ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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Abul Naga, Ramses

PD August 1997. **TI** Prediction and Determination of Household Permanent Income. **AU** Abul Naga, Ramses; Burgess, Robin. **AA** Abul Naga: Universite de Lausanne. Burgess: London School of Economics. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9705; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. **PG** 28. **PR** no charge. **JE** C31, D31, D90, I30, O12. **KW** Permanent Income. Prediction. Determination. Living Standards. China.

AB This paper is about the determination and prediction of permanent income in household data. Standard static welfare indicators (e.g. per capita expenditure and income) are imperfect in this respect as they typically contain a high transitory component. The framework the authors employ is consistent with the permanent income hypothesis but is supplemented with a causes equation where unobservable permanent income is explicitly modeled as a function of causal variables which play a key part in its determination. Simultaneous estimation of the model allows for a comparison of how well different standard static welfare indicators identify permanent income but more importantly enables the authors to predict permanent income using information contained both in the causal variables and in the standard static welfare indicators. The paper is closed by an application of the methodology to household data from the rural sectors of two Chinese provinces.

PD August 1997. **TI** Parents and Children: Changes in Income Distribution and the Inheritance of Economic Status. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9706; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. **PG** 32. **PR** no charge. **JE** D31, I31, I32, J62. **KW** Inequality. Poverty. Intergenerational Mobility. Heteroskedasticity. Least Squares.

AB Using a U.S. sample of parents and children the authors examine income distribution in two generations. They find that the mean of the children's distribution is higher than that of parents', but incomes were more equally distributed in the lower deciles of the latter distribution. Groups of children raised in richer families have higher average incomes and lower risks of being poor, but they also exhibit higher income variances than children of poorer origins. This latter result is used to investigate the performance of weighted least squares estimators of income transmission equations. Adjusting the data for heteroskedasticity, income inheritance is found to be more intense, and the goodness of fit of the estimated model is substantially improved over the results of the constant variance framework.

Acemoglu, Daron

PD December 1996. **TI** Efficient Wage Dispersion. **AU** Acemoglu, Daron; Shimer, Robert. **AA** Acemoglu: Massachusetts Institute of Technology. Shimer: Princeton University. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 97/25; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 36. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** D83, J31, J41. **KW** Efficiency. Search. Search Intensity. Sorting. Wage Dispersion. Wage Posting.

AB In market economics, identical workers appear to receive very different wages, violating the 'law of one price' of Walrasian markets. We argue in this paper that in the absence of a Walrasian auctioneer to coordinate trade: (i) wage dispersion among identical workers is very often an equilibrium phenomenon; (ii) such dispersion is necessary for a market economy to function. We analyze an environment in which firms post wages and workers may at a small cost observe one or more of the posted wages, i.e. search, before deciding where to apply. Both with homogeneous and heterogeneous firms, equilibrium wage dispersion is necessary for the economy to approximate efficiency. Without wage dispersion, workers do not search, and wages are depressed. As a result: (a) there is excessive entry of firms; (b) because in the absence of search, high productivity firms cannot attract workers faster than low productivity firms, their relative profitability is reduced, and technology choices are distorted.

PD August 1997. **TI** Why Do New Technologies Complement Skills? Directed Technical Change and Wage Inequality. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 97/15; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 43. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** J31, O14, O33. **KW** Technical Change. Skill Supply. Education. Skill-Biased-Technological Change. Skill- Technology Complementarity. Wage Inequality.

AB I consider an economy where skilled and unskilled workers use different technologies. The rate of improvement of each technology is determined by a profit- maximizing R&D sector. When there is a high proportion of skilled workers in the labor force, the market for skill-complementary technologies is larger and more effort will be spent in upgrading the productivity of skilled workers. An implication of this theory is that when the relative supply of skilled workers increases exogenously, the skill premium decreases in the short-run, but

then increases, possibly even above its initial value, because the larger market for skill-complementary technologies has changed the direction of technical change. This suggests that the rapid increase in the proportion of college graduates in the U.S. labor force may have been causal in both the decline in the college premium during the 1970's and the large increase in inequality during the 1980's. The paper also derives implications of directed technical change for residual wage inequality and shows that calculations of the impact of international trade on inequality that ignore the change in the direction of technical progress may be misleading.

PD November 1997. TI Why Did The West Extend The Franchise? Democracy, Inequality and Growth in Historical Perspective. AU Acemoglu, Daron; Robinson, James. AA Acemoglu: Massachusetts Institute of Technology. Robinson: University of Southern California. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/23; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 33. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D72, O15. KW Democracy. Enfranchisement. Growth. Inequality. Political Commitment. Redistribution.
AB During the nineteenth century, most Western societies extended the franchise, a decision which led to unprecedented redistributive programs. We argue that these political reforms can be viewed as strategic decisions by political elites to prevent widespread social unrest and revolution. Political transition, rather than redistribution under existing political institutions, occurs because current transfers do not ensure future transfers, while the extension of the franchise changes the future political equilibrium and acts as a commitment to future redistribution. Our theory offers a novel explanation for the Kuznets curve, whereby the fall in inequality follows redistribution due to democratization. We characterize the conditions under which an economy experiences the development path associated with the Kuznets curve, as opposed to two non-democratic paths; an "autocratic disaster", with high inequality and low output; and an "East Asian Miracle", with low inequality and high output.

PD November 1997. TI The Structure of Wages and Investment in General Training. AU Acemoglu, Daron; Pischke, Jorn-Steffen. AA Acemoglu: Massachusetts Institute of Technology. Pischke: Massachusetts Institute of Technology and University of Chicago. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/24; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 26. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE J24, J31, J41. KW Labor-Market Imperfections. Human Capital. Firm-Sponsored Training.
AB In the standard model of human capital with perfect labor markets, workers pay for general training. When labor market frictions compress the structure of wages, firms may invest in the general skills of their employees. The reason is that the distortion in the wage structure turns "technologically" general skills into "specific" skills. Labor market frictions and institutions, such as minimum wages and union wage setting, are crucial in shaping the wage structure, and thus have an important impact on training. Our results suggest that the more frictional and regulated labor markets in Europe and Japan may generate more firm-sponsored general training than the U.S.

Acs, Zoltan J.
TI Entrepeneurship, Geographic Spillovers and University Research: A Spatial Econometric Approach. AU Anselin, Luc; Varga, Attila; Acs, Zoltan J.

Adda, Jerome
PD 1997. TI Balladurette and Juppette: A Discrete Analysis of Scrapping Subsidies. AU Adda, Jerome; Cooper, Russel. AA Adda: CEPREMAP and INRIA. Cooper: Boston University and National Bureau of Economic Research. SR CEPREMAP Discussion Paper: 97/11; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 34. PR 25-35 francs. JE E21, E62, E65. KW Automobiles. Discrete Choice. Aggregation. Tax Credits. France.
AB This paper studies the effects of subsidies on durable goods markets. In particular, the authors study a recent policy in France in which the governments of Balladur and Juppe subsidized the replacement of old cars with new ones. To study this policy, the authors construct a dynamic stochastic discrete choice model of car ownership at the household level. The resulting decision rules and equilibrium conditions are used to estimate, using aggregate data, the underlying parameters of the model. These policy functions are used to evaluate the short and long run effects of the French policies. The authors find that these policies do stimulate the automobile sector in the short run but, through the induced changes in the cross sectional distribution of car ages, create the basis for subsequent low activity. Further, while these policies increase short- run government revenues, long-run revenues are lower relative to a baseline without intervention.

PD 1998. TI Estimation from Cross-Sections of Integrated Time-Series. AU Adda, Jerome; Robin, Jean-Marc. AA Adda: CEPREMAP and INRA. Robin: INRA and INSEE. SR CEPREMAP Discussion Paper: 98/02; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 13. PR 25-35 francs. JE C31, C32, C52. KW Cross-Section. Asymptotic Bias. Integrated Variables.
AB This paper studies under which conditions a cross-section regression yields unbiased estimates of the parameters of an individual dynamic model with fixed effects and individual-specific responses to macro shocks. The authors show that the OLS estimation of a system of non- stationary variables on a cross section yields estimates which converge to the true value when calendar time tends to infinity.

Agenor, Pierre-Richard
PD October 1997. TI Contagion and Volatility with Imperfect Credit Markets. AU Agenor, Pierre-Richard; Aizenman, Joshua. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/127; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 33. PR not available. JE E44, F32, F34. KW Credit Market Imperfections. Volatility. Interest Rate Spreads.
AB This paper interprets contagion effects as an increase in the volatility of aggregate shocks impinging on the domestic economy. The implications of this approach are analyzed in a model with two types of credit market imperfections: domestic banks borrow at a premium on world capital markets, and domestic producers (whose demand for credit results from working capital needs) borrow at a premium from domestic

banks. Higher volatility of producer's productivity shocks increases both domestic and foreign financial spreads and the producer's cost of capital, resulting in lower employment and higher incidence of default. Welfare effects are nonlinearly related to the degree of international financial integration.

PD October 1997. TI Cyclical Fluctuations in Brazil's Real Exchange Rate: The Role of Domestic and External Factors. AU Agenor, Pierre-Richard; Hoffmaister, Alexander W.; Medeiros, Carlos I. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/128; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 32. PR not available. JE E44, F32, F34. KW Real Exchange Rate. Capital Inflows. Vector Autoregression. Brazil.
AB This paper examines the effects of capital inflows and domestic factors on Brazil's real exchange rate. It describes the analytical framework, and then estimates a near-VAR model linking capital flows, interest rate differentials, government spending, money-base velocity, and the temporary component of the real exchange rate (TCRER). Generalized variance decompositions indicate that world-rate interest- rate shocks largely explain medium-term fluctuations in capital flows and the TCRER. Generalized impulse response functions show that a reduction in the world interest rate (and, to a lesser extent, an increase in government spending) have significant effects on the TCRER and capital flows.

Aggeri, F.
PD February 1997. TI A Dynamic Model of Environmental Policies: The Case of Innovation Oriented Voluntary Agreements. AU Aggeri, F.; Hatchuel, A. AA Ecole des Mines de Paris. SR Fondazione Eni Enrico Mattei Note di Lavoro: 24/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 29. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE K32, L51. KW Environmental Policy. Voluntary Agreements. Regulation.
AB Why do governments and industry contract voluntary agreements (VA) for the improvement of the environment? The theoretical interpretation of this process challenges the classical approaches of regulation, particularly the regulatory capture theory and its agency-theory extensions. The same theoretical perspectives can highlight the drawbacks that threaten such agreements and indicate a dynamic pattern of increasing interventionism. A general regulation strategy can thus be defined in three phases: 1) establishment of a VA; 2) if necessary, reinforcement through legal standards and policy monitoring; 3) if -- and only if -- environmental goals are not attained, taxes and regulation might be considered. The latter instruments are applied when enough knowledge is available to limit perverse effects. This strategy is profoundly meaningful: public intervention requires knowledge, but also guides the production of knowledge. Hence, any intervention strategy has to be based on a specific and explicit pattern of collective learning.

Aghion, Phillipe
PD 1997. TI Dualism and Macroeconomic Volatility. AU Aghion, Phillipe; Banerjee, Abhijit; Piketty, Thomas. AA Aghion: University College and EBRED. Banerjee: Massachusetts Institute of Technology. Piketty: CEPREMAP and CNRS. SR CEPREMAP Discussion Paper: 97/20;

Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013- Paris, France. PG 42. PR 25-35 francs. JE E32, E62. KW Business Fluctuations. Fiscal Policy.
AB This paper develops a simple macroeconomic model that shows that capital market imperfections together with unequal access to investment opportunities across individuals, can generate endogenous macroeconomic volatility, that results in permanent fluctuations in aggregate GDP, investment and interest rates. Structural policies reducing the extent of dualism can therefore be a necessary condition for macroeconomic stabilization. The authors' model of the business cycle also offers a transparent rationale for countercyclical fiscal policies: since slumps are periods where some idle savings are not being used efficiently because of the limited debt capacity of potential investors, one natural strategy to foster recovery is to issue public debt during recessions in order to absorb those idle savings and finance investment subsidies and/or tax cuts for investors.

Aizenman, Joshua
TI Contagion and Volatility with Imperfect Credit Markets.
AU Agenor, Pierre-Richard; Aizenman, Joshua.

Ajrnaes, Mette
PD November 1997. TI Market Integration and Grain Price Stabilization in Europe 1500-1900. An Equilibrium Error Correction Approach. AU Ajrnaes, Mette; Persson, Karl Gunnar. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/15; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. PG 61. PR no charge. JE F15, N23, N73. KW Market Integration. Error Correction. One Price Law. Europe.
AB Over the 400 years covered by this study European grain markets became increasingly integrated as measured by the speed of adjustment back to equilibrium after a shock. Market integration smoothed local supply shocks and therefore generated price stability which can be seen as having a positive welfare effect.

Alavi, Maryam
PD 1997. TI Knowledge Management Systems: Emerging Views and Practices From the Field. AU Alavi, Maryam; Leidner, Dorothy E. AA Alavi: University of Maryland. Leidner: INSEAD. SR INSEAD Working Papers: 97/97/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 31. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D21, L15, L21, M21. KW Knowledge Management. Organizational Learning. Information Systems.
AB The knowledge-based theory of the firm suggests that knowledge is the organizational asset that enables sustainable competitive advantage in hypercompetitive environments. The emphasis on knowledge in today's organizations is based on the assumption that barriers to the transfer and replication of knowledge endow it with strategic importance. Many organizations are developing information systems designed specifically to facilitate the sharing and integration of knowledge. Such systems are referred to as Knowledge Management System (KMS). Because KMS are just beginning to appear in organizations, there exists little research and field

data to guide the development and implementation of such systems or to guide expectations of the potential benefits of such systems. The current study provides an analysis of current practices and outcomes of KMS and the nature of KMS as they are evolving in fifty organizations.

Albano, Gian Luigi
PD March 1997. TI Provision of Quality and Certification Intermediaries. AU Albano, Gian Luigi; Lizzeri, Alessandro. AA Albano: Universite Catholique de Louvain. Lizzeri: Princeton University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 37/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 22. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C72, D82, L15. KW Information Revelation. Disclosure Rule. Certification. Product Quality. Asymmetric Information.
AB If buyers do not observe the quality of a product and production of quality is costly, market allocations can be very inefficient. Certification intermediaries are institutions that provide information about quality to buyers. The amount of information in the market determines the incentives that producers have to provide high quality goods. In this paper, the authors model information revelation as a strategic variable of intermediaries. The amount of disclosed information is shown to deeply influence both the intermediary's profits and the distribution of quality produced in equilibrium. The authors show that a monopoly intermediary will provide noisy signals of quality and that the quality produced in equilibrium is the same as the one that would be chosen by a monopsonistic buyer who optimally designs a mechanism. Efficiency is increased by the intermediary but less quality is produced in equilibrium than under complete information.

Alonso-Gamo, Patricia
PD September 1997. TI Globalization and Growth Prospects in Arab Countries. AU Alonso-Gamo, Patricia; Fedelino, Annalisa; Horvitz, Sebastian Paris. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/125; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 49. PR not available. JE F15, F21, F43, O40. KW Globalization. Growth. Arab Countries.
AB Globalization -- the intensification of international trade and finance linkages underpinned by economic liberalization and technological change -- presents both challenges and opportunities to Arab countries. After reviewing this region's disappointing performance in integration and growth, this paper analyzes the empirical relationship between the two and concludes that integration is necessary if high growth rates are to be attained and the region is not to become marginalized. It then identifies the main obstacles to the integration of Arab countries into the world economy and reviews recent progress in overcoming them. On this basis, the paper derives some policy prescriptions.

Amir, Eli
PD November 1997. TI Accounting Recognition of Additional Minimum Liability Affects Pension Asset Allocation: Empirical Evidence. AU Amir, Eli; Benartzi, Shlomo. AA Amir: Columbia University. Shlomo: University of California, Los Angeles. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/11; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 40. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE M41. KW Accounting Recognition. Asset Allocation. Pension Assets.
AB We identify and test motives for corporate pension asset allocations using a proprietary asset allocation database covering the 1988-1994 period. We focus on the question whether the recognition of additional minimum pension liability in accordance with SFAS No. 87 affects asset allocation. The results indicate that firms allocate their pension assets to avoid the recognition of an additional minimum liability. In particular, firms with a relatively high probability of recognizing an additional minimum liability prefer fixed income investments rather than equity investments. By investing in fixed income securities firms increase the correlation between pension assets and liabilities, reducing the likelihood of a pension deficit. Our results also suggest that firms allocate their pension assets between equities and fixed income investments to reduce the volatility of pension contributions. Finally, we find that firms with a young workforce and stable earnings prefer equity investments to fixed income investments.

PD December 1997. TI Firm Valuation With Deferred Taxes: A Theoretical Framework. AU Amir, Eli; Kirschenheiter, Michael; Willard, Kristen. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/13; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 41. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G12, M41. KW Firm Valuation. Deferred Taxes.
AB This paper proposes a method for valuing a firm's debt and equity that relies on readily-accessible current accounting data applied in an easily understood and intuitively appealing manner and which addresses the impact of a firm's accounting for taxes on a its economic profitability. Drawing on the recent work of Feltham and Ohlson [1995], and using the notion of zero NPV transactions to define abnormal earnings, we derive parsimonious expressions for the value of a firm's equity and debt in terms of current book values and future abnormal earnings which require no separate adjustments for deferred tax balances. We contrast these expressions for firm value with the expressions for firm value that result when we define normal earnings as is usually done; that is as the risk-free rate times the book value of the net assets, ignoring the deferred tax accounting. We show that the value of equity will include adjustments similar to the debt and accounting tax shields often discussed in the finance literature only under these alternative definitions of abnormal earnings. Finally, assuming a linear dynamic structure, we derive the value of equity in solely in terms of current accounting data and analyze how such accounting and economic features affect the equity value of the firm.

Amiti, Mary
PD September 1997. TI Specialization Patterns in Europe. AA London School of Economics and Universitat Pompeu Fabra. SR London School of Economics, Center for

Economic Performance Discussion Paper: 363; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 42. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** F14, F19, L60. **KW** Inter-Industry Trade. Intra-Industry Trade. Specialization. European Union.

AB The purpose of this paper is to analyze whether specialization has increased in European Union countries, and to determine whether specialization patterns are consistent with trade theories. The author presents evidence of increasing specialization in European Union countries between 1968 and 1990. The author identifies which industries have increased in geographical concentration and show the characteristics of these industries are consistent with what is predicted by trade theories. The industries with increasing geographical concentration are characterized by high scale economics and high proportions of intermediate goods in production, providing support for the new trade theories and the economic geography theories.

Anderson, Ronald W.

PD December 1997. **TI** Corporate Bond Yield Spreads and the Term Structure. **AU** Anderson, Ronald W.; Pan, Yonghua; Sundaresan, Suresh. **AA** Anderson: Universite Catholique De Louvain and City University of New York. Pan and Sundaresan: Columbia University. **SR** Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/15; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. **PG** 45. **PR** $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). **JE** G12, G13. **KW** Corporate Securities. Yield Curve. Corporate Debt.

AB This paper develops a model in continuous-time setting for design and valuation of corporate securities. Our model is flexible enough to cover many corporate securities including straight bonds, callable bonds, convertible bonds or other hybrids. The interest rate process is modeled such that it can be fitted to market data of yield curve. The model also integrates strategic service in corporate debt to address the issue of security design. We provide a rationale for the existence of call provisions and convertibility features in corporate debt: they are shown to minimize the expected cost of liquidation thereby leading to the improvement of the welfare of both equity and debt holders.

Angehrn, Albert A.

TI Understanding Organizational Implications of Change Processes: A Multimedia Simulation Approach. **AU** Manzoni, Jean-Francois; Angehrn, Albert A.

Angrist, Joshua D.

PD May 1998. **TI** The Palestinian Labor Market Between the Gulf War and Autonomy. **AA** Massachusetts Institute of Technology and National Bureau of Economic Research. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 98/05; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 32. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** J21, J31, O53. **KW** Wages. Employment. West Bank. Gaza Strip.

AB The early 1990's were an eventful time in the Middle East. Key events include the Gulf War, the Madrid peace conference, and the introduction of Palestinian autonomy in all of the Gaza Strip and in most West Bank population centers. This period also provides the last chance to look at economic conditions in the territories through the lens of the long-running Israeli survey program, which ended with the transfer of civil authority to the Palestinians. I use the Israeli survey data to describe labor market conditions in the territories on the eve of autonomy. Special attention is given to the impact of changing employment opportunities for Palestinians in Israel and to the situation of Palestinian refugees. Policy implications of the findings are discussed.

PD October 1998. **TI** Empirical Strategies in Labor Economics. **AU** Angrist, Joshua D.; Krueger, Alan B. **AA** Angrist: Massachusetts Institute of Technology and National Bureau of Economic Research. Krueger: Princeton University and National Bureau of Economic Research. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 98/07R; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 85. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C10, C81, J31. **KW** Labor Economics.

AB This chapter provides an overview of the methodological and practical issues that arise when estimating causal relationships that are of interest to labor economists. The subject matter includes identification, data collection, and measurement problems. Four identification strategies are discussed, and five empirical examples -- the effects of schooling, unions, immigration, military service and class size -- illustrate the methodological points. In discussing each example, we adopt an experimentalist perspective that draws a clear distinction between variables that have causal effects, control variables, and outcome variables. The chapter also discusses secondary data sets, primary data collection strategies, and administrative data. The section on measurement issues focuses on recent empirical examples, presents a summary of empirical findings on the reliability of key labor market data, and briefly reviews the role of survey sampling weights and the allocation of missing values in empirical research.

Anselin, Luc

PD June 1997. **TI** Entrepeneurship, Geographic Spillovers and University Research: A Spatial Econometric Approach. **AU** Anselin, Luc; Varga, Attila; Acs, Zoltan J. **AA** Anselin: West Virginia University. Varga: West Virginia University and Janus Pannonius University. Acs: U.S. Small Business Administration and University of Baltimore. **SR** University of Cambridge, ESRC Center for Business Research Working Papers: WP59; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 15. **PR** $10.00 (5 pounds); checks payable to University of Cambridge. **JE** L10, L60, O31, R11. **KW** Knowledge Spillovers. University Research. High Technology. Multivariate Approach.

AB This paper investigates the issue of local geographic spillovers between university research and innovative activity by small high technology firms in the USA, using Small Business Administration Innovation Data for 125 metropolitan

regions and four different high technology sectors (drugs and chemicals; machinery; electronics; and instruments). The analyses employ an explicit spatial econometric perspective to implement the classic Griliches-Jaffe knowledge production framework. However, in contrast to Jaffe's finding of only weak evidence of knowledge spillovers, the results of the spatial econometric analyses reveal a positive and significant relationship between university research and regional rates of innovation, both directly and indirectly through its impact on private sector R&D. University spillovers appear to be particularly strong for innovations in the electronics and instrument sectors.

Archibugi, Daniele

TI The Nature and Impact of Innovation in Manufacturing Industry: Some Evidence from the Italian Innovation Survey. AU Evangelista, Rinaldo; Perani, Giulio; Rapiti, Fabio; Archibugi, Daniele.

PD December 1997. TI The Policy Implications of the Globalization of Innovation. AU Archibugi, Daniele; Iammarino, Simona. AA Archibugi: National Research Council of Italy. Iammarino: University of Reading. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP75; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 27. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE F23, L20, O31, O34, O38. KW Innovation. Globalization. Multinational Firms. Technological Collaboration.
AB The paper develops a taxonomy of the globalization of innovation based on three categories: (1) the international exploitation of technology produced on a national basis, (2) the global generation of innovations, and (3) global technological collaboration. The most evident changes implied by the increasing globalization of innovation and technology are the tougher and increased competition and the greater collaboration between actors, both across and within national boundaries. The advantages, just as the costs, of these tendencies can be substantial, leading to a higher risk of "winners and losers". The paper analyzes the different impact that each category might have on the economic and innovative performance of countries and regions, with the aim of defining the implications for national policies. It is suggested that public policies play a different role in each of the three processes of the globalization of innovation and that a single strategy does not exist.

Arden, Richard

PD June 1997. TI Asymmetries in Private Sector Investment Expenditure: An Empirical Investigation. AU Arden, Richard; Holly, Sean; Turner, Paul. AA Arden and Holly: University of Cambridge. Turner: University of Sheffield. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/16; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 13. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C22, E22, E32. KW Investment. Asymmetries. Tobin's Q.
AB This paper is concerned with the estimation and simulation of a model of aggregate private sector non-residential investment. Its interest in investment centers on two main issues: the first is the role of the equity market in the transmission mechanism, while the second is the possibility of asymmetric responses of investment to business cycle fluctuations. Evidence is found that both these factors are important.

PD July 1997. TI The Asymmetric Adjustment of Prices: Theory and Evidence from UK Manufacturing. AU Arden, Richard; Holly, Sean; Turner, Paul. AA Arden and Holly: University of Cambridge. Turner: University of Sheffield. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/15; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 18. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C22, E31. KW Inflation. Price Adjustment. Cointegration. United Kingdom.
AB This paper provides some empirical evidence of asymmetric price adjustment. There have been a number of models put forward recently by Tsiddon and Ball and Mankiw in which it is optimal for the firm to respond asymmetrically to cost and demand shocks. In this paper this hypothesis is investigated using UK data on manufacturing product prices. Some evidence is provided to support the hypothesis and it is found that if prices are below what they should be, firms raise their prices more quickly than when prices are above what they should be. When there is trend inflation there is less incentive to cut prices when it is costly, because there is a high probability that subsequent shocks will require a rise in prices. It is also found that this asymmetry diminishes as the inflation rate falls. Moreover, below 2% inflation the asymmetry is reversed.

PD July 1997. TI Asymmetric Adjustment Costs, Asymmetric Pricing and Employment: Evidence from the UK. AU Arden, Richard; Holly, Sean; Turner, Paul. AA Arden and Holly: University of Cambridge. Turner: University of Sheffield. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/17; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 13. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C32, E24, E32. KW Employment. Labor Demand. Price Adjustment. Cointegration. Adjustment Costs.
AB This paper uses an asymmetric multivariate model to investigate asymmetries in employment and pricing behavior by firms. This generalizes the approach of Granger and Lee (1989) and also exploits the cross-equation restrictions on the equations for prices and employment implied by a restricted cost function -- the dual to a Cobb- Douglas production function. The results suggest that both prices and employment respond asymmetrically to shocks to costs and demand.

PD August 1997. TI Production Smoothing, Inventory Investment and Asymmetric Adjustment. AU Arden, Richard; Holly, Sean; Turner, Paul. AA Arden and Holly: University of Cambridge. Turner: University of Sheffield. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/19; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom.

Website:www.econ.cam.ac.uk/dae. PG 22. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C22, E22, E23, E32. KW Inventories. Asymmetries. Business Cycles. United Kingdom.

AB There is now a plethora of non-linear time-series models of output over the business cycle, and considerable empirical evidence that there are key non-linear, poorly understood mechanisms at work. Inventories, though a small part of the total flow of national income, play a disproportionately large role in fluctuations in output. It would seem natural to try to determine what role inventories play in the non-linear behavior of the business cycle. The first question to ask is, are there economic models of firm behavior that would suggest that the movement of inventories over the business cycle is non-linear? The second issue is whether the authors can detect such non-linearity in the data. In this paper, data are used on the inventories behavior of UK manufacturing, disaggregated according to the stage of fabrication. It is found that the asymmetric adjustment of inventories varies with the stage of fabrication.

Arora, Vivek B.

PD October 1997. TI Intergovernmental Fiscal Relations: The Chinese System in Perspective. AU Arora, Vivek B.; Norregaard, John.. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/129; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 27. PR not available. JE H71, H72, H77. KW Fiscal Federalism. Stabilization. China.

AB This paper provides an overview of recent Chinese reforms to introduce a modern system of fiscal federalism that balances the need for central macroeconomic control with the economic advantages of decentralized government. Following a discussion of the rationale for decentralization, the paper describes the main structural and economic developments in China in this area, including their own economic stabilization. The key measures in the 1994 fiscal reforms as well as reform initiatives needed in the future are also discussed.

Arreaza, Adriana

PD December 1997. TI Consumption Smoothing Through Fiscal Policy in OECD and EU Countries. AU Arreaza, Adriana; Sorensen, Bent E.; Yosha, Oved. AA Arreaza and Sorensen: Brown University. Yosha: Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 37/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 34. PR no charge. JE E20, E60, F15, G15. KW Fiscal Institutions. Government Deficits. Income Insurance. Capital Markets International Integration. Risk Sharing.

AB We measure the amount of smoothing achieved through various components of the government deficit in EU and OECD countries. For EU countries, at the 1-year frequency, 13 percent of shocks to GDP are smoothed via government consumption, 18 percent via transfers, 5 percent via subsidies, while taxes provide no smoothing. The results for OECD countries are similar. Government transfers provide more smoothing of negative than of positive shocks among EU countries. There seems to be no tradeoff between high government deficits in a country and the ability to smooth consumption. We find that in countries where there is "delegation" of power or where fiscal targets are negotiated effectively by coalition members, consumption smoothing via government consumption and government transfers is considerably higher. We interpret this finding as evidence that effective budgetary institutions can accomplish efficient consumption smoothing via government deficit spending and lower average deficits.

Artale, Angelo

PD July 1997. TI A Model of Stability and Persistence in a Democracy. AU Artale, Angelo; Gruener, Hans Peter. AA Artale: Mitchell Madison Group, New York. Gruener: University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A556; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 24. PR no charge. JE C72, D72. KW Democracy. Political Stability. Political Persistence.

AB The authors develop an intertemporal model of political competition which accounts for three stylized facts of political life in representative democracies: (i) the absence of discrimination and excessively cycling majorities (political stability), (ii) a limited degree of political competition and (iii) the persistence of different political outcomes in otherwise similar economies. Their analysis is founded on the observation that political stability is desirable for risk-averse voters. Rational voters should therefore coordinate and restrict policy proposals to "decent" ones, i.e. to proposals which do not discriminate against single groups in favor of the others. The authors interpret the voting behavior of socio-economic groups as the cooperative solution of the voting-dilemma and derive properties of the set of possible political outcomes.

Artstein, Yael

PD December 1997. TI Wage Rigidity in Israel: Institutions vs. Market Forces. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 35/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 32. PR no charge. JE J31. KW Industry Wages. Wage Rigidity. Primary Sector.

AB A basic feature of the industry wage model presented here is a distinction between unionized industries, with collective bargaining and thus a rigid wage setting framework, and non-unionized industries, where wage determination is more competitive. The Israeli data support this model and point to a delayed reaction to shocks and substantial real wage inertia in the unionized industries, while wages in the other industries react promptly to shocks. Yet, due to strong interdependencies between wages in the two sectors, some wage inertia enters into the non-unionized sector's wages, and at the same time its more competitive wage setting reduces wage rigidity in the unionized sector. These wage interactions evolve over time, so that in the long run even a rather small competitive sector contributes to a reduction in overall wage rigidity.

Ascari, Guido

PD 1997. TI Staggered Wages and Disinflation Dynamics: What Can More Microfoundations Tell Us? AU Ascari, Guido; Rankin, Neil. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/16; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen

K, Denmark. Website:www.econ.ku.dk. PG 32. PR no charge. JE E31, E32, E51, E52. KW Disinflation. Money Supply. Staggered Wages. Microfoundations.
AB While there is now a quite widely held understanding of how staggered preset pricing is the most likely source of persistent negative output effects of a permanent reduction in the level of the money supply, a puzzle has arisen concerning whether it produces similar effects in the face of a permanent reduction in the money supply's rate of growth. Ball (1994) presents a macromodel with the surprising result that "with credible policy and a realistic specification of staggering, quick disinflations cause booms." In this paper the authors apply a dynamic general equilibrium approach to the disinflation puzzle. The advantages of this more microfounded approach are that it leads to an internally consistent model. The most notable finding is that preannounced disinflation cannot cause a boom. They show that, in response to the announcement of future disinflation, output falls, and along its subsequent time path it never exceeds its original level.

Ashford, Nicholas

PD February 1997. TI The Influence of Information -- Based Initiatives and Negotiated Environmental Agreements on Technological Change. AA Massachusetts Institute of Technology. SR Fondazione Eni Enrico Mattei Note di Lavoro: 16/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 14. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE K32, L51, O31, O38. KW Technological Change. Innovation. Negotiated Agreements. Voluntary Agreements. Environmental Regulation.
AB Polluting firms must have the willingness, opportunity, and capacity or capability to undertake technological changes to improve their environmental performance. These changes could involve the adoption (diffusion) of already-proven technologies, or require incremental to radical innovation. This paper addresses the likely effects on technological change of a variety of so-called "voluntary approaches" to environmental problems including eco-labeling; eco-audits; pollution reporting requirements; the negotiation of emission, effluent, waste and technology-based standards for compliance; and innovation waivers. The capability to change depends on both the inherent innovativeness of the firm and available economic resources. It is important to think about what kind of technological change is needed to address an environmental problem and who is in the best position to deliver it. Sometimes the firms creating the problems are not capable of providing the needed or best solutions, and a new entrant must displace the polluting firm or technology.

Askenary, Philippe

PD 1997. TI A Model of Optimal Growth Strategy. AU Askenary, Philippe; Le Van, Cuong. AA Askenary: DELTA. Le Van: CNRS and CEPREMAP. SR CEPREMAP Discussion Paper: 97/07; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 30. PR 25-35 francs. JE C61, D92, O12, O41. KW Euler Equations. Value Function. Saddle Point. Poverty Trap. Debt Constraint.
AB In this paper the authors present an optimal growth model for an open developing country. The latter may choose to produce consumption goods by borrowing on capital markets, or to import consumption goods by investing all its saving in

capital markets. The authors prove that there may be two steady states. An optimal path converges either to zero or to a steady state. That depends on the levels of the initial aid and/or of the debt constraint. They prove also there exists a poverty trap if the time preference is high.

Athey, Susan

PD January 1998. TI Mentoring and Diversity. AU Athey, Susan; Avery, Christopher; Zensky, Peter. AA Athey: Massachusetts Institute of Technology. Avery: Stanford University. Zensky: INSEAD. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 98/02; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 38. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE J20. KW Mentoring. Diversity.
AB This paper studies the forces which determine how diversity at a firm evolves over time. We consider a dynamic model of a single firm with two levels of employees, the entry level and the upper level. In each period, the firm selects a subset of the entry- level worker pool that vary in their initial ability as well as in their "type," where type could refer to gender or cultural background. Employees augment their initial ability by acquiring specific human capital in mentoring interactions with upper level employees. We assume that an entry-level workers match the entry-level worker's type. In this model, it is optimal for the firm to consider type in addition to ability in making promotion decisions, so as to maximize the effectiveness of future mentoring. We derive conditions under which firms attain full diversity, as well as conditions under which there are multiple steady states, so that the level of diversity depends on the firm's initial conditions. With multiple steady states, temporary affirmative action policies can have a long-run impact on diversity levels.

PD March 1998. 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 Papers: 96/22R; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 36. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE C60, D80. KW Comparative Statics. Single Crossing. Affiliation. Log-Supermodularity. Uncertainty. Risk Aversion.
AB This paper develops necessary and sufficient conditions for monotone comparative statics predictions in several classes of stochastic optimization problems. The results are formulated so as to highlight the tradeoffs between assumptions about payoff functions and assumptions about probability distributions; they characterize "minimal sufficient conditions" on a pair of functions (for example, a utility function and a probability distribution) so that the expected utility satisfies necessary and sufficient conditions for comparative statics predictions. The paper considers two main classes of assumptions on primitives: single crossing properties and log-supermodularity. Single crossing properties arise naturally in portfolio investment problems and auction games. Log-supermodularity is closely related to several commonly studied economic properties, including decreasing absolute risk aversion, affiliation of random variables, and the monotone likelihood ratio property. The results are used to extend the existing literature on investment problems and games of incomplete information, including auction games and pricing

games.

PD August 1998. **TI** Characterizing Properties of Stochastic Objective Functions. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 96/1R; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 34. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** C60, C61, D80. **KW** Stochastic Dominance. Supermodularity. Quasi-Supermodularity. Uncertainty. Investment. Comparative Statics.

AB This paper develops tools for analyzing properties of stochastic objective functions with a specific form (V(x,theta)). The paper analyzes the relationship between properties of the primitive functions, such as utility functions u and probability distributions P, and properties of the stochastic objective. The methods are designed to address problems where the utility function is restricted to lie in a set of functions which is a "closed convex cone" (examples of such sets include increasing functions, concave functions, or supermodular functions). It is shown that approaches previously applied to characterize monotonicity of V (that is, stochastic dominance theorems) can be used to establish other properties of V as well. The first part of the paper establishes necessary and sufficient conditions for V to satisfy "closed convex cone properties" such as monotonicity, supermodularity, and concavity, in the parameter theta. Then, we consider necessary and sufficient conditions for monotone comparative statics predictions, building on the results of Milgrom and Shannon (1994). A new property of payoff functions is introduced, called I-supermodularity, which is shown to be necessary and sufficient for V(x,theta) to be quasi-supermodular in x (a property which is, in turn, necessary for comparative statics predictions). The results are illustrated with applications.

Athreye, Suma

PD September 1997. **TI** Technological Convergence, Globalization and Ownership in the UK Computer Industry. **AU** Athreye, Suma; Keeble, David. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Papers: WP67; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. **PG** 29. **PR** $10.00 (5 pounds); make checks payable to University of Cambridge. **JE** F23, L10, L63, O31, O32. **KW** Globalization. Computer Industry. Firm Ownership. Technological Change. Foreign Direct Investment.

AB Among the causative factors that explain acquisition and ownership are firm-specific factors and factors that may be expected to influence the whole industry. With regard to the latter, an important aspect of the electronics industry generally, and the computer industry in particular, has been the rapidity and nature of technological change in this sector. Thus, several writers have pointed to the implications of convergence in technologies for technological complexity and therefore for firm and industry organization and ownership. Equally important in this industry have been the forces of globalization and internationalization of production, resulting in the establishment of foreign-owned subsidiaries. This paper attempts to investigate the strength and nature of technological factors in explaining ownership patterns in the UK computer sector. It also examines ownership by nationality of parent companies.

Atkinson, Anthony B.

PD May 1997. **TI** Measurement of Trends in Poverty and the Income Distribution. **AA** University of Oxford. **SR** University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/12; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. **PG** 54. **PR** $10.00 (5 pounds); make checks payable to University of Cambridge. **JE** D31, D32, I31, I32. **KW** Income Distribution. Poverty. Europe.

AB This paper reports on the recent evolution of the distribution of income and income poverty in five European countries: Belgium, France, Ireland, Italy and the UK. The aim is to demonstrate the value of a unified perspective by asking the same questions of evidence from a range of sources. The paper draws on studies of individual countries and on studies which compare two or more countries. It focuses on the 1980's and 1990's, although comparable evidence from earlier years is also reported.

Auernheimer, Leonardo

PD September 1997. **TI** Shock Versus Gradualism in Models of Rational Expectations: The Case of Trade Liberalization. **AU** Auernheimer, Leonardo; George, Susan Mary. **AA** Auernheimer: Texas A&M and International Monetary Fund. George: George Washington University and International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/97/122; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 20. **PR** not available. **JE** F13, F41. **KW** Trade Liberalization. Shock. Gradualism.

AB This paper provides a new argument for shock versus gradualism in the implementation of trade policies. In the simple context of a small open economy with rational expectations, the authors consider the comparative welfare effects of eliminating an import tariff either immediately as an unanticipated shock, or gradually over a pre-announced length of time. The gradualist policy introduces a distortion in consumption- accumulation decisions and generates welfare costs. And if the gradual change is extended over too long a period, these costs may exceed the long-run benefits of liberalization.

Austen-Smith, David

PD March 1997. **TI** Endogenous Informational Lobbying. **AA** Northwestern University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 27/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 33. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D72. **KW** Informational Lobbying. Collective Action. Campaign Contributions. Legislative Access.

AB The focus of this paper is on individuals' decisions to seek access to influence a legislator's policy choice from a given binary agenda under uncertainty. In the model, influence is exclusively through the provision of information regarding the true state of the world, and money is used exclusively to seek access to the legislator to exert such influence. However, bias can occur through differences in individuals' willingness to contribute to seek access and through choice of argument at the

lobbying stage. Among the results are that the decision of moderates to seek access is independent of others' decisions, but this is not true of extremists; that although the policy preferences of the legislator coincide with those of the moderates, the legislator often sets the required contribution from moderates higher than that from extremists; and, finally, that (expected) "bias" in decision making typically exists and persists.

Autio, Erkko
AB This paper develops a set of hypotheses designed to predict the intensity of networking in the international growth of new, technology-based firms. The model draws on both the resource-based (or knowledge-based) and contractual views of the firm. The model is tested empirically with data from 86 new technology-based firms in Finland. Mixed support for the model is found. Pointers for future research are discussed.

Avery, Christopher

Ayres, Robert U.
AB This paper proposes a new approach to growth theory. The rationale is two-fold. First, the old (Solow-type) theory is increasingly unable to explain the "stylized facts" of growth. The second part of the rationale is that the standard theory is based on so-called neoclassical "microfoundations" that are both internally inconsistent and unnecessary. The new approach has three important features. First, it acknowledges the importance of natural resources as a driver of past and present economic growth, especially in the context of substituting mechanical power for human labor. Second, it introduces a new composite form of production function explicitly reflecting the fact that the important (i.e. scarce) factors of production in economics can and do change over time. The third new feature is that, in place of a technical progress term that is a calculated residual, the new model proposes an explicit quantitative measure of the state of technology.

a Feasible Path? AA INSEAD. SR INSEAD Working Papers: 97/80/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 40. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE O13, O40, Q28, Q32, Q38. KW Zero Emissions. Sustainability. Economic Policy.
AB Wastes and emissions are part of the product life cycle; indeed they are the final fate of most extractive raw materials. The law of conservation of mass holds. It implies that zero emissions is equivalent to zero extraction i.e. final closure of the materials cycle. Ecological sustainability at the global level is not consistent with continuously increasing extraction, processing, consumption and waste emissions by individual households or firms. This stark fact implies that economic growth must, in the long run, either be disconnected from material consumption or stop altogether. Since the latter outcome would be socially unacceptable, the former must become a major objective of environmental and economic policy at the government level. But it must also become a core strategy for firms. This paper concludes that there is a zero-emissions strategy at the firm level: to sell services rather than products. Policy implications for firms and governments are considered.

AB The paper suggests a direct measure of technological progress that can be quantified with reasonable confidence on the basis of historical data. The proposed measure is the efficiency with which resources are converted into final services. It decomposes into two components, namely the thermodynamic efficiency of converting an energy source into mechanical work and the efficiency with which mechanical work is used to produce final services. The first part of this can be estimated, by sector, with fair accuracy. The second part can only be estimated with reasonable accuracy in a few cases (such as transportation and illumination), but the results are sufficient to permit some plausible extrapolation. The proposed measure is of interest in itself. But perhaps it is more important insofar as it suggests a way to construct an economic production function that explicitly reflects technological change, rather than treating "technical progress" as an unexplained residual.

AB A recent publication in Nature suggests that the economic value of global ecosystem services is between $16 trillion and $54 trillion, with an average of $33 trillion. This far exceeds the aggregate Gross World Product ($18 trillion). It is argued herein that the foregoing estimate is based on

methodological assumptions that are seriously flawed. The use of willingness-to-pay survey data for estimation values in the absence of market prices is problematic, as is well-known. But the conclusion that ecosystem services are worth more than gross world product (GWP) is internally inconsistent. An hypothetical general equilibrium GWP incorporating monetized ecosystem services within a virtual market must reflect not only hypothetical payments by the rest of the economy for ecosystem services (i.e. to ecosystems, or their proxies) but also payments by ecosystems for economic services such as protection and rehabilitation.

Aziz, Jahangir
PD September 1997. TI Policy Complementarities and the Washington Consensus. AU Aziz, Jahangir; Wescott, Robert F. AA World Economic Studies and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/118; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 20. PR not available. JE F43, O23, O38, O40. KW Economic Growth. Development Policies. Complementarities.
AB While economists continue to debate whether particular economic policies, such as those referred to in Williamson's (1993) "Washington Consensus," can spur growth in developing countries, this paper demonstrates that it is combinations of policies that are more critical for growth. Policy complementarity refers to the mutually reinforcing benefits of policies that create an environment that is conducive to investment and growth. Quantitative measures of policy complementarity are developed, and the study shows empirically, through both an outcomes-based probability framework and a standard regression analysis, that these complementarities are significant and robust in explaining growth outcomes over the period 1985-95.

Bacchetta, Philippe
PD August 1997. TI Consumption and Credit Constraints: International Evidence. AU Bacchetta, Philippe; Gerlach, Stefan. AA Bacchetta: Universite de Lausanne and Center for Economic Policy Research. Gerlach: Center for Economic Policy Research and Bank for International Settlements, Basle, Switzerland. SR Universite de Lausanne Cahiers de Recherches Economiques: 9707; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 27. PR no charge. JE D12, E21, E51. KW Consumption. Credit. Liquidity Constraints. Kalman Filter.
AB If some consumers are liquidity-constrained, aggregate consumption should be "excessively sensitive" to credit conditions as well as to income. Moreover, the "excess sensitivity" may vary over time. Using data for the United States, Canada, the United Kingdom, Japan and France, the authors find a substantial impact of credit aggregates on consumption in all countries considered. Moreover, the borrowing/lending wedge is a significant determinant of consumption in the United States, Canada and Japan. Using extended Kalman filtering techniques, the authors show that the excess sensitivity varies over time, with a clear tendency to decline in the United States.

Balazs, Katharina
TI Beyond the Quick Fix: The Psychodynamics of Organizational Transformation and Change. AU Kets De Vries, Manfred F. R.; Balazs, Katharina.

Balls, Edward
PD November 1997. TI Open Macroeconomics in an Open Economy. AA London School of Economics. SR London School of Economics Center for Economic Performance Occasional Paper: 13; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. PG 40. PR no charge. JE E61, F41, H11, H50. KW Open Macroeconomics. Open Economy. Labor Government. Economic Policy.
AB There are three pillars of the new Labor Government's approach to economic policy: delivering macroeconomic stability, tackling the supply-side barriers to growth and delivering employment and economic opportunities to all. This lecture focuses on the reforms the new government has introduced in order to deliver macroeconomic stability and why open and transparent institutions and procedures are central to those reforms. The lecture sets out four principles for macroeconomic policymaking which flow from changes in the world economy and the world of economic ideas over the past twenty or thirty years. These are: (1) the principle of stability through constrained discretion; (2) the principle of credibility through sound, long-term policies; (3) the principle of credibility through maximum transparency; and (4) the principle of credibility through pre- commitment. Each principle is explained and how they are being translated into practice in macroeconomic policy reforms at the Treasury and Bank of England is described.

Banerjee, Abhijit
TI Dualism and Macroeconomic Volatility. AU Aghion, Phillipe; Banerjee, Abhijit; Piketty, Thomas.

Bayoumi, Tamim
PD August 1997. TI Japanese Foreign Direct Investment and Regional Trade. AU Bayoumi, Tamim; Lipworth, Gabrielle. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/103; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 35. PR not available. JE F15, F21, F31. KW Foreign Direct Investment. Hollowing Out. Trade Linkages. Japan. Exchange Rates.
AB The authors examine the relationship between Japanese FDI outflows, domestic and foreign fixed investment, and the exchange rate. The results indicate that aggregate FDI outflows have been driven by investment in Japan and the exchange rate, while the geographic distribution of such investment has been influenced by foreign economic conditions. The authors also find that FDI outflows have a temporary impact on exports but a permanent effect on imports. They find no evidence that behavior with respect to East Asia differs from that with respect to North America or Europe.

Beaudry, Paul
PD 1997. TI Taxes and Employment Subsidies in an Optimal Redistribution Program. AU Beaudry, Paul; Blackorby, Charles. AA Beaudry: University of British Columbia and Canadian Institute for Advanced Research. Blackorby: University of British Columbia. SR CEPREMAP Discussion Paper: 97/09; Bibliotheque, CEPREMAP, 142 rue

du Chevaleret, 75013-Paris, France. **PG** 35. **PR** 25-35 francs. **JE** D82, E24, H21, H23. **KW** Taxation. Redistribution. Anti-Selection. Employment.
AB This paper characterizes the optimal use of taxes and employment subsidies when taxation authorities: (1) are uninformed about individual's value of time in both market and non-market activities, (2) can observe both market-income and time allocated to market employment, and (3) are utilitarian. In contrast to much of the optimal income taxation literature, the authors show that optimal redistribution in our environment involves distorting market employment upwards for low net-income individuals (through negative marginal income taxes or employment subsidies) and distorting employment downward for high net-income individuals (through positive marginal income taxes).

Belke, Ansgar
PD November 1997. **TI** Multiple Equilibria in German Employment -- Simultaneous Identification of Structural Breaks. **AU** Belke, Ansgar; Gocke, Matthias. **AA** Belke: Theoretische Volkswirtschaftslehre I. Gocke: Institut for Industriewirtschaftliche Forschung. **SR** Tilburg CentER for Economic Research Discussion Paper: 97107; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. **PG** 16. **PR** no charge. **JE** C32, E24, J23. **KW** Employment. Hysteresis. Unit Root. Cointegration. Structural Breaks.
AB A standard cointegration model for West German employment is compared to a model including structural breaks in the long-run relation. To identify structural breaks two different algorithms are applied: First, an algorithm based on the individual search for only one structural break, independent of additional breaks. Second, a simultaneous process searching for two breaks. Both corresponding estimations show that persistence is attributed to structural breaks in the long-run relation and not to a degenerating adjustment process. The second algorithm proves to be superior since it allows the detection of breaks which can only be identified in combination with other shifts.

Ben-David, Dan
PD February 1997. **TI** Knowledge Dissemination, Capital Accumulation, Trade, and Endogenous Growth. **AU** Ben-David, Dan; Loewy, Michael B. **AA** Loewy: University of Houston. Ben-David: Tel Aviv University. **SR** Tel Aviv Sackler Institute of Economic Studies Working Paper: 03/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 34. **PR** no charge. **JE** E60, F10, F43, O30. **KW** Growth. Knowledge Diffusion. Trade.
AB This paper preserves many of the primary features of the standard neoclassical framework while introducing some modifications that transform it into an open economy endogenous growth model with knowledge accumulation. The accumulation of knowledge is determined in part by the extent of knowledge spillovers from abroad which, in turn, are affected by commercial policy that regulates the extent of trade between countries. The model predicts that trade liberalization (even if it is unilateral) will increase steady- state output growth in all countries while benefiting the liberalizing country (or countries) the most in terms of relative income levels.

Ben-Shahar, Omri
PD May 1997. **TI** Should Products Liability be Based on Hindsight? **AA** Tel Aviv University. **SR** Tel Aviv Foerder Institute for Economic Research Working Paper: 14/97, the Ethan Berglas School of Economics Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 49. **PR** no charge. **JE** K13, K41, O33. **KW** Products Liability. Hindsight. Technological Change. Education Subsidies.
AB In designing and marketing new products, manufacturers face uncertainty regarding the harmful character of their products. If harm occurs due to a defective design, liability is imposed on manufacturers whenever the design of the product is determined to be unreasonably dangerous. In assessing the reasonableness of a design, courts often -- although the doctrine is not settled -- admit information which was acquired throughout the actual usage of the product - information that often was not scientifically available at the time of production. The Asbestos litigation is a prominent example of this practice. This paper examines the incentive effects of such hindsight. It demonstrates that the utilization of information that is available ex-post, but was not available ex-ante may lead to adverse incentive effects (1) in installing safety devices in products, (2) in developing technologies that are less risky and (3) in investing in research that can identify the risks in advance; yet it unambiguously improves incentives to make safety adjustments subsequent to the distribution of the product. While the overall welfare effect of hindsight in assessing liability is ambiguous, the paper demonstrates that it may reduce the utility of consumers and manufacturers alike.

Benartzi, Shlomo
TI Accounting Recognition of Additional Minimum Liability Affects Pension Asset Allocation: Empirical Evidence. **AU** Amir, Eli; Benartzi, Shlomo.

Benassy, Jean-Pascal
PD 1997. **TI** On the Optimality of Activist Policies with a Less Informed Government. **AA** CEPREMAP. **SR** CEPREMAP Discussion Paper: 97/22; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **PG** 14. **PR** 25-35 francs. **JE** E52. **KW** Optimal Policy. Policy Activism.
AB The authors investigate whether a government should lead an activist policy in a rigorous utility maximizing framework under rational expectations. The economy is a monetary one with present wages, and is subject to both demand and supply shocks. It is assumed that the government can never act on the basis of information superior to that of the private sector. Moreover wages are set after monetary injections have been carried out. The authors find that the optimal policy is nevertheless an activist one, with a mixture of Friedmanian and Keynesian features: average money growth is that prescribed by Milton Friedman (1969). But around this rule the government should conduct an activist countercyclical policy of a Keynesian type.

Bennet, Robert J.
PD June 1997. **TI** The Impact of European Economic Integration on Business Associations: The UK Case. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Center for Business Research Working Papers: WP61; Center for Business Research, Department of

Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 32. **PR** $10.00 (5 pounds); checks payable to University of Cambridge. **JE** F15, L16, L20. **KW** United Kingdom. Business Associations. Economic Integration. Europe.

AB This paper presents the results of new survey research that assesses the routes and activities used by UK business associations in gathering and exchanging information with European institutions. All major UK business associations are covered, and a representative sampling framework allows general conclusions for the whole association sector to be drawn. The chief findings are that there are multiple routes for European activities employed by most associations. The most important route for all categories (except federations) is the national route, using meetings with UK ministers, officials or agencies in an attempt to get them to influence the EU. The second most important route is through European associations (the chief route for federations) which are also seen as the most open to influence. A Brussels Strategy of direct lobbying is the third most important route. Association size, resources and sectoral circumstances are shown to be important influences on association's European strategy.

Bensaou, Ben M.

PD 1997. **TI** Not By Strategic Partnerships Alone: Managing a Portfolio of Relationships. **AA** INSEAD. **SR** INSEAD Working Papers: 97/110/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 26. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** L14, L20, L62. **KW** Strategic Partnerships. Management. Japan. Automobile Industry.

AB In this paper the authors want to call against taking too far the recent fad for strategic partnership and correct the myth that Japanese firms manage by 'strategic partnerships.' The authors empirically show that at the macro level, looking across a wide range of products and markets, Japanese decisions and behaviors converge with those of their U.S. counterparts and follow rather a logic of 'managing a portfolio of relationships'. Using primary data collected on a systematic cross-section of 447 buyer-supplier relationships in the U.S. and Japanese automobile industries the authors uncover four generic types of relationships. Contrary to popular belief there is a high ratio of 'market exchange' relations in Japan and conversely a high ratio of 'strategic partnerships' in the U.S. market. The authors further conduct statistical analyses to extract best practices from their dataset, and identify their sources and mechanisms.

Ber, Hedva

PD June 1997. **TI** Conflict of Interest in Universal Banking: Evidence from the Post-Issue Performance of IPO Firms. **AU** Ber, Hedva; Yafeh, Yishay; Yosha, Oved. **AA** Ber: Bank of Israel. Yishay: Hebrew University of Jerusalem. Yosha: Tel Aviv University. **SR** Tel Aviv Sackler Institute of Economic Studies Working Paper: 18/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 33. **PR** no charge. **JE** G10, G21, G23, G24, G32. **KW** Investment Banking. Universal Banking. Corporate Governance. Bank Debt. Initial Public Offerings.

AB Using a unique newly constructed data set on Israeli IPO firms in the 1990's, we study costs and benefits of universal banking. The post-issue accounting profitability of firms underwritten by bank affiliated underwriters that were also borrowers from the same bank in the IPO year, is significantly better than average. This is interpreted as evidence that universal banks use their superior information regarding underwritten firms to float the cherries, not the lemons. We also find, however, that the stock price performance of these firms during the first year following the IPO is lower than average. Furthermore, among these firms, the stock price performance of firms whose equity was purchased by an investment fund that is affiliated with the underwriting and lending bank is even lower. We also compute first day returns for the IPO stocks. The first year underperformance is interpreted as IPO overpricing, which is consistent with the first day returns. Thus, bank managed funds pay too much for bank underwritten IPO's at the expense of the investors in the funds. We conclude that there is a conflict of interest in the combination bank lending, underwriting, and fund management. Although universal banks use their superior information regarding underwritten firms to float the cherries, investors in bank managed funds end up paying too much for the equity of these firms.

Berg, Menachem

PD November 1997. **TI** Budget Setting Strategies for the Company's Divisions. **AU** Berg, Menachem; Brekelmans, Ruud; De Waegenaere, Anja. **AA** Berg: University of Haifa. Brekelmans and De Waegenaere: CentER and Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 97103; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. **PG** 14. **PR** no charge. **JE** C44, L23, M40. **KW** Budgeting. Uncertainty. Achievability. Responsiveness. Fairness.

AB The paper deals with the issue of budget setting to the divisions of a company. The approach is quantitative in nature both in the formulation of the requirements for the set- budgets, as related to different general managerial objectives of interest, and in the modeling of the inherent uncertainties in the divisions' revenues. Solutions are provided for specific cases and conclusions are drawn on different aspects of this issue based on analytical and numerical analysis of the results. From a more general standpoint the paper is also intended to set the ground for a schematic and precise approach to the managerial problem of budget-setting.

Bergemann, Dirk

PD November 1997. **TI** Venture Capital Financing, Moral Hazard, and Learning. **AU** Bergemann, Dirk; Hege, Ulrich. **AA** Bergemann: Yale University. Hege: Tilburg University. **SR** Tilburg CentER for Economic Research Discussion Paper: 97108; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. **PG** 41. **PR** no charge. **JE** D83, D92, G24, G31. **KW** Venture Financing. Optimal Stopping. Financial Constraints. Share Contracts. Security Design.

AB This paper considers the provision of venture capital in a dynamic agency model. The value of the venture project is initially uncertain and more information arrives by developing the project. The allocation of the funds and the learning process

are subject to moral hazard. The optimal contract is a time-varying share contract which provides intertemporal risk-sharing between venture capitalist and entrepreneur. The share of the entrepreneur reflects the value of a real option. The option itself is based on the control of the funds. The dynamic agency costs may be high and lead to an inefficient early stopping of the project. A positive liquidation value explains the adoption of strip financing or convertible securities. Finally, relationship financing, including monitoring and the occasional replacement of the management improves the efficiency of the financial contracting.

Berman, Eli
PD September 1997. TI Implications of Skill-Biased Technological Change: International Evidence. AU Berman, Eli; Bound, John; Machin, Stephen. AA Berman: Boston University and National Bureau of Economic Research. Bound: University of Michigan and National Bureau of Economic Research. Machin: University College London and London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 367; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 53. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J23, J31, J50, O33. KW Skill. Technology. Trade. Labor Supply. Wages.
AB Demand for less skilled workers decreased dramatically in the U.S. and in other developed countries over the past two decades. The authors argue that pervasive skill- biased technological change, rather than increased trade with the developing world, is the principle culprit. The pervasiveness of this technological change is important for two reasons. Firstly, it is an immediate and testable implication of technological change. Secondly, under standard assumptions, the more pervasive the skill-biased technological change, the greater the increase in the embodied supply of less skilled workers and the greater the depressing effect on their relative wages through world goods prices. In contrast, in the Heckscher-Ohlin model with small open economies the skill bias of local technological changes does not affect wages. Thus, pervasiveness deals with a major criticism of skill-biased technological change as a cause. Testing the implications of pervasive, skill-biased technological change, the authors find strong supporting evidence.

Bernard, Andrew
PD December 1997. TI Exceptional Exporter Performance: Cause, Effect, or Both? AA Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/21; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 32. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D27, F10, L60. KW Trade. Productivity. Plant. Survival. Export-Led Growth.
AB A growing body of empirical work has documented the superior performance characteristics of exporting plants and firms relative to non-exporters. Employment, shipments, wages, productivity and capital intensity are all higher at exporters at any given moment. This paper asks whether good firms become exporters or whether exporting improves firm performance. The evidence is quite clear on one point: good firms become exporters, both growth rates and levels of success measures are

higher ex-ante for exporters. The benefits of exporting for the firm are less clear. Employment growth and the probability of survival are both higher for exporters; however, productivity and wage growth is not superior, particularly over longer horizons.

PD December 1997. TI Why Some Firms Export. AU Bernard, Andrew; Jensen, J. Bradford. AA Bernard: Massachusetts Institute of Technology. Jensen: Bureau of the Census and Carnegie Mellon University. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/26; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 40. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D21, F20, L60. KW Hysteresis. Export Promotion. Panel Data. Unobserved Heterogeneity. Binary Choice.
AB Traditional trade models focus on aggregate and industry flows and usually ignore firm level factors. This paper presents a dynamic model of the export decision by a profit-maximizing firm. Using a panel of U.S. manufacturing plants, we test for the role of plant characteristics, spillovers from neighboring exporters, entry costs and government expenditures. Entry and exit in the export market by U.S. plants is substantial, past exporters are apt to reenter, and plants are likely to export in consecutive years. However, we find that entry costs, although present, are modest and spillovers from other plants negligible. Plant characteristics, especially those indicative of past success, strongly increase the probability of exporting as do favorable exchange rate shocks.

Berndt, Christian
PD June 1997. TI Divisions of Labor, Power Asymmetries and Place Dependence: The Restructuring of Industrial Firms in the Ruhr Area. AA University of Cambridge. SR University of Cambridge, ESRC Center for Business Research Working Papers: WP58; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 29. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE F14, L11, L80. KW Globalization. Industrial Restructuring. Ruhr Area. Germany.
AB During the last few years, business representatives have begun to question the sustainability of the German Model in the wake of increasing international economic integration. The paper seeks to question this globalization rhetoric by analyzing restructuring strategies of Mittelstand firms in the Ruhr Area. In view of the conflictual and complex relations between restructuring in space and path dependence, it is argued that adjustment strategies are far too complex to be portrayed in such a one-sided discourse. Embeddedness in different institutional contexts and asymmetric power relations play a major role in explaining the strategic responses to the changing social division of labor.

Bewley, Truman F.
PD October 1997. TI Why Not Cut Pay? AA Yale University. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A562; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 39. PR no charge. JE E24, J23, J31. KW Pay. Salary. Wage. Rigidities. Employment.

AB This paper is intended to be exploratory, touching on many issues in order to test the assumptions and implications of existing theories, to seek new hypotheses, and to see the overall shape of phenomena associated with wage rigidity and unemployment. The author uses an inductive approach, rather than testing specific models deduced from assumptions based on introspection or economic intuition. The advantage of the approach was that the author could detect unsuspected phenomena and relationships. The main result of this inquiry is a common sense explanation of downward wage rigidity. The investigation also yielded knowledge of the wage setting process. The findings support none of the theories of wage rigidity except those of Solow (1979) and Akerlof (1982) that stress the impact of pay cuts on morale. The results indicate that labor is in excess supply during recessions, so that the Keynesian side of the macroeconomic debate is the more accurate view.

Bigano, Andrea

TI The Amenity Value of the Italian Climate. AU Maddison, David; Bigano, Andrea.

Bisig, Brigitte

TI An Econometric Model of Health Care Utilization and Health Insurance in Switzerland. AU Holly, Alberto; Gardiol, Lucien; Domenighetti, Gianfranco; Bisig, Brigitte.

Black, Sandra

TI Beyond the Incidence of Training. AU Lynch, Lisa; Black, Sandra.

PD November 1997. TI How to Compete: The Impact of Workplace Practices and Information Technology on Productivity. AU Black, Sandra; Lynch, Lisa. AA Black: Harvard University and Federal Reserve Bank of New York. Lynch: National Bureau of Economic Research and London School of Economic Research. SR London School of Economics, Center for Economic Performance Discussion Paper: 376; Center for Economic Performance, London School of Economics and Political Science; Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 38. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J24, J33, J51, O33. KW Workplace Practices. Information Technology. Productivity. Human Capital.
AB Using data from a nationally representative sample of businesses, the Educational Quality of the Workforce National Employers Survey (EQW-NES), matched with the Bureau of the Census' Longitudinal Research Database (LRD), the authors examine the impact of workplace practices, information technology and human capital investments on productivity. They find that what is associated with higher productivity is not so much whether or not an employer adopts a particular work practice, but rather how that work practice is actually implemented within the establishment. The authors also find that those unionized establishments that have adopted what have been called new or "transformed" industrial relations practices that promote joint decision-making coupled with incentive based compensation have higher productivity than other similar non-union plants. While those businesses that are unionized but maintain more traditional labor management relations have lower productivity. Also, the higher the average educational level of production workers, the higher is plant productivity.

Blackorby, Charles

TI Taxes and Employment Subsidies in an Optimal Redistribution Program. AU Beaudry, Paul; Blackorby, Charles.

Bleaney, Michael

PD October 1997. TI Can Switching Between Inflationary Regimes Explain Fluctuations in Real Interest Rates? AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/131; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 25. PR not available. JE E31, E43. KW Inflation. Interest Rates.
AB It has recently been suggested that allowing for switches between different inflationary regimes produces a much better fit for the Fisher relationship between interest rates and inflation, at least for U.S. data. The paper assesses the merits of the regime-switching theory as an explanation for the apparent fluctuations in real interest rates in Australia, Canada, Germany, the United Kingdom, and the United States.

Bloem, Adriaan M.

PD September 1997. TI Discrepancies Between Quarterly GDP Estimates. AU Bloem, Adriaan M.; Dippelsman, Robert; Maitland-Smith, Fenella; Armknecht, Paul. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/123; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 39. PR not available. JE C82, O47. KW Gross Domestic Product. National Accounts. Reconciliation.
AB Countries compiling quarterly estimates for gross domestic product (GDP) often use alternative approaches simultaneously. This may result in the publication of different measures of quarterly GDP and discrepancies between these measures. Such discrepancies are unavoidable, unless reconciliation takes place or the measures are mutually interdependent. This paper examines international practices in this respect, focusing on OECD member countries that publish quarterly GDP data. Of these, five publish GDP data with discrepancies -- the United States, the United Kingdom, Canada, Australia, and New Zealand -- and the paper examines causes and the development of these discrepancies.

Bolton, Patrick

TI Liquidity and Control: A Dynamic Theory of Corporate Ownership Structure. AU Von Thadden, Ernst-Ludwig; Bolton, Patrick.

Bortolotti, Bernardo

PD March 1997. TI Barriers to Entry and the Self-Regulating Profession: Evidence from the Market for Italian Accountants. AU Bortolotti, Bernardo; Fiorentini, Gianluca. AA Bortolotti: Universite Catholique de Louvain and Fondazione Eni Enrico Mattei. Fiorentini: University of Bologna. SR Fondazione Eni Enrico Mattei Note di Lavoro: 30/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 20. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE J44, L44, M40. KW Self Regulation. Professional Services. Antitrust Policy. Accounting. Italy.
AB This paper provides a systematic study of the market for accountants in Italy during the period 1980-91. Firstly, it

develops a comparison of the determinants of incomes of the two competing professions (Commercialisti and Ragionieri) focusing on entry as one of the main variables of interest to explain some stylized facts and trends in the profession itself. Second, the authors carry out an empirical analysis using panel data to test the effects of self-regulation, in terms of discretion in the admission policy in the profession, on incomes. Their results confirm that the institutional barrier to entry is effective in generating economic rents; furthermore, they show that admission rates are an endogenous variable strongly influenced by past level of incomes.

Bossaerts, Peter

PD December 1997. TI Local Parametric Analysis of Derivatives Pricing and Hedging. AU Bossaerts, Peter; Hillion, Pierre. AA Bossaerts: California Institute of Technology. Hillion: INSEAD. SR INSEAD Working Papers: 97/121/FIN; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 27. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE G12, G13. KW Derivatives. Incomplete Markets. Asset Pricing. Hedging.

AB The authors present a novel methodology for the analysis of derivatives pricing in incomplete markets. Unlike existing procedures, they do not commit to a particular model for the prices of the underlying asset(s). Instead, they locally fit the hedge ratios from a parsimonious complete-market model to changes in the prices of options and underlying securities. They then compute prices from the locally estimated parameters. Thus, the authors extract information from the local co-movement of prices of several securities, as opposed to the standard procedure, which obtains parameter values either from time series estimation or by implying them from option prices directly. They illustrate the methodology on a dataset of DAX index options and futures transactions from the computerized German Futures Exchange, over the period 1992-94. They form their estimates entirely on the basis of lagged information.

Bound, John

TI Implications of Skill-Biased Technological Change: International Evidence. AU Berman, Eli; Bound, John; Machin, Stephen.

Bourguignon, Francois

PD July 1997. TI Eur3: A Prototype European Tax-Benefit Model. AU Bourguignon, Francois; O'Donoghue, Cathal; Sastre-Descals, Jose; adaro, Amedeo; Utili, Francesca. AA Bourguignon, Spadaro and Sastre-Dascals: DELTA. O'Donoghue: University of Cambridge. Utili: Tor Vergata University of Rome. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/23; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 48. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C81, D31, F47, H20. KW Microsimulation. Fiscal Policy. Social Assistance. European Integration. Basic Income.

AB A prototype multi-country static microsimulation model has been built to simulate tax and social benefits in a number of European countries. This is part of a preparatory study funded by the EC to examine the possibility of building a comprehensive EU wide integrated microsimulation model. The countries considered in the first stage of the project are France, Italy and the United Kingdom. A large effort was made in integrating the data sets and modeling the policy instruments in a comparative structure. This paper describes what characterizes such a model compared with existing national models and outlines some of the issues encountered. A number of policy experiments were carried out, including the introduction of national Basic Incomes, a Europe-wide child support reform, and a reduction in social insurance contributions for the low paid. The results shed light on strong cross-national differences in existing fiscal systems and relative income distributions.

Bowlus, Audra J.

PD February 1998. TI Discrimination and Skill Differences in an Equilibrium Search Model. AU Bowlus, Audra J.; Eckstein, Zvi. AA Eckstein: Tel Aviv University and University of Western Ontario. Bowlus: University of Western Ontario. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 04/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 40. PR no charge. JE J15, J16, J31, J64, J70. KW Discrimination. Equilibrium Search. Race. Unemployment.

AB In this paper we analyze an equilibrium search model with three sources for wage and unemployment differentials among workers with the same (observed) human capital, but different appearance (race): unobserved productivity (skill), search intensities and discrimination (Becker 1957) due to an appearance-based employer disutility factor. Because these sources affect the earnings distributions differently, empirical identification of these potential sources for the explanation of wage and unemployment differentials is possible. We show that the structural parameters of the model, including the firm's disutility from certain workers, are identifiable using standard labor market survey data. We demonstrate identification using data from the National Longitudinal Survey of Youth. Estimation of these parameters by matching moments from a sample of black and white high school graduates implies: a) blacks have a 9% lower productivity level than whites; b) the disutility factor in employer's preferences is 28% of the white's productivity level; and c) 53% of firms have a disutility factor in their utility towards blacks.

Boyd, Gale

TI Voluntary Agreements with Industry. AU Storey, Mark; Boyd, Gale; Dowd, Jeff.

Boyer, Robert

PD 1997. TI Are Contemporary Macroeconomic Theories New and Why? AA CEPREMAP, CNRS, and EHESS. SR CEPREMAP Discussion Paper: 97/13; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 28. PR 25-35 francs. JE B22, E12, E30, E61, O11. KW Macroeconomic Theory. Keynesian. Classical Synthesis. Rational Expectations. Epistemology.

AB By comparison with the mid-sixties, the contemporary macroeconomic theory display a quite new paradigm: the visions, the objectives, the basic concepts, the core results and suggestions for economic policy are totally different. Thus, the relations between innovation in theorizing, the search for

micro-foundations and the empirical relevance of the new classical macroeconomics are investigated. It is argued that this premium given to novelty is explained by the lack of implementation of the Popperian principle of refutability and the intrinsic historicity of the problems submitted to the macroeconomist. The very sophisticated techniques are assuming a stationary world, whereas the issue is about structural change. A survey of the papers presented at the January 1997 meeting of the American Economic Association suggests that beneath the consensus upon general hypotheses, the various authors differ drastically about their visions, tools, results and economic policy recommendations.

Brekelmans, Ruud
TI Budget Setting Strategies for the Company's Divisions. **AU** Berg, Menachem; Brekelmans, Ruud; De Waegenaere, Anja.

Bretschger, Lucas
PD January 1997. **TI** The Sustainability Paradigm: A Macroeconomic Perspective. **AA** University of Zurich. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 07/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.fecm.it. **PG** 38. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** O11, O31, O41, Q20, Q32. **KW** Sustainability. Endogenous Growth. Natural Resources.
AB The paper presents a macroeconomic approach to sustainable growth. After clarifying the concept of sustainability, the interdependence between natural resources and accumulated capital stocks such as physical, human, and knowledge capital is discussed. The conditions for the substitution process leading to sustainable development are demonstrated in a one-sector approach and two versions of a multi- sector endogenous growth model. It turns out that prices of natural inputs have their major impact on growth by changing an economy's sectoral structure. The prediction of a successful substitution of knowledge for natural resources emerges to be realistic, provided that the sectoral adjustment costs in the economy are not too high.

Brixiova, Zuzana
TI Labor Market Institutions and Unemployment Dynamics in Transition Economies. **AU** Garibaldi, Pietro; Brixiova, Zuzana.

Broadie, Mark
PD July 1996. **TI** Connecting Discrete and Continuous Path-Dependent Options. **AU** Broadie, Mark; Glasserman, Paul; Kou, Steve. **AA** Broadie and Glasserman: Columbia University. Kou: University of Michigan. **SR** Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/12; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. **PG** 34. **PR** $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). **JE** G13. **KW** Option Prices. Path-Dependent Options.
AB This paper develops methods for relating the prices of discrete- and continuous-time versions of path-dependent options sensitive to extremal values of the underlying asset, including lookback, barrier, and hindsight options. The relationships take the form of correction terms that can be

interpreted as shifting a barrier, a strike, or an extremal price. These correction terms enable us to use closed-form solutions for continuous option prices to approximate their discrete counterparts. We also develop discrete-time discrete-state lattice methods for determining accurate prices of discrete and continuous path-dependent options. In several cases, the lattice methods use correction terms based on the connection between discrete- and continuous-time prices which dramatically improve convergence to the accurate price.

Brosio, Giorgio
PD March 1997. **TI** The Regulation of Professions in Italy. **AA** University of Torino. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 36/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.fecm.it. **PG** 20. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** L44. **KW** Regulation. Professions. Italy.
AB The paper deals with the regulation of professions in Italy. It is a very traditional system of regulation based on inputs control. This regulation is clearly excessive for most of the professions. In fact, market failures -- both in terms of information asymmetries and externalities -- do not require and/or justify the present licensing system. Rather, for most of the professions, licensing should be substituted by a weaker certification system, operated by professional associations, that should lose their public law status. Competition between these associations, which would have a private character, could perform many of the functions, like control on malpractice and sanctioning which are currently delegated to the appropriate orders. In fact, it is no longer true -- at least for most of the professions -- that output regulation is an inherently difficult task for professional services.

Brown, Donna
TI Everyone's A Winner?: Persistence in British Private Sector Wage Settlements 1979- 1994. **AU** Ingram, Peter; Wadsworth, Jonathan; Brown, Donna.

Browne, Sid
PD December 1997. **TI** Stochastic Differential Portfolio Games. **AA** Columbia University. **SR** Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/17; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. **PG** 27. **PR** $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). **JE** C73, G11. **KW** Differential Games. Portfolio Theory. Stochastic Control. Diffusions. Martingales.
AB We study stochastic dynamic investment games in continuous time between two investors (players) who have available two different, but possibly correlated, investment opportunities. There is a single payoff function which depends on both investors' wealth processes. One player chooses a dynamic portfolio strategy in order to maximize this expected payoff while his opponent is simultaneously choosing a dynamic portfolio strategy so as to minimize the same quantity. This leads to a stochastic differential game with controlled drift and variance. For the most part, we consider games with payoffs that depend on the achievement of relative performance goals and/or shortfalls. We provide conditions under which a game with a general payoff function has an achievable value, and

give an explicit representation for the value and resulting equilibrium portfolio strategies in that case. It is shown that nonperfect correlation is required to rule out trivial solutions. We then use this general result to explicitly solve a variety of specific games. For example, we solve a probability maximizing game, where each investor is trying to maximize the probability of beating the other's return by a given predetermined percentage.

PD January 1998. TI Beating a Moving Target: Optimal Portfolio Strategies for Outperforming a Stochastic Benchmark. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/18; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 21. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE C73, G11. KW Portfolio Theory. Benchmarking. Portfolio Management. Constant Proportions. Stochastic Control. Diffusions.
AB We consider the portfolio problem in continuous-time where the objective of the investor or money manager is to exceed the performance of a given stochastic benchmark, as is often the case in institutional money management. The benchmark is driven by a stochastic process that need not be perfectly correlated with the investment opportunities, and so the market is in a sense incomplete. We first solve a variety of investment problems related to the achievement of goals: for example, we find the portfolio strategy that maximizes the probability that the return of the investor's portfolio beats the return of the benchmark by a given percentage without ever minimization of the expected time until the investor beats the benchmark. We show that there are two cases to consider, depending upon the relative favorability of the benchmark to the investment opportunity the investor faces. The problem of maximizing the expected discounted reward of outperforming the benchmark, as well as minimizing the discounted penalty paid upon being outperformed by the benchmark is also discussed. We then solve a more standard expected utility maximization problem which allows new connections to be made between some specific utility functions and the nonstandard goal problems treated here.

Brunello, Giorgio

PD July 1997. TI Does Competition at School Matter? A View Based Upon the Italian and the Japanese Experiences. AU Brunello, Giorgio; Ishikawa, Tsuneo. AA Brunello: Udine University. Ishikawa: University of Tokyo. SR Fondazione Eni Enrico Mattei Note di Lavoro: 44/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 35. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE I21, J21, J23, J24, J63. KW Decentralized Equilibrium. Education. Labor Markets. Employment. Turnover.
AB The authors present a model where the interaction between competition at school, industrial structure and labor market outcomes is characterized by the concept of Nash decentralized equilibrium. They show that the presence of spillovers and strategic complementarities could generate multiple equilibria. In one equilibrium, a competitive schooling system induces individuals to accumulate basic academic skills, large firms hire mainly new school graduates and there is limited labor turnover. In another equilibrium, schooling is less

competitive and individuals focus more on idiosyncratic skills, large firms hire mainly experienced workers and labor turnover is important. The authors argue in the paper that the main features of each equilibrium are consistent with key stylized facts of the Italian and the Japanese labor markets.

PD July 1997. TI Executive Compensation and Firm Performance in Italy. AU Brunello, Giorgio; Graziano, Clara; Parigi, Bruno. AA Brunello and Graziano: Unviersity of Udine, Italy. Parigi: University of Venice. SR Fondazione Eni Enrico Mattei Note di Lavoro: 50/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 29,. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D82, J33. KW Executive Compensation. Principal Agent. Italy.
AB The authors investigate the determinants of executive pay in a sample of Italian firms. This is seemingly the first study on the compensation of Italian executives. They estimate that an increase of real profits per firm by 1 billion lire increases the pay of top executives by only 504 thousand lire, more than the increase found for middle management (184 thousand). Pay-performance sensitivity is stronger in firms where profits are declining and profit variability is relatively low. This sensitivity is lower in domestic-owned firms and in firms that are not affiliated with a multinational group, a result consistent with the main features of Italian capitalism.

Brysin, John R.

PD June 1997. TI Business Service Firms, Service Space and the Management of Change. AA University of Birmingham. SR University of Cambridge, ESRC Center for Business Research Working Papers: WP62; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 26. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE L23, L80, O31. KW Business Services. Service Space. Embedded Knowledge. Management Consulting. Untraded Interdependencies.
AB The growth of business service forms represents the latest stage in a continuing twentieth century process of technological and organizational restructuring of production and labor skills. It is associated with the rising information intensiveness of production and development of an economy of signs. Business service activities located in service space drive innovation both in production technology and in management systems. The co-presence of business service firms with their clients as well as other business service firms shapes the possibilities of trust between them. A detailed case study of the way in which large client firms utilize the services of independent business service companies is provided. This is followed by an examination of the relationship between small firms and business service expertise. A dual information economy may be developing in which large firms are able to search for specialist business service expertise irrespective of its location.

Burgess, Robin

TI Prediction and Determination of Household Permanent Income. AU Abul Naga, Ramses; Burgess, Robin.

Caballero, Ricardo J.

PD September 1997. TI Jobless Growth: Appropriability, Factor-Substitution, and Unemployment. AU Caballero,

Ricardo J.; Hammour, Mohamad L. AA Caballero: Massachusetts Institute of Technology and National Bureau of Economic Research. Hammour: Capital Guidance and Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/18; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 31. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE E24, E25, J30, J41. KW Jobless Growth. Appropriability.

AB A central determinant of the political economy of capital-labor relations is the appropriability of specific quasi-rents. This paper is concerned with the general- equilibrium interaction of appropriability and characteristics of technology -- namely, the embodiment of technology in capital and capital-labor substitutability in the technological menu. Technological embodiment means that the supply of capital is effectively much less elastic in the short-run than in the long run, and is therefore more exposed to appropriability; technology choice implies that an attempt at appropriating capital will induce a substitution away from labor in the long run, and constitutes a mechanism to thwart appropriation. Shifts in European labor relations in the last three decades offer a good laboratory to explore the empirical relevance of those mechanisms. The evolution of the labor share, the profit rate, the capital/output ratio, and unemployment -- which we examine more particularly in the case of France -- appears highly supportive.

PD October 1997. TI Aggregate Investment. AA Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/20; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 58. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D90, E20. KW Investment. Sunk Costs. Irreversibility Specificity. Opportunism.

AB The 90's have witnessed a revival in economists' interest and hope of explaining aggregate and microeconomic investment behavior. New theories, better econometric procedures, and more detailed panel data sets are behind this movement. Much of the progress has occurred at the level of microeconomic theories and evidence; however, progress in aggregation and general equilibrium aspects of the investment problem also has been significant. The concept of sunk costs is at the center of modern theories. The implications of these costs for investment go well beyond the neoclassical response to the irreversible-technological friction they represent, for they can also lead to first order inefficiencies when interacting with informational and contractual problems.

PD January 1998. TI Nonlinear Aggregate Investment Dynamics: Theory and Evidence. AU Caballero, Ricardo J.; Engel, Eduardo M. R. A. AA Caballero: Massachusetts Institute of Technology and National Bureau of Economic Research. Engel: Universidad de Chile and National Bureau of Economic Research. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 98/01; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 55. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE E22. KW Aggregate Investment. Adjustment Costs. Manufacturing Sector.

AB In this paper we derive a model of aggregate investment that builds from the lumpy microeconomic behavior of firms facing stochastic fixed adjustment costs. Instead of the standard sharp (S,s) bands, firms' adjustment policies take the form of a probability of adjustment (adjustment hazard) that responds smoothly to changes in firms' capacity gap. The model has appealing aggregation properties, and yields nonlinear aggregate time series processes. The passivity of normal times is, occasionally, more than offset by the brisk response to large accumulated shocks. Using within and out-of-sample criteria, we find that the model performs substantially better than the standard linear models of investment for postwar sectoral U.S. manufacturing equipment and structures investment data.

Cadot, Olivier

PD July 1997. TI Fighting Imitation with Fast-Paced Innovation. AU Cadot, Olivier; Lippman, Steven A. AA Cadot: INSEAD. Lippman: University of California, Los Angeles. SR INSEAD Working Papers: 97/73/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 15. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE L10, O31, O32. KW Innovation. Entry Deterrence. Product Evolution. Imitation.

AB This paper examines how potential imitator entry alters the optimal pace at which an innovative firm introduces successive generations of an evolving product. When the imitator is committed to be in the market, imitation leads the innovative firm to speed up the introduction of new generations, provided that the imitation delay is sufficiently long. If instead the imitator's entry decision is simultaneous with the innovative firm's R&D- intensity decision, the authors show that the innovating firm never overinvests in R&D; for some values of the imitation delay, it will actually choose to reduce its R&D intensity. Finally, if the imitator's entry decision is made after observing the innovating firm's R&D intensity, for intermediate values of the imitation delay, the innovating firm will overinvest in R&D in order to deter the imitator's entry.

PD July 1997. TI Lobbying and the Structure of Protection. AU Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo. AA Cadot: INSEAD. de Melo: University of Geneva. Olarreaga: World Trade Organization. SR INSEAD Working Papers: 97/74/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 28. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F13. KW Endogenous Tariff. Political Economy. Protection. Trade Policy.

AB This paper extends the influence-driven model of trade policy determination to include general equilibrium effects on the supply side resulting from labor-market interaction and intermediate goods. The model's predictions for the structure of protection are related to underlying taste and technology parameters, and the authors derive analytically several propositions that are consistent with the stylized results of the empirical literature. Finally, numerical simulations are carried out for archetypal "rich" and "poor" economies. It turns out that the endogenously-determined structure of protection is broadly consistent with the observed pattern of protection in rich and poor economies, suggesting the usefulness of the approach.

PD August 1997. TI Can Bilateralism Ease the Pains of

Trade Liberalization? AU Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo. AA Cadot: INSEAD. de Melo: University of Geneva and Center for Policy Economic Research. Olarreaga: World Trade Organization. SR INSEAD Working Papers: 97/78/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 12. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F11, F13, F15. KW Free-Trade Areas. Political Economy. Trade.
AB Using the influence-driven approach to endogenous trade-policy determination, the authors show how a free-trade agreement (FTA) with rules of origin can work as a device to compensate losers from trade liberalization. The FTA constructed in this paper is characterized by external tariff structures that are negatively correlated across member countries, ensuring efficiency gains and, through reduced average protection, compatibility with the multilateral trading system's requirements. It is also politically viable, and the authors demonstrate that, in the countries concerned, governments are willing to include its formation in the political agenda in spite of the fact that, in equilibrium, political contributions from producer lobbies decline after the agreement.

PD August 1997. TI "Not in my Backyard": International Specialization and Environmental Standards AU Cadot, Olivier; Manh Hung, Nguyen. AA Cadot: INSEAD. Manh Hung: Universite Laval, Quebec. SR INSEAD Working Papers: 97/81/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 11. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F13, F42, L52, Q28, R38. KW Environmental Regulation. International Trade. Specialization. Firm Location.
AB This paper analyzes an international policy game in which governments set environmental standards noncooperatively, pollution is local, and the location of polluting industries is affected endogenously by the relative tightness of national environmental standards. In general, the authors show that countries having attracted the polluting industries because of their loose standards ('pollution heavens') will nevertheless set standards too tightly for global welfare. Moreover, when technologies are linear and trade is consequently Ricardian, they show that governments use environmental standards strategically to attempt to shift the location of polluting industries to each other's 'backyard'. This second Channel of strategic interaction reinforces the incentive for governments to set tight standards.

Camagni, Roberto

PD June 1997. TI Innovation and Performance of SMEs in Italy: The Relevance of Spatial Aspects. AU Camagni, Roberto; Capella, Roberta. AA Milan Polytechnic. SR University of Cambridge, ESRC Center for Business Research Working Papers: WP60; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 32. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE L11, O18, O31, R11. KW Regional Industrial Structure. Italy. Collective Learning.

AB Since the 1970's, the role of small and medium firms in economic development has become prominent in regional economic theory. In Italy in particular, the good performance of regions with a high share of small firms contrasted during this period with the poor and decreasing rate of growth in the traditional large-firm areas of North- Western Italy. This paper provides a picture of Italian regional industrial structure, in terms of performance and innovative behavior, and some new elements for reflection have emerged. One of these is the capacity of small firms to innovate only in certain spatial contexts, where dynamic spatial elements support this process: collective learning is one of these elements, and plays a crucial role by providing innovation assets to small firms.

Canziani, Patrizia

PD November 1997. TI The Wage Curve in Italy and Spain. Are European Wages Flexible? AA London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 375; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 37. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE E24, J31, J50, J64. KW Wages. Labor Market. Wage Flexibility. Unemployment.
AB In this paper the author addresses the question of whether wages are affected by current and past labor market conditions. Using macroeconomic data from Italy and Spain the author obtains three main results. First, the unemployment elasticity of wages is negative and significant, but much smaller than the one documented in the existing literature. In particular, it is shown that in Italy a doubling of unemployment is associated with a drop in wages of 5.2 percent. Second, Italian wages are significantly and negatively correlated not only with the contemporaneous unemployment, but also with unemployment at the time the worker is hired. Finally, Spanish wages are not significantly correlated with past unemployment. An important determinant of wages in Spain is contemporaneous unemployment. The author finds that the unemployment elasticity of wages in Spain is equal to 10 percent. The results obtained can be interpreted in terms of wage flexibility in Europe.

Capella, Roberta

TI Innovation and Performance of SMEs in Italy: The Relevance of Spatial Aspects. AU Camagni, Roberto; Capella, Roberta.

Capron, Laurence

PD July 1997. TI Resource Redeployment Following Horizontal Mergers and Acquisitions in Europe and the United States, 1988-1992. AU Capron, Laurence; Dussauge, Pierre; Mitchell, Will. AA Capron: INSEAD. Dussauge: HEC Graduate School of Management. Mitchell: University of Michigan. SR INSEAD Working Papers: 97/68/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 40. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE G34, L22, L23. KW Resource Redeployment. Mergers. Horizontal Acquisitions. Market Failure.
AB This paper studies redeployment of resources between

target and acquiring businesses following horizontal acquisitions. The analysis draws from perspectives that emphasize the strategic importance of resources that are subject to market failure. The authors define a five-part typology of R&D, manufacturing, marketing, managerial, and financial resources. They show that targets and acquirers frequently redeploy resources following horizontal acquisitions, especially resources that frequently face market failure. They then show that the magnitude of redeployment of each type of resource increases with the asymmetry of the merging businesses' relative strength on the resource dimension. The research stresses evolutionary perspectives on business organizations that emphasize the importance of organizational differences in competitive markets. The central premise of the authors' research is that the market for businesses is often more robust than the market for resources.

Cardoso, Eliana

PD September 1997. TI Capital Flows to Brazil: The Endogeneity of Capital Controls. AU Cardoso, Eliana; Goldfajn, Ilan. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/115; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 48. PR not available. JE F32, F41. KW Capital Flows. Capital Controls. Brazil.
AB This paper creates an index of capital controls to analyze the determinants of capital flows to Brazil, accounting for the endogeneity of capital controls by considering a government that sets controls in response to capital flows. It finds that the government reacts strongly to capital flows by increasing controls on inflows during booms and relaxing them in moments of distress. The paper estimates a vector autoregression with capital flows, controls, and interest differentials. It shows that controls have been temporarily effective in altering levels and composition of capital flows but have had no sustained effects in the long run.

Carlsson, Sven

TI A Multicultural Perspective of the Impact of EIS on Organizational Intelligence, Decision Making and Structure. AU Leidner, Dorothy E.; Carlsson, Sven; Elam, Joyce; Corrales, Martha.

Caroli, Eve

PD 1997. TI Organizational Change and Human Capital Accumulation. AU Caroli, Eve; Greenan, Nathalie; Guellec, Dominique. AA Caroli: INRA and CEPREMAP. Greenan: CEE. Guellec: OECD. SR CEPREMAP Discussion Paper: 97/19; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 28. PR 25-35 francs. JE J24, J31, L23, O33. KW Organizational Change. Human Capital. Wage Inequality.
AB The authors model the links between skills (human capital) and changes in work organization. As the accumulation of skilled workers increases in an economy, it travels through a sequence of organizational equilibria. The authors show that in developed countries, as the relative supply of skills increases, the organization of work becomes more decentralized. Both skilled and unskilled workers become more autonomous and perform a wider range of tasks: decentralization spreads across firms at the expense of the old centralized organization based on a strict division of labor. As firms switch to decentralization, their employment structure becomes more homogenous. When

allowing for endogenous skill accumulation, the authors show that in equilibrium, a high degree of centralization yields a wider skilled-unskilled wage gap. This gap is also more reactive to knowledge intensive technical shocks when the economy is initially more centralized. The model hence highlights the importance of organizational factors.

Carraro, Carlo

PD January 1997. TI The Female Labour Market in Italy: Evidence from Regional and Sectorial Data. AU Carraro, Carlo; Rettore, Enrico; Schenkel, Marina. AA Carraro: University of Venezia. Rettore: University of Padova. Schenkel: University of Udine. SR Fondazione Eni Enrico Mattei Note di Lavoro: 06/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 34. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE J23, J24, J31. KW Female Labor. Labor Market. Italy. Wages. Employment.
AB This paper presents a micro-econometric model of the female labor market in Italy. The model is derived from a theoretical framework in which the labor market is assumed to be segmented, i.e. firms offer different labor contracts to different types of workers. In this context, female workers decide whether or not to participate in the labor market according to the contract offered, to their individual characteristics, to the regional features of the labor market, and to the economic performance of the sector in which they want to be employed. This is why the econometric model is estimated using a pseudo panel of data in which the sectional dimension is defined by the number of sectors, regions and types of female workers. The estimation results confirm the main implications of the theoretical model. In particular, hours and participation decisions crucially depend on the worker's characteristics, rather than on labor market conditions.

Cazzavillan, Guido

PD January 1997. TI A Simple Model of Optimal Sustainable Growth. AU Cazzavillan, Guido; Musu, Ignazio. AA University of Venice. SR Fondazione Eni Enrico Mattei Note di Lavoro: 01/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 15. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE O13, O14, O47, Q20. KW Sustainable Growth. Environmental Policy. Externalities.
AB This paper presents a model of optimal sustainable growth in which the environmental stock enters consumers' preferences and production possibilities depend upon the use of produced physical capital and the use of a flow of productive services provided through the exploitation of the environmental stock. Endogenous growth is obtained by making the productivity growth of the environmental resources dependent on past capital accumulation. Both the effect of the environmental preservation on the consumers' utility function and the effect of past accumulation on the productivity of the environmental services are considered as externalities which are internalized along an optimal growth path. Optimal growth is sustainable when the use of the environmental asset for production is equal to the regeneration capacity of the environment. The authors demonstrate that the optimal balanced-growth path is always a saddle point and that the optimal trajectories converging to the asymptotic growth rate

are always locally unique.

Chai, Gen-Xiang
TI Nonparametric Estimation of Density Function for Sample Process under Mixing Condition. AU Li, Zhu-Yu; Lu, Zu-Di; Chai, Gen-Xiang.

TI Note on Error Density Estimation in Nonparametric Regression and Application to Income Data. AU Li, Zhu-Yu; Chai, Gen-Xiang.

Chand, Sheetal K.
PD November 1997. TI Nominal Income and the Inflation-Growth Divide. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/147; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 32. PR not available. JE B41, C51, E31, E32, E63. KW Nominal Income. Inflation. Output. G-7 Countries.
AB This paper deals with aggregate demand fluctuations and their price and output effects. Starting with a nominal income solution, a rule for determining the inflation and output growth effects is presented. Assigning alternative values to the key parameters of the suggested rule generates different closure rules, such as the classical and the Keynesian and their modern counterparts. An application to major industrial country data indicates that the suggested rule is robust. Both inflation and output growth are affected by nominal shocks, but response patterns vary among the countries.

Chatterjee, Kalyan
PD September 1997. TI Multiperson Bargaining and Strategic Complexity. AU Chatterjee, Kalyan; Sabourian, Hamid. AA Chatterjee: Penn State University. Sabourian: University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/33; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 29. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C78. KW Bargaining. Bounded Rationality. Automata. Complexity.
AB The authors investigate the effect of introducing costs of complexity in the n-person unanimity bargaining game. In particular, the paper provides a justification for stationary equilibrium strategies in the class of games where complexity costs matter. As is well-known, every individually rational allocation is sustainable as a subgame perfect equilibrium in this game if players are sufficiently patient. By limiting themselves to strategies which can be implemented by a finite-state machine and by suitably modifying the definition of complexity for the purpose of analyzing a single extension form, the authors find that complexity costs do not reduce the range of possible allocations but do limit the amount of delay that can occur in any agreement and also do exclude use of non-stationary strategies in equilibrium. However, a "noisy Nash equilibrium" with complexity costs turns out to sustain on the unique stationary subgame perfect equilibrium allocation.

Chen, Yan
PD October 1997. TI Supermodularity of Nash-Efficient Public Goods Mechanisms. AA University of Bonn.

SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A559; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 21. PR no charge. JE C62, D83, H41. KW Public Goods. Mechanisms. Supermodular Games.
AB The authors present a new family of mechanisms which implement Lindahl allocation in Nash equilibrium in a general environment. In a quasilinear environment the new family of mechanisms are supermodular games with suitable choice of parameters, which implies that they converge under a wide class of learning dynamics, including Bayesian learning, adaptive learning, fictitious play and many others. Among the existing public goods mechanisms whose Nash equilibria are Pareto efficient, the authors find that the Groves-Ledyard mechanism is a supermodular game when the punishment parameter is sufficiently high, while none of the existing game forms which implement Lindahl allocations are supermodular. This provides a theoretical explanation for the experimental findings on the dynamic stability of public goods mechanisms in Chen and Plott (1996) and Chen and Tang (1996).

Chichilnisky, Graciela
PD July 1997. TI Securitizing the Biosphere. AU Chichilnisky, Graciela; Heal, Geoffrey. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/06; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 18. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE Q20, Q30. KW Natural Capital. Biosphere. Ecosystem Securitization.
AB Not available.

PD August 1997. TI Managing Unknown Risks: The Future of Global Reinsurance. AU Chichilnisky, Graciela; Heal, Geoffrey. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/07; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 10. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G22. KW Climate Change. Global Reinsurance. Catastrophe Bundles.
AB Not available.

Child, John
PD December 1997. TI Foreign Direct Investment in the UK 1985-1994: The Impact on Domestic Management Practice. AU Child, John; Faulkner, David; Pitkethly, Robert. AA Child: University of Cambridge. Faulkner: Christ Church Pitkethly: University of Oxford. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP77; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 31. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE F21, F23, M11, M12, M14. KW Foreign Direct Investment. Multinational Firms. Acquisitions. Management Practice. Performance Related Pay.
AB The present research examines whether nationally

distinct approaches to management were introduced, following acquisition, among a sample of 201 UK subsidiaries of French, German, Japanese, U.S. and UK companies. It provides data on the extent of changes and the post-acquisition influence of the new parent, comparing changes between the four foreign nationalities and a UK control group. The study indicates that the process of being acquired and controlled by a foreign parent company generally led to significant changes in management practice. Some changes were common to all acquisitions, including those by UK companies. A shift towards performance-related rewards and a stronger quality emphasis in operations are two examples. In addition, there was also significant evidence of effects which differed between nationalities. These conformed to accepted characterizations of national management practice in the case of Japanese and U.S. acquirers, but much less so in the case of French and German acquisitions.

Chisholm, Darlene

PD December 1997. TI Profit Sharing Versus Fixed Payment Contracts: Evidence From the Motion Pictures Industry. AA Lehigh University. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 94/26; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 33. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE J33. KW Compensation. Motion Pictures. Contracting Clauses.
AB The choice between sharing and fixed-payment compensation schemes is examined using data on contracts from the motion pictures industry. Several competing explanations are explored, including moral hazard mitigation, risk sharing, liquidity constraints, and the superstar phenomenon. Detailed descriptive statistics are presented, and qualitative variation in contracting clauses is analyzed within this industry's institutional setting.

Christen, Markus

PD October 1997. TI Optimal Information Acquisition for Firm Decisions. AA INSEAD. SR INSEAD Working Papers: 97/106/MKT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 38. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C70, D21, D81, L15. KW Resource Allocation. Information. Game Theory. Uncertainty.
AB This paper examines firms' optimal resource allocation to acquire information using a game-theoretic model of firms that face cost and demand uncertainty. A better understanding of what data firms should process is important for helping them to better manage their information assets and for studying actual firm behavior. The main finding of this paper is that often firms should prefer detailed information to broad information, in particular when uncertainty is limited, competition is high, and firms' effectiveness in processing data into information is high. Preferring depth over breadth of information is optimal even without differences between external and internal data with respect to uncertainty or effectiveness in processing data. In equilibrium, when one firm focuses its resources on data about external demand conditions, a second identical firm always focuses on data about internal cost conditions.

Churchill, Neil C.

TI On Transformation and Adaptation: Building the Entrepreneurial Corporation. AU Muzka, Daniel F.; de Koning, Alice; Churchill, Neil C.

Clark, Peter B.

PD October 1997. TI Exchange Rate Volatility, Pricing to Market and Trade Smoothing. AU Clark, Peter B.; Faruqee, Hamid. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/126; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 39. PR not available. JE E31, F31, F41. KW Exchange Rates. Pricing to Market. Exports.
AB This paper investigates the consequences of exchange rate volatility on the variability of export prices and quantities in the presence of market segmentation and pricing to market. Firms stabilize destination prices through systematic price discrimination, limiting the degree of exchange rate pass-through. Consequently, the variability of exchange rates is not fully translated into prices and quantities at the point of destination. Empirical estimates using aggregate price data for the G-7 industrial countries show incomplete pass-through in variances, with considerable variation among these countries. U.S. industry specific data also indicate incomplete pass-through in most cases, with considerable variation across industries.

Clement, E.

PD 1997. TI Econometric Specification of the Risk Neutral Valuation Model. AU Clement, E.; Gouricroux, Christian; Monfort, Alain. AA Clement: Mane-la-Vallee University. Gouricroux: CREST and CEPREMAP. Monfort: CREST. SR CEPREMAP Discussion Paper: 97/06; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 37. PR 25-35 francs. JE C51, G13. KW Risk Neutral Valuation. Derivative Assets. Asymmetric Information. Gamma Measure.
AB In complete markets no arbitrage commonly implies deterministic relationships between the prices of derivative assets. These actuarial relations are incompatible with the available data and with statistical inference. For this purpose the authors justify an approach based on a stochastic risk-neutral measure.

Clements, Benedict

PD September 1997. TI Income Distribution and Social Expenditure in Brazil. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/120; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 33. PR not available. JE D31, E62, H50, O15. KW Brazil. Income Distribution. Social Expenditure.
AB This paper examines trends in income distribution in Brazil and the determinants of income inequality, including social expenditure. While recent data reveal reduced income inequality since the Real Plan of July 1994, the distribution of income is still among the most unequal in the world. Among the most important determinants of income inequality in Brazil is extreme disparity in educational attainment levels. Public expenditures on education, health, and social insurance have tended to exacerbate income inequality. A number of options for improving the equity and efficiency of Brazilian social

expenditure merit further examination.

Cohen, Daniel

PD 1997. **TI** How Will the Euro Behave? **AA** Ecole Normale Superieure, CEPREMAP, and Centre for Economic Policy Research. **SR** CEPREMAP Discussion Paper: 97/04; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **PG** 21. **PR** 25-35 francs. **JE** F31, F33, F42. **KW** Euro. European Monetary Union. Exchange Rates.
AB This paper investigates theoretically and empirically the effect on exchange rates of integrating monetary policy in Europe. It shows that the likely effect will be to generate a tighter European monetary policy (notwithstanding credibility aspects which are not discussed in the paper). The argument is that European monetary policy will fear less trade disequilibria than it currently does. This could lead, under certain circumstances which are explored in the text, to a euro that will be more volatile than it is now (as a basket of currencies).

PD 1997. **TI** French Unemployment: A TransAtlantic Perspective. **AU** Cohen, Daniel; Lefranc, Arnaud; Saint-Paul, Gilles. **AA** Cohen: ENS, CEPREMAP and Centre for Economic Policy Research. Lefranc: ENS and Direction de la Prevision. Saint-Paul: CERAS, DELTA and Centre for Economic Policy Research. **SR** CEPREMAP Discussion Paper: 97/05; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **PG** 24. **PR** 25-35 francs. **JE** E24, J11, J20, J62, J64. **KW** Unemployment. Economic Growth. Hirings. Separations. France.
AB The paper compares French and U.S. labor markets. It is shown that differences in unemployment rates are especially acute for young and old workers, but appear to be negligible for middle aged workers. All French workers, however, experience quite distinct job flows from their American counterparts as they are exposed to long spells of infrequent unemployment which is the opposite to the U.S. case. Critical differences across ages and skills regarding the patterns of exit and entry out of and into employment are also displayed. The authors dispel the view that these differences originate from the behavior of the unemployed (or the set of institutions that guide their decisions), or the view that these features are new to the French labor market.

PD 1997. **TI** Growth and External Debt: A New Perspective on the African and Latin American Tragedies. **AA** Ecole Normale Superieure, CEPREMAP and Centre for Economic Policy Research. **SR** CEPREMAP Discussion Paper: 97/15; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **PG** 17. **PR** 25-35 francs. **JE** F34, F43, O40. **KW** Economic Growth. External Debt. Trade Liberalization.
AB This paper addresses two puzzles of the growth literature, namely the failure of standard growth equation to account for Latin American and African slow growth; and the surprising failure of trade to explain growth whereas trade liberalization appears to play a significant role. The paper shows that 1) African growth is readily explained by macroeconomic mismanagement and low investment; 2) that trade liberalization should be taken as a proxy of macroeconomic good management rather than a genuine measure of the effect of trade upon growth, and 3) that Latin American poor growth (which does not appear to be accounted for by any of the preceding features) is well explained by a variable (constructed in the text) that represents the likelihood of debt crisis.

Collard, Fabrice

PD 1997. **TI** Variable Labor Adjustment Costs and Aggregate Nonlinear Dynamics. **AU** Collard, Fabrice; Feve, Patrick; Perraudin, Corinne. **AA** Collard: CEPREMAP. Feve: Universite de Nantes and CEPREMAP. Perraudin: CREST and Universite de Paris. **SR** CEPREMAP Discussion Paper: 97/17; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **PG** 32. **PR** 25-35 francs. **JE** C15, C51, D83, E32. **KW** Labor Market Search. Asymmetries. Nonlinear Dynamics. Simulation Methods. Minimum Weighted Residuals.
AB This paper investigates a model of labor-market search, where firms operate under uncertainty. The paper starts from a descriptive approach with the U.S. hours worked data. Efficiency units display significant nonlinearities and specification tests allow the selection of a flexible non-linear model. The authors assess the ability of the structural model to mimic these empirical features. Since the reduced form induces an intractable likelihood function, they investigate the model performance on the basis of an auxiliary model using a simulation based estimation and testing method. The results show that the simple theoretical representation of the labor market is able to match the behavior of U.S. efficiency units of hours worked along various dimensions, i.e. persistence and non-linearities.

Connolly, Michelle P.

PD May 1998. **TI** The Dual Nature of Trade: Measuring its Impact on Imitation and Growth. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 97/33; available only on web site. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 28. **PR** no charge. **JE** F10, F43, O31, O34, O40. **KW** Embodied Technology. Technological Diffusion. Learning-to-Learn. North-South Trade. Endogenous Growth.
AB Imports of goods that embody foreign technology raise a country's output directly, as inputs into production, and indirectly, through reverse-engineering of these goods which contributes to domestic imitation and innovation. This paper first quantifies spillovers from high technology imports from developed countries to domesticate imitation and innovation in both developed and developing countries. It then considers the importance of foreign and domestic innovation to real per capita GDP growth. High technology imports, as well as quality adjusted research and the size of the economy, positively affect both domestic imitation and innovation. Transportation and communication infrastructure positively affects imitation, but does not appear to play a role in innovation. Interestingly, foreign direct investment inflows, often considered important mechanisms for technological diffusion to developing nations, do not significantly affect either domestic innovation or imitation. Finally, foreign technology from developed countries appears to play a far greater role in growth than domestic technology.

Cook, Steven

PD September 1997. **TI** Forecasting the Growth in Consumers' Expenditure: The Treasury Model. **AA** University of Cambridge. **SR** University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/27; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom.

Website:www.econ.cam.ac.uk/dae. PG 24. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C53, E21. KW Consumption. Forecast Evaluation. Economic Policy.

AB Using Treasury forecasts of the growth in real total consumers' expenditure, a number of issues in macroeconomic forecasting are addressed. By restricting attention to a single variable, a more detailed examination is provided than is otherwise possible, thus complementing more general studies. The analysis includes, inter alia, the comparison of forecasts of differing horizons, tests for rationality and unbiasedness, and an examination of the link between forecasting and economic policy. The period chosen over which to perform this analysis proves to be particularly interesting, capturing several booms and slumps, including the boom of the late 1980's, the OPEC oil price shocks and major changes in economic policy.

PD September 1997. TI Cross-Vintage Encompassing. AA University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/28; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 21. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C22, C52. KW Encompassing. Data Revisions. Progressive Modeling.

AB Economic data are regularly revised, leading to a number of alternative vintages being available for a given data series over a particular time period. This paper confronts this problem, building on the model validity and data accuracy tests of Hendry (1994) to develop the concept of model and vintage coalescence (MVC). A taxonomy of MVC tests is established, and a test result unreported in Hendry (1994) is given. The apparent anomaly arising from the statistic is explained both analytically and by means of a Monte Carlo analysis of MVC. This framework is subsequently generalized to arrive at cross-vintage encompassing, where the comparison of models is extended to take account of the influence of data revisions. The analysis highlights the distinction between conventional encompassing and cross-vintage encompassing, showing the power of the two to differ significantly. The paper concludes by noting the implications of the above analysis for econometric modeling.

PD November 1997. TI A Neglected Controversy in the Modelling of Consumers' Expenditure. AA University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/32; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 13. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C20, C52, E21, N10. KW Consumption Function. Econometric History. Model Comparison.

AB Papers by Thomas (1989, 1992) have noted how the often recounted "stylized history" of the consumption function differs from the true sequence of events in its early history. Thomas notes many interesting applied studies and debates which the stylized history overlooks. To these can be added the debate over the cyclical nature of consumption considered here. This debate is documented here, and the data used in the original studies is reexamined. The analysis shows that the use of current econometric tests and practices does not allow any advance to be made on the work of the original authors, as a

simplistic model considered at the time proves to be the best model available, encompassing an alternative "modern" specification.

Cooper, Russel
TI Balladurette and Juppette: A Discrete Analysis of Scrapping Subsidies. AU Adda, Jerome; Cooper, Russel.

Corbett, Charles J.
TI Cooperation between Strands of Practice: Challenges and Opportunities for the Renewal of or Cooperation Between Strands of Practice. AU Overmeer, Willem J. A. M.; Corbett, Charles J.; Van Wassenhove, Luk N.

Cornelli, Franscesca
PD August 1997. TI Stage Financing and the Role of Convertible Debt. AU Cornelli, Franscesca; Yosha, Oved. AA Oved: Tel Aviv University. Cornelli: London Business School and Centre for Economic Policy Research. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 23/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 36. PR no charge. JE G31, G32, G33. KW Stage Financing. Venture Capital. Convertible Debt. Warrants. Short Termism.

AB Venture capital financing is characterized by extensive use of convertible debt and stage financing. We show why convertible debt is better than a simple mixture of debt and equity in stage financing situations. when the venture capitalist retains the option to abandon the project, the entrepreneur has an incentive to engage in "window dressing" or short-termism, i.e., to bias positively the short-term performance of the project in order to reduce the probability that the project will be liquidated. With a straight debt-equity contract, the entrepreneur will always engage in signal manipulation. With a convertible debt contract, such behavior reduces the likelihood of liquidation, but increases the probability that the venture capitalist will convert debt into equity, reducing the entrepreneur's profits. Therefore, with an appropriately designed convertible debt contract, the entrepreneur will not engage in short-termistic signal manipulation.

Corneo, Giacomo
PD October 1997. TI Status, the Distribution of Wealth, and Growth. AU Corneo, Giacomo; Jeanne, Oliver. AA Corneo: University of Bonn. Jeanne: Ecole Nationale des Ponts et Chaussees, CERAS, Paris, France. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A561; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 16. PR no charge. JE D11, D31, E21, O41. KW Endogenous Growth. Inequality. Social Status. Wealth Distribution.

AB The authors analyze a simple model of endogenous growth in which individuals care about both consumption and their rank in the distribution of wealth. They show that the steady-growth rate of the economy increases with both the strength of the status-seeking motive and the initial equality of the wealth distribution. Contrary to the basic model of endogenous growth, the equilibrium growth rate is not necessarily smaller than in the social optimum, and the authors identify the circumstances under which the two coincide.

Corrales, Martha

TI A Multicultural Perspective of the Impact of EIS on Organizational Intelligence, Decision Making and Structure. AU Leidner, Dorothy E.; Carlsson, Sven; Elam, Joyce; Corrales, Martha.

Crawford, Gregory S.

AB The 1992 Cable Act legislated that the per-channel prices cable systems could charge for most types of cable television service fall by 10-17% from their September, 1992 level. Upon implementation, however, while cable prices did show moderate declines, cable expenditures did not. In fact, in 1/3 of cable markets, the average consumer's cable bill actually increased. The proximate cause of these increases was the strategic introduction of new cable services and the reallocation of popular programming to those services by cable television systems. This paper measures the benefit to consumers of the Cable Act in light of these strategic supply responses by cable systems. A Discrete-Choice Differentiated Product model of demand for cable television service forms the basis of the analysis. The difference in Expected Consumers provides a measure of the welfare gain to consumers in those markets from the implementation of the Act.

AB The purpose of this paper is to describe the development of the cable television industry and analyze the institutional and economic determinants of its growth. As will be shown, the growth in the number of subscribers to cable television service was moderate from its inception until the late 1970's, enjoyed a period of substantial gain from that time until the mid-1980's, and subsequently flattened. While not inconsistent with the natural, unfettered development of nascent industries, the determinants of these periods of growth match closely with the developments in three related areas. There are (1) the seemingly boundless demand for new and varied video programming by consumers, (2) technological innovations in communication distribution technologies, including technological spillovers from other telecommunications industries, and (3) changes in the regulatory environment, or rules of the game governing both the structure of cost and the competitive environment in the industry.

Cukierman, Alex

PD November 1997. TI When Does it Take a Nixon to Go To China? AU Cukierman, Alex; Tommasi, Mariano. AA Cukierman: Tel Aviv University. Tommasi: Universidad de San Andres Victoria, Buenos Aires, Argentina. SR Tel Aviv Sackler Institute of Economic Studies Working Paper: 30/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 39. PR no charge. JE C72, D70, D80, E60. KW Credibility. Policymakers. Asymmetric Information. Political Ideologies. Representative Democracy. Probabilistic Voting.
AB Substantial changes in policy are sometimes implemented by "unlikely" parties; for example, radical market-oriented reforms by populist parties and substantial steps towards peace by "hawks" like Begin or Nixon. To account for such episodes we develop a framework in which incumbent politicians have more information than the voting public about the state of the world, and hence about which policies are optimal. Politicians are unable to transmit fully this information, since there is also incomplete information about their preferences. We conclude that popular support for a policy, or its "credibility", depends on the policymaker-policy pair.

Damant, David C.

AB In this paper the integrated risk measure of Damant and Satchell (1996) is used to formulate an investor's utility function and the properties of this function are investigated. The authors calibrate their utility function for a typical UK investor who would hold different proportions of equity. They find that, for plausible parameter values, a typical UK investor will hold more equity under the assumption of non-normality of return if his utility function has the above formulation and not the standard mean- variance utility function. Furthermore, their utility function is consistent with positive skewness affection and kurtosis aversion. Some aggregate estimates of risk parameters are calculated for the typical UK investor. These do not seem well-determined, raising issues of the roles of aggregation and wealth in this model.

Daniel, Betty C.

AB It is well known that the long-run viability of a fixed exchange rate regime imposes constraints on monetary policy. This paper shows that, in a model with forward-looking agents, short-run viability imposes a fiscal constraint. When policy change, which destroys long-run viability, also violates the fiscal constraint, collapse is instantaneous. Delayed predictable collapse requires satisfaction of the fiscal constraint.

Danthine, Jean-Pierre

AB The objective of this paper is to provide, in the context of a dynamic general equilibrium model, an answer to the following five questions: 1. To what extent does an economy subject to regular variations in labor productivity growth differ from one where labor productivity is constant? 2. What is the impact on major macro indicators of a one- time change in labor productivity growth? 3. What are the business cycle implications of autonomous (non-falsifiable) changes in growth expectations? 4. What is the potential of such expectation changes for explaining the volatility of consumption to output ratio? 5. Can autonomous changes in growth expectations help us understand recent business cycle episodes?.

AB After discussing the general characteristics that the successor to IS-LM should possess, this essay argues that the business cycle research program initiated by Kydland and Prescott (1992) is beginning to show a promising capacity at incorporating a broad range of modeling features into a logically consistent and theoretically satisfactory framework. This ability and the systematic process of model enrichment it permits make it possible to predict that the dynamic General Equilibrium models developed around the neoclassical stochastic growth model -- but possibly evolving towards friction-prone non Walrasian models -- will become the platform for a new neo- classical synthesis.

AB See the abstract for Danthine, Jean-Pierre; Donaldson, John B.; Johnsen, Thore, "Productivity Growth, Consumer Confidence and the Business Cycle". September 1997.

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 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 especially significant for financial market characteristics. We produce a reasonable model specification for which both business cycle characteristics and mean financial returns are in accord with U.S. observations. The 6.2% premium is obtained in an economy where agents are only moderately risk averse and where there are no frictions.

Davoodi, Hamid

Dayal-Gulati, Anuradha

AB This paper examines empirical determinants of private saving for a sample of economics in Southeast Asia and Latin America over the period 1975-95. It uses panel estimations to establish relationships between private saving rates and a range of policy and non-policy variables. The findings show that fiscal policy, particularly social security arrangements, influence private saving; also macroeconomic stability and financial deepening appear to have been important in accounting for differences in saving behavior between the two regions.

De Borger, Bruno

Transport Externalities: A Welfare Comparison of Some Policy Alternatives. AU De Borger, Bruno; Swysen, Didier. AA University of Antwerp. SR Fondazione Eni Enrico Mattei Note di Lavoro: 13/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 37. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D40, D62, L52, L91, R48. KW Transportation. Pricing. Regulation.

AB The purpose of this paper is to present and apply a simple framework for studying optimal prices and regulations for passenger and freight transport, taking into account the heterogeneity of transport services, and capturing all major external costs, viz. congestion, air pollution, accident risks and road depreciation. Based on a straightforward theoretical structure a simulation model is developed in which the heterogeneity of transport services (various modes, periods, fuel types, etc.) is captured through the use of nested-CES utility and production functions. The authority chooses optimal taxes and decides which technologies have to be implemented from a social welfare viewpoint. In a first application of the model the authors consider both optimal pricing policies and the desirability of introducing improved engine technologies in cars. The results suggest that substantial welfare gains could be realized. Moreover, they clearly illustrate the importance of the set of instruments available to the government.

De Broeck, Mark

PD September 1997. TI Explaining and Forecasting the Velocity of Money in Transition Economics, with Special Reference to the Baltics, Russia and other Countries of the Former Soviet Union. AU De Broeck, Mark; Krajinyak, Kornelia; Loric, Henri. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/108; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 46. PR not available. JE E10, E31, F31, F41, O23. KW Stabilization. Velocity of Money. Transition Economics.

AB The paper identifies a number of stylized facts on the behavior of key macroeconomic variables during high inflation and stabilization in countries in transition. To examine the extent to which these stylized facts conform to the predictions of standard open economy monetary theory, the paper develops a simple monetary model of the exchange rate incorporating price stickiness and inflation inertia, and carries out an econometric analysis of the behavior of real money balances during inflation stabilization. The paper concludes by assessing the prospects for velocity developments in countries in transition, including the likely pace of remonetization.

De Fraja, Gianni

PD April 1997. TI Contracts for Health Care and Asymmetric Information. AA University of York and Center for Economic Policy Research. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A549; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 21. PR no charge. JE D82, I11, I18, L51. KW Contracts. Health Services. Regulation. Asymptotic Consistency. Convergence Rate.

AB The paper presents a general model of contracting for a specific health service. The benefit of this service differs across patients; a purchaser (NHS, insurer) offers a contract to providers (hospitals, GP's), under the constraint of limited information about the provider's costs; the contract specifies payment as a function of the number of cases treated. A number of features of the optimal contract are derived. Some of these are surprising: for example, under plausible conditions, the price per case increases with the efficiency of the provider.

PD September 1997. TI Slot Allocation: A Model of Competition Between Firms when Consumers are Procedurally Rational. AU De Fraja, Gianni; Ray, Indrajit. AA University of York. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A558; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 15. PR no charge. JE C72, D11, D21, L10. KW Bounded Rationality. Slot Allocation. Multiproduct Firms. Consumer Theory. Firm Behavior.

AB The authors present a simple model where consumers are boundedly rational: they cannot compare two consumption bundles; instead, they have some fundamental preferences and a selection procedure. In this set up, the authors analyze a non-cooperative game played by firms who strategically allocate some non-differentiated services to different slots. In any Nash equilibrium of the slot allocation game the firms choose the same allocation. There may be multiple equilibria one of which is always to allocate according to the consumer's taste. Finally, as the number of firms increases, only the allocation preferred by the consumers remains as an equilibrium which may not be the profit-maximizing one.

de Koning, Alice

TI On Transformation and Adaptation: Building the Entrepreneurial Corporation. AU Muzka, Daniel F.; de Koning, Alice; Churchill, Neil C.

de Melo, Jaime

TI Lobbying and the Structure of Protection. AU Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo.

TI Can Bilateralism Ease the Pains of Trade Liberalization? AU Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo.

De Meyer, Arnoud

TI A Framework for Exchanging Preliminary Information in Concurrent Development Processes. AU Terwiesch, Christian; Loch, Christoph H.; De Meyer, Arnoud.

de Roon, Frans A.

PD November 1997. TI Analyzing Specification Errors in Models for Futures Risk Premia with Hedging Pressure. AU de Roon, Frans A.; Nijman, Theo E.; Veld, Chris. AA de Roon: Erasmus University. Nijman and Veld: CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 97102; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/fcw5/center/center.htm. PG 35. PR no charge. JE G13. KW Asset Pricing. Futures Markets. Specification Errors. Hedging.

AB The authors present a simple multifactor model in which futures risk premia are determined by the covariance of the futures returns with the market return, as well as by hedging pressure variables. The model does not only identify the futures own hedging pressure as a determinant of the futures risk premium, but also hedging pressures from other futures

markets, referred to as cross hedging pressures. For a set of 20 futures markets, the authors analyze the model using both standard test procedures as well as the specification error bounds introduced by Hansen & Jagannathan (1997). They show that the futures own hedging pressure as well as cross hedging pressures from within the same group have a significant effect on the futures returns after controlling for market risk. The authors also show that the inclusion of hedging pressure variables induces a substantial reduction in the estimated specification error bounds.

De Santis, Giorgio

PD November 1997. TI The Single European Currency and World Equity Markets. AU De Santis, Giorgio; Gerard, Bruno; Hillion, Pierre. AA De Santis and Gerard: University of Southern California. Hillion: INSEAD. SR INSEAD Working Papers: 97/122/FIN; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 34. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F33, G15. KW International CAPM. Currency Risk. European Monetary Union. Equity Markets.
AB The objective of this study is to analyze the impact on world financial markets of the adoption of the Single Currency and the contemporaneous elimination of intra-European currency risk. The authors estimate the EMU and non-EMU components of aggregate currency risk using a conditional version of the international CAPM of Adler and Dumas (1983). Their results indicate that investors are rewarded for their exposure to both sources of currency risk. The premium for EMU risk is mostly positive, but has decreased over the years. The non-EMU currency risk is consistently negative and is much larger, in absolute value, than its EMU counterpart. This suggests that the adoption of a single currency is likely to have a limited impact. European financial markets will still be exposed to the large and dominant impact of the non-EMU currency risk.

De Waegenaere, Anja

TI Budget Setting Strategies for the Company's Divisions. AU Berg, Menachem; Brekelmans, Ruud; De Waegenaere, Anja.

Deakin, Simon

PD June 1997. TI Hostile Takeovers, Corporate Law and the Theory of the Firm. AU Deakin, Simon; Slinger, Giles. AA University of Cambridge. SR University of Cambridge, ESRC Center for Business Research Working Papers: WP56; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 31. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE G34, K22, L50. KW Takeovers. Firm. Company Law. Shareholders. United Kingdom.
AB This paper assesses the impact of the regulatory system governing takeovers and considers the relevance of economic theory for the design of corporate law and governance systems. It is found that the institutional framework of the UK both discourages defenses against hostile takeover bids and protects the interests of target shareholders above those of other stakeholder groups during bids. Compelling evidence regarding

the eventual sources of gains justifying the premia paid in hostile takeovers to target shareholders is difficult to find. In the absence of such evidence, the authors question whether a system of company law which aims at maximizing shareholder value in this way is compatible with society's interest in maintaining an efficient corporate sector.

PD December 1997. TI The Theory and Practice of Contracting. AU Deakin, Simon; Michie, Jonathan. AA Deakin: University of Cambridge. Michie: Birkbeck College, University of London. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP78; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 40. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE D23, K12, L14. KW Transaction Costs. Contracts. Institutional Economics. Competition Policy.
AB This paper explores possibilities for theoretical synthesis in the study of contracts and reviews recent empirical research on contract process in both the public and private sectors. It argues for an interdisciplinary approach in which insights from organization theory and social systems theory are integrated with those of transaction cost economics. Such an approach may prove particularly valuable for the study of inter-organizational relations and trust. From this perspective, case studies, institutional histories and legal-conceptual analyses may all be used to advance the understanding of current changes in economic organization.

PD December 1997. TI Cooperation and Trust in Inter-firm Relations: Beyond Competition Policy? AU Deakin, Simon; Goodwin, Tom; Hughes, Alan. AA Deakin and Hughes: University of Cambridge. Goodwin: University of Warwick. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP79; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 32. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE D23, K21, L14, L22, L40. KW Competition Law. Competition Policy. Cooperation. Innovation.
AB This paper considers the implications for competition law and policy of evidence that cooperation between firms is an important element in productive innovation and competitive success. The treatment of vertical inter-firm relations in U.S., British and European Community competition law is analyzed. Notwithstanding growing flexibility in the treatment of vertical contracts, competition authorities continue to treat arms-length relations between firms as a first-best option. The authors argue that without abandoning the necessary mechanisms for dealing with abuse of economic power where its existence is clearly shown, competition policy should more clearly recognize that cooperation between firms is an important mechanism by which both static efficiency and dynamic efficiency may be enhanced.

Deghdak, Messaoud

PD 1997. TI Decentralizing Edgeworth Equilibria in Economies with Many Commodities. AU Deghdak, Messaoud; Florenzano, Monique. AA Deghdak: University of Constantine. Florenzano: CNRS and CEPREMAP. SR. CEPREMAP Discussion Paper: 97/21; Bibliotheque,

CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 15. PR 25-35 francs. JE C62, D51. KW Walrasian Equilibrium. Edgeworth Equilibrium. Core Equivalence. F- Properness. E-Properness.

AB This paper proves core-equivalence theorems for exchange economies without ordered preferences, defined on locally convex Riesz commodity spaces such that the price space is a lattice. Properness assumptions are borrowed from some recent equilibrium existence results.

Dekimpe, Marnik G.

PD August 1997. TI "Globalization": Modeling Technology Adoption Timing Across Countries. AU Dekimpe, Marnik G.; Parker, Philip M.; Sarvary, Miklos. AA Dekimpe: Catholic University Leuven. Parker: INSEAD. Sarvary: Stanford University. SR INSEAD Working Papers: 97/75/MKT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 26. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE L63, O14, O33. KW Technology Adoption. Cellular Telephones. Development. Demonstration Effect.

AB The authors study global adoption processes where the units of observation are countries which sequentially adopt a particular technology. Their goal is to provide a better understanding of how exogenous and endogenous country characteristics affect this diffusion process. The authors develop a general model of global adoption processes which allows researchers to test extant theories of cross-country adoption, and illustrate the approach using cellular telephone industry data for 184 countries. The findings generally support previous theories. In particular, the authors find support for the "demonstration effect": as the number of countries adopting the technology becomes larger, the likelihood of "similar" countries following their example increases. They also find that planned economies lag in adopting technologies, and that countries with homogenous and concentrated populations, and with a high level of economic development are earlier adopters. Finally, their model supports the managerial intuition that, eventually, all countries will adopt the new technology.

Demirguc-Kunt, Asli

PD September 1997. TI The Determinants of Banking Crises: Evidence from Developing and Developed Countries. AU Demirguc-Kunt, Asli; Detragiache, Enrica. AA Demirguc-Kunt: The World Bank and International Monetary Fund. Detragiache: International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/106; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 31. PR not available. JE E44, G21. KW Banking Crises. Financial Fragility. Deposit Insurance.

AB The paper studies the factors associated with the emergence of systematic banking crises in a large sample of developed and developing countries in 1980-94, using a multivariate logit econometric model. The results suggest that crises tend to erupt when the macroeconomic environment is weak, particularly when growth is low and inflation is high. Also, high real interest rates are clearly associated with systematic banking sector problems, and there is some evidence that vulnerability to balance of payments crises has played a role. Countries with an explicit deposit insurance scheme were particularly at risk, as were countries with weak law enforcement.

Detragiache, Enrica

TI The Determinants of Banking Crises: Evidence from Developing and Developed Countries. AU Demirguc-Kunt, Asli; Detragiache, Enrica.

Dex, Shirley

TI The Wage Costs of a National Statutory Minimum Wage in Britain. AU Robson, Paul; Dex, Shirley; Wilkinson, Frank.

PD December 1997. TI Parenting and Labour Force Participation: The Case for a Ministry of the Family. AU Dex, Shirley; Rowthorn, Robert. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP74; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 17. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE H53, I30, J13, J22. KW Child Care. Parenting. Employment. Labor Force.

AB This paper examines the economic issues implicit in some of the current debates over the way families balance their labor force participation and family and caring responsibilities. It is critical of the partial views which have tended to focus solely on one of the agents, often women and their employment, without considering the wider issues of the role of men and the impact on children. Whilst many of the issues are private ones, there are also public interests at stake in the rearing and welfare of children, and business interests in the renewal and quality of the labor force. Many of the claims made about the benefits to the economy and the case for subsidized pre- school day care and education are without economic foundation when considered from a wider perspective. A case is made for government policy to have a more integrated approach to these issues.

Dhillon, Amrita

PD January 1997. TI Wage Independence in Symmetric Oligopolistic Industries. AU Dhillon, Amrita; Petrakis, Emmanuel. AA Dhillon: University of Warwick. Petrakis: Universidad Carlos III. SR Fondazione Eni Enrico Mattei Note di Lavoro: 02/97; Fondazione Eni Enrico, Mattei Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 23. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE J31, J51, L13. KW Oligopoly. Wages. Trade Unions.

AB This paper provides sufficient conditions under which the negotiated wage in unionized oligopolistic industries with centralized negotiations is independent of a number of product market features (such as the number of firms, the degree of product substitutability, or the type of market competition). This wage independence property is shown to hold in a broad class of industry specifications widely-used in the literature, both when negotiations are conducted over wages alone (Right-to-Manage), and over wages and employment (Efficient Bargains). In particular, it holds for the Dixit-Stiglitz preference-for-diversity model, the symmetric linear demands-linear one factor (labor) technology model, and the constant elasticity demand and cost functions model. In these models the negotiated wage is independent of the bargaining institution, too. Unions are then better-off as the market becomes more competitive since aggregate employment increases.

Diamond, Peter A.

PD September 1997. **TI** Efficiency Effects of Punitive Damages. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 97/17; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 39. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** K13. **KW** Punitive Damages.

AB This paper develops a typology of different behaviors that might be viewed as outrageous by a jury and subjected to punitive damages. The paper derives the level of punitive damages for achieving economic efficiency in four different situations-malice and three settings where a jury might find reckless disregard-a rational response to insufficient compensatory damages, a nonrational disregard of risk, and a rational response when compensatory damages are adequate. Since efficient deterrence is reached in very different ways in situations of malicious intent and reckless disregard, jury instructions should differ in these different situations. With malicious intent, the jury should be instructed to focus on the preferences of the defendant. With reckless disregard, the jury should be instructed to focus on the circumstances leading to the accident, particularly the inadequacy of attention to a cost falling on the plaintiff. Inadequate attention could come from a rational disregard of costs that the tort system will not assess or from a nonrational disregard of the costs that the tort system will assess. Jury instructions with reckless disregard should focus on the costs that are not adequately represented in the defendant's decision process. This focus is naturally stated in terms of a ratio of punitive to compensatory damages, or equivalently the ratio of the sum of compensatory and punitive damages to the level of compensatory damages.

PD October 1997. **TI** Integrating Punishment and Efficiency Concerns in Punitive Damages for Reckless Disregard of Risks to Others. **AA** Massachusetts Institute of Technology. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 97/19; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 44. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** K13. **KW** Punitive Damages.

AB Punitive damages deter and punish. Using a social welfare function that incorporates both economic efficiency and a desire for retribution, this paper explores the effects of punitive damages in situations of reckless disregard that might be viewed as outrageous. If the defendant was making a rational decision that reflected all of social costs, any level of punitive damages lowers efficiency. If there are inadequacies of compensatory damages, the costs borne by the defendant are less than the full social costs. Then, punitive damages may be able to improve economic efficiency as well as providing retribution. Also considered is deterrence of nonrational reckless disregard (e.g., drunk driving) along with retribution. Optimal punitive damages to balance both concerns is compared with the level which would be best considering only retribution, and the level which would be best considering only economic efficiency. In some situations, consideration of both deterrence and retribution argues for an intermediate level of punitive damages; in others it can call for higher or lower damages than either of the levels considering just a single issue.

Dickens, Richard

PD September 1997. **TI** Caught in a Trap? Wage Mobility In Great Britain: 1975-94. **AA** London School of Economics. **SR** London School of Economics, Center for Economic Performance Discussion Paper: 365; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 77. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J31, J60. **KW** Wage Mobility. Earnings Ranking. Inequality.

AB In this paper the author studies wage mobility in Great Britain using the New Earnings Survey from 1975-1994 and the British Household Panel Survey from 1991- 1994. Measuring mobility in terms of decile transition matrices, the author finds a considerable degree of immobility within the wage distribution from one year to the next. Mobility is higher when measured over longer time periods. Those in lower deciles in the wage distribution are much more likely to exit into unemployment and non- employment. Measuring mobility by studying changes in individuals' actual percentile rankings in the wage distribution, the author finds evidence that short run mobility rates have fallen since the late 1970's.

Dippelsman, Robert

TI Discrepancies Between Quarterly GDP Estimates. **AU** Bloem, Adriaan M.; Dippelsman, Robert; Maitland-Smith, Fenella; Armknecht, Paul.

Dixon, Huw David

PD September 1997. **TI** A Mixed Industrial Structure Magnifies the Importance of Menu Costs. **AU** Dixon, Huw David; Hansen, Claus Thustrup. **AA** Dixon York University and Center of Economic Policy Research. Hansen: University of Copenhagen and EPRU. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/11; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. **PG** 24. **PR** no charge. **JE** D40, E31, E32, E51, L16. **KW** New Keynesian. Industrial Structure. Menu Costs.

AB New Keynesian literature assumes symmetric industrial structure when analyzing explanations of money non-neutrality. This paper analyzes the impact of modifying this assumption by allowing for a mixed industrial structure; some industries are characterized by monopolistic competition, others by perfect competition. The mixed industrial structure implies misallocation of labor between the different industries which may contribute to explanations of non-neutrality of money. Following a 5% money increase, the menu costs needed for non-neutrality may be 40 times smaller and the ratio of welfare gain over private loss more than 100 times larger than in the corresponding model with a symmetric structure.

Domanski, Ryszard

TI Industrial Concentration Under Shock Therapy: Poland in the Early Transition Years. **AU** Kattuman, Paul; Domanski, Ryszard.

Domenighetti, Gianfranco

TI An Econometric Model of Health Care Utilization and Health Insurance in Switzerland. **AU** Holly, Alberto; Gardiol, Lucien; Domenighetti, Gianfranco; Bisig, Brigitte.

PD February 1998. TI Medecine Ambulatoire: Principal Facteur De Cout Et D'inflation A La Charge Directe Des Assures. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9801; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 21. PR no charge. JE KW Health Care. Ambulatory Care. Induced Demand. Policy Regulation.
AB This paper is written in Swiss.

Donaldson, John B.
TI Productivity Growth, Consumer Confidence and the Business Cycle. AU Danthine, Jean-Pierre; Donaldson, John B.; Johnsen, Thore.

TI Productivity Growth, Consumer Confidence and the Business Cycle. AU Danthine, Jean-Pierre; Donaldson, John B.; Johnsen, Thore.

TI Non-Falsified Expectations and General Equilibrium Asset Pricing: The Power of the Peso. AU Danthine, Jean-Pierre; Donaldson, John B.

Dowd, Jeff
TI Voluntary Agreements with Industry. AU Storey, Mark; Boyd, Gale; Dowd, Jeff.

Doz, Yves L.
TI CEO: A Visible Hand in Wealth Creation? AU Prahalad, C. K.; Doz, Yves L.

PD November 1997. TI On the Management of Knowledge: From the Transparency of Collocation and Co-Setting to the Quandary of Dispersion and Differentiation. AU Doz, Yves L.; Santos, Jose F. P. AA INSEAD. SR INSEAD Working Papers: 97/119/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 40. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F23, L15, M10. KW Multinational Firms. Knowledge. Geographical Dispersion. Context Differentiation.
AB In this paper the authors explore the consequences of geographical dispersion and context differentiation on the process of knowledge sharing between units in complex organizations. After showing the relative ease of knowledge work under collocation and co-setting, they investigate the concept of knowledge, both individual and organizational, along the dimensions of tacitness and context-dependency or embeddedness, and suggest that knowledge, contrary to mere information, is difficult to share under conditions of dispersion and differentiation. The authors then present a model of knowledge sharing, valid both within the firm and between the firm and its environment. Finally they draw managerial implications by summing up the key steps of an explicit process of knowledge management: identifying specific knowledge; classifying it in a complexity framework; deciding what is the 'moving' knowledge and the 'put' knowledge; choosing the package or set of packages of knowledge to be used; and selecting the transfer route.

Druker, Jan
TI The Survival of National Bargaining in the Electrical

Contracting Industry: A Deviant Case? AU Gospel, Howard; Druker, Jan.

Dumenil, Gerard
PD 1997. TI Being Keynesian in the Short Term and Classical in the Long Term. AU Dumenil, Gerard; Levy, Dominique. AA Dumenil: CNRS, MODEM, and University of Paris X-Nanterre. Levy: CNRS and CEPREMAP. SR CEPREMAP Discussion Paper: 97/02; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 34. PR 25-35 francs. JE B12, D50, E11, E12, E40. KW Traverse. Classical. Post-Keynesian. Money. Disequilibrium.
AB This paper analyzes the relationship between the Keynesian (Post- Keynesian, Kaleckian) and classical perspectives, emphasizing the distinction between two time-frames, short term and long term. A model is presented in which the traverse to a long-term classical equilibrium, with prices of production, is obtained as a sequence of short-term Keynesian equilibria (in which outputs are adjusted to demands). In the short term, prices and capital stocks are constant; they are only adjusted in the long term. Prices respond to disequilibrium concerning capacity utilization rates. Investment is subject to a financing constraint, in which the provision of loans by the banking system is involved. Loans are modified in response to inflation (monetary policy).

Duran, Jorge
PD 1997. TI On Dynamic Programming with Unbounded Returns. AA Universidad Carlos III de Madrid and Universite Catholique de Louvain. SR CEPREMAP Discussion Paper: 97/10; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 20. PR 25-35 francs. JE C61, D92. KW Dynamic Programming. Recursive Preferences. Unbounded Returns. Contraction Mappings.
AB Some economic models like those of endogenous growth motivate the analysis of a class of recursive models sharing the property that the return function is not bounded along feasible paths. The authors consider a strategy of proof which allows them to deal with many unbounded recursive models exploiting bounds to the rates of growth rather than to the levels.

Dussauge, Pierre
TI Resource Redeployment Following Horizontal Mergers and Acquisitions in Europe and the United States, 1988-1992. AU Capron, Laurence; Dussauge, Pierre; Mitchell, Will.

Dutta, Soumitra
PD 1997. TI Competing in the Marketspace: An Empirical Study. AU Dutta, Soumitra; Kwan, Stephen; Segev, Arie. AA Dutta: INSEAD and University of California, Berkeley. Kwan: San Jose State University and University of California, Berkeley. Segev: University of California, Berkeley. SR INSEAD Working Papers: 97/99/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 16. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE L20, M21, M30. KW Marketspace. Competition. Business Models.
AB Following a unique study, 'Competing in the Marketspace', conducted in February 1997, it became apparent

that although more than half of all surveyed organizations have established a significant commercial presence in the Marketspace, about a third have only a rudimentary commercial presence, and need to catch up fast to remain competitive. The current trend seems to be towards using the Marketspace simply as an additional channel on which to transport existing business models. This report describes these findings, details the underlying model, and focuses later on cross-regional and cross-sectoral comparisons.

PD 1997. **TI** An Empirical Study of Adoption Levels of Software Management Practices Within European Firms. **AU** Dutta, Soumitra; Van Wassenhove, Luk N. **AA** INSEAD. **SR** INSEAD Working Papers: 97/118/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 41. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** L23, L86, M11, O33. **KW** Software Management. Europe.

AB Software crises are common and examples abound of situations where the competitiveness of firms has been threatened by failures in the production and/or deployment of software. In addition, there is a paucity of published research about the adoption of software management practices within firms. This paper describes an empirical study of the adoption levels of software management practices within 882 European firms from 15 countries and sectors. Management practices in five areas are surveyed: organizational issues, standards and procedures, metrics, control of the development process, and tools and technology. This study shows that there are statistically significant differences in the adoption of software management practices across the surveyed countries and sectors. Companies in leading countries and sectors tend to have adopted more practices related to organizational issues, standards and procedures, and metrics. Areas for further investment in software management practices within specific sectors and countries are also outlined.

Ecchia, Giulio

PD February 1997. **TI** The Stability of International Environmental Coalitions with Farsighted Countries: Some Theoretical Observations. **AU** Ecchia, Giulio; Mariotti, Marco. **AA** Ecchia: University of Bologna. Mariotti: University of London. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 14/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 26. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C72, D70, F42. **KW** Stability. Environmental Agreements. Emissions. Noncooperative Games. Cooperation.

AB The authors study a three-country model of international environmental agreements where countries may choose either to limit their emissions or to behave noncooperatively. First, the authors provide a taxonomy of various kinds of strategic situations. Then, by applying some recently developed game-theoretic techniques, they show that if countries are "farsighted" then there is scope for self-enforcing cooperation in several such situations.

PD March 1997. **TI** Price Regulation and Incentives to Innovate: Fixed vs. Flexible Rules. **AA** University of Bologna. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 40/97; Fondazione Eni Enrico Mattei, Corso Magenta 63,

20123 Milano, Italy. Website: www.feem.it. **PG** 25. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** L10, L51, O31. **KW** Regulation. Innovation. Price Cap. Flexibility.

AB In this paper the authors focus on one particular aspect of the relationship between market structure and innovation, that is the effect of regulation on the incentives to innovate of a regulated monopolistic firm. More precisely, the authors discuss the influence of price regulation on the economic incentives to undertake costly R&D effort to discover a new technology. After a discussion of positive approaches to regulation and their relevance for the policy debate about the relationship between innovative activity and regulation, the paper develops the analysis of different price regulatory schemes in terms of incentives to undertake R&D effort, comparing a traditional price cap scheme with a downward flexible price-cap scheme. The welfare analysis of these schemes and a discussion of their relative merits shows that a welfare ranking of the alternative forms of regulations is crucially dependent on the properties of the cost reduction distribution function.

Eckstein, Zvi

PD July 1997. **TI** A Quantitative Analysis of Swedish Fertility Dynamics: 1751-1990. **AU** Eckstein, Zvi; Mira, Pedro; Wolpin, Kenneth I. **AA** Eckstein: Tel Aviv University. Mira: CEMFI. Wolpin: University of Pennsylvania. **SR** Tel Aviv Foerder Institute for Economic Research Working Paper: 22/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 33. **PR** no charge. **JE** D91, I12, J13. **KW** Fertility. Survival Rate. Growth. Demographic Transition.

AB This paper analyzes the relationship between age-specific fertility, mortality and real wages in Sweden during the demographic transition. We take an overlapping generations model of life cycle fertility and fit it to actual Swedish time-series data over the past two and a half centuries. The model fits the data well, accurately portraying the total fertility decline from more than four children per female before the mid-19th century to about two children today. About 80% of this decline was in fertility that occurred at female ages over 30. The fitted model implies that reductions in child mortality over this period is the most important factor explaining the fertility decline, while increases in the real wage can explain only less than one-third of the decline in fertility. However, their combined effect was considerably larger than a simple summing up would predict. The fertility decline was magnified as well by the combination of increasing real wages and rising adult survival rates. In addition, we find that a model that is estimated based only on pre-transition data would actually overstate the subsequent fertility decline.

PD August 1997. **TI** Youth Employment and Academic Performance in High School. **AU** Eckstein, Zvi; Wolpin, Kenneth I. **AA** Eckstein: Tel Aviv University and Boston University. Wolpin: University of Pennsylvania. **SR** Tel Aviv Sackler Institute of Economic Studies Working Paper: 24/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 64. **PR** no charge. **JE** J15, J20, J24. **KW** Academic Performance. High School. Employment. Maximum Likelihood. Heterogeneity.

AB The Fair Labor Standards Act (FLSA), imposes

restrictions on working hours and the type of jobs held by minors at ages below 18. Hours worked in the NLSY sample increased monotonically from 2.5 for the 14-year-old to 16.2 for the 18-year-old, and among those who worked positive hours, it increased from 8.9 to 24.5. The aim of this paper is to assess one of the underlying premises for the legislation, namely that working while attending high school could adversely affect school performance. We formulate and estimate an explicit sequential decision model of high school attendance and work that captures in a stylized fashion the important institutional features of high school grade progression. Individuals accumulate credits (courses) towards graduation depending on the individual's history of performance (knowledge acquisition), the level of participation in the labor market (hours worked) and their known (to them) ability and motivation. The labor market (randomly) offers wages for part-time and full-time employment. Our results indicate that a policy that forced youths to remain in high school for five years or until they graduate, whichever comes first, without working would increase the number of high school graduates by slightly more than 2 percentage points.

PD February 1998. TI The Absorption of Highly Skilled Immigrants: Israel, 1990-1995. AU Eckstein, Zvi; Weiss, Yoram. AA Eckstein: Tel Aviv University and Boston University. Weiss: Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 03/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 60. PR no charge. JE J24, J31, J60. KW Absorption. Convergence. Occupations. Wages.
AB This paper develops a descriptive methodology for the analysis of wage growth of immigrants, based on human capital theory. The sources of the wage growth are: (i) the rise of the return to imported human capital; (ii) the impact of accumulated experience in the host country; and, (iii) the mobility up the occupational ladder in the host country. We formulate a non-linear model which is estimated, using repeated cross section data. Using data on immigrants from the former Soviet Union to Israel, we find: Upon arrival, immigrants receive no return for imported skills. In the five years following arrival, wages of highly skilled immigrants grow at 8.13% a year. Rising prices of skills, occupational transitions, accumulated experience in Israel, economy-wide rise in wages and repeated sampling account for 4.3, 3.1, 1.6, 1.2, and -2 percent each. There is convergence to natives in the occupational distribution, but not in wages. In the long run, the return for schooling converges to 0.044 and 0.027 for immigrants in high and low skill occupations, respectively, substantially below the .073 for natives. The return for experience converges to that of Israelis, and immigrants receive higher return for their unmeasured skills.

TI Discrimination and Skill Differences in an Equilibrium Search Model. AU Bowlus, Audra J.; Eckstein, Zvi.

Eckwert, Bernhard
PD July 1998. TI The Value of Information in Some General Equilibrium Models. AU Eckwert, Bernhard; Zilcha, Itzhak. AA Eckwert: University of Chemnitz, Germany. Zilcha: Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 13/98; The Eitan Berglas School of

Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 20. PR no charge. JE D61, D80. KW Information Systems. Blackwell Theorem. Risk Aversion. Risk-Sharing Markets.
AB The paper generalizes Blackwell's Theorem, according to which the welfare effects of an improvement in information are positive to a certain class of general equilibrium production economies. The consumer preferences in this class of economies exhibit either constant relative risk aversion or constant absolute risk aversion. We also demonstrate that the introduction of risk sharing markets may invalidate the Blackwell result.

Edwards, Franklin R.
PD December 1997. TI Mutual Funds and Stock and Bond Market Stability. AU Edwards, Franklin R.; Zhang, Xin. AA Edwards: Columbia University. Zhang: The World Bank. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/22; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 45. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G12, G23. KW Mutual Funds. Stock Prices. Bond Prices.
AB The unprecedented growth of mutual funds has raised questions about the impact of mutual fund flows on stock and bond prices. Many believe that the equity bull market of the 1990's is attributable to the huge flows of funds into equity mutual funds during this period, and that a withdrawal of those funds could send stock prices plummeting. This article investigates the relationship between aggregate monthly mutual fund flows (sales, redemptions, and net sales) and stock and bond monthly returns during a 30-year period beginning January 1961 utilizing Granger causality and instrumental variables analysis. With one exception, flows into stock and bond funds have not affected either stock and bond returns. The exception is 1971-81, when widespread redemptions from equity mutual funds significantly depressed stock returns. In contrast, the magnitude of flows into both stock and bond funds are significantly affected by stock and bond returns.

Eichhammer, Wolfgang
TI Voluntary Agreements as a Substitute for Regulations and Economic Instruments: Lessons from the German Voluntary Agreements on CO2 Reduction. AU Jochem, Eberhard; Eichhammer, Wolfgang.

Ejarque, Joao Miguel
PD April 1997. TI Uncertainty and Durable Consumption in the Great Depression. AA Universidade Nova de Lisboa. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/04; Institution of Economics, University of Copenhagen, Studiestraede 6, 1445 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 29. PR no charge. JE E21, E22, E32, N12. KW Uncertainty. Irreversibility. Great Depression. Durables. Investment.
AB This paper investigates Romer's (1990) hypothesis linking uncertainty caused by the October 1929 crash with durable expenditure movements and the start of the downturn. The author estimates conditional variances for macroeconomic data, and computes the variance of stock returns. These goods are subject to different degrees of irreversibility. The response

to a mean preserving spread implies a relative increase in investment in the less irreversible good -- in this case consumer durables. Therefore, a drop in durable consumption can be a sign of recession only because investment in physical capital is falling even more. However, there is no clear evidence supporting this implication, following the October crash.

Elam, Joyce
TI   A Multicultural Perspective of the Impact of EIS on Organizational Intelligence, Decision Making and Structure. AU   Leidner, Dorothy E.; Carlsson, Sven; Elam, Joyce; Corrales, Martha.

Eldor, Rafael
PD   April 1997. TI   Firms Under Tax Asymmetry: Price Uncertainty and Hedging. AU   Eldor, Rafael; Zilcha, Itzhak. AA   Tel Aviv University. SR   Tel Aviv Foerder Institute for Economic Research Working Paper: 05/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG   22. PR   no charge. JE   D21, G13, H25. KW   Price Uncertainty. Tax. Hedging.
AB   We study the optimal decisions regarding production and hedging of a competitive firm under price uncertainty. The firm faces asymmetric tax (i.e., profits and losses are taxed at different rates) and has access to futures markets. The main findings are: (a) Risk neutral firms will engage in hedging in order to lower the expected tax; moreover, their output increases as a result of such hedging activity. (b) For risk-averse firms, under asymmetric tax, the optimal output level is independent of the tax rates, the price distribution and its attitude towards risk. (c) The optimal hedging policy differs significantly compared with the symmetric tax case.

Ellison, Sara Fisher
PD   August 1997. TI   Gradual Incorporation of Information into Stock Prices: Empirical Strategies. AU   Ellison, Sara Fisher; Mullin, Wallace P. AA   Ellison: Massachusetts Institute of Technology. Wallace: Michigan State University. SR   Massachusetts Institute of Technology, Department of Economics Working Papers: 97/14; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG   26. PR $7.00 U.S., Canada. Mexico; $10.00 other international. JE   C10, G10, G14. KW   Information. Stock Prices. Event Study.
AB   This paper explores environments in which either the revelation or diffusion of information, or its incorporation into stock prices, is gradual, and develops appropriate estimation techniques. This paper has implications both for event study methodology and for understanding the process by which stock prices incorporate information. Two environments are highlighted. First, information is often not revealed in one announcement but rather through a process of gradual public revelation, which may not be completely observable by a researcher. We examine the effect of the evolution of the Clinton health care reform proposal on pharmaceutical stock prices. We estimate the expected path of market-adjusted pharmaceutical prices over September 1992-October 1993 by isotonic regression, and find that the major portion of the decline in stock prices occurred gradually, and did not correspond to identified news events. Second, the trading process itself may incorporate private information into stock prices gradually. That is an implication of the Kyle (1985) model, in which one or a small number of informed traders use

their market power over their private information to maximize profits dynamically. We use the functional form predictions from Kyle in our estimation, and the results from a sample of targets of tender offers are consistent with the model.

Engel, Eduardo M. R. A.
TI   Nonlinear Aggregate Investment Dynamics: Theory and Evidence. AU   Caballero, Ricardo J.; Engel, Eduardo M. R. A.

Enoch, Charles
PD   October 1997. TI   Transparency and Ambiguity in Central Bank Safety Net Operations. AU   Enoch, Charles; Stella, Paul; Khamis, May. AA   International Monetary Fund. SR   International Monetary Fund Working Paper: WP/97/138; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG   28. PR   not available. JE   E58, G21, G28. KW   Safety Nets. Transparency. Ambiguity. Lender-of-Last-Resort. Central Banks.
AB   To mitigate the risks of contagion from problems arising in the banking sector, many countries operate some form of banking sector safety net. Such safety nets generally involve a judicious mixture of transparency and ambiguity. This ambiguity may be important to counter moral hazard effects but may lead to excessive forbearance in the face of banking problems. While the scope for ambiguity has been declining, some ambiguity in the handling of individual institutions remains. In any case, ex post transparency is essential for reviewing the propriety of any assistance and preserving the authority's future reputation and policy credibility.

Epstein, Marc J.
PD   1997. TI   The Balanced Scorecard and Tableau De Bord: A Global Perspective on Translating Strategy Into Action. AU   Epstein, Marc J.; Manzoni, Jean-Francois. AA   INSEAD. SR   INSEAD Working Papers: 97/82/AC/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   17. PR   no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE   M11, M12, M21. KW   Performance Measurement. Balanced Scorecard.
AB   Over twenty years ago Steven Kerr wrote an article entitled "On the folly of hoping for A and rewarding B". The paper described how many companies' performance measurement systems were rewarding different behaviors than the ones they hoped to obtain from their employees. This issue has received much attention over the last few years. In particular, Robert Kaplan and David Norton have published a series of three Harvard Business Review articles proposing a specific framework, called Balanced Scorecard, to facilitate the translation of strategy into action. The idea of having some form of balanced picture of company performance is not new in itself. Many companies have for years tracked and reported multiple indicators. Further, many countries have also had particular traditions. In France, for example, companies have been using a related tool called "Tableau de Bord" for over fifty years. The paper reviews and compares Tableau de Bord and Balanced Scorecard.

Evangelista, Rinaldo
PD   September 1997. TI   The Nature and Impact of Innovation in Manufacturing Industry: Some Evidence from the

Italian Innovation Survey. AU Evangelista, Rinaldo; Perani, Giulio; Rapiti, Fabio; Archibugi, Daniele. AA Evangelista and Archibugi: National Research Council. Perani and Rapiti: National Institute of Statistics. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP66; Center for Business Research, Department of Applied Economics, University of Cambridge Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 15. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE L11, L60, O31, O32. KW Manufacturing Firms. Small Firms. Technological Innovation. Research and Development. Italy.
AB Using data on more than 22,000 manufacturing firms participating in the second Italian Innovation Survey, evidence is presented on the number of firms involved in innovation, the total expenditures devoted to innovation and the quantity and quality of innovating output. The most important innovation expenditures are in new machinery and R&D. The existence of major cross-industry differences are however confirmed. Within the group of innovating firms, the small ones do not emerge as less innovative than the large ones. However, data clearly show that small firms introducing innovations are a minority, and that they account for only a small share of total innovation expenditure in Italian manufacturing industry. The paper also quantifies the share of new products and processes in total sales. It is also shown that most of the innovation patterns highlighted are common to most of the European countries which have taken part in the Community Innovation Survey.

PD December 1997. TI Innovation in Services and Manufacturing: Results from the Italian Surveys. AU Evangelista, Rinaldo; Sirilli, Giorgio. AA National Research Council of Italy. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP73; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 19. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE L22, L60, L80, O31, O32. KW Innovation. Services. Manufacturing. Research and Development. Technology.
AB This paper provides fresh empirical evidence on the nature, determinants and economic impact of innovation activities in the service sector, and highlights major similarities and differences with technological change in manufacturing. Overall, service and manufacturing sectors show more similarities than differences with respect to some basic dimensions of the innovation process. However, it is also suggested that more marked differences might emerge when specific aspects of innovation in services, such as those linked to organizational change, customization, and non-technological innovation, can be investigated empirically.

Ewerhart, Christian
PD May 1997. TI On the Role of Authority in Just-in-Time Purchasing Agreements. AU Ewerhart, Christian; Lorth, Michael. AA Ewerhart: University of Bonn. Lorth: University of Hagen. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A552; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 13. PR no charge. JE L14, L22. KW Just in Time. Purchasing Agreements. Supplying Contracts. Delivery Schedule.

AB This paper analyzes buyer-supplier relationships where the supplier can hand over partial control over his firm to the manufacturer. The authors show that standard just-in- time purchasing agreements can yield optimal levels of investment in flexible production. If investments in flexibility are socially valuable then it is optimal for the supplier to give up control over the delivery schedule. In this case, schedules of higher volatility chosen by the manufacturer induce more efficient investment incentives on the part of the supplier. Consequently, the supplier deliberately gives up partial control over his firm in order to reach an outcome which is preferred by both supplier and manufacturer.

PD June 1997. TI Undecidable Statements in Game Theory. AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A553; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 25. PR no charge. JE C72. KW Game Theory. Rationality. Undecidability. Household Attributes.
AB This paper points towards formally undecidable statements in non-cooperative game theory. The authors present a general theory where rational players base their decisions solely on the provable implications of their assumptions. For a version of the centipede game, they show that it is undecidable whether a deviation from the backward induction path is possible under commonly assumed rationality or not. The approach retraces various impossibility results in the definition of rational behavior to the presence of undecidable statements. It is argued that the problem of undecidability can be avoided by assuming that each player has a private epistemic model of his opponents.

Faruqee, Hamid
TI Exchange Rate Volatility, Pricing to Market and Trade Smoothing. AU Clark, Peter B.; Faruqee, Hamid.

Fatas, Antonio
PD 1997. TI Does EMU Need a Fiscal Federation? AA INSEAD and Center for Economic Policy Research. SR INSEAD Working Papers: 97/112/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 31. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F33, H87. KW European Monetary Union. Fiscal Federation.
AB The stabilization provided by the U.S. federal budget has been used as an example of the adjustment mechanisms that are lacking in Europe and which are needed to make a currency area viable. This paper presents four sets of findings that suggest that the benefits of a European fiscal federation would be modest. First, the authors show that some of the previous estimates of the benefits of the U.S. federal budget overestimate the amount of interstate insurance by a factor of 3. Second, Europe already has national tax systems which, according to the authors estimates, can insure more than 50% of a European fiscal federation. Third, they find evidence that the potential insurance benefits of a European fiscal federation have decreased over time. Fourth, there are large cross-country differences in the benefits provided by the federation.

Faulhaber, Gerald R.

PD August 1997. TI Lobbying, Voting and the Political Economy of Price Regulation. AA University of Pennsylvania. SR INSEAD Working Papers: 97/85/EPS; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 26. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D72, L51, L96. KW Regulation. Political Economy. Median Voter. Lobbying. Telecommunications.

AB Is the cure of regulation always superior to the disease of market failure? This paper shows, in the context of a structural voting model, that voter-determined prices can lead to lower aggregate welfare than unregulated monopoly. Extending the voting model to incorporate lobbying, the author examines the Becker (1983) hypothesis that lobbying can improve the efficiency of political outcomes by giving voice to economic interests under-represented in the political process. However, lobbying is costly (the Posner (1975) costly-rent-seeking hypothesis); the model suggests that competitive lobbying costs more than offset the increase in efficiency. The model is further extended to a "concentrated ownership" economy; if stockholders hold the market portfolio and actively control firms' lobbying expenditures, then costly rent-seeking is muted, greater efficiency obtains, but often at the cost of reversing the cross-subsidies preferred by voters to those preferred by stockholders.

Faulkner, David

TI Foreign Direct Investment in the UK 1985-1994: The Impact on Domestic Management Practice. AU Child, John; Faulkner, David; Pitkethly, Robert.

Fedelino, Annalisa

TI Globalization and Growth Prospects in Arab Countries. AU Alonso-Gamo, Patricia; Fedelino, Annalisa; Horvitz, Sebastian Paris.

Fernandez, Carmen

PD November 1997. TI Reference Priors for Non-Normal Two-Sample Problems. AU Fernandez, Carmen; Steel, Mark F. J. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 97104; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. PG 21. PR no charge. JE C10, C40, R12. KW Two Sample Problems. Gibbs Sampling. Jeffreys' Prior. Location Scale. Posterior Existence.

AB The reference prior algorithm (Berger and Bernardo, 1992) is applied to location-scale models with any regular sampling density. A number of two-sample problems is analyzed in this general context, extending the difference, ratio and product of Normal means problems outside Normality, while explicitly considering possibly different sizes for each sample. Since the reference prior turns out to be improper in all cases, the authors examine existence of the resulting posterior distribution and its moments under sampling from scale mixtures of Normals. In the context of an empirical example, it is shown that a reference posterior analysis is numerically feasible and can display some sensitivity to the actual sampling distributions. This illustrates the practical importance of questioning the Normality assumption.

PD November 1997. TI Reference Priors for the General Location-Scale Model. AU Fernandez, Carmen; Steel, Mark F. J. AA CentER and Tilburg University. SR Tilburg CentER for Economic Research Discussion Paper: 97105; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. PG 10. PR no charge. JE C10, C40, R12. KW Jeffreys' Prior. Multivariate Regression. Posterior Existence. Scale Mixture. Normal Distribution.

AB The reference prior algorithm (Berger and Bernardo 1992) is applied to multivariate location-scale models with any regular sampling density, where the authors establish the irrelevance of the usual assumption of Normal sampling if interest is in either the location or the scale. This result immediately extends to the linear regression model. On the other hand, an essentially arbitrary step in the reference prior algorithm, namely the choice of the nested sequence of sets in the parameter space is seen to play a role. The results lend an additional motivation to the often used prior proportional to the inverse of the scale parameter, as it is found to be both the independence Jeffreys' prior and the reference prior under variation independence in the sequence of sets, for any choice of the sampling density. However, in certain cases, the choice of the sampling density is generally shown to intervene.

PD December 1997. TI Statistical Modeling of Fishing Activities in the North Atlantic. AU Fernandez, Carmen; Ley, Eduardo; Steel, Mark F. J. AA Fernandez and Steel: CentER and Tilburg University. Ley: FEDEA. SR Tilburg CentER for Economic Research Discussion Paper: 97111; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. PG 24. PR no charge. JE C11, C15, Q22. KW Bayesian Averaging. Grand Bank. Fisheries. Predictive Inference. Prior Elicitation.

AB This paper deals with the issue of modeling daily catches of fishing boats in the Grand Bank fishing grounds. The authors have data on catches per species for a number of vessels collected by the European Union in the context of the North Atlantic Fisheries Organization. Many variables can be thought to influence the amount caught: a number of ship characteristics are obvious candidates, but one can also consider the season or the actual location of the catch. In all, the database leads to 23 possible regressors, resulting in a set of 8.4×10^6 possible linear regression models. Prediction of future catches and posterior inference will be based on Bayesian model averaging, using a Markov Chain Monte Carlo Model Composition (MC^3) approach. Particular attention is paid to the elicitation of the prior and the prediction of catch for single and aggregated observations.

Fershtman, Chaim

TI Social Status and Economic Performance: A Survey. AU Weiss, Yoram; Fershtman, Chaim.

PD November 1997. TI Estimating the Effect of Tax Reform in Differentiated Product Oligopolistic Markets. AU Fershtman, Chaim; Gandal, Neil; Markovich, Sarit. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 29/87; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 28. PR no charge.

JE H21, H22, L80. KW Differentiated Products. Oligopoly. Tax Incidence. Empirical Study.
AB The incidence of taxation and the design of an optimal tax system have been extensively discussed in the public finance literature but mainly within a competitive market setting or within a homogenous good (Cournot type) oligopoly. In a differentiated product oligopoly, the effect of taxation can be more complex as the rate of taxation may affect not only the prices but also the profile of products that are sold in the market. In this paper we develop a methodology for examining the effects of taxation in a differentiated product oligopoly. In order to demonstrate the methodology and the effects discussed above, we examine one such market: The automobile market in Israel. We first estimate a Nash equilibrium in a differentiated product oligopoly and then use the results to simulate the new equilibrium under different tax regimes. Using the estimated parameters from the current market equilibrium, we examine the effect of changes in the tax and custom regimes on (i) the quantities sold in the market, (ii) market prices, (iii) firms' profits, (iv) government revenues and (v) the type of cars available. We also calculate the optimal tax rate for a "revenue-maximizing" regulatory authority.

PD April 1998. TI A Note on Multi-Issue Two-Sided Bargaining: Bilateral Procedures. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 06/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 22. PR no charge. JE C78. KW Multi-Issue Bargaining.
AB This note considers a two-sided multi-issue bargaining problem in which players that belong to the same "side" may have conflicting priorities regarding different negotiated issues. The note examines different bilateral bargaining procedures and shows the different equilibrium settlements that they yield. In particular the note examines the possibility that group heterogeneity (conflicting priorities) may be exploited in order to gain a better settlement. The different potential outcomes that are implied by the different procedures explain why we often observe such intense negotiation over bargaining procedures. Moreover, the players choices of preferred procedure do not necessarily coincide with their "side" affiliation.

Feve, Patrick
TI Variable Labor Adjustment Costs and Aggregate Nonlinear Dynamics. AU Collard, Fabrice; Feve, Patrick; Perraudin, Corinne.

Feyzioglu, Tarhan
PD September 1997. TI Estimating the Equilibrium Real Exchange Rate: An Application to Finland. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/109; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 24. PR not available. JE C32, F31. KW Exchange Rate. Cointegration. Finland.
AB An equilibrium exchange rate is here defined as the level that is consistent with simultaneous internal and external balances as specified in Montiel (1996). Exogenous fundamental variables determining these balances are identified. Along the lines of Edwards (1994), a reduced form is estimated with the cointegration technique for Finland for the period 1975-95. The estimation produces a reasonable set of equilibrium exchange rates that appreciate with positive shocks to the terms of trade, world real interest rates, and the productivity differential between Finland and its trading partners.

Fildes, Robert
PD September 1997. 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, London. SR INSEAD Working Papers: 97/104/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 33. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C22, C32, C53, L96. KW Time Series. Univariate. ARIMA. Robustness. 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 series, this method is outperformed by methods such as Single or Damped Smoothing. The performance of smoothing methods depended on how the smoothing parameters are estimated. Optimization at each time origin was more accurate than optimization at the first time origin, which in turn is shown to be superior to arbitrary (literature based) fixed values.

Fiorentini, Gianluca
PD March 1997. TI Electoral Mechanisms and Pressure Groups: The Mix of Direct and Indirect Taxation. AA University of Bologna, Italy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 28/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 32. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D72, H20. KW Pressure Groups. Electoral Mechanisms. Taxation.
AB This paper describes the fiscal structure of a community as an equilibrium of a non- cooperative game where members of different pressure groups compete to get distributive gains. Their interaction is regulated by a constitution which sets the electoral rules and the institutional framework in which pressure groups' activities take place. The authors focus on how the equilibrium mix of direct and indirect taxation is determined in a community divided into two groups working in different sectors which they label regular and shadow sectors, respectively. The authors' main aim is to investigate the relations between the relative scale of the shadow sector, the fiscal equilibrium between direct and indirect taxation, and the constitutional setting. In this respect they show that the constitutional settings in which the main legislative body is chosen through a strictly proportional electoral rule tend to determine a fiscal equilibrium with a greater emphasis on direct taxation.

TI Barriers to Entry and the Self-Regulating Profession: Evidence from the Market for Italian Accountants.

AU Bortolotti, Bernardo; Fiorentini, Gianluca.

Fiorito, Riccardo
PD October 1997. TI Stylized Facts of Government Finance in the G-7. AA University of Siena and Ministero del Tesoro and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/142; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 54. PR not available. JE E32, E62, H30, H62. KW Stylized Facts. Business Cycle. Government Finance.
AB The stylized facts of government finance in the Group of Seven (G-7) industrial countries show that revenues lag real GDP procyclically, while government spending in most cases fails to lead the economy procyclically. This finding is not confined to transfers but also applies to the wage component of government consumption as well as, in most cases, to government fixed investment. Government deficits are always countercyclical but there is little evidence that stabilization is equally successful in stimulating the economy before shocks materialize.

Fishman, Arthur
PD August 1997. TI An Equilibrium Model of Firm Growth and Industry Dynamics. AU Fishman, Arthur; Rob, Rafael. AA Fishman: University of Haifa. Rob: University of Pennsylvania. SR Tel Aviv Sackler Institute of Economic Studies Working Paper: 27/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 25. PR no charge. JE D21, D43. KW Industry Dynamics. Search. Firm Growth.
AB We develop a model of firm size in which firms are unable to access as many consumers as they want. Newly arrived consumers match randomly with firms. Subsequently, consumers must pay "search costs" to be able to switch firms. This promotes an inertial tendency for consumers to remain with the firm they currently buy from. Consequently, established firms enjoy a proprietary relationship with respect to their old consumers while new entrants only have access to first time consumers who are, as yet, unattached to any firm. As time goes on, firms acquire successive generations of new consumers, and their stock of "loyal" customers grows gradually. Thus, more senior firms command higher market shares. We construct an industry model based on this hypothesis and show that the aggregate implications of the model are consistent with empirical facts about industry dynamics: Larger and older firms are less likely to exit than younger and smaller firms. In our model this results from the fact that the option value of remaining operative in the aftermath of a high cost-shock is greater for an older firm than for a younger firm because the value of a cost turnaround is greater for the former.

Flanders, June M.
PD May 1997. TI Left- and Right-Endogenous Money: A Tale of Two Books. AA Tel Aviv University and University of Western Ontario. SR Tel Aviv Sackler Institute of Economic Studies Working Paper: 15/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 22. PR no charge. JE B24, B25, E42, E50. KW Money. Endogenous Money. Free Banking. Central Banking.
AB Two books coming from opposite ends of the ideological spectrum stress the endogeneity of money, in terms of both the supply of money and its origins as an institution. Comparisons with the evolution and use of language are drawn. Wray, a neo-institutionalist, stresses the fragility of the financial system, resulting from the fact that "loans cause reserves" and not, as tradition would have it, the converse, and urges basic changes in the forms of central bank surveillance. Horwitz, in the neo-Austrian free banking tradition, emphasizes the resiliency of the market economy and financial system which render central banking otiose if not downright injurious.

Florenzano, Monique
TI Decentralizing Edgeworth Equilibria in Economies with Many Commodities. AU Deghdak, Messaoud; Florenzano, Monique.

Flug, Kamit
PD April 1998. TI Equipment Investment and the Relative Demand for Skilled Labor: International Evidence. AU Flug, Kamit; Hercowitz, Zvi. AA Hercowitz: Tel Aviv University and Bank of Israel. Flug: Bank of Israel. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 05/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 34. PR no charge. JE E24, O15. KW Equipment Investment. Skilled Labor. Labor Demand.
AB The effects of equipment investment on relative wages and employment of skilled labor are estimated. The basic hypothesis is that such effects are positive, due to the presence of either equipment-skill complementarity or skill advantage in technology adoption. Using a panel data set for a wide range of countries, the relative wage and relative employment of skilled workers are regressed on lagged investment in machinery and other relevant variables. The results indicate a positive and strong effect of machinery investment on the relative demand for skilled labor, with the relative wage responding much sooner and for a much shorter time than relative employment.

Frankel, David M.
TI Fast Equilibrium Selection by Rational Players Living in a Changing World. AU Krzysztof, Burdzy; Frankel, David M.; Pauzner, Ady.

TI On the Time and Direction of Stochastic Bifurcation. AU Krzysztof, Burdzy; Frankel, David M.; Pauzner, Ady.

Franzoni, Luigi Alberto
PD March 1997. TI Independent Auditors as Fiscal Gatekeepers. AA University of Bologna. SR Fondazione Eni Enrico Mattei Note di Lavoro: 32/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 26. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE H26, K42. KW Law Enforcement. Tax Evasion. Auditing. Collateral Liability. Certification.
AB This paper develops a framework for the analysis of gatekeeping in tax enforcement, whereby independent auditors are assigned the duty of certifying taxpayers' reports. The equilibrium of the market for gatekeepers' services is characterized, as well as taxpayers' and auditors' optimal behavior. The paper discusses the optimal structure of the

gatekeeping regime and determines the conditions under which it is socially preferable to direct public enforcement.

Fulghieri, Paolo

PD   September 1997. TI   Synergies and Internal Agency Conflicts: The Double-Edged Sword of Mergers. AU   Fulghieri, Paolo; Hodrick, Laurie, Simon. AA   Fulghieri: INSEAD and Center for Economic Policy Research. Hodrick: Columbia University. SR   INSEAD Working Papers: 97/88/FIN; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   39. PR   no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE   D82, G34, L23. KW   Mergers. Synergies. Agency. Debt Financing.

AB   This paper investigates the interaction between synergies and internal agency conflicts in multi-division firms. In the presence of synergies, optimal decision rules concerning one division of a merged firm often depend on the other divisions' circumstances, inducing a link between the divisional managers' incentives to engage in internal agency activities. Therefore increasing organizational complexity may actually reduce the extent of internal agency conflicts. The authors show that mergers may generate synergistic and internal agency effects of opposite sign. While the synergy effect clearly dominates for extreme synergy values, the agency effect may dominate at more modest synergy levels. The potential non-monotonicity between the gains from merging and the expected synergy stands in contradiction to the monotonic relation implied in the existing literature. It suggests that pure cash-flow measures of merger performance may misrepresent the gains from merging. This paper also examines the debt financing's role on mergers and internal incentives.

Gabel, Landis H.

TI   Environmental Auditing in Management Systems and Public Policy. AU   Sinclair-Desgagne, Bernard; Gabel, Landis H.

Galeotti, Gianlluigi

PD   March 1997. TI   Political Institutions as Screening Devices. AA   University of Rome. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 29/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   22. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   D72. KW   Pressure Groups. Informational Lobbying.

AB   The role of private interests in shaping public policies is pervasive both in democratic and non-democratic settings, and the basic task of any political system is that of regulating the market for political influence and sifting out the demands to be satisfied. The paper assumes that collecting and processing information and selecting interests are always dealt with in terms of an ideological syntax (shared goals) and of an institutional architecture. In analyzing those components and their evolution, the paper discusses a number of biases of political screening and considers the main features of the democratic process in that light. With the fall of information costs, ideology loses its relevance, while the growing competition of interests reduces the space for political collusion. In such a setting, pressure groups can influence policy making only by providing information. A more balanced weighting of opposed interests will eventually emphasize the quasi-judgmental nature of politics.

Galeotti, Marzio

PD   February 1997. TI   Production Smoothing and the Shape of the Cost Function. AU   Galeotti, Marzio; Guiso, Luigi; Sack, Brian; Schiantarelli, Fabio. AA   Galeotti: University of Bergamo. Guiso: Bank of Italy. Sack: Massachusetts Institute of Technology. Schiantarelli: Boston College and World Bank. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 12/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG   31. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   D21, D92, E22. KW   Inventories. Production Smoothing. Cost Functions.

AB   The authors present estimates of inventory models based on firm level panel data and investigate whether over-simplified specification of the production technology may account for the frequent failure to find technological incentives to smooth production in the context of the standard linear-quadratic model of inventory behavior. In particular, the authors argue that if the role of quasi-fixed factors is not modeled properly, this may lead to inconsistent estimates of marginal costs and, therefore, to erroneous conclusions about the convexity/concavity of the cost function. The model is accordingly extended to allow for a general restricted quadratic cost function, on the assumption that capital is costly to adjust. The evidence obtained by estimating the standard inventory model on a panel of Italian manufacturing firms suggests that marginal costs are decreasing. However, this result is overturned when one allows for the general quadratic cost function with capital as a quasi-fixed input.

Galunic, Charles

PD   August 1997. TI   Resource Recombinations in the Firm: Knowledge Structures and the Potential for Schumpeterian Innovation. AU   Galunic, Charles; Rodan, Simon. AA   INSEAD. SR   INSEAD Working Papers: 97/89/OB/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG   37. PR   no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE   L15, L23, O31, O32. KW   Organizational Knowledge. Innovation. Resource Recombinations.

AB   Schumpeterian innovation rests on the ability to imagine and realize novel combinations of firm resources. Building on the resource-based view of the firm, this paper explores the notion of creative resource recombinations. First, the authors suggest such recombinations can occur when competencies within the firm either combine to synthesize novel competencies or experience a reconfiguration or re-linking with other competencies. Central to this paper is an examination of the antecedents necessary for such innovation to occur. One important antecedent is the nature of knowledge in the firm. How knowledge is held in the firm is likely to influence both the creative detection of potential new recombinations and the exchange costs associated with implementation. The authors explore the implications of the general characteristics of knowledge itself and its social organization within competencies. The paper examines how these characteristics and structures impact the likelihood of firms realizing novel uses of existing resources.

Gandal, Neil

AB In this paper we examine the dynamic resolution of technological adoption in "hardware/software" systems. We are interested in determining to what extent software availability affects hardware sales and/or vice-versa. We first develop a dynamic model for estimating demand when costs (and hence prices) are declining over time. We then estimate it empirically for the case of compact disc players. We find that there is "two-way" feedback between hardware and software for compact disc players. The result that the availability of compatible software (the CD's) plays a significant role in determining the adoption of compact disc players is likely due in part to the fact that compact disc players were not compatible with any existing audio standard.

Garcia-Herrero, Alicia

AB The experiences of seven countries that have undergone banking crises show that crises have significant implications for the short-run stability of the demand for money, the money multiplier, the transmission mechanism, and the signal variables of monetary policy. Monetary and credit instability, coupled with changes in the nature of the monetary and credit aggregates, complicate monetary management. These findings may require redesigning monetary instruments in favor of faster-reacting instruments, such as open market operations, and introducing additional indicators of the monetary stance, such as asset price and exchange rate movements. More frequent reviews of monetary programs may also be necessary.

AB Recent banking crises in Argentina, Paraguay, and Venezuela suggest that the macroeconomic impact is influenced by the causes of the crisis, the exchange rate regime, the degree of dollarization, and the structure of the banking system. Crises stemming from both macroeconomic and bank-specific causes had the largest macroeconomic impact. Countries with high dollarization and a large share of foreign and government-owned banks maintained a more stable deposit base, at least temporarily, by shifting to dollar-denominated deposits and foreign and government-owned banks. Countries that respond with a rapid, consistent, and comprehensive policy response reduced the negative macroeconomic consequences of their crises.

Gardiol, Lucien

Garfiel, Sophus

AB Economic theory and empirical studies consistently support the case for free trade. With such a point of departure, the difficulties concluding the Uruguay Round of trade negotiations and the widespread use of protectionist measures in general seem paradoxical. However, through the introduction of insights from political (public choice) theory and theories of international relations in an essentially economic framework, it is possible to develop a multi-disciplinary model of trade policy behavior which allows for a liberalist as well as a protectionist pull in international trade negotiations. Trade cooperation becomes potentially conflictual when economic gains are translated into political utility at the country level. This transformation helps explain protectionist behavior, since the economic gains are discounted through political concern over internal distribution and relative gains vis-a-vis other countries. The model proves well suited for organizing a wide variety of determinants of trade policy behavior around a limited number of parameters.

Gargiulo, Martin

Garibaldi, Pietro

AB This paper studies interactions between labor market institutions and unemployment dynamics in transition economies. It presents a dynamic matching model in which state sector firms endogenously shed labor and private job creation takes time. Two main conclusions arise. First, higher

unemployment benefits steady-state unemployment, and, during the transition, they reduce the fall in real wages and speed up closure of state enterprises. Second, higher minimum wages can theoretically speed up the elimination of state sector jobs without affecting steady-state unemployment. These results are broadly consistent with existing evidence on the dynamics of unemployment and real wages in transition economies.

Gaury, E. G. A.

PD November 1997. TI Configuring a Pull Production-Control Strategy Through a Generic Model. AU Gaury, E. G. A.; Kleijnen, J. P. C.; Pierreval, H. AA Gaury and Kleijnen: CentER and Tilburg University. Pierreval: IFMA. SR Tilburg CentER for Economic Research Discussion Paper: 97101; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. PG 12. PR no charge. JE C10, C61, D24. KW Pull Production Control. JIT Manufacturing. Optimization. Simulation. Production.
AB This paper describes a methodology for the choice of a pull production-control strategy. The methodology is based on the optimization of a generic system that models (i) Kanban, (ii) Conwip, or (iii) Kanban/Conwip hybrid systems. This approach is illustrated through the example of a ten-stage production line. The optimization technique is based on Response Surface Methodology (RSM) and discrete-event simulation.

George, Susan Mary

TI Shock Versus Gradualism in Models of Rational Expectations: The Case of Trade Liberalization. AU Auernheimer, Leonardo; George, Susan Mary.

Gerard, Bruno

TI The Single European Currency and World Equity Markets. AU De Santis, Giorgio; Gerard, Bruno; Hillion, Pierre.

Gerlach, Stefan

TI Consumption and Credit Constraints: International Evidence. AU Bacchetta, Philippe; Gerlach, Stefan.

Ghoshal, Sumantra

PD 1997. TI An Integrative Theory of Firm Growth Implications for Corporate Organization and Management. AU Ghoshal, Sumantra; Hahn, Martin; Moran, Peter. AA Ghoshal: London Business School. Hahn: Massachusetts Institute of Technology. Moran: INSEAD. SR INSEAD Working Papers: 97/87/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 33. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D92, M10. KW Firm Growth. Corporate Organization. Management.
AB Penrose (1959) provided us with a theory of why and how "enterprising firms" with "competent management" are able to grow but did not seek to explain why similar firms can fall into decline. Schumpeter (1934), on the other hand, explained why new growth opportunities are more likely to be exploited by new firms. This paper integrates the insights of these two seminal contributors into a theory of firm evolution that simultaneously accounts for both growth and decline. The

accumulation of resources that accompanies firm growth adds new possibilities for further growth but these possibilities support and stimulate new growth only to the extent they are enabled, perceived and motivated within the context of the firm's administrative organization. Administrative reorganization is needed by both established and new firms alike in order for them to assimilate old resources with the new and to broaden the exercise of entrepreneurial judgement within the firm.

Glachant, Matthieu

PD February 1997. TI The Cost Efficiency of Voluntary Agreements for Regulating Industrial Pollution: a Coasean Approach. AA CERNA, Ecole des Mines de Paris. SR Fondazione Eni Enrico Mattei Note di Lavoro: 18.97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 17. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D62, D83, L51, Q28. KW Transaction Costs. Environmental Policy. Efficiency. Bargaining. Voluntary Agreements.
AB This paper deals with the cost efficiency of target-based voluntary agreements for reducing industrial pollution. These agreements are contracts between a public body and an industrial association including the collective commitment of the industrial sector to reach a pollution abatement objective. In this respect, cost efficiency properties of these VA's are determined by the way burden sharing is carried out between individual firms at the implementation stage of the contract. To address this question, the authors develop a Coasean model which assesses the ability of the VA's burden sharing scheme based on inter-firm bargaining to minimize transaction costs. In comparison with economic instruments and command and control approaches, the authors show that VA's are cost efficient in the following context: very large shared uncertainty about pollution abatement techniques and concentrated industrial sectors in which the heterogeneity in pollution abatement activities and costs is low.

Glasserman, Paul

TI Connecting Discrete and Continuous Path-Dependent Options. AU Broadie, Mark; Glasserman, Paul; Kou, Steve.

Glazer, Jacob

PD June 1997. TI Debates and Decisions: On a Rationale of Argumentation Rules. AU Glazer, Jacob; Rubinstein, Ariel. AA Glazer: Tel Aviv University. Rubinstein: Tel Aviv University and Princeton University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 17/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 17. PR no charge. JE C70. KW Debate. Arguments. Implementation. Experiments.
AB Debates often serve as institutions or mechanisms for resolving conflicts and making decisions. In this paper we present a simple model in order to explain two phenomena concerning debate rules. The first phenomenon concerns procedural rules: Most debates are structured so that the debaters bring up their arguments in turns, each getting the option, among other things, to also respond to what the other party has said (i.e., to "counterargue"). It is less common to witness debates where the debating parties are asked to write down their arguments simultaneously and to submit them to the

listener. The second phenomenon concerns persuasion rules, and has a puzzle-like flavor: We note (and confirm by means of an experiment) that often, in debates, two arguments, that may not be found to be equally persuasive if brought up as counterarguments, would be found to be equally persuasive if stated, as arguments, in isolation. Furthermore, we observe that an argument x may win a debate if brought up as a counterargument against some argument y but, at the same time, argument y might have won the same debate if brought up against x.

Gocke, Matthias

TI Multiple Equilibria in German Employment -- Simultaneous Identification of Structural Breaks. AU Belke, Ansgar; Gocke, Matthias.

Goldfajn, Ilan

TI Capital Flows to Brazil: The Endogeneity of Capital Controls. AU Cardoso, Eliana; Goldfajn, Ilan.

Golub, Stephen S.

TI Towards a System of Multilateral Unit Labor Cost-Based Competitiveness Indicators for Advanced, Developing, and Transition Countries. AU Turner, Anthony G.; Golub, Stephen S.

Goodwin, Tom

TI Cooperation and Trust in Inter-firm Relations: Beyond Competition Policy? AU Deakin, Simon; Goodwin, Tom; Hughes, Alan.

Gospel, Howard

PD October 1997. TI The Revival of Apprenticeship Training in Britain? AA Oxford University and London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 372; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 32. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J24, N33, N34. KW Training. Apprenticeship. Human Capital.
AB This article examines the attempt to revive apprenticeship training in Britain in the 1990's in the form of the Modern Apprenticeship. Drawing on historical and comparative examples, it puts this attempt into a broader context. The design and operation of the Modern Apprenticeship are assessed. While some optimistic conclusions are drawn, there are worries in terms of the quantity and quality of training under the same initiative. The Modern Apprenticeship is seen as being probably the first opportunity in Britain to revive the employment-based route to initial training.

PD October 1997. TI The Survival of National Bargaining in the Electrical Contracting Industry: A Deviant Case? AU Gospel, Howard; Druker, Jan. AA Oxford University and London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 373; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 28. PR 5 pounds for individual copies; 95 pounds for

yearly subscription. JE J24, J30, J51, J52, L94. KW Wages. Collective Bargaining. Training.
AB The article explores what is often seen to be a deviant case in the development of bargaining structure in British industry, namely the electrical contracting industry, where multi-employer national bargaining is often claimed to have remained strong. The first part of the paper briefly outlines the wider context of collective bargaining trends in British industry. In the second section, the development of collective bargaining arrangements in electrical contracting is outlined. The third section then investigates recent developments and the degree to which arrangements in the industry have deviated from the rest of the private sector. In the final section explanations are offered and implications explored. The industry's bargaining arrangements are seen as having some positive outcomes in terms of the regulation of self-employment, employee benefits, and training.

Gourieroux, Christian

TI Econometric Specification of the Risk Neutral Valuation Model. AU Clement, E.; Gourieroux, Christian; Monfort, Alain.

PD 1997. TI Matching Procedures and Market Characteristics. AU Gourieroux, Christian; Le Fol, Gaelle. AA Gourieroux: CREST and CEPREMAP. Le Fol: CREST and CEME. SR CEPREMAP Discussion Paper: 97/14; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 38. PR 25-35 francs. JE D40, E44, G14, G15, G35. KW Quote by Quote Data. Market Microstructure. Order Flow. Matching Frequency. Volatility. Traded.
AB The trading systems that are used on financial markets differ in terms of matching procedures, selected norms to write contracts, existence or not of intermediaries to ensure liquidity, and market transparency. The authors are interested in measuring the direct effect on market specifics of a modification of the matching procedure, namely the matching frequency and the choice of a unique or multiple prices for the contracts concluded simultaneously.

PD 1997. TI Households Portfolio Allocations. AU Gourieroux, Christian; Tiomo, A.; Trognon, A. AA Gourieroux: CREST and CEPREMAP. Tiomo: CREST and Universite de Paris. Trognon: ENSAE. SR CEPREMAP Discussion Paper: 97/16; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 53. PR 25-35 francs. JE C25, G11. KW Portfolio Allocation. Logit Model. Discrete Choice. Scoring. Factor Analysis.
AB This paper focuses on the effects of individual characteristics such as income, wealth and others socioeconomic and demographic variables on the portfolio composition of households, using detailed micro data on 9,530 French households. The authors are especially interested in three features of the portfolio choice, i.e. the diversification level, defined as the number of different types of financial assets which are held, the modeling for the probability of owning particular combinations of assets, and for the asset demand conditional upon ownership. The authors develop a general to specific approach to determine a reduced set of scoring functions sufficient to predict these different choices at the individual level.

Grada, Cormac O.

PD December 1997. **TI** The Great Irish Famine: Winners and Losers. **AA** University College. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/23; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. **PG** 35. **PR** no charge. **JE** F22, J10, N33, O13. **KW** Economic History. Famine. Markets. Ireland.

AB As a direct result of famine, in the late 1840's Ireland lost one-fifth of its population through mortality and emigration. The loss makes the Irish famine, relatively speaking, one of the biggest on record. This paper examines its differential economic impact on groups such as landowners, farmers, laborers, emigrants and merchants. The outcome plainly hinges in part on how markets functioned during the famine. The paper combines simple tests of market performance with an analysis of archival data to suggest that grain and potato markets functioned quite well during the famine, at least in the bigger cities. The finding that it is difficult to identify any major group that benefited from the Irish famine, means that the Irish famine cannot be satisfactorily explained in terms of a purely entitlements model. This is because such a model of famine implies a zero-sum game, in which there are both winners and losers.

PD December 1997. **TI** Immigrants, Savers, and Runners: The Emigrant Industrial Savings Bank in the 1850s. **AA** University College. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/24; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. **PG** 27. **PR** no charge. **JE** E21, G10, G21, N21. **KW** Migration. Savings. Banking. Panics. Economic History.

AB The records of a New York savings bank founded by Irish immigrants in 1850 are used to shed light on immigrant savings patterns and the early history of savings banks. The analysis of the occupations and addresses of individual account holders reveals a very broad cross-section of the New York Irish and some representation -- about ten percent in the 1850's -- of other nationalities. Accounts tended to be held for relatively short intervals, and the numbers of deposits and withdrawals were small. Most account holders used the bank for current account rather than nest egg purposes. The final section of the paper contains a preliminary analysis of account-holder behavior during the panic of 1854.

Graziano, Clara

TI Executive Compensation and Firm Performance in Italy. **AU** Brunello, Giorgio; Graziano, Clara; Parigi, Bruno.

Grazzini, Lisa

PD March 1997. **TI** Tax Harmonisation: Does the Unanimity Rule Play a Role? **AU** Grazzini, Lisa; van Ypersele, Tanguy. **AA** Universite Catholique de Louvain. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 33/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 31. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** H29, H87. **KW** Taxation. Unanimity. Tax Harmonization.

AB In this paper, the authors analyze tax harmonization in the framework of two asymmetric countries, differing with respect to their capital-labor endowments. In the first part, the authors analyze how national fiscal policies are decided when countries play a non-cooperative game. At the Nash equilibrium, inefficiency arises because of the corresponding misallocation of resources. Some forms of fiscal policy coordination are then studied within the institutional framework of the European Community, where such policy reforms are decided by the unanimity rule. The authors show that, while the imposition of a minimum level of capital taxation cannot pass, there exist some forms of tax convergence that can be accepted.

Greenan, Nathalie

TI Organizational Change and Human Capital Accumulation. **AU** Caroli, Eve; Greenan, Nathalie; Guellec, Dominique.

Groseclose, Tim

TI Estimating Party Influence on Congressional Roll-Call Voting. **AU** Snyder, James M.; Groseclose, Tim.

Grossman, Gene M.

PD May 1998. **TI** Competing for Endorsements. **AU** Grossman, Gene M.; Helpman, Elhanan. **AA** Helpman: Harvard University, Tel Aviv University and Canadian Institute for Advanced Research. Grossman: Princeton University. **SR** Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 09/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 53. **PR** no charge. **JE** H10. **KW** Endorsement. Interest Groups.

AB Endorsements are a simple language for communication between well informed interest group leaders and lesser informed group members. The members, who share some policy concerns, may not fully understand where their interests lie on certain issues. If their leaders cannot fully explain the issues, they can convey some information by endorsing one political party or the other. Members must interpret the import of the endorsement in view of their feelings about the parties on other unrelated matters. When interest groups endorse legislative contenders, the latter may compete for their backing. Policy outcomes may favor special interests at the expense of the general public. We examine the conditions under which parties compete for endorsements, the extent to which policy outcomes are skewed, and the efficiency properties of the resulting political equilibria. We consider both leaders who follow a mechanical endorsement rule and leaders who behave strategically.

Gruener, Hans Peter

TI A Model of Stability and Persistence in a Democracy. **AU** Artale, Angelo; Gruener, Hans Peter.

PD July 1997. **TI** Redistribution as a Selection Device. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A557; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 32. **PR** no charge. **JE** D31, D82, H23, H32, M13. **KW** Firm Ownership. Education. Moral Hazard. Adverse Selection. Entrepreneurs.

AB This paper argues that the redistribution of initial endowments of capital can increase an economy's surplus

because it leads the market to select talented individuals as entrepreneurs. In the author's model an agent's entrepreneurial ability is his private information. Moral hazard in production creates rents for entrepreneurs if they are believed to be both talented and willing to provide entrepreneurial effort. The author finds conditions such that unproductive rich entrepreneurs crowd out productive poor ones, and he identifies cases where redistribution leads to the selection of better entrepreneurs and increases the economy's surplus.

Guellec, Dominique
TI Organizational Change and Human Capital Accumulation. AU Caroli, Eve; Greenan, Nathalie; Guellec, Dominique.

Guinnane, Timothy W.
PD December 1997. TI Cooperatives as Information Machines: German Rural Credit Cooperatives. AA Yale University. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/20; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 34. PR no charge. JE N23. KW Rural Development. Credit Cooperatives. Germany.
AB Credit cooperatives are common institutions today and were numerous in several European countries during the nineteenth century. Credit cooperatives were especially successful in Germany, which is surprising given Germany's highly developed banking system. One explanation offered by modern economists for the success of credit cooperatives emphasizes two features of cooperatives: they can capitalize on superior information about borrowers and they can impose inexpensive but effective sanctions on defaulting borrowers. These features permit cooperatives to lend to individuals that banks would not want as customers and to tailor loan terms more closely to borrower's needs. German cooperatives made similar arguments about the efficiency advantages of cooperatives in the nineteenth century. This paper uses the historical business records of several German credit cooperatives to test this. The results show that a real efficiency advantage was at least part of the explanation for the cooperative's success.

PD December 1997. TI Why Danish Credit Cooperatives were so Unimportant.. AU Guinnane, Timothy W.; Henriksen, Ingrid. AA Guinnane: Yale University. Henriksen: University College. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/25; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 44. PR no charge. JE G21, N23. KW Credit Cooperatives. Savings Bank. Denmark.
AB Denmark's credit cooperatives were introduced relatively late and were never as important to the Danish financial system as credit cooperatives in several similar European countries. This experience stands in contrast to the experience of other cooperative enterprises in Denmark, most notably cooperative creameries. The authors argue that the Danish experience does not reflect a lack of need for such institutions or an inability to adapt them to Danish conditions. Rather, in the late 1860's rural Danish people had succeeded in adapting another form of financial institution, the savings bank, to serve the needs of the small borrowers who elsewhere were the main clientele of the

credit cooperative. Thus much of the need for credit cooperatives had been satisfied by another institution. The Danish experience illustrates both the adaptability of financial institutions and the sensitivity of cooperatives to competition for their niche in the financial system.

Guiso, Luigi
TI Production Smoothing and the Shape of the Cost Function. AU Galeotti, Marzio; Guiso, Luigi; Sack, Brian; Schiantarelli, Fabio.

Gulati, Ranjay
PD 1997. TI Where Do Inter-organizational Networks Come From? AU Gulati, Ranjay; Gargiulo, Martin. AA Gulati: Northwestern University. Gargiulo: INSEAD. SR INSEAD Working Papers: 97/69/OB; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 47. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D23, F23, L22. KW Organizational Networks. Interdependencies. Multinational Firms.
AB This paper proposes a model for the formation of inter-organizational networks. The authors suggest that such networks result not only from exogenous interdependencies, but also from an endogenous embeddedness dynamic that enables organizations to identify suitable partners. In such a dynamic, organizations manage the uncertainty associated with establishing new ties by embedding them in the network that results from prior ties. The new ties in turn alter that social network for the future. Networks are thus the residual effect of past behavior and the driving force of future action. With the increasing structural differentiation of the network, the impact of endogenous embeddedness factors on ensuing tie formation is enhanced and the effect of exogenous interdependencies is mitigated. The model is tested using longitudinal data from a sample of alliances among multinational firms from 1970 to 1989. The discussion closes with suggestions for its application to other areas of organizational theory.

Gulde, Anne-Marie
PD October 1997. TI Liquid Asset Ratios and Financial Sector Reform. AU Gulde, Anne-Marie; Nascimento, Jean Claude; Zamalloa, Lorena M. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/144; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 62. PR not available. JE E52, E58, G21, G28. KW Banks. Banking Regulation. Central Banks. Monetary Policy.
AB As a monetary, selective credit, and government debt-management instrument, a liquid asset ratio is generally inefficient and may introduce serious distortions. However, it may play a limited role as a prudential instrument, particularly in less sophisticated banking systems or in the context of currency board arrangements. Recent trends in the use of this instrument have been to either abolish it altogether or to design it so as to minimize distortions. When necessary, these changes have been part of a broader effort to make financial intermediation more efficient by relying more on markets and less on regulations.

Gylfason, Thorvaldur
PD September 1997. TI Exports, Inflation, and Growth.

AA University of Iceland and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/119; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 39. PR not available. JE E31, F10, F43, O40. KW Trade. Natural Resources. Inflation. Economic Growth.

AB This paper identifies some of the main determinants of exports and economic growth in cross-sectional data from the World Bank, covering 160 countries in the period 1985-94. First, the linkages between the propensity to export and population, per capita income, agriculture, primary exports, and inflation are studied by statistical methods. Then, the relationship between economic growth and some of the above-mentioned determinants of exports and investment are scrutinized the same way. The main conclusion is that, in the period under review, high inflation and an abundance of natural resources tended to be associated with low exports and slow growth.

Hahn, Martin

TI An Integrative Theory of Firm Growth Implications for Corporate Organization and Management. AU Ghoshal, Sumantra; Hahn, Martin; Moran, Peter.

Hakura, Dalia

PD September 1997. TI The Impact of Trade Prices on Employment and Wages in the United States. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/116; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 26. PR not available. JE E24, F10, J23, J31, L60. KW International Trade. Employment. Wages.

AB This paper investigates the sensitivity of sectoral employment and wages in the United States to changes in foreign trade prices for 1980- 90. Previous studies have concentrated mainly on the impact of changes in import prices on employment and wage levels. This paper estimates the impact of changes in both import and export prices on employment and wages in each of 12 three-digit standard industrial classification (SIC) manufacturing sectors. The basic conclusion is that, for most sectors, changes in trade prices do not have significant effects on employment and wages, although they generally have a larger impact on employment than on wages.

Hammour, Mohamad L.

TI Jobless Growth: Appropriability, Factor-Substitution, and Unemployment. AU Caballero, Ricardo J.; Hammour, Mohamad L.

Hancock, Ruth

PD July 1997. TI Computing Strategy for a European Tax-Benefit Model. AA King's College London. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/24; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 32. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C81, D31, H20, H55. KW Microsimulation. Computing Strategy. Tax-Benefit Model. Europe.

AB This paper discusses a range of possible computing strategies for a European tax- benefit model, covering generic types of software and some specific brands. Ensuring flexibility, adaptability and durability are particularly important for a European tax-benefit model which must accommodate varying data formats and a wide range of tax and benefit policy structures. The paper discusses ways in which the computing needs of tax-benefit models differ from more common statistical and database applications. Example tax algorithms in three different languages are included to illustrate the way in which a relational rather than a "flat" data structure permits flexibility and avoids the need for pre-defined institutional constructs such as the benefit or tax unit. Some of the computing implications of incorporating behavioral responses to modeled policy change are also discussed. Costs, run-times and data storage requirements are also considered.

Hansen, Claus Thustrup

TI A Mixed Industrial Structure Magnifies the Importance of Menu Costs. AU Dixon, Huw David; Hansen, Claus Thustrup.

PD November 1997. TI Effort Commitment in Active Labor Market Programs: Consequences for Participation Incentives and Wage Information. AU Hansen, Claus Thustrup; Tranaes, Torben. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/14; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 31. PR no charge. JE J22, J31, J65, J68. KW Labor Market Policy. Effort Commitment. Participation Incentives. Wage Setting.

AB This paper discusses aspects of active labor market policy implemented in Denmark after 1993. In particular, the authors consider effort commitment as a means to provide work incentives for the jobless, which was introduced as an alternative to reducing unemployment benefits. Their main points are (1) that there is less, if any, conflict between high income security and work incentives if effort commitment is applied, and (2) concerning wage setting: the effort-commitment benefit system implies lower wages than a pure benefit system as long as unemployment is not too high. Hence, this kind of active labor market policy does not in general lend itself to the standard objection that active policy exaggerates wage pressure.

PD December 1997. TI Second Best Antitrust in General Equilibrium -- A Special Case. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/19; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 22. PR no charge. JE D42, L41. KW Monopoly. General Equilibrium. Regulation. Antitrust Policy.

AB This paper analyzes the welfare implications of regulating some, but not all, monopolistic industries of an economy (i.e., marginal regulation). It is shown that marginal regulation decreases welfare if a large fraction of all industries are monopolistic. Furthermore, the paper shows that the difference between the true welfare loss and the standard dead-weight loss grows progressively as the monopolistic part of the economy grows.

Hansen, Lars Garn

PD February 1997. TI Environmental Regulation Through Voluntary Agreements. AA Institute of Local

Government Studies, Denmark. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 23/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 31. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C78, D62, L51, Q28. **KW** Voluntary Agreements. Environmental Regulation.

AB Voluntary agreements with polluting industries are becoming a popular alternative to traditional environmental regulation. One reason may be that voluntary agreements can reduce compliance costs of polluting industries. In this paper the authors develop a family of simple policy formulation and implementation models enabling them to formally characterize the policy environments that make voluntary agreements possible. The main message of this paper is one of caution. Voluntary agreements that increase compliance costs and reduce social welfare cannot be ruled out. The analysis also suggests that giving the legislative branch of government an effective power of veto reduces (but does not eliminate) the possibility of welfare reducing voluntary agreements.

Hansen, Nico A.

TI The Political Geography of Tax H(e)avens and Tax Hells. **AU** Kessler, Anke S.; Hansen, Nico A.

Harrigan, Kathryn Rudie

TI The Synergy Limitation Paradox. **AU** Sirower, Mark; Harrigan, Kathryn Rudie.

Harris, Trevor S.

PD April 1997. **TI** Dividend and Capital Gains Taxation in Firm Valuation: New Evidence. **AU** Harris, Trevor S.; Kemsley, Deen. **AA** Columbia Business School. **SR** Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/96/24; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. **PG** 31. **PR** $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). **JE** G10, H24, H25. **KW** Taxation. Dividends. Capital Gains.

AB This paper considers how personal taxation of dividends and capital gains influences the valuation of a firm. Although this basic issue has been debated for more than twenty years in the corporate finance, public finance, and accounting literatures, the impact of personal taxation upon firm valuation and the cost of equity capital remains controversial. Most valuation studies use a dividend discount model as the starting point. This includes the residual-income valuation model which is used increasingly to justify price-based association studies. However, the formal models and the current empirical research largely ignore dividend and capital gains taxes. Since corporate returns on investment generate retained earnings and are subject to dividend taxes upon distribution, and returns of capital stock are not, basic intuition suggests it is likely that retained earnings and capital stock are valued differently. This paper demonstrates how the residual income model can be adapted to incorporate taxes on dividends and capital gains and empirically tests whether retained earnings is priced differently than capital stock in the manner suggested by intuition and the model. In addition, the study illustrates how personal taxes influence the persistence of residual income, which affects the association between price and earnings.

Harrrison, Glenn W.

TI Experimental Methods and Elicitation of Values. **AU** Harstad, Ronald M.; Harrrison, Glenn W.; Rutstrom, E. Elisabet.

Harstad, Ronald M.

PD October 1995. **TI** An Alternating Recognition Model of English Auctions. **AU** Harstad, Ronald M.; Rothkopf, Michael H. **AA** Rutgers University. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: B348; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 24. **PR** no charge. **JE** C70, D44. **KW** English Auction. Bidding. Game Theory.

AB The authors attempt a more realistic abstraction of an English auction than the standard, in Milgrom and Weber [1982]. In particular, the assumptions that exits are irrevocable and necessarily public are dropped. In the model, the price rises in a stylization of an auctioneer alternately recognizing two bidders who affirm willingness to pay the current price. The auctioneer pays attention to other bidders only when a recognized bidder exits. Such exits may be temporary, although the authors construct an equilibrium in which there is no benefit to exit and re-entry. The number of public exits is stochastic; frequently a losing "bidder" will remain silent. Hence, the source of the expected revenue advantage of English auction over second-price auctions is only stochastically available. Moreover, when public exits are incomplete, the ordinal rank of the bidder whose private information can be inferred is unknown. Consequently, second-price auctions may be the preferred approximation.

PD November 1995. **TI** Experimental Methods and Elicitation of Values. **AU** Harstad, Ronald M.; Harrrison, Glenn W.; Rutstrom, E. Elisabet. **AA** Harstad: Rutgers University. Harrison and Rutstrom: University of South Carolina. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: B349; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 19. **PR** no charge. **JE** C90, D40. **KW** Experimental Methods. Values Elicitation.

AB Experimental methods are currently being used extensively to elicit subjective values for commodities and projects. Three methodological problems are not addressed in this emerging literature. The first is the potential for laboratory responses to be censored by field opportunities; the second is the potential for subjective perceptions about field opportunities, and hence responses, to be affected by the institution used to elicit values; and the third is the potential for some elicitation institutions to influence subjective perceptions of characteristics of the commodity or project being valued. All three problems result in potential loss of control over the value elicitation process.

PD January 1996. **TI** Dominant Strategy Adoption, Efficiency, and Bidders' Experience with Pricing Rules. **AA** Rutgers University. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: B357; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 15. **PR** no charge. **JE** C70, D44. **KW** Bidding. Dominant Strategy. English Auction. Second Price Auctions. Game Theory.

AB ·Truthful revelation is a dominant strategy in both second-price and English (oral ascending bid) private-values auctions. Controlled observations of English auctions are largely consistent with the dominant strategy prediction, but laboratory second-price auctions exhibit substantial and persistent overbidding, even with prior experience. The experience of having bid in an English auction has a significant effect, moving second- price bidders toward the dominant strategy. Two treatments attempting to isolate facets of the lessons from English auction participation are explored.

Hatchuel, A.

TI A Dynamic Model of Environmental Policies: The Case of Innovation Oriented Voluntary Agreements. AU Aggeri, F.; Hatchuel, A.

Heal, Geoffrey

PD May 1997. TI Discounting and Climate Change. AA Columbia Business School and Columbia Earth Institute. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/03; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 11. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE Q20, Q30. KW Discounting. Climate Change.
AB Discounting has always been a source of controversy between economists and others interested in environmental preservation. This is largely because of the time- scales involved in many environmental problems: to understand fully the implications of climate change, one has to consider time horizons in excess of a century, radically different from those customary in economics. Over such horizons, factors such as equity between generations are important: the uncertainties involved are also immense. Over the more customary economic horizons of one or two decades, such long-term considerations are not germane, and the dominant concern is with efficient use of investment. Hence customary economic approaches were not developed for, and are not appropriate for, very long-term environmental problems such as climate change.

TI Securitizing the Biosphere. AU Chichilnisky, Graciela; Heal, Geoffrey.

TI Managing Unknown Risks: The Future of Global Reinsurance. AU Chichilnisky, Graciela; Heal, Geoffrey.

PD August 1997. TI Valuing our Future: Cost-Benefit Analysis and Sustainability. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/08; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 29. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE Q21, Q24, R44, R58. KW Sustainable Development.
AB This paper takes a first step in formulating approaches to cost-benefit analysis consistent with sustainable development. It reviews the foundations of the customary approach to cost-benefit analysis, with emphasis on its discounted utilitarian roots, and proposed alternative foundations which are more satisfactory in two respects: they place more weight on the future, and they incorporate in a more central manner the services provided by stocks of environmental assets. In some cases, projects will not be ranked by their present values, but by a new concept of sustainable net benefit. These alternative foundations imply that the calculation of shadow prices may be quite different from the customary approach, which has implications for the conduct of cost-benefit analysis. In particular, shadow prices may reflect in part contributions in the far future which are not discounted. These alternative foundations also imply a distinct approach to a closely-related topic, the measurement of national income. Moving to these alternate foundations is likely to be to increase greatly the calculated economic return on conserving long-lived environmental assets, making a fundamental difference to the economic analysis of issues such as global warming, habitat fragmentation and ecosystem preservation.

PD September 1997. TI The Value of Avoiding Climate Change. AU Heal, Geoffrey; Lin, Yun. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/10; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 9. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE Q25,. KW Climate Change. Risk Aversion.
AB What costs is it worth incurring to avoid the risk of climate change? People rarely think of this as a question amenable to a precise answer. Yet an answer can be calculated: it depends on the following four parameters (at least). These are (1) the probability distribution of the effects of climate change, (2) the degree to which we are risk averse, (3) the date at which the climate change will occur, and (4) the rate at which we discount future benefits and costs relative to those in the present. We present here calculations based on what seems to be a reasonable range of values of these parameters. Our conclusions are (1) that is may be rational to incur costs of the order of several percent of national income to reduce the chances of global warming, even if there is significant uncertainty about the occurrence and impacts of climate change, and (2) that exactly how much we should be willing to pay is more sensitive to the economic parameters, namely the discount rate and the index of risk aversion, than it is to scientific data such as the impact of climate change, and (3) that different countries may legitimately have different answers, because they differ in attitude towards the future and towards risk.

PD April 1998. TI The Economics of Increasing Returns. AA Columbia Business School. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/20; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 19. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE D43, E23, E32, F12. KW Increasing Returns.
AB Increasing returns is the source of some of the most powerful metaphors and intuitions in economics. Foremost among them are Adam Smith's statement that the division of labor is limited by the extent of the market, and his discussion of the relationship between scale and economies of specialization in a pin factory. There is a weakness, strictly an error, in Adam Smith's analysis. Two phenomena that he grouped together and saw as integral to economic progress are in fact inconsistent. These are increasing returns with the

consequent gains from specialization and the efficiency of the invisible hand. We now know that a society cannot have both, at least if one interprets the efficiency of the invisible hand as the Pareto efficiency of the competitive equilibrium, our only rigorous interpretation. This paper reviews the implications of increasing returns for several areas of economics: resource allocation and welfare economics; the micro foundations of macroeconomics; product variety and imperfect competition; information and information technology; economic growth; international trade. These cover the fields in which increasing returns cause departures from the results otherwise available. These departures are rather significant. Recognizing increasing returns affects the possibility of market equilibrium, can introduce sticky prices, causes economies to lock-in to inefficient technologies and introduce path-dependence, affects the possibility of continuing growth, produces hard problems for regulators, and changes our conception of the effects of international trade.

Hege, Ulrich
TI Venture Capital Financing, Moral Hazard, and Learning.
AU Bergemann, Dirk; Hege, Ulrich.

PD November 1997. **TI** Contentious Contracts. **AU** Hege, Ulrich; Viala, Pascale. **AA** Hege: CentER, Tilburg University and Centre for Economic Policy Research. Viala: Universite de Montreal and CIRANO. **SR** Tilburg CentER for Economic Research Discussion Paper: 97109; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/fcw5/center/center.htm. **PG** 41. **PR** no charge. **JE** D82, K12, L14. **KW** Incomplete Contracts. Unforeseen Contingencies. Burning Money. Team Production. Contract Law.
AB This paper offers an explanation of rationally incomplete contracts where incompleteness refers to unforeseen contingencies. Agents enter a relationship with two-sided moral hazard in which a commitment to discard parts of the joint resources may be ex ante efficient. This happens through costly legal dispute which arises when contract terms are missing for the undesirable outcomes. The authors show that an optimal contract needs only to specify the obligation for the more litigious party to assure a certain output level -- the threshold between foreseen and unforeseen contingencies -- and a linear sharing rule for the foreseen contingencies. If litigation reveals some information about the effort levels of the agents, less costly dispute is typically needed and the allocation will improve.

Heid, Frank
PD September 1996. **TI** Non-Parametric Volatility Estimation of Exchange Rates and Stock Prices. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A533; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 36. **PR** no charge. **JE** C14, F31, G12, G15. **KW** Volatility Estimation. Nonparametric Regression. Model Selection. Exchange Rates. Stock Returns.
AB The author models the volatility of financial assets as functions depending on past returns. The author applies nonparametric regression techniques to estimate the volatility of daily exchange rates and stock prices. He shows that all of the estimated functions have similar shape as they are convex

with a minimum close to zero.

PD November 1997. **TI** Estimating the Functional Components of Asset Price Volatilities. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A565; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 37. **PR** no charge. **JE** C12, C14, C50, G12. **KW** Volatility Estimation. Nonparametric Regression. Model Selection. Principal Components. Dimension Estimation.
AB The volatility of asset prices as a function of past prices is estimated by nonparametric regression. The estimates show that these functions are concave and obtain a minimum at a value close to zero. The author uses ideas of Principal Component Analysis to evaluate common functional components of different sets of volatility functions.

Heifetz, Aviad
PD May 1997. **TI** Informational Smallness in Rational Expectations Equilibria. **AU** Heifetz, Aviad; Minelli, Enrico. **AA** Minelli: Universita di Brescia, Italy and Universite Catholique de Louvain. Heifetz: Tel Aviv University. **SR** Tel Aviv Foerder Institute for Economic Research Working Paper: 10/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 29. **PR** no charge. **JE** D82, D84. **KW** Rational Expectations. Informational Power. Asymmetric Information. Incentive Compatibility.
AB In an economy with asymmetric information, Rational Expectations Equilibria (REE) need not become asymptotically incentive compatible, even if many independent replicas of the economy are merged together. We identify a sub-class of REE for which this is nevertheless the case. It consists of those REE which are focused -- where close prices obtain in close state-wise posterior economies; and where the prices are rounded to whole "cents", so that very close exact prices cannot be distinguished. In this class of REE, the informational power of each agent does diminish as more and more similar agents join the market. In the limit economy with a continuum of replicas, the informational power of each individual is nullified completely in focused REE.

Heller, Peter S.
PD October 1997. **TI** Implications for Savings of Aging in the Asian "Tigers". **AU** Heller, Peter S.; Symansky, Steve. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/97/136; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 42. **PR** not available. **JE** D91, E21, F41, J14. **KW** Aging. Asia. Saving. Demographics.
AB Significant aging is projected for many high-saving emerging economies of East and Southeast Asia. By 2025, the share of the elderly in their population will at least double in most countries. The share of the young will fall. Aging populations could adversely affect saving rates in the economies, particularly after 2025. For the world, one may observe that, initially, the Asian Tigers could become increasingly important for world savings, reflecting their increased weight in the world economy, their high saving and growth rates, and the aging of the industrial countries. After 2025, the aging of the Tigers may reinforce the tendency toward a declining world saving rate.

PD . October 1997. TI Aging in the "Tigers": Challenges for Fiscal Policy. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/143; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 55. PR not available. JE H30, H51, H52, H55, J14. KW Aging. Asia. Demographics. Health Care. Pensions.

AB The paper assesses the government expenditure effects from changing demographics in the Asian "Tiger" economies through 2050. With some exceptions, their limited social insurance commitments initially suggest that aging populations may not adversely affect fiscal balances. Yet for all the Tigers, changing illness patterns and medical modernization may combine with demographics to intensify budgetary pressures. The paper notes the implications of the Tigers' reliance on private sector pension and medical insurance systems; the need for an active public role; and the complications for fiscal analysis when private sector instruments are used, in a mandatory way, as public instruments.

Helpman, Elhanan

PD May 1998. TI Adjusting to a New Technology: Experience and Training. AU Helpman, Elhanan; Rangel, Antonio. AA Helpman: Harvard University, Tel Aviv University and Canadian Institute for Advanced Research. Rangel: CALTECH. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 07/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 47. PR no charge. JE O30. KW Technological Change. Experience. Training.

AB In this paper we study how aggregate output responds to the arrival of a new General Purpose Technology (GPT) by looking at adjustment mechanisms that operate through labor markets. We show that under a wide set of circumstances the arrival of a new GPT that raises long-run output can trigger a recession in the short-run. Furthermore, we characterize features of the GPT that produce a cyclical adjustment path. An initial recession occurs whenever a higher education level is required to operate the new GPT. But a recession can also occur when the new GPT has lower educational requirements. A cyclical adjustment path is more likely when inexperienced workers are less productive with the new technology and the faster productivity rises with experience in the new sector.

PD May 1998. TI Lobbying and Legislative Bargaining. AU Helpman, Elhanan; Persson, Torsten. AA Helpman: Harvard University, Tel Aviv University and Canadian Institute for Advanced Research. Persson: Stockholm University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 08/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 50. PR no charge. JE D72. KW Lobbying. Legislative Bargaining. Policy Formation.

AB We examine the effects of the interaction between lobbying and legislative bargaining on policy formation. Two systems are considered: A U.S.-style congressional system and a European-style parliamentary system. First we show that the policies generated are not intermediate between policies that would result from pure lobbying or from pure legislative bargaining. Second, we show that in congressional systems the resulting policies are strongly skewed in favor of the agenda-setter. In parliamentary systems they are skewed in favor or the coalition, but within the coalition there are many possible outcomes (there are multiple equilibria) with the agenda-setter having no particular advantage. Third, we show that equilibrium contributions are very small, despite the fact that lobbying has a marked effect on policies.

TI Competing for Endorsements. AU Grossman, Gene M.; Helpman, Elhanan.

PD May 1998. TI R&D Productivity: The International Connection. AA Harvard University, Tel Aviv University and Canadian Institute for Advanced Research. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 10/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 25. PR no charge. JE F43, O30. KW Productivity. Research and Development. International.

AB Countries differ greatly in R&D spending, and these differences are particularly striking when comparing developed with developing countries. The paper examines the extent to which the benefits of R&D are concentrated in the investing countries. It is argued that significant benefits spill over to other countries in the world. The argument is supported by quantitative estimates of such cross-country effects.

Henriksen, Ingrid

TI Why Danish Credit Cooperatives were so Unimportant.. AU Guinnane, Timothy W.; Henriksen, Ingrid.

Hercowitz, Zvi

PD May 1997. TI "The Embodiment" Controversy. AA Tel Aviv University. SR Tel Aviv Sackler Institute of Economic Studies Working Paper: 09/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 9. PR no charge. JE O47. KW Embodiment. Technical Change.

AB The "Embodiment" controversy between Jorgenson and Solow in the 1960's centered on the importance of capital-embodied technological change. If technological change is "disembodied", it affects output growth independently of capital accumulation. In contrast, "embodied" technological change requires investment in order to affect output. Hence, diagnostics about the relative importance of the two forms of technological change is crucial for learning about the transmission mechanism of technological progress to output growth. Solow argued that embodied technological change is dominant, hence, investment is the key mechanism; while Jorgenson argued that from the data available then one could not provide an answer about its relative importance. This controversy between Jorgensen and Solow is still ongoing, perhaps now more than in the 1960's, given the rapid development of new technologies in the production of capital goods since the middle 1970's. Using the opportunity of the appearance of Jorgenson's collected papers (Productivity, MIT Press, 1995) this paper reviews this debate and its implications.

TI Equipment Investment and the Relative Demand for Skilled Labor: International Evidence. AU Flug, Kamit; Hercowitz, Zvi.

Herings, P. Jean-Jacques

PD December 1997. TI A Note on Stability of Tatonnement Processes of Short Period Equilibria With Rational Expectations. AA CentER and Tilburg University.

SR Tilburg CentER for Economic Research Discussion Paper: 97110; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. PG 5. PR no charge. JE D51, D52, D84. KW Tatonnement. Stability. Rational Expectations. General Equilibrium.

AB In Hens (1997), a new adjustment process is proposed for a setting with re-opening spot and asset markets. He argues by means of an intemporal variant of Scarf' example that this process is more stable than the other processes, although in general it might be more stable or less stable. This note gives further evidence showing that Hens's process is indeed more stable. The results contradict some of the arguments of Hens (1997), which are corrected.

Hibon, Michele

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

Hildenbrand, Werner

PD March 1997. TI An Exposition of Wald's Existence Proof. AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A546; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 12. PR no charge. JE C62. KW Wald. Equilibrium Existence.

AB The economic profession is in agreement that Wald's existence proof is an outstanding contribution to mathematical economics. However, due to the restrictiveness of Wald's assumptions, his existence proof is mainly a mathematical achievement. The existence proofs by Arrow and Debreu (1954) and McKenzie (1954) made Wald's theorem obsolete, since they did not need restrictive assumptions on the demand side of the economy. What remains of interest up to our days is Wald's sixth assumption, Wald's axiom, even though this assumption is not needed any more for proving existence. Wald's sixth assumption and its strengthening reappears in the mathematical literature under the names "strict pseudomonotonicity" and "strict monotonicity". This assumption also reappears in the economic literature under the name "Weak Axiom of Revealed Preference" in Samuelson (1938).

PD October 1997. TI Demand Aggregation Under Structural Stability. AU Hildenbrand, Werner; Kneip, Alois. AA Hildenbrand: University of Bonn. Kneip: University of Bonn and Universite Catholique de Louvain. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A560; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 33. PR no charge. JE C43, D11, D31, E10, E21. KW Consumption Expenditure. Aggregation. Structural Stability. Income Distribution. Household Distribution.

AB The goal of this paper is to model the mean (aggregate) consumption expenditure of a large and heterogeneous population of households. The aggregation process is based on assumptions of how the income distribution and the composition of the population evolves over time (structural stability). It is shown that the change in the aggregate consumption expenditure ratio can be decomposed into an effect of changing income dispersion, an effect of income growth, an effect of price-inflation and an effect of changing composition of the population.

PD December 1997. TI Thuenen Vorlesung: Zur Relevanz Mikrooekonomischer Verhaltenshypothesen fuer die Modellierung der Zeitlichen Entwicklung von Aggregaten. AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A568; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 23. PR no charge. JE B11, B31, D11, D30. KW Thuenen. Microeconomic Behavior. Consumer Economics. Aggregation. Structural Stability.

AB This paper is written in German.

Hillion, Pierre

TI The Single European Currency and World Equity Markets. AU De Santis, Giorgio; Gerard, Bruno; Hillion, Pierre.

TI Local Parametric Analysis of Derivatives Pricing and Hedging. AU Bossaerts, Peter; Hillion, Pierre.

Himmelberg, Charles P.

PD April 1998. TI Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance. AU Himmelberg, Charles P.; Hubbard, R. Glenn; Palia, Darius. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/21; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 47. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G32, J33. KW Managerial Ownership.

AB Firms are governed by a network of relationships representing contractual arrangements for financing, capital structure, and managerial ownership and compensation, among others. For any of these contracted arrangements, it is difficult to identify the correspondence between the contractual choice and firm performance (e.g., measured by accounting rates of return or Tobin's Q), because contractual choices and performance outcomes are endogenously determined by exogenous and only partly observed changes in the firm's contracting environment. In this paper, we confront this endogeneity problem in the context of the firm's compensation contract for managers. Because managerial equity stakes are an important and well-known mechanism used to align the incentives of manager with those of owners, we examine the determinants of managerial ownership as a function of the contracting environment. We extend the cross-sectional results of Demsetz and Lehn (1985) and use panel data to show that managerial ownership is explained by key variables in the contracting environment in ways consistent with the predictions of principal-agent models. We find that a large fraction of the cross-sectional variation in managerial ownership is explained by unobserved firm heterogeneity. Moreover, once we control both for observed firm characteristics and firm fixed effects, it becomes difficult to conclude (econometrically) that changes in firm managerial ownership affect performance.

Hochman, Oded

PD November 1997. TI On the Agglomeration of Non-Residential Activities in an Urban Area. AU Hochman, Oded; Pines, David. AA Hockman: Ben-Gurion University of the Negev. Pines: Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 34/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 37. PR no charge. JE H40, R10, R40. KW Agglomeration. Scale Economies. Transportation.
AB This paper follows Hochman, Pines, and Thisee (1995) in portraying metropolitan areas as a complex of spatial clubs. Adopting this perspective, the paper characterizes the role of urbanization economies in the agglomeration of nonresidential activities inside metropolitan areas. The paper provides the conditions for the emergence of multiple centers, characterizes the activities located in the geographical center, and analyzes the centrifugal and centripetal effects of the various parameters. Reminiscent of some recent findings reported in the literature, our analysis implies that the effects of both home-based travel costs generate a multicentric urban structure, whereas an intermediate value of this parameter generates a monocentric urban form. The same is also true for scale economies. However, once the multicentric structure prevails, the home-based travel costs have a centripetal effect while the scale economies have centrifugal effect.

Hodrick, Laurie, Simon

TI Synergies and Internal Agency Conflicts: The Double-Edged Sword of Mergers. AU Fulghieri, Paolo; Hodrick, Laurie, Simon.

Hoffmaister, Alexander W.

TI Cyclical Fluctuations in Brazil's Real Exchange Rate: The Role of Domestic and External Factors. AU Agenor, Pierre-Richard; Hoffmaister, Alexander W.; Medeiros, Carlos I.

Holly, Alberto

PD January 1998. TI An Econometric Model of Health Care Utilization and Health Insurance in Switzerland. AU Holly, Alberto; Gardiol, Lucien; Domenighetti, Gianfranco; Bisig, Brigitte. AA Holly, Gardiol and Domenighetti: Universite de Lausanne. Bisig: University of Zurich. SR Universite de Lausanne Cahiers de Recherches Economiques: 9803; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 12. PR no charge. JE C35, I11, I18. KW Health Care. Health Insurance. Swiss Health Survey. Simultaneous Probit.
AB This paper presents a preliminary econometric analysis on how different alternative plans affect the utilization of health care services in Switzerland. The data come from the 1992-1993 Swiss Health Survey (SHS). The authors briefly describe some institutional aspects of the Swiss health system which prevailed at the time of the SHS, with particular emphasis on health insurance plans and payment system of providers. They estimate a simultaneous two equation model containing latent variables in order to compare the probability of having at least one inpatient stay given that the insured has used some medical treatment for those who have purchased only a "basic insurance" plan and those who have purchased supplemental insurance.

Holly, Sean

TI Asymmetries in Private Sector Investment Expenditure: An Empirical Investigation. AU Arden, Richard; Holly, Sean; Turner, Paul.

TI The Asymmetric Adjustment of Prices: Theory and Evidence from UK Manufacturing. AU Arden, Richard; Holly, Sean; Turner, Paul.

TI Asymmetric Adjustment Costs, Asymmetric Pricing and Employment: Evidence from the UK. AU Arden, Richard; Holly, Sean; Turner, Paul.

TI Production Smoothing, Inventory Investment and Asymmetric Adjustment. AU Arden, Richard; Holly, Sean; Turner, Paul.

Holmstrom, Bengt R.

PD June 1998. TI A Liquidity Based Asset Pricing Model. AU Holmstrom, Bengt R.; Tirole, Jean. AA Holmstrom: Massachusetts Institute of Technology. Tirole: IDEI and Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 98/08; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 35. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE G12. KW Asset Pricing. Liquidity Constraints. Collateral Constraints.
AB The intertemporal CAPM predicts that an asset's price is equal to the expectation of the product of the asset's payoff and a representative consumer's intertemporal marginal rate of substitution. This paper develops an alternative approach to asset pricing based on industrial and financial corporations' desire to hoard liquidity to fulfill future cash needs. Our corporate finance approach to market finance suggests new determinants of asset prices such as the distribution of wealth within the corporate sector and between the corporate sector and the consumers. Also, leverage ratios, capital adequacy requirements, and the composition of savings affect the corporate demand for liquid assets and thereby interest rates. The paper first sets up a general model of corporate demand for liquid assets, and obtains and explicit formula for the associated liquidity premia. It then derives some implications of corporate liquidity demand for the equity premium puzzle, for the yield curve, and for the state-contingent volatility of asset prices. Finally, the paper looks at some macroeconomic implications of the theory. It shows that government may be able to boost aggregate liquidity and enhance economic efficiency by promoting job and asset price stability.

Homlund, Bertil

PD January 1997. TI Environmental Tax Reform in a Small Open Economy with Structural Unemployment. AU Homlund, Bertil; Kolm, Ann-Sofie. AA Uppsala University. SR Fondazione Eni Enrico Mattei Note di Lavoro: 05/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 30. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE H20, J31, J51, J64, Q43. KW Environmental Taxation. Wage Bargaining. Equilibrium. Unemployment.
AB The paper examines the effects of an environmental tax reform in a model of a small open economy with decentralized wage bargaining and monopolistically competitive firms. The economy includes a tradable sector as well as a non-tradable

sector and features unemployment in general equilibrium. Firms in both sectors use labor and an imported polluting factor of production ("energy"). A tax on energy, recycled to reduce the payroll tax, will in general affect equilibrium unemployment in this economy. The effect works through a reallocation of employment from the tradable to the non-tradable sector. Total employment increases if workers in the tradable sector receive a wage premium relative to workers in the non-tradable sector. The sectoral relative wage is determined by the relative bargaining power of the unions and by parameters of preferences and technology. Parameterized versions of the model suggest that the tax reform has small effects on employment.

Hopkins, Nigel
TI Measurement Quality Issues in Dyadic Models of Relationships. **AU** Iacobucci, Dawn; Neelamegham, Ramya; Hopkins, Nigel.

Horvitz, Sebastian Paris
TI Globalization and Growth Prospects in Arab Countries. **AU** Alonso-Gamo, Patricia; Fedelino, Annalisa; Horvitz, Sebastian Paris.

Hubbard, R. Glenn
TI Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance. **AU** Himmelberg, Charles P.; Hubbard, R. Glenn; Palia, Darius.

Huberman, Bernardo A.
TI A Punctuated-Equilibrium Model of Technology Diffusion. **AU** Loch, Christoph H.; Huberman, Bernardo A.

Huberman, Gur
PD May 1997. **TI** Familiarity Breeds Investment. **AA** Columbia University. **SR** Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/04; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. **PG** 27. **PR** $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). **JE** D10, D81, D84, F36, G11, G15, G23. **KW** Investment. Portfolios.
AB We examine the geographic distribution of the shareholders of the U.S. Regional Bell Operating Companies (RBOCs) and document that an RBOC's customer is more likely to hold more of its shares and invest more money in it than in an RBOC that does not serve him. We relate these observations to workers' tendency to hold their company's stock in their retirement accounts and people's general tendency to have concentrated portfolios. These phenomena resemble the home country bias in the international arena, but are domestic. Together, they suggest that people invest in the familiar while often ignoring the principles of portfolio theory. Our insights may call for government intervention to induce retirement accounts to be more diversified than they currently are. And they may explain the equity premium puzzle.

Huchzermeier, Arnd
PD November 1997. **TI** Evaluating R&D Projects as Real Options: Why More Variability is Not Always Better. **AU** Huchzermeier, Arnd; Loch, Christoph H.

AA Huchzermeier: WHU, Vallendar, Allemagne. Loch: INSEAD. **SR** INSEAD Working Papers: 97/105/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 28. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** C61, G13, O31, O32. **KW** Real Options. Research and Development. Project Evaluation. Investment Risk. Decision Trees.
AB The Real Options framework has been proposed as an effective tool to evaluate uncertain R&D projects because it can capture asymmetric upside potentials. The authors show in a simple model that established options theory understates the value of an R&D project if it does not account for corrective action that management can take during the project. The model supports intuition from options theory that variability in market payoffs increases the value of the real option. However, an increase in technical variability or in the variability of market performance requirements, without a corresponding increase in the hedging capacity or ability to respond, may reduce rather than enhance the option value, contrary to conventional options theory wisdom.

Hughes, Alan
PD September 1997. **TI** Small Firms and Unemployment. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Papers: WP71; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. **PG** 15. **PR** $10.00 (5 pounds); make checks payable to University of Cambridge. **JE** J23, L11, O31. **KW** Small Firms. Employment Creation. Job Creation. Innovation.
AB This paper finds that only a handful of the UK's Small and Medium-sized Enterprises (SMEs) show signs of consistent employment expansion. The world of the small business is exceptionally turbulent. Job generation in the SME sector is dominated by a few fast-growing companies. Beyond these, there has been a growth of micro firms providing jobs that are unstable, poorly paid, lacking fringe benefits and offering relatively little training. Finally, firms which succeed in growing are more likely to be those that introduce product or process innovation. They are also more likely to develop networks of collaborative partnerships and face up to management development and reorganization needs as growth proceeds. The key issue facing policy makers is how best to promote the creation of more middle range SMEs with the capacity for management development, innovation and higher quality employment.

TI Cooperation and Trust in Inter-firm Relations: Beyond Competition Policy? **AU** Deakin, Simon; Goodwin, Tom; Hughes, Alan.

Humphries, Jane
TI Death and Gender in Victorian England and Wales: Comparisons With Contemporary Developing Countries. **AU** McNay, Kirsty; Humphries, Jane; Klasen, Stephan.

Hurlin, Christophe
PD 1997. **TI** Social Discount Rate, Tax Distortions and Growth and Application to the French Economy. **AU** Hurlin, Christophe; Portier, Franck. **AA** Hurlin: University of Paris.

Portier: CEPREMAP and CREST. SR CEPREMAP Discussion Paper: 97/18; Bibliotheque, CEPREMAP, 142 rue du Chevalcret, 75013-Paris, France. PG 35. PR 25-35 francs. JE E62, H21, H43, O40. KW Social Discount Rate. Growth. Tax Distortions. France.

AB The authors propose in this paper an analytical endogenous growth model with distortionary taxation. They derive what should be the social discount rate that maximizes welfare or growth, with or without constraint on the maximal amount of fiscal revenues that can be raised by lump sum taxation. They are able to derive a growth wedge and a fiscal wedge in the sub-optimal level of the social discount rate. A calibrated example for the French economy is then proposed.

Hwang, Soosung

TI An Integrated Risk Measure with Application to UK Asset Allocation. AU Damant, David C.; Hwang, Soosung; Satchell, Stephen E.

Iacobucci, Dawn

PD August 1997. TI Measurement Quality Issues in Dyadic Models of Relationships. AU Iacobucci, Dawn; Neelamegham, Ramya; Hopkins, Nigel. AA Iacobucci and Hopkins: Northwestern University. Neelamegham: INSEAD. SR INSEAD Working Papers: 97/76/MKT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 27. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C51, C52, Z10. KW Interpersonal Relationships. Dyadic Interactions. Measurement.

AB Interpersonal relationships are an important and integral part of numerous psychological research agendas. Analytical tools have been created in the last ten years that model dyadic interactions, but measurement issues have not been considered in conjunction with these models, and little is known about their empirical performance under sub-optimal measurement quality conditions. The authors offer two essential approaches to ascertaining the level of measurement error in the observed indicators of social ties and relationships. The first approach combines latent class and social network models in one integrated framework and allows for the simultaneous study of measurement and dyadic structural issues. The second approach develops a two-staged procedure that should be accessible to all users. In the first stage, a probability model based on latent class analysis is estimated which provides an indication of the measurement quality in the data. In the second stage, traditional social network models are estimated.

Iammarino, Simona

TI The Policy Implications of the Globalization of Innovation. AU Archibugi, Daniele; Iammarino, Simona.

Ingram, Peter

PD July 1996. TI Everyone's A Winner?: Persistence in British Private Sector Wage Settlements 1979- 1994. AU Ingram, Peter; Wadsworth, Jonathan; Brown, Donna. AA Ingram: University of Surrey and London School of Economics. Wadsworth: Royal Holloway College and London School of Economics. Brown: London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 298; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 42. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J31, J51, J52. KW Labor Markets. Persistence. Wage Inequality. United Kingdom. Wages.

AB One important feature of labor market policy over the past 15 years has been an emphasis on promoting greater flexibility and responsiveness in wages to the fortunes of individual firms. This study analyzes the patterns of persistence in British private manufacturing wage settlements using a unique longitudinal dataset of bargaining groups over the period 1979-94. The authors find little evidence that settlement variation in private sector manufacturing bargaining groups has widened over time. They do find that the pattern and persistence of settlements over time is consistent with the presence of autoregressive but not permanent fixed effect components. The authors show that this relatively small amount of turbulence is sufficient to generate evolutionary paths for wage levels, consistent with the evidence of widening inequality observed in recent years in Britain, suggesting that the firm fixed effects may not account for much of the rise.

Ishikawa, Tsuneo

TI Does Competition at School Matter? A View Based Upon the Italian and the Japanese Experiences. AU Brunello, Giorgio; Ishikawa, Tsuneo.

Jaffee, Adam B.

PD July 1998. TI International Knowledge Flows: Evidence from Patent Citations. AU Jaffee, Adam B.; Trajtenberg, Manuel. AA Jaffee: Brandeis University and National Bureau of Economic Research. Trajtenberg: Tel Aviv University and CIAR. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 11/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 38. PR no charge. JE O31. KW Patents. Citations. Spillovers.

AB This paper explores the patterns of citations among patents taken out by inventors in the U.S., the U.K., France, Germany and Japan. We find that (1) patents assigned to the same firm are more likely to cite each other and come sooner than other citations; (2) patents in the same patent class are approximately 100 times as likely to cite each other as patents from different patent classes, but there is not a strong time pattern to this effect; (3) patents whose inventors reside in the same country are typically 30 to 80% more likely to cite each other than inventors from other countries, and these citations come sooner; and (4) there are clear country-specific citation tendencies, e.g., Japanese citations typically come sooner than those of other countries.

Jain, Dipak

TI Investigating Consumer Choice Processes for Experience Goods: An Econometric Analysis. AU Neelamegham, Ramya; Jain, Dipak.

Janssen, Maarten C. W.

PD November 1997. TI On the Unique D1 Equilibrium in the Stackelberg Model with Asymmetric Information. AU Janssen, Maarten C. W.; Maasland, Emiel. AA Janssen: Erasmus University. Maasland: CentER and Tilburg University. SR Tilburg CentER for Economic

Research Discussion Paper: 97106; CentER for Economic Research, Tilburg University, Warandelaan 2, P.O. Box 90153, 5000 Le Tilburg, The Netherlands. Website: cwis.kub.nl/few5/center/center.htm. PG 9. PR no charge. JE C72, C73, D82, L10. KW Separating Equilibria. Signaling Games. Stackelberg Competition.

AB This note studies a version of the Stackelberg model in which the Leader has more information about demand than the Follower. The authors show that there exists a unique D1 equilibrium and that this equilibrium is perfectly revealing. They also give a full characterization of the equilibrium in terms of the posterior beliefs of the Follower and show under which condition there is first mover disadvantage.

Jarvenpaa, Sirkka L.

PD 1997. TI An Information Company in Mexico: Extending the Resource-Based View of the Firm to a Developing Country Context. AU Jarvenpaa, Sirkka L.; Leidner, Dorothy E. AA Jarvenpaa: University of Texas. Leidner: INSEAD. SR INSEAD Working Papers: 97/107/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 40. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F15, L86, O14. KW Information Industry. Development. Mexico. Strategic Management.

AB Information Industries assume that information is seen as a valued resource that enables organizations and individuals to improve their effectiveness, efficiency, and overall competitiveness. For Information Industries to bridge rather than divide further the global economy to information rich and information poor, we need to understand better how firms, particularly local firms, can successfully pioneer or participate in the Information Industry in emerging economies that do not inherently embrace information as a valued business resource. This research examines how one local firm shaped the external environment to pioneer a local information industry in Mexico and how it competes in a newly opened local market against large well-established foreign competitors. In addition to extending the boundary conditions of the resource-based view of the firm -- a dominant strategic management theory --, this paper analyzes both the content and implementation of the information company's strategy.

Jeanne, Oliver

TI Status, the Distribution of Wealth, and Growth. AU Corneo, Giacomo; Jeanne, Oliver.

Jensen, J. Bradford

TI Why Some Firms Export. AU Bernard, Andrew; Jensen, J. Bradford.

Jochem, Eberhard

PD February 1997. TI Voluntary Agreements as a Substitute for Regulations and Economic Instruments: Lessons from the German Voluntary Agreements on CO2 Reduction. AU Jochem, Eberhard; Eichhammer, Wolfgang. AA Fraunhofer Institute for Systems and Innovation Research, Germany. SR Fondazione Eni Enrico Mattei Note di Lavoro: 19/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 21. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D62, L51, Q25, Q28.

KW Voluntary Agreements. Regulations. Environmental Policy.

AB Voluntary agreements in various forms are being increasingly regarded as an instrument to substitute or complement regulating and pricing instruments. As, from a theoretical point of view, this instrument has strong proponents and opponents, it is important to make a careful analysis of the achievements of current voluntary agreements and their specific advantages or drawbacks in their specific objective and social context. The following paper analyzes the voluntary agreements of the German economy with respect to CO2 emission targets, achievements up to 1995, the monitoring process implemented, as well as the foreseeable progress up to 2005. The analysis distinguishes among the industrial branches, the electricity supply sector and the remaining energy sector. For voluntary agreements to become as successful as regulating and economic instruments, it is important for all the parties involved to see the declarations as a process which transforms the quantitative goals into moving targets.

John, Reinhard

PD February 1997. TI Abraham Wald's Equilibrium Existence Proof Reconsidered. AA University of Bonn. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A540; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 14. PR no charge. JE C62. KW Equilibrium Existence. Pseudomonotonicity. Variational Inequality.

AB For his proof of the existence of a general competitive equilibrium Abraham Wald assumed a strictly pseudomonotone inverse market demand function or, equivalently, that market demand satisfies the Weak Axiom of Revealed Preference. It is well known that more recent existence theorems do not need this assumption. In order to clarify its role in Wald's proof, the question of existence of an equilibrium for a modified version of the Walras-Cassel model is reduced to the solvability of a related variational inequality problem. In general, the existence of a solution to such a problem can only be proved by advanced mathematical methods. The authors provide an elementary induction proof which demonstrates the essence of Abraham Wald's famous contribution.

Johnsen, Thore

TI Productivity Growth, Consumer Confidence and the Business Cycle. AU Danthine, Jean-Pierre; Donaldson, John B.; Johnsen, Thore.

TI Productivity Growth, Consumer Confidence and the Business Cycle. AU Danthine, Jean-Pierre; Donaldson, John B.; Johnsen, Thore.

Johnson, Omotunde E. G.

PD November 1997. TI Policy Reform, Adjustment Costs, and Investment: With Activity of Local Investors as a Signal. AA University of Oxford and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/148; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 21. PR not available. JE F21, G14, O23. KW International Investment. Adjustment Costs. Policy Reform. Development.

AB Adjustment assistance is provided to local investors responding to policy reform and facing adjustment costs, to facilitate their activity -- a signal to foreign investors about the

profitability of investing in the local economy. The government, in providing assistance, maximizes its utility subject to its budgetary constraint, taking into account the utility forgone in alternatives uses of budgetary funds. Foreign investors use the signal to update beliefs about investors in the local economy and compute the expected return from investing in the country. The investment response of foreign investors depends on the expected return computed relative to the expected returns in their alternative investments worldwide.

PD November 1997. TI Cooperation, Emergence of the Economic Agency Role of Government, and Governance. AA University of Oxford and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/150; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 45. PR not available. JE D72, D78, D82. KW Cooperation. Asymmetric Information. Governance.
AB This paper focuses on the emergence of the economic agency role of the government and its relationship with cooperation and economic management. It distinguishes emergence under war, domination or capitulation, perfect cooperation, and strategic bargaining. Good governance is a consequence of constraints designed by principals with the incentive and ability to do so. The incentives are related inversely to the expected relative frequency of controlling government and directly to the expected relative share of costs of poor agency. The ability is directly related to bargaining power in determining the agency role. There are implications for the evolution of cooperation in the society and for macroeconomic performance.

Juselius, Katarina
PD December 1997. TI Changing Monetary Transmission Mechanisms Within the EU. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/18; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 31. PR no charge. JE C32, E41, E52. KW Cointegration. Long-Run Impact. Money Demand. Monetary Policy. Capital Liberalization.
AB This paper presents a comparative analysis of monetary transmission mechanisms and changes in them after the "second ERM" in March 1983. The empirical model investigates the determination of money, income, prices and interest rates in Germany, Denmark and Italy based on the cointegrated VAR model. The empirical results provide new insight on the macroeconomic effects of joining the ERM and financial deregulation.

PD December 1997. TI Do Prices Move Together in the Long Run? An I(2) Analysis of Six Price Indices. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/21; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 20. PR no charge. JE C32, E31, E32. KW Cointegration. Vector Autoregressions. Commodity Prices. Time Series.
AB This paper discusses methodological questions related to econometric time-series modeling of I(2) data. Long-run and medium-run relationships between two general price indices, the U.S. CPI and WPI and four commodity prices indices, the

WBI, CRBI, GSCI, and ECI are investigated in a multivariate set-up. The statistical concepts of cointegration and polynomial cointegration are related to long-run and short-run price homogeneity.

Kaganovich, Michael
PD January 1997. TI Education, Social Security and Growth. AU Kaganovich, Michael; Zitcha, Itzhak. AA Kaganovich: Indiana University. Zithcha: Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 01/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 43. PR no charge. JE E13, H21, I22, I28. KW Education. Social Security. Growth.
AB This work studies the allocation of government tax revenues between two outlays: Public investment in education (to the young generation) and social security benefits to the older generation. In an overlapping generations economy with intergenerational transfers motivated by altruism between parents and their children, we derive the following results for stationary competitive equilibria: (a) For a given allocation profile of the tax revenues between these two outlays, education subsidies can increase the growth rate or decrease it depending on the parameters of the model: (b) If government chooses the allocation of funds in a way that maximizes the growth rate then, under some plausible conditions, social security financed by pay-as-you-go will not exist. However, for certain parameters of the model such a social security system will enhance growth and welfare.

Kattuman, Paul
PD August 1997. TI Income Inequality in Hungary, 1987-1993. AU Kattuman, Paul; Redmond, Gerry. AA Kattuman: University of Durham. Redmond: University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/26; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 16. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE D31, H20, O15, P21. KW Income Inequality. Transition. Tax-Benefit Policy. Hungary.
AB The authors examine the growth of income inequality in Hungary in the early transition period. They use household budget survey data from four years between 1987 and 1993 to examine the factors associated with the levels and changes in inequality. They find that public policy inhibited the increase in household income inequality initially. Tax and benefit policies, and the increasing diversity among sources of household incomes, interacted to cause a roller-coaster pattern in which the first spurt in inequality was reversed, but then was followed by a further sharp increase.

PD December 1997. TI Industrial Concentration Under Shock Therapy: Poland in the Early Transition Years. AU Kattuman, Paul; Domanski, Ryszard. AA Kattuman: University of Durham. Domanski: Polish Academy of Sciences and Warsaw School of Economics. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP76; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.crb.cam.ac.uk. PG 14. PR $10.00 (5

pounds); make checks payable to University of Cambridge. **JE** L11, L20, L33, P21, P31. **KW** Poland. Privatization. Industrial Concentration. Enterprise Dynamics.

AB Economic reforms in Poland have been aimed at engendering a competitive market economy. Reforms envisaged deconcentration, restructuring and privatization of state enterprises. Together with private entry, a competitive market structure was expected to evolve. Competitive shocks unleashed by the big bang were to influence the evolutionary process leading to mature market capitalism. The authors find that concentration increased promptly in several markets. A recurrent feature appears to be "premature" exits (and significant contraction) of some large state enterprises before new private enterprises had grown large enough to challenge remaining incumbents.

Keeble, David

TI Inter-Firm Links Between Regionally Clustered High-Technology SMEs: A Comparison of Cambridge and Oxford Innovation Networks. **AU** Lawson, Clive; Moore, Barry; Keeble, David; Lawton Smith, Helen;

TI Technological Convergence, Globalization and Ownership in the UK Computer Industry. **AU** Athreye, Suma; Keeble, David.

Kemsley, Deen

TI Dividend and Capital Gains Taxation in Firm Valuation: New Evidence. **AU** Harris, Trevor S.; Kemsley, Deen.

Kende, Michael

TI The Dynamics of Technological Adoption in Hardware/Software Systems: The Case of Compact Disc Players. **AU** Gandal, Neil; Kende, Michael; Rob, Rafael.

Kessler, Anke S.

PD January 1997. **TI** The Political Geography of Tax H(e)avens and Tax Hells. **AU** Kessler, Anke S.; Hansen, Nico A. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A541; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 21. **PR** no charge. **JE** H71, H73. **KW** Income Taxation. Migration. Fiscal Federalism. Redistribution.

AB The authors analyze decentral income taxation in a federal system. Individuals are free to migrate between politically independent jurisdictions, in which local policies are determined by majority rule of the residents. Tax regimes in equilibrium depend on the relative geographical size of the jurisdictions. If their relative size is modest, taxation and redistribution levels are equal and similar to a central system. If, however, relative size is extreme, i.e. with very small and very large regions, tax heavens and tax hells can evolve. Small jurisdictions will be inhabited by rich households and will conduct low tax policies (tax heavens), while poor households live in large jurisdictions where taxes are high (tax hells). The authors thus establish that huge geographical differences translate into political as well as economic divergence of jurisdictions.

PD January 1997. **TI** Optimal Monitoring in Hierarchical Relationships. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A550;

Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 27. **PR** no charge. **JE** D82, L23. **KW** Information Structure. Hierarchies. Collusion. Principal Agent.

AB This paper studies a stylized three-layer agency framework in which a principal hires a supervisor to monitor the agent's productive effort. The principal has access to several monitoring technologies which differ in the quantity and the quality of the information they deliver. Three cases are distinguished. First, if the supervisor is honest it is demonstrated that the principal's expected return from the relationship is independent of the quantity of information the supervisor collects. The same result is shown to hold when the supervisor can collude with the agent but his report is hard information. In both cases, the principal can achieve a first-best if the monitoring technology is sufficiently precise. Finally, if the supervisor's information is soft, the principal benefits both from the frequency and the accuracy of the supervisor's observations. This is the only case in which collusion imposes an additional cost on the principal.

Kets De Vries, Manfred F. R.

PD 1997. **TI** The Dionysian Quality of Charismatic Leadership: Exploring the Hypomanic Personality. **AA** INSEAD. **SR** INSEAD Working Papers: 97/86/ENT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 18. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** A12, I10, M10. **KW** Manic Depression. Hypomania. Bipolar Disorder. Depression. Leadership.

AB The objective of this article is to explore the hypomanic (or "mildly" manic) quality that distinguishes some charismatic leaders -- people whose manic episodes contribute to their charisma but may also contribute to their downfall. Characteristics of the hypomanic personality will be discussed. In this context, attention will be given to both manic-depression and depression. A case example of hypomanic leadership in a business setting will be presented. Ways of managing this type of disorder will be discussed.

PD 1997. **TI** High Performance Teams: Lessons From the Pygmies. **AA** INSEAD. **SR** INSEAD Working Papers: 97/111/ENT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 27. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** M12. **KW** Work Teams. Trust. Autonomy. Egalitarianism. Distributed Leadership.

AB The purpose of this article is to describe best practices for effective work teams. Taking the behavior of the pygmies of the African rain forest as a primary model of human behavior, the article will offer a number of suggestions for creating successful teams. Attention will also be given to some of the factors that can destroy teamwork. Finally, some of the themes relevant to high-performance organizations will be explored.

PD 1997. **TI** Beyond the Quick Fix: The Psychodynamics of Organizational Transformation and Change. **AU** Kets De Vries, Manfred F. R.; Balazs, Katharina. **AA** INSEAD. **SR** INSEAD Working Papers: 97/113/ENT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website:

www.insead.fr/research. **PG** 26. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** L23, M10, M21, O33. **KW** Organizational Change. Individual Change. Psychodynamics.
AB The authors believe that, by observing from a clinical perspective the different stages by which individual change takes place, it is possible to draw parallels between individual and organizational change processes. Taking this thought one step further, the authors suggest that by applying the insights derived from individual change processes to the domain of organizational transformation, it is possible to induce, facilitate, and even speed up otherwise lengthy organizational intervention and change processes. Furthermore, a contribution securely anchored in the clinical theory of individual change may shed some light on these processes, thus offering prescriptive value for future change agents. The clinical orientation of this article is derived from data collected during a large number of interventions in organizations, and augmented by a series of in-depth interviews with the executives involved in these transformation processes.

Khamis, May
TI Transparency and Ambiguity in Central Bank Safety Net Operations. **AU** Enoch, Charles; Stella, Paul; Khamis, May.

Kirschenheiter, Michael
TI Firm Valuation With Deferred Taxes: A Theoretical Framework. **AU** Amir, Eli; Kirschenheiter, Michael; Willard, Kristen.

Klasen, Stephan
TI Death and Gender in Victorian England and Wales: Comparisons With Contemporary Developing Countries. **AU** McNay, Kirsty; Humphries, Jane; Klasen, Stephan.

Kleijnen, J. P. C.
TI Configuring a Pull Production-Control Strategy Through a Generic Model. **AU** Gaury, E. G. A.; Kleijnen, J. P. C.; Pierreval, H.

Klevmarken, N. Anders
PD July 1997. **TI** Modelling Behavioural Response in EUROMOD. **AA** Uppsala University. **SR** University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/20; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. **PG** 12. **PR** $10.00 (5 pounds); make checks payable to University of Cambridge. **JE** C81, D12, F47, H20, J22. **KW** Behavioral Response. Static Microsimulation. Europe.
AB The EUROMOD Preparatory Project examined a number of aspects of the technical feasibility of constructing a Europe-wide tax-benefit model. This paper reports on the issues relating to incorporating behavioral response into the model. It explores the problems and prospects of modeling changes in behavior within the static microsimulation approach, using cross-sectional data. In the case of labor supply it concludes that not only are there problems related to the timing of responses using the static approach, but also a lack of comparable studies (or data) across all 15 countries. A dynamic approach using panel data has more potential and should be explored for a small group of countries. In the case of consumer demand, behavioral adjustment can be assumed to be quick and there is some potential for including demand responses in EUROMOD.

Kneip, Alois
TI Demand Aggregation Under Structural Stability. **AU** Hildenbrand, Werner; Kneip, Alois.

Knudsen, Ulrik Vestergaard
TI An Eclectic Negotiation Theory of Trade Policy Behavior. **AU** Garfiel, Sophus; Knudsen, Ulrik Vestergaard.

Kolm, Ann-Sofie
TI Environmental Tax Reform in a Small Open Economy with Structural Unemployment. **AU** Homlund, Bertil; Kolm, Ann-Sofie.

Kou, Steve
TI Connecting Discrete and Continuous Path-Dependent Options. **AU** Broadie, Mark; Glasserman, Paul; Kou, Steve.

Krajinyak, Kornelia
TI Explaining and Forecasting the Velocity of Money in Transition Economies, with Special Reference to the Baltics, Russia and other Countries of the Former Soviet Union. **AU** De Broeck, Mark; Krajinyak, Kornelia; Loric, Henri.

Kramer, Charles
PD October 1997. **TI** Reform of the Canada Pension Plan: Analytical Considerations. **AU** Kramer, Charles; Li, Yutong. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/97/141; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 30. **PR** not available. **JE** H30, H55. **KW** Public Pensions. General Equilibrium. Canada.
AB Like other transfer programs, a pay-as-you-go public pension system can significantly affect economic behavior and, hence, relative prices and macroeconomic aggregates. This paper illustrates some of these effects, which are important in weighing options for reforming public pensions, in the context of a stylized model of the Canadian economy. It shows that introducing such a system can reduce aggregate saving, income, and wages and increase interest rates. It also shows that a significant part of the distortion can occur because benefits are not explicitly linked to contributions and that creating a linkage can reduce the distortions.

Krueger, Alan B.
PD August 1997. **TI** Observations and Conjectures on the U.S. Employment Miracle. **AU** Krueger, Alan B.; Pischke, Jorn-Steffen. **AA** Krueger: Princeton University and National Bureau of Economic Research. **SR** Massachusetts Institute of Technology, Department of Economics Working Papers: 97/16; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. **PG** 41. **PR** $7.00 U.S., Canada, Mexico; $10.00 other international. **JE** E24, J21, J23. **KW** European Unemployment. Wage Structure. Entrepreneurs.
AB This paper has three goals: first to place U.S. job growth in international perspective by exploring cross-country differences in employment and population growth. This section

finds that the U.S. has managed to absorb added workers -- especially female workers -- into employment at a greater rate than most countries. The leading explanation for this phenomenon is that the U.S. labor market has flexible wages and employment practices, whereas European labor markets are rigid. The second goal of the paper is to evaluate the labor markets rigidities hypothesis. Although greater wage flexibility probably contributes to the U.S.'s comparative success in creating jobs for its population, the slow growth in employment in many European countries appears too uniform across skill groups to result from relative wage inflexibility alone. Furthermore, a great deal of labor market adjustment seems to take place at a constant real wage in the U.S. This leads to the third goal: to speculate on other explanations why the U.S. has managed to successfully absorb so many new entrants to the labor market. We conjecture that product market constraints contribute to the slow growth of employment in many countries.

TI   Empirical Strategies in Labor Economics. AU   Angrist, Joshua D.; Krueger, Alan B.

Krzysztof, Burdzy
PD   May 1997. TI   Fast Equilibrium Selection by Rational Players Living in a Changing World. AU   Krzysztof, Burdzy; Frankel, David M.; Pauzner, Ady. AA   Krzysztof: University of Washington. Frankel and Pauzner: Tel Aviv University. SR   Tel Aviv Foerder Institute for Economic Research Working Paper: 07/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 41. PR no charge. JE C73. KW Game Theory. Equilibrium Selection. Changing World. Risk Dominance. Backwards Induction.
AB   We study a coordination game with randomly changing payoffs and small frictions in changing actions. Using only backwards induction we find that players must coordinate on the risk dominant equilibrium. More precisely, a continuum of fully rational players are randomly matched to play a symmetric 2 x 2 game. The payoff matrix changes over time according to some Brownian motion. Players observe these payoffs and the population distribution of actions as they evolve. The game has frictions: opportunities to change strategies arrive from independent random processes so that the players are locked into their actions for some time. As the frictions disappear, each player ignores what the others are doing and switches at her first opportunity to the risk dominant equilibrium. History dependence emerges in some cases when frictions remain positive.

PD   May 1997. TI   On the Time and Direction of Stochastic Bifurcation. AU   Krzysztof, Burdzy; Frankel, David M.; Pauzner, Ady. AA   Krzysztof: University of Washington. Frankel and Pauzner: Tel Aviv University. SR   Tel Aviv Foerder Institute for Economic Research Working Paper: 08/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 23. PR no charge. JE C73. KW Game Theory. Brownian Motion. Bifurcation.
AB   This paper is a mathematical companion to "Fast Equilibrium Selection by Rational Players Living in a Changing World", by Burdzy, Frankel and Pauzner (1997). We use excursion theory to investigate a differential equation that involves a Brownian motion. We show the existence and uniqueness of a solution. Most importantly, we establish

several properties of the "bifurcation time" defined in the paper. When the random noise becomes smaller and smaller, the bifurcation time goes to 0. Moreover, the relative probability of bifurcation upwards vs. downwards is computed. These results are extended to several other stochastic processes.

Kwan, Stephen
TI   Competing in the Marketspace: An Empirical Study. AU   Dutta, Soumitra; Kwan, Stephen; Segev, Arie.

Laffargue, Jean-Pierre
PD   1997. TI   Biased Technical Progress, Market Imperfections and Inequalities in France, From 1974 to 1993. AU   Laffargue, Jean-Pierre; Saint-Martin, Anne. AA   CEPREMAP and MAD. SR   CEPREMAP Discussion Paper: 97/12; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 34. PR 25-35 francs. JE E17, E62, E65. KW Inequalities. Technological Bias. Market Power. Qualification. Bargaining Power.
AB   During the last twenty years the main production factors in France have experienced trends which are difficult to reconcile with those of their respective costs. Using a medium run dynamic equilibrium model, this paper tries to explain these contradictions by modifications having taken place in the macroeconomic and institutional environment where the various economic agents act. The results are that unskilled labor is a good substitute for skilled labor and capital, that skilled labor is a poor substitute for capital, that the efficiency of skilled labor increases faster than the productivity trend, that the productivity of unskilled labor stays approximately unchanged, that the markup rate of firms strongly decreases after 1982, and that the bargaining power of trade unions increases from 1974 to 1983, decreasing afterward. The authors have also computed the dynamic multipliers of the main economic policy decisions, and the effect on employment of their changes since 1974.

Lago, Umberto
PD   March 1997. TI   Regulatory Problems in Industries With Very Small Firms. AU   Lago, Umberto; Visconti, Federico. AA   Bocconi University. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 35/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 34. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE L51, L52, L67. KW Regulation. Industrial Policy. Tanneries. Italy.
AB   In the present paper the following hypotheses have been tested: 1. Pressure groups have a marginal role in fragmented industries. In fact, fragmented industries are characterized by the presence of many small firms and by self-centered entrepreneurs, prone more to conflicting than to cooperative behaviors; 2. Regulatory interventions in fragmented industries have a strong impact on the industry's structure by selecting the enterprises and modifying their strategic and structural profile; 3. The single firms are particularly vulnerable to regulatory interventions in fragmented industries as they can impose fundamental changes that they may not be able to face. The above hypotheses have been tested in the context of the tannery industry. The research methodology includes qualitative and quantitative instruments. Quantitatively, a longitudinal series of balance sheets of 191 firms have been analyzed for the period 1986-1991. Qualitatively, the research has focused on the analysis of published sources and interviews.

Lambert-Mogiliansky, Ariane
PD 1997. TI Regulatory Blackmail in Procurement Relationships. AA University of Stockholm. SR CEPREMAP Discussion Paper: 97/01; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 31. PR 25-35 francs. JE D73, D82, H57. KW Corruption. Procurement. Regulatory Blackmail. Political Constraint.
AB Regulatory blackmail refers to a situation where a civil servant threatens to misuse authority to harm a client in order to extort bribes. This paper studies such a situation in the context of procurement. An optimal contract is characterized for the case the firm has private information and the civil servant either colludes with it or blackmails it. The analysis produces two results that underline the difference between mutually beneficial collusion (capture) and regulatory blackmail (extortion). First, the risk of extortion does not generally limit the principal's contract offer, while the risk of capture always constrains his decision. But the risk of extortion does not affect the principal's optimization problem in procurement situations where account must be taken of political objectives such as National Security or regional policies. A second central distinction is that the risk of extortion may justify a reduction of the regulator's authority.

Lambertini, Luca
PD February 1997. TI Strategic Delegation and the Shape of Market Competition. AA Universita' degli Studi di Bologna. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/01; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K., Denmark. Website:www.econ.ku.dk. PG 20. PR no charge. JE C72, D43, L13. KW Delegation. Extended Game. Roles Distribution. Oligopoly.
AB Which shape is market competition likely to exhibit? This question is addressed in the present paper, where firms can choose whether to act as quantity or price setters, whether to move early or delay as long as possible at the market stage and finally whether to be entrepreneurial or managerial. Moreover, firms can endogenously determine the sequence of such decisions. It is shown that in correspondence with the (unique) subgame perfect equilibrium of the game, all firms first decide to delay, then to act as Cournot competitors, and finally stockholders decide to delegate control to managers. Hence, sequential play between either managerial or entrepreneurial firms, as well as simultaneous play between entrepreneurial firms, are ruled out.

PD July 1997. TI RJVs and Price Collusion Under Endogenous Product Differentiation. AU Lambertini, Luca; Poddar, Sougata; Sasaki, Dan. AA Lambertini: University of Bologna and University of Copenhagen. Poddar and Saski: University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/09; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 14. PR no charge. JE D43, L13, O31. KW Joint Ventures. Product Innovation. Cartel Stability. Oligopoly. Price Collusion.
AB The authors characterize the interplay between firms' decisions in terms of either horizontal or vertical product differentiation and their ensuing price behavior, be that collusive or not. They prove the existence of a non-monotone relationship between firms' decisions at the development stage and their intertemporal preferences as well as consumers' willingness to pay. Moreover, the authors prove that firms' R&D decisions have no bearings on collusion stability in the vertical differentiation setting, while cooperation in the development stage destabilizes collusion in the horizontal differentiation setting.

PD September 1997. TI Times Consistency in games of Timing. AA University of Bologna and University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/10; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 28. PR no charge. JE C72, D43, L13. KW Extended Game. Sequential Play. Simultaneous Play. Time Consistency. Vertical Differentiation.
AB This paper tackles the issue of choosing roles in duopoly games. First, it is shown that the two necessary (and sufficient, if both are satisfied) conditions for sequential play to emerge at equilibrium are that both leader and follower are at least weakly better off than under simultaneous play. Second, by means of a two-stage game of vertical differentiation, it is shown that if firms can commit to their respective timing decisions, there may exist a case where the leader is not necessarily better off than the simultaneous equilibrium. Finally, in the absence of any commitment devices, it is proved that the timing choice can be time inconsistent if it is taken before firms proceed to play in both stages taking place in real time.

Laplante, Benoit
PD July 1997. TI Strategic Behaviour of Polluters During the Transition from Standard-Setting to Permits Trading. AU Laplante, Benoit; Sartzetakis, Eftichios S.; Xepapadeas, Anastasios P. AA Laplante: World Bank. Sartzetakis: University College of the Cariboo, Canada. Xepapadeas: University of Crete. SR Fondazione Eni Enrico Mattei Note di Lavoro: 43/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 17. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE L51, Q28. KW Emission Permits. Environmental Regulation. Grandfathering.
AB Grandfathering of emission permits creates a rent to incumbent firms since a valuable asset is freely distributed to them. In this paper, the authors examine the strategic behavior of polluters that anticipate a change in environmental regulation from a standard-setting to tradable emission permits with grandfathering. The authors focus on the impact of firms' rent-seeking activities on social welfare. They show that anticipation of the change in environmental regulation has two effects: a distributional effect which reduces, or completely eliminates, the distributional bias towards incumbent firms inherent to the grandfathering system and an efficiency effect resulting from the increase in aggregate output and emissions during the base period. Social welfare may increase as a result of the strategic manipulation of emissions.

Laskar, Daniel
PD 1997. TI Union Monetaire a deux Vitesses: Asymetrie du System de Change Entre Pays Members et Non Members. AA CNRS and CEPREMAP. SR CEPREMAP Discussion Paper: 97/03; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 36. PR 25-35

francs. JE F31, F33. KW European Monetary Union. Competitive Depreciations. Exchange Rates.

AB This paper considers the possibility of having, in a two-speed monetary union, fixed exchange rate systems which exhibit degrees of asymmetry which are intermediate between a completely asymmetric system dominated by the member countries, and a symmetric global monetary union. The author tries more particularly to see whether such systems may lead to a compromise which helps to eliminate the negative effects of competitive depreciations or appreciations. It is shown that introducing such systems can in fact be favorable to all countries, but that this is not always true. In some cases member countries may benefit while non-members may loose, and inversely. The author determines how results depend on the degree of asymmetry of shocks and on the difference between the structural inflationary biases of member and non- member countries.

Lawson, Clive

PD September 1997. TI Inter-Firm Links Between Regionally Clustered High-Technology SMEs: A Comparison of Cambridge and Oxford Innovation Networks. AU Lawson, Clive; Moore, Barry; Keeble, David; Lawton Smith, Helen; Wi kinson, Frank. AA Lawson, Moore, Keeble and Wilkinson: University of Cambridge. Smith: University of Oxford. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP65; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 19. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE L22, L63, O32, R32. KW Small Firms. HighTechnology. Networks. Innovation. United Kingdom.

AB This paper focuses upon the nature and extent of inter-firm linkages in two prominent high-technology regions of the UK: Cambridge and Oxford. Direct measures of inter-firm relationships, such as the relative importance of local links to individual firms, the types of relationship held to be the most important and the benefits and costs of different kinds of link are investigated alongside less direct "indicators" of the existence of local networking, such as the nature of informal interaction and of local labor market mobility. Findings suggest that there is a significant degree of local inter-firm networking in each region, as well as various differences between the two as regards the specific nature and importance of the relationships involved.

Lawton Smith, Helen

TI Inter-Firm Links Between Regionally Clustered High-Technology SMEs: A Comparison of Cambridge and Oxford Innovation Networks. AU Lawson, Clive; Moore, Barry; Keeble, David; Lawton Smith, Helen;

TI Inter-Firm Links Between Regionally Clustered High-Technology SMEs: A Comparison of Cambridge and Oxford Innovation Networks. AU Lawson, Clive; Moore, Barry; Keeble, David; Lawton Smith, Helen;

PD September 1997. TI "Barriers" to Technology Transfer: Local Impediments in Oxfordshire. AA University of Oxford. SR University of Cambridge, ESRC Centre for Business Research Working Papers: WP69; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. PG 22. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE O18, O31, O32. KW Technology Transfer. High Technology. Oxford. Innovation. University Links.

AB This paper examines linkage patterns in Oxfordshire between a sample of high- technology firms and local universities and national laboratories with a view to identifying local impediments to technology transfer. Two kinds of impediment are identified: those which are "obstructions" arising from the failure of mechanisms designed to create networks within the national and local innovation systems, and "barriers" which are the weak links within the innovation process in general.

Le Fol, Gaelle

TI Matching Procedures and Market Characteristics. AU Gourieroux, Christian; Le Fol, Gaelle.

le Menestrel, Marc

PD November 1997. TI Consequential Rationality, Procedural Rationality, and Optimal Nash Equilibrium. AA INSEAD. SR INSEAD Working Papers: 97/114/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 24. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C70, D11. KW Cooperation. Rationality. Game Theory. Nash Equilibrium. Preferences.

AB Two perspectives on individual rationality in a social context have been traditionally considered: individuals act according to what they prefer, and individuals act according to rules. This paper is an introductory and theoretical step towards the integration of these two approaches. The authors propose a definition of rationality that combines preferences for consequences with preferences for procedures. They can then consider individuals maximizing their utility for acts, as separated into utility for consequences (consequential rationality) and utility for actions themselves, as means or processes towards consequences (procedural rationality). The underlying qualitative structure of this definition enables simple and formal enhancement of Game Theory to allow interpretation of procedural concerns. After having formulated a solution concept of Nash Equilibrium with procedural concerns, the authors provide a refinement called an Optimal Nash Equilibrium. Such an equilibrium corresponds to the selection of the equilibrium whose acts are consequentially and procedurally preferred.

Le Van, Cuong

TI A Model of Optimal Growth Strategy. AU Askenary, Philippe; Le Van, Cuong.

Lee, Hak-Loh

TI Tariff Creation and Tariff Diversion in a Customs Union: the Endogenous External Tariff of the EEC 1968-1983. AU Magee, Stephen P.; Lee, Hak-Loh.

Lefranc, Arnaud

TI French Unemployment: A TransAtlantic Perspective. AU Cohen, Daniel; Lefranc, Arnaud; Saint-Paul, Gilles.

Leidner, Dorothy E.

PD 1997. TI The Transition to Open Markets and Modern

Management: The Success of EIS in Mexican Organizations. AA INSEAD. SR INSEAD Working Papers: 97/96/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 28. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F15, M11, M12, M21. KW Economic Integration. Information Systems. Managers. Mexico.

AB Executive Information Systems are being used in organizations around the world to assist with the increased managerial information needs related to the opening of markets and the globalization of enterprise. This study adapts a model of IS success to the context of EIS to examine the potential success of EIS use by Mexican managers to help them cope with their highly competitive environment. Using survey data gathered from 89 Mexican senior and middle managers supplemented by interview data from a subset of the survey respondents, the study examines some antecedents of EIS use, types of EIS use, individual impacts of EIS use, and organizational impacts of EIS use. The study suggests that Mexican managers use EIS to monitor internal and external information which enables them to make decisions faster, to have a better understanding of their environment, and to engage in more thorough decision analysis.

TI Knowledge Management Systems: Emerging Views and Practices From the Field. AU Alavi, Maryam; Leidner, Dorothy E.

PD 1997. TI A Multicultural Perspective of the Impact of EIS on Organizational Intelligence, Decision Making and Structure. AU Leidner, Dorothy E.; Carlsson, Sven; Elam, Joyce; Corrales, Martha. AA Leidner: INSEAD. Carlsson: Lund University. Elam: Florida International University. Corrales: ITESM. SR INSEAD Working Papers: 97/98/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 29. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE M11, M12, M14, M21. KW Support Systems. Decision Making. Information Systems. Empirical Analysis. Executives.

AB Although information technologies in business organizations around the world may be very similar, the meanings conveyed through the technologies may be dependent on managerial values and national culture. Cultural differences need to be understood before information technology developed for an organization in one country can be effectively implemented in an organization in another country. Drawing on responses from multiple users of EIS across many organizations in Mexico and Sweden, and comparing these to multiple differences influence the relationship between Executive Information Systems' use and various outcomes related to organizational intelligence, decision making, and structure. The study found significant differences, predictable by cultural factors, in the impact of EIS use. The findings confirm the notion that IT is used by executives to reinforce behaviors valued in their culture rather than that IT will reshape behaviors and values.

TI An Information Company in Mexico: Extending the Resource-Based View of the Firm to a Developing Country Context. AU Jarvenpaa, Sirkka L.; Leidner, Dorothy E.

Leidy, Michael
PD September 1997. TI Investing US Social Security Trust Fund Assets in Private Securities. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/112; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 28. PR not available. JE E21, E62, H55. KW Social Security. Social Insurance. Saving.

AB This paper examines the macroeconomic and distributional consequences of a policy change, other things being equal, that would allow U.S. Social Security trust fund assets to be invested in private securities. Improving the expected return to trust fund assets, by shifting these from government bonds to private securities, tends to reduce (increase) the future claim on national output of the current (future) working population. The effects on aggregate saving and future output depend on whether current workers interpret this policy change as affecting their future Social Security benefits.

Leveque, Francois
PD February 1997. TI Externalities, Collective Goods and the Requirement of a State's Intervention in Pollution Abatement. AA Ecole des Mines de Paris. SR Fondazione Eni Enrico Mattei Note di Lavoro: 20/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 11. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D62, K32, L51, Q28. KW Pollution Abatement. Intervention. Market Failure. Voluntary Agreements. Environmental Policy.

AB The concepts of externality and collective good are often used by economists to infer that a state's intervention is strictly necessary to cope with the harmful effects of pollution on the environment. The aim of the paper is to remind that the nature of hazardous emissions as externalities and the nature of their abatement as collective goods do not logically imply that a state's intervention is necessary in ensuring pollution reduction. The exclusion of private arrangements as an alternative to public regulation is not theoretically founded. The paper surveys the market failures theory revisionism as initiated by Coase (1960) and developed in the law and economics literature. It concludes that whether private arrangements in pollution abatement may be an alternative to public regulation is an issue which can only be treated and solved at the empirical level. The micro-economic rationale for public intervention in the case of externality is discussed.

Levy, Dominique
TI Being Keynesian in the Short Term and Classical in the Long Term. AU Dumenil, Gerard; Levy, Dominique.

Ley, Eduardo
TI Statistical Modeling of Fishing Activities in the North Atlantic. AU Fernandez, Carmen; Ley, Eduardo; Steel, Mark F. J.

Li, Yutong
TI Reform of the Canada Pension Plan: Analytical Considerations. AU Kramer, Charles; Li, Yutong.

Li, Zhu-Yu
PD 1996. TI Nonparametric Estimation of Density

Function for Sample Process under Mixing Condition. AU Li, Zhu-Yu; Lu, Zu-Di; Chai, Gen-Xiang. AA Li: University of Bonn. Lu: Universite Catholique de Louvain. Chai: Tongji University. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A544; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 20. PR no charge. JE C13, C14. KW ??-mixing. Stationary Sample. Nonparametric Estimation. Density Function.
AB Nonparametric density estimation is a useful tool for examining the structure of data, in particular, for the stationary time series, since usually it is difficult to find the real marginal density of the series. Some papers contributing to this aspect for alpha-mixing stationary sequence can be found in the literature, e.g., Robinson (1983), Tran (1989, 1990). However, just as Tran et al (1996) stressed, there are a great number of processes which may not be alpha-mixing. In this paper, the authors will adopt a nonparametric method to estimate an unknown density function of a sample data process which is based on relaxing phi-mixing assumptions (see Billingsley (1968) and Bierens (1983)). Uniformly weak and strong consistency and the convergence rates of the estimator the authors adopted will be discussed, and some numerical examples will be given.

PD 1997. TI Note on Error Density Estimation in Nonparametric Regression and Application to Income Data. AU Li, Zhu-Yu; Chai, Gen-Xiang. AA Li: University of Bonn. Chai: University of Tongji. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A554; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 23. PR no charge. JE C13, C14, D31. KW Nonparametric Regression. Error Density. Asymptotic Normality. Smoothing Parameter. Income Distribution.
AB For the last decade, nonparametric statistical methods have been widely used in econometrics, since they offer versatility and flexibility in estimation and forecasting -- one does not need to specify functional forms. Consider a nonparametric regression model y subscript i = m(x subscript i) + e subscript i, i = 1,2,...n, assume m(.) unknown and to be estimated based on (x subscript i, y subscript i) which are i.i.d. observations of random variable (X,Y). Here assume that i.i.d. errors e subscript i come from an unknown density function f(e). This paper will give some extension of the asymptotic properties of a nonparametric estimator of f(e). Application will be to the estimation of the income distribution of the United Kingdom which has recently been considerably popular. Personal income observations will come from U.K. Family Expenditure Survey from 1968 to 1987. Sampling size for each year is around 7000.

Lin, Yun
TI The Value of Avoiding Climate Change. AU Heal, Geoffrey; Lin, Yun.

Lippman, Steven A.
TI Fighting Imitation with Fast-Paced Innovation. AU Cadot, Olivier; Lippman, Steven A.

Lipworth, Gabrielle
TI Japanese Foreign Direct Investment and Regional Trade. AU Bayoumi, Tamim; Lipworth, Gabrielle.

Lizzeri, Alessandro
TI Provision of Quality and Certification Intermediaries. AU Albano, Gian Luigi; Lizzeri, Alessandro.

Llinares, Juan Vincente
PD 1998. TI Existence of Equilibrium in Generalized Games with Non-Convex Strategy Spaces. AA Universidad Alicante. SR CEPREMAP Discussion Paper: 98/01; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 17. PR 25-35 francs. JE C72. KW Generalized Games. Abstract Convexity. Equilibrium. Fixed Point.
AB The author analyzes the existence of equilibrium in generalized games in a framework without any linear structure (where the usual convexity notion can not be defined) by using an abstract convexity structure called mc-spaces. In particular the author replaces the convexity condition on the strategy spaces and the images of preference and constraint correspondences by the notion of mc-set (which generalizes the notion of convex set). Among others, the results generalize those of Borglin and Keiding, Shafer and Sonnenschein, Border and Tulcea.

PD 1998. TI Abstract Convexity, Some Relations and Applications. AA Universidad Alicante. SR CEPREMAP Discussion Paper: 98/03; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. PG 24. PR 25-35 francs. JE C69. KW Abstract Convexity. Fixed Point. KKM Lemma.
AB The aim of this paper is to analyze the relationship between different notions of abstract convexity structures that are found in the literature in connection with the problem of the existence of continuous selections and fixed points to correspondences. Mainly the author focuses on the notion of mc-spaces, which were introduced in Llinares (1994, 1997), and their relationship with c-spaces (Horvath, 1991), simplical convexity (Bielawski, 1987), an order convexity (used in Horvath and Llinares, 1996), B-simplical convexity and L-spaces (Ben-El- Mechaickh et .al., 1997). Moreover, in the context of mc-spaces, a characterization result of non-empty finite intersection in the line of the Knaster-Kuratowski-Mazurkiewicz lemma, some consequences of it and some generalizations of Browder's existence of continuous selection and fixed point theorem are presented.

Loch, Christoph H.
TI A Framework for Exchanging Preliminary Information in Concurrent Development Processes. AU Terwiesch, Christian; Loch, Christoph H.; De Meyer, Arnoud.

TI Evaluating R&D Projects as Real Options: Why More Variability is Not Always Better. AU Huchzermeier, Arnd; Loch, Christoph H.

TI Managing the Process of Engineering Change Orders: The Case of the Climate Control System in Automobile Development. AU Terwiesch, Christian; Loch, Christoph H.

PD December 1997. TI A Punctuated-Equilibrium Model of Technology Diffusion. AU Loch, Christoph H.; Huberman, Bernardo A. AA Loch: INSEAD. Huberman: Xerox PARC. SR INSEAD Working Papers: 97/120/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 32. PR no charge up to five

copies; after five copies 18FF per working paper plus postage and VAT. JE D24, D81, O14, O33. KW Evolutionary Models. Technology Diffusion. Externalities.

AB The authors present an evolutionary model of technology diffusion in which an old and a new technology are available, both of which improve their performance incrementally over time. Technology adopters make repeated choices between the established and the new technology based on their perceived performance, which is subject to uncertainty. Both technologies exhibit positive externalities, or performance benefits from others using the same technology. The authors find that the superior technology will not necessarily be broadly adopted by the population. Externalities cause two stable usage equilibria to exist, one with the old technology being the standard and the other with the new technology the standard. Punctuations, or sudden shifts, in these equilibria determine the patterns of technology diffusion. The time for an equilibrium punctuation depends on the rate of incremental improvement of both technologies, and on the system's resistance to switching between equilibria.

Loewy, Michael B.
TI Knowledge Dissemination, Capital Accumulation, Trade, and Endogenous Growth. AU Ben-David, Dan; Loewy, Michael B.

Lorie, Henri
TI Explaining and Forecasting the Velocity of Money in Transition Economies, with Special Reference to the Baltics, Russia and other Countries of the Former Soviet Union. AU De Broeck, Mark; Krajinyak, Kornelia; Lorie, Henri.

Lorth, Michael
TI On the Role of Authority in Just-in-Time Purchasing Agreements. AU Ewerhart, Christian; Lorth, Michael.

Lu, Zu-Di
TI Nonparametric Estimation of Density Function for Sample Process under Mixing Condition. AU Li, Zhu-Yu; Lu, Zu-Di; Chai, Gen-Xiang.

Lynch, Lisa
PD November 1997. TI Beyond the Incidence of Training. AU Lynch, Lisa; Black, Sandra. AA Lynch: Tufts University, National Bureau of Economic Research and London School of Economics. Black: Harvard University and Federal Reserve Bank of New York. SR London School of Economics, Center for Economic Performance Discussion Paper: 362; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 34. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE D21, E22, J24, L21. KW Training. Workplace Practices. Capital Investment. Work Organization.

AB This paper seeks to provide new insight into employer-provided training investments and how they are linked to workplace practices, physical capital investment, and educational qualifications of workers. The authors go beyond measuring the incidence of training to also examine the content and extent of employer-provided training. They find that businesses that are large, have adopted some of the practices associated with high performance work systems, are capital-intensive, or have a more educated workforce are more likely to provide formal training programs for their employees. Employers are also more likely to provide more "general" types of training programs in computing and basic education if they are large, part of a multi-establishment firm, have low employee turnover, and have adopted high performance work systems. Finally, employers who have made large investments in physical capital or have adopted new forms of work organization are more likely to train a higher proportion of workers.

TI How to Compete: The Impact of Workplace Practices and Information Technology on Productivity. AU Black, Sandra; Lynch, Lisa.

Maasland, Emiel
TI On the Unique D1 Equilibrium in the Stackelberg Model with Asymmetric Information. AU Janssen, Maarten C. W.; Maasland, Emiel.

Machin, Stephen
TI Implications of Skill-Biased Technological Change: International Evidence. AU Berman, Eli; Bound, John; Machin, Stephen.

Maddison, David
PD February 1997. TI The Amenity Value of the Italian Climate. AU Maddison, David; Bigano, Andrea. AA Maddison: University College London. Bigano: University of East Anglia and University of Leuven. SR Fondazione Eni Enrico Mattei Note di Lavoro: 11/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 24. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D49, Q25, R33. KW Climate Change. Italy. Hedonics. Willingness to Pay.

AB The hedonic literature suggests that locations with more favorable characteristics should display compensating wage and residential land price differentials. Using the hedonic price technique, estimates of the willingness to pay for small changes in some key characteristics of the Italian climate were undertaken. The hedonic price models were specified both in terms of annual values and in terms of monthly values. The main conclusion of the analysis is that there exists considerable empirical support to the hypothesis that amenity values for climate are embedded in residential property prices. Italians would typically prefer a dryer, sunnier climate than at present, warmer in the winter and slightly cooler during the summer. The existence of compensating wage differentials was not investigated. These results may have relevance to the task of determining the economic impact of potential future climate change.

Magee, Stephen P.
PD March 1997. TI Tariff Creation and Tariff Diversion in a Customs Union: the Endogenous External Tariff of the EEC 1968-1983. AU Magee, Stephen P.; Lee, Hak-Loh. AA Magee: University of Texas. Lee: Korean Ministry of Trade, Industry and Energy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 38/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 39. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE F13. KW Protectionism. Tariffs.

AB Data from the EEC from 1968-1983 do not support the view that regional trading arrangements necessarily lead to increased endogenous protectionism toward outside countries. This paper applies previous theoretical work by both authors on the theory of endogenous protection and endogenous free riding to the European Economic Community (the EEC). The authors use data from 51 three-digit manufacturing industries to explain endogenous changes in the common external tariff of the EEC over the period 1968-1983. In this sample, the common external tariff of the EEC fell from 15 percent to 7.5 percent from 1968-1983, largely due to GATT negotiations. U.S. tariffs also fell in half over this period. Industry analysis indicates that the common external tariff rose by 1.7 percentage points from 1968-1983 because of "tariff creation". The authors found that the common external tariff fell by 1.1 percentage points from 1968-1983 because of "tariff diversion".

Mainolfi, Francesco

PD November 1997. TI Market Timing Tests and Public Information: An Analysis of the Conditional Distribution of Returns. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/09; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 54. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE C53, G11, G14. KW Mutual Fund. Performance Evaluation. Market Timing. Predictability. Logit Models. Semi-Nonparametric Estimation.
AB This paper develops a new test for market timing ability. The methodology builds on Merton (1981) and the test extends the Henriksson and Merton (1981) test to control for public information. This is particularly important in view of the documented predictability in asset returns, which makes a market timing signal valuable if and only if it contains significant information over and above that which is publicly available. To test for market timing ability, we test the hypothesis that the market timing signal is statistically significant in explaining the probability of positive excess returns. The test procedure builds on Cumby and Modest's (1987) extension of the Henriksson-Merton test in three important ways. First, we extend the test to control for public information. Second, these tests are implemented on a sample of mutual funds classified as market timers by the Morningstar data service, and on a sample of investor newsletters that provide asset allocation recommendations. The third contribution of this paper is to consider tests for market timing ability that examines the entire distribution of excess returns.

Maitland-Smith, Fenella

TI Discrepancies Between Quarterly GDP Estimates. AU Bloem, Adriaan M.; Dippelsman, Robert; Maitland-Smith, Fenella; Armknecht, Paul.

TI Discrepancies Between Quarterly GDP Estimates. AU Bloem, Adriaan M.; Dippelsman, Robert; Maitland-Smith, Fenella; Armknecht, Paul.

Makridakis, Spyros

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

Maler, Karl-Goran

PD January 1997. TI Resource Accounting, Sustainable Development and Well-Being. AA Beijer International Institute of Ecological Economics, Stockholm. SR Fondazione Eni Enrico Mattei Note di Lavoro: 09/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 54. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE O13, O47, O50, Q20, Q32. KW Resource Accounting. Sustainable Development.
AB There are now many publications on the construction of an environmentally adjusted net-national product measure. Most of these publications base the discussion on rather ad hoc constructions of the national accounts. In this paper, the author tries to develop an accounting framework from basic economic principles and relate this framework to the notion of sustainable development. He then reviews a few empirical studies in view of the findings of this paper. In an appendix, the discussion in the main text is supported by mathematical analysis.

Mangano, Gabriel

PD June 1997. TI Measuring Central Bank Independence: A Table of Subjectivity and of its Consequences. AA Universite de Lausanne and London School of Economics. SR Universite de Lausanne Cahiers de Recherches Economiques: 9704; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 32. PR no charge. JE E52, E58. KW Central Banks. Independence. Inflation. Monetary Policy.
AB The paper is organized around three objectives. First, it scrutinizes closely each of the two indices of Central Bank Independence (CBI) most commonly used in the empirical literature and quantifies their "subjectivity" bias. It defines and discovers an impressive interpretation bias, a major criteria bias but a negligible weighting bias in those indices. Second, it examines the robustness, with respect to the particular index of CBI used, of the "common knowledge" on the benefits of CBI that previous empirical studies have gradually built. It finds that, when rankings produced by various CBI indices are regressed with average inflation, average growth or their respective variance, as much as 87.5% of the regression coefficients are not statistically significant. Third, following recent theoretical developments which insist on the central role of the determinants of incentives, it suggests an alternative approach to the measurement of a Central Bank's operational status.

Manh Hung, Nguyen

TI "Not in my Backyard": International Specialization and Environmental Standards AU Cadot, Olivier; Manh Hung, Nguyen.

Manning, Alan

PD November 1997. TI A Simple Test of the Shirking Model. AU Manning, Alan; Thomas, Jonathan. AA London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 374; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 36. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J41, J64. KW Unemployment. Efficiency

Wages. United Kingdom. Shirking. Search.
AB Although popular in some circles, efficiency wage models of the labor market have proved surprisingly difficult to test and direct evidence for the central tenets of the theory is rare to non-existent. In this paper the authors propose a simple test of the Shapiro- Stiglitz shirking model which is based on the following idea. In the traditional search model the distribution of accepted wages should be truncated below by the reservation wage. But, if shirking is important then the employer will never want to employ a worker at their reservation wage and the distribution or accepted wages should be truncated below by the reservation wage plus something. That something is a measure of the importance of shirking. The authors test this prediction using data from the UK Survey of Incomes In and Out of Work. The results are not particularly supportive of the shirking model.

PD January 1998. TI Movin' On Up: Interpreting the Earnings-Experience Profile. AA London School of Economics. SR London School of Economics, Center for Economic Performance Discussion Paper: 380; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 60. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J31, J41. KW Earnings Functions. Search Models. Human Capital.
AB Human capital theory provides the generally accepted interpretation of the relationship between earnings and labor market experience, namely that general human capital tends to increase with experience. However, there are other plausible interpretations e.g. search models generally predict that more time in the labor market increases the chances of finding a better match and hence tends to be associated with higher earnings. In this paper the authors show how a simple search model can be used to predict the amount of earnings growth that can be assigned to search with the residual being assigned to the human capital model. They show how a substantial if not larger part of the rise in earnings over the life-cycle in Britain can be explained by a simple search model and that virtually all the earnings gap between men and women can be explained in this way.

Manzocchi, Stefano
PD October 1997. TI External Finance and Foreign Debt in Central and Eastern European Countries. AA University of Ancona and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/134; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 28. PR not available. JE F34, F36. KW Debt. External Finance. Transition Economies. Borrowing. Central Europe.
AB External Finance can provide a positive contribution to the transition process and can enhance welfare in former centrally planned economies, especially when domestic saving has not fully recovered after the initial contraction. However, as was pointed out at the beginning of the transition process, foreign debt could exert a strong constraint on the borrowing capacity of some central and eastern European countries. This paper analyzes the determinants of net external borrowing in ten transition economies during 1990-95 and assesses the impact of the outstanding stock of foreign liabilities on net financial inflows.

Manzoni, Jean-Francois
TI The Balanced Scorecard and Tableau De Bord: A Global Perspective on Translating Strategy Into Action. AU Epstein, Marc J.; Manzoni, Jean-Francois.

PD 1997. TI Understanding Organizational Implications of Change Processes: A Multimedia Simulation Approach. AU Manzoni, Jean-Francois; Angehrn, Albert A. AA INSEAD. SR INSEAD Working Papers: 97/83/CALT 4; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 30. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE A20, M11, M12, O33. KW Change Processes. Managers. Teaching. Educational Tools.
AB Successful implementation of IT-enabled change requires good management of the change process and of the various sources of resistance that typically accompany the introduction of such change. As a result, helping managers better understand the dynamics of organizational processes is an important objective for IS and IT educators. The EIS Simulation is a new computer-based multimedia simulation that allows managers to experience the process of introducing an EIS in a fictitious organization. It has been used extensively over the last two years with groups of management students and executives. The paper presents the simulation, discusses its potential pedagogical benefits, possible extensions and its use in a research context. More generally, the EIS Simulation provides a first step in the development of a new generation of pedagogical tools: computer-based Organizational Games exploiting the potential of multimedia and object-oriented technology to provide managers with realistic experiential learning environments.

Mariotti, Marco
TI The Stability of International Environmental Coalitions with Farsighted Countries: Some Theoretical Observations. AU Ecchia, Giulio; Mariotti, Marco.

Marjit, Sugata
PD June 1997. TI Incomplete Information as a Deterrent to Corruption. AU Marjit, Sugata; Rajeev, Meenakshi; Mukherjee, Diganta. AA Marjit: Indian Statistical Institute, Calcutta and University of Bonn. Rajeev and Mukherjee: Indian Statistical Institute, Calcutta. SR Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: A555; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. PG 7. PR no charge. JE D73, D82, H11, K14. KW Corruption. Monitoring. Incomplete Information. Principal Agent.
AB This paper considers an incomplete information model where a supervisor is entrusted with the job of supervising a number of potentially corrupt agents of different types and the type of an individual agent may not be known to the supervisor. The paper shows how lack of complete information available to the law enforcing agent can help to prevent crime at least to a limited extent by making rewards and penalties more effective.

Markovich, Sarit
TI Estimating the Effect of Tax Reform in Differentiated Product Oligopolistic Markets. AU Fershtman, Chaim; Gandal, Neil; Markovich, Sarit.

Marquardt, Marko

AB This paper analyzes the influence of demographic changes on pay-as-you-go (PAYG) pension systems under majority voting. Aging of the population leads to a lower internal rate of return of PAYG systems. Consequently, individuals prefer less PAYG systems pensions as population ages. However, empirical studies show that the extent of PAYG systems is increasing while the population is aging, which seemingly contradicts the described individual rationale. The authors solve this puzzle by introducing majority voting on the extent of the PAYG pension system. Demographic change is shown to affect not only the individual's rationale, but also the composition of the electorate. In particular, the decisive voter may desire more intergenerational redistribution in a society with lower birth rates and higher longevity. This effect results in what the authors call collective madness: although each individual prefers a reduction of the PAYG system as the population ages, society as a whole pleads extension.

Martin, Ron

AB Almost all studies of regional and local unemployment have been concerned with unemployment stock rates. This paper focuses attention on the unemployment flows behind these stocks. Using data for the British regions over the 1980's and 1990's, this paper shows that regional unemployment rate disparities are a direct reflection of different underlying regional unemployment "flow regimes", that is, different patterns of inflows into, and outflows from, unemployment. In the 1980's these differences in regional flow regimes were marked, but since the beginning of the 1990's they have narrowed somewhat. In addition, there appear to have been distinct "switches" in regime in particular regions. These trends and shifts are considered alongside the debates surrounding the end of the "north-south" unemployment divide in Britain, the claim that the British labor market is moving towards a U.S.-style flexible, high unemployment- turnover model, and the effects of various changes to the unemployment benefit system.

Maskin, Eric

AB The authors model organization as the command-and-communication network of managers erected on top of technology (which is modeled as a collection of plants). In their framework, the role of a manager is to deal with shocks that affect the plants that he oversees directly or indirectly. Organizational form is then an instrument for (a) economizing on marginal costs, and (b) providing managerial incentives. The authors show that two particular organizational forms, the M-form (multi-divisional form) and the U-form (unitary form), are the optimal structures when shocks are sufficiently "big". They argue however that, under certain empirical assumptions, the M-form is likely to be strictly preferable once incentives are taken into account. The authors conclude by showing that the empirical hypothesis on which this comparison rests is satisfied for Chinese data.

Mason, Robin

AB This paper extends the two-period model of Mason and Swanson (1996) to investigate the optimal management of a firm faced with a long-term liability that occurs at a random date. Three issues are analyzed: the optimal dividend policy; optimal expenditure on safety to delay the occurrence of any liability; and the optimal liquidation date of the firm. An owner faced with unlimited liability never liquidates and therefore accumulates capital to the golden rule level. For long-term liabilities, dividend payments and safety expenditure are non-decreasing over time. The owner protected by limited liability may liquidate the firm in finite time to avoid paying the liability. In this case, he accumulates less capital than the unlimited liability owner, and may decrease dividend payments and safety expenditure over time. The paper shows that a finite liquidation date is more likely to be optimal when the arrival rate of the liability increases over time.

Masson, Paul R.

AB Inflation Targeting (IT) serves as monetary policy

framework in several advanced economies, where it has enhanced policy transparency and accountability. The paper considers its wider applicability to developing countries. The prerequisites for a successful IT framework are identified as an ability to carry out an independent monetary policy (free of fiscal dominance or commitment to another nominal anchor, like the exchange rate) and a quantitative framework linking policy instruments to inflation. These prerequisites are largely absent among developing countries, though several of them could with some further institutional changes and an overriding commitment to low inflation make use of an IT framework.

Mattei, Aurelio
PD November 1997. TI Reestimation Du Rendement Moyen De L'Energie Electrique Utilisee Dans L'Economie Valaisanne. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9714; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 34. PR no charge. JE L43, L60, Q43, R12. KW Electricity. Energy. Regional Economy. Network Utilities. Deregulation.
AB This paper gives a new estimation of the average productivity of electricity produced and used in the economy of Valais (a Swiss Canton). The value-added of electricity as a factor of production is calculated for several industrial sectors. The direct and indirect effects (on employment and GDP) of electricity produced or used by the local industry are analyzed. The reforms and deregulation of the electricity sector in the United Kingdom, the European Union and Switzerland are discussed.

PD March 1998. TI Full-Scale Real Tests of Consumer Behavior Using Experimental Data. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9806; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 34. PR no charge. JE C91, D12. KW Consumer Theory. Experimental Economics. Revealed Preference. Functional Forms. Parametric Tests.
AB This paper reports the results of three experiments on the neoclassical theory of consumer behavior. All these experiments were performed with the aim to simulate as closely as possible the behavior of consumers in the real world. Real goods, real money and the same incentives as in the real world were used. The large number of participants (about 450 individuals) is another important characteristic of these experiments. Nonparametric tests using the theory of revealed preference show that a significant number of individuals have an inconsistent behavior. If a nearly optimizing behavior is postulated then most of these inconsistencies disappear but a model of random choices gives almost the same results. The hypothesis of a representative consumer (average behavior) seems a more fruitful approach. These experiments were designed so that both nonparametric and parametric tests could be used. A flexible functional form is estimated.

McNay, Kirsty
PD January 1998. TI Death and Gender in Victorian England and Wales: Comparisons With Contemporary Developing Countries. AU McNay, Kirsty; Humphries, Jane; Klasen, Stephan. AA University of Cambridge. SR University of Cambridge, Department of Applied

Economics Working Papers Amalgamated Series: 9801; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 28. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE I12, J12, J13, N33, O15. KW Mortality. Gender. Discrimination. Inequality.
AB Age-specific death rates for males and females are compared for a sample of mid- Victorian registration districts. Excess female mortality is defined relative to the normal relationship between male and female mortality observed in the data, and then modeled as the outcome of economic, demographic, social and environmental factors. The relationships are investigated statistically using cross-section ecological regression analysis. Excess female mortality in Victorian Britain is found in different age groups compared with its counterpart in contemporary poor countries and appears to be related to a different nexus of economic valuation, social standing and bargaining power. The authors see less pressure to discriminate against female children but a cultural and familial context which identified motherhood with sacrifice.

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

Medeiros, Carlos
TI Cyclical Fluctuations in Brazil's Real Exchange Rate: The Role of Domestic and External Factors. AU Agenor, Pierre-Richard; Hoffmaister, Alexander W.; Medeiros, Carlos I.

Mendoza, Enrique G.
PD August 1997. TI The Syndrome of Exchange-Rate-Based Stabilizations and the Uncertain Duration of Currency Pegs. AU Mendoza, Enrique G.; Uribe, Martin. AA Mendoza: Duke University. Uribe: Board of Governors of the Federal Reserve. SR Duke University Department of Economics Working Papers: 97/30 available only through Web site: www.econ.duke.edu/Papers/wpindex.html. PG 43. PR no charge. JE F31, F32, F41, F47. KW Uncertain Duration. Credibility. Exchange Rates. Stabilization Policy. Mexico.
AB This paper shows that some key stylized facts of exchange-rate-based stabilization plans can be explained by the uncertain duration of the plans themselves. Uncertain duration is modeled to reflect evidence showing that devaluation probabilities are higher when the plans are introduced and abandoned than in the period in between. If contingent- claims markets are incomplete, this uncertain duration distortion introduces temporary fiscal cuts with large wealth effects. Investment and employment are also distorted, and the resulting supply-side effects play a critical role. Stabilizations of uncertain duration entail large welfare costs, but they are preferred to persistent high inflation. Mexico's experience is examined in the light of these predictions.

Miceli, Thomas J.
TI Voluntary Approaches to Environmental Protection: The Role of Legislative Threats. AU Segerson, Kathleen; Miceli, Thomas J.

Michie, Jonathan
TI The Theory and Practice of Contracting. AU Deakin, Simon; Michie, Jonathan.

Milesi-Ferretti, Gian Maria
PD May 1997. TI Current Account Deficits and Capital Flows in East Asia and Latin America: Are the Nineties Different from the Early Eighties? AU Milesi-Ferretti, Gian Maria; Razin, Assaf. AA Milesi-Ferretti: International Monetary Fund and Centre for Economic Policy Research. Razin: Tel Aviv University, National Bureau of Economic Research and Centre for Economic Policy Research. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 11/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 50. PR no charge. JE F30. KW External Balance Sustainability. Capital Inflows. Exports. Competitiveness.
AB A number of East Asian and Latin American countries have been the recipients of a large portion of total international capital flows to developing countries, both in the late seventies/early eighties and in the early nineties. These inflows have financed persistent current account imbalances, as well as the accumulation of foreign exchange reserves. The recent Mexican crisis has shown, however, that abrupt reversals in international capital flows can cause severe problems for economies with large external imbalances, and has spurred renewed interest in the question of current account sustainability. A number of recent studies have focused on potential early warning indicators in predicting exchange rate, financial and balance-of-payments crises. This paper contributes to this literature by examining the sustainability of current account deficits in three East Asian countries, Korea, Malaysia and Thailand, and three Latin American countries, Chile, Colombia and Mexico, in the early 1980's and in the 1990's. The methodology builds on Milesi-Ferretti and Razin (1996); this study emphasizes in particular regional aspects and stresses the differences between the experiences of the early eighties and those of the early nineties.

PD August 1997. TI Origins of Sharp Reductions in Current Account Deficits: An Empirical Analysis. AU Milesi-Ferretti, Gian Maria; Razin, Assaf. AA Razin: Tel Aviv University, Centre for Economic Policy Research and National Bureau of Economic Research. Milesi-Ferretti: International Monetary Fund and Centre for Economic Policy Research. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 25/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 16. PR no charge. JE F30. KW Capital Flows. Current Account. Currency Crises.
AB The debacle of the Mexican peso and, most recently, the balance-of-payments crisis in Thailand have shown how changes in the direction of capital flows after a period of large current account deficits can force the adoption of drastic adjustment measures so as to reduce external imbalances and meet external obligations. The Mexican experience and its spillover effects on other emerging market economies have been the subject of a large number of studies; however, no comprehensive cross-country study of sharp reductions in current account imbalances has so far been undertaken. Our research project attempts to fill this gap. In this paper we report early results from a systematic study of determinants and consequences of reversals in current account imbalances in a sample of 86 developing countries over the period 1971-1992. We try to answer two questions: first, what triggers sharp reductions in current account deficits? Second, what factors explain how costly such reductions are?.

Millard, Stephen
PD September 1997. TI The Labor Market Over the Business Cycle: Can Theory Fit the Facts? AU Millard, Stephen; Scott, Andrew; Sensier, Marianne. AA Millard: Bank of England. Scott: London Business School, Oxford University, Bank of England, and London School of Economics. Sensier: Oxford University. SR London School of Economics, Center for Economic Performance Discussion Paper: 364; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 41. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE E10, E24, E32, J22, J23. KW Labor Market. Business Cycles. Stochastic Growth. Employment. Unemployment.
AB The authors examine the ability of six labor market models to account for the business cycle behavior of UK labor markets when embedded in a stochastic growth model. They assess the models in terms of: (1) their ability to mimic general business cycle correlations and volatility, (2) their success at explaining the persistence of labor market fluctuations and (3) whether the models can explain why the growth and speed of adjustment of labor market variables changes between periods of expansions and contractions. The main success of the models is the ability to broadly account for business cycle correlations and co-movements and the changes in employment/unemployment growth rates between expansions and contractions. However, there are three main failures: (a) a tendency to produce insufficiently volatile employment and unemployment fluctuations, (b) a tendency to produce too strong a correlation between wages and employment and (c) a generation of only brief temporary deviations.

Minelli, Enrico
TI Informational Smallness in Rational Expectations Equilibria. AU Heifetz, Aviad; Minelli, Enrico.

Mira, Pedro
TI A Quantitative Analysis of Swedish Fertility Dynamics: 1751-1990. AU Eckstein, Zvi; Mira, Pedro; Wolpin, Kenneth I.

Mitchell, Will
TI Resource Redeployment Following Horizontal Mergers and Acquisitions in Europe and the United States, 1988-1992. AU Capron, Laurence; Dussauge, Pierre; Mitchell, Will.

Mondello, Gerard
PD February 1997. TI Environmental Industrial Regulation and the Private Codes Question. AA LATAPSES, CNRS, UMR 42. SR Fondazione Eni Enrico Mattei Note di Lavoro: 22/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 20. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C71, C78, H32, K20, L51. KW Game Theory. Bargaining Theory. Firm. Regulation. Business Law.
AB Self-regulation process is essentially based on

contractual relationships. Several contract forms are coexisting. This paper is devoted to exemplifying some of them specifically with the aim of giving an interpretation to the notion of private codes corresponding to self-commitment contracts, codes of behavior, etc. These codes are typically self-regulation. Based on contractual foundations, their understanding is quite complex. Several factors are at work explaining such complexity: their origin, the contract process between the agents and the enforcement of the contract itself. This paper is devoted mainly to understanding how the implementation process of the private code may work. To deal with such a problem a matching repeated game has been used and the conditions which lead to an equilibrium are studied. It appears that if some conditions are respected, as the definition of clear and credible threats, then such a regulation means may be proved efficient.

Monfort, Alain
TI   Econometric Specification of the Risk Neutral Valuation Model. AU Clement, E.; Gouriéroux, Christian; Monfort, Alain.

Moore, Barry
TI   Inter-Firm Links Between Regionally Clustered High-Technology SMEs: A Comparison of Cambridge and Oxford Innovation Networks. AU Lawson, Clive; Moore, Barry; Keeble, David; Lawton Smith, Helen;

Moran, Peter
TI   An Integrative Theory of Firm Growth Implications for Corporate Organization and Management. AU Ghoshal, Sumantra; Hahn, Martin; Moran, Peter.

Moretto, Michele
PD   January 1997. TI Climate Change and Event Uncertainty in a Dynamic Model with Overlapping Generations. AU Moretto, Michele; Tamborini, Roberto. AA Moretto: Unversity of Padova. Tamborini: University of Trento. SR Fondazione Eni Enrico Mattei Note di Lavoro: 04/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 25. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C61, D81, Q25. KW Global Warming. Event Uncertainty. Overlapping Generations.
AB   In this paper the climate change effect is an unforeseen earth temperature level above which a negative externality on technology and hence on society's welfare is exerted. The authors use a dynamic overlapping generations model to develop a positive analysis of the growth path of an economy with the negative temperature spillover leading to a structural breakdown in capital productivity. Two scenarios for the impact of climate change on intergenerational equity are analyzed: the first is consistent with a state-of-nature framework in which atomistic agents cannot influence the probability that a particular event (productivity collapse) will occur. In the second, according to the maxim "that everybody does what I am doing...", agents recognize that their choices may influence the probability of productivity collapse occurring in their lifetime.

Morrison, Andrew
TI   Voluntary Approaches, the Environment and the Law: A Canadian Perspective. AU Webb, Kernaghan; Morrison, Andrew.

Moscarini, Giuseppe
PD   April 1998. TI Wald Revisited: The Optimal Level of Experimentation. AU Moscarini, Giuseppe; Smith, Lones. AA Moscarini: Yale University. Smith: Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 98/04; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 37. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE C11, C12, C44, C61, D81, D83. KW Learning. Experimentation. Sequential Analysis. Research. Development.
AB   The paper revisits Wald's (1947) sequential experimentation paradigm, now assuming that an impatient decision maker can run variable-size experiments each period at some increasing and strictly convex cost before finally choosing an irreversible action. We translate this natural discrete time experimentation story into a tractable control of variance for a continuous time diffusion. Here we robustly characterize the optimal experimentation level: It is rising in the confidence about the project outcome, and for not very convex cost functions, the random process of experimentation levels has a positive drift over time. We also explore several parametric shifts unique to our framework. Among them, we discover what is arguably an "anti-folk" result: Where the experimentation level is positive, it is often higher for a more impatient decision maker. This paper more generally suggests that a long-sought economic paradigm that delivers a sensible law of demand for information is our dynamic one -- namely, allowing the decision maker an eternal repurchase (resample) option.

Mukherjee, Diganta
TI   Incomplete Information as a Deterrent to Corruption. AU Marjit, Sugata; Rajeev, Meenakshi; Mukherjee, Diganta.

Mullin, Wallace P.
TI   Gradual Incorporation of Information into Stock Prices: Empirical Strategies. AU Ellison, Sara Fisher; Mullin, Wallace P.

Mumford, Karen
PD   July 1997. TI Job Reallocation: Theory and Workplace Evidence. AU Mumford, Karen; Smith, Peter N. AA University of New York. SR London School of Economics, Center for Economic Performance Discussion Paper: 360; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 31. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J23, J62, J63, O33. KW Job Flows. Job Reallocation. Workplace Characteristics. Employment. Australia.
AB   This paper explores the determinants of job reallocation. A model which associates technological advances with the process of economic growth is analyzed and extended. A consequence of this model is that innovation leads to the creation of new jobs and the destruction of older jobs exhibiting obsolete technology. Data on gross job flows across workplaces are constructed from a single panel of workplace data and examined. Substantial simultaneous job creation and destruction are found in a year of strong job growth, suggesting

that workplace heterogeneity is an important feature of the Australian labor market. The authors find that employment growth is asymmetrically related to expected changes in demand for the output of the workplace; falls in demand have a negative impact which is substantially larger than the positive impact of increases in demand on employment growth.

Musu, Ignazio
TI A Simple Model of Optimal Sustainable Growth. AU Cazzavillan, Guido; Musu, Ignazio.

Muzka, Daniel F.
PD 1997. TI On Transformation and Adaptation: Building the Entrepreneurial Corporation. AU Muzka, Daniel F.; de Koning, Alice; Churchill, Neil C. AA INSEAD. SR INSEAD Working Papers: 97/100/ENT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 26. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE L21, L23, M11, M13. KW Transformation. Organizations. Entrepreneurial Organizations.
AB This paper is an initial attempt to classify the nature of transformations and specifically to look at the nature of transformation which attempts to build more broadly adaptive, "entrepreneurial" organizations. This paper is built on initial observations of companies that have undertaken regenerative transformations involving changes in their strategy, structure, process, and behavior. The authors are setting the frame for further research in which they hope to connect entrepreneurship, transformation and theory on change (punctuated equilibrium) and adaptive organizations.

Nascimento, Jean Claude
TI Liquid Asset Ratios and Financial Sector Reform. AU Gulde, Anne-Marie; Nascimento, Jean Claude; Zamalloa, Lorena M.

Neelamegham, Ramya
PD 1997. TI Investigating Consumer Choice Processes for Experience Goods: An Econometric Analysis. AU Neelamegham, Ramya; Jain, Dipak. AA Neelamegham: INSEAD. Jain: Northwestern University. SR INSEAD Working Papers: 97/77/MKT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 36. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C51, D11, D12, L82. KW Experience Goods. Motion Pictures. Probit Models. Measurement Error. Latent Variables.
AB This research develops and executes an econometric framework to formally model and analyze the consumer choice processes for experience products. A multi-stage model is developed in the context of new movie choices. The modeling framework incorporates psychological variables such as consumer expectations of choice set elements, consumer product preferences and dispositions, and influences of informational sources within a discrete choice formulation. Model estimation allows for the relationship between different stages of the consumer choice process. An estimation procedure that explicitly accounts for measurement errors in the latent psychological variables is also developed. In particular, a probit

measurement error model is proposed which provides unbiased parameter estimates. Data for the model estimation were obtained from a laboratory experiment and a field study. The empirical results provide insights into the role of psychological variables in consumers' choice decisions for movies and the formation of consumers' post-consumption judgement and word of mouth.

TI Measurement Quality Issues in Dyadic Models of Relationships. AU Iacobucci, Dawn; Neelamegham, Ramya; Hopkins, Nigel.

Neven, Damien
TI Die Fusion UBS-SBV aus der Sicht der Wettbewerbspolitik. AU Von Ungern-Sternberg, Thomas; Neven, Damien.

PD April 1998. TI The Competitive Impact of the UBS-SBC Merger. AU Neven, Damien; Von Ungern-Sternberg, Thomas. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9805; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 20. PR no charge. JE G21, L41, L44. KW Bank Mergers. Concentration. Entry Barriers. Local Markets.
AB This short paper reviews the recent anti-trust analysis of banking mergers as well as recent decisions by the Department of Justice and the Bundeskartellamt. The authors analyze the proposed merger between UBS and SBC in light of this evidence and focus on the domestic retail banking. Three conclusions stand out: 1. There is overwhelming evidence that the relevant market for some products is local. In particular, the market for loans to small and medium size enterprises should be considered as a local market and this has consistently been the practice of both the U.S. and German authorities. 2. Barriers to entry in retail banking are significant so that high concentration should be a source of concern. This concern is reflected in recent decisions on bank mergers by the Department of Justice. 3. Divestiture is the most common remedy in banking and it seems to be effective.

TI Wettbewerbspolitik a la UBS. AU Von Ungern-Sternberg, Thomas; Neven, Damien.

Newbery, David M.
PD November 1997. TI Pool Reform and Competition in Electricity. AA University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/34; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 31. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE D43, L51, L94. KW Electricity. Pool. Market Power. Regulation. Governance.
AB The market power of the incumbents means that average pool prices are set by the costs of entry. Reforms which raise entry costs will be proposed and should be resisted. Reforms to capacity payments may have little effect on prices, but could affect system security. The values of Value of Lost Load and Loss of Load Probability appear grossly incorrect, and if changed might affect reserve margins and allocation of investment. Transmission constraints and locational payments emerge as the most difficult and important cause for concern

and least controlled by entry threats. Little reform is possible without primary legislation to change Pool governance radically.

Newey, Whitney K.

PD May 1998. TI Nonparametric Estimation of Triangular Simultaneous Equations Models. AU Newey, Whitney K.; Powell, James L.; Vella, Francis. AA Newey: Massachusetts Institute of Technology. Powell: University of California at Berkeley. Vella: Rutgers University. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 98/06; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 58. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE C13, C14, C30. KW Nonparametric Estimation. Simultaneous Equations. Series Estimation. Two-Step Estimators.

AB This paper presents a simple two-step nonparametric estimator for a triangular simultaneous equation model. Our approach employs series approximations that exploit the additive structure of the model. The first step comprises the nonparametric estimation of the reduced form and the corresponding residuals. The second step is the estimation of the primary equation via nonparametric regression with the reduced form residuals included as a regressor. We derive consistency and asymptotic normality results for our estimator, including optimal convergence rates. Finally we present an empirical example, based on the relationship between the hourly wage rate and annual hours worked, which illustrates the utility of our approach.

Nickell, Stephen

PD October 1997. TI Human Capital, Investment and Innovation: What are the Connections? AU Nickell, Stephen; Nicolitsas, D. Daphne. AA Nickell: London School of Economics and Oxford University. Nicolitsas: Oxford University. SR London School of Economics, Center for Economic Performance Discussion Paper: 370; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 32. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE D92, E22, J24, O31, O32. KW Human Capital. Research and Development. Investment. Innovation.

AB Finegold and Soskice (1988) argue that Britain is trapped in a "low skills" equilibrium. In Redding (1996), this notion is formalized in a dynamic model which relies on strategic complementarities between firms' investments in R&D and workers' investments in human capital. In this paper, the authors investigate the firms' side of the story, notably whether their investments in fixed capital and R&D are influenced by the availability of human capital. The latter is captured by using information on the relative wages of the relevant occupational categories or on skilled labor shortages. The authors' results indicate that a permanent 10 percentage point increase in the number of companies in a firm's industry reporting skilled labor shortages will lead to a permanent 10 per cent reduction in its fixed capital investment and a temporary 4 per cent reduction in its R&D expenditure.

Nicolitsas, D. Daphne

TI Human Capital, Investment and Innovation: What are the Connections? AU Nickell, Stephen; Nicolitsas, D. Daphne.

Nielsen, Carsten Krabble

PD December 1997. TI Floating Exchange Rates Versus a Monetary Union Under Rational Beliefs: The Role of Endogenous Uncertainty. AA University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/22; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 53. PR no charge. JE D51, D83, F31, F33. KW Overlapping Generations. Exchange Rates. Rational Beliefs. Rational Expectations. Monetary Union.

AB The author studies the consequences of substituting rational expectations with rational beliefs in an OLG model of exchange rate formation with stochastic endowments. The author considers two types of monetary institutions, one with two currencies, one for each country, the other a monetary union. Under the first institution two policies are considered, according to which the government makes contingent transfers to its citizens, depending on the stochastic shocks to the two economies. The first policy implies devaluations in reaction to a negative shock while the other will ensure a fixed exchange rate. If agents have rational expectations these policies both lead to the same Pareto optimal allocation. Under rational beliefs the first policy may not be feasible and even if it is, it will not result in an ex-post optimal allocation. The second policy will always be feasible and will result in the same allocation as under rational expectations.

Nielsen, Lars Tyge

PD April 1997. TI Portfolio Selection and Asset Pricing With Dynamically Incomplete Markets and Time-Varying First and Second Moments. AU Nielsen, Lars Tyge; Vassalou, Maria. AA Nielsen: INSEAD. Vassalou: Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/96/23; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 31. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G11, G12. KW Portfolio Optimization. Asset Pricing. Incomplete Markets. Market Line. Fund Separation.

AB We Simplify Merton's (1973) fund separation theorem by showing that investors will hold hedge funds in their optimal portfolio only to hedge against changes in the slope or position of the instantaneous capital market line. This result allows for incomplete markets and does not assume that the securities prices are Markovian. By aggregating, we derive a single factor CAPM with a constant capital market line, where the first and second moments of security returns may change over time and markets are potentially incomplete. This model is consistent with some autoregressive conditional heteroscedastic in mean (ARCH-M) and generalized ARCH-M (GARCH-M) specifications from the recent empirical literature. It differs from the consumption CAPM by allowing capital market incompleteness and by the fact that the single factor is the return to the market portfolio rather than aggregate consumption. The model resolves the paradox of Rosenberg and Ohlson (1976).

Nijman, Theo E.

TI Analyzing Specification Errors in Models for Futures Risk Premia with Hedging Pressure. AU de Roon, Frans A.;

Nijman, Theo E.; Veld, Chris.

Noreen, Eric

PD October 1997. TI Cost Pool Aggregation and Costing Errors: Evidence From Hospitals. AA Hong Kong University of Science and Technology, University of Washington and INSEAD. SR INSEAD Working Papers: 97/115/AC; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 42. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C40, D20, I10. KW Cost Aggregation. Hospitals. Costs.

AB Recently there has been renewed academic interest in cost system design issues. A number of analytical papers have investigated the impact on the accuracy of product costs of aggregating overhead cost pools. Instead of comparing hypothetical product costs, this paper assesses the accuracy of a costing system by examining how well the costing system is able to predict actual changes in cost as a function of actual changes in activity. Actual activity and cost data for 16 accounts in 40 hospitals spanning 18 years are taken from the Washington State Department of Health database. A number of choices must be made when designing a cost system. The choices considered in this paper are which accounts are to be combined and which activity measures should be used for the combined cost pools in the system. A number of heuristics are employed in this paper.

Norregaard, John

TI Intergovernmental Fiscal Relations: The Chinese System in Perspective. AU Arora, Vivek B.; Norregaard, John.

Nyborg, Kjell G.

PD June 1997. TI Bidder Behavior in Multiple Unit Auctions: Evidence from Swedish Treasury Auctions. AU Nyborg, Kjell G.; Rydqvist, Kristian; Sundaresan, Suresh. AA Nyborg: London Business School. Rydqvist: Norwegian School of Management. Sundaresan: Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/16; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 44. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE D44, D82, G18. KW Discriminatory Auctions. Winner's Curse. Bidder Behavior.

AB This paper studies bidder behavior, using the actual bid distribution (winning and losing bids), in 458 auctions held during 1990-1994 in the Swedish Treasury market. Bids are shaded below the post-auction price as predicted by common value, single unit auction theory. We find that more aggressive bidders tend to demand larger quantities and disperse their bids less than less aggressive bidders. Additionally, bidders respond to increased uncertainty by dispersing their bids more and reducing their demand. Our findings suggest that bidders possess private information and that the winner's curse is a major source of transaction costs in Treasury auctions. There is also evidence that post-auction prices are affected by the distribution of auction awards. Our evidence suggests that the seller in a volatile market may benefit from having some discretion in the choice of amount and the maturity of the debt to be auctioned.

O'Donoghue, Cathal

TI Eur3: A Prototype European Tax-Benefit Model. AU Bourguignon, Francois; O'Donoghue, Cathal; Sastre-Descals, Jose;

Ohlson, James A.

PD June 1997. TI On the Theory of Forecast-Horizon in Equity Valuation. AU Ohlson, James A.; Zhang, Xiao-Jun. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/14; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 19. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G12, M41. KW Equity Valuation. Forecast Horizon.

AB Practical work in equity valuation relies on forecasted (or pro-forma) financial statements. To estimate a firm's "intrinsic" equity value, analysts commonly forecast future income statements, future balance sheets, and the underlying line items such as earnings components, asset/liability components, capital expenditures, cash flows and dividends. These detailed forecasts do not exceed ten years. We will refer to the date of truncation as the (forecast) horizon. This paper analyzes how a horizon date affects valuation. We focus on valuation errors that arise because of the horizon, and we assess the magnitudes of such errors. A model due to Ohlson(1995) specifies the information environment. Forecasting of future financial outcomes depends on two kinds of information: current accounting data - earnings, book value, and dividends - and "other", idiosyncratic, information. We formalize the horizon concept by distinguishing between two forecasting schemes. Forecasts pertaining to periods prior to the horizon are fully efficient in that they use all of the information available. In contrast, forecasts pertaining to periods past the horizon simple extrapolate the financial outcomes forecasted for the period prior to the horizon. Idiosyncratic information bearing on post-horizon financial outcomes is not exploited. This heuristic procedure provides an element of information simplification or "bounded rationality".

PD March 1998. TI Revisiting the Basics of Return and Risk in Equilibrium. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/23; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 17. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G12. KW Risk. Return. CAPM.

AB This paper develops an equilibrium model that differs materially from CAPM/APT type of theories concerning risk and return. The focus is on excess returns, i.e. returns minus the (spot) risk-free return.

Olarreaga, Marcelo

TI Lobbying and the Structure of Protection. AU Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo.

TI Can Bilateralism Ease the Pains of Trade Liberalization? AU Cadot, Olivier; de Melo, Jaime; Olarreaga, Marcelo.

Oppers, S. Erik

AB This paper investigates the macroeconomic cycles China has experienced since the onset of reform in the late 1970's. It finds that the recurrent inflationary episodes that characterize the cycles are associated primarily with surges in the main components of aggregate demand. The most recent cycle stands out in achieving for the first time a reduction in inflation without a major slowdown in growth. The soft landing was facilitated by a number of factors, including increases in capacity as a result of the surge in investment spending early on in the cycle.

Osborne, Martin J.

AB We study equilibrium in games in which each player uses the procedure in which he associates a consequence with each of his actions and chooses the action that has the best consequence. The association may be stochastic but is not arbitrary: It reflects the other players' equilibrium behavior. (It may, for example, be the outcome of the player's sampling each action once.) We establish properties of an equilibrium and study some examples.

Ostergaard, Charlotte

AB We remove the aggregate U.S.-wide component in U.S. state level disposable income and consumption and find that state-specific consumption exhibits substantially less excess sensitivity to lagged state-specific disposable income than if the aggregate component is not controlled for. This is evidence that excess sensitivity of consumption in aggregate U.S. data is driven to a large extent by U.S.-wide effects since, in the aggregate, U.S. net imports and investment do not adjust quickly to fluctuations in consumption demand. Ordering states by the persistence of income shocks, we find that removal of the aggregate component from the state level data reduces excess sensitivity for all states by the same amount and that the excess sensitivity of consumption is greater in states with more persistent income shocks. We also find that state-specific disposable income and consumption exhibit excess smoothness in the sense of Campbell and Deaton (1989), namely, current state-specific consumption is not sufficiently sensitive to current state-specific income; in particular for positive shocks. Finally we study patterns of consumption smoothing via bank savings deposits and loans. Our results point to credit market imperfections as the most plausible explanation for excess smoothness and the remaining excess sensitivity.

Overmeer, Willem J. A. M.

AB Collaboration between OR groups following different "strands of practice" is difficult. The authors demonstrate the existence of this problem in two contexts. First, they found several different strands of practice within an independent, entrepreneurial OR firm. Though these strands had the potential to be highly complementary, their co-existence within one firm led to serious tensions and their potential synergy has not yet been realized. When the independent Or firm achieved successful renewal by transforming one of their strands of practice into a new approach to projects, this very success created a new collection of competitive challenges. Second, an independent OR consulting firm working with a client's internal research group found that the latter's approach conflicted with its own, resulting in an unsuccessful project. The authors conclude that the "micro-level" problems of collaboration between individual practitioners and between groups can be serious impediments to success and renewal of OR practice.

Oyama, Tsuyoshi

AB This paper examines the general relationship between stock prices and macroeconomic variables in Zimbabwe, using the revised dividend discount model, error-correction model, and multi-factor return-generating model. Despite the large fluctuation in stock prices since 1991, this analysis indicates that the Zimbabwe Stock Exchange has been functioning quite consistently during this period. Whereas sharp increases in stock prices during 1993-94 were mainly due to the shift of risk premium that was caused by the partial capital account liberalization, the recent rapid increase in stock prices can be explained by the movements of monetary aggregates and

market interest rates.

Palia, Darius

TI Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance. AU Himmelberg, Charles P.; Hubbard, R. Glenn; Palia, Darius.

Pan, Yonghua

TI Corporate Bond Yield Spreads and the Term Structure. AU Anderson, Ronald W.; Pan, Yonghua; Sundaresan, Suresh.

Parigi, Bruno

TI Executive Compensation and Firm Performance in Italy. AU Brunello, Giorgio; Graziano, Clara; Parigi, Bruno.

Parker, Philip M.

PD July 1997. TI Physioeconomic Theories of Culture and Consumption. AU Parker, Philip M.; Tavassoli, Nader T. AA Parker: INSEAD. Tavassoli: Massachusetts Institute of Technology. SR INSEAD Working Papers: 97/70/MKT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 42. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D11. Z10. KW Physioeconomic models. Causal Mechanisms. Consumer Behavior. Culture.
AB If cultural variations explain variations in consumer behavior, what then explains variations in culture (e.g. what generates a Protestant work ethic?)? In this paper the authors describe how physioeconomic models, introduced by Parker (1995), can begin to answer question such as this. Physioeconomic models posit various causal mechanisms as being responsible for variations in consumer behavior across cultures. Physioeconomics is defined as the study of human behavior by combining concepts developed in human ethology with those in economics. Physioeconomics hypothesizes that physiological and economic adaptation arises from both abiotic factors and the resulting biotic environment. The authors discuss why these factors can be responsible for causal mechanisms driving cross-cultural variations in numerous behaviors. In essence, a significant portion of human behavior is hypothesized to result from physical and physiological processes, which are endogenous to variations in environmental factors. Culture and consumer behavior are both endogenous to these causal mechanisms.

TI "Globalization": Modeling Technology Adoption Timing Across Countries. AU Dekimpe, Marnik G.; Parker, Philip M.; Sarvary, Miklos.

PD October 1997. TI A Cross-Cultural Study of Consumer Innovativeness. AU Parker, Philip M.; Sarvary, Miklos. AA Parker: INSEAD. Sarvary: Stanford University. SR INSEAD Working Papers: 97/109/MKT; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 28. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE D11, D12. KW Consumer Innovativeness. Culture.
AB This paper considers the impact of culture on consumer innovativeness towards new products, a topic largely neglected

in consumer research. Using a matched sample across multiple cultures, the authors study innovativeness toward ten home-office and high-end consumer electronics innovations. The paper attempts to gauge the importance of culture relative to other forces typically studied in the literature (i.e. various personal and perceptual factors). In particular, the authors consider the paradox presented by Rogers (1983): if an individual's innovativeness is driven by one's cosmopolitan tendencies, and cosmopolites, by definition, lack cultural ties, can culture affect innovativeness at the individual level? The current study suggests that the substantive answer is "no".

Pauzner, Ady

TI Fast Equilibrium Selection by Rational Players Living in a Changing World. AU Krzysztof, Burdzy; Frankel, David M.; Pauzner, Ady.

TI On the Time and Direction of Stochastic Bifurcation. AU Krzysztof, Burdzy; Frankel, David M.; Pauzner, Ady.

Pedersen, Christian S.

PD December 1997. TI Risk, Utility and Switching between Gambles. AU Pedersen, Christian S.; Satchell, Stephen E. AA Pedersen: Trinity College. Satchell: University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/35; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 35. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE D81, G11. KW Preference Switching. Utility. Risk.
AB An interesting literature in management science and operations research has dealt with the link between expected utility, risk and preference switches over gambles due to changes in wealth. However, no attention is paid to the specific nature of the gambles. All gambles are essentially assumed additive and, as such, do not address investment problems. By considering multiplicative gambles and more complicated risk exposures, the authors extend this literature to identify a rich set of commonly used utility functions, risk characteristics and risk measures consistent with investors who allow different numbers of switches between different types of gambles. This insight provides a new way of looking at popular utility functions, complementing risk aversion or stochastic dominance rules.

Perani, Giulio

TI The Nature and Impact of Innovation in Manufacturing Industry: Some Evidence from the Italian Innovation Survey. AU Evangelista, Rinaldo; Perani, Giulio; Rapiti, Fabio; Archibugi, Daniele.

Perotti, Enrico

TI Dominant Investors and Strategic Transparency. AU Von Thadden, Ernst-Ludwig; Perotti, Enrico.

Perraudin, Corinne

TI Variable Labor Adjustment Costs and Aggregate Nonlinear Dynamics. AU Collard, Fabrice; Feve, Patrick; Perraudin, Corinne.

Persson, Karl Gunnar

TI Market Integration and Grain Price Stabilization in Europe 1500-1900. An Equilibrium Error Correction Approach. AU Ajmaes, Mette; Persson, Karl Gunnar.

Persson, Torsten

TI Lobbying and Legislative Bargaining. AU Helpman, Elhanan; Persson, Torsten.

Pesaran, M. Hashem

PD July 1997. TI Bias Reduction in Estimating Long-Run Relationships From Dynamic Heterogeneous Panels. AU Pesaran, M. Hashem; Zhao, Zhongyun. AA Pesaran: University of Cambridge. Zhao: University of Southern California. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 9802; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 19. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C13, C15, C23. KW Dynamic Panels. Heterogeneity. Bias Correction. Long-Run Coefficients.
AB This paper considers the small sample properties of the mean group estimator of the long-run coefficients in dynamic heterogeneous panels, and using Monte Carlo techniques examines the effectiveness of a number of alternative bias-correction procedures in reducing the small sample bias of these estimates. Four different bias- corrected estimators of the long-run coefficients are considered. A "naive" procedure which attempts to bias-correct the estimator of the long-run coefficients, two variations of a direct approach which derives bias-corrections of the estimators of the short-run coefficients, and a bootstrap bias-correction procedure.

PD August 1997. TI Pooled Estimation of Long-Run Relationships in Dynamic Heterogeneous Panels. AU Pesaran, M. Hashem; Shin, Yongcheol; Smith, Ron P. AA Pesaran and Shin: University of Cambridge. Smith: Birkbeck College. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/21; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 18. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C13, C23, C63, E21. KW Dynamic Panels. Pooled Mean Group. Cointegration. Consumption Functions. OECD.
AB It is now quite common to have panels in which T, the number of time series observations on the N groups, is quite large. The usual practice is either to estimate N separate regressions and calculate the mean, which we call the Mean Group estimator, or to pool the data and assume the slope coefficients and variances are identical. In this paper, the authors propose an intermediate procedure, referred to as the Pooled Mean Group (PMG) estimator, which constrains the long-run coefficients to be identical, but allows the short-run coefficients and error variances to differ across groups. The stationary case is considered as well as the case where the underlying regressors follow unit root processes, and for both cases the authors derive the asymptotic distribution of the PMG estimator as T tends to infinity. The authors also provide an empirical application to aggregate consumption functions across 24 OECD economies.

Peters, Wolfgang

TI How Aging Influences Majority Voting on Public Pensions. AU Marquardt, Marko; Peters, Wolfgang.

Petit, Pascal

PD July 1997. TI Technical Change and Employment Growth in Services: Analytical and Policy Challenges. AU Petit, Pascal; Soete, Luc. AA Petit: CEPREMAP/CNRS, France. Soete: MERIT, The Netherlands. SR Fondazione Eni Enrico Mattei Note di Lavoro: 46/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 37. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE J21, J23, O33, O52. KW Technological Change. Services. Employment Growth.
AB It is generally acknowledged that employment in our economies is increasingly dependent on services. European countries are continuing their gradual move towards a service-based economy with today nearly 70% of the total labor force being employed in service activities. It is also generally acknowledged that services provide the key to future employment growth. However, relatively little attention has been paid to the effects of technical change on services. It is essential to understand whether it will help to develop new markets and welfare or whether it will further the trends of automation. The future of work is at stake in these processes, and the answers are not straightforward. This paper does not attempt to answer all these broad issues. It analyzes the dynamics of technical change in services, how it relates with the dynamics of employment and it explores the policies to be pursued at all levels.

Petrakis, Emmanuel

TI Wage Independence in Symmetric Oligopolistic Industries. AU Dhillon, Amrita; Petrakis, Emmanuel.

Pettenella, Davide

PD January 1997. TI Environmental Accounting of Forest Resources in Italy: Some Recent Developments. AA University of Padova. SR Fondazione Eni Enrico Mattei Note di Lavoro: 10/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 14. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE O13, Q23, Q28. KW Environmental Accounting. Forestry. Italy.
AB The paper reviews the main inadequacies of the current Italian System of National Accounting for the forestry sector. In recent years research and applications have been developed in Italy to overcome some of these inadequacies. The paper presents two case studies of environmental accounting of forestry resources at the regional/national level: the first one is an economic estimate of the role of the forestry sector in the Liguria Region. The proposed satellite system of forest resources account is based on a Geographical Information System (GIS) comprising an extremely diversified set of physical data, associated with economic information collected through the use of various evaluation methods. The second case study consists of a tentative estimate of damage costs from forest fires occurring in Italy over the past eleven years. Results from the two case studies could be used to evaluate the real contribution of forest activities to the national economy.

Pierreval, H.
TI Configuring a Pull Production-Control Strategy Through a Generic Model. **AU** Gaury, E. G. A.; Kleijnen, J. P. C.; Pierreval, H.

Piketty, Thomas
PD 1997. **TI** L'Elasticite de la Transition Non-Emploi-Emploi: Une Estimation Pour le cas Francais. **AA** CNRS and CEPREMAP. **SR** CEPREMAP Discussion Paper: 97/08; Bibliotheque, CEPREMAP, 142 rue du Chevaleret, 75013-Paris, France. **PG** 36. **PR** 25-35 francs. **JE** H55, I38, J22, J65. **KW** Welfare Programs. Labor Supply. France.
AB This paper uses labor market micro data in order to estimate whether various reforms of the French benefit system over the 1982-1996 period have translated into labor supply responses. The authors use the fact that many of these reforms did not alter work incentives in the same way for all socio-demographic groups in order to obtain unbiased estimates. They estimate that labor supply elasticities are relatively high for women (both with and without children), but they are not able to identify any significant labor supply responses for men.

TI Dualism and Macroeconomic Volatility. **AU** Aghion, Phillipe; Banerjee, Abhijit; Piketty, Thomas.

Pines, David
PD January 1997. **TI** Specialization and Trade: The Perspective of Club and Local Public Good Theories. **AA** Tel Aviv University. **SR** Tel Aviv Foerder Institute for Economic Research Working Paper: 02/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 42. **PR** no charge. **JE** D71, H41, H73. **KW** Multiple Private Goods. Clubs. Local Public Goods.
AB This paper suggests a unified framework for explaining the potential Pareto superiority of a heterogeneous club (jurisdiction) structure over a homogeneous one when there are multiple private goods. The superiority of the heterogeneous structure has been observed by Wilson (1987) in the context of an economy with local public goods and by Gilles and Scotchmer (1996,1997) in the context of an economy with clubs. In the unified framework suggested in this paper, the two models are combined and reduced to a simple optimization problem. The reduced model shows that the advantage of a heterogeneous · structure consists of the gains from trade between differentiated jurisdictions; the advantage being the loss from inefficient jurisdiction size. Thus, the club and local public good theories provide a new rationale for specialization and trade among identical individuals. The unified framework is also used in showing that earlier results regarding the possibility of decentralizing the optimal allocation in the case of one private good are equally applicable to the case of multiple private goods.

TI On the Agglomeration of Non-Residential Activities in an Urban Area. **AU** Hochman, Oded; Pines, David.

Pischke, Jorn-Steffen
TI Observations and Conjectures on the U.S. Employment Miracle. **AU** Krueger, Alan B.; Pischke, Jorn-Steffen.

TI The Structure of Wages and Investment in General Training. **AU** Acemoglu, Daron; Pischke, Jorn-Steffen.

Pissarides, Christopher
PD August 1997. **TI** The Impact of Employment Tax Cuts on Unemployment and Wages: The Role of Unemployment Benefits and Tax Structure. **AA** London School of Economics. **SR** London School of Economics, Center for Economic Performance Discussion Paper: 361; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 42. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** E24, H20, J31, J38, J65. **KW** Employment Tax. Unemployment. Wages. Progressive Tax.
AB The author models and simulates the effects of employment tax cuts on unemployment and wages in four equilibrium models: competitive, union bargaining, search and efficiency wages. The author finds that if the ratio of unemployment compensation to wages is fixed, the effect of a tax cut is mainly on wages. But if income out of work is fixed in real terms, there are substantial employment effects. When wages are determined by bargaining, revenue-neutral reforms that make the tax more progressive also reduce unemployment. Thus, policy towards unemployment compensation and tax structure are key influences on the effect of taxes on unemployment.

Pitkethly, Robert
TI Foreign Direct Investment in the UK 1985-1994: The Impact on Domestic Management Practice. **AU** Child, John; Faulkner, David; Pitkethly, Robert.

Poddar, Sougata
PD May 1997. **TI** Uncertainty, Entry Deterrence and Excess Capacity. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/05; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. **PG** 16. **PR** no charge. **JE** C70, D24, D43, D80, L13. **KW** Demand Uncertainty. Entry. Capacity.
AB In a two period strategic model of entry deterrence (a la Dixit, 1980) where the incumbent firm moves before the entrant by installing capacity for production, in a (perfect) equilibrium excess capacity is not observed under a deterministic demand. The question is: Does this result remain valid under demand uncertainty as well? The answer is yes only if the incumbent can produce output beyond the pre-planned capacity, when needed, without incurring any additional cost by expanding its capacity simultaneously while producing output; and no otherwise. Thus a cost reducing investment behavior will lead to excess capacity for an incumbent firm, when there is a potential entrant in the market under demand uncertainty. The other relevant issue that is also analyzed in this paper is to see the impact of the distribution of demand uncertainty on the incumbent's decision, when it faces the choice to deter or accommodate the potential entrant.

TI RJVs and Price Collusion Under Endogenous Product Differentiation. **AU** Lambertini, Luca; Poddar, Sougata; Sasaki, Dan.

Polo, Michele
PD March 1997. **TI** The Optimal Enforcement of

Antitrust Law. AA Bocconi University, Italy.
SR Fondazione Eni Enrico Mattei Note di Lavoro: 34/97;
Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123
Milano, Italy. Website: www.feem.it. PG 23. PR 10
papers minimum order at $4.00 each; annual subscription at
$250.00. JE K21, L13, L41. KW Antitrust Law. Cartels.
Informational Rents.
AB This paper analyzes the optimal enforcement of
competition policy against collusion under asymmetric
information on cartel's costs and observable prices. The
implementable price schedules are increasing, and the net
profits decreasing, in cartel's costs, while expected penalties
are increasing in observed prices. Hence, more efficient cartels
enjoy positive (informational) rents. The optimal price schedule
is higher than marginal costs even when enforcement is
costless: since penalties can be at best zero, informational rents
for more efficient types must be created through price-cost
margins. This allocative distortion is lower for more efficient
types, while full collusion can be tolerated for high cost cartels.
Costly enforcement tends to reduce this distortion for less
efficient types. Comparing antitrust enforcement with
regulation, the authors find that regulation with positive
transfers is better than antitrust enforcement, which however
allows the implementation of more efficient outcomes than
regulations without transfers.

Portier, Franck
TI Social Discount Rate, Tax Distortions and Growth and
Application to the French Economy. AU Hurlin, Christophe;
Portier, Franck.

Portner, Claus Chr
PD 1997. TI Children as Insurance. AA University of
Copenhagen. SR University of Copenhagen, Institute of
Economics Discussion Paper: 97/12; Institute of Economics,
University of Copenhagen, Studiestraede 6, 1455 Copenhagen
K, Denmark. Website:www.econ.ku.dk. PG 42. PR no
charge. JE D11, J13, O12. KW Fertility. Mortality.
Security. Insurance.
AB This paper presents a dynamic model of fertility
decisions in which children serve as an incomplete insurance
good. The model incorporates uncertainty about future income
and the survival of children as well as a discrete representation
of the number of children. It provides an alternative
explanation to the negative relation between fertility and the
education of the parents, and especially the mother's education.
The model also demonstrates why parents demand children
even if the return is negative and explains why fertility might
rise with increasing income when income is low and decrease
when income is high. Furthermore, the model can account for
the decline in fertility when the risk of infant and child
mortality decreases. The implications for empirical tests of the
demand for children are also examined.

Potts, Chris N.
TI The Bounded Knapsack Problem with Setups.
AU Sural, Haldun; Van Wassenhove, Luk N.; Potts, Chris N.

Powell, James L.
TI Nonparametric Estimation of Triangular Simultaneous
Equations Models. AU Newey, Whitney K.; Powell, James
L.; Vella, Francis.

Prahalad, C. K.
PD July 1997. TI CEO: A Visible Hand in Wealth
Creation? AU Prahalad, C. K.; Doz, Yves L. AA Prahalad:
University of Michigan. Doz: INSEAD. SR INSEAD
Working Papers: 97/72/SM; INSEAD, Research and
Development, Boulevard de Constance, 77305 Fontainebleau
Cedex, France. Website: www.insead.fr/research. PG 37.
PR no charge up to five copies; after five copies 18FF per
working paper plus postage and VAT. JE M10, M21.
KW Chief Executive Officers. Wealth Creation.
AB CEO's have become increasingly visible in the value
creation process of the firms they head and CEO compensation,
as well as demands on their performance, have increased
considerably. In this paper the authors argue that the essence of
the work of the CEO is to maintain a dynamic harmony
between their firm's portfolio of businesses and activities, the
value creation logic they hold, and the internal governance
process they run. The authors observe that maintaining such
harmony raises difficult action dilemmas, and argue that the
high level of public security which surrounds many CEO's of
larger firms has mixed consequences on their leadership
capacity.

Pratten, Clifford F.
PD January 1997. TI Small Firms in the UK.
AA University of Cambridge. SR University of
Cambridge, Department of Applied Economics Working Papers
Amalgamated Series: 97/13; Department of Applied
Economics, University of Cambridge, Sidgwick Avenue,
Cambridge CB3 9DE, United Kingdom.
Website:www.econ.cam.ac.uk/dae. PG 17. PR $10.00 (5
pounds); make checks payable to University of Cambridge.
JE J21, L11, L23, L60, N63. KW Small Firms. United
Kingdom. Industrial Structure. Economic History.
AB This paper traces the contribution of small firms after the
Industrial Revolution and the reasons for the changing role of
small firms. The first three sections outline perceptions of the
role of small firms in the literature, summarize data quantifying
their actual contribution to the UK economy, and provide a
concise comparison of their changing contribution in relation to
Japan, Italy and the U.S. The main part of the paper describes
the contribution of small firms in five industries: machine tools;
woolen textiles; instruments; pharmaceuticals; and the paper-
converting industry. Finally, some developments in other
sectors of the economy are outlined.

PD June 1997. TI A Study of the Factors Affecting
Participation in Post-Compulsory, Full-Time Education and
Government Supported Training by 16-18 Year Olds in England
and Wales. AU Pratten, Clifford F.; Robertson, Donald;
Tatch, James R. AA University of Cambridge.
SR University of Cambridge, Department of Applied
Economics Working Papers Amalgamated Series: 97/11;
Department of Applied Economics, University of Cambridge,
Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom.
Website:www.econ.cam.ac.uk/dae. PG 57. PR $10.00 (5
pounds); make checks payable to University of Cambridge.
JE I21, I28, J24, J31. KW Post-Compulsory Education.
Human Capital. Sequential Choice . Education.
AB Aggregated data are used to investigate participation in
education and training, and it is found that it is appropriate to
model the aggregate participation rates using a sequential
choice model, whereby training choices are made ex-post by
school-leavers. Both investment-side and consumption-side

factors are identified affecting the participation rates, in line with the theory that education is both a consumption and an investment good. In addition, a strong effect is found from aggregate academic performance, suggesting changes in education policy made a significant contribution to the increasing uptake of post-compulsory education in recent years.

Pratten, Stephen

PD September 1997. **TI** Needs and Wants: The Case of Broadcasting Policy. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Papers: WP64; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk. **PG** 30. **PR** $10.00 (5 pounds); make checks payable to University of Cambridge. **JE** L30, L52, L82. **KW** Broadcasting Policy. BBC. Critical Realism. Wants. Needs.

AB This paper identifies two differing broad perspectives on broadcasting policy. It is argued that an increasingly influential wants-based position draws upon an impoverished social ontology which is unable to sustain the distinction between wants and underlying needs. It is also argued that the previously dominant beyond-wants perspective failed to elaborate its own contrasting presuppositions sufficiently. Drawing upon a perspective developed within economics under the heading of Critical Realism, the author emphasizes that needs can be formulated as goals only under definite historical conditions. As such, they may be poorly and even misleadingly formulated. Specifically, real needs can be manifest in a variety of historically contingent wants. The point insisted upon here is that the two should not be conflated. By maintaining this distinction, it is possible to evaluate broadcasting systems not simply in terms of their ability to match output to wants but in terms of criteria beyond wants.

Puga, Diego

PD November 1997. **TI** Agglomeration and Economic Development: Import Substitution vs. Trade Liberalization. **AU** Puga, Diego; Venables, Anthony J. **AA** London School of Economics. **SR** London School of Economics, Center for Economic Performance Discussion Paper: 377; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 36. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** F12, F13, O14, R12. **KW** Import Substitution. Trade Liberalization. Agglomeration. Linkages. Development.

AB This paper analyzes a model of economic development in which international inequalities in the location of industry and income are supported by the agglomeration of industry in a subset of countries. Economic development may not be a gradual process of convergence by all countries, but instead involve countries moving sequentially from the group of poor countries to the group of rich countries. The role of trade policy in promoting industrialization is studied. While both import substitution and unilateral trade liberalization may be "successful" in attracting industry, they attract different sectors and welfare levels are higher under trade liberalization.

Qian, Yingyi

TI Incentives, Scale Economies and Organizational Form. **AU** Maskin, Eric; Qian, Yingyi; Xu, Chenggang.

Quah, Danny T.

PD December 1997. **TI** Regional Cohesion From Local Isolated Actions: I. Historical Outcomes. **AA** London School of Economics. **SR** London School of Economics, Center for Economic Performance Discussion Paper: 378; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 127. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** C23, D31, O40, O57, R11. **KW** Convergence. Distribution Dynamics. Income Distribution. Inequality. Twin Peaks.

AB This paper documents the dynamics of growth and convergence across regions in the Cohesion countries, comparing them to patterns across countries in the world, regions in Europe more broadly, and regions in non-Cohesion EU member states. Among the Cohesion economies, Spain and Portugal have, in aggregate, grown fastest, and with greater increase in regional inequalities. Their dynamic tendencies, if unchecked, will magnify what has occurred over the 1980's. By contrast, Greece shows the opposite: its aggregate growth has been the slowest; its regional inequalities, smallest; and further tendency towards increasing equality, greatest. Increase in disparity between rich and poor across the Cohesion economies has been much faster than that across either countries in the world or broader regional aggregates in Europe as a whole.

PD December 1997. **TI** Regional Cohesion From Local Isolated Actions: II. Conditioning. **AA** London School of Economics. **SR** London School of Economics, Center for Economic Performance Discussion Paper: 379; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 81. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** C23, D31, O40, O57, R11. **KW** Conditioning Scheme. Convergence. Distribution Dynamics. Income Distribution. Spatial Spillover.

AB This paper develops an empirical procedure to assess alternative explanations for different patterns of growth and convergence. It finds that positive spatial spillovers account for a large part of inequality dynamics across Europe as a whole, the Cohesion economies (Greece, Ireland, Spain and Portugal), and selected non-Cohesion EU member states. The analysis shows that when the Cohesion economies see their incomes increase and experience higher tendencies towards greater equality, so will the non-Cohesion economies of France, Italy and the UK experience similar outcomes. Moreover, it is the relatively poor non-Cohesion economies that will benefit most from improving conditions in the Cohesion economies.

Rajeev, Meenakshi

TI Incomplete Information as a Deterrent to Corruption. **AU** Marjit, Sugata; Rajeev, Meenakshi; Mukherjee, Diganta.

Rangan, Subramanian

PD September 1997. **TI** Do Multinationals Shift Production in Response to Exchange Rate Changes? Do Their Responses Vary By Nationality? **AA** INSEAD. **SR** INSEAD Working Papers: 97/84/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 53. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage

and VAT. JE F23, F31. KW Multinational Firms. Japan. Europe. Exchange Rates.

AB Multinational enterprises with networks of production facilities in multiple currency areas are, in principle, well-positioned to exploit changes in relative factor costs. This view has not been put to a systematic empirical test. After reviewing the relevant literature and further conceptualizing the phenomenon in terms of switching costs and exit and re-entry costs, this paper develops a new methodology and dataset to address this gap. Using data spanning the 17 years between 1977 and 1993 covering MNE's from nine countries operating in 6 industries, the paper explores the following questions: Do multinationals shift production in response to real exchange rate changes? What is the magnitude and speed of their responsiveness? The empirical exploration provides compelling evidence that multinational firms shift production systematically in response to exchange rate changes and that the vigor with which they do so is not visibly influenced by the country in which they are headquartered.

Rangel, Antonio

TI Adjusting to a New Technology: Experience and Training. AU Helpman, Elhanan; Rangel, Antonio.

Rankin, Neil

TI Staggered Wages and Disinflation Dynamics: What Can More Microfoundations Tell Us? AU Ascari, Guido; Rankin, Neil.

Rapiti, Fabio

TI The Nature and Impact of Innovation in Manufacturing Industry: Some Evidence from the Italian Innovation Survey. AU Evangelista, Rinaldo; Perani, Giulio; Rapiti, Fabio; Archibugi, Daniele.

Rauscher, Michael

PD July 1997. TI Voluntary Emission Reductions, Social Rewards, and Environmental Policy. AA Universitat Rostock, Germany. SR Fondazione Eni Enrico Mattei Note di Lavoro: 45/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.fecm.it. PG 10. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE A13, H32, L51, Q28. KW Emission Reductions. Environmental Regulation. Environmental Policy. Social Norms. Voluntary Abatement.

AB Social norms and intrinsic motivations lead to voluntary environmentally responsible behavior even in the absence of environmental policy. The paper shows that the introduction of environmental policy may lead to a reduction of voluntary abatement and sometimes may increase emissions and environmental damage. The explanation is that voluntary abatement is socially rewarded and the reward depends on the general attitude of society towards voluntary abatement. So, if the government tightens environmental standards, the voluntary component of abatement is reduced and the social reward is negatively affected. Some considerations concerning optimal environmental policies are discussed towards the end of the paper.

Ray, Indrajit

TI Slot Allocation: A Model of Competition Between Firms when Consumers are Procedurally Rational. AU De Fraja, Gianni; Ray, Indrajit.

Razin, Assaf

TI Current Account Deficits and Capital Flows in East Asia and Latin America: Are the Nineties Different from the Early Eighties? AU Milesi-Ferretti, Gian Maria; Razin, Assaf.

PD May 1997. TI A Pecking Order of Capital Inflows and International Tax Principles. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. AA Razin: Tel Aviv University, Centre for Economic Research Policy and National Bureau of Economic Research. Sadka: Tel Aviv University. Yuen: University of Hong Kong. SR Tel Aviv Sackler Institute of Economic Studies Working Paper: 12/97, Etan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 37. PR no charge. JE F21, F35, H25, H30. KW Foreign Portfolio. Foreign Direct Investment. Asymmetric Information. International Taxation.

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 purpose of this paper is to highlight 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. The analysis distinguishes three types of international capital flows: foreign portfolio debt investment, foreign portfolio equity investment, and foreign direct investment. The paper emphasizes the efficiency of a non-uniform tax treatment of the various vehicles of international capital flows.

PD May 1997. TI Income Convergence Within an Economic Union: The Role of Factor Mobility and Coordination. AU Razin, Assaf; Yuen, Chi-Wa. AA Razin: Tel Aviv University, National Bureau of Economic Research and Centre for Economic Policy Research. Yuen: University of Hong Kong. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 13/97, Etan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 30. PR no charge. JE E21, E32, F33, H30, O30, O40. KW Income Equality. Labor Mobility. Capital Mobility. Human Capital. Education Subsidies.

AB In the context of a human capital based growth model, we show the essential role of labor mobility in equalizing income levels for countries that start off from different initial income positions. Human capital externalities cum labor mobility are the driving forces behind the income level equalization process. In a non-cooperative equilibrium, labor mobility will be limited and income level equality will not be achieved. Coordination will allow free mobility of labor within an economic union, leading to income convergence. Coordination of educational policies will also help internalize the inter-regional human capital externalities to ensure efficient growth for members of the union.

PD July 1997. TI Globalization: Public Economics Policy Perspectives. AU Razin, Assaf; Sadka, Efraim. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 20/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 18. PR no charge. JE F01, H10. KW Portfolio Investment. Economic Unions. Tax Harmonization. Multinationals. Tax Coordination. Capital Flows.

AB This is the introduction chapter to and the table of contents of an edited volume with the same title forthcoming by

Cambridge University Press. This volume contains selected papers presented at the 52nd congress of the International Institute of Public Finance held at Tel Aviv University, August, 1996.

TI   Origins of Sharp Reductions in Current Account Deficits: An Empirical Analysis. AU   Milesi-Ferretti, Gian Maria; Razin, Assaf.

PD   November 1997. TI   Taxation Implications of the Home Bias: A Pecking Order of Capital Inflows and Corrective Taxation. AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. AA   Razin: Tel Aviv University, Centre for Economic Policy Research and National Bureau of Economic Research. Sadka: Tel Aviv University. Yuen: University of Hong Kong. SR   Tel Aviv Foerder Institute for Economic Research Working Paper: 32/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG   37. PR   no charge. JE   F21, F35, H25, H30. KW   Foreign Portfolio. Debt Investment. Foreign Direct Investment. Asymmetric Information. International Taxation.
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 purpose of this paper is to highlight 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. The analysis distinguishes three types of international capital flows: Foreign portfolio debt investment, foreign portfolio equity investment, and foreign direct investment. The paper emphasizes the efficiency of a non-uniform tax treatment of the various vehicles of international capital flows.

PD   November 1997. TI   Quantitative Implications of the Home Bias: Foreign Underinvestment, Domestic Oversaving, and Corrective Taxation. AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. AA   Razin: Tel Aviv University, Centre For Economic Policy Research and National Bureau of Economic Research. Sadka: Tel Aviv University. Yuen: University of Hong Kong. SR   Tel Aviv Sackler Institute of Economic Studies Working Paper: 33/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il.   PG   25.   PR   no   charge. JE   F21, F35, H25, H30. KW   Foreign Portfolio. Debt Investment. Foreign Direct Investment. Income Taxation. Asymmetric Information. Production Efficiency.
AB   There is strong evidence about a home-court advantage in international portfolio investment. One explanation for the bias is an information asymmetry between domestic and foreign investors about the economic performance of domestic firms. This asymmetry causes two types of distortions: An aggregate   production   inefficiency   and   a   production-consumption inefficiency, leading to foreign underinvestment and domestic oversaving respectively. Such market failures are found to be quite severe, slightly more so with equity flows than with debt flows. These inefficiencies can nonetheless be corrected by a mix of tax-subsidy instruments, consisting of taxes on corporate income and on the capital incomes of both residents and nonresidents. When only a partial set of instruments is available, however, the prescription for each tax instrument can change radically and may even be reversed although the welfare gains can be fairly substantial and sometimes close to the first best optimum. This partial set of

instruments appears to be more effective in handling the market failure in the case of equity flows than in the case of debt flows.

PD   December 1997. TI   Channelling Domestic Savings into Productive Investment Under Asymmetric Information: The Essential Role of Foreign Direct Investment. AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. AA   Razin: Tel Aviv University, Centre for Economic Policy Research and National Bureau of Economic Research. Sadka: Tel Aviv University. Yuen: University of Hong Kong. SR   Tel Aviv Sackler Institute of Economic Studies Working Paper: 36/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG   30. PR   no charge. JE   F21, F35, H25, H30. KW   Foreign Direct Investment. Portfolio Debt. Equity Flows. Asymmetric Information. International Taxation.
AB   Foreign direct investment (FDI) is observed to be a predominant form of capital flows to low and middle income countries with insufficiently developed capital markets. This paper analyzes the problem of channeling domestic savings into productive investment in the presence of asymmetric information between the managing owners of firms and other portfolio stakeholders. We emphasize the crucial role played by FDI in sustaining equity-financed capital investment for economies plagued by such information problems. Similar problems also exist for foreign portfolio debt flows. The paper identifies in the presence of information asymmetry, how different capital market structures may lead to foreign over- or under-investment and to domestic under- or over-saving, and thus to inefficient equilibria. We show how corrective tax-subsidy policies consisting of taxes on corporate income and the capital incomes of both residents and nonresidents can restore efficiency.

PD   January 1998. TI   Channelling Domestic Savings into Productive Investment Under Asymmetric Information: The Essential Role of Foreign Direct Investment. AU   Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa. AA   Razin and Sadka: Tel Aviv University. Yuen: University of Hong Kong. SR   Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 01/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG   26. PR   no charge. JE   F21, F35, H25, H30. KW   Foreign Direct Investment. Portfolio Debt. Equity Flows. Asymmetric Information. International Taxation.
AB   See the Abstract for Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa, "Channelling   Domestic Savings into Productive Investment Under Asymmetric Information: The   Essential Role of Foreign Direct Investment". December 1997. Tel Aviv Sackler Institute of.Ip E 5 onomic Studies Working Paper: 36/97; The Eitan Berglas School   of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il.

Redmond, Gerry
TI   Income   Inequality   in   Hungary,   1987-1993. AU   Kattuman, Paul; Redmond, Gerry.

Rettore, Enrico
TI   The Female Labour Market in Italy: Evidence from Regional and Sectorial Data. AU   Carraro, Carlo; Rettore, Enrico; Schenkel, Marina.

Reuer, Jeffrey J.

PD September 1997. TI Shareholder Wealth Effects of Joint Venture Termination: A Transaction Cost Analysis. AA INSEAD. SR INSEAD Working Papers: 97/79/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 37. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F23, G34, L14. KW Joint Ventures. Shareholder Wealth. Equity Transfers. Transaction Costs.

AB Managing joint venture (JV) transitions can have implications for parent firm performance as JV's become important, albeit temporary, instruments of firms' corporate and international strategies. This study examines the average shareholder wealth effects of five specific types of JV termination. Empirical evidence from U.S. firms terminating domestic and international JV's reveals venture termination neither positively nor negatively influences firm value on average, and no one type of JV termination is superior to its alternatives in general. While JV termination is predominantly achieved by equity transfers between parent firms, acquiring firms do not systematically gain at the expense of selling firms or vice-versa. A transaction cost perspective is used to examine cross-sectional differences in firms' abnormal returns and identify contexts in which JV internalization and JV withdrawal enhance or destroy firm value. The results provide support for a more constructive, contingency-based perspective on JV termination.

PD October 1997. TI The Dynamics and Effectiveness of International Joint Ventures. AA INSEAD. SR INSEAD Working Papers: 97/108/SM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 25. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE F23, G30, L14, L21. KW International Joint Ventures. Alliance Dynamics. Instability. Corporate Strategy.

AB This article addresses the instability of international joint ventures (IJVs) from a corporate strategy perspective. Data on 272 terminated IJV's are presented by way of illustration. The empirical patterns demonstrate IJV termination most often involves a reallocation of IJV ownership between existing parent firms, and these changes in ownership and resource commitments are a function of both firms' relationships to the venture. The article submits the transitory character of IJV's often stems from the nature of parent firms' strategic intents when forming IJV's. This suggests IJV instability is not always tantamount to collaborative failure as is widely assumed.

Rob, Rafael

TI The Dynamics of Technological Adoption in Hardware/Software Systems: The Case of Compact Disc Players. AU Gandal, Neil; Kende, Michael; Rob, Rafael.

TI An Equilibrium Model of Firm Growth and Industry Dynamics. AU Fishman, Arthur; Rob, Rafael.

Roberts, Mark A.

PD November 1997. TI Two-Stage Bargaining with Coverage Extension in a Dual Labor Market. AU Roberts, Mark A.; Staehr, Karsten; Tranaes, Torben. AA Roberts: University of Nottingham. Staer and Tranaes: University of Copenhagen. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/13; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 26. PR no charge. JE C78, J21, J23, J42, J51. KW Coverage Extension. Two-Stage Bargaining. Minimum Wage. Labor Market. Centralization.

AB This paper studies two-stage bargaining in a simple general equilibrium model with a dual labor market. The authors analyze the case where agreements reached at the central level in the unionized sector extend beyond this sector, which seems to be a characteristic feature of continental European labor markets. Conditions are identified under which firms and unions have a commonality of interest in extending coverage of a minimum wage to the non-unionized sector of the economy. In many countries, labor markets comprise a primary sector with high non-market clearing wages and job queues, and a secondary sector with market clearing. The latter arises endogenously in the authors' model: it is optimal for the unionized sector to impose a market clearing wage on the non-unionized sector. This suggests that coverage extension can increase welfare.

Robertson, Donald

TI A Study of the Factors Affecting Participation in Post-Compulsory, Full-Time Education and Government Supported Training by 16-18 Year Olds in England and Wales. AU Pratten, Clifford F.; Robertson, Donald; Tatch, James R.

Robin, Jean-Marc

TI Estimation from Cross-Sections of Integrated Time-Series. AU Adda, Jerome; Robin, Jean-Marc.

Robinson, James

TI Why Did The West Extend The Franchise? Democracy, Inequality and Growth in Historical Perspective. AU Acemoglu, Daron; Robinson, James.

Robson, Paul

PD August 1997. TI The Wage Costs of a National Statutory Minimum Wage in Britain. AU Robson, Paul; Dex, Shirley; Wilkinson, Frank. AA University of Cambridge. SR University of Cambridge, ESRC Center for Business Research Working Papers: WP63; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 17. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE J38, L16. KW Minimum Wage. Wages. Labor Costs.

AB Using the quarterly Labor Force Survey, this paper sets out to estimate the number of workers who would be affected by the introduction of a statutory minimum wage (SMW) in Britain, and the first-round increase in direct labor costs which would occur. Three levels of SMW are considered: 3.2 pounds, 4.2 pounds and 4.7 pounds. The authors present a detailed picture of the wage-bill effects by industry and by occupation. The analysis shows that there are large variations by level of SMW, industry and occupation, and that these variations and the overall wage-bill costs of a SMW increase at higher levels of SMW.

Rodan, Simon

TI Resource Recombinations in the Firm: Knowledge Structures and the Potential for Schumpeterian Innovation.

AU Galunic, Charles; Rodan, Simon.

Roemer, John E.
PD March 1997. TI The (Non-Parochial) Welfare Economics of Immigration. AA University of California, Davis. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/02; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 21. PR no charge. JE D60, F22, J61, O15. KW Immigration. Political Economy. Welfare. Employment.

AB The author studies the effect of immigration on world welfare. The world consists of two areas, South and North, the former populated by low-skill workers, and the latter by low- and high-skill workers. Immigrants from the South to the North have two effects in the North: a mixed native-foreign working-class lowers union power, and immigrants also lower the solidarity of the employed citizens with the unemployed. Thus, the replacement ratio falls with the frequency of immigrants in the low-skill pool. The author calculates the optimal level of immigration, from an observer's point of view who maximizes world welfare, with a variety of social welfare functions. The interesting result is that the optimal level of immigration for an egalitarian observer is significantly less than the open-borders equilibrium level. This result is due to the model's two non-Walrasian features: the union bargaining problem and the political economy of the welfare state.

PD April 1997. TI The Democratic Political Economy of Progressive Income Taxation. AA University of California, Davis. SR University of Copenhagen, Institute of Economics Discussion Paper: 97/03; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website:www.econ.ku.dk. PG 32. PR no charge. JE C70, D72, H24. KW Progressive Taxation. Spatial Models. Political Economy.

AB Why do both left and right political parties almost always propose progressive income taxation schemes in political competition? Analysis of this problem has been hindered by the two-dimensionality of the issue space. To give parties a choice over a domain which contains both progressive and regressive policies requires an issue space that is at least two-dimensional. Nash equilibrium between two parties with (complete) preferences over two-dimensional policies fails to exist. The author introduces a new equilibrium concept for political games, based on inner-party struggle. A party consists of three factions, reformists, militants, and opportunists: each faction has a complete preference order on policy space, but together they can only agree on a partial order. Inner-party unity equilibrium is defined as Nash equilibrium between two parties, each of which maximizes with respect to its quasi-order. Such equilibria exist in the two-dimensional model and in them, both parties propose progressive income taxation.

Roldos, Jorge
PD September 1997. TI Potential Output Growth in Emerging Market Countries: The Case of Chile. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/104; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 25. PR not available. JE F43, O47, O54. KW Output. Emerging Markets. Chile. Growth.

AB This paper estimates potential output and the sources of growth in Chile during 1970-96. Actual output is cointegrated with the quality- adjusted measures of capital and labor, and constant returns to scale cannot be rejected. The estimates of potential output show a positive output gap in the years when the Chilean economy was deemed to be overheated. In 1986-90, the quality-adjusted labor variable explains close to 60% of the growth rate of GDP, while during 1991-95 capital formation plays a dominant role. The contribution of TFP growth in Chile is relatively small, but, based on a comparison with European and East Asian experiences, it is expected to increase in the medium term.

Rothkopf, Michael H.
TI An Alternating Recognition Model of English Auctions.
AU Harstad, Ronald M.; Rothkopf, Michael H.

Rowthorn, Robert
PD June 1997. TI Replicating the Experience of Newly Industrializing Economies. AA University of Cambridge. SR University of Cambridge, ESRC Center for Business Research Working Papers: WP57; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. PG 22. PR $10.00 (5 pounds); checks payable to University of Cambridge. JE F13, F21, F23, O14. KW Exports. Transnational Corporations. Foreign Direct Investment. Development.

AB This paper examines whether developing countries can follow the same pattern of export-led industrialization as the first tier of Newly Industrializing Economies (NIE's), such as Hong Kong, Korea, and Taiwan, that was based on massive exports of labor- intensive manufacturers to advanced countries. It shows that while there is considerable scope for growth in exports and manufacturers such as clothing, overall potential is not remotely sufficient to allow widespread imitation by developing countries generally. The paper also examines whether they can follow the more recent example of Malaysia a second-tier NIE whose exported growth has been driven by the direct investment of transnational corporations. Again, it concludes that this is not a viable path for the developing countries as a whole, or even for a large sub-group of them, to follow. The paper concludes by considering the policy implications of these findings for trade and foreign direct investment.

TI Parenting and Labour Force Participation: The Case for a Ministry of the Family. AU Dex, Shirley; Rowthorn, Robert.

Rubinstein, Ariel
TI Games with Procedurally Rational Players.
AU Osborne, Martin J.; Rubinstein, Ariel.

TI Debates and Decisions: On a Rationale of Argumentation Rules. AU Glazer, Jacob; Rubinstein, Ariel.

PD August 1997. TI Definable Preferences: An Example. AA Tel Aviv University and Princeton University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 26/97 ; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 11. PR no charge. JE D10, D70. KW Definability. Preferences. Logic. Language.

AB A preference relation is definable in a language if there is a formula in this language which is satisfied precisely for those pairs of elements which satisfy the relation. The paper suggests that definability is a natural category of requirements of

preferences in economic models. To demonstrate the analytical possibilities, the paper studies the set of definable preferences in the context of aggregating a profile of binary relations into a transitive relation using the Craif Lemma.

PD October 1997. TI Choice Problems with a "Reference" Point. AU Rubinstein, Ariel; Zhou, Lin. AA Rubinstein: Tel Aviv University and Princeton University. Zhou: Duke University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 28/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 9. PR no charge. JE D10, D20. KW Choice. Reference Point.
AB In many decision scenarios, one has to choose an element from a set S given some reference point e. For the case where S is a subset of a Euclidean space, we axiomatize the choice method that selects the point in S that is closest to e.

PD August 1998. TI Economics and Language. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research and Sackler Institute for Economic Research Working Papers: 14/98; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 20. PR no charge. JE Z00. KW Economics. Language. Debates. Pragmatics. Linear Orderings.
AB This paper is the Schwartz Memorial Lecture, delivered at Kellogg, Northwestern University in May 1998. The lecture introduces some ideas about the possible use of tools taken from the economics literature to explain language phenomena. Two specific issues are discussed: from the domain of semantics-why linear orderings are so common in natural language; and from the domain of pragmatics-why arguments and counterarguments are treated asymmetrically.

Rudd, Peter
PD September 1997. TI GCSE Grades and GNVQ Outcomes: Results of a Pilot Study. AU Rudd, Peter; Steedman, Hilary. AA London School of Economis. SR London School of Economics, Center for Economic Performance Discussion Paper: 366; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 45. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE I21. KW Vocational. Qualifications. Drop Out. Education.
AB This paper reports an investigation into the importance of basic skills in literacy and numeracy in the promotion of success on intermediate vocational courses at age 16+. Two measures of attainment in literacy and numeracy are examined; GCSE passes in English and Mathematics analyzed by grade awarded and the Adult Literacy and Basic Skills Unit (ALBSU) tests in communication and numeracy. The study examines the relationship between prior attainment as attested by GCSE grades and ALBSU scores and course outcome. The extent to which a consistent relationship is found between GCSE grades and ALBSU scores is also examined. No significant relationship is found between prior attainment as measured by GCSE grades and course outcomes. The ALBSU test scores proved to be more helpful in predicting student outcomes on the Intermediate GNVQ but were still fairly weak predictors.

Rutstrom, E. Elisabet
TI Experimental Methods and Elicitation of Values. AU Harstad, Ronald M.; Harrison, Glenn W.; Rutstrom, E. Elisabet.

Rydqvist, Kristian
TI Bidder Behavior in Multiple Unit Auctions: Evidence from Swedish Treasury Auctions. AU Nyborg, Kjell G.; Rydqvist, Kristian; Sundaresan, Suresh.

Sabourian, Hamid
TI Multiperson Bargaining and Strategic Complexity. AU Chatterjee, Kalyan; Sabourian, Hamid.

Sacco, Pier Luigi
PD March 1997. TI Self-Regulation and Trust Under Endogenous Transaction Costs. AA University of Florence. SR Fondazione Eni Enrico Mattei Note di Lavoro: 39/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 35. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C72, D23, L14. KW Transaction Costs. Partnership Games. Trust. Evolutionary Games. Social Standards.
AB The authors consider a partnership game with two roles in which a large population of firms interact to carry out, say, R&D joint ventures. The partners have to build a common-property asset through a sequence of costly investments. Firms have access to a monitoring technology whose cost depends on the actual diffusion of cooperative behavior across the economy. The paper explores the relationship between the level of transaction costs and the emergence of social norms of trust. The authors find that in certain cases pure trust may emerge as a social standard of behavior in a straightforward way. Vice versa, a two-phase transition to pure trust may emerge: in the first phase, "cautious" cooperators who monitor the partner spread over, to be suddenly substituted by "pure" cooperators who do not monitor the partner (and thus economize on transaction costs) once the other type of co-operators has wiped out defector opponents.

Sack, Brian
TI Production Smoothing and the Shape of the Cost Function. AU Galeotti, Marzio; Guiso, Luigi; Sack, Brian; Schiantarelli, Fabio.

Sadka, Efraim
TI A Pecking Order of Capital Inflows and International Tax Principles. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Globalization: Public Economics Policy Perspectives. AU Razin, Assaf; Sadka, Efraim.

TI Taxation Implications of the Home Bias: A Pecking Order of Capital Inflows and Corrective Taxation. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Quantitative Implications of the Home Bias: Foreign Underinvestment, Domestic Oversaving, and Corrective Taxation. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Channelling Domestic Savings into Productive Investment Under Asymmetric Information: The Essential Role of Foreign Direct Investment. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Channelling Domestic Savings into Productive Investment Under Asymmetric Information: The Essential Role of Foreign Direct Investment. **AU** Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

Saint-Martin, Anne
TI Biased Technical Progress, Market Imperfections and Inequalities in France, From 1974 to 1993. **AU** Laffargue, Jean-Pierre; Saint-Martin, Anne.

Saint-Paul, Gilles
TI French Unemployment: A TransAtlantic Perspective. **AU** Cohen, Daniel; Lefranc, Arnaud; Saint-Paul, Gilles.

Santos, Jose F. P.
TI On the Management of Knowledge: From the Transparency of Collocation and Co-Setting to the Quandary of Dispersion and Differentiation. **AU** Doz, Yves L.; Santos, Jose F. P.

Sapienza, Harry
TI Leveraging Resources Under Threat of Opportunism: Predicting Networking in International Growth. **AU** Autio, Erkko; Yli-Renko, Helena; Sapienza, Harry.

Sartzetakis, Eftichios S.
PD July 1997. **TI** Environmental Quality and Social Insurance. **AU** Sartzetakis, Eftichios S.; Tsigaris, Panagiotis D. **AA** University College of the Cariboo, Canada. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 42/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 15. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D62, H21, H23. **KW** Double Dividend. Environmental Taxation. Income Taxation. Wage Uncertainty. Tax Incidence Analysis.
AB This paper examines the double dividend hypothesis under wage uncertainty. In the presence of two market failures the authors show that second-best requires a lower tax than the Pigouvian tax, and a higher than "first-best" labor income tax. Starting from a state in which the environmental tax is below second best, the authors consider increasing it and at the same time recycle the additional revenues to reduce labor income tax. This revenue recycling policy has three effects: the positive Pigouvian effect, the negative tax interaction effect and the revenue recycling effect which is positive under certainty. In the presence of uncertainty, it is found that the revenue recycling effect is negative if labor income tax is below second best, due to the social insurance effect. The authors results have significant policy implications. Environmental policies that do not generate revenue could be equally efficient to those that generate revenue.

TI Strategic Behaviour of Polluters During the Transition from Standard-Setting to Permits Trading. **AU** Laplante, Benoit; Sartzetakis, Eftichios S.; Xepapadeas, Anastasios P.

Sarvary, Miklos
TI "Globalization": Modeling Technology Adoption Timing Across Countries. **AU** Dekimpe, Marnik G.; Parker, Philip M.; Sarvary, Miklos.

TI A Cross-Cultural Study of Consumer Innovativeness. **AU** Parker, Philip M.; Sarvary, Miklos.

Sasaki, Dan
PD June 1997. **TI** Strategic Information Acquisition. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/07; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 21. **PR** no charge. **JE** C72, D82, L13. **KW** Information Value. Strategic Complementarity. Strategic Substitution. Ranked Information. Differential Information.
AB This paper discusses the value of information in games with state contingent payoffs, using a simple two-stage duopoly model. In the first stage, each duopolist simultaneously chooses whether to observe the market demand, which is either high or low. The second stage game is an ordinary simultaneous-move duopoly game, where profits depend upon the state of demand. There, information acquisition in the first stage becomes strategically complemental if second-stage actions are strategic complements. In such a case, within a certain range of information acquisition cost profiles, there are multiple equilibria in one of which both duopolists acquire information in the first stage, in the other neither duopolist does. If actions in the second stage are strategic substitutes, then the information acquisition in the first stage becomes strategically substitutional. In this case, there is a range of information acquisition cost profiles where there exist multiple equilibria.

PD June 1997. **TI** Ignorance as a Commitment Device. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/08; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 25. **PR** no charge. **JE** C72, D82. **KW** Information Acquisition. Information Value. State Pace. Disclosure.
AB In a strategic environment, when a player's information acquisition is observable to others, it may strictly decrease the player's resulting equilibrium payoff even if information acquisition itself is costless. This phenomenon has previously been known by a number of examples. This paper shows that such a phenomenon can indeed arise under a broad class of conditions, not being confined to carefully selected specific examples. Excess information is almost always hurtful. This finding implies that public provision of information can strictly hurt the set of economic agents to be informed. To protect the interest of a certain economic group, it is almost always desirable to impose appropriate limitations on the official disclosure of information to the group.

TI RJVs and Price Collusion Under Endogenous Product Differentiation. **AU** Lambertini, Luca; Poddar, Sougata; Sasaki, Dan.

Sastre-Descals, Jose
TI Eur3: A Prototype European Tax-Benefit Model. **AU** Bourguignon, Francois; O'Donoghue, Cathal; Sastre-Descals, Jose;

TI Eur3: A Prototype European Tax-Benefit Model. **AU** Bourguignon, Francois; O'Donoghue, Cathal; Sastre-Descals, Jose;

Satchell, Stephen E.
TI An Integrated Risk Measure with Application to UK Asset Allocation. **AU** Damant, David C.; Hwang, Soosung;

Satchell, Stephen E.

TI Risk, Utility and Switching between Gambles.
AU Pedersen, Christian S.; Satchell, Stephen E.

Sauer, Robert M.
PD May 1997. **TI** Educational Debt, Loan-Forgiveness and Adverse Selection in the Market for Lawyers. **AA** Tel Aviv University. **SR** Tel Aviv Sackler Institute of Economic Studies Working Paper: 06/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. **PG** 47. **PR** no charge. **JE** J24, J44, J64. **KW** Lawyers. Adverse Selection. Loan-Forgiveness. **AB** This paper analyzes the effect of educational debt and loan-forgiveness programs on both law school entry decisions and the subsequent career choices of law school graduates using a dynamic optimization model and data on several cohorts of graduates from the University of Michigan Law School. The study shows that both the returns and costs to a highly-selective legal education are strongly related to parental occupational status. Law school graduates who do not have a professional or manager father are less likely to be assessed highly talented attorneys and thus have lower expected lifetime earnings as well as higher educational debt burdens. The implication is that loan- forgiveness programs will differentially attract less talented attorneys to enter law school and participate more often in the nonprofit sector, suggesting that loan- forgiveness programs may be subject to an adverse selection problem.

Savastano, Miguel A.
TI The Scope for Inflation Targeting in Developing Countries. **AU** Masson, Paul R.; Savastano, Miguel A.; Sharma, Sunil.

Scarpa, Carlo
PD January 1997. **TI** The Theory of Quality Regulation and Self-Regulation: Towards an Application to Financial Markets. **AA** University of Bologna. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 08/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 36. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** G18, L15, L51. **KW** Stock Market. Quality. Self Regulation. Italy.
AB In this paper the authors review and extend the theory of quality regulation and of self-regulation and try to see to what extent the present theoretical literature can help to direct the regulatory reform of Italian financial markets. In financial markets, several countries have heavily relied upon self regulation (SR) essentially left to financial intermediaries, while others have preferred an approach more based on the intervention of a public agency; the two groups now seem to converge towards mixed systems.

Schenkel, Marina
TI The Female Labour Market in Italy: Evidence from Regional and Sectorial Data. **AU** Carraro, Carlo; Rettore, Enrico; Schenkel, Marina.

Scherer, F. M.
PD June 1997. **TI** Retail Distribution Channel Barriers to International Trade. **AA** Harvard University. **SR** University of Cambridge, ESRC Center for Business Research Working Papers: WP55; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website: www.cbr.cam.ac.uk. **PG** 31. **PR** $10.00 (5 pounds); checks payable to University of Cambridge. **JE** F13, L42, L81. **KW** Retail Distribution. Trade Barriers. International Trade. Vertical Restraints. Japan.
AB In a 1995 international trade dispute, it was alleged that exclusive dealing by Japanese car retailers made it difficult for U.S. car manufacturers to sell new cars in Japan, while government regulations and ties between car manufacturers and repair shops inhibited U.S. firms' access to Japanese parts markets. In another case, Eastman Kodak asserted that Fujifilm's control of photo supply wholesalers in Japan and other vertical restraints limited Kodak's color film sales. This paper examines how distribution channels evolve over time, how international trade may be inhibited in the early stages of evolution, and how such barriers to trade can be overcome.

Schiantarelli, Fabio
TI Production Smoothing and the Shape of the Cost Function. **AU** Galeotti, Marzio; Guiso, Luigi; Sack, Brian; Schiantarelli, Fabio.

Schlogl, Erik
PD January 1997. **TI** Factor Models and the Shape of the Term Structure. **AU** Schlogl, Erik; Sommer, Daniel. **AA** University of Bonn. **SR** Universitat Bonn Sonderforschungsbereich 303 Discussion Paper: B395; Sonderforschungsbereich 303, Universitat Bonn, Lennestrasse 37, D-53113 Bonn, Germany. Website: www.econ2.uni-bonn.de/sfb/papers. **PG** 25. **PR** no charge. **JE** E43, G13. **KW** Term Structure. Spread Options. Forward Rate. Mean Reversion. Interest Rates.
AB The present paper analyzes a broad range of one- and multifactor models of the term structure of interest rates. The authors assess the influence of the number of factors, mean reversion, and the factor probability distributions on the term structure shapes the models generate, and use spread options as an aggregate measure of the relative importance assigned to rising and falling forward rate curves by the models considered. They derive valuation formulas for these contingent claims in the multifactor Gaussian and CIR-models. Their main result is that the specification of mean reversion and the number of factors are both more important for the relative movements of interest rates than the distributional characteristics of the factors. To the extent that interest rate risk depends on the movements of different parts of the term structure relative to one another, the distributional assumption on the factor dynamics is found to be essentially irrelevant.

Schmelzer, Dirk
PD February 1997. **TI** Voluntary Agreements in Environmental Policy: Negotiating Emission Reductions. **AA** Universitat Viadrina. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 17/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 21. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** C78, K32, L51, Q28. **KW** Emission Reduction. Bargaining. Environmental Policy. Voluntary Agreements.
AB Voluntary agreements are an important environmental policy instrument. In the paper some examples are discussed

and the structure and mechanisms of voluntary agreements are analyzed using a strategic game approach. In the simple strategic game with only one abatement technology, there is a unique subgame perfect equilibrium, making voluntary agreements one option of reaching an efficient emission level. However, this solution changes with the introduction of a continuum of emission levels. In the ultimatum bargaining game the emission level will always be higher than the efficient level. This holds also for Nash's cooperative bargaining solution. Given bargaining costs on both sides and an exogenous probability for the negotiations to stop at a certain time, the state profits from low discounting, low bargaining cost and a high probability of breakdown.

Scott, Andrew
TI The Labor Market Over the Business Cycle: Can Theory Fit the Facts? AU Millard, Stephen; Scott, Andrew; Sensier, Marianne.

Segerson, Kathleen
PD February 1997. TI Voluntary Approaches to Environmental Protection: The Role of Legislative Threats. AU Segerson, Kathleen; Miceli, Thomas J. AA University of Connecticut. SR Fondazione Eni Enrico Mattei Note di Lavoro: 21/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 21. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE C78, D62, L51, Q25, Q28. KW Voluntary Agreements. Environmental Policy. Regulation.
AB The purpose of this paper is to provide an economic model of the use of voluntary agreements where participation is induced through a background legislative threat. The goal is to determine whether a voluntary agreement is likely to be the outcome of the interaction between regulators and polluters, and the role that the legislative threat plays in determining that outcome. The authors consider first a model with a single firm and then extend the analysis to consider multiple firms. In the context of the single firm, they show that a mutually beneficial voluntary agreement always exists, but that the resulting level of abatement depends on the probability that legislation will be imposed. For the case of multiple firms, they examine the potential incentives for free-riding and ask how the terms of the agreement can affect these incentives.

Segev, Arie
TI Competing in the Marketspace: An Empirical Study. AU Dutta, Soumitra; Kwan, Stephen; Segev, Arie.

Senhadji, Abdelhak
PD October 1997. TI Time-Series Estimation of Structural Import Demand Equations: A Cross-Country Analysis. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/132; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 29. PR not available. JE C22, E21, F14, F41. KW Import Demand. Income Elasticities. Price Elasticities. Cointegration. Monte Carlo Methods.
AB This paper derives a structural import demand equation and estimates it for a large number of countries, using recent time series techniques that address the problem of nonstationarity. Because the statistical properties of the

different estimators have been derived only asymptotically, econometric theory does not offer any guidance when it comes to comparing different estimators in small samples. Consequently, the paper derives the small-sample properties of both the ordinary- least-squares (OLS) and the fully-modified (FM) estimators using Monte Carlo methods. It is shown that FM dominates OLS for both the short- and long-run elasticities.

PD October 1997. TI Sources of Debt Accumulation in a Small Open Economy. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/146; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 26. PR not available. JE D58, F34, F41, G15, O16. KW Debt Accumulation. General Equilibrium. External Shocks. Incomplete Information. Developing Countries.
AB This paper analyzes the borrowing behavior of a small open economy of a developing country that relies heavily on imports for its capital formation and faces an upward-sloping supply function of foreign loans. Decision makers face uncertainty about the longevity of external shocks. That uncertainty generates forecast errors that lead to substantial debt accumulation. It is found that the assumption of an upward-sloping supply function of foreign loans, which is a more realistic formulation for developing countries than the usual perfect elasticity, offers an alternative to the Uzawa-type utility function for analyzing asset accumulation in the small open economy framework.

Sensier, Marianne
TI The Labor Market Over the Business Cycle: Can Theory Fit the Facts? AU Millard, Stephen; Scott, Andrew; Sensier, Marianne.

Sharma, Sunil
TI The Scope for Inflation Targeting in Developing Countries. AU Masson, Paul R.; Savastano, Miguel A.; Sharma, Sunil.

Shimer, Robert
PD December 1996. TI Assortative Matching and Search. AU Shimer, Robert; Smith, Lones. AA Shimer: Princeton University. Smith: Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97/2b; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 45. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE C70. KW Assortative Matching. Supermodularity.
AB This paper reprises Becker's (1973) neoclassical marriage market model, assuming search frictions: There is a continuum of heterogeneous agents with types x; match (x,y) yields flow output f(x,y) defined as f(y,x), and utility is transferable; foregone output is the only cost of search. We characterize equilibrium and constrained efficient matchings, and prove equilibrium existence. We then compare matching patterns with Becker's benchmark frictionless allocation, where positively or negatively assortative matching arises as agents; types are complements or substitutes in production. We formalize a notion of assortative matching with search frictions in the spirit of affiliation, and demonstrate that Becker's condition no longer suffices --e.g. $f(x,y) = (x+y)$squared produces highly nonassortative matching. Fortunately, we prove that assortative matching does extend to both search

settings -- for all search frictions and type distributions -- under stronger assumptions: supermodularity of not just f, but also log f sub x and log f sub xy. Examples illustrate the necessity of these conditions. We show that our assortative matching notion in fact implies that everyone matches with a convex set of types; as a biproduct, this paper also provides a theory of convex matching sets.

TI   Efficient Wage Dispersion. AU Acemoglu, Daron; Shimer, Robert.

Shin, Yongcheol
TI   Pooled Estimation of Long-Run Relationships in Dynamic Heterogeneous Panels. AU Pesaran, M. Hashem; Shin, Yongcheol; Smith, Ron P.

Sinclair-Desgagne, Bernard
PD January 1997. TI Environmental Auditing in Management Systems and Public Policy. AU Sinclair-Desgagne, Bernard; Gabel, Landis H. AA Sinclair-Desgagne: Ecole Polytechnique de Montreal and CIRANO. Gabel: INSEAD. SR Fondazione Eni Enrico Mattei Note di Lavoro: 03/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 26. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D82, L15, M49. KW Principal Agent. Environmental Auditing. Risk Aversion. Prudence.
AB New international standards for environmental auditing are now being actively promoted by public authorities and adopted by private firms. One important feature of these standards is their emphasis on managerial systems and incentives that support a wiser use of environmental resources. This paper studies such a system, in which incentive compensation may be based in part on the results of an environmental audit. It is found that optimal wages after an environmental audit is performed should have a greater range than wages paid when no audit has occurred. It is also shown that the decision to conduct an environmental audit and the size of the expected wage in this case depend crucially on whether the agent's prudence dominates or not his aversion to risk. It is finally found that the insertion of environmental audits within current management systems would certainly induce a manager to care more about the environment.

Sirilli, Giorgio
TI   Innovation in Services and Manufacturing: Results from the Italian Surveys. AU Evangelista, Rinaldo; Sirilli, Giorgio.

Sirower, Mark
PD   June 1997. TI The Synergy Limitation Paradox. AU Sirower, Mark; Harrigan, Kathryn Rudie. AA Sirower: New York University. Harrigan: Columbia University. SR   Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/01; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG   21. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE G34. KW Firm Acquisition. Synergies. Acquisition Premiums. Performance.
AB Managers hate to "leave money on the table" in bidding and negotiations. Overpaying implies errors were made in

valuation. Yet astute managers willingly pay premiums (over market price) when acquiring firms, due to their staunch belief that premiums can be recovered through the realization of synergies. CEOs, Boards of Directors, and their investment advisors have all deluded themselves into believing that such acquisition premiums will pay for themselves through skillful management. Findings from a recent study concerning acquisition premiums paid and resulting firm performance [see Technical Appendix] suggest that the realization of merger-based synergies is a greater competitive challenge than had previously been recognized. The synergies available by combining firms are smaller than had been expected and hard to achieve. Moreover unless managers can deliver incremental synergies immediately after acquisition, they will fall ever more behind in being able enjoy these synergies at all. This paper reports findings concerning how hard it is to earn the performance improvements required to justify paying acquisition premiums. The relationship found between acquisition premiums paid and subsequent performance achieved suggests that managers should exercise caution in overpaying for acquisitions.

Slinger, Giles
TI   Hostile Takeovers, Corporate Law and the Theory of the Firm. AU Deakin, Simon; Slinger, Giles.

Smith, Lones
TI   Assortative Matching and Search. AU Shimer, Robert; Smith, Lones.

PD   October 1997. TI Informational Herding and Optimal Experimentation. AU Smith, Lones; Sorensen, Peter. AA Smith: Massachusetts Institute of Technology. Sorensen: Nuffield College, Oxford. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 97-22; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 25. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D80. KW Bellman Value. Gittins Index. Informational Herding. Optimal Experimentation.
AB We explore the constrained efficient observational learning model -- as when individuals care about successors, or are so induced by an informationally-constrained social planner. We find that when the herding externality is correctly internalized in this fashion, incorrect herds still obtain. To describe behavior in this model, we exhibit a set of indices that capture the privately estimated social value of every action. The optimal decision rule is simply: Choose the action with the highest index. While they have the flavor of Gittins indices, they also incorporate the potential to signal to successors. We than apply these indices to establish a key comparative static, that the set of stationary "cascade" beliefs strictly shrinks as the planner grows more patient. We also show how these indices yield a set of history-dependent transfer payments that decentralize the constrained social optimum. The lead inspiration for the paper is our proof that informational herding is but a special case of myopic single person experimentation. In other words, the incorrect herding outcome is not a new phenomenon, but rather just the familiar failure of complete learning in an optimal experimentation problem.

TI   Wald Revisited: The Optimal Level of Experimentation. AU   Moscarini, Giuseppe; Smith, Lones.

Smith, Peter N.

TI Job Reallocation: Theory and Workplace Evidence. **AU** Mumford, Karen; Smith, Peter N.

Smith, Ron P.

TI Pooled Estimation of Long-Run Relationships in Dynamic Heterogeneous Panels. **AU** Pesaran, M. Hashem; Shin, Yongcheol; Smith, Ron P.

Smith, V. Kerry

PD 1997. **TI** Time and the Valuation of Environmental Resources. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 97/36; available only on web site. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 39. **PR** no charge. **JE** D40, H40, Q26, Q29. **KW** Time. Revealed Preference. Complementarity. Environment.
AB This paper considers the modeling strategies that have been used to incorporate time in revealed and stated preference methods for valuing environmental resources. After reviewing a subset of the economic models for describing time as an input to household production, time in creating habits and persistence in demand for particular services in environmental resources, and time as offering an opportunity for future consumption, the overview suggests that time has been used as a complement in production or consumption to marketed goods in each of these frameworks. The paper suggests two possible alternatives. This structure along with further restrictions to preferences or technology implies that there are other strategies for using revealed preference data to measure the economic value of changes in environmental quality.

Snyder, James M.

PD March 1997. **TI** Estimating Party Influence on Congressional Roll-Call Voting. **AU** Snyder, James M.; Groseclose, Tim. **AA** Snyder: Massachusetts Institute of Technology. Groseclose: Ohio State University. **SR** Fondazione Eni Enrico Mattei Note di Lavoro: 41/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. **PG** 21. **PR** 10 papers minimum order at $4.00 each; annual subscription at $250.00. **JE** D72. **KW** Party Pressure. Roll Call Voting.
AB This paper develops a simple procedure to estimate the extent to which party pressure affects roll-call voting in the U.S. congress. The authors find strong evidence of party pressure in both the House and the Senate, in virtually all congresses over the period 1871-1995. They do not find any large, systematic differences in pressure between the House and Senate. Over the post-war period party pressure in the House occurs especially often on key procedural votes -- the rule on a bill, motions to cut-off debate, and motions to recommit. Pressure appears most frequently on budget resolutions, tax policy, social security, and the national debt limit, while it is relatively rare on moral and religious issues and civil rights, and entirely absent on issues such as gun control. There have been dramatic changes in the extent of party pressure on some issues, such as agriculture, public works, and nuclear energy policy.

Soerensen, Peter Birch

PD May 1997. **TI** Optimal Tax Progressivity in Imperfect Labor Markets. **AA** University of Copenhagen. **SR** University of Copenhagen, Institute of Economics Discussion Paper: 97/06; Institute of Economics, University of Copenhagen, Studiestraede 6, 1455 Copenhagen K, Denmark. Website: www.econ.ku.dk. **PG** 25. **PR** no charge. **JE** E24, H21, H24, J24. **KW** Optimal Taxation. Tax Progressivity. Labor Markets. Employment.
AB All modern labor market theories capable of explaining involuntary unemployment as an equilibrium phenomenon imply that increased income tax progressivity reduces unemployment, but they also imply that higher progressivity tends to reduce work effort and labor productivity. This suggests that there may be an optimal degree of tax progressivity where the marginal welfare gain from reduced involuntary unemployment is just offset by the marginal welfare loss from lower productivity. This papers sets up three different simulation models of an imperfect labor market in order to identify the degree of tax progressivity which would maximize the welfare of the representative wage earner. The simulations suggest that the optimal degree of tax progressivity could be substantial and that the welfare gains from tax progressivity could be quite large, although the results are sensitive to the generosity of unemployment benefits and to the after-tax wage elasticity of work effort.

Soete, Luc

TI Technical Change and Employment Growth in Services: Analytical and Policy Challenges. **AU** Petit, Pascal; Soete, Luc.

Sokalska, Magdalena

PD September 1997. **TI** Equity Price Dynamics. **AA** Robinson College. **SR** University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/30; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk/dae. **PG** 21. **PR** $10.00 (5 pounds); make checks payable to University of Cambridge. **JE** F30, G12, G15. **KW** Markov Switching. Emerging Markets. Central Europe. Capital Inflows. Stock Returns.
AB This paper investigates the apparent co-movement of equity prices in the Czech Republic, Hungary and Poland. The main underlying force moving stock prices in these countries is argued to be the inflow and outflow of foreign capital. Since the inflow of foreign investment to these markets is an unobservable variable, it is modeled as a two- state Markov chain. This latent variable is driving the stock returns process and makes it switch from a high growth regime to a depression regime, or vice versa. In such a framework, the stock return process comes from a mixture of two normal distributions with different means. The estimated process shows significant correlation with a number of data series on global capital flows. The paper applies the Hamilton (1989, 1990) technique to the new dataset, and it builds an empirical model for the stock returns of the emerging markets of Central and Eastern Europe.

Solomou, Solomos

PD September 1997. **TI** The Impact of Weather on the Construction Sector Output Variations, 1955-89. **AU** Solomou, Solomos; Wu, Weike. **AA** University of Cambridge. **SR** University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/22; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website: www.econ.cam.ac.uk/dae. **PG** 19.

PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C14, C32, E32, L74, N64. KW Weather Effects. Construction Sector. Economic History. Sector-Specific Shocks. Business Cycles.
AB This paper uses semiparametric time-series methods to model the non-linear effects of weather variations on the output growth rate of the construction sector. The study is undertaken at both the annual and quarterly frequencies; the results show that weather shocks have significant effects on both the annual and quarterly growth rate of construction output. Such sector-specific growth shocks are likely to have an independent effect on macroeconomic fluctuations.

Sommer, Daniel
TI Factor Models and the Shape of the Term Structure. AU Schlogl, Erik; Sommer, Daniel.

Sorensen, Bent E.
PD June 1997. TI Federal Insurance of U.S. States: An Empirical Investigation. AU Sorensen, Bent E.; Yosha, Oved. AA Sorensen: Brown University. Yosha: Tel Aviv University and Brown University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 16/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 26. PR no charge. JE H20, H55, H70. KW Fiscal Institutions. Federal Grants. Income Insurance.
AB We investigate channels of federally provided income insurance for U.S. states, finding that a major part of federal insurance is provided through transfers. We compare the "bang for the buck" of various fiscal institutions, finding that unemployment benefits are dramatically more efficient in providing income insurance than any other fiscal institution. This finding suggests that with an appropriately designed income insurance scheme it may be possible to achieve considerable risk sharing in a future European Monetary Union with a relatively modest budget.

TI Consumption Smoothing Through Fiscal Policy in OECD and EU Countries. AU Arreaza, Adriana; Sorensen, Bent E.; Yosha, Oved.

TI Permanent Income, Consumption, and Aggregate Constraints: Evidence from U.S. States. AU Ostergaard, Charlotte; Sorensen, Bent E.; Yosha, Oved.

Sorensen, Peter
TI Informational Herding and Optimal Experimentation. AU Smith, Lones; Sorensen, Peter.

Staehr, Karsten
TI Two-Stage Bargaining with Coverage Extension in a Dual Labor Market. AU Roberts, Mark A.; Staehr, Karsten; Tranaes, Torben.

Steedman, Hilary
TI GCSE Grades and GNVQ Outcomes: Results of a Pilot Study. AU Rudd, Peter; Steedman, Hilary.

Steel, Mark F. J.
TI Reference Priors for Non-Normal Two-Sample Problems. AU Fernandez, Carmen; Steel, Mark F. J.

TI Reference Priors for the General Location-Scale Model.

AU Fernandez, Carmen; Steel, Mark F. J.

TI Statistical Modeling of Fishing Activities in the North Atlantic. AU Fernandez, Carmen; Ley, Eduardo; Steel, Mark F. J.

Stella, Paul
TI Transparency and Ambiguity in Central Bank Safety Net Operations. AU Enoch, Charles; Stella, Paul; Khamis, May.

Stocker, Ferry
PD February 1997. TI Can "Austrian Economics" Provide a New Approach to Environmental Policy? AA University of Economics and Business Administration, Vienna. SR Fondazione Eni Enrico Mattei Note di Lavoro: 15/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 18. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D62, H40, K11, M13. KW Property Rights. Institutional Evolution. Entrepreneurs. Environmental Policy.
AB Whereas traditional environmental economics argues for specific government intervention in the market process via a host of different measures to correct that perceived failure, this paper sets out to challenge that somewhat superficial view. At least since the seminal contribution of Coase it has become clear that it is the underlying institutional structure of the market economy, the structure of the property rights, that determines the degree of efficiency in a particular real economy. However, taking the dynamic and more encompassing view of North the pivotal question becomes asking about the determinants of the evolution of appropriate institutions to protect the environment and what can be done to foster that development. This calls for a retreat of the pervasively meddling state in this respect, highlights the pivotal role of the Schumpeterian entrepreneur in a typical 'Hayekian setting' and constitutes a new approach towards environmental policy.

Storey, Mark
PD February 1997. TI Voluntary Agreements with Industry. AU Storey, Mark; Boyd, Gale; Dowd, Jeff. AA Storey: OECD, Paris, France. Boyd: Argonne National Laboratory, United States. Dowd: United States Department of Energy. SR Fondazione Eni Enrico Mattei Note di Lavoro: 26/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 22. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE H32, K32, L51, Q28. KW Industry. Voluntary Agreements. Environmental Policy. Regulation.
AB Voluntary Agreements (VA's) are becoming increasingly prominent in many countries as a policy instrument for achieving improvements in the environmental performance of industry. They aim to encourage industry led initiatives to set and meet environmental goals, to raise the environmental profile in corporate decision making, and to give participating industries the flexibility to achieve these goals according to their particular circumstances. The first section of this paper establishes an analytical framework for assessing the performance of VA's. This includes a classification of the different types of VA's and a discussion of the different criteria which could be used to evaluate their performance. The paper goes on to review the experience of several OECD countries with the implementation of VA's. A significant part of this

study has focused on evaluation issues. When such analysis has been used in this paper, however, the difficulties and limitations of these methods are noted.

Stotsky, Janet G.

PD September 1997. TI Tax Effort in Sub-Saharan Africa. AU Stotsky, Janet G.; Wolde-Mariam, Asegedech. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/107; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 57. PR not available. JE E62, H20, O10. KW Taxation. Sub-Saharan Africa. Tax Effort.

AB Many sub-Saharan African countries face difficulty in raising tax revenue for public purposes. This study uses panel data on 43 sub- Saharan African countries during 1990-95 to measure the determinants of the tax share in GDP and to construct a measure of tax effort. The analysis suggests that the countries with a relatively high tax share tend to have a relatively high index of tax effort, although these results are not uniform across the countries. The results can be used to provide guidance on the proper mix of fiscal policy in the event of budgetary imbalance.

Subramanian, Arvind

PD September 1997. TI The Egyptian Stabilization Experience: An Analytical Retrospective. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/105; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 61. PR not available. JE E61, E63, E65, N15, O23. KW Egypt. Stabilization. Development. Exchange Rates.

AB This paper analyzes the successful Egyptian stabilization experience during the 1990's, focusing on its distinctive features and contrasting them with the recent experiences of other developing countries. The key policy elements were a large fiscal adjustment, use of an exchange rate anchor that has endured for over six years, supported by prudent monetary policies, and early moves to liberalize interest and exchange markets. The outcomes included the avoidance of an output collapse despite the magnitude of fiscal adjustment; avoidance of stresses on the financial system; reversal of endemic dollarization; financial deepening at the expense of the banking system; and maintenance of external viability despite a lackluster export performance.

Sundaresan, Suresh

TI Bidder Behavior in Multiple Unit Auctions: Evidence from Swedish Treasury Auctions. AU Nyborg, Kjell G.; Rydqvist, Kristian; Sundaresan, Suresh.

TI Corporate Bond Yield Spreads and the Term Structure. AU Anderson, Ronald W.; Pan, Yonghua; Sundaresan, Suresh.

Sunley, Peter

TI Unemployment Flow Regimes and Regional Unemployment Disparities. AU Martin, Ron; Sunley, Peter.

Sural, Haldun

PD 1997. TI The Bounded Knapsack Problem with Setups. AU Sural, Haldun; Van Wassenhove, Luk N.; Potts, Chris N. AA Sural and Van Wassenhove: INSEAD. Potts: University of Southampton. SR INSEAD Working Papers: 97/71/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. PG 19. PR no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. JE C60, L10, L20. KW Knapsack. Complexity. Branch and Bound.

AB In the bounded knapsack problem with setups there are a limited number of copies of each item and the inclusion of an item in the knapsack requires a fixed setup capacity. Analysis of special cases of the problem allows the authors to derive the borderline between hard and easy problems. The authors develop a branch and bound algorithm for the general problem and present some computational results.

Sutherland, Holly

PD July 1997. TI The EUROMOD Preparatory Study: A Summary Report. AA University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/25; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 18. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE C81, H20. KW Microsimulation. Europe. Behavioral Responses. Tax-Benefit Model.

AB This paper summarizes the results of the EUROMOD Preparatory Study which was established to explore the potential and feasibility of building a Europe-wide tax-benefit microsimulation model. The paper describes what is meant by microsimulation, explains the rationale for a Europe-wide model and discusses the type of microsimulatiom model to be built, making particular reference to the treatment of behavioral responses. It surveys the available sources of micro-data, discusses the particular data needs of a policy simulation model and reviews computing and software options.

Swysen, Didier

TI Optimal Pricing and Regulation of Transport Externalities: A Welfare Comparison of Some Policy Alternatives. AU De Borger, Bruno; Swysen, Didier.

Symansky, Steve

TI Implications for Savings of Aging in the Asian "Tigers". AU Heller, Peter S.; Symansky, Steve.

Takagi, Shinji

PD September 1997. TI Japan's Restrictive System of Trade and Payments: Operation, Effectiveness, and Liberalization, 1950-1964. AA University of Osaka and International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/111; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 39. PR not available. JE F13, F31, F33, N45. KW Exchange Rates. Exchange Restrictions. Japan. International Trade.

AB The paper summarizes how Japan's foreign exchange and trade control system operated in the early 1950's, how and how effectively it was used as a tool of external adjustment, and how it was liberalized from the late 1950's into the early 1960's. Although the Japanese government was extensively involved in allocating scarce foreign exchange in the 1950's, the control system became increasingly flexible over this period. A preliminary analysis based on the behavior of wholesale prices

seems to indicate that, along with its liberalization, the restrictive system became less effective as a tool of external adjustment, while the impact of deflationary macroeconomic measures became more dominant.

Tamborini, Roberto

TI Climate Change and Event Uncertainty in a Dynamic Model with Overlapping Generations. **AU** Moretto, Michele; Tamborini, Roberto.

Tanzi, Vito

PD September 1997. **TI** The Changing Role of the State in the Economy: A Historical Perspective. **AA** OECD and International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/97/114; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 28. **PR** not available. **JE** B10, H11, H50, N40, O23. **KW** Economic History. Government Role.
AB This paper discusses the role of the state from a historical perspective. It outlines how that role has changed over the past hundred years and discusses the forces that have promoted the changes. In the period between 1913 and 1980, there was a large increase in public spending in industrial countries and a considerable expansion in the role of the government in the economy in all countries. The paper also outlines the intellectual developments that, starting in the 1970's, have brought about a reaction to the large role that the state has come to play in the economy.

PD October 1997. **TI** Corruption, Public Investment, and Growth. **AU** Tanzi, Vito; Davoodi, Hamid. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/97/139; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 23. **PR** not available. **JE** D73, E62, H50, O40, O57. **KW** Corruption. Public Investment. Growth. Productivity.
AB Corruption, particularly political or "grand" corruption, distorts the entire decision-making process connected with public investment projects. The degree of distortions is higher with weaker auditing institutions. The evidence presented shows that higher corruption is associated with (I) higher public investment; (II) lower government revenues; (III) lower expenditures on operations and maintenance; and (IV) lower quality of public infrastructure. The evidence also shows that corruption increases public investment while reducing its productivity. These are five channels through which corruption lowers growth. An implication is that economists should be more restrained in their praise of high public sector investment, especially in countries with high corruption.

Tatch, James R.

TI A Study of the Factors Affecting Participation in Post-Compulsory, Full-Time Education and Government Supported Training by 16-18 Year Olds in England and Wales. **AU** Pratten, Clifford F.; Robertson, Donald; Tatch, James R.

Tavassoli, Nader T.

TI Physioeconomic Theories of Culture and Consumption. **AU** Parker, Philip M.; Tavassoli, Nader T.

Terwiesch, Christian

PD 1997. **TI** A Framework for Exchanging Preliminary Information in Concurrent Development Processes. **AU** Terwiesch, Christian; Loch, Christoph H.; De Meyer, Arnoud. **AA** Terwiesch: University of California, San Diego. Loch and De Meyer: INSEAD. **SR** INSEAD Working Papers: 97/117/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 29. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** L15, L23, L62, M11. **KW** Concurrent Engineering. Preliminary Information. Automobile Industry.
AB The usage of preliminary information is frequently referred to as an important requirement for a successful application of concurrent development processes (concurrent engineering). Interestingly, although the concept of preliminary information underlies most frameworks of concurrent engineering, little is known about the concept, both from a managerial and a theoretical perspective. Building on fieldwork in the automotive industry, the authors present a framework which operationalizes preliminary information in the form of two dimensions, information precision and information stability. Information precision refers to the accuracy of the information exchanged. Information stability defines with what likelihood a piece of information is going to be changed later in the process. The authors framework is grounded on detailed longitudinal data collection from five engineering decisions that they traced as on-site observers in a vehicle development project. They discuss the managerial decisions that a development organization faces in the management of preliminary information.

PD November 1997. **TI** Managing the Process of Engineering Change Orders: The Case of the Climate Control System in Automobile Development. **AU** Terwiesch, Christian; Loch, Christoph H. **AA** Terwiesch: University of California, San Diego. Loch: INSEAD. **SR** INSEAD Working Papers: 97/116/TM; INSEAD, Research and Development, Boulevard de Constance, 77305 Fontainebleau Cedex, France. Website: www.insead.fr/research. **PG** 26. **PR** no charge up to five copies; after five copies 18FF per working paper plus postage and VAT. **JE** L23, L62, M11. **KW** Engineering Change Orders. Automobile Industry. Production Costs.
AB Engineering change orders (ECO's) are part of almost every development process, consuming a significant part of engineering capacity and contributing heavily to development and tool costs. Many companies use a support process to administer ECO's, which fundamentally determines ECO costs. This administrative process encompasses the emergence of a change, the management approval of the change, up to the change's final implementation. This process can consume several weeks, several months, and sometimes over a year. Based on a case study of the climate control system development in a vehicle, the authors identify five key contributors to long ECO lead times: a complex approval process, snowballing changes, scarce capacity and congestion, set-ups and batching, and organizational issues. The authors develop an analytical framework that explains how it is possible that such time critical tasks such as ECO's spend up to 90% of their lifetime "sitting on someone's desk", waiting for further processing.

Thimann, Christian

TI Saving in Southeast Asia and Latin America Compared:

Searching for Policy Lessons. AU Dayal-Gulati, Anuradha; Thimann, Christian.

Thomas, Jonathan
TI A Simple Test of the Shirking Model. AU Manning, Alan; Thomas, Jonathan.

Tiomo, A.
TI Households Portfolio Allocations. AU Gourieroux, Christian; Tiomo, A.; Trognon, A.

Tirole, Jean
TI A Liquidity Based Asset Pricing Model. AU Holmstrom, Bengt R.; Tirole, Jean.

Tommasi, Mariano
TI When Does it Take a Nixon to Go To China? AU Cukierman, Alex; Tommasi, Mariano.

Trajtenberg, Manuel
TI International Knowledge Flows: Evidence from Patent Citations. AU Jaffee, Adam B.; Trajtenberg, Manuel.

Tranaes, Torben
TI Two-Stage Bargaining with Coverage Extension in a Dual Labor Market. AU Roberts, Mark A.; Stachr, Karsten; Tranaes, Torben.

TI Effort Commitment in Active Labor Market Programs: Consequences for Participation Incentives and Wage Information. AU Hansen, Claus Thustrup; Tranaes, Torben.

Trognon, A.
TI Households Portfolio Allocations. AU Gourieroux, Christian; Tiomo, A.; Trognon, A.

Tsigaris, Panagiotis D.
TI Environmental Quality and Social Insurance. AU Sartzetakis, Eftichios S.; Tsigaris, Panagiotis D.

Tulkens, Henry
PD July 1997. TI Co-Operation vs. Free-Riding in International Environmental Affairs: Two Approaches. AA Universite Catholique de Louvain. SR Fondazione Eni Enrico Mattei Note di Lavoro: 47/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG 18. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE H30, C71. KW Cooperation. Free Riding. Pollution. Transboundary Pollution.
AB Two theses on the likelihood of international cooperation for achieving international optimality in transboundary pollution problems are being confronted: a pessimistic one and an optimistic one. The "Small Stable Coalitions" (SSC) thesis holds the view that only small subsets of the countries involved will cooperate; the "Grand Stable Coalition" (GSC) thesis presents the contents of a feasible treaty which the authors show to enjoy some "core property", that is, to be more beneficial not only for all countries taken individually, but also more beneficial for all subgroups of them, for any partial treaty they might sign among themselves. An explicit and computable cost sharing formula for joint pollution abatement is exhibited to support the second view, designed to be included in the

relevant treaty. The two views are formally developed, after that a presentation is given of the common underlying economic model of international environmental externalities.

Turner, Anthony G.
PD November 1997. TI Towards a System of Multilateral Unit Labor Cost-Based Competitiveness Indicators for Advanced, Developing, and Transition Countries. AU Turner, Anthony G.; Golub, Stephen S. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/151; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 46. PR not available. JE F31, G15, L60, N20, O57. KW Exchange Rates. Unit Labor Costs. Manufacturing.
AB This paper attempts to extend the range of countries covered by the IMF's multilateral real exchange rate indexes based on relative unit labor costs (REER-ULC's) in manufacturing. A data set was assembled that permits calculation of REER-ULC's for 23 newly industrialized, developing, and transition countries in addition to the 21 industrial countries covered by the current system. Although the results are mostly quite encouraging, they should be considered preliminary because of uncertainty about the reliability and comparability of the underlying data. Also, unit labor costs are not available on as timely a basis as consumer price indexes (CPI's), especially for non-industrial countries. Thus, the ULC-based indicators should supplement rather than replace the current CPI-based system.

Turner, Paul
TI Asymmetries in Private Sector Investment Expenditure: An Empirical Investigation. AU Arden, Richard; Holly, Sean; Turner, Paul.

TI The Asymmetric Adjustment of Prices: Theory and Evidence from UK Manufacturing. AU Arden, Richard; Holly, Sean; Turner, Paul.

TI Asymmetric Adjustment Costs, Asymmetric Pricing and Employment: Evidence from the UK. AU Arden, Richard; Holly, Sean; Turner, Paul.

TI Production Smoothing, Inventory Investment and Asymmetric Adjustment. AU Arden, Richard; Holly, Sean; Turner, Paul.

Ubide, Angel
PD October 1997. TI Determinants of Inflation in Mozambique. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/145; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 36. PR not available. JE E31, E37, E52. KW Unobserved Components. Inflation. Vector Autoregression. Mozambique. Monetary Policy.
AB Mozambique's inflation rate was consistently high until 1995, and then plunged in 1996. This paper suggests that Mozambique's inflation pattern is a combination of a fundamental trend set by economic policies, seasonal behavior that follows closely that of agriculture, and a collection of irregular events that corresponds mainly to agroclimatic conditions. The empirical results show that the marked tightening of monetary policy in 1996 was the ultimate reason for the control of inflation in 1996, and hence seems to correspond to a change in the fundamental trend of inflation

that may have long-lasting effects.

Uribe, Martin
TI The Syndrome of Exchange-Rate-Based Stabilizations and the Uncertain Duration of Currency Pegs. AU Mendoza, Enrique G.; Uribe, Martin.

Valdivia, Victor H.
PD September 1997. TI The Insurance Role of Social Security: Theory and Lessons for Policy Reform. AA International Monetary Fund. SR International Monetary Fund Working Paper: WP/97/113; International Monetary Fund, 700 19th Street, Washington, DC 20431. PG 49. PR not available. JE D58, D91, E62, H55, J14. KW Social Security. Public Finance. General Equilibrium.
AB This paper examines the impact of social security on welfare. The provision of social security reduces precautionary savings and encourages early retirement. Consequently, it lowers aggregate capital, employment, output, and consumption. On the other hand, it also provides old age insurance. This trade-off is examined using a life-cycle general equilibrium model. The paper finds that the current U.S. Social Security system can improve welfare even though the levels of aggregate output, employment, capital, and consumption fall relative to their levels without such a system. The welfare gains arise from insurance against living much longer than expected.

Van den Bergh, Roger
PD March 1997. TI Self-Regulation of the Medical and Legal Professions: Remaining Barriers to Competition and EC-Law. AA Universities of Hamburg, Antwerpen and Utrecht. SR Fondazione Eni Enrico Mattei Note di Lavoro: 31/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.feem.it. PG 67. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE J44, L44. KW Professional Organizations. Self Regulation. Competition.
AB In the Gebhard judgement the European Court of Justice has formulated the requirements which must be satisfied for self-regulatory restrictions on entry (such as the protection of titles and compulsory membership of public professional bodies) to be compatible with the fundamental freedoms guaranteed by the EC-Treaty. The paper suggests how the legal criteria may be clarified by economic insights to enable a better assessment of their conformity with the EC Treaty. To demonstrate that regulation is needed for imperative reasons of public interest, it should be shown that the self- regulatory measures are able to cope with market failures (information asymmetries, externalities). To show that the measures do not go beyond what is necessary to attain this goal (requirement of proportionality), it should be shown that there are no alternative rules which cope with the relevant market failures as effectively as the current rules, without causing the same inefficiencies.

Van Wassenhove, Luk N.
TI The Bounded Knapsack Problem with Setups. AU Sural, Haldun; Van Wassenhove, Luk N.; Potts, Chris N.

TI An Empirical Study of Adoption Levels of Software Management Practices Within European Firms. AU Dutta, Soumitra; Van Wassenhove, Luk N.

TI Cooperation between Strands of Practice: Challenges and Opportunities for the Renewal of or Cooperation Between Strands of Practice. AU Overmeer, Willem J. A. M.; Corbett, Charles J.; Van Wassenhove, Luk N.

van Ypersele, Tanguy
TI Tax Harmonisation: Does the Unanimity Rule Play a Role? AU Grazzini, Lisa; van Ypersele, Tanguy.

Varga, Attila
TI Entrepeneurship, Geographic Spillovers and University Research: A Spatial Econometric Approach. AU Anselin, Luc; Varga, Attila; Acs, Zoltan J.

Vassalou, Maria
TI Portfolio Selection and Asset Pricing With Dynamically Incomplete Markets and Time- Varying First and Second Moments. AU Nielsen, Lars Tyge; Vassalou, Maria.

PD July 1997. TI What Does Foreign Inflation Tell Us About Future Domestic Inflation? Evidence From The G-7 Countries. AA Columbia University. SR Columbia PaineWebber Working Paper Series in Money, Economics and Finance: PW/97/02; Graduate School of Business, 6N Uris Hall, Columbia University, 3022 Broadway, New York, NY 10027. Website: www.columbia.edu/dlc/wp/. PG 29. PR $5.00 academics and non-profit institutions; $6.00 corporations (add $1.00 outside U.S., Canada and Puerto Rico). JE E31. KW Foreign Inflation. Inflation.
AB This paper evaluates the ability of foreign inflation to predict future domestic inflation. A simple model is proposed which obeys an error correction representation. The error correction term has significant predictive ability over future domestic inflation in all G7 countries and in horizons that vary from one- to thirty six-months. Out-of-sample comparisons reveal that the proposed model outperforms in a significant way, univariate models at the one- and two-month horizons. This is a useful result for policymakers, since interest rate models, for instance, are unable to provide useful information about future domestic inflation in horizons shorter than six months.

Veld, Chris
TI Analyzing Specification Errors in Models for Futures Risk Premia with Hedging Pressure. AU de Roon, Frans A.; Nijman, Theo E.; Veld, Chris.

Vella, Francis
TI Nonparametric Estimation of Triangular Simultaneous Equations Models. AU Newey, Whitney K.; Powell, James L.; Vella, Francis.

Venables, Anthony J.
TI Agglomeration and Economic Development: Import Substitution vs. Trade Liberalization. AU Puga, Diego; Venables, Anthony J.

Vettas, Nikolaos
PD July 1997. TI Entry and Exit under Demand Uncertainty. AA Vettas: Duke University. SR Duke University Department of Economics Working Papers: 97/31; available only through Web site: www.econ.duke.edu/Papers/wpindex.html. PG 10. PR no charge. JE D81, D83, L10. KW Industry Dynamics. Entry. Exit. Bayesian Learning.

AB This paper presents a dynamic model of entry and exit in competitive markets with demand uncertainty and Bayesian learning. There is a unique equilibrium path characterized by a pair of simple zero-expected profit equations.

Viaene, Jean-Marie

PD November 1997. TI Capital Markets Integration, Growth and Income Distribution: A Dynamic Analysis. AU Viaene, Jean-Marie; Zilcha, Itzhak. AA Viaene: Erasmus University and Tinbergen Institute. Zilcha: Tel Aviv University and Tinbergen Institute. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 31/97; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 30. PR no charge. JE D90, E20, F20, J20. KW Altruism. Growth. Human Capital. Market Integration.

AB The paper considers a two-country model of overlapping generations heterogeneous economies with intergenerational transfers carried out in the form of bequests and investment in human capital. We examine in competitive equilibrium the transitory and long-run effects of capital markets integration. First, we explore how the regime of education provision -- public or private- affects the dynamics of the integrated economy. Second, we study the effects of capital markets integration, in equilibrium, on the intragenerational income distribution in both the host and investing country; the role of the educational regime in this case is also examined.

Viala, Pascale

TI Contentious Contracts. AU Hege, Ulrich; Viala, Pascale.

Vidal, Jean-Pierre

PD 1997. TI The Effect of Emigration on Human Capital Formation. AA University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/29; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 8. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE F22, J24, O15. KW Emigration. Human Capital. Overlapping Generations.

AB This paper focuses on a possible effect of emigration on human capital formation. Emigration to a high return to skills country provides an incentive to investment in human capital. The level of human capital formation in the sending country can therefore be positively correlated with the probability of emigration. The author also provides an example borrowed from Galor and Stark (1994), in which emigration can lead the sending country out of the underdevelopment trap.

PD July 1997. TI Capital Mobility in a Dynastic Framework. AA University of Cambridge. SR University of Cambridge, Department of Applied Economics Working Papers Amalgamated Series: 97/18; Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, United Kingdom. Website:www.econ.cam.ac.uk/dae. PG 15. PR $10.00 (5 pounds); make checks payable to University of Cambridge. JE F15, F21. KW Altruism. Capital Mobility. Economic Integration.

AB This paper studies the pattern of capital mobility with a two-country dynastic model in which each country is exogenously characterized by its degree of altruism towards children. The steady-state welfare implications of restricted as well as unrestricted capital mobility are established. It is shown that world integration increases the steady- state welfare of the more altruistic capital exporting country and can either increase or reduce the steady-state welfare of the less altruistic capital importing country.

Visconti, Federico

TI Regulatory Problems in Industries With Very Small Firms. AU Lago, Umberto; Visconti, Federico.

Von Thadden, Ernst-Ludwig

PD July 1997. TI Liquidity and Control: A Dynamic Theory of Corporate Ownership Structure. AU Von Thadden, Ernst-Ludwig; Bolton, Patrick. AA Von Thadden: Universite de Lausanne.. Bolton: Universite Libre de Bruxelles and Princeton University. SR Universite de Lausanne Cahiers de Recherches Economiques: 9712; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 43. PR no charge. JE D23, G32. KW Corporate Control. Liquidity. Corporate Governance. Ownership Structure. Capital Markets.

AB The paper develops a theory of ownership structure based on the notion that corporate control and secondary market liquidity are not perfectly compatible with each other. The authors analyze the tradeoff between these two objectives for two different ownership structures: the privately held firm, which is characterized by restricted trading opportunities for owners and non-anonymous trading, and the publicly traded firm where trading opportunities are unrestricted and trading is anonymous. The authors develop pricing formulas for each structure, compare these with each other, and derive predictions for optimal ownership design, depending on the institutional structure of the capital market.

PD February 1998. TI Dominant Investors and Strategic Transparency. AU Von Thadden, Ernst-Ludwig; Perotti, Enrico. AA Von Thadden: Universite de Lausanne. Perotti: University of Amsterdam. SR Universite de Lausanne Cahiers de Recherches Economiques: 9804; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 38. PR no charge. JE D21, D43, G32, L21. KW Corporate Transparency. Capital Structure. Banks. Product Markets.

AB This paper studies product market competition under a strategic transparency decision. Dominant investors can influence information collection in the financial market, and thereby corporate transparency, by affecting market liquidity or the cost of information collection. More transparency on a firm's competitive position has both strategic advantages and disadvantages: in general, transparency results in higher variability of profits and output. Thus lenders prefer less information revelation through stock market trading, since this protects firms when in a weak competitive position, while equity holders prefer more to make full use of the strategic advantage of a strong firm. The authors show that bank-controlled firms will tend to discourage trading to reduce price informativeness, while shareholder-run firms prefer more transparency. Their comparative statics show that bank control may fail to keep firms less transparent as global trading volumes rise.

PD May 1998. TI Asymmetric Information, Bank Lending and Implicit Contracts: The Winner's Curse. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9809; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 16. PR no charge. JE D43, D44, D82, G21, G30. KW Banking Relationships. Competition. Asymmetric Information. Informational Lock-In. Auctions.

AB The purpose of this note is to point out an error in a widely cited paper by Sharpe (1990) on long-term bank-firm relationships and to provide a correct analysis of the problem. The model studies repeated lending under asymmetric information which leads to winner's-curse type distortions of competition. Contrary to the claims in Sharpe (1990), this game only has an equilibrium in mixed strategies, which features a partial informational lock-in by firms and random termination of lending relationships.

Von Ungern-Sternberg, Thomas

PD April 1997. TI L'assurance immobiliere en France: une comparaison avec la Suisse. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9702; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 25. PR no charge. JE H24, L50, L80. KW France. Assurance Habitation. Reassurance Etatique. Selection Adverse. Catastrophes Naturelles.

AB This paper is written is Swiss.

PD April 1997. TI Gebaudeversicherung in Frankreich: ein Vergleich mit der Schweiz. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9703; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 26. PR no charge. JE H24, L50, L80. KW

AB This paper is written is Swiss.

PD September 1997. TI La Distribution Des Benefices De La Banque Nationale Suisse. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9708; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 27. PR no charge. JE E58, H73, H77. KW Central Bank. Profit Distribution. Law Evasion. Self Interest. Asset Accumulation.

AB This paper is written in Swiss.

PD September 1997. TI Bases De Decision Pour Une Nouvelle Loi Sur La Banque Nationale. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9709; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 53. PR no charge. JE E58, E59, K40. KW Swiss National Bank. Portfolio Management. Gold Stock. Asset Management. Profit Distribution.

AB The paper studies the profit distribution and portfolio on 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: Relative to the country's 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. The authors conclude that the law should be revised, the country should gradually sell its gold reserves, and the country's assets should be invested more intelligently, preferably by private institutions.

PD November 1997. TI Okonomische Grundlagen Fur Ein Vernunfiges Mieterschutzgesetz. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9713; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 23. PR no charge. JE D18, K11, R20, R52. KW Tenant Protection. Interest Rates. Hold-Up Problem. Mortgage Rates. Switzerland.

AB The Swiss law for the protection of tenants does not distinguish between nominal and real interest rates. As a result, rents are massively over-indexed in periods of high inflation. In the period 1990-1996 the structural faults in the Swiss law have cost the tenants roughly 9 bio. Fr. The simplest way to eliminate the problems of the current law is to abolish the link between rents and mortgage rate, and permit a full indexation. For macro-economic reasons it would be preferable to smooth this indexation over time.

PD November 1997. TI Ein Neuer Verfassungsartikel Fur Die Schweizerische Nationslbank. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9715; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 31. PR no charge. JE E58, E59. KW Constitution. Central Banks. Portfolio Decision. Gold Sales. Accountability.

AB This paper critically examines the proposed new constitutional article for the Swiss National Bank. The main modifications suggested are as follows: -- Switzerland should sell most of its gold and start doing so now. -- A large fraction of the countries financial assets should be invested with the aim of obtaining a decent return. The SNB should pay out most (85%) of its profits to the government every year. -- The SNB's independence and accountability should be fixed in the constitution. -- The SNB's constitutional role should not be targeted solely at the pursuit of price stability.

PD November 1997. TI Die Katastrophen-Versicherung In Spanien. AA Universite de Lausanne. SR Universite de Lausanne Cahiers de Recherches Economiques: 9716; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. PG 20. PR no charge. JE G22, K23, L41, L42, L85. KW Catastrophe Insurance. State Monopoly. Adverse Selection. Spain. European Union.

AB This paper studies the state building insurance monopoly in Spain, the Consorcio the Compensacion de Seguros. It is shown that, just like its Swiss counterparts, the Consorcio operates with exceptionally low transactions costs. Furthermore it allows the supply of a very low cost insurance cover in a domain, where competition would usually lead to market failure due to problems of adverse selection. The existence of the Consorcio is in contradiction with the 3rd EU guidelines on the insurance market, however Spain managed to get an exemption.

PD December 1997. TI Bases Economiques Pour Une

Loi Sur La Protection Des Locataires. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9717; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. **PG** 23. **PR** no charge. **JE** R48, R52. **KW**
AB This paper is written in Swiss.

PD December 1997. **TI** L'Assurance Contre Les Catastrophes En Espagne. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9718; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. **PG** 20. **PR** no charge. **JE** G22, K23, L41, L42, L85. **KW** Catastrophe Insurance. State Monopoly. Adverse Selection. Spain. European Union.
AB This paper studies the state building insurance monopoly in Spain, the Consorcio the Compensacion de Seguros. It is shown that, just like its Swiss counterparts, the Consorcio operates with exceptionally low transactions costs. Furthermore it allows the supply of a very low cost insurance cover in a domain where competition would usually lead to market failure due to problems of adverse selection. The existence of the Consorcio is in contradiction with the 3rd EU guidelines on the insurance market. However, Spain managed to get an exemption.

PD January 1998. **TI** Die Fusion UBS-SBV aus der Sicht der Wettbewerbspolitik. **AU** Von Ungern-Sternberg, Thomas; Neven, Damien. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9802; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. **PG** 27. **PR** no charge. **JE** G21, G34, K21, L41, L80. **KW** Banks. Mergers. Competition Policy. Joint Dominance. Credit Market.
AB This paper examines the effects the planned merger between UBS and SBC would have on competition in the Swiss banking market. It is shown that the merger would lead to a dangerous level of concentration in certain submarkets such as the (economically important) market for credits to small and medium enterprises. The merger should be permitted only under severe remedies such as the selling of one of the domestic retail networks to an outside competitor. The merger would probably not be allowed by the British, EU or U.S. competition authorities. In England there have been two attempts to merge two of the four universal banks in the last decade. Both have failed, largely as a result of competitive concerns.

TI The Competitive Impact of the UBS-SBC Merger. **AU** Neven, Damien; Von Ungern-Sternberg, Thomas.

PD April 1998. **TI** Wettbewerbspolitik a la UBS. **AU** Von Ungern-Sternberg, Thomas; Neven, Damien. **AA** Universite de Lausanne. **SR** Universite de Lausanne Cahiers de Recherches Economiques: 9807; Departement d'Econometrie et d'Economie Politique, Universite de Lausanne, BFSH1 -- Dorigny, CH- 1015 Lausanne, Switzerland. **PG** 24. **PR** no charge. **JE** G21, G34, L41, L44. **KW** Bank Mergers. Concentration. Entry Barriers. Local Markets.
AB In a previous paper the authors have shown that the UBS-SBC merger would lead to an excessive concentration in the credit market for small and medium companies. The UBS

has reacted to this paper in a series of letters to the Swiss competition authorities. The authors critically examine the content of these replies with special reference to the policies applied in the U.S. and Germany with respect to banking mergers. They find that the planned merger would have no chance of obtaining a clearing in either of these countries, unless strong remedies were implemented such as the selling of one of the two retail networks on the domestic market.

Vrolijk, Coenraad
PD September 1997. **TI** Derivatives Effect on Monetary Policy Transmission. **AA** International Monetary Fund. **SR** International Monetary Fund Working Paper: WP/97/121; International Monetary Fund, 700 19th Street, Washington, DC 20431. **PG** 56. **PR** not available. **JE** E44, E52, F36, G15, G19. **KW** Monetary Policy. Derivatives. United Kingdom. Transmission Mechanisms.
AB This paper examines changes in the monetary policy transmission mechanism in the presence of derivatives markets. The effect of adding derivatives markets is analyzed independently for each of the main channels of monetary policy transmission: interest rates, credit, and exchange rates. Theoretically, derivatives trading speeds up transmission to financial asset prices, but changes in the transmission to the real economy are ambiguous. Using the structural vector autoregression methodology, an empirical study of the United Kingdom is used to assess the impulse responses of output and inflation, controlling for the size of the UK derivative markets. No definitive empirical support for a change in the transmission process is found.

Wadsworth, Jonathan
TI Everyone's A Winner?: Persistence in British Private Sector Wage Settlements 1979- 1994. **AU** Ingram, Peter; Wadsworth, Jonathan; Brown, Donna.

Wasmer, Etienne
PD October 1997. **TI** Equilibrium Urban Unemployment. **AU** Wasmer, Etienne; Zenou, Yves. **AA** Wasmer: London School of Economics, CREST and DELTA. Zenou: Universite Catholique de Louvain. **SR** London School of Economics, Center for Economic Performance Discussion Paper: 368; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 37. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** E24, J41, J64, R14. **KW** Location. Spatial Structure. Search Intensity. Matching Function. Equilibrium Unemployment.
AB The authors introduce a spatial dimension in a search equilibrium unemployment model. By assuming that workers' search efficiency decreases with the distance to the employment center, two urban equilibrium configurations emerge: either the unemployed reside close to the employment center or far away from it, depending on the values of the commuting costs and the surplus associated with search, which depends on the labor market equilibrium. The labor market equilibrium itself depends crucially on these urban equilibria. The authors show that the unemployment level is lower in the first urban equilibrium.

PD October 1997. **TI** Competition for Jobs in a Growing Economy and the Emergence of Dualism. **AA** London School of Economics, CREST and DELTA. **SR** London

School of Economics, Center for Economic Performance Discussion Paper: 369; Center for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 39. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J24, J30, J41, J64, O40. KW Labor Market. Temporary Contracts. Unemployment. Europe.

AB The author aims to explain the rising share of short-term employment in Europe using a matching model with growth. The author finds that a slow-down in growth of labor productivity leads to the emergence of temporary (short-term) jobs that explains their increasing share in total employment. Lower growth rates also shift the "beveridge curve" to the right and weaken the bargaining position of workers. These effects generate a relation between growth and unemployment, which can be negative when its adverse effect of growth on wage setting dominates over its positive effect on labor demand. In addition, higher population growth increases the share of temporary jobs and unemployment. Finally, the often blamed firing costs are found to be neutral when there is no floor on wages.

Webb, Kernaghan

PD February 1997. TI Voluntary Approaches, the Environment and the Law: A Canadian Perspective. AU Webb, Kernaghan; Morrison, Andrew. AA Webb: Carleton University. Morrison: University of Victoria Law School. SR Fondazione Eni Enrico Mattei Note di Lavoro: 25/97; Fondazione Eni Enrico Mattei, Corso Magenta 63, 20123 Milano, Italy. Website: www.fccm.it. PG 35. PR 10 papers minimum order at $4.00 each; annual subscription at $250.00. JE D23, D71, D78, K32, L51. KW Voluntary Agreements. Environmental Regulation. Law. Transaction Costs. Property Rights.

AB Where a firm, or group of firms, pledges voluntarily to adhere to a particular set of rules pertaining to environmental protection, there are significant legal ramifications. Indeed, voluntary code regimes often act as adjuncts to the legal system, with substantial legal effects, intended or not. Analysis suggests that regulatory approaches to environmental protection tend to be advantageous in terms of visibility, credibility, accountability, compulsory application to all, cost spreading, and availability of a range of sanctions. However, regulatory approaches are often highly formal, expensive to operate, may foster adversarial relationships, are subject to jurisdictional constraints, and are difficult and costly to amend. In contrast, voluntary rule systems pertaining to the environment are generally more flexible, less costly, easier to establish and amend, and are less formal. Typical negative aspects include generally lower visibility, credibility, difficulty in applying the rules to free riders, and a more limited array of sanctions options.

Weiss, Yoram

PD July 1997. TI Social Status and Economic Performance: A Survey. AU Weiss, Yoram; Fershtman, Chaim. AA Tel Aviv University. SR Tel Aviv Foerder Institute for Economic Research Working Paper: 19/97 ; The Eitan Berglas School of Economics, Tel Aviv University, Tel Aviv 69978, Israel. Website: econ.tau.ac.il. PG 21. PR no charge. JE A12, A14, J20. KW Social Status. Wealth. Wages. Growth.

AB This survey combines ideas and results from sociology and economics, recognizing that economic decisions are often shaped by social concerns and influences. Based on the sociological literature, we define social status and describe its measurement. We then describe the role of social status in economic analysis of saving and consumption, wages and economic growth. We review recent work on status determination in equilibrium, including evolutionary models. We conclude with some remarks on the need for further interaction between sociology and economics.

TI The Absorption of Highly Skilled Immigrants: Israel, 1990-1995. AU Eckstein, Zvi; Weiss, Yoram.

Wells, Robin E.

PD July 1998. TI Information Authority and Internal Governance of the Firm. AA Massachusetts Institute of Technology. SR Massachusetts Institute of Technology, Department of Economics Working Papers: 98/03; Department of Economics, E52-262, Massachusetts Institute of Technology, Cambridge, MA 02139. PG 42. PR $7.00 U.S., Canada, Mexico; $10.00 other international. JE D23, D82, L22. KW Organizational Structure. Firm Behavior. Authority. Coalition Behavior.

AB A theory of optimal internal organizational structure of the firm as a problem of governing the internal trade in a firm's resources is presented and analyzed in this paper. A principal faces several agents in a multi-product organization who are differentially and privately informed about revenue prospects and quality of an organizational asset. I analyze first a "structure-less organization" in which there is free communication and coalition-formation among players including the principal. In this environment and under complete contracting, I show that when a productively-critical agent can control the allocation of his own labor services and can withhold information on allocative efficiency of resources he becomes the nexus of competing interests within the organization and can thereby capture its disposable rents. This results in no loss of allocative efficiency of the organization and no complete contract offered by the principal can alter this outcome in equilibrium. Information hoarding behavior is consistent with numerous observations by organizational behaviorists and economic historians. I show that a solution for the principal is to impose an incomplete-contract mechanism, where the principal ignores efficiency-enhancing messages from agents. This mechanism functions as an authority structure and provides rent-extraction for the principal but decreased the allocative efficiency of the organization.

Wescott, Robert F.

TI Policy Complementarities and the Washington Consensus. AU Aziz, Jahangir; Wescott, Robert F.

Wilkinson, Frank

TI The Wage Costs of a National Statutory Minimum Wage in Britain. AU Robson, Paul; Dex, Shirley; Wilkinson, Frank.

Willard, Kristen

TI Firm Valuation With Deferred Taxes: A Theoretical Framework. AU Amir, Eli; Kirschenheiter, Michael; Willard, Kristen.

Wolde-Mariam, Asegedech

TI Tax Effort in Sub-Saharan Africa. AU Stotsky, Janet

G.; Wolde-Mariam, Asegedech.

Wolpin, Kenneth I.
TI   A Quantitative Analysis of Swedish Fertility Dynamics: 1751-1990. AU   Eckstein, Zvi; Mira, Pedro; Wolpin, Kenneth I.

TI   Youth Employment and Academic Performance in High School. AU   Eckstein, Zvi; Wolpin, Kenneth I.

Wood, Eric
PD   September 1997. TI   SME Innovator Types and Their Determinants.   AA   University   of   Cambridge. SR   University of Cambridge, ESRC Centre for Business Research Working Papers: WP72; Center for Business Research, Department of Applied Economics, University of Cambridge, Sidgwick Avenue, Cambridge CB3 9DE, England. Website:www.cbr.cam.ac.uk.   PG   22.   PR $10.00   (5 pounds); make checks payable to University of Cambridge. JE   L11, L23, O31.   KW   Small Firms. Innovation.
AB   The distinction between innovating and non-innovating firms masks important differences between innovating firms in terms of the intensity, orientation and persistence of their innovation activities, the type and novelty of their innovations, and the rate at which their product innovations are taken up by markets. Applying factor and cluster analysis to a specially constructed database of UK SME's, this paper identifies different types of SME innovator based on indicators of their use of a variety of 'inputs' to innovation. Novel product innovators are more innovation intensive than non-novel innovators, spending a higher proportion on R&D and having a significantly higher proportion of staff who are technologists, scientists or higher professionals. An important benefit of this to novel product innovators is the more rapid take-up of product innovations in the market by comparison with other innovators. However, the gap in innovation capacity and intensity between innovators and non-innovators is far larger.

Wu, Weike
TI   The Impact of Weather on the Construction Sector Output Variations, 1955-89. AU   Solomou, Solomos; Wu, Weike.

Xepapadeas, Anastasios P.
TI   Strategic Behaviour of Polluters During the Transition from Standard-Setting to Permits Trading. AU   Laplante, Benoit; Sartzetakis, Eftichios S.; Xepapadeas, Anastasios P.

PD   July 1997. TI   Measuring Benefits and Damages from CO2 Emissions and International Agreements to Slow Down Greenhouse Warming. AU   Xepapadeas, Anastasios P.; Yiannaka, Amalia. AA   Xepapadeas: University of Crete. Yiannaka: Mediterranean Agronomic Institute of Chania. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 48/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG   30. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00.   JE   C71,   Q25,   Q38.   KW   International Agreements. Greenhouse Warming. Cooperation.
AB   Recent environmental economics literature regarding global problems focuses on the emergence of international cooperation   and   underlying   incentives.   International cooperation among countries is necessary in the case of global pollution, since outcomes related to laissez-faire equilibrium

are inefficient, because each country chooses its pollution behavior ignoring the cost imposed on other countries as a result of its behavior. Voluntary cooperation among sovereign countries has been analyzed in terms of agreements of individual countries or sub-groups of countries to reduce emissions. Various models have been developed, in which a group of countries seeks to expand the agreement by self-financing welfare transfers. This paper provides an empirical investigation related to the possibility of international agreements with respect to CO2 emissions. Using data on GDP and CO2 emissions benefit functions and damage functions are estimated. Benefit-cost ratios are estimated; they are used as indicators of whether co-operation is possible.

PD   July 1997. TI   An Empirical Investigation of Dynamic Cooperative and Noncooperative Solutions for Global Warming. AU   Xepapadeas, Anastasios P.; Yiannaka, Amalia. AA   Xepapadeas: University of Crete. Yiannaka: Mediterranean   Agronomic   Institute   of   Chania. SR   Fondazione Eni Enrico Mattei Note di Lavoro: 49/97; Fondazione Eni Enrico Mattei, Corso Magenta, 63, 20123 Milano, Italy. Website: www.feem.it. PG   25. PR   10 papers minimum order at $4.00 each; annual subscription at $250.00. JE   C71, C72, Q25, Q38. KW   Global Warming. Cooperation. Noncooperative Games.
AB   Empirical investigation of global warming models in economics have started basically with simple calibrations of control models where the whole world was represented by a single agent. Theoretical advances in disaggregated game theoretic models have also motivated the analysis of disaggregated empirical models which have been extended to computable dynamic general equilibrium models or explicit solution of games related to global warming. The present paper is an empirical investigation of cooperative and noncooperative solutions in global warming using a dynamic disaggregated model of five groups of countries. This paper differs from previous empirical analysis by econometrically estimating benefit functions for each group of countries using cointegration techniques and by explicitly solving an optimal control model for the cooperative solution and a differential game model with linear Markov strategies for the noncooperative solution.

Xu, Chenggang
TI   Incentives, Scale Economies and Organizational Form. AU   Maskin, Eric; Qian, Yingyi; Xu, Chenggang.

Yafeh, Yishay
TI   Conflict of Interest in Universal Banking: Evidence from the Post-Issue Performance of IPO Firms. AU   Ber, Hedva; Yafeh, Yishay; Yosha, Oved.

Yiannaka, Amalia
TI   Measuring Benefits and Damages from CO2 Emissions and International Agreements to Slow Down Greenhouse Warming.   AU   Xepapadeas,   Anastasios   P.;   Yiannaka, Amalia.

TI   An Empirical Investigation of Dynamic Cooperative and Noncooperative   Solutions   for   Global   Warming. AU   Xepapadeas, Anastasios P.; Yiannaka, Amalia.

Yli-Renko, Helena
TI   Leveraging Resources Under Threat of Opportunism:

Predicting Networking in International Growth. AU Autio, Erkko; Yli-Renko, Helena; Sapienza, Harry.

Yosha, Oved

TI Federal Insurance of U.S. States: An Empirical Investigation. AU Sorensen, Bent E.; Yosha, Oved.

TI Conflict of Interest in Universal Banking: Evidence from the Post-Issue Performance of IPO Firms. AU Ber, Hedva; Yafeh, Yishay; Yosha, Oved.

TI Stage Financing and the Role of Convertible Debt. AU Comelli, Franscesca; Yosha, Oved.

TI Consumption Smoothing Through Fiscal Policy in OECD and EU Countries. AU Arreaza, Adriana; Sorensen, Bent E.; Yosha, Oved.

TI Permanent Income, Consumption, and Aggregate Constraints: Evidence from U.S. States. AU Ostergaard, Charlotte; Sorensen, Bent E.; Yosha, Oved.

Yuen, Chi-Wa

TI A Pecking Order of Capital Inflows and International Tax Principles. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Income Convergence Within an Economic Union: The Role of Factor Mobility and Coordination. AU Razin, Assaf; Yuen, Chi-Wa.

TI Taxation Implications of the Home Bias: A Pecking Order of Capital Inflows and Corrective Taxation. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Quantitative Implications of the Home Bias: Foreign Underinvestment, Domestic Oversaving, and Corrective Taxation. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Channelling Domestic Savings into Productive Investment Under Asymmetric Information: The Essential Role of Foreign Direct Investment. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

TI Channelling Domestic Savings into Productive Investment Under Asymmetric Information: The Essential Role of Foreign Direct Investment. AU Razin, Assaf; Sadka, Efraim; Yuen, Chi-Wa.

Zamalloa, Lorena M.

TI Liquid Asset Ratios and Financial Sector Reform. AU Gulde, Anne-Marie; Nascimento, Jean Claude; Zamalloa, Lorena M.

Zenou, Yves

TI Equilibrium Urban Unemployment. AU Wasmer, Etienne; Zenou, Yves.

Zensky, Peter

TI Mentoring and Diversity. AU Athey, Susan; Avery, Christopher; Zensky, Peter.

Zhang, Xiao-Jun

TI On the Theory of Forecast-Horizon in Equity Valuation. AU Ohlson, James A.; Zhang, Xiao-Jun.

Zhang, Xin

TI Mutual Funds and Stock and Bond Market Stability.

AU Edwards, Franklin R.; Zhang, Xin.

Zhao, Zhongyun

TI Bias Reduction in Estimating Long-Run Relationships From Dynamic Heterogeneous Panels. AU Pesaran, M. Hashem; Zhao, Zhongyun.

Zhou, Lin

TI Choice Problems with a "Reference" Point. AU Rubinstein, Ariel; Zhou, Lin.

Zilcha, Itzhak

TI Firms Under Tax Asymmetry: Price Uncertainty and Hedging. AU Eldor, Rafael; Zilcha, Itzhak.

TI Capital Markets Integration, Growth and Income Distribution: A Dynamic Analysis. AU Viaene, Jean-Marie; Zilcha, Itzhak.

TI The Value of Information in Some General Equilibrium Models. AU Eckwert, Bernhard; Zilcha, Itzhak.

Zitcha, Itzhak

TI Education, Social Security and Growth. AU Kaganovich, Michael; Zitcha, Itzhak.