-Armed Bandit. Social Learning. Payoff Increasing. Improving. Replicator Dynamic.
AB We analyze the evolution of behavioral rules for learning how to play a two-armed bandit. Individuals have no information about the underlying payoff distributions and have limited memory about their own past experience. Instead they must rely on information obtained through observing the performance of other individuals. Evolution is modelled using the replicator dynamic with the revision behaviors as replicators. We find that evolution favors a special class of imitative rules. These so-called strictly improving rules, that also play an important role in a bounded rational selection approach, are found to be neutrally stable when facing any two-armed bandit.

Schmidt, Klaus M.

PD April 1996. **TI** Managerial Incentives and Product Market Competition. **AA** University of Munich. **SR** Centre for Economic Policy Research, Discussion Paper: 1382; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 40. **PR** 4 pounds or $8.00. **JE** D23, M14, L14. **KW** Managerial Incentives. Competition. Moral Hazard.
AB The paper shows that an increase in competition has two effects on managerial incentives: it increases the probability of liquidation, which has a positive effect on managerial effort, but it also reduces the firm's profits, which may make it less attractive to induce high effort. Thus, the total effect is ambiguous. The paper identifies natural circumstances where increased competition unambiguously reduces managerial slack. In general, however, this relation need not be monotonic. A simple example demonstrates that-- starting from a monopoly -- managerial effort may increase as additional competitors enter the market, but will eventually decrease when competition becomes too intense.

Schulze, Gunther G.

PD May 1996. **TI** Capital Export, Unemployment, and Illegal Immigration. **AA** Stanford University. **SR** Centre for Economic Policy Research, Discussion Paper: 1394; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** D33, D72, F02, F21, F22. **KW** Political Economy. Capital Controls. Capital Export. Illegal Immigration. Trade.
AB This paper analyses capital export controls under majority voting. It is shown that individuals vote according to their factor endowment ratio. An individual's optimal restriction is tighter, the lower their capital-labor ratio and the larger the country; it is also tighter if unemployment prevails. If there is illegal immigration, however, results are dramatically reversed: the conflict of interests collapses and all individuals favor unrestricted capital export until immigration is eliminated -- regardless of their relative factor endowment.

Schutte, Hellmut

PD 1997. **TI** Regionalisation of Global Thinking: Strategy and Organisation of European MNCs in Asia. **AA** INSEAD. **SR** INSEAD Working Papers: 97/04/ABA; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 16. **PR** no charge. **JE** F15, F23. **KW** Multinational Corporations. Regionalization.
AB European MNC's are more aware than ever of the strategic importance in Asia. While data show that they are grossly underrepresented in the region, many of them started to boost their exposure to Asia considerably in the nineties. Regional strategies are developed and regional organizations established, not easy tasks in MNC's driven by global strategies and dominated by global business managers. Sharp conceptual thinking is required to justify and support the claim that Asia requires a different approach, and a separate organizational unit called an RHQ.

Schwartz, Anna J.

TI Real Versus Pseudo-International Systemic Risk: Some Lessons from History. **AU** Bordo, Michael D.; Mizrach, Bruce; Schwartz, Anna J.

Scott, Andrew

TI Asymmetric Business Cycles: Theory and Time Series Evidence. **AU** Acemoglu, Daron; Scott, Andrew.

PD May 1996. **TI** Consumption, "Credit Crunches" and Financial Deregulation. **AA** Harvard University. **SR** Centre for Economic Policy Research, Discussion Paper: 1389; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 44. **PR** 4 pounds or $8.00. **JE** E21, E32, E51. **KW** Consumption. Credit Constraints. Credit Crunch. Financial Deregulation. Precautionary Saving.
AB We examine whether credit contributes to business cycle fluctuations by directly affecting consumption rather than through the now well- understood investment channel. Examining UK data we argue that consumers face a rising interest rate schedule whereby additional borrowing leads to higher interest rates. At a certain level of debt this schedule may become vertical and consumers face a credit ceiling. Using this assumption we find consumption growth depends on the interest rate, the borrowing wedge, and the debt-income ratio, and that we can potentially account for the failings of the rational expectations permanent income hypothesis (REPIH). Risk aversion and the interest rate schedule interact such that agents choose not to hold much debt, however, and so consumers are not much affected by "credit crunches", although the more efficient the capital market, the bigger the impact. Calibrating our model and performing simulations suggests the sharp increases in UK consumption in the late 1980s were more likely due to income revisions than financial deregulation per se.

TI The Determinants of UK Business Cycles. **AU** Holland, Allison; Scott, Andrew.

Seghezza, Elena

TI Growth and European Integration: Towards an Empirical Assessment. **AU** Baldwin, Richard E.; Seghezza, Elena.

TI Trade-Induced Investment-Led Growth. **AU** Baldwin,

Richard E.; Seghezza, Elena.

Sekkat, Khalid
TI Managerial Career Concerns, Privatization and Restructuring in Transition Economies. AU Roland, Gerard; Sekkat, Khalid.

Sela, Aner
PD June 1996. TI One Against All in the Fictitious Play Process. AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B380; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG 15. PR no charge. JE C72, C79. KW Fictitious Play. Zero-Sum. Payoff Functions. Weak Weighted.
AB There are only few "positive" results concerning multi-person games with the fictitious play property, that is, games in which every fictitious play process approaches the set of equilibria. In this paper we characterize classes of multi-person games with the fictitious play property. We consider an $(n+1)$ player game $(0,1,2,...,n)$ based on n two-person sub-games. Player 0 is regulated, so that he must choose the same strategy in all n sub-games. We show that if all sub-games are either zero-sum games, weighted potential games, or games with identical payoff functions, then the fictitious play property holds for the associated game.

Selten, Reinhard
PD December 1995. TI Money Does Not Induce Risk Neutral Behavior, but Binary Lotteries Do Even Worse. AU Selten, Reinhard; Sadrieh, Abdolkarim; Abbink, Klaus. AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B343; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG 23. PR no charge. JE C91, D81. KW Binary Lottery. Risk Preferences. Experiment Design.
AB If payoffs are tickets for binary lotteries, which involve only two money prizes, then rationality requires expected value maximization in tickets. This payoff scheme was increasingly used to induce risk neutrality in experiments. The experiment presented here involved lottery choice and evaluation tasks. One subject group was paid in binary lottery tickets, another directly in money. Significantly greater deviations from risk neutral behavior are observed with binary lottery payoffs. This discrepancy increases when subjects have easy access to the alternatives' expected values and mean absolute deviations. Behavioral regularities are observed at least as often as with direct money payoffs.

Shaked, Avner
TI Evolutionary Dynamics of Populations with a Local Interaction Structure. AU Eshel, Ilan; Sansone, Emilia; Shaked, Avner.

Shaw, Kathryn
TI The Effects of Human Resource Management Practices on Productivity. AU Ichniowski, Casey; Shaw, Kathryn; Prennushi, Giovanna.

Shea, John
PD October 1995. TI Comovement in Cities. AA University of Wisconsin and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5304; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 35. PR $5.00. JE R12, R30. KW Local Spillovers. Spatial Comovement.
AB Recent research has shown that industries that locate together in space also move together over the business cycle, and that this correspondence between spatial and temporal comovement is important to aggregate volatility. This paper asks whether this correspondence is due to local common shocks or to local spillovers. I examine interindustry comovements within seven large U.S. cities, and find strong evidence for local spillovers. I estimate that local spillovers explain roughly one-third of manufacturing employment volatility at the city level. Local spillovers do not appear to result from transport costs and locally traded goods.

PD October 1995. TI Complementarities and Comovements. AA University of Wisconsin and National Bureau of Economic Research. SR National Bureau of Economic Research Working Paper: 5305; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG 22. PR $5.00. JE R15. KW Complementarities. Local Spillovers.
AB Short-run interindustry comovement may be due either to common shocks or to complementarities that propagate shocks across sectors. This paper assesses the importance of input-output linkages, aggregate activity spillovers, and local activity spillovers to comovement in postwar U.S. manufacturing. I find that input-output linkages and local activity spillovers are important to comovement, while aggregate activity spillovers are not important. I find that complementarities are important to aggregate volatility, even after I remove observable aggregate shocks from the data. Local spillovers are particularly important, explaining between 15 and 36 percent of manufacturing employment volatility.

Shiells, Clinton R.
TI Transition Dynamics and Trade Policy Reform in Developing Countries. AU Francois, Joseph F.; Nordstrom, Hakan; Shiells, Clinton R.

Shioji, Etsuro
PD June 1996. TI Regional Growth in Japan. AA Universitat Pompeu Fabra. SR Centre for Economic Policy Research, Discussion Paper: 1425; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. PG 56. PR 4 pounds or $8.00. JE O40, O53, R11, R23. KW Growth. Convergence. Internal Migration. Demography. Japan.
AB This paper studies the role of internal migration in income convergence across regions in Japan. Neoclassical theory predicts that migration should have been an important source of convergence, but regression results suggest otherwise. The paper investigates the possibility that this discrepancy is explained by the effects of migration on population composition, especially on educational attainment. It proposes an empirical approach to quantify this "educational composition effect". It is shown that, although this effect did slow down convergence, its magnitude was too small to account for the discrepancy between theory and empirics.

Shleifer, Andrei
TI Good News for Value Stocks: Further Evidence on Market Efficiency. **AU** La Porta, Rafael; Shleifer, Andrei; Lakonishok, Josef; Vishny, Robert.

Sinclair-Desgagne, Bernard
TI The Firms, its Routines, and the Environment. **AU** Gabel, H. Landis; Sinclair-Desgagne, Bernard.

Sinn, Hans-Werner
PD November 1995. **TI** Social Insurance, Incentives and Risk Taking. **AA** University of Munich and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5335; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 31. **PR** $5.00. **JE** H21. **KW** Social Insurance. Incentives. Risk Taking.
AB From the perspective of parents, redistributive taxation can be seen as social insurance for their children, for which no private alternative exists. Because private insurance comes too late during a person's life, it cannot cover the same risks as social insurance. Empirically, 85 percent of social insurance covers risks for which no private insurance would have been available. Redistributive taxation can be efficiency enhancing, because it creates safety and because it stimulates income generating risk taking. However, it also brings about detrimental moral hazard effects. Both the enhancement of risk taking and the moral hazard effects tend to increase the inequality in the economy, and, under constant returns to risk taking, this increase is likely to be strong enough even to make the net-of-tax income distribution more unequal. Optimal redistributive taxation will either imply that the pie becomes bigger when there is less inequality in pre-tax incomes or that more redistribution creates more post-tax inequality. The welfare state will encounter severe risks when free migration of people, goods, and factors of production becomes possible. Basing redistributive taxation on a nationally principle may help overcome some of these risks.

PD November 1996. **TI** International Implications of German Unification. **AA** Universitat Munchen. **SR** Centre for Economic Policy Research, Discussion Paper: 1508; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 25. **PR** 4 pounds or $8.00. **JE** F02, F21, F23. **KW** Direct Investment. Joint Ventures. Privatization. Transformation Economies. German Unification.
AB This paper advances the hypothesis that the EMS crisis was caused by German unification. Unification stimulated massive resource demand, which paralleled resource demand in the United States following Reagan's tax reforms in the 1980's. The resource demand revised German interest rates relative to the rest of the world, which brought about devaluations of other European currencies. The paper identifies those European currencies needing revaluation before they can join the European currency union.

Siotis, Georges
PD October 1996. **TI** Foreign Direct Investment Strategies and Firms' Capabilities. **AA** University of Brussels. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9626; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 --

Dorigny, CH-1015 Lausanne, Switzerland. **PG** 24. **PR** no charge. **JE** F23, L13, O30. **KW** Foreign Investment. Multinational Firms. Duopoly. Technology Sourcing.
AB This paper presents a simple model to analyze the impact of localized externalities on the internationalization of firms. We argue that, once localized spillovers are taken into account, the standard predictions on the nature and direction of foreign direct investment (FDI) flows may be reversed. In the context of this model, the firm engaging in FDI does not necessarily enjoy a superior capability and the presence of spillovers may induce a firm to invest abroad even in the absence of exporting costs in order to capture spatially bounded externalities. Conversely, firms' may refrain from investing abroad for fear of dissipation of their firm specific assets.

Slaughter, Matthew J.
PD October 1995. **TI** The Antebellum Transportation Revolution and Factor-Price Convergence. **AA** Dartmouth College and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5303; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 32. **PR** $5.00. **JE** L91, N71. **KW** Transportation. Factor Price Conversion. Antebellum Economy.
AB In antebellum America an extensive network of canals and railroads was constructed which slashed transportation costs across regions. This "transportation revolution" presents an interesting case study of the factor-price convergence (FPC) theorem. In this paper I look for integration of regional labor markets driven by FPC by studying the extent to which commodity prices and factor prices converged across regions between 1820 and 1860. My primary result is that I find very little evidence of antebellum FPC across regions. I do find that commodity prices equalized quite markedly. But I also find that nominal labor prices equalized very little, if at all. Given this result, I go on the discuss two aspects of the antebellum economy which very likely helped prevent FPC: differences across regions in endowments and technology. This finding underscores that the FPC theorem does not have unambiguous empirical predictions. How commodity prices feed into factor prices depends crucially on parameters such as endowments and technology.

Slesnick, Daniel T.
TI Unemployment Insurance and Household Welfare: Microeconomic Evidence 1980-93. **AU** Hamermesh, Daniel S.; Slesnick, Daniel T.

Smith, Lones
PD February 1996. **TI** On the Irrelevance of Trade Timing. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/6; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 10. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** D82, G12. **KW** Arrow Security. Conditional Independence. Martingale.
AB Given standard, transparent assumptions, this paper questions the Wall Street adage that "timing is everything." I show that for an Arrow security, a "small" risk-neutral trader with private information that is conditionally independent of the public information is exactly indifferent about the timing of his trade: His expected return per dollar invested is a

martingale. This is true despite the fact that he expects the asset price itself to rise given favorable information and fall given unfavorable information. I demonstrate the result in generality and point out that the Arrow security assumption cannot be relaxed: With compound securities paying on two states, there is a (generically strict) preference to trade immediately, while for more general assets, the result is ambivalent -- one may even wish to delay trading!.

PD March 1996. **TI** Informational Herding as Experimentation Deja Vu. **AU** Smith, Lones; Sorensen, Peter. **AA** Smith: Massachusetts Institute of Technology. Sorensen: Nuffield College and Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/9; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 10. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** D83, D62. **KW** Experimentation. Herding. Martingales.
AB We prove that the recently proposed informational herding models are but special cases of a standard single person experimentation model with myopia. We then re-interpret the incorrect herding outcome as a familiar failure of complete learning in an optimal experimentation problem. We next explore that experimentation model with patient individuals -- or equivalently, the observational learning model where individuals care about successors. As such, we find that even if individuals internalize the herding externality in this fashion, incorrect herds and incomplete learning still obtain. We note that this outcome can be implemented as a constrained social optimum when decentralized by transfers.

PD April 1996. **TI** Do Rational Traders Frenzy? **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/20; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 41. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** D44, D84, G14. **KW** Preemption Game. War of Attrition. Auction. Bid. Ask Price.
AB I develop a simple new model of strategic trade with endogenous timing, generalizing Glosten and Milgrom (1985): A competitive market maker faces n risk neutral traders with unit demands or supplies. It is private information whether any given trader is either informed, with a heterogeneous informative signal about the asset payoff, or a pure noise trader planning to make a trade at a random time. The market is open for an exponential length of time. This structure is recursively soluble into a sequence of "subgames", and -- despite the endogenous timing -- I find there is a unique separating equilibrium. I prove that necessarily there is incomplete separation, since only informed traders whose signals are "good news" ever buy, and only those with "bad news" ever sell! I show that traders can only envision switching sides of the market if the underlying signal distribution has no neutral news signal. Finally, I conjecture that the answer to the title is "yes", that all trades are self-feeding, and accelerate the time schedule of any future trades. My analysis is greatly simplified by focused on a facetious "competitive auction" model, where the market maker only wishes to sell units.

PD June 1996. **TI** Pathological Outcomes of Observational Learning. **AU** Smith, Lones; Sorensen, Peter. **AA** Smith: Massachusetts Institute of Technology. Sorensen:

Nuffield College and Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics, Working Paper: 96/19; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 41. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C11, D83. **KW** Herding. Martingale. Market Process. Likelihood Ratio.
AB This paper systematically analyzes and enriches the observational learning paradigm of Banerjee (1992) and Bikhchandani, Hirshleifer, and Welch (1992). Our contributions fall into three categories. First, we develop what we consider to be the "right" analytic framework for informational herding (convergence of actions and convergence of beliefs, using a Markov-martingale process). We demonstrate its power and simplicity in four major ways: (1) We decouple herds and cascades: Cascades might never arise, even though herds must. (2) We show that wrong herds can arise if the private signals have uniformly bounded strength. (3) We determine when the mean time to start a herd is finite, and show that (absent revealing signals) it is infinite when a correct herd is inevitable. (4) We prove that long-run learning is unaffected by background "noise" from crazy/trembling decisions. Second, we explore a new and economically compelling model with multiple types, and discover that a "twin" observational pathology generically appears: confounded learning. It may well be impossible to draw any further inference from history even while it continues to accumulate privately-informed decisions! Third, we show how the martingale property of likelihood ratios is neatly linked with the stochastic stability of the learning dynamics. This not only allows us to analyze herding with noise, and convergence to our new confounding outcome, but also shows promise for optimal experimentation.

Smith, Roy C.

PD November 1996. **TI** Global Patterns of Mergers and Acquisition Activity in the Financial Services Industry. **AU** Smith, Roy C.; Walter, Ingo. **AA** Smith: New York University. Walter: INSEAD. **SR** INSEAD Working Papers: 96/80/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 22. **PR** not available. **JE** F23, G23, G34. **KW** Mergers. Acquisitions. Multinational Corporations. International Finance.
AB This paper analyzes empirical evidence regarding mergers and acquisitions (M&A) in the global financial services industry. It examines the global deal-flow during the eleven-year period 1985-95 and generates a global typology of intra- and inter-sectoral M&A transactions among and between banks, insurance companies and securities firms. From these data it identifies financial services as one of the most active industries involved in the global M&A deal-flow. It also identifies the areas of greatest M&A intensity within the world financial services industry. The paper then assesses the motivations for financial services M&A transactions in the context of changed regulatory and competitive factors and evolution in management objectives emphasizing the pursuit of greater operating efficiencies, enhanced economies of scale and scope and greater market power which executives and boards of directors believe has led (or will lead) to increased shareholder value and competitive performance.

Snower, Dennis J.

TI A Macro Theory of Employment Vouchers.
AU Orszag, J. Michael; Snower, Dennis J.

TI Reorganization of Firms and Labour Market Inequality.
AU Lindbeck, Assar; Snower, Dennis J.

TI Employment, Macroeconomic Fluctuations and Job Security. **AU** Diaz, M. Pilar; Snower, Dennis J.

TI Incapacity Benefits Versus Benefit Transfers.
AU Orszag, J. Michael; Snower, Dennis J.

TI On the Foundations of Wage Bargaining. **AU** Manzini, Paola; Snower, Dennis J.

TI Is the Natural Rate a Reference Point?
AU Karanassou, Marika; Snower, Dennis J.

Soberman, David A.

PD 1997. **TI** Product Warranties and Double Adverse Selection. **AA** INSEAD. **SR** INSEAD Working Papers: 97/11/MKT; INSEAD, Boulevard de Constance, 77305 Fontainebleau, Cedex, France. Website: www.insead.fr/Research. **PG** 29. **PR** no charge. **JE** D82, L14, L15, M30. **KW** Extended Warranty. Signaling. Screening. Unobservable Quality. Adverse Selection. Price Discrimination.
AB This paper considers a model of warranties where information asymmetry plays a key role. The objective is to understand how the seller of a high quality product reacts to the existence of sellers of low quality when both product quality and buyer types are not observable. The warranty menu chosen by a seller of high quality becomes both a screen and a signal which simultaneously sorts buyers based on their willingness to pay and identifies the higher quality of the product to the market. Necessary conditions for this simultaneous signaling and screening are identified. The menu chosen by a seller of high quality under two-sided adverse selection is compared to the menu chosen when product quality is observable and to the menu offered by a seller of low quality.

Sommer, Daniel

TI A Systematic Approach to Pricing and Hedging of International Derivatives with Interest Rate Risk. **AU** Frey, Rudiger; Sommer, Daniel.

PD July 1996. **TI** Continuous-Time Limits in the Generalized Ho-Lee Framework Under the Forward Measure. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B276; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. **PG** 13. **PR** no charge. **JE** G12, G13. **KW** Forward Measure. Continuous Time. Trinomial.
AB The forward measure in the discrete time Ho/Lee model is derived and passages to the continuous time limit are carried out under this measure. In particular the continuous time valuation formula for call options on zero coupon bonds is obtained as a limit of its discrete time equivalent as well as the continuous time distribution of the continuously compounded short rate. Finally it is shown that the trinomial and quattronomial generalizations of the Ho/Lee model by Buhler and Schulze are essentially equivalent to the Ho/Lee model as concerns their discrete time properties and their continuous time limits.

Sorensen, Peter

TI Informational Herding as Experimentation Deja Vu.
AU Smith, Lones; Sorensen, Peter.

TI Pathological Outcomes of Observational Learning.
AU Smith, Lones; Sorensen, Peter.

Souleles, Nicholas S.

TI Testing for Liquidity Constraints in Euler Equations With Complementary Data Sources. **AU** Jappelli, Tullio; Pischke, Jorn-Steffen; Souleles, Nicholas S..

Spaventa, Luigi

PD April 1996. **TI** Out in the Cold? Outsiders and Insiders in 1999: Feasible and Unfeasible Options. **AA** Spaventa: Universita degli studi di Roma. **SR** Centre for Economic Policy Research, Discussion Paper: 1379; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 32. **PR** 4 pounds or $8.00. **JE** F31, F33. **KW** Monetary Union. Europe.
AB The Maastricht Treaty, while silent on the regime governing the relationships between the single-currency-states and currencies of member states with a derogation, contains contradictory provisions regarding the latter gaining later admission. On the one hand, the Exchange Rate Mechanism of the EMS will cease to exist in its present shape in January 1999; on the other hand later admission to the single currency requires fulfillment of the convergence criteria, one of which is the observance of normal fluctuation margins as provided by the ERM. The paper examines the nature of this "catch 22" problem. It then surveys the conceivable options. An analysis shows that the subset of feasible options is very narrow. Also, the paper sketches the economic and legal framework of a possible solution, consisting of a set of bilateral and conditional exchange rate agreements, which may be institutionally feasible and economically viable.

Srinivasan, Kannan

TI New Products, Upgrades, and New Releases: A Rationale for Sequential Product Introduction. **AU** Padmanabhan, Vijay; Rajiv, Surendra; Srinivasan, Kannan.

Stahl, Konrad

TI Legal Form, Growth and Exit of West German Firms -- Empirical Results for Manufacturing, Construction, Trade and Service Industries. **AU** Harhoff, Dietmar; Stahl, Konrad; Woywode, Michael.

Steckel, Richard H.

PD October 1995. **TI** Percentiles of Modern Height Standards for Use in Historical Research. **AA** Ohio State University and National Bureau of Economic Research. **SR** National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 75; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. **PG** not available. **PR** $5.00. **JE** C80, I10, I31, N30. **KW** Height Standards. Historical Research. Nutrition. Historical Data.
AB Percentiles of modern height standards are useful in historical research because children differ systematically in height by age, and differences in growth potential exist by

gender and might exist across some ethnic groups. Modern height standards are needed to make relative comparisons of nutritional status in these circumstances. The standards are also used to assess progress or deprivation against a level that we know is attainable under good environmental circumstances. Historical researchers in need of modern height standards encounter several problems, including the choice of standards, manipulation of those standards to meet the requirements of historical data, ad calculation of percentiles. Following a discussion of criteria used in selecting standards, which lead to the choice of NCHS heights as a reference, the paper gives percentiles calculated in line with the requirements of historical data. Results are given in centimeters and inches and by age at last birthday and age at nearest birthday.

TI Long-Term Trends in Health, Welfare, and Economic Growth In the United States. **AU** Costa, Dora L.; Steckel, Richard H.

Steinmeier, Thomas L.
TI Privatizing Social Security: First Round Effects of a Generic, Voluntary, Privatized U.S. Social Security System. **AU** Gustman, Alan L.; Steinmeier, Thomas L.

Stern, Nicholas
TI Promoting an Effective Market Economy in a Changing World. **AU** Buiter, Willem H.; Lago, Ricardo; Stern, Nicholas.

Stevens, Ann Huff
PD November 1995. **TI** Long-Term Effects of Job Displacement: Evidence from the Panel Study of Income Dynamics. **AA** Rutgers University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5343; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 24. **PR** $5.00. **JE** J63, J64. **KW** Job Displacement. Earnings Losses. Wages.
AB This paper measures the long-term wage and earnings losses of workers who lose jobs due to plant closings and layoffs, using a fixed-effects estimator to control for unobserved worker characteristics and longitudinal data from the Panel Study of Income Dynamics. The results show large and persistent effects of displacement on average, with earnings and wages falling by 25 and 12 percent in the year after job loss. Six or more years later, earnings and wages remain reduced by approximately nine percent. Multiple job losses are responsible for much of this persistence. Those workers who avoid subsequent displacements experience more rapid recovery, with earnings and wage reductions of one and four percent six or more years after displacement. These multiple job losses are not heavily concentrated among any identifiable group of workers, but instead affect the recovery patterns of workers with a variety of characteristics.

Sutch, Richard
TI Myth of the Industrial Scrap Heap: A Revisionist View of Turn-of-the- Century American Retirement. **AU** Carter, Susan B.; Sutch, Richard.

TI Fixing the Facts: Editing of the 1880 U.S. Census of Occupations with Implications for Long-Term Trends and the Sociology of Official Statistics. **AU** Carter, Susan B.; Sutch, Richard.

Suwa-Eisenmann, Akiko
TI Distribution of Export Price Risk in a Developing Country. **AU** Bourguignon, Francois; Suwa-Eisenmann, Akiko; Lambert, Sylvie.

Svensson, Lars E. O.
TI Debt, Cash Flow and Inflation Incentives: A Swedish Example. **AU** Persson, Torsten; Svensson, Lars E. O.; Persson, Mats.

PD November 1996. **TI** Price Level Targeting vs. Inflation Targeting: A Free Lunch? **AA** Stockholm University. **SR** Centre for Economic Policy Research, Discussion Paper: 1510; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 19. **PR** 4 pounds or $8.00. **JE** E31, E42, E52, E58. **KW** Price Stability. Inflation Targets.
AB Price-level targeting (without base drift) and inflation targeting (with base drift) are compared under commitment and discretion, with persistence in unemployment. Price-level targeting is often said to imply more short-run inflation variability and thereby more employment variability than inflation targeting. Counter to this conventional wisdom, under discretion a price-level target results in lower inflation variability than an inflation target (if unemployment is at least moderately persistent). A price-level target also eliminates the inflation bias under discretion and, as is well known, reduces long-term price variability. Society may be better off assigning a price-level target to the central bank even if its preferences correspond to inflation targeting. A price-level target thus appears to have more advantages than commonly acknowledged.

PD November 1996. **TI** Inflation Forecast Targeting: Implementing and Monitoring Inflation Targets. **AA** Stockholm University. **SR** Centre for Economic Policy Research, Discussion Paper: 1511; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 28. **PR** 4 pounds or $8.00. **JE** E31, E42, E52, E58. **KW** Monetary Policy. Policy Regimes. Inflation. Target.
AB Inflation targeting is shown to imply inflation forecast targeting; the central bank's inflation forecast becomes an explicit intermediate target. Inflation forecast targeting simplifies both implementation and monitoring of monetary policy. The weight on output stabilization determines how quickly the inflation forecast is adjusted towards the inflation target. Money growth or exchange rate targeting is generally inferior than inflation targeting and leads to higher inflation variability. Commitment to "target rules" may be better than commitment to "instrument rules".

Tabellini, Guido
TI Monetary Cohabitation in Europe. **AU** Persson, Torsten; Tabellini, Guido.

TI Optimal Regional Redistribution Under Asymmetric Information. **AU** Bordignon, Massimo; Manasse, Paolo; Tabellini, Guido.

TI Separation of Powers and Accountability: Towards a Formal Approach to Comparative Politics. **AU** Persson, Torsten; Roland, Gerard; Tabellini, Guido.

Takacs, Wendy
TI   Pricing Policy Under Double Market Power: Madagascar and the International Vanilla Market. AU   de Melo, Jaime; Olarreaga, Marcelo; Takacs, Wendy.

Tang, Fang-Fang
PD   March 1996. TI   Anticipatory Learning in Two-Person-Games: An Experimental Study Part I. Equilibrium and Stability. AA   University of Bonn. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B362; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG   54. PR   no charge. JE   C72, C73, C91, C92, D83. KW   Limited Rationality. Game Theory. Nash Equilibrium. Stability.
AB   This paper reports the results of experiments designed on the basis of anticipatory learning theory, divided into three parts, with part I on equilibrium and stability, part II on individual analysis, and part III on learning.

PD   March 1996. TI   Anticipatory Learning in Two-Person-Games: An Experimental Study Part II. Learning. AA   University of Bonn. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B363; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG   36. PR   no charge. JE   C72, C73, C91, C92, D83. KW   Limited Rationality. Game Theory. Nash Equilibrium. Stability.
AB   See abstract Tang Fang-Fang, March 1996. "Anticipatory Learning in Two-Persion-Games: An Experimental Study Part I. Equilibrium and Stability". Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B362. Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers.

PD   March 1996. TI   Anticipatory Learning in Two-Person Games: An Experimental Study Part III. Individual Analysis. AA   University of Bonn. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B364; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG   34. PR   no charge. JE   C72, C73, C91, C92, D83. KW   Limited Rationality. Game Theory. Nash Equilibrium. Stability.
AB   See Tang Fang-Fang, March 1996. "Anticipatory Learning in Two-Person-Games: An Experimental Study Part I. Equilibrium and Stability". Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B362. Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers.

Taylor, Alan M.
PD   May 1995. TI   Peopling the Pampa: On the Impact of Mass Migration to the River Plate, 1870-1914. AA   Northwestern University and National Bureau of Economic Research. SR   National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 68; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG   not available. PR $5.00. JE   J61, N16, N36. KW   Migration. Argentina. Pampas.

AB   The Argentine economy was transformed in the late nineteenth century by the mass migration of millions of Europeans. Various ideas have surfaced concerning the likely impact of this labor inflow: that it favored the wheat revolution on the pampas; that it promoted urbanization and the rapid growth of Buenos Aires; that it paved the way for Argentine industrialization; that it caused slack in the labor markets, lowering wages. This paper attempts an analysis of the impact of migration on the scale and structure of the Argentine economy and tries to resolve various competing hypotheses. The paper presents a new social accounting matrix (SAM) for Argentina, and uses it to calibrate a CGE model. Both tools show promise for further exploration of growth and structural change during and after the Belle Epoque.

Temin, Peter
PD   October 1995. TI   Two Views of the British Industrial Revolution. AA   Massachusetts Institute of Technology. SR   Massachusetts Institute of Technology, Department of Economics, Working Paper: 95/26; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139. PG   29. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE   N13, F11. KW   Industrial Revolution. International Trade. Ricardian Model.
AB   There are two views of British Industrial Revolution in the literature today. The more traditional description, represented by the views of Ashton and Landes, sees the Industrial Revolution as a broad change in the British economy and society. This broad view of the Industrial Revolution has been challenged by Crafts and Harley who see the Industrial Revolution as a much narrower phenomenon, as the result of technical change in a few industries. This paper presents a test to these views using the Ricardian model of international trade with many goods. British trade data are used to implement the test and discriminate between the two views of the Industrial Revolution.

PD   March 1996. TI   Two Views of the British Industrial Revolution. AA   Massachusetts Institute of Technology and National Bureau of Economic Research. SR   National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 81; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG   not available. PR $5.00. JE   N13, O52. KW   Industrial Revolution. Britain. Ricardian Model.
AB   See abstract for Peter Temin, October 1995. "Two Views of the British Industrial Revolution". Massachusetts Institute of Technology. Massachusetts Institute of Technology, Department of Economics, Working Paper: 95/26; Department of Economics, E52-252, Massachusetts Institute of Technology, Cambridge, MA 02139.

Terwiesch, Christian
TI   Communication and Uncertainty in Concurrent Engineering. AU   Loch, Christoph H.; Terwiesch, Christian.

PD   November 1996. TI   When Product Development Performance Makes a Difference: A Statistical Analysis in the Electronics Industry. AU   Terwiesch, Christian; Loch, Christoph H.; Niederkofler, Martin. AA   Terwiesch and Loch: INSEAD. Niederkofler: McKinsey & Company. SR   INSEAD Working Papers: 96/78/TM; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France.

Website: www.insead.fr/research. **PG** 17. **PR** not available. **JE** L13, L23, L63. **KW** Product Development. Oligopoly. Electronics.
AB High performance of the product development function is seen as a path to competitive advantage in many industries. Product development performance is commonly measured as the efficient and rapid development of new and high performing products. However, the relevance of development performance for business success depends on the competitive market environment in which a firm operates. This article develops a market contingency framework of the impact of development performance on profitability. The market environment dimensions are growth, industry profitability, market share and product life cycles. We statistically test the framework on data from 86 companies in 12 electronics industries worldwide. We show that product development performance is more important in technologically stable and low growth industries. In addition, large companies can significantly impact their financial performance through product development, whereas the profitability of small firms is driven mainly by their industry environment.

Thisse, Jacques-Francois
TI Competition in Multi-Characteristics Spaces: Hotelling was Almost Right. **AU** Irmen, Andreas; Thisse, Jacques-Francois.

TI Competition in Multi-Characteristics Spaces: Hotelling was Almost· Right. **AU** Irmen, Andreas; Thisse, Jacques-Francois.

TI On the Persistence of Leadership or Leapfrogging in International Trade. **AU** Motta, Massimo; Thisse, Jacques-Francois; Cabrales, Antonio.

Todd, Petra
TI The Schooling Quality-Earnings Relationship: Using Economic Theory to Interpret Functional Forms Consistent With the Evidence. **AU** Heckman, James; Layne-Farrar, Anne; Todd, Petra.

Tornell, Aaron
PD October 1995. **TI** Money-Based Versus Exchange Rate-Based Stabilization With Endogenous Fiscal Policy. **AU** Tornell, Aaron; Velasco, Andres. **AA** Tornell: Harvard University and National Bureau of Economic Research. Velasco: New York University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5300; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 22. **PR** $5.00. **JE** E62, F31. **KW** Stabilization. Exchange Rates. Latin America.
AB We present a standard intertemporal model in which fiscal policy is determined by an optimizing but non-benevolent fiscal authority. If the fiscal authority is impatient, a money-based stabilization provides more fiscal discipline and higher welfare for the representative agent than does an exchange rate-based stabilization. Data for Latin American stabilizations in the last quarter-century seem to confirm the notion that stabilizing by using money rather than the exchange rate helps induce politicians to reduce the fiscal deficit.

PD October 1995. **TI** The Political Economy of Mexico's Entry to NAFTA. **AU** Tornell, Aaron; Esquivel, Gerardo. **AA** Tornell: Harvard University and National Bureau of Economic Research. Esquivel: Harvard University. **SR** National Bureau of Economic Research Working Paper: 5322; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 28. **PR** $5.00. **JE** F13, O54. **KW** Mexico. NAFTA. International Trade.
AB In this paper, we derive three lessons from Mexico's experience. First, deep reforms like trade liberalization are not likely to happen by government decree. Instead, they usually come about when the unanimous blocking of reform by powerful elites breaks down. In the case of Mexico, this happened during a fiscal crisis, when some groups tried to displace other groups in order to capture a greater share of fiscal revenue. Second, in the presence of entrenched elites, the sustainability of reform depends on the existence of new groups that benefit from the new status quo and have enough power to defend it. Thus, the speed of successful reform is determined by the speed with which new groups are consolidated. Initially, Mexico limited radical liberalization to the manufacturing sector. The government has only recently begun to undertake serious liberalization in the services and agriculture sectors. The third lesson we take from Mexico is that the importance of formal agreements like NAFTA lies not so much in the ability of these agreements to reduce average import tariffs among their parties and improve their terms of trade vis a vis the rest of the world, as claimed by the optimal tariff literature, but in that they serve as commitment devices to force reforms to continue.

Torstensson, Johan
TI Regional Integration, Scale Economies and Industry Location in the European Union. **AU** Brulhart, Marius; Torstensson, Johan.

TI Growth Effects of European Integration. **AU** Henrekson, Magnus; Torstensson, Johan; Torstensson, Rasha.

Torstensson, Rasha
TI Growth Effects of European Integration. **AU** Henrekson, Magnus; Torstensson, Johan; Torstensson, Rasha.

Tsiddon, Daniel
TI Technological Progress, Mobility, and Economic Growth. **AU** Galor, Oded; Tsiddon, Daniel.

Tsiritakis, Emmanuel D.
TI Greek Closed-End Fund Premia: Differences and Similarities with US Premia and Their Implications. **AU** Hardouvelis, Gikas A.; Tsiritakis, Emmanuel D.

Ulph, David
TI Endogenous Innovation Spillovers and Technology Policy. **AU** Katsoulacos, Yannis; Ulph, David.

Valles, Javier
TI Do Exchange Rates Move to Address International Macroeconomic Imbalances? **AU** Canzoneri, Matthew B.; Vinals, Jose; Valles, Javier.

Van Reenen, John
TI Innovations, Patents and Cash Flow. **AU** Geroski, Paul

A.; Van Reenen, John; Walters, Chris F.

TI How Persistently do Firms Innovate? **AU** Geroski, Paul A.; Van Reenen, John; Walters, Chris F.

TI Technology and Changes in Skill Structure: Evidence From an International Panel of Industries. **AU** Machin, Stephen J.; Ryan, Annette; Van Reenen, John.

Van Wassenhove, Luk N.
TI Assessing Software Excellence: A Model and an Empirical Test. **AU** Dutta, Soumitra; Van Wassenhove, Luk N..

Vandenbussche, Hylke
TI European Anti-dumping Policy and the Profitability of National and International Collusion. **AU** Veugelers, Reinhilde; Vandenbussche, Hylke.

Vega, Juan Luis
TI Short- and Long-Run Phillips Trade-Offs and the Cost of Disinflationary Policies. **AU** Dolado, Juan J.; Lopez-Salido, J. David; Vega, Juan Luis.

Velasco, Andres
TI Money-Based Versus Exchange Rate-Based Stabilization With Endogenous Fiscal Policy. **AU** Tornell, Aaron; Velasco, Andres.

Venables, Anthony J.
TI The Spread of Industry: Spatial Agglomeration in Economic Development. **AU** Puga, Diego; Venables, Anthony J.

Venti, Steven F.
TI The Effects of Special Saving Programs on Saving and Wealth. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A.

TI Lump-Sum Distributions From Retirement Saving Plans: Receipt and Utilization. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A.

Ventura, Jaume
TI A Representative Consumer Theory of Distribution. **AU** Caselli, Francesco; Ventura, Jaume.

Verdier, Thierry
TI Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach. **AU** Acemoglu, Daron; Verdier, Thierry.

TI Property Rights, Corruption and the Allocation of Talent: A General Equilibrium Approach. **AU** Acemoglu, Daron; Verdier, Thierry.

PD November 1996. **TI** The Rise and Fall of Elites: A Theory of Economic Development and Social Polarization in Rent-seeking Societies. **AU** Verdier, Thierry; Ades, Alberto. **AA** Verdier: DELTA, Paris. Ades: Goldman Sachs and Co. **SR** Centre for Economic Policy Research, Discussion Paper: 1495; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 41. **PR** 4 pounds or $8.00. **JE** D31, D72, O10. **KW** Political Economy. Elites. Rent-Seeking. Development.

Growth.

AB This paper analyses how political institutions, wealth distribution and economic activities affect each other during the process of development. A simple general equilibrium model of rent-seeking political elites with two productive sectors (modern and traditional) is presented. Political participation is viewed as a costly activity. We show what drives entry into politics and how the size of the elite affects the level of distortions. The model also highlights the role played by the initial distribution of wealth in determining the long-run pattern of political participation and economic performance. We show why one society may converge to an equilibrium with low distortions and social equality, while others may end up with an institutional framework that brings about high distortions and social polarization. The model is then extended to account for the provision of public goods, to analyze the effects of rent-seeking on technological change, and to allow for random shocks in intergenerational transfers.

Verdin, Paul
TI Managing Regional Integration: Lessons from Europe. **AU** De Koning, Alice J.; Verdin, Paul ; Williamson, Peter.

Vermaelen, Theo
TI Glamour, Value and the Post-Acquisition Performance of Acquiring Firms. **AU** Rau, P. Raghavendra; Vermaelen, Theo.

Veugelers, Reinhilde
PD September 1996. **TI** European Anti-dumping Policy and the Profitability of National and International Collusion. **AU** Veugelers, Reinhilde; Vandenbussche, Hylke. **AA** Veugelers: Katholieke Universiteit Leuven. Vandenbussche: University of Cambridge. **SR** Centre for Economic Policy Research, Discussion Paper: 1469; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 31. **PR** 4 pounds or $8.00. **JE** F13, L13, L41. **KW** Anti-Dumping Regulation. Market Structure. Rent-Shifting. Welfare.

AB This paper is the first to study the effect of European antidumping policy on market structure, i.e. the incentives for firms to engage in a domestic or international cartel in a multi-stage setting. The analysis concentrates on how European antidumping policy influences the incentives for firms to collude domestically or internationally. We tackle the question of whether antidumping regulation helps to establish, maintain or rather endanger full cartels as well as cartels restricted to domestic firms only. Our findings suggest that antidumping legislation can both have a pro-competitive or an anti-competitive effect. Which case prevails depends crucially on the welfare objective function used by the European government and also on the cost asymmetry and the degree of product heterogeneity between domestic and foreign firms. In addition to market structure we also discuss welfare effects. We find that antidumping measures are capable of both increasing or decreasing total community welfare depending on the type of measures installed.

Viallet, Claude
TI The Law of One Price and Differential Settlement Arrangements. **AU** Kalay, Avner; Viallet, Claude.

Vinals, Jose

TI Monetary Union and European Unemployment.
AU Jimeno, Juan F.; Vinals, Jose.

TI Do Exchange Rates Move to Address International Macroeconomic Imbalances? AU Canzoneri, Matthew B.; Vinals, Jose; Valles, Javier.

Vishny, Robert

TI Good News for Value Stocks: Further Evidence on Market Efficiency. AU La Porta, Rafael; Shleifer, Andrei; Lakonishok, Josef; Vishny, Robert.

von Hagen, Jurgen

TI The Strategy of Monetary Targeting: Can the German Experience Provide a Model for the ECB? AU Neuman, Manfred J. M.; von Hagen, Jurgen.

von Thadden, Ernst-Ludwig

TI Blocks, Liquidity, and Corporate Control. AU Bolton, Patrick; von Thadden, Ernst-Ludwig.

von Ungern-Sternberg, Thomas

PD May 1996. TI Die Gewinnausschuttung Der Schweizerischen Nationalbank. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9610; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 18. PR no charge. JE E58, H77, H73. KW Central Bank. Profit Distribution. Law Evasion. Self Interest. Asset Accumulation.
AB This paper is written in another language other than English.

TI Swiss Competition Policy in the Last Decade. AU Neven, Damien J.; von Ungern-Sternberg, Thomas.

TI Competition Policy in Switzerland. AU Neven, Damien J.; von Ungern-Sternberg, Thomas.

PD January 1997. TI Entscheidungsgrundlagen Fur Ein Neues Nationalbankgesetz. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9701; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH-1015 Lausanne, Switzerland. PG 39. PR no charge. JE E58, E59. KW Swiss National Bank. Portfolio Management. Gold Stock. Foreign Assets. Profit Distribution.
AB The paper studies the profit distribution and portfolio management of the Swiss National Bank in comparison with the behavior of other European central banks. It is shown that the SNB's behavior is unique in a number of respects: Relatively to the countries size, it holds the largest gold reserves, the largest amount of unhedged dollar assets, and the largest amount of foreign assets. Furthermore the SNB violates the spirit of the law and constitution by paying out only a very small share of its profits. The return it has earned on its investments is unsatisfactory. We conclude that the law should be revised, the country should gradually sell its gold reserves, and the countries' assets should be invested more intelligently preferably by private institutions.

Wagner, Joachim

TI Exports and Success in German Manufacturing.
AU Bernard, Andrew B.; Wagner, Joachim.

Wallis, John Joseph

PD July 1996. TI What Determines the Allocation of National Government Grants to the States? AA University of Maryland and National Bureau of Economic Research. SR National Bureau of Economic Research, Working Paper Series on Historical Factors in Long Run Growth: 90; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138. Website: www.nber.org. PG not available. PR $5.00. JE H52, H70. KW Government Grants. Grant Allocation. Grant Policy.
AB During the New Deal the federal government initiated a policy of massive grants to states for support of social welfare and other programs. Since that time grants have come to be an integral part of the American fiscal system, and scholars have continued to debate whether the allocation of federal grants between the states is motivated primarily by political or social and economic objectives. This paper shows that, during the 1930's, both political and economic effects were important determinants of grant allocation, but that the Congressional factors considered by Anderson and Tollison are not important while the Presidential factors considered by Wright are. When the analysis is extended to the years 1932 to 1982, however, Congressional influences do seem important. On the other hand, the dominant influence on federal grant policy over the larger sample appears to be state government expenditures, while both political and economic influences play a smaller role.

Walter, Ingo

PD 1996. TI Universal Banking: A Shareholder Value Perspective. AA New York University and INSEAD. SR INSEAD Working Papers: 96/87/EPS; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/Research. PG 31. PR no charge. JE G21. KW Universal Banks.
AB In their historical development, organizational structure, and strategic direction, universal banks in essence constitute multi-product firms that are active in the financial services sector. This stylized profile of universal banks presents shareholders with an amalgam of more or less distinct businesses that are linked-together in an unusually complex network which draws on a set of centralized financial, information, human and organizational resources. The key issue for the investor is whether shares in a universal bank represent an attractive asset-allocation alternative from a perspective of both risk-adjusted total-return and portfolio-efficiency. The answers to this question have an important bearing on the universal bank's cost of capital and therefore its performance against rivals with a narrower business focus in increasingly competitive markets. This paper considers these issues within a straightforward conceptual framework. It begins by adding to the adjusted book value of a universal bank's equity a number of building-blocks that ultimately determine the market value of its equity. It then asks whether that market value of equity is in fact the maximum value of attainable from the perspective of the shareholder. Finally, the paper outlines some of the strategic and tactical alternatives, inside and outside the bank, that are open to management in order to achieve a hypothetical maximum value of shareholder equity.

TI Global Patterns of Mergers and Acquisition Activity in the Financial Services Industry. AU Smith, Roy C.; Walter, Ingo.

Walters, Chris F.
TI   Corporate Growth and Profitability. AU   Geroski, Paul A.; Machin, Stephen J.; Walters, Chris F.

TI   Innovations, Patents and Cash Flow. AU   Geroski, Paul A.; Van Reenen, John; Walters, Chris F.

TI   How Persistently do Firms Innovate? AU   Geroski, Paul A.; Van·Reenen, John; Walters, Chris F.

Weber, Axel A.
PD   April 1996. TI   Germany Before and After Unification: A Structural VAR Analysis. AA   University of Bonn and Centre for Economic Policy Research. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B368; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers.   PG   32. PR   no charge. JE   E32, C32, D24. KW   Business Cycles. Growth. Vector Autoregression. Shocks. Propagation.
AB   Recent theoretical research in business cycle modelling has aimed at putting forward a unified framework for studying both short-term cycles and long-term growth. Empirical research based on structural vector- autoregression has established that the same factors which drive long- run growth also explain a large proportion of the movements of key macro variables at business cycle frequencies. The present paper aims at applying this approach to study the determinants of the post-unification downturn in Germany. The results suggest that German business cycles were not all alike. Whilst adverse supply shocks clearly matter before unification, it is primarily adverse aggregate demand shocks and a too tight monetary policy which dominate the German post-unification decline in output growth rates.

PD   April 1996. TI   The Costs/ Benefits of a Common Monetary Policy in France and Germany and Possible Lessons for Monetary Union. AU   Weber, Axel A.; Melitz, Jacques. AA   Weber: University of Bonn and Centre for Economic Policy Research. Melitz: INSEE and Centre for Economic Policy Research. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B369; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG   21. PR   no charge. JE   C32, F15, F33, F41. KW   Currency Areas. Vector Autoregression. Shocks. Monetary Union.
AB   In order to study the costs and benefits of a monetary union between Germany and France, we attempt to go beyond a mere focus on asymmetries and examine what each country would have lost or gained had there been a common monetary policy. We try to identify the macro effects of such a change within a structural VAR model, which is first estimated by employing mixed long-run and short-run identification schemes and subsequently simulated under the restrictions of a common monetary policy. Our analysis centers on the effect of identical monetary policy on movements in output, inflation and the current account. We also study the effects of interest rate differentials in order to draw possible inferences about monetary integration. Based on the usual interpretations of national preferences in both countries, the results imply that, if anything, Germany would lose from any French participation in the setting of domestic monetary policy. By contrast, however, France would clearly gain from corresponding German participation in French decision-making.

TI   The Costs/Benefits of a Common Monetary Policy in France and Germany and Possible Lessons for Monetary Union. AU   Melitz, Jacques; Weber, Axel A.

Weber, Guglielmo
TI   Humps and Bumps in Lifetime Consumption. AU   Attanasio, Orazio P.; Banks, James; Meghir, Costas; Weber, Guglielmo.

Wechsler, Henry
TI   The Impact of Price, Availability, and Alcohol Control Policies on Binge Drinking in College. AU   Chaloupka, Frank J.; Wechsler, Henry.

Weidmann, Jens
TI   Puzzling Integratedness of Interest Rates: A Case for Nonparametric Threshold Cointegration? AU   Cron, Axel; Weidmann, Jens.

TI   The Information Content of German Discount Rate Changes. AU   Neuman, Manfred J. M.; Weidmann, Jens.

Weiss, Lawrence A.
PD   September 1996. TI   An Analysis of State-Wide Variation in Bankruptcy Rates in the United States. AU   Weiss, Lawrence A.; Bhandari, Jagdeep S.; Robins, Russell. AA   Weiss: INSEAD. Bhandari: Duquesne University. Robins: Tulane University. SR   INSEAD Working Papers: 96/56/AC; INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   14. PR   not available. JE   G33, H11. KW   Bankruptcy. States.
AB   A casual examination of the filing rates for personal bankruptcy reveals a surprisingly large variation across the various states in the face of an arguably uniform federal law. In principle, the observed variation may be attributed to differences in the legal environment in the subject states, differences in their economic climate, or both. This paper examines the relative importance of legal and economic factors in explaining the differences, finding that economic variables dominate quantifiable legal variables.

Weller, Paul
TI   Is Technical Analysis in the Foreign Exchange Market Profitable? A Genetic Programming Approach. AU   Neely, Christopher J.; Weller, Paul; Dittmar, Robert.

Werner, Jan
PD   1995. TI   Extensions of G-Based Matrix Partial Orders. AU   Werner, Jan; Mitra, S. K.; Jain, S. K.. AA   Werner: University of Bonn. Mitra: Indian Statistical Institute. Jain: Ohio University. SR   Universitat Bonn Sonderforschungsbereich 303, Discussion Paper: B351; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ.uni-bonn.de/sfb/papers. PG   25. PR   no charge. JE   D41, D52, G11, G22. KW   Partial Order. Star Order. Minus Order. Sharp Order. Semicomplete Map.
AB   We prove that a partial order on a real M x N-dimensional real vector space can always be extended to a G-based matrix partial order such that the extended G(A) is not an empty set for all A that are elements of the M x N-dimensional space, thus answering an open question. It is further shown that

this result does not in general remain true if besides G, we also insist that the extended G should be semicomplete. And even if in a special situation this is possible and even if card G(A) were weakly less than one for each A, then this does not mean that there also need to be a semicomplete extension such that the extended G(A) is singleton for all A. In addition some other interesting results on matrix partial orders are given. For instance, a useful characterization for a semicomplete may to induce a partial order on the set of square matrices is derived.

Whaley, Robert E.
TI   Implied   Volatility   Functions: Empirical   Tests.
AU   Dumas, Bernard; Fleming, Jeff; Whaley, Robert E.

Widgren, Mika
TI   Is the Allocation of Voting Power Among the EU States Fair? AU   Laruelle, Annick; Widgren, Mika.

Wierenga, Berend
TI   Case-Based Reasoning Systems: From Automation to Decision-Aiding   and   Stimulation.   AU   Dutta, Soumitra; Wierenga, Berend; Dalebout, Arco.

Willard, Kristen L.
PD   November 1995. TI   Turning Points in the Civil War: Views from the Greenback Market. AU   Willard, Kristen L.; Guinnane, Timothy W.; Rosen, Harvey S. AA   Willard: Columbia   University.   Guinnane: Yale   University.   Rosen: Princeton   University   and   National   Bureau   of   Economic Research.   SR   National   Bureau   of   Economic   Research Working Paper: 5381; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. PG   25. PR $5.00.   JE   E42, N11.   KW   Civil   War.   Greenback Market. Gold.
AB   In early 1862, the United States government began issuing Greenbacks, a legal tender currency that was not convertible into gold. The government promised to redeem the Greenbacks in gold eventually, but speculators understood that the probability of redemption depended on Union Army military fortunes and political developments that affects the total cost of the war. To serve the speculative interest gold, a market emerged for the purpose of trading Greenbacks for gold dollars. Because the market price of a Greenback reflected the public's perceptions of future war costs, the movement of these prices provides unique insights into how people at the time perceived various events. We use daily quotations of the gold price of Greenbacks to identify a set of dates during the Civil War that market participants regarded as turning points. In some cases, these dates coincide with events familiar from conventional historical accounts of the war. In other instances, however, market participants reacted strongly to events that historians have not viewed as very significant.

Williamson, Peter
TI   Managing Regional Integration: Lessons from Europe. AU   De Koning, Alice J.; Verdin, Paul ; Williamson, Peter.

Wise, David A.
TI   The Effects of Special Saving Programs on Saving and Wealth. AU   Poterba, James M.; Venti, Steven F.; Wise, David A.

TI   Where the Money Goes: Medical Expenditures in a Large Corporation. AU   McClellan, Mark B.; Wise, David A.

TI   Lump-Sum Distributions From Retirement Saving Plans: Receipt   and   Utilization.   AU   Poterba,   James   M.;   Venti, Steven F.; Wise, David A.

Woodruff, Christopher
TI   Trust and Search in Vietnam's Emerging Private Sector. AU   Haggard,   Stephan;   McMillan,   John;   Woodruff, Christopher.

Woywode, Michael
TI   Legal Form, Growth and Exit of West German Firms -- Empirical Results for Manufacturing, Construction, Trade and Service Industries. AU   Harhoff, Dietmar; Stahl, Konrad; Woywode, Michael.

Wren-Lewis, Simon
TI   Interest Rate Feedback Rules in an Open Economy with Forward Looking Inflation. AU   Leith, Campbell B.; Wren-Lewis, Simon.

Wyplosz, Charles
TI   Relative   Prices,   Trade   and   Restructuring   in   European Industry. AU   Neven, Damien J.; Wyplosz, Charles.

TI   Relative   Prices,   Trade   and   Restructuring   in   European Industry. AU   Neven, Damien J.; Wyplosz, Charles.

TI   Contagious   Currency   Crises.   AU   Eichengreen,   Barry; Rose, Andrew K.; Wyplosz, Charles.

Yates, Anthony
TI   Mechanisms for Achieving Monetary Stability: Inflation Targeting   Versus   the   ERM.   AU   Canzoneri,   Matthew   B.; Nolan, Charles; Yates, Anthony.

Yoon, Youngjun
TI   Tactical Style Allocation: Applications of the Markov Switching Model to Value-Growth Investment and Tactical Asset Allocation. AU   Satchell, Stephen; Yoon, Youngjun.

Young S. David
TI   The Czechoslovak Privatization Auction: An Empirical Investigation. AU   Hillion, Pierre; Young S. David.

Yuen, Chi-Wa
TI   A   Pecking   Order   Theory   of   Capital   Inflows   and International   Tax   Principles.   AU   Razin,   Assaf;   Sadka, Efraim; Yuen, Chi-Wa.

Zemsky, Peter
TI   Multi-Dimensional Uncertainty and Herd Behavior in Financial Markets. AU   Avery, Christopher; Zemsky, Peter.

Zilibotti, Fabrizio
TI   Agency   Costs   in   the   Process   of   Development. AU   Acemoglu, Daron; Zilibotti, Fabrizio.

TI   Agency   Costs   in   the   Process   of   Development. AU   Acemoglu, Daron; Zilibotti, Fabrizio.

TI   Was   Prometheus   Unbound   by   Chance?   Risk, Diversification and Growth. AU   Acemoglu, Daron; Zilibotti,

Fabrizio.

TI "Actual" versus "Virtual" Employment in Europe: Is Spain Different? **AU** Marimon, Ramon; Zilibotti, Fabrizio.

Zimmermann, Klaus F.

PD August 1996. **TI** Is Child Like Parent? Educational Attainment and Ethnic Origin. **AU** Zimmermann, Klaus F.; Gang, Ira N. **AA** Zimmermann: University of Munich. Gang: Rutgers University. **SR** Centre for Economic Policy Research, Discussion Paper: 1461; Centre for Economic Policy Research, 25-28 Old Burlington Street, London W1X 1LB, United Kingdom. **PG** 18. **PR** 4 pounds or $8.00. **JE** I21, J15, J62. **KW** Assimilation. Ethnicity. Migration. Education.

AB The speed at which immigrants assimilate is the subject of debate. Human capital formation plays a major role in this discussion. This paper compares the educational attainment of second generation immigrants to those of natives in the same age cohort. Evidence using a large German data set suggests ethnicity does matter: the size of the ethnic network has a positive effect on educational attainment, and a clear pattern is exhibited between countries-of-origin and educational attainment even in the second generation. For the children of the foreign-born, parental schooling plays no role in making educational choices. For Germans, however, contrary to the general findings in the literature, there is a statistically significant difference in favor of father's education over mother's education.

Zingales, Luigi

TI Why Do Companies Go Public? An Empirical Analysis. **AU** Pagano, Marco; Panetta, Fabio; Zingales, Luigi.

Zoega, Gylfi

TI Quitting Externalities with Uncertainty About Future Productivity. **AU** Booth, Alison L.; Zoega, Gylfi.

Zucker, Lynne G.

TI Social Networks, Learning, and Flexibility: Sourcing Scientific Knowledge in New Biotechnology Firms. **AU** Liebeskind, Julia Porter; Oliver, Amalya Lumerman; Zucker, Lynne G.; Brewer, Marilynn B.

TI Social Networks, Learning, and Flexibility: Sourcing Scientific Knowledge in New Biotechnology Firms. **AU** Liebeskind, Julia Porter; Oliver, Amalya Lumerman; Zucker, Lynne G.; Brewer, Marilynn B.

PD November 1995. **TI** Virtuous Circles of Productivity: Star Bioscientists and the Institutional Transformation of Industry. **AU** Zucker, Lynne G.; Darby, Michael R. **AA** University of California, Los Angeles and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5342; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 19. **PR** $5.00. **JE** O32. **KW** Bioscientist.

AB The most productive ("star") bioscientists possessed intellectual human capital of extraordinary scientific and pecuniary value for some 10-15 years after Cohen & Boyer's 1973 founding discovery for biotechnology. As in other sciences, star bioscientists were particularly protective of their techniques, ideas, and discoveries in the early years of the revolution, tending to collaborate more within their own institution which slowed diffusion to other scientists. Where and when the star scientists were actively producing academic publications is a key determinant of where and when commercial firms began to use biotechnology. The extent of collaboration by a firm's scientists with stars is a powerful predictor of its success: for each 9 articles co-authored by an academic star and firm scientists, about 3 more products in development, 1 more on the market and 1550 more employees are estimated. Such collaboration with firms, or employment, also results in significantly higher rates of citation to articles written with the firm. To provide an initial indication of international competitiveness, we estimate stars' distribution, commercial involvement, and migration across the top 10 countries in bioscience. These results let us inside the black box to see how scientific breakthroughs become economic growth, and consider the implications for policy.

PD November 1995. **TI** Social Construction of Trust to Protect Ideas and Data in Space Science and Geophysics. **AU** Zucker, Lynne G.; Darby, Michael R. **AA** University of California, Los Angeles and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 5373; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. **PG** 34. **PR** $5.00. **JE** M14, O32. **KW** Space Science. Geophysics. Trust. Collaboration. Social Science.

AB This paper applies a rational action/economic sociology approach to he central organizational theory question of whether action is embedded in pre-formed institutions that are relatively cheap in terms of time and energy, or to what extent action becomes embedded in newly constructed institutions that are more costly but perhaps better adapted to task goals. We develop a new model of the social construction of trust-producing social structure based on the initial endowment of this structure, the demand for it, and the cost of social construction. We test the model with data on construction of social structure in collaborations in space science and geophysics developed in a large number of interviews conducted by the Center for History of Physics of the American Institute of Physics. We do find that greater demand for trust increases that construction. We also find some evidence that social construction of trust-producing social structure in fact results in production of higher value science.