

ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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

Abel, Andrew B.

PD February 2001. **TI** Will Bequests Attenuate the Predicted Meltdown in Stock Prices When Baby Boomers Retire? **AA** University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8131; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 16. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E21, E22, G12. **KW** Asset Pricing, Baby Boomers, Retirement.

AB Jim Poterba finds that consumers do not spend all of their assets during retirement, and he projects that the demand for assets will remain high when the baby boomers retire. Based on his forecast of continued high demand for capital, Poterba rejects the asset market meltdown hypothesis, which predicts a fall in stock prices when the baby boomers retire. This paper develops a rational expectations general equilibrium model with a bequest motive and an aggregate supply curve for capital. In this model, a baby boom generates an increase in stock prices, and stock prices are rationally anticipated to fall when the baby boomers retire, even though, as emphasized by Poterba, consumers do not spend all of their assets during retirement. This finding contradicts Poterba's conclusion that continued high demand for assets by retired baby boomers will prevent a fall in the price of capital.

PD February 2001. **TI** An Exploration of the Effects of Pessimism and Doubt on Asset Returns. **AA** University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8132; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D84, G12. **KW** Pessimism, Doubt, Asset Returns, Equity Premium.

AB The subjective distribution of growth rates of aggregate consumption is characterized by pessimism if it is first-order stochastically dominated by the objective distribution. Uniform pessimism is a leftward translation of the objective distribution of the logarithm of the growth rate. The subjective distribution is characterized by doubt if it is mean-preserving spread of the objective distribution. Pessimism and doubt both reduce the risk free rate and thus can help resolve the risk free rate puzzle. Uniform pessimism and doubt both increase the average equity premium and thus can help resolve the equity premium puzzle.

Abrego, Lisandro

PD March 2001. **TI** How Reasonable are Assumptions Used in Theoretical Models? Computational Evidence on the Likelihood of Trade Pattern Changes. **AU** Abrego, Lisandro; Whalley, John; Riezman, Raymond. **AA** Abrego: University

of Warwick. Whalley: University of Warwick, University of Western Ontario and NBER. Riezman: University of Iowa. **SR** National Bureau of Economic Research Working Paper: 8169; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 12. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F10, F13, F15. **KW** Trade Pattern Changes, International Trade.

AB This paper seeks to contribute to the discussion of the reasonableness of sometimes seemingly innocent assumptions used in theoretical trade models that the direction of trade is both predetermined for each good, for each country. This paper provides computational evidence as to the reasonableness of this assumption. The paper considers a simple three-country, three-good, pure-exchange model with CES preferences. It computes free trade competitive equilibria, three-country non-cooperative Nash equilibria, and customs union equilibria for randomized parameterizations, and finds that trade patterns change in around 35 percent of the cases between free trade and customs union equilibria. In three-country Nash and customs union comparisons trade patterns change roughly 40 percent of the time. This paper evaluates alternative cases, including with different numbers of randomizations in the parameter space. Results remain robust, reinforcing the conclusion that the assumption of unchanged trade pattern changes does not have firm numerical support in the cases considered.

Abul Naga, Ramses

PD January 2001. **TI** Galtonian Regression of Intergenerational Income Linkages: Biased Procedures, a New Estimator and Mean-Square Error Comparisons. **AA** University of Lausanne. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/53; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 26. **PR** no charge. **JE** C13, C52, D31, I30, J62. **KW** Intergenerational Mobility, Galtonian Regression, Errors in Variables, Mean-Square Errors, Income Mobility.

AB Because the permanent incomes of parents and children are typically unobserved, the estimation of the intergenerational correlation via the use of proxy entails an errors-in-variables bias. By solving a system of moment equations for income observed at a given year, and a T-period average of this variable, we derive an analytical form for the signal to total variance ratio. In turn, we propose a simple estimator of the intergenerational elasticity via division of the OLS estimator of this quantity. Estimates of the intergenerational elasticity derived from PSID sample range

between 0.34 and 0.69. The averaging estimator provides intermediary values between OLS and the proposed estimator. Persistence is higher for family income measures than labor market outcomes. Estimates generally increase for moving average specifications in comparison to the assumption that measurement errors are uncorrelated. The three estimators are further examined in the light of their mean square errors (square bias plus variance).

PD January 2001. **TI** A Note on the Estimation of Intergenerational Income Correlations by the Method of Averaging. **AA** University of Lausanne. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/54; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 8. **PR** no charge. **JE** C13, C52, D31, I30, J62. **KW** Intergenerational Mobility. Measurement Error. Averaging Methods. Minimum Variance. Estimation.

AB Averaging methods are routinely used in order to limit biases resulting from the mismeasurement of permanent incomes. The Solon/Zimmerman estimator regresses a single-year measurement of the child's resources on a T-period average of the parents' income while the Behrman/Taubman estimator regresses an S-period average of the child's resources on a T-period average of the parents' income. The latter estimator is shown to be the arithmetic mean of the S slope estimates arising from the Solon/Zimmerman methodology. However, because sampling variation produces yearly changes in the variance of children's incomes, it is shown that the Behrman/Taubman estimator is not efficient in the class of estimators which can be expressed as a weighted sum of the S distinct Solon/Zimmerman estimates. The minimum variance estimator in the above class is thus derived and applied to a US sample.

Acemoglu, Daron

PD April 2002. **TI** Minimum Wages and On-the-Job Training. **AU** Acemoglu, Daron; Pischke, Jorn-Steffen. **AA** Acemoglu: MIT. Pischke: CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 527; Publications Unit, Centre 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** J24, J31, J41. **KW** Labor Markets. Wages. Human Capital. Job Training.

AB Becker's theory of human capital predicts that minimum wages should reduce training investments for affected workers because they prevent these workers from taking wage cuts necessary to finance training. In contrast, in noncompetitive labor markets, minimum wages tend to increase training of affected workers because they induce firms to train their unskilled employees. We provide new estimates on the impact of the state and federal increases in the minimum wage in the US between 1987 and 1992 on the training of Low-Wage Workers. We find no evidence that minimum wages reduce training, and little evidence that they tend to increase training. We therefore develop a hybrid model where minimum wages reduce the training investments of workers who were taking wage cuts to finance their training, while increasing the training of other workers. Finally, we provide some evidence consistent

with this hybrid model.

Affuso, Luisa

PD November 2000. **TI** Investment, Reprourement and Franchise Contract Length in the British Railway Industry. **AU** Affuso, Luisa; Newbery, David M. G. **AA** Affuso: London Business School. Newbery: University of Cambridge. **SR** CEPR Discussion Paper: 2619; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C23, D23, L22. **KW** Contracts. Investment. Panel Data. Railways.

AB This paper studies the interaction between repeated auctions of rail franchises of different lengths, uncertainty, and incentives for investment in rolling stock, following the privatization of British Rail. Theoretical predictions are tested empirically using a unique panel of data. Theory suggests that short franchise lengths reduce incentives to invest in specific assets. The empirical results suggest that competition and strategic behavior at the re-procurement stage can create incentives for delayed investment. Investing just before the end of the franchise enhances the incumbent's probability of having the contract re-awarded and provides it with a first-mover advantage, while raising the entry cost for other potential bidders.

Aglietta, Michel

PD May 2000. **TI** The International Monetary Fund and the International Financial Architecture. **AA** CEPII. **SR** CEPII Working Paper: 2000/08; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 34. **PR** no charge. **JE** F33, F36, G18. **KW** Monetary Sovereignty. Monetary Integration. Currency Competition. Lender of Last Resort. International Finance.

AB The international monetary system has undergone the shift from a government-controlled to a market-led system, both an origin and an outcome of the rise of global finance. In adapting to this change, the IMF has exerted new ways in providing guidance to member countries and in regulating financial markets. But it has kept its former missions, so that no less than four models of collective action described in this paper can be depicted within an analysis of the Fund's mandate. It has been an insurer in mutual assistance of its member countries, an issuer admittedly aborted of a world currency (the SDR), a financial intermediary for development with respect to the Washington Consensus, and an international crisis manager, even playing the role of an international lender of last resort. Playing all those partly contradictory roles has overextended the Fund's capacities and eroded its speed of reaction to disturbances which come more from markets, less from governments.

PD September 1999. **TI** A Lender of Last Resort for Europe. **AA** University of Paris X Nanterre and CEPII. **SR** CEPII Working Paper: 1999/12; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 28. **PR** no charge. **JE** E58, F33, F36, G15. **KW** Financial Markets. Liquidity Risk. Systemic Risk. Bank Supervision. Central Banks.

AB This paper focuses on the prudential policy which should be implemented in the EMU area and discusses the question of

a lender of last resort. Indeed, the development of capital markets and the restructuring of banks are likely to emphasize the shortcomings in prudential policy since euro markets will become more like dollar markets. They will become vulnerable to types of instability stemming from market finance whereas most European countries have shaped their prudential policies to deal with risks proceeding from bank finance. This paper argues that a European lender of last resort should be the ESCB as a whole, the ECB Council as the ultimate authority. It analyzes how national supervisors should work as part of this network and with market participants to meet the challenge of systemic risk in the EMU.

Agnew, G. K.

PD September 2000. **TI** The U.S. Income Distribution and Gorman Engel Curves for Food. **AU** Agnew, G. K.; Beatty, Timothy K. M.; LaFrance, Jeffrey T.; Pope, Rulon D. **AA** Agnew: University of Arizona. Beatty and LaFrance: University of California, Berkeley. Pope: Brigham Young University. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 911; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 58. **PR** \$14.50 Domestic; \$29.00 International Surface Rate. **JE** C44, D31, L66. **KW** Income Distribution. Gorman Engel Curve. Food Consumption. Bayesian Analysis. Method of Moments.

AB A method for nesting, estimating and testing for the rank and functional form of the income terms in an incomplete system of aggregable and integrable demand equations is derived. The Bayesian method of moments (BMOM) procedure is applied to the problem of inferring the U.S. income distribution using annual time series data on quintile and top five percentile income ranges and intra-quintile and top five percentile mean incomes. The BMOM results are compared with those obtained from a parametric method utilizing a truncated three-parameter lognormal distribution. The two estimates for the year-to-year income distribution are combined with annual time series data on the U.S. consumption of and retail prices for twenty-one food items to estimate the rank and functional form of the income terms in U.S. food demand over the period 1919-1995, excluding World War II.

Albanesi, Stefania

PD February 2001. **TI** How Severe is the Time Inconsistency Problem in Monetary Policy? **AU** Albanesi, Stefania; Chari, V. V.; Christiano, Lawrence J. **AA** Albanesi: Northwestern University. Christiano: Northwestern University and NBER. Chari: University of Minnesota. **SR** National Bureau of Economic Research Working Paper: 8139; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E51, E61, E63. **KW** Time Inconsistency. Cash-Credit. Limited Participation.

AB We analyze two monetary economies—a cash-credit good model and a limited participation model. In our models, monetary policy is made by a benevolent policymaker who cannot commit to future policies. We define and analyze Markov equilibrium in these economies. We show that there is no time inconsistency problem for a wide range of parameter

values.

Alesina, Alberto

PD April 2001. **TI** Inequality and Happiness: Are Europeans and Americans Different? **AU** Alesina, Alberto; Di Tella, Rafael; MacCulloch, Robert. **AA** Alesina: Harvard University, NBER, and CEPR. Di Tella: Harvard Business School. MacCulloch: London School of Economics. **SR** National Bureau of Economic Research Working Paper: 8198; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 20. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H42, I32, I38, I62. **KW** Inequality. Happiness. Europe. USA. Economic Mobility.

AB The answer to the question posed in the title is "yes." Using a total of 128,106 answers to a survey question about "happiness," we find that there is large, negative and significant effect of inequality on happiness in Europe but not in the US. There are two potential explanations. First, Europeans prefer more equal societies (inequality belongs in the utility function for Europeans but not for Americans). Second, social mobility is (or is perceived to be) higher in the US so being poor is not seen as affecting future income. We test these hypotheses by partitioning the sample across income and ideological lines. There is evidence of "inequality generated" unhappiness in the US only for a sub-group of rich leftists. In Europe inequality makes the poor unhappy, as well as the leftists. This favors the hypothesis that inequality affects European happiness because of their lower social mobility (since no preference for equality exists amongst the rich or the right). The results help explain the greater popular demand for government to fight inequality in Europe relative to the US.

Alizadeh, Sassan

PD March 2001. **TI** High- and Low-Frequency Exchange Rate Volatility Dynamics: Range-Based Estimation of Stochastic Volatility Models. **AU** Alizadeh, Sassan; Diebold, Francis X.; Brandt, Michael W. **AA** Alizadeh: Parametric Capital Management. Diebold and Brandt: University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8162; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 40. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** C10, C13, F30, G10. **KW** Stochastic Volatility Models. Quasi-maximum Likelihood Estimation.

AB This paper proposes using the price range in the estimation of stochastic volatility models. It is shown theoretically, numerically, and empirically that the range is not only a highly efficient volatility proxy, but also is approximately Gaussian and robust to microstructure noise. The good properties of the range imply that range-based Gaussian quasi-maximum likelihood estimation produces simple and highly efficient estimates of stochastic volatility models and extractions of latent volatility series. The method is used to examine the dynamics of daily exchange rate volatility and it is discovered that traditional one-factor models are inadequate for describing simultaneously the high- and low-frequency dynamics of volatility. Instead, the evidence points strongly toward two-factor models with one highly persistent factor and one quickly mean-reverting factor.

Almazan, Andres

PD December 2000. **TI** Managerial Compensation and the Market Reaction to Bank Loans. **AU** Almazan, Andres; Suarez, Javier. **AA** Almazan: University of Texas, Austin. Suarez: Centre for Monetary and Financial Studies. **SR** CEPR Discussion Paper: 2643; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** G32, G34. **KW** Banks. Managerial Compensation. Monitoring. Optimal Contracts.

AB This paper considers why a manager would choose to submit himself to the discipline of bank monitoring. This issue is analyzed within the context of a model where the manager enjoys private benefits, which can be restricted by the monitor, and is optimally compensated by shareholders. Within this setting, it is found that managers will submit to monitoring when they receive favorable private information. This result is consistent with event study evidence that suggests that the market has a favorable view of financing choices that increase monitoring.

Altshuler, Rosanne

PD March 2001. **TI** Repatriation Taxes, Repatriation Strategies and Multinational Financial Policy. **AU** Altshuler, Rosanne; Grubert, Harry. **AA** Altshuler: Rutgers University. Grubert: U.S. Department of Treasury. **SR** National Bureau of Economic Research Working Paper: 8144; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 37. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F23, H25, H87. **KW** Multinational Firms. Taxation. Investment.

AB Several investment-repatriation strategies are added to the standard model of a multinational in which an affiliate is located in a low-tax country and is limited to two alternatives: repatriating taxable dividends to the parent or investing in its own real operations. In our model, affiliates can invest in passive assets, which the parent can borrow against, or in related affiliates which can be used as vehicles for tax-favored repatriations. We show analytically how the availability of alternative strategies can effect real investment throughout the worldwide corporation. We use firm level data for U.S. multinationals to test for the importance of alternative strategies. The evidence is generally consistent with the theory, particularly the strategies using related affiliates.

Amiel, Yoram

PD June 2000. **TI** Attitudes Towards Risk and Inequality: A Questionnaire-Experimental Approach. **AU** Amiel, Yoram; Cowell, Frank A. **AA** Amiel: Ruppin Institute, Israel. Cowell: LSE. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/56; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 23. **PR** no charge. **JE** C13, D64. **KW** Inequality. Risk. Experiment. Transfer Principle.

AB Orderings of income distribution in terms of inequality should be closely related to orderings in terms of risk. Using a novel multi-country questionnaire experiment we examine the basis for this claim in terms of respondents' distributional perceptions. We show that in terms of both inequality and risk

individuals consistently reject one of the standard axioms of distributional comparison. Moreover, there are significant differences in the "maps" of inequality and risk comparisons. Rejection of the orthodox approach is less likely to occur when distributional comparisons involve extremes of the distributions. We show that certain key background variables are overwhelmingly important in predisposing individuals toward acceptance or rejection of the orthodox basis for distributional comparisons.

TI Risk and Inequality Perceptions. **AU** Cowell, Frank A.; Amiel, Yoram.

Amir, Rabah

PD October 2001. **TI** On Strategic Complementarity Conditions in Bertrand Oligopoly. **AU** Amir, Rabah; Grilo, Isabel. **AA** Amir: CORE. Grilo: European Commission, Universite de Lille 3, and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/49; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 7. **PR** \$100 per year. **JE** C72, D43, L13. **KW** Price Competition. Supermodularity. Single-Crossing Property. Critical Sufficient Condition.

AB For Bertrand duopoly with linear costs, this paper establishes via a single counterexample that: (i) A new monotone transformation of the firms' profit functions may lead to the supermodularity of transformed profits when the standard log and identity transformations both fail, and (ii) Topkis's notion of critical sufficient condition for monotonicity of a Bertrand firm's best-reply correspondence cannot be extended to rely only on positive unit costs.

PD October 2001. **TI** Noncooperative Versus Cooperative R&D With Endogenous Spillover Rates. **AU** Amir, Rabah; Evstigneev, Igor; Wooders, John. **AA** Amir: CORE. Evstigneev: University of Manchester. Wooders: University of Arizona. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/50; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 22. **PR** \$100 per year. **JE** C72, L13, O31. **KW** Oligopolistic R&D. Endogenous Spillovers. Research Joint Ventures. R&D Cartel.

AB This paper deals with a general version of a two-stage model of R&D and product market competition. It provides a thorough generalization of previous results on the comparative performance of noncooperative and cooperative R&D, dispensing in particular with ex-post firm symmetry and linear demand assumptions. The paper also characterizes the structure of profit-maximizing R&D cartels where firms competing in a product market jointly decide R&D expenditure, as well as internal spillover, levels. The paper establishes the firms would essentially always prefer extremal spillovers, and within the context of a standard specification, derive conditions for the optimality of minimal spillover.

PD October 2001. **TI** Monopoly Versus R&D-Integrated Duopoly. **AU** Amir, Rabah; Nannerup, Niels; Stepanova, Anna; Eguizarova, Elina. **AA** Amir: CORE. Nannerup, Stepanova, and Eguizarova: University of Southern Denmark at Odense. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/51; Center for Operations Research and

Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 8. PR \$100 per year. JE C72, L13, O31. KW Oligopolistic R&D. Spillover Process. Research Joint Ventures. R&D Cartel.

AB In the standard two-stage framework of R&D/product market competition, this paper provides a performance comparison between monopoly and the cartelized research joint venture, using two well-known models based on different versions of the R&D spillover process. According to the model with a wider scope of application, monopoly always leads to a higher propensity for R&D and, when R&D spillover costs are low, to the best overall market performance. The results also allow for a comparison between the two underlying models of strategic R&D.

PD December 2001. TI Stochastic Games in Economics: The Lattice-Theoretic Approach. AA CORE. SR Universite Catholique de Louvain, CORE Discussion Paper: 2001/59; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 7. PR \$100 per year. JE C72, L13, O31. KW Stochastic Games. Lattices. Capital Accumulation. Perfect Information.

AB This chapter considers a recent trend in the application of stochastic games to economics characterized by the use of the lattice-theoretic approach to capture the monotonic properties of Markovian equilibria. The topics covered are: (i) a general framework for discounted stochastic games with Liptchitz-continuous and monotone equilibrium strategies and values, (ii) a model of capital accumulation, (iii) two classes of games with perfect information, in strategic bequests and oligopoly with commitment. In view of the restriction to pure-strategy equilibria and of the natural monotonicity property of strategies and value functions in most economic applications, this approach appears most promising.

PD December 2001. TI Stochastic Games in Economics and Related Fields: An Overview. AA CORE. SR Universite Catholique de Louvain, CORE Discussion Paper: 2001/60; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 9. PR \$100 per year. JE C72, L13, O31. KW Stochastic Games.

AB This survey provides an extensive account of research in economics based on the stochastic games paradigm. Its area-by-area coverage is in the form of an overview, and includes applications in resource economics, industrial organization, macroeconomics, market games, experimental and empirical economics. For methodologically defined frameworks, the coverage is somewhat more detailed (to the extent that the material is not covered elsewhere in this volume), and includes the open-loop concept, the linear-quadratic model, myopic equilibrium, games of perfect information, and stochastic games with continuum of players.

Andersen, Torben G.

PD March 2001. TI Modeling and Forecasting Realized Volatility. AU Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys, Paul. AA Andersen: Northwestern University and NBER. Bollerslev: Duke University and NBER. Diebold: University of Pennsylvania and

NBER. Labys: University of Pennsylvania. SR National Bureau of Economic Research Working Paper: 8160; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 27. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE C10, F31, G12. KW Realized Volatility. Vector Autoregression. High Frequency Data. Volatility Forecasting.

AB This paper provides a general framework for integration of intraday data into the modeling, and forecasting of daily volatility and return distributions. Most procedures for modeling and forecasting return volatilities, correlations, and distributions rely on restrictive and complicated models, which often perform poorly at intraday frequencies. Use of realized volatility, in contrast, permits the use of traditional time series procedures. In this paper, the links between the conditional covariance matrix and the concept of realized volatility is formally developed, and forecasts from a simple long-memory Gaussian vector autoregression (VAR) for the logarithmic daily realized volatilities is found to perform admirably compared to popular models. Moreover, the VAR volatility forecast is shown to give rise to well-calibrated density forecasts of future returns, and accurate quantile estimates. The results hold promise for practical modeling and forecasting of the large covariance matrices relevant in asset pricing, asset allocation and financial risk management applications.

Anderson, Richard G.

PD January 2000. TI The Domestic Adjusted Monetary Base. AU Anderson, Richard G.; Rasche, Robert H. AA Federal Reserve Bank of St. Louis. SR Federal Reserve Bank of St. Louis Working Paper: 2002/002A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. PG 22. PR no charge. JE E51, E52, E58. KW Monetary Base. Foreign Holdings of U. S. Currency.

AB This paper provides a consistent, monthly measure of the amount of the U.S. adjusted monetary base that is domestically held, and of the amount held abroad. Most macroeconomic models that address the role of outside money as a determinant of the economy's aggregate price level are closed economy models, suggesting a need to accurately measure the domestic monetary base. To do so, this paper presents a new method to estimate the amount of U.S. currency held abroad, a method which exploits data on the processing of currency at the Federal Reserve's 37 cash offices. Estimates of domestic monetary aggregates, including domestic M1 and M2, also are produced. Relative to previous studies and estimates currently included in the Flow of Funds and the National Income and Product Accounts, our estimates suggest larger currency exports during the 1970s and early 1980s, and a sharp slowing of exports since 1995.

PD August 2001. TI The Remarkable Stability of Monetary Base Velocity in the United States, 1919-1999. AU Anderson, Richard G.; Rasche, Robert H. AA Federal Reserve Bank of St. Louis. SR Federal Reserve Bank of St. Louis Working Paper: 2001/008A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. PG 23. PR no charge. JE E41, E44. KW Money Demand. Monetary Base. Function Form.

AB This analysis examines the long-run demand for the

adjusted monetary base in the United States, 1919-1999. When the "price" of the base is measured by the inverse of the yield on long-term, high-quality corporate bonds and an appropriate functional form is selected, the quantity of base money demanded is found to be a stable function of a small number of variables.

Ang, Andrew

PD April 2001. **TI** Stock Return Predictability: Is it There? **AU** Ang, Andrew; Bekaert, Geert. **AA** Columbia Business School. **SR** National Bureau of Economic Research Working Paper: 8207; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** C12, C51, C52, E49, G12. **KW** Stock Return Forecasts. Present Value Model. Dividend Yield.

AB We ask whether stock returns in France, Germany, Japan, the UK and the US are predictable by three instruments: the dividend yield, the earnings yield and the short rate. The predictability regression is suggested by a present value model with earnings growth, payout ratios and the short rate as state variables. We use this model imposing a constant risk premium to examine the finite sample evidence on predictability. Not only do we find the short rate to be a relevant state variable theoretically, it is also the only robust short-run predictor of equity returns. The evidence in Lamont (1998) on earnings and dividend yield predictability is not robust to our increased sample period, does not survive finite sample corrections and does not extend to other countries. We find no evidence of long-horizon predictability once we account for finite sample influence. Finally, cross-country predictability appears stronger than predictability using local instruments.

Ango Nze, Patrick

PD 2001. **TI** Weak Dependence: Models and Applications. **AU** Ango Nze, Patrick; Doukhan, Paul. **AA** Ango Nze: Universite de Lille 3. Doukhan: CREST and Universite de Cergy-Pontoise. **SR** INSEE Documents de Travail du CREST: 2001/35; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 17. **PR** no charge. **JE** C14, C19. **KW** Weak Dependence. Markov Models. Bernoulli Shifts. Bilinear Models. Mixing.

AB We are aimed to develop a systematic introduction to a new weak dependence condition. We show that some popular models hold this property: stationary Markov models, bilinear models, and more generally, Bernoulli shifts. In some cases no mixing properties can be expected without additional regularity assumption of innovation's distribution where as weak dependence conditions can be easily derived. We also develop some of its standard applications. First, probabilistic results: weak invariance principle for Donsker line and empirical process. We also present a statistical application to kernel estimates for density and regression functions.

Antinori, Camille M.

PD October 2000. **TI** Vertical Integration in Mexican Community Forestry. **AU** Antinori, Camille M.; Rauser, Gordon C. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working

Paper: 915; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 56. **PR** \$14.00 Domestic; \$28.00 International Surface Rate. **JE** D23, L22, L73, O13, Q23. **KW** Common Property. Forestry. Vertical Integration. Poverty. Natural Resources.

AB While research has revealed the role of common property in risk diversification, poverty alleviation and resource management, few studies identify how common property management systems fill that role uniquely where market mechanisms or private property rights fail. To address that gap, the present research develops a consistent framework for analyzing local level production where community organizations have vertically integrated into the wood products industry, using common property forest as a source of raw material. Based on an incomplete contracting approach, it is argued that vertical integration allows local stakeholders to guide development within their community, provided that marginal productivity attains a certain level. Empirical results using a survey of 44 community governance regimes in Oaxaca, Mexico, show that communities are more likely to integrate forward into timber processing activities when they achieve initial levels of human and social capital and increase labor productivity through higher forest land endowments. The model is extended to demonstrate that economies of scope arise between community-level timber production and nontimber benefits.

Arellano, Manuel

PD March 2001. **TI** Learning About Migration Decisions from the Migrants: Using Complementary Datasets to Model Intra-Regional Migrations in Spain. **AU** Arellano, Manuel; Bover, Olympia. **AA** Arellano: Centre for Monetary and Financial Studies and CEPR. Bover: Banco de Espana. **SR** CEPR Discussion Paper: 2746; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C25, J61. **KW** Service Employment. Endogenous Sampling. Intra-Regional Migration.

AB We investigate the determinants of the remarkable increase in intra-regional migrations since the 1980's in Spain, using a large administrative micro dataset on migrants. Conditional migration probabilities are identified by comparing the migrants' joint distribution of characteristics to the corresponding distribution from the Spanish Labor Force Survey. The proportion of employment in the service industry, unemployment, house prices and education all have an important positive effect on the individual probabilities of intra-regional migration.

Ashenfelter, Orley

PD January 2000. **TI** A Review of Estimates of the Schooling/Earnings Relationship, with Test for Publication Bias. **AU** Ashenfelter, Orley; Oosterbeek, Hessel; Harmon, Colm. **AA** Ashenfelter: Princeton University and NBER. Oosterbeek: Universiteit van Amsterdam and Tinbergen Institute. Harmon: University College Dublin and CEPR. **SR** National Bureau of Economic Research Working Paper: 7457; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 17. **PR** \$5.00. **JE** C51, I21.

KW Education. Returns to Schooling. Estimation. Publication Bias.

AB In this paper we provide an analytical review of previous estimates of the rate of return on schooling investments and measure how these estimates vary by country, over time, and by estimation method. We find evidence of reporting (or "file drawer") bias in the estimates and, after due account is taken of this bias, we find that differences due to estimation method are much smaller than is sometimes reported, although some are statistically significant. We also find that estimated returns are higher in the U.S. and they have increased in the last two decades.

Aslund, Olof

PD March 2001. **TI** Ethnic Enclaves and the Economic Success of Immigrants -- Evidence from a Natural Experiment. **AU** Aslund, Olof; Edin, Per-Anders; Fredriksson, Peter. **AA** Aslund and Edin: Uppsala University. **SR** CEPR Discussion Paper: 2729; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** J15, J18, R23. **KW** Enclaves. Immigration. Labor Markets.

AB Recent immigrants tend to locate in ethnic "enclaves" within metropolitan areas. The economic consequence of living in such enclaves is still an unresolved issue. We use an immigrant policy initiative in Sweden, when government authorities distributed refugee immigrants across locales in a way that may be considered exogenous. This policy initiative provides a unique natural experiment, which allows us to estimate the causal effect on labor market outcomes of living in enclaves. We find substantive evidence of sorting across locations. When sorting is taken into account, living in enclaves improves labor market outcomes; for instance, the earnings gain associated with a standard deviation increase in ethnic concentration is in the order of 4 to 5 percent.

PD March 2001. **TI** Settlement Policies and the Economic Success of Immigrants. **AU** Aslund, Olof; Edin, Per-Anders; Fredriksson, Peter. **AA** Aslund and Edin: Uppsala University. **SR** CEPR Discussion Paper: 2730; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** J15, J18, R23. **KW** Immigration. Labor Markets. Settlement Policies.

AB Many developed countries, e.g. the UK, Germany, and Sweden, use or have used settlement policies to direct the inflow of new immigrants away from immigrant dense metropolitan areas. We evaluate a reform of Swedish immigration policy that featured dispersion of refugee immigrants across the country, but also a change in the approach to labor market integration. We focus exclusively on how immigrants fared because of the policy. The results indicate that immigrants experienced fairly substantial long-run losses because of the policy. We also find that only a smaller share of this effect was associated with the dispersion of immigrants across regions. The larger share of the impact appears to stem from a common component that affected immigrants regardless of where they were located. Our somewhat speculative reading of this result is that it can be traced to a shift in emphasis of integration policy from a policy focusing on labor market assimilation to one of income support.

Asplund, Marcus

PD November 2000. **TI** Imperfect Competition, Market Size and Firm Turnover. **AU** Asplund, Marcus; Nocke, Volker. **AA** Asplund: London Business School and Centre for Economic Policy Research. Nocke: Oxford University. **SR** CEPR Discussion Paper: 2625; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D43, L11, L13. **KW** Entry Rates. Exit Rates. Firm Turnover. Industry Dynamics. Market Size.

AB This paper's objective is to investigate the effect of sunk costs and, in particular, market size on entry and exit rates. A stochastic dynamic model of a monopolistically competitive industry is investigated. Each firm's marginal cost (or, alternatively, perceived quality) is assumed to follow a Markov process. It shows existence and uniqueness of a stationary equilibrium with simultaneous entry and exit: efficient firms survive while inefficient ones leave the market and are replaced by new entrants. Comparative statics are performed with respect to the level of sunk costs: entry costs are positively and fixed production costs negatively related to entry and exit rates. Another empirical prediction of the model is that the level of firm turnover increases in market size. In larger markets, price-cost margins are smaller since the number of active firms is larger. This implies that the marginal surviving firm has to be more efficient than in smaller markets. Hence, in larger markets, the expected life span of firms is shorter. Moreover, firm profits and values are more skewed in larger markets. In the empirical part, the prediction on market size and firm turnover is tested on industries where firms compete in well-defined geographical markets of different sizes.

Auerbach, Alan J.

PD March 2001. **TI** Taxation and Economic Efficiency. **AU** Auerbach, Alan J.; Hines, James R., Jr.. **AA** Auerbach: UC Berkeley and NBER. Hines: University of Michigan and NBER. **SR** National Bureau of Economic Research Working Paper: 8181; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 95. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H21. **KW** Tax Distortions. Optimal Taxation. Commodity Taxation. Income Taxation. Deadweight Loss.

AB This paper analyzes the distortions created by taxation and the features of tax systems that minimize such distortions (subject to achieving other government objectives). It starts with a review of the theory and practice of deadweight loss measurement, followed by characterizations of optimal commodity taxation and optimal linear and nonlinear income taxation. The framework is then extended to a variety of settings, initially consisting of optimal taxation in the presence of externalities or public goods. The optimal tax analysis is subsequently applied to situations in which product markets are imperfectly competitive. This is followed by consideration of the features of optimal intertemporal taxation. The purpose of the paper is not only to provide an up-to-date review and analysis of the optimal taxation literature, but also to identify important cross-cutting themes within that literature.

PD April 2001. **TI** Taxation and Corporate Financial Policy. **AA** UC Berkeley and NBER. **SR** National Bureau of Economic Research Working Paper: 8203; National Bureau of Economic Research, 1050 Massachusetts Avenue,

Cambridge, MA 02138-5398. Website: www.nber.org. PG 54. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE G32, G34, H32. KW Taxation. Corporate Finance. Equity Policy. Debt-Equity Decision.

AB This paper reviews the theory and evidence regarding the impact of taxation on corporate financial policy. Starting from a basic characterization of the classical corporate income tax and its effects, the analysis focuses on three areas of research: equity policy, debt-equity decision, and choices regarding ownership structure and organizational form. The discussion stresses the distinction between nominal and more fundamental financial difference -- for example, in the relationship between borrowing and leasing -- and that financial policy involves choices not only among different underlying policies but also among characterizations of a given policy. The final section offers some brief reflections on the implications of continuing financial innovation.

Azuma, Yoshiaki

PD April 2001. **TI** Educational Inequality. **AU** Azuma, Yoshiaki; Grossman, Herschel I. **AA** Azuma: Brown University. Grossman: Brown University and NBER. **SR** National Bureau of Economic Research Working Paper: 8206; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 19. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE I21, J31, O33. KW Educational Inequality. Ability Premiums.

AB This paper develops a theoretical model that relates changes in educational inequality to the combined effects of innovations that have increased the relative demand for more educated labor and innovations that have increased ability premiums. Under the assumption that in the long run individual decisions to become more educated equalize the lifetime earnings of more educated workers and comparable less educated workers, our model yields two novel implications: First, given the existence of ability premiums, an innovation in the relative demand for more educated labor increases educational inequality in the short run, but, *ceteris paribus*, would decrease educational inequality in the long run. Second, in the long run innovations that increase ability premiums cause educational inequality to be larger than otherwise. In applying our theory to recent changes in education inequality in the United States, we suggest that increases in ability premiums are dampening the long-run response of the relative supply of more educated workers that otherwise would reverse previous increases in educational inequality.

Balas, Egon

PD February 2002. **TI** On Unions and Dominants of Polytopes. **AU** Balas, Egon; Bockmayr, Alexander; Pisaruk, Nicolai; Wolsey, Laurence A. **AA** Balas: Carnegie-Mellon University. Bockmayr and Pisaruk: Universite Henri Poincare. Wolsey: Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/08; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 20. PR \$100 per year. JE C00. KW Polytopes. Cardinality Constraints. Convex Hulls. Dominant. Polymatroids.

AB A well-known result on unions of polyhedra in the same

space gives an extended formulation whose projection is the convex hull of the union. This paper in contrast studies the unions of polytopes in different spaces, giving a complete description of the convex hull without additional variables. When the underlying polytopes are monotone, the facets are described explicitly, generalizing results of Hong and Hooker on cardinality rules, and an efficient separation algorithm is proposed. These results are based on an explicit representation of the dominant of a polytope, and an algorithm for the separation problem for the dominant. For non-monotone polytopes, both the dominant and the union are characterized. The paper also gives results on the unions of polymatroids both on disjoint ground sets and on the same ground set generalizing results of Conforti and Laurent.

Baldwin, Richard

PD November 2000. **TI** EU Reforms for Tomorrow's Europe. **AU** Baldwin, Richard; Berglof, Erik; Giavazzi, Francesco; Widgren, Mika. **AA** Baldwin: Graduate Institute of International Studies, Geneva and Centre for Economic Policy Research. Berglof: Stockholm School of Economics. Giavazzi: Universita Bocconi, Milano. Widgren: Research Institute of the Finnish Economy and Turku School of Economics and Business Administration. **SR** CEPR Discussion Paper: 2623; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE D70, D71, E58, E61, F15. KW Accession. European Central Bank (ECB). European Monetary Union (EMU). European Union (EU).

AB This paper contributes ideas and analysis to the ongoing EU reform debate. The Intergovernmental Conference (IGC) currently focuses on Council voting, Commission composition, closer co-operation and the range of issues to be covered by qualified majority voting. The paper evaluates Council voting reform proposals with quantitative tools from voting game theory. Only the 'dual simple majority' plan maintains decision-making efficiency and democratic legitimacy in an EU 27. However, the impact of enlargement on the ECB's Governing Council merits discussion in Nice. An expanded Governing Council with its current structure would be unwieldy and plagued by decision-making difficulties that would prevent it from making hard choices at the right time. Financial markets could react negatively to the possibility of a dysfunctional ECB; the Nice summit should request the ECB to propose some solutions. Finally, undertaking these reforms before enlargement should be a priority, not a precondition. Specifically, the EU should now commit to firm accession "exam" dates and signing dates (for those who pass); this should be done both for the earliest enlargement and for subsequent waves, since this would stimulate incumbents and candidates to undertake the necessary reforms while ensuring that the first enlargement does not delay the second.

PD November 2000. **TI** Agglomeration, Integration and Tax Harmonization. **AU** Baldwin, Richard; Krugman, Paul. **AA** Baldwin: Graduate Institute of International Studies, Geneva and Centre for Economic Policy Research. Krugman: Princeton University. **SR** CEPR Discussion Paper: 2630; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE F12, F20, H10, H87. KW Economic Geography. Tax Competition. Tax

Harmonization. Trade.

AB This paper considers tax competition and tax harmonization in the presence of agglomeration forces and falling trade costs. With agglomerative forces operating, industry is not indifferent to location in equilibrium, so perfectly mobile capital becomes a quasi-fixed factor. This suggests that the tax game is something subtler than a race to the bottom. Advanced "core" nations may act like limit-pricing monopolists toward less advanced "periphery" countries. Consequently, integration need not lead to falling tax rates, and might well be consistent with the maintenance of large welfare states. "Limit taxing" also means that simple tax harmonization -- adoption of a common tax rate -- always harms at least one nation and adoption of a rate between the two unharmonized rates harms both nations. A tax floor set at the lowest equilibrium tax rate leads to a weak Pareto improvement.

Bamberger, Gustavo E.

PD March 2001. **TI** *An Empirical Investigation of the Competitive Effects of Domestic Airline Alliances.* **AU** Bamberger, Gustavo E.; Neumann, Lynette R.; Carlton, Dennis W. **AA** Bamberger and Neumann: Lexecon Inc. Carlton: University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 8197; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 20. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** L91, L93. **KW** Domestic Airline Competition. Airline Alliances.

AB In this paper, we investigate empirically the effect of two recent domestic airline alliances. We find that both alliances benefited consumer -- average fares fell and total traffic increased after the creation of the alliances on those city pairs affected by the alliances. We also find that these effects are found both on city pairs where the alliance created one or two new online carriers, and on city pairs where the alliance increased the service offered by one or both alliance partners. Finally, we find that the size of the fare effect of the alliance depends on the pre-alliance level of competition on a city pair with the effect being larger on those city pairs where the level of competition was relatively low.

Barberis, Nicholas

PD March 2001. **TI** *Mental Accounting, Loss Aversion, and Individual Stock Returns.* **AU** Barberis, Nicholas; Huang, Ming. **AA** Barberis: University of Chicago and NBER. Huang: Stanford University. **SR** National Bureau of Economic Research Working Paper: 8190; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** D81, D82, G12. **KW** Loss Aversion. Stock Returns. Multifactor Models.

AB We study equilibrium firm-level stock returns in two economies: one in which investors are loss averse over the fluctuations of their stock portfolio and another in which they are loss averse over the fluctuations of individual stocks that they own. Both approaches can shed light on empirical phenomena, but we find the second approach to be more successful: in that economy, the typical individual stock return has a high mean and excess volatility, and there is a large value premium in the cross-section which can, to some extent, be captured by a commonly used multifactor model.

Bartel, Ann P.

PD January 2000. **TI** *Human Resource Management and Performance in the Service Sector: The Case of Bank Branches.* **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 7467; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 28. **PR** \$5.00. **JE** G21, J24, L84, M12. **KW** Personnel Management. Banks. Managers. Service Sector.

AB This paper utilizes a unique dataset collected through site visits to extend the analysis of the relationship between the human resource management environment and establishment performance to the service sector, specifically the branch operations of a large bank. Case studies of several branches were used to understand how and why the human resource management environment is likely to affect branch level performance. The branch interviews were instrumental in properly specifying a branch-level performance equation. The econometric analysis showed that, controlling for the characteristics of the market in which the branch is located and the characteristics of the branch employees, as well as unobserved branch-specific and unobserved manager-specific characteristics, the human resource management environment at the branch, as measured by the performance evaluation and feedback system and the quality of communications between the manager and the staff, had a significant effect on the branch's performance. An important finding is that, even though all managers in this bank are given a formal set of human resource policies, they appear to have considerable discretion in their application.

Bassanini, Anna

PD April 2002. **TI** *Strategic Choice of Financing Systems in Regulated and Interconnected Industries.* **AU** Bassanini, Anna; Pouyet, Jerome. **AA** Bassanini: University of Rome and IDEI. Pouyet: CORE and CERAS. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/17; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 19. **PR** \$100 per year. **JE** L51. **KW** Ramsey Pricing. Interconnected Networks. Financing System.

AB The growing importance of inter-network exchanges in infrastructure-based utilities influences regulatory choices and access pricing for down-stream services using the infrastructures. This paper analyzes this problem in a setting where the infrastructure managers of two bordering countries are in charge of pricing the access to their networks. The infrastructures are used by downstream firms to provide international services that link the two countries. Network costs can be financed either through a subsidy or solely through user charges. The paper first characterizes the strategic interaction between infrastructure managers and shows that it is affected by the regulatory modes adopted in the two countries. Then, it determines the equilibrium non-cooperative choice of a financing system. As opposed to the perfect cooperation benchmark, in which subsidizing the infrastructures is socially desirable, the commitment to strict budget-balance in both countries becomes socially preferable since this alleviates the externalities generated by non-coordination between access pricing decisions.

Bauwens, Luc

PD December 2000. **TI** A Comparison of Financial Duration Models via Density Forecasts. **AU** Bauwens, Luc; Giot, Pierre; Grammig, Joachim; Veredas, David. **AA** Bauwens and Veredas: CORE. Giot: CORE and Maastricht University. Grammig: Johann Wolfgang Goethe-University Frankfurt. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/60; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 18. **PR** \$100 per year. **JE** C41, C52, C53, G10. **KW** Duration Models. High Frequency Data. Density Forecasts.

AB Using density forecasts, this paper compares the productive performance of duration models that have been developed for modelling intra-day data on stock markets. The model portfolio used in this paper encompasses the autoregressive conditional duration (ACD) model, its logarithmic version (log-ACD), the threshold ACD (TACD) model -- in each case with alternative error distributions -- the stochastic conditional duration model (SCD), and the stochastic volatility duration model (SVD). The evaluation is done on transaction, price, and volume durations of four stocks listed at the NYSE. The results lead to conclude that the ACD/log-ACD/TACD/SCD models capture the dynamic dependence in the data in a satisfactory way. They fit correctly the conditional distribution of volume durations, but fail to do so for trade durations while the evidence is mixed for price durations.

PD April 2002. **TI** A New Class of Multivariate Skew Densities, with Application to GARCH Models. **AU** Bauwens, Luc; Laurent, Sebastien. **AA** Bauwens: Universite Catholique de Louvain. Laurent: Universite de Liege, CORE, and Maastricht University. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/20; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 30. **PR** \$100 per year. **JE** C13, C32, C52. **KW** Multivariate Skew Density. Multivariate Student Density. Multivariate GARCH Models.

AB This paper proposes a practical and flexible solution to introduce skewness in multivariate symmetrical distributions. Applying this procedure to the multivariate student density leads to a "multivariate skew-student" density, for which each marginal has a different asymmetry coefficient. Similarly, when applied to the product of independent univariate student densities, it provides a "multivariate skew density with independent student components" for which each marginal has a different asymmetry coefficient and number of degrees of freedom. Combined with a multivariate GARCH model, this new family of distributions (that generalizes the work of Fernandez and Steel, 1998) is potentially useful for modeling stock returns, which are known to be conditionally heteroskedastic, fat-tailed, and often skew. In an application to the daily returns of the CAC40, NASDAQ, NIKKEI and the SMI, it is found that this density suits well the data and clearly outperforms its symmetric competitors.

Baxter, Marianne

PD January 2000. **TI** What Causes Fluctuations in the Terms of Trade? **AU** Baxter, Marianne; Kouparitsas, Michael A. **AA** Baxter: University of Virginia and NBER.

Kouparitsas: Federal Reserve Bank of Chicago. **SR** National Bureau of Economic Research Working Paper: 7462; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 18. **PR** \$5.00. **JE** E32, F41. **KW** Terms of Trade. Business Cycles. Open Economy. Price Effects.

AB This paper investigates the sources of terms of trade volatility, specifically addressing the relative importance of goods-price effects vs. country-price effects. For fuel exporters, most of the terms of trade variation stems from goods-price effects, as one would have expected, a priori. For commodity exporters, there is great dispersion in the importance of goods price effects vs. country price effects, and no overall generalization is possible. Exporters of manufactured goods face terms of trade variation that appears to be about equally due to goods-price effects and country-price effects.

Beatty, Timothy K. M.

TI The U.S. Income Distribution and Gorman Engel Curves for Food. **AU** Agnew, G. K.; Beatty, Timothy K. M.; LaFrance, Jeffrey T.; Pope, Rulon D.

Beaudry, Paul

PD March 2001. **TI** Population Growth, Technological Adoption and Economic Outcomes: A Theory of Cross-Country Differences for the Information Era. **AU** Beaudry, Paul; Green, David A. **AA** Beaudry: University of British Columbia and NBER. Green: University of British Columbia. **SR** National Bureau of Economic Research Working Paper: 8149; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 46. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J11, O33. **KW** Population Growth. Technology.

AB The object of this paper is to show how population growth, through its interaction with recent technological and organizational developments, can account for many of the cross-country differences in economic outcome observed among industrialized countries over the last 20 years. In particular, the proposed model illustrates how a large decrease in the price of information technology can create a comparative advantage for high population growth economies to jump ahead in the adoption of computer- and skill-intensive models of production as a means to exploiting their relative abundance of human capital versus physical capital. The predictions of the model are that, industrial countries with higher population growth rates will experience a more pronounced adoption of new technology, a better performance in terms of increased employment rates, a poorer performance in terms of wage growth for less skilled workers, a larger increase in the service sector and a larger increase in the returns to education.

Bebchuk, Lucian Arye

PD March 2001. **TI** A New Approach to Takeover Law and Regulatory Competition. **AU** Bebchuk, Lucian Arye; Ferrell, Allen. **AA** Bebchuk: Harvard Law School and NBER. Ferrell: Harvard Law School. **SR** National Bureau of Economic Research Working Paper: 8148; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 60. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G30, H70, K22. **KW** Corporate Law. Takeovers. Regulation.

AB The development of U.S. state takeover law in the past three decades has produced considerable protection for incumbent managers from hostile takeovers. Although the shortcomings of state takeover law have been widely recognized, there has been little support for federal intervention because of the concern that such intervention might produce even worse takeover arrangements. This paper puts forward a novel form of federal intervention in the regulation of takeovers that would address these shortcomings without raising such a concern. Rather than mandating particular substantive takeover arrangements, this form of federal intervention would focus on increasing shareholder choice. "Choice-enhancing" federal intervention would consist of two elements: (i) an optional body of substantive federal takeover law which shareholders would be able to opt into (or out of) and (ii) a mandatory process rule that would provide shareholders the right to initiate and adopt, regardless of managers' wishes, proposals for opting into (or out of) the federal takeover law. We argue that such a federal role in takeover law cannot harm the regulation of takeovers.

Bednarek, Heather

PD February 2001. **TI** Breast Cancer Survival, Work, and Earnings. **AU** Bednarek, Heather; Bradley, Cathy J.; Neumark, David. **AA** Bednarek: Agency for Healthcare Research and Quality. Bradley: Michigan State University. Neumark: Michigan State University and NBER. **SR** National Bureau of Economic Research Working Paper: 8134; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 30. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** 112, J22, J31. **KW** Labor Supply. Cancer. Wages.

AB Relying on data from the Health and Retirement Study, we examine differences between breast cancer survivors and a non-cancer control group in employment, hours worked, wages, and earnings. Overall, breast cancer has a negative impact on the decision to work. However, among survivors who work, hours of work and, correspondingly, annual earnings are higher compared to women in the non-cancer control group. These findings suggest that while breast cancer has a negative effect on women's employment, breast cancer may not be debilitating for those who remain in the work force. We explore the numerous possible biases underlying our estimates -- especially selection -- based on information in the Health and Retirement Study, and examine related evidence from supplemental data sources.

Begg, David

PD December 2000. **TI** Beyond the Design of Monetary Policy Alone: Fiscal Commitment, Macro Coordination, and Structural Adjustment. **AA** Birkbeck College, London and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2637; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E32, E42, F41, F42. **KW** EMU. Fiscal Policy. Monetary Policy. Structural Adjustment. Transition.

AB Analysis of the design of institutions to counteract failures of monetary commitment has largely proceeded in a vacuum, ignoring similar commitment problems in fiscal policy, structural adjustment, and coordination problems

between monetary and fiscal policy. Optimal second-best monetary design will depend on the extent to which these other failures can be solved. This paper develops a model in which the extent of structural adjustment thus far accomplished influences the ability to raise non-distortionary tax revenue. A poor structural inheritance implies both a low current output, reduced by severe tax distortions, and the need to resort to high levels of the inflation tax. Low output and high inflation both reflect a poor structural inheritance, which can be improved by investing scarce current resources in structural improvements for the future. This framework leads naturally to a discussion of the appropriate form of delegated monetary independence, its relation to the ability to make fiscal and adjustment commitments, and the possible role that EMU may play. The analysis offers insights about other forms of external conditionality that might be welfare-improving for transition economies hoping to accede to EMU.

Beine, Michel

PD September 1999. **TI** The Impact of Foreign Exchange Interventions: New Evidence from FIGARCH Estimations. **AU** Beine, Michel; Benassy-Quere, Agnes; Lecourt, Christelle. **AA** Beine: University of Lille II, Belgium. Benassy-Quere: CEPII and University of Lille II. Lecourt: University of Lille II. **SR** CEPII Working Paper: 1999/14; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 28. **PR** no charge. **JE** E58, F31. **KW** Exchange Rates. Official Interventions. FIGARCH Models.

AB This paper investigates the impact of official interventions on the short-term dynamics of the deutsche mark and the yen against the dollar. We use a FIGARCH model of the exchange rate dynamics and daily data on nominal exchange rates and on foreign exchange rate interventions as released by the Fed and the Bundesbank over 1985-1995. We compare these data with press reports, and we test for the impact of coordinated interventions, i.e. interventions carried out by several central banks simultaneously. The results show that official interventions succeed in moving the market (especially when they are reported in the press), but often in the wrong direction. This paper does not find that coordinated interventions are more powerful than isolated ones, once the amounts of sales and purchases are taken into account. The paper also illustrates that measuring volatility with the FIGARCH approach instead of the GARCH one matters for an empirical work.

Bekaert, Geert

TI Stock Return Predictability: Is it There? **AU** Ang, Andrew; Bekaert, Geert.

Benassy-Quere, Agnes

PD April 2000. **TI** Foreign Direct Investment and the Prospects For Tax Co-Ordination in Europe. **AU** Benassy-Quere, Agnes; Fontagne, Lionel; Lahreche-Revil, Amina. **AA** CEPII. **SR** CEPII Working Paper: 2000/06; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 33. **PR** no charge. **JE** F21, F33, F41, H25, H87. **KW** Tax Competition. Tax Harmonization. Foreign Direct Investment. European Monetary Union.

AB This paper provides an econometric analysis of the

sensitivity of inward foreign direct investment (FDI), in some OECD countries, to tax rates and to tax regimes. The results are used to perform some simulations which allow for the quantification of the impact on inward FDI of a tax competition and of a change in tax schemes in Europe. It is shown that the generalization of credit schemes in Europe would reduce inward FDI in our sample of countries, because it would remove the opportunity to evade high tax rates at home, whereas the generalization of exemption schemes in the EU would increase inward investment. We also highlight some externalities produced by tax changes in Europe on extra-European countries. Turning to a comparison of tax harmonization versus tax competition and dumping, the simulations highlight the potentially negative externality of tax competition in Europe for the foreign partners of the EU, namely the United States and Japan, who would lose from a non-cooperative tax game in Europe.

PD June 2000. **TI** Big and Small Currencies: The Regional Connection. **AU** Benassy-Quere, Agnes; Coeure, Benoit. **AA** Benassy-Quere: CEPII. Coeure: French Ministry of Economy. **SR** CEPII Working Paper: 2000/10; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 30. **PR** no charge. **JE** F31, F33, O16. **KW** Exchange Rate Regimes. Currency Blocks. Emerging Countries. International Finance.

AB This paper is an exploration of the regional dimension of the new international financial architecture in the light of the debate on "two corner" solutions for exchange rate regimes, which advocates either free floating or currency boards (or dollarization) as the only sustainable regimes. The first section deals with the evolution of the international monetary system (IMS) after 1997-1998 currency crises in emerging countries, as compared with the situation which prevailed prior to the crisis. De facto exchange rate regimes are examined through the implementation of a new econometric methodology based on a method of moments. The second section explores the possibility of regional solutions for exchange-rate regimes. The transition towards regional corners is studied in the third section. A distinction is made between countries around the euro zone (Central and Eastern Europe, Mediterranean countries) and highly self-integrated emerging regions such as East Asia (without Japan) or South America.

TI The Impact of Foreign Exchange Interventions: New Evidence from FIGARCH Estimations. **AU** Beine, Michel; Benassy-Quere, Agnes; Lecourt, Christelle.

PD December 1999. **TI** Exchange Rate Strategies in the Competition for Attracting FDI. **AU** Benassy-Quere, Agnes; Fontagne, Lionel; Lahreche-Revil, Amina. **AA** Benassy-Quere: CEPII. Fontagne: University of Paris I. Lahreche-Revil: CEPII and University of Amiens. **SR** CEPII Working Paper: 1999/16; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 25. **PR** no charge. **JE** F21, F23, F31, F33. **KW** International Investment. Short-Term Capital Flows. Firm Location. Foreign Direct Investment. Exchange Rates.

AB Short-run capital flows may be destabilizing for the emerging economies while foreign direct investment is viewed as a stable source of financing. Re-orienting capital flows towards long-term financing must take into account the choice of an exchange rate regime. This paper considers a risk-averse

multinational firm which considers relocating two alternative foreign locations in order to re-export. It makes explicit the trade-off between price competitiveness and a stable nominal exchange rate. It shows that the firm will consider locations as substitutes or complements depending on whether the two exchange rates against the investing country's currency are positively or negatively correlated. The model is estimated on a panel of 42 countries over 1984-1996. The results confirm the importance of the exchange-rate regime. Specifically, nominal exchange rate instability is detrimental to FDI, and its impact compares with that of misalignments. These results draw three policy implications which are illustrated through numerical simulations.

Bender, Siegfried

PD March 2002. **TI** The Changing Trade and Revealed Comparative Advantages of Asian and Latin American Manufacture Exports. **AU** Bender, Siegfried; Li, Kui-Wai. **AA** Bender: University of Sao Paulo. Li: City University of Hong Kong. **SR** Yale Economic Growth Center Discussion Paper: 843; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 24. **PR** \$2.00 plus postage. **JE** F14. **KW** International Trade. Revealed Comparative Advantage. Manufacture Exports.

AB Changes in comparative advantage should reflect changes in factor endowment, but increasingly, changes in trade policies also affect a region's trade performance. Based on the arguments in Balassa's stages of comparative advantage thesis, this paper looks at the performance of manufacture exports in a number of Asian and Latin American economies over the period 1981-1997 and examines the revealed comparative advantage (RCA) indices between economies in East Asia, Southeast Asia and Latin America. Although the RCA measurement may not distinguish between the factor endowment effects from the trade policy effect, it is argued that RCA measures provide indications of movement in a region's comparative advantage. The evidence strongly suggests that despite the strong export performance experienced by East Asian economies, they are losing their comparative advantage to the lower-tier economies in Southeast Asia and Latin America.

Benigno, Pierpaolo

PD April 2001. **TI** Optimal Monetary Policy in a Currency Area. **AA** New York University and CEPR. **SR** CEPR Discussion Paper: 2755; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E52, F41. **KW** Currency Area. Optimal Monetary Policy. Sticky Prices. Welfare Criterion.

AB This paper investigates how monetary policy should be conducted in a two-region, general equilibrium model with monopolistic competition and price stickiness. This framework delivers a simple welfare criterion based on the utility of the consumers that has the usual trade-off between stabilizing inflation and output. If the two regions share the same degree of nominal rigidity, the terms of trade are completely insulated from monetary policy and the optimal outcome is obtained by targeting a weighted average of the regional inflation rates. These weights coincide with the economic sizes of the region.

If the degrees of rigidity are different, the optimal plan implies a high degree of inertia in the inflation rate. But an inflation targeting policy in which higher weight is given to the inflation in the region with higher degrees of nominal rigidity is nearly optimal.

Berck, Peter

PD December 2000. **TI** Overharvesting the Traditional Fishery with a Captured Regulator. **AU** Berck, Peter; Costello, Christopher. **AA** Berck: University of California, Berkeley. Costello: University of California, Santa Barbara. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 920; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. **Website:** are.berkeley.edu/library/CUDARE/workpap.html. **PG** 26. **PR** \$6.50 Domestic; \$13.00 International Surface Rate. **JE** Q22, Q28. **KW** Overfishing. Open Access. Capture. Fisheries. Regulation.

AB Rent dissipation in open access fisheries is a well-studied problem (Gordon 1954; Homans and Wilen 1997). Regulation is seen as a possible remedy to the externality of entry, which eventually leads to zero profits and depressed stocks. Despite regulation, drastic declines have occurred in many regulated fisheries worldwide, prompting a discussion of economic, biological, and environmental phenomena that may lead to declines. We explore one case when a regulator permits overfishing in the context of a traditional fishery model. Influenced by industry to reduce effort restrictions, regulators often rely on gear, season length, and other efficiency restrictions to achieve management goals. Under standard assumptions we find that when the regulator is "captured" by the members of the industry, he unambiguously allows overfishing by reaching a lower stock and higher effort than is socially optimal. This steady state has zero rents, but a higher stock and higher effort than the open access steady state.

PD October 1999. **TI** Spatial Variation in Benefits and Costs, or Why Pollution Isn't Always for Sale. **AU** Berck, Peter; Helfand, Gloria E.; Kim, Hong Jin. **AA** Berck: University of California, Berkeley. Helfand: University of Michigan. Kim: U.S. Environmental Protection Agency. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 899; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. **Website:** are.berkeley.edu/library/CUDARE/workpap.html. **PG** 38. **PR** \$9.50 Domestic; \$19.00 International Surface Rate. **JE** D61, Q25. **KW** Abatement Costs. Air Pollution. Benefit-Cost Analysis. Clean Air Act.

AB Not Available.

Berglof, Erik

TI EU Reforms for Tomorrow's Europe. **AU** Baldwin, Richard; Berglof, Erik; Giavazzi, Francesco; Widgren, Mika.

Berman, Eli

PD October 2000. **TI** Does Factor-Biased Technological Change Stifle International Convergence? Evidence from Manufacturing. **AA** Boston University and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7964; Working Papers, NBER, 1050

Massachusetts Avenue, Cambridge, MA 02138-5398. **Website:** www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J30, L60, O15, O33, O40. **KW** Technological Change. Productivity.

AB Factor-biased technological change implies divergent productivity growth across countries with different amounts of skill and capital per worker. This paper estimates the extent of factor bias within industries and countries using a 19-country panel of manufacturing data covering the 1980s. Estimates using both production functions and total factor productivity functions show that technological change is strongly biased against less-skilled workers and toward both skilled workers and capital. An industry or country with twice the capital and skill per less-skilled worker enjoys 1.4 to 1.8 percent faster total factor productivity growth annually due to the effects of factor-bias. These results are consistent with the empirical literature on skill-biased technological change. They may well explain why "conditional convergence" of per capita income across countries is so slow.

Bernabe, Sabine

PD April 2002. **TI** Informal Employment in Countries in Transition: A Conceptual Framework. **AA** LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/56; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 64. **PR** no charge. **JE** H26, I39, J22, K29. **KW** Informal Sector. Transition. Labor Markets. Poverty.

AB This paper provides a framework with which to analyze these different types of "hidden" activities in order to design appropriate social, labor market, fiscal, and other policies. We build on the concepts and definitions of the System of National Accounts (1993), to develop a new conceptual framework that distinguishes between four types of "hidden" activities: Informal activities, which are undertaken "to meet basic needs"; Underground activities, which are deliberately concealed from public authorities; Illegal activities, which generate goods and services forbidden by the law; Household activities, which produce goods and services for own-consumption. We provide an example of how this concept of informal activities can be used to analyze informal employment, and apply it to the Georgia Labor Force Survey (1999) data. Preliminary results reveal that more than half of Georgia's employed population works informally.

Berthelemy, Jean-Claude

PD June 2000. **TI** Structural Changes in Asia and Growth Prospects After the Crisis. **AU** Berthelemy, Jean-Claude; Chauvin, Sophie. **AA** CEPII. **SR** CEPII Working Paper: 2000/09; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. **Website:** www.cepii.fr. **PG** 25. **PR** no charge. **JE** F43, O47, O53. **KW** Growth. East Asia. Financial Crises.

AB This paper assesses how the crisis might alter the potential growth of the East Asian countries most affected by the crisis that occurred in 1997. After the recovery in 1999, economic activity should come back to its potential medium term growth path. This does not imply that economic growth rates will stay at the historical 7-8 percent levels, both because of the mechanical slowdown which was predictable before the crisis and because the financial crisis has threatened some of

the structural changes at work in these economies. An econometric estimation for the period 1968/1996 quantifies factors important to the growth process. It estimates growth in Asia during the years before the crisis, and the loss of potential growth to be expected in the medium run. Finally, we construct medium term growth scenarios for 1996/2010 and try to weigh the share of the slowdown attributed respectively to the catch up effect as well as to structural changes.

PD April 1999. **TI** The Role of Capital Accumulation, Adjustment and Structural Change for Economic Take-Off: Empirical Evidence from African Growth Episodes. **AU** Berthelemy, Jean-Claude; Soderling, Ludvig. **AA** Berthelemy: University of Paris I and CEPII. Soderling: OECD Development Center, Paris. **SR** CEPII Working Paper: 1999/07; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 33. **PR** no charge. **JE** C33, D24, E22, O11, O14. **KW** Growth. Capital Accumulation. Diversification. Total Factor Productivity. Structural Change.

AB This paper analyzes extended periods of growth in Africa based on panel estimations for 27 African countries during the 1960-1996 period. A dozen of such fast growth episodes are observable in Africa since 1960. We use here the existing information on macroeconomic performance in Africa in a comparative way in order to assess the sustainability of such episodes. The main conclusion is that sustainable growth needs to be based on a balanced mix of capital accumulation, macroeconomic adjustment and structural change. We construct a measure for the effect of labor reallocation and an index of economic diversification, and we estimate the impact of the latter on long term growth. We build an analysis of investment behavior which is linked to total factor productivity progress. We propose a framework for assessing the sustainability of extended growth episodes.

Bertrand, Marianne

PD April 2001. **TI** Does Entry Regulation Hinder Job Creation? Evidence from the French Retail Industry. **AU** Bertrand, Marianne; Kramarz, Francis. **AA** Bertrand: University of Chicago, NBER, and CEPR. Kramarz: CREST and CEPR. **SR** National Bureau of Economic Research Working Paper: 8211; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J63, L51. **KW** Job Creation. Entry Regulation.

AB Does entry regulation hinder job creation? We investigate this question in the context of the French retail industry, a sector that has experienced especially low rates of job creation over the last 25 years. Since the early 70s, the French government has required regional zoning board approval for the creation or extension of any large retail store. Using a unique database that provides time and regional variation in boards' approval decisions, we show that this requirement created barriers to entry in the retail sector. We also show that these barriers to entry, either measured directly by approval rates or predicted by the political composition of the boards, weakened employment growth in the retail industry. Our findings indicate that retail employment could have been more than 10% higher today had entry regulation not been introduced. Promoting product market competition may thus be a key reform for countries with poor employment performance.

Besley, Timothy

PD March 2001. **TI** The Political Economy of Government Responsiveness: Theory and Evidence from India. **AU** Besley, Timothy; Burgess, Robin. **AA** London School of Economics and CEPR. **SR** CEPR Discussion Paper: 2721; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D72, H11, H41, I38. **KW** Disaster Relief. Government Responsiveness. Media. Political Accountability.

AB The determinant of government responsiveness to its citizens is a key issue in political economy. Here we develop a model based on the solution of political agency problems. Having a more informed and politically active electorate strengthens incentives for governments to be responsive. This suggests that there is a role both for democratic institutions and the mass media in ensuring that the preferences of citizens are reflected in policy. The ideas behind the model are tested on panel data from India. We show that public food distribution and calamity relief expenditure are greater, controlling for shocks, where governments face greater electoral accountability and where newspaper circulation is highest.

PD March 2001. **TI** Government Versus Private Ownership of Public Goods. **AU** Besley, Timothy; Ghatak, Maitreesh. **AA** Besley: London School of Economics and CEPR. **SR** CEPR Discussion Paper: 2725; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D73, H41, O17. **KW** Public Goods. Public Ownership.

AB There has been a dramatic change in the division of responsibility between the state and the private sector for the delivery of public goods and services in recent years with an increasing trend towards contracting out to the private sector and "public-private partnerships." This paper analyses how ownership matters in public good provision. We show that if contracts are incomplete then the ownership of a public good should lie with a party that values the benefits generated by it relatively more. This is true regardless of whether this party is also the key investor, or other aspects of the technology.

Bester, Helmut

PD February 2001. **TI** Wages and Productivity Growth in a Dynamic Monopoly. **AU** Bester, Helmut; Petrakis, Emmanuel. **AA** Bester: Freie Universitat Berlin and CEPR. **SR** CEPR Discussion Paper: 2707; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D24, D42, D92, J31. **KW** Dynamic Programming. Innovation. Labor Productivity. Monopoly. Wage Differentials.

AB This paper studies the inter-temporal problem of a monopolistic firm that engages in productivity-enhancing innovations to reduce its labor costs. If the level of wages is sufficiently low, the firm's rate of productivity growth approaches the rate of wage growth and eventually the firm reaches a steady state where its unit labor cost remains constant over time. Otherwise, it will gradually reduce its innovation effort over time and ultimately terminate production. Productivity-dependent wage differentials do not affect

productivity growth in the steady state; they increase, however, the firm's long-run equilibrium cost level.

Bevan, Alan

PD December 2000. **TI** The Determinants of Foreign Direct Investment in Transition Economies. **AU** Bevan, Alan; Estrin, Saul. **AA** London Business School. **SR** CEPR Discussion Paper: 2638; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C33, F20, P27. **KW** EU Accession. Foreign Direct Investment. Transition Economies.

AB Using a panel dataset containing information on FDI flows from market to transition economies, the determinants of FDI inflows to Central and Eastern Europe are established to be: country risk, unit labor costs, host market size and gravity factors. In turn, country risk is found to be influenced by private sector development, industrial development, the government balance, reserves and corruption. By introducing structural shift dummy variables for key announcements of progress in EU accession, it is shown that announcements have impacted directly upon FDI receipts, but have not influenced country credit ratings. The Agenda 2000 announcement by the European Commission induced a bifurcation between the "first wave" transition countries and the remainder of the sample. The underlying dynamics of the process illustrate that increases in FDI improve country credit ratings with a lag, hence increasing future FDI receipts. Consequently, it is suggested that the accession progress has the potential to induce virtuous cycles for the frontrunners, but may have serious consequences for the accession laggards.

Black, Sandra E.

PD January 2000. **TI** What's Driving the New Economy: The Benefits of Workplace Innovation. **AU** Black, Sandra E.; Lynch, Lisa M. **AA** Black: Federal Reserve Bank of New York. Lynch: Tufts University and NBER. **SR** National Bureau of Economic Research Working Paper: 7479; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** \$5.00. **JE** D24, J24, J31, J33, J51. **KW** Workplace Innovations. Productivity. Wages. Unions. Compensation Packages.

AB Using a unique nationally representative sample of U.S. establishments surveyed in 1993 and 1996, we examine the relationship between workplace innovations and establishment productivity and wages. We match plant level practices with plant level productivity and wage outcomes and estimate production functions and wage equations using both cross sectional and longitudinal data. We find a positive and significant relationship between the proportion of non-managers using computers and productivity of establishments. We find that firms that re-engineer their workplaces to incorporate more high performance practices experience higher productivity. Profit sharing and/or stock options are also associated with increased productivity. In addition, we find that employee voice has a larger positive effect on productivity when it is done in the context of unionized establishments. When we examine the determinants of wages within these establishments, we find that re-engineering a workplace to incorporate more high performance practices leads to higher wages. However, increasing the usage of profit sharing or stock

options results in lower regular pay for workers especially technical workers and clerical/sales workers. Finally, increasing the percentage of workers meeting regularly in groups has a larger positive effect on wages in unionized establishments.

Blanchard, Olivier J.

PD February 2001. **TI** Macroeconomic Effects of Regulation and Deregulation in Goods and Labor Markets. **AU** Blanchard, Olivier J.; Giavazzi, Francesco. **AA** Blanchard: Massachusetts Institute of Technology. Giavazzi: Universita Bocconi, Milano. **SR** CEPR Discussion Paper: 2713; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** J38, K21, L41. **KW** Deregulation. Imperfect Competition. Rents. Unemployment.

AB Product and labor market deregulation are fundamentally about reducing and redistributing rents, leading economic players to adjust in turn to this new distribution. Thus, even if deregulation eventually proves beneficial, it comes with strong distribution and dynamic effects. The transition may imply the decline of incumbent firms. Unemployment may increase for a while. Real wages may decrease before recovering, and so on. To study these issues, we build a model based on two central assumptions: Monopolistic competition in the goods market, which determines the size of rents, and bargaining in the labor market, which determines the distribution of rents between workers and firms. We then think of product market regulation as determining both the entry costs faced by firms, and the degree of competition between firms. We think of labor market regulation as determining the bargaining power of workers. Having characterized the effects of labor and product market deregulation, we then use our results to study two specific issues. First, we shed light on macroeconomic evolutions in Europe over the last twenty years, in particular on the behavior of the labor share. Second, we look at political economy interactions between product and labor market deregulation.

PD April 2001. **TI** The Perverse Effects of Partial Labor Market Reform: Fixed Duration Contracts in France. **AU** Blanchard, Olivier J.; Landier, Augustin. **AA** MIT. **SR** National Bureau of Economic Research Working Paper: 8219; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 41. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J63, J64, J68. **KW** Partial Reform. Labor Market Reform. France. Firing Costs. Labor Turnover.

AB Rather than decrease firing costs across the board, a number of European countries have allowed firms to hire workers on fixed-duration contracts. At the end of a given duration, these contracts can be terminated at little or no cost. If workers are kept on however, the contracts become subject to regular firing costs. We argue in this paper that the effects of such a partial reform of employment protection may be perverse. The main effect may be high turnover in fixed-duration jobs, leading in turn to higher, not lower, unemployment. And, even if unemployment comes down, workers may actually be worse off, going through many spells of unemployment and fixed duration jobs, before obtaining a regular job. Looking at French data for young workers since the early 1980s, we conclude that the reforms have substantially

increased turnover, without a substantial reduction in unemployment duration. If anything, their effect on welfare of young workers appears to have been negative.

Blanden, Jo

PD December 2001. **TI** Changes in Intergenerational Mobility in Britain. **AU** Blanden, Jo; Goodman, Alissa; Gregg, Paul; Machin, Stephen. **AA** Blanden and Machin: CEP, LSE and University College London. Goodman: Institute of Fiscal Studies. Gregg: CEP, LSE and University of Bristol. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 517; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 14. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** D31, I21, J62. **KW** Intergenerational Mobility. Earnings. Family Income. Education. Britain.

AB This paper compares and contrasts estimates of the extent of intergenerational income mobility over time in Britain. Estimates based on two British birth cohorts show that mobility appears to have fallen in a cross-cohort comparison of people who grew up in the 1960s and 1970s (the 1958 birth cohort) as compared to a cohort who grew up in the 1970s and 1980s (the 1970 birth cohort). The sensitivity of labor market earnings to parental income rises, thereby showing less intergenerational mobility for the more recent cohort. This supports theoretical notions that the widening wage and income distribution that occurred from the late 1970s onwards slowed down the extent of mobility up or down the distribution across generations.

Blau, Francine D.

PD April 2001. **TI** Understanding International Differences in the Gender Pay Gap. **AU** Blau, Francine D.; Kahn, Lawrence M. **AA** Blau: Cornell University and NBER. Kahn: Cornell University. **SR** National Bureau of Economic Research Working Paper: 8200; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 40. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** J31, J51, J71. **KW** Gender Pay Gap. Women's Wages. Collective Bargaining.

AB Using micro-data for 22 countries over the 1985-94 period, we find that more compressed male wage structures and lower female net supply are both associated with a lower gender pay gap. Since it is likely that labor market institutions are responsible for an important portion of international differences in wage inequality, the inverse relationship between the gender pay gap and male wage inequality suggests that wage-setting mechanisms, such as encompassing collective bargaining agreements, that provide for relatively high wage floors raise the relative pay of women, who tend to be at the bottom of the wage distribution. Consistent with this view, we find that the extent of collective bargaining coverage in each country is significantly negatively associated with its gender pay gap. In fact, a large part of the difference in the gender differential between high gap and low gap countries is explained by the differences across these countries in overall wage structure, with another potentially important segment due to differences in female net supply.

PD April 2001. **TI** Do Cognitive Test Scores Explain Higher US Wage Inequality? **AU** Blau, Francine D.; Kahn, Lawrence M. **AA** Blau: Cornell University and NBER.

Kahn: Cornell University. **SR** National Bureau of Economic Research Working Paper: 8210; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J31, J51. **KW** Wage Inequality. Earnings. Test Scores. Cognition.

AB Using microdata from the 1994-6 International Adult Literacy Survey (IALS), we examine the role of cognitive skills in explaining higher wage inequality in the US. We find that while the greater dispersion of cognitive test scores in the US plays a part in explaining higher US wage inequality, higher labor market prices (i.e., higher returns to measured human capital and cognitive performance) and greater residual inequality still play important roles for both men and women. And we find that, on average, prices are quantitatively considerably more important than differences in the distribution of test scores in explaining the relatively high level of US wage inequality. This finding holds up when we examine natives only and when we correct for sample selection.

Bloise, Gaetano

PD January 2002. **TI** Risk and Intermediation in a Dual Financial Market Model. **AU** Bloise, Gaetano; Reichlin, Pietro. **AA** Bloise: CORE and University of Rome. Reichlin: University of Rome and CEPR. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/04; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 18. **PR** \$100 per year. **JE** A10, D80, G10, O17. **KW** Financial Intermediation. Moral Hazard.

AB This paper investigates the relation between risk and the degree of financial intermediation in a model with moral hazard. Entrepreneurs can simultaneously get credit from two types of competing institutions: "financial intermediaries" and "local lenders". The former are competitive firms issuing deposits and having a comparative advantage in diversifying credit risks. The latter are individuals with a comparative advantage in credit arrangements with a "nearby" entrepreneur. Because of intermediation costs, local lenders are willing to diversify their portfolio by offering some direct lending to nearby entrepreneurs. This paper shows that, in some cases, a fall in intermediation costs, by inducing local lenders to choose a safer portfolio, reduces entrepreneurs' effort and increases the probability of default. In these cases a taxation policy may be welfare-improving.

PD March 2002. **TI** The Fragility of the Fiscal Theory of Price Determination. **AA** CORE and Universita "La Sapienza" di Roma. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/13; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 11. **PR** \$100 per year. **JE** D50, E40, E50. **KW** Money. Bubbles. Indeterminacy. Monetary Policy. Fiscal Policy.

AB The fiscal theory of price determination asserts that the price level is determined by the ratio of nominal public debt to the present value of real primary surpluses. To show its fragility, this paper describes a cash-in-advance economy with infinitely lived real productive assets. The fiscal theory does not hold since speculative bubbles partly restore the classical indeterminacy result. What seems arbitrary in the fiscal theory is to treat the initial nominal value of the aggregate portfolio as

if it were given exogenously.

PD April 2002. **TI** Money and Indeterminacy Over an Infinite Horizon. **AU** Bloise, Gaetano; Dreze, Jacques H.; Polemarchakis, Heracles M. **AA** Bloise: CORE and Universita "La Sapienza" di Roma. Dreze: CORE. Polemarchakis: Brown University. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/21; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 15. **PR** \$100 per year. **JE** D50, E40, E50. **KW** Money. Equilibrium. Indeterminacy. Monetary Policy.

AB Money provides liquidity services through a cash-in-advance constraint. The exchange of commodities and assets extends over an infinite horizon under uncertainty and complete asset market. Monetary policy sets the path of rates of interest and accommodates the demand for balances. Competitive equilibria exist. But, for a fixed path of rates of interest, there is a non-trivial multiplicity of equilibrium paths of prices of commodities. Determinacy requires that, subject to no-arbitrage and in addition to rates of interest, the prices of state-contingent revenues be somehow determined.

Boadway, Robin

PD October 2001. **TI** Social Insurance and Redistribution. **AU** Boadway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre. **AA** Boadway: Queen's University. Leite-Monteiro: Universidade Catolica Portuguesa. Marchand: CORE. Pestieau: Universite de Liege and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/41; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 23. **PR** \$100 per year. **JE** H24. **KW** Income Taxation. Social Insurance. Moral Hazard.

AB This paper studies optimal linear income taxation and redistributive social insurance when the former has the traditional labor distortion and the latter generates both *ex-ante* and *ex-post* moral hazard. Private insurance is available and individuals differ in labor productivity and in loss probability. The paper shows that government intervention in insurance market is *welfare-improving*, and social insurance is generally desirable particularly when there is a negative correlation between labor productivity and loss probability.

Bockmayr, Alexander

TI On Unions and Dominants of Polytopes. **AU** Balas, Egon; Bockmayr, Alexander; Pisaruk, Nicolai; Wolsey, Laurence A.

Bollerslev, Tim

TI Modeling and Forecasting Realized Volatility. **AU** Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys, Paul.

Bontout, Olivier

PD January 2000. **TI** What Drove Relative Wages in France? Structural Decomposition Analysis in a General Equilibrium Framework, 1970-1992. **AU** Bontout, Olivier; Jean, Sebastien. **AA** Bontout: French Ministry of Labor.

Jean: CEPII. **SR** CEPII Working Paper: 2000/03; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 22. **PR** no charge. **JE** D58, E24, J31. **KW** Decomposition Analysis. General Equilibrium Models. Relative Wages. France. International Trade.

AB This paper confronts a CGE model to observe evolutions in France, between 1970 and 1992, through a structural decomposition analysis. The choice of the model and the assumption of constant elasticities over time enable the structural change of the economy between two equilibria to be summarized through a set of four types of state variables, reflecting the effect of technical change, changes in factor supplies, shifts in consumption patterns, and international trade. Simulations then allow the contribution of each of these shocks to be assessed. We find that technical change had a strong positive impact on the relative wage of skilled to unskilled workers, while the impact of changes in factor supplies is strongly negative. The effect of international trade is far less important. However, if we take into account a trade-induced effect on productivity, then we find that trade substantially increased wage inequalities.

Boone, Jan

PD December 2000. **TI** Competition. **AA** Tilburg University and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2636; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D43, L13. **KW** Competition. Concentration. Measures of Competition. Price Cost Margin. Profits.

AB Competition has been modeled in economic literature in a number of ways. What do these different parameterizations of competition have in common? For instance, it turns out that it is not always the case that a rise in competition reduces price cost margins, industry wide profits or concentration. All parameterizations of competition, considered here, have two features in common. First, the reallocation effect: a rise in competition raises the profits of a firm relative to the profits of a less efficient firm. Second, a rise in competition reduces the profits of the least efficient firm active in the industry.

Bordo, Michael D.

PD September 2001. **TI** Aggregate Price Shocks and Financial Instability: A Historical Analysis. **AU** Bordo, Michael D.; Dueker, Michael J.; Wheelock, David C. **AA** Bordo: Rutgers University. Dueker and Wheelock: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2002/005B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 23. **PR** no charge. **JE** C25, E31, E52, N11, N12. **KW** Price Stability. U. S. Monetary History. Dynamic Probit. Financial Insolvency.

AB This paper presents empirical evidence on the hypothesis that aggregate price disturbances cause or worsen financial distress. We construct two annual indexes of financial conditions for the United States covering 1790-1997, and estimate the effect of aggregate price shocks on each index using a dynamic ordered probit model. We find that price level shocks contributed to financial instability during 1790-1933, and that inflation rate shocks contributed to financial instability

during 1980-97. Our research indicates that the size of the aggregate price shocks needed to qualitatively alter financial conditions depends on the institutional environment, but that a monetary policy focused on price stability would be conducive to financial stability.

PD October 2001. **TI** Aggregate Price Shocks and Financial Stability: The United Kingdom 1796-1999. **AU** Bordo, Michael D.; Dueker, Michael J.; Wheelock, David C. **AA** Bordo: Rutgers University and NBER. Dueker and Wheeler: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/018A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 22. **PR** no charge. **JE** C25, E31, E52, N13, N14. **KW** Price Stability. Financial Insolvency. Dynamic Probit. Monetary History. **AB** This paper investigates the impact historically of aggregate price shocks on financial stability in the United Kingdom. We construct an annual index of U.K. financial conditions for 1790-1999 and use a dynamic probit model to estimate the effect of aggregate price shocks on the index. We find that price level shocks contributed significantly to financial instability during 1820-1931, and that inflation rate shocks contributed to instability during 1972-99. Both the nature of aggregate price shocks and their impact depend on the existing monetary and financial regime, but price shocks historically have been a source of financial instability.

Borsch-Supan, Axel

PD September 1999. **TI** Reduction of Working Time/Eastward Enlargement of the European Union. **AU** Borsch-Supan, Axel; Cetto, Gilbert; Mociłnikar, Antoine Tristan. **AA** Borsch-Supan: University of Mannheim, CEPR, and NBER. Cetto: Conseil d'analyse économique, Paris. Mociłnikar: Commissariat général du Plan, Paris. **SR** CEPII Working Paper: 1999/13; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 66. **PR** no charge. **JE** E24, F15, J22, J64. **KW** Unemployment. Working Hours. Economic Integration. European Union. **AB** This working paper publishes the two papers discussed at the 5th meeting of the French-German Economic Forum, organized in July 1999. The first paper focuses on the reduction of working time and its impact on unemployment. It reviews the theoretical arguments and the empirical evidence of reduced weekly working time and finds out that there are theoretical arguments for a positive effect on employment. But these arguments rest on strong assumptions that are counterfactual. Econometric studies show little or negative effects on employment in Germany. Only a set of simulation studies predicts a positive employment effect. The second paper focuses on the Enlargement of the European Union to the Central and Eastern European countries, the Baltic states, as well as Malta and Cyprus. After a survey of the economic data for the transition years (1989-1999), it reviews the main economic consequences of this new step in the European integration.

Bourguignon, Francois

PD 2002. **TI** Selection Bias Correction Based on the Multinomial Logit Model. **AU** Bourguignon, Francois; Fournier, Martin; Gurgand, Marc. **AA** Bourguignon: World

Bank and DELTA. Fournier: Université d'Auvergne. Gurgand: CNRS and CREST. **SR** INSEE Documents de Travail du CREST: 2002/04; Mme Nadine GUEJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 7. **PR** no charge. **JE** C16, C19. **KW** Parametric Distributions. Selectivity. Multinomial Logit. Selection Bias. **AB** In a widely quoted paper, Lee (1983) proposed a generalization of the two-step method selection bias correction introduced by Heckman (1979) that allows for any parameterized error distribution instead of simply bi-variate normal. In the second part of his paper, Lee extended his method to the case where selectivity is modeled as a multinomial logit. In this note, we show that the result he obtained relies on a very unlikely particular case and we provide an easily employable correction method to get consistent estimates based on usual parametric assumptions.

Bover, Olympia

TI Learning About Migration Decisions from the Migrants: Using Complementary Datasets to Model Intra-Regional Migrations in Spain. **AU** Arellano, Manuel; Bover, Olympia.

Bradford, David F.

TI Preserving the Ocean Circulation: Implications for Climate Policy. **AU** Keller, Klaus; Tan, Kelvin; Morel, Francois M. M.; Bradford, David F.

Bradley, Cathy J.

TI Breast Cancer Survival, Work, and Earnings. **AU** Bednarek, Heather; Bradley, Cathy J.; Neumark, David.

Brana, Sophie

PD April 1999. **TI** Enterprise Adjustment and the Role of Bank Credit in Russia: Evidence from a 420 Firm's Qualitative Survey. **AU** Brana, Sophie; Maurel, Mathilde; Sgard, Jerome. **AA** Maurel: University of Paris I. Sgard: CEPII. **SR** CEPII Working Paper: 1999/06; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 26. **PR** no charge. **JE** G21, G32, L16, L60, P21. **KW** Growth. Credit Distribution. Transition Economies. Russia. Labor Productivity. **AB** This paper studies the relative performance of the Russian industrial enterprises in 1996 and relies upon the firm data collected in the quarterly surveys conducted since 1992 by the Russian Economic Barometer. After having presented this database, it gives the results of a Multiple Choice Analysis conducted to establish the internal consistency of the database as well as a series of relationships between the variables, including profit. It analyzes the dynamics of the adjustment of the Russian enterprises in 1996. This confirms that the adjustment and growth of enterprises in transition economies require that they meet a growing demand for their goods and adjust to hard financial constraints. The evolution of output levels and employment show that labor productivity was on a downward trend in 1996. As far as credit is concerned, credit distribution appears as a strongly inertial variable, banks discriminating hardly among potential borrowers.

Brandt, Michael W.

TI High- and Low-Frequency Exchange Rate Volatility Dynamics: Range- Based Estimation of Stochastic Volatility

Models. **AU** Alizadeh, Sassan; Diebold, Francis X.; Brandt, Michael W.

Brandt, Sylvia

PD October 1999. **TI** Productivity and Industrial Structure under Market Incentives and Traditional Regulation: A Case Study of Tradable Property Rights in the Middle Atlantic Surf Clam Fishery. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 900; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 29. **PR** \$7.25 Domestic; \$14.50 International Surface Rate. **JE** L51, L52, Q22, Q28. **KW** Environmental Policy. Fisheries. Productivity. Property Rights. Regulation.

AB This paper contrasts the impact on productivity of two antithetical environmental regulatory policies: command-and-control regulation and the establishment of tradable property rights. A Tornqvist productivity index for the Middle Atlantic surf clam industry is estimated for periods in which each of the competing approaches was applied. Much of the gain in productivity immediately following implementation of tradable property rights is a consequence of the incentives established during the policy negotiation period. Regression analysis shows that, after controlling for the effects of the surf clam population, effective fishing hours, the number of processing plants and the price of an alternative clam harvest, the mean index of productivity under individual transferable quotas is higher by 0.398 than under command-and-control. While this result gives positive evidence that individual transferable quotas improved productivity over command-and-control, the productivity growth rates clearly demonstrate that the competitive behavior of participants played an important role in shaping the outcome of the policy transition.

Branstetter, Lee G.

PD October 2000. **TI** When do Research Consortia Work Well and Why? Evidence from Japanese Panel Data. **AU** Branstetter, Lee G.; Sakakibara, Mariko. **AA** Branstetter: University of California, Davis and National Bureau of Economic Research. Sakakibara: University of California, Los Angeles. **SR** National Bureau of Economic Research Working Paper: 7972; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** L52, O31, O32. **KW** Research and Development. Innovation. Japan.

AB This paper examines the impact of a large number of Japanese government-sponsored research consortia on the research productivity of participating firms by measuring their patenting in the targeting technologies before, during, and after participation. Consistent with the theoretical predictions of Katz (1986) and others, consortium outcomes are positively associated with the level of potential R&D spillovers within the consortium and (weakly) negatively associated with the degree of product market competition among consortium members. Furthermore, the evidence suggests that consortia are most effective when they focus on basic research.

Brown, Stephen J.

PD March 2001. **TI** Hedge Funds With Style.

AU Brown, Stephen J.; Goetzmann, William N. **AA** Brown: New York University. Goetzmann: Yale University and NBER. **SR** National Bureau of Economic Research Working Paper: 8173; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** G00, G20. **KW** Hedge Funds. Investment style.

AB The popular perception is that hedge funds follow a reasonably well defined market-neutral investment style. While this long-short investment strategy may have characterized the first hedge funds, today hedge funds are a reasonably heterogeneous group. They are better defined in terms of their freedom from the constraints imposed by the Investment Company Act of 1940 than they are by the particular style of investment. This paper studies the monthly return history of hedge funds and finds that there are in fact a number of distinct styles of management and that differences in investment style contribute about 20 percent of the cross sectional variability in hedge fund performance. This result is consistent across the years of the sample used in the paper and is robust to the way in which investment style is determined. This paper concludes that appropriate style analysis and style management are crucial to success for investors.

Bryson, Alex

PD October 2001. **TI** Youth-Adult Differences in the Demand for Unionisation: Are American, British, and Canadian Workers All That Different? **AU** Bryson, Alex; Gomez, Rafael; Gunderson, Morley; Meltz, Noah. **AA** Bryson: CEP and Policy Studies Institute. Gomez: LSE. Gunderson: University of Toronto. Meltz: Netanya Academic College and University of Toronto. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 515; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 16. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J13, J31, J51. **KW** Unions. Youth Preferences. Labor Markets.

AB This paper examines demand for union membership amongst young workers in Britain, Canada and the United States. The paper benchmarks youth demands for collective representation against those of adult workers and finds that a large and significant representation gap exists in all three countries. Using a model of representation advanced by Farber (1982) and Riddell (1993) we find that a majority of the union density differential between young and adult workers is due to supply-side constraints rather than a lower desire for unionization on the part of the young. This finding lends credence of two conjectures made in the paper; the first is that tastes for collective representation do not differ among workers (either by nationality or by age) and second that union representation can be fruitfully modeled as an experience good. The experience good properties of union membership explain the persistence of union density differentials amongst youth and adults both over time and across countries.

PD May 2002. **TI** The Union Membership Wage Premium: An Analysis Using Propensity Score Matching. **AA** Policies Studies Institute, London and CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 530; Publications Unit, Centre for Economic Performance, London School of Economics and

Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 24. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** C14, C81, J31, J51. **KW** Trade Unions. Wage Premium. Treatment Effect. Matching. Propensity Score.

AB This paper estimates the size of the union membership wage premium by comparing wage outcomes for unionized workers with 'matched' non-unionized workers. In our analysis, we use the linked employer-employee Workplace Employee Relations Survey (WERS) 1998. We estimate the union membership premium for the whole private sector, among workers in workplaces where at least some workers are covered by collective bargaining, and in occupations with pay set by collective bargaining. We find a raw 17-25% union premium in gross hourly wages for the private sector in Britain, depending on the sub-group used. However, post-matching this difference falls to between 3% and 6%. This indicates that the higher pay of unionized workers is largely accounted for by their better underlying earnings capacity, which is associated with their individual characteristics, the jobs they do and the workplaces they find themselves in.

Bullard, James B.

PD November 2000. **TI** Determinacy, Learnability, and Monetary Policy Inertia. **AU** Bullard, James B.; Mitra, Kaushik. **AA** Bullard: Federal Reserve Bank of St. Louis. Mitra: University of York. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/030A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 27. **PR** no charge. **JE** E42, E43, E52. **KW** Monetary Policy Rules. Determinacy. Learning. Instrument Instability.

AB We evaluate Taylor-type monetary policy rules from the perspective of which classes of rules most reliably induce determinacy and learnability of a rational expectations equilibrium. The context is a simple, forward-looking model of the macroeconomy widely used in the rapidly expanding literature in this area. The policy rules we consider have an inertial component, whereby the central bank can respond cautiously to economic events. We document that policy inertia can help alleviate problems of indeterminacy and explosive instability of equilibrium in this model, and that learnability of equilibrium is not impaired by policymaker caution. We conclude that this might be an important reason why central banks in the industrialized economies display considerable inertia when adjusting monetary policy in response to changing economic conditions.

PD September 2001. **TI** The Value of Inside and Outside Money. **AU** Bullard, James B.; Smith, Bruce D. **AA** Bullard: Federal Reserve Bank of St. Louis. Smith: University of Texas. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/027C; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 34. **PR** no charge. **JE** E42, E44, E51. **KW** Fiat Money. Private Money. Electronic Cash. Monetary Theory. Endogenous Volatility.

AB We study dynamic economies in which agents may have incentive to hold both privately-issued (a.k.a. inside) and publicly-issued (a.k.a. outside) circulating liabilities as part of an equilibrium. Our analysis emphasizes spatial separation and limited communication as frictions that motivate monetary

exchange. We isolate conditions under which a combination of inside and outside money does and does not allow the economy to achieve a first-best allocation of resources. We also study the extent to which the use of private circulating liabilities alone, or the use of public circulating liabilities alone, can address the frictions that lead to monetary exchange.

PD September 2001. **TI** The Value of Inside and Outside Money: Expanded Version. **AU** Bullard, James B.; Smith, Bruce D. **AA** Bullard: Federal Reserve Bank of St. Louis. Smith: University of Texas. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/011A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 38. **PR** no charge. **JE** E42, E52. **KW** Fiat Money. Private Money. Electronic Cash. Monetary Theory. Endogenous Volatility.

AB We study dynamic economies in which agents may have incentives to hold both privately-issued (a.k.a. inside) and publicly-issued (a.k.a. outside) circulating liabilities as part of an equilibrium. Our analysis emphasizes spatial separation and limited communication as frictions that motivate monetary exchange. We isolate conditions under which a combination of inside and outside money does and does not allow the economy to achieve a first-best allocation of resources. We also study the extent to which the use of private circulating liabilities alone, or the use of public circulating liabilities alone, can address the frictions that lead to monetary exchange. We identify conditions under which both types of liabilities are essential to efficiency. However, even when these conditions are satisfied, we show that political economy considerations may lead to a prohibition against private circulating liabilities. Finally, we analyze the consequences of such a prohibition for determinacy of equilibrium, and for endogenously arising volatility.

PD January 2002. **TI** Learning About Monetary Policy Rules. **AU** Bullard, James B.; Mitra, Kaushik. **AA** Bullard: Federal Reserve Bank of St. Louis. Mitra: University of York. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/01E; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 25. **PR** no charge. **JE** E42, E52, E58. **KW** Learning. Expectational Stability. Indeterminacy. Taylor Rules.

AB We study macroeconomic systems with forward-looking private sector agents and a monetary authority that is trying to control the economy through the use of a linear policy feedback rule. We use stability under recursive learning a la Evans and Honkapohja (2001) as a criterion for evaluation monetary policy rules in this context. We find that considering learning can alter the evaluation of alternative policy rules.

Burchardt, Tania

PD February 2000. **TI** The Dynamics of Being Disabled. **AA** CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/36; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 31. **PR** no charge. **JE** H53, H55, I12, J64. **KW** Disability. Panel Data. Survival Analysis. Employment. Unemployment.

AB This paper uses data from the British Household Panel Survey to investigate the dynamic aspect of disability, an aspect often hidden behind the snapshot given by cross

sectional data. First, a detailed breakdown is given of the working-age population who are disabled at any one time by the 'disability trajectories' they follow over a seven-year period. Second, the expected duration of disability for those who become disabled during working life is examined. The results show that only a small proportion of working age people who experience disability are long-term disabled, despite the fact that at any one time, long-term disabled people make up a high proportion of all disabled people. Over half of those who become limited in activities of daily living as adults have spells lasting less than two years, but few who remain disabled after four years recover. Intermittent patterns of disability, particularly due to mental illness, are common. The assumption, contrary to evidence presented in this paper, that "once disabled, always disabled", has led to social security and employment policies which marginalize disabled people and are costly for the state.

PD April 2002. **TI** Constraint and Opportunity: Identifying Voluntary Non-Employment. **AU** Burchardt, Tania; Le Grand, Julian. **AA** LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/55; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 32. **PR** no charge. **JE** B41, I39, J64. **KW** Employment. Opportunity. Capability. Voluntary.

AB This paper assesses the extent to which the behavior of an individual is the result of the constraints that he or she faces, or the result of his or her preferences. It concentrates on participation or non-participation in employment. Following a discussion of potential methodological difficulties, data from the British Household Panel Study are used to construct models of the probability of being in employment. Starting from the position that all non-employment is voluntary, possible constraints are introduced in layers corresponding to the degree to which they are regarded as beyond individual control. Since there may be unobserved constraints, the outcome is cross-checked by starting from the opposite position, namely that all non-employment is involuntary, then subtracting those for whom there is evidence of having chosen to be out of work. The results suggest that after taking into account as many constraints as possible, one-tenth of the non-employment in our sample is unambiguously voluntary, with a further one-tenth being indeterminate.

Burgess, Robin

TI The Political Economy of Government Responsiveness: Theory and Evidence from India. **AU** Besley, Timothy; Burgess, Robin.

Burgess, Simon

PD June 2000. **TI** Measuring Income Risk. **AU** Burgess, Simon; Gardiner, Karen; Jenkins, Stephen P.; Propper, Carol. **AA** Burgess and Propper: University of Bristol. Gardiner: CASE, LSE. Jenkins: University of Essex. **SR** London School of Economics, STICERD CASEpapers: CASE/40; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 38. **PR** no charge. **JE** D12, D31, D84. **KW** Income Risk. Demographics. Panel Data.

AB We provide a critique of the methods that have been used to derive measures of income risk and draw attention to the

importance of demographic factors as a source of income risk. We also propose new measures of the contribution to total income risk of demographic and labor market factors. Empirical evidence supporting our arguments is provided using data from the British Household Survey.

PD February 2001. **TI** Why Rising Tides Don't Lift All Boats? An Explanation of the Relationship Between Poverty and Unemployment in Britain. **AU** Burgess, Simon; Gardiner, Karen; Propper, Carol. **AA** Burgess and Propper: University of Bristol and CASE, LSE. Gardiner: CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/46; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 44. **PR** no charge. **JE** D31, E24, E32, I32, J64. **KW** Poverty. Unemployment. Business Cycles.

AB This paper is motivated by the lack of any obvious relationship between aggregate poverty and unemployment in Great Britain. We derive a framework based on individuals' risks of unemployment and poverty, and how these vary over the economic cycle. Analyzing the British Household Panel Survey for 1991-96, we are able to square the micro evidence -- that unemployment matters for poverty -- with the macro picture -- that there's no strong link. We then go on to identify which household and individual characteristics are associated with whether an individual's poverty risk is vulnerable to the economic cycle.

PD September 2001. **TI** Growing Up: School, Family and Area Influences on Adolescents' Later Life Chances. **AU** Burgess, Simon; Gardiner, Karen; Propper, Carol. **AA** Simon and Propper: University of Bristol and LSE. Karen: LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/49; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 39. **PR** no charge. **JE** I21, I32, J31. **KW** Family Background. Poverty. Wages. Schooling. Area Effects.

AB This paper explores the links between school, family and area background influences during adolescence and later adult economic outcomes. The empirical analysis is based on data covering the period 1979 to 1996, drawn from the 1979 US National Longitudinal Survey of Youth. For a sample of individuals ages 14 to 19 in 1979, estimates are produced of the impact of family, school and local area when growing up, on earnings capacity and poverty risk once they reach adulthood.

PD December 1999. **TI** The Class of '81: The Effects of Early-Career Unemployment on Subsequent Unemployment Experiences. **AU** Burgess, Simon; Propper, Carol; Rees, Hedley; Shearer, Arran. **AA** Burgess and Propper: CMPO, University of Bristol, CASE, LSE and CEPR. Rees: University of Bristol. Shearer: CMPO, University of Bristol. **SR** London School of Economics, STICERD CASEpapers: CASE/32; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 27. **PR** no charge. **JE** J23, J24, J64. **KW** Unemployment. Scarring. Pseudo-Cohorts. Skill. Employment.

AB We examine whether unemployment early in an individual's career influences her later employment prospects. We use six years of the LFS to create pseudo-cohorts and

exploit cross-cohort variation in unemployment at school-leaving age to identify this. We find heterogeneous responses: for the unskilled, there is evidence of an enduring adverse effect; for the more skilled, there is a small beneficial effect.

Burkart, Mike

PD February 2001. TI Agency Conflicts, Ownership Concentration, and Legal Shareholder Protection. AU Burkart, Mike; Panunzi, Fausto. AA Burkart: Stockholm School of Economics and CEPR. Panunzi: Università di Bologna. SR CEPR Discussion Paper: 2708; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE G32, G34. KW Corporate Governance. Law and Finance. Ownership Structure.

AB This paper analyses the interaction between legal shareholder protection, managerial incentives, and ownership concentration. In our framework, blockholder and manager are distinct parties and the presence of a blockholder can both protect and hurt minority shareholders. Legal shareholder protection affects both the expropriation of shareholders and the blockholder's incentives to monitor. Because of this latter effect and its repercussion on managerial incentives, outside ownership concentration and legal shareholder protection can be both substitutes and complements. When legal protection and outside ownership concentration are substitutes, better legal protection may exacerbate rather than alleviate the conflict of interest between large and small shareholders. Moreover, strengthening legal minority shareholder protection may have adverse effects on the behavior of the manager and of the large shareholder who both enhance share value. Hence, rules aimed at protecting minority shareholders, e.g., equal treatment rules, can be detrimental.

Burnside, Craig

PD January 2000. TI Assessing the Effects of Fiscal Shocks. AU Burnside, Craig; Fisher, Jonas D. M.; Eichenbaum, Martin. AA Burnside: World Bank. Fisher: Federal Reserve Bank of Chicago. Eichenbaum: Northwestern University and NBER. SR National Bureau of Economic Research Working Paper: 7459; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 31. PR \$5.00. JE E24, E32, E62. KW Real Wages. Hours Worked. Fiscal Policy Shocks. Business Cycles. Income Taxes.

AB This paper investigates the response of real wages and hours worked to an exogenous shock in fiscal policy. We identify this shock with the dynamic response of government purchases and tax rates to an exogenous increase in military purchases. The fiscal shocks that we isolate are characterized by highly correlated increases in government purchases, tax rates and hours worked as well as persistent declines in real wages. We assess the ability of standard Real Business Cycle models to account for these facts. They can -- but only under the assumption that marginal income tax rates are constant, a standard assumption in the literature. Once we abandon this counterfactual assumption, RBC models cannot account for the facts. We argue that our empirical findings pose a challenge to a wide class of business cycle models.

Caballero, Ricardo J.

PD October 2000. TI International and Domestic Collateral Constraints in a Model of Emerging Market Crises. AU Caballero, Ricardo J.; Krishnamurthy, Arvind. AA Caballero: Massachusetts Institute of Technology and National Bureau of Economic Research. Krishnamurthy: Northwestern University. SR National Bureau of Economic Research Working Paper: 7971; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 28. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE E40, F30. KW Emerging Markets. International Finance. Interest Rates. AB This paper builds a model of emerging markets crises featuring two types of collateral constraints. Firms in a domestic economy have limited borrowing capacity from international investors. They also have limited borrowing capacity with respect to each other. How the presence of and changes in these collateral constraints affect financial and real variables is studied. A binding international constraint in the aggregate leads to a sharp rise in interest rates and fire sales of domestic assets, while limited domestic collateral can lead to wasted international collateral. These two collateral constraints can interact in important ways. The first is disintermediation: a fire sale of domestic assets causes banks to fail in their function of reallocating resources across the economy leading to wasted international collateral. The second is a dynamic effect, showing that firms in an economy with limited domestic collateral and a binding international collateral constraint will not adequately precaution against adverse shocks, increasing the severity of these shocks. Thus, while much of the literature on the role of financial constraints in macroeconomics draws insights within either of these collateral deficiencies, there is a greater argument that their static and dynamic interactions have important consequences for emerging markets' performance.

PD February 2001. TI International Liquidity Illusion: On the Risks of Sterilization. AU Caballero, Ricardo J.; Krishnamurthy, Arvind. AA Caballero: Massachusetts Institute of Technology. Krishnamurthy: Northwestern University. SR National Bureau of Economic Research Working Paper: 8141; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 24. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE E52, F31, F34, G38. KW Liquidity. Financial Markets. Sterilization. Asset Prices.

AB The main policy tool for limiting capital flows is a sterilization of capital inflows. Despite its widespread use, sterilization is often criticized for its ineffectiveness. We argue that these concerns are justified when countries experience occasional external crises and domestic financial markets are illiquid. In this context, while standard Mundell-Fleming considerations may determine the impact of the sterilization on short term peso interest rates, a potentially more powerful and offsetting mechanism is triggered by the anticipated reversal of this policy in the event of an external crisis. If the instruments used in the sterilization are illiquid or result in fiscal deficits that reduce the liquidity of the private sector, then the effective dollar cost of capital may be lowered rather than raised by this policy. Most importantly, this dollar cost of capital reduction does not reflect a true increase in the country's international liquidity during the external crisis and reversal, as would be the case with a successful sterilization, but just a decline in domestic private liquidity. The impact of the latter on relative asset prices creates a sort of "international liquidity illusion"

which fosters rather than depresses aggregate demand, and exacerbates short term capital inflows.

Cadiou, Loic

PD June 1999. **TI** La Diversite Des Marches du Travail en Europe: Quelles Consequences pour l'Union Monetaire (Premiere partie: La Diversite des Marches du Travail dans les pays de l'Union Europeenne). **AU** Cadiou, Loic; Guichard, Stephanie; Maurel, Mathilde. **AA** Cadiou and Guichard: CEPII. Maurel: University of Paris I and CEPR. **SR** CEPII Working Paper: 1999/10; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 91. **PR** no charge. **JE** E24, F42, J20, J50, O52. **KW** Labor Markets. Wage Setting. Employment. Asymmetry. European Monetary Union.

AB (This paper is written in French). The aim of this two-part study is to consider the consequences of the diversity of national labor markets for EMU since this diversity could complicate the management of macroeconomic policy in Europe. It evaluates whether the differences in European labor market structures lead to different wage and employment adjustments. The first paper offers a detailed analysis of the main characteristics of the labor markets in the European countries, whether they already take part in the Euro or not. European labor markets are highly heterogeneous with respect to wage bargaining, the degree of employment protection, the importance of replacement incomes and the content of active labor market policies. The UK labor market is clearly different, but the continental European countries are far from forming a homogeneous group. This differentiation makes it difficult to define a common model: for example, France is characterized by highly fragmented industrial relations.

PD June 1999. **TI** La Diversite des Marches du Travail en Europe: Quelles Consequences pour l'Union Monetaire (Deuxieme partie: Les Implications Macro- Economiques de la Diversite des Marches du Travail). **AU** Cadiou, Loic; Guichard, Stephanie; Maurel, Mathilde. **AA** Cadiou and Guichard: CEPII. Maurel: University of Paris I and CEPR. **SR** CEPII Working Paper: 1999/11; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 49. **PR** no charge. **JE** E24, F42, J20, J50, O52. **KW** Labor Markets. Wage Setting. Employment. Asymmetry. European Monetary Union.

AB (This paper is written in French). This paper is part of the study on the consequences of the diversity of national labor markets for EMU. For the countries with available data, it proceeds with a comparison of wage and employment reactions during the nineties. These behavior estimates are introduced into a simple model to simulate the reaction of the different countries to common European shocks and to national, specific shocks. The estimation of labor market flexibility leads to two strong results: there is not an identical reaction of labor markets in Europe: these differences cannot be easily linked to institutional characteristics. The macroeconomic simulations carried out lead to two conclusions. Even in the countries where the flexibility of wages and employment are most significant, they are unable to compensate for the loss of national economic policy. Differences in the European labor markets would not complicate the macroeconomic management in the case of events affecting all the countries in the same way.

Cahuc, Pierre

PD 2001. **TI** Unemployment Compensation Finance and Labor Market Rigidity. **AU** Cahuc, Pierre; Malherbet, Franck. **AA** Cahuc: Universite Paris I, CREST, IZA, and Institut Universitaire de France. Malherbet: CREST-INSEE and Universite Paris I. **SR** INSEE Documents de Travail du CREST: 2001/37; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 16. **PR** no charge. **JE** J23, J38, J41, J64, J65. **KW** Matching Models. Employment. Taxation. Job Protection. Unemployment Insurance.

AB The systematic use of experience rating is an original feature of the U.S. unemployment benefit system. At first glance, it is likely that experience rating is not desirable in many European labor markets characterized by high firing costs. We provide a simple matching model of a rigid labor market including firing costs, temporary jobs and a minimum wage in order to analyze this issue. Our analysis leads us to argue that experience rating is likely to reduce unemployment and to improve the welfare of low skilled workers in France, and more generally for low skilled workers in a typical rigid Continental European labor market.

Caminal, Ramon

PD November 2000. **TI** Personal Redistribution and the Regional Allocation of Public Investment. **AA** Institut d'Analisi Economica, Barcelona and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2627; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D31, H41. **KW** Public Investment. Redistribution. Regional Policy.

AB Should the geographic allocation of public investment aim at reducing regional inequalities or should it exclusively be concerned with the maximization of aggregate output? This paper studies the potential role of public investment in reducing personal welfare inequality, in combination with distortionary taxation. The case for public investment as a significant redistribution device seems weak. If the tax code is constrained to be uniform across regions, then it is optimal to distort the allocation of public investment in favor of the poor regions, but only to a limited extent. The reason is that poor individuals are relatively more sensitive to public transfers, which are maximized by allocating public investment efficiently. If the tax code can vary across regions then the result is ambiguous and it might even be the case that the optimal policy involves an allocation of public investment distorted in favor of the rich regions.

Campbell, John Y.

PD April 2001. **TI** Valuation Ratios and the Long-Run Stock Market Outlook: An Update. **AU** Campbell, John Y.; Shiller, Robert J. **AA** Campbell: Harvard University and NBER. Shiller: Yale University and NBER. **SR** National Bureau of Economic Research Working Paper: 8221; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G12, G14. **KW** Valuation Ratios. Efficient Markets. Forecasting.

AB The use of price-earnings ratios and dividend-price ratios

as forecasting variables for the stock market is examined using aggregate annual US data 1871 to 2000 and aggregate quarterly data for twelve countries since 1970. Various simple efficient-markets models of financial markets imply that these ratios should be useful in forecasting future dividend growth, future earnings growth, or future productivity growth. We conclude that, overall, the ratios do poorly in forecasting any of these. Rather, the ratios appear to be useful primarily in forecasting future stock price changes, contrary to the simple efficient-markets models. This paper is an update of our earlier paper (1998), to take account of the remarkable behavior of the stock market in the closing years of the twentieth century.

Capps, Cory S.

PD April 2001. **TI** The Silent Majority Fallacy of the Elzinga-Hogarty Criteria: A Critique and New Approach to Analyzing Hospital Mergers. **AU** Capps, Cory S.; Dranove, David; Greenstein, Shane; Satterthwaite, Mark. **AA** Capps: University of Illinois at Urbana-Champaign. Dranove and Satterthwaite: Northwestern University. Greenstein: Northwestern University and NBER. **SR** National Bureau of Economic Research Working Paper: 8216; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 29. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I11, I12, L41. **KW** Hospital Mergers. Elzinga-Hogarty Criteria. Hospital Demand. Antitrust Analysis.

AB Elzinga-Hogarty inflow/outflow analysis is a mainstay of geographic market definition in antitrust analysis. For example, U.S. antitrust agencies lost several hospital merger challenges when evidence showed that a nontrivial fraction of local patients traveled outside the local community for care. We show that the existence of traveling consumers may not limit seller market power with respect to non-traveling consumers -- a phenomenon we label the silent majority fallacy. We estimate a random coefficients logit model of hospital demand and use the estimates to predict the increase in price that various mergers would generate. Two distinct methods of predicting the price increase are implemented and both indicate that even in suburban areas with high outflows of consumers, some hospital mergers could lead to significant price increases.

Carlton, Dennis W.

TI An Empirical Investigation of the Competitive Effects of Domestic Airline Alliances. **AU** Bamberger, Gustavo E.; Neumann, Lynette R.; Carlton, Dennis W.

Carroll, Christopher D.

PD April 2001. **TI** Precautionary Saving and the Marginal Propensity to Consume out of Permanent Income. **AA** John Hopkins University and NBER. **SR** National Bureau of Economic Research Working Paper: 8233; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 15. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D81, D91, E21. **KW** Precautionary Saving. Consumption. Permanent Income.

AB Because the budget constraint implies that consumption must eventually fully adjust to permanent shocks, intuition suggests that consumption-smoothers will have an immediate marginal propensity to consume of one out of permanent shocks. However, this paper shows that if consumers are impatient and experience both transitory and permanent income

shocks, the immediate marginal propensity to consume out of permanent shocks is strictly less than one, because buffer-stock savers have a target wealth-to-permanent-income ratio; for a consumer starting at the target ratio, a positive shock to permanent income moves their actual wealth-to-permanent-income ratio below the target, temporarily boosting the saving rate.

Caselli, Francesco

PD February 2001. **TI** Cross-Country Technology Diffusion: The Case of Computers. **AU** Caselli, Francesco; Coleman, Wilbur John, II. **AA** Caselli: Harvard University, CEPR, and NBER. Wilbur: Duke University. **SR** National Bureau of Economic Research Working Paper: 8130; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 13. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** O14, O33. **KW** Computer Equipment. Technology Adoption. Human Capital.

AB We use data on imports of computer equipment for a large sample of countries between 1970 and 1990 to investigate the determinants of computer-technology adoption. We find strong evidence that computer adoption is associated with higher levels of human capital and with manufacturing trade openness vis-a-vis the OECD. We also find evidence that computer adoption is enhanced by high investment rates, good property rights protection, and a small share of agriculture in GDP. Finally, there is some evidence that adoption is reduced by a large share of government in GDP, and increased by a large share of manufacturing. After controlling for the above-mentioned variables, we do not find an independent role for the English- (or European-) language skills of the population.

PD March 2001. **TI** Cross-Country Technology Diffusion: The Case of Computers. **AU** Caselli, Francesco; Coleman, Wilbur John, II. **AA** Caselli: Harvard University and CEPR. **SR** CEPR Discussion Paper: 2744; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E17, O31, O49. **KW** Computers. Diffusion. Human Capital. Knowledge Externalities.

AB See entry for Caselli, Francesco; Coleman, Wilbur John, II. February 2001, "Cross-Country Technology Diffusion: The Case of Computers". National Bureau of Economic Research Working Paper: 8130; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Cassiman, Bruno

PD November 2000. **TI** Endogenizing Know-How Flows Through the Nature of R&D Investments. **AU** Cassiman, Bruno; Perez-Castrillo, David J.; Veugelers, Reinhilde. **AA** Cassiman: Universidad de Navarra. Perez-Castrillo: Universitat Autònoma de Barcelona. Veugelers: Katholieke Universiteit Leuven, Belgium. **SR** CEPR Discussion Paper: 2622; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** L13, O32, O34. **KW** Research and Development. Intellectual Property Protection. Spillovers.

AB This paper carefully links knowledge flows to and from a firm's innovation process with the firm's investment decisions.

Three types of investments are considered: investments in applied research, investments in basic research, and investments in intellectual property protection. Only when basic research is performed can the firm effectively access incoming knowledge flows and these incoming spillovers serve to increase the efficiency of applied research. The firm can then influence outgoing knowledge flows, improving appropriability of its innovations, by investing in protection. Results indicate that firms with small budgets for innovation will not invest in basic research. The ratio of basic to applied research is non-decreasing in the size of the pool of accessible external know-how, the size and opportunity of the market, and, the effectiveness of intellectual property rights protection. This indicates the existence of economies of scale in basic research due to external market related factors. Empirical evidence from a sample of innovative manufacturing firms in Belgium confirms the economies of scale in basic research as a consequence of the firm's capacity to access external knowledge flows and to protect intellectual property, as well as the complementarity between legal and strategic investments.

Cette, Gilbert

TI Reduction of Working Time/Eastward Enlargement of the European Union. **AU** Borsch-Supan, Axel; Cette, Gilbert; Mocilnikar, Antoine Tristan.

Chapman, David J.

PD October 2000. **TI** Environmental Damages in Court: The American Trader Case. **AU** Chapman, David J.; Hanemann, Michael W. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 913; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 44. **PR** \$11.00 Domestic; \$22.00 International Surface Rate. **JE** K32, Q39. **KW** Environmental Damages. Oil Spills. Economic Analysis. Long Beach Recreation. **AB** Not Available.

Chari, V. V.

TI How Severe is the Time Inconsistency Problem in Monetary Policy? **AU** Albanesi, Stefania; Chari, V. V.; Christiano, Lawrence J.

Charlety, Patricia

PD November 2001. **TI** Prises de Participations et Expropriation des Actionnaires Minoritaires. **AU** Charlety, Patricia; Fagart, Marie-Cecile; Souam, Said. **AA** Charlety: ESSEC and CREST-LEI. Fagart: Universite de Rouen and CREST-LEI. Souam: Universite de Tours CREST-LEI. **SR** INSEE Documents de Travail du CREST: 2001/42; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 15. **PR** no charge. **JE** D23, G32, G34, L13. **KW** Horizontal Ownership. Favoritism Effect. Dominant Shareholder. Minority Shareholders. Oligopoly. **AB** This paper studies horizontal partial ownership arrangements in an oligopolistic industry in the absence of synergies. Contrary to existing results, a dominant shareholder would like to hold some equities of a competitor firm, although

the aggregate profit of the two firms is reduced. This is due to a favoritism effect: the dominant shareholder will favor the firm of which he detains a higher share. This paper is written in French.

Chauvin, Sophie

TI Structural Changes in Asia and Growth Prospects After the Crisis. **AU** Berthelemy, Jean-Claude; Chauvin, Sophie.

Cecchi, Daniele

PD May 2001. **TI** Education, Inequality and Income Inequality. **AA** University of Milan. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/52; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 67. **PR** no charge. **JE** D31, D63, I21, J24, O15. **KW** Education. Income Inequality. Economic Growth.

AB In this paper we propose to measure inequality of educational achievements by constructing a Gini index on educational attainments. We then use the proposed measure to analyze the relationship between inequality in incomes and educational achievements (in terms of both the average attainments and its concentration). Even if theoretical considerations suggest a non-linear relationship between these two measures of inequality, actual data indicate that average years of education have a stronger negative impact on measured income inequality. Multivariate regressions also prove that, once we take into account the negative correlation between average educational achievement and its dispersion, the relationship between income inequality and average years of schooling is U-shaped, with a lower turning point at 6.5 years. Income inequality is also negatively related to per capita income and positively related to capital/output ratio and government expenditure in education.

Chen, Joseph

PD March 2001. **TI** Breadth of Ownership and Stock Returns. **AU** Chen, Joseph; Hong, Harrison; Stein, Jeremy C. **AA** Chen and Hong: Stanford Business School. Stein: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8151; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 29. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G12, G14. **KW** Stock Prices. Stock Market.

AB We develop a model of stock prices in which there are both differences of opinion among investors as well as short-sales constraints. The key insight that emerges is that breadth of ownership is a valuation indicator. When the breadth is low -- i.e., when few investors have long positions in the stock -- this signals that the short-sales constraint is binding tightly, implying that prices are high relative to fundamentals and that expected returns are therefore low. Thus reductions (increases) in breadth should forecast lower (higher) returns. Using quarterly data on mutual fund holdings over the period 1979-1998, we find evidence supportive of this prediction: stocks whose change in breadth in the prior quarter places them in the lowest decile of the sample underperform those in the top change-in- breadth decile by 6.38% in the first twelve months after portfolio formation. After adjusting for size, book-to-market and momentum, the corresponding figure is 4.95%.

Chevalier, Arnaud

PD December 2001. **TI** The Long-Run Labour Market Consequences of Teenage Motherhood in Britain. **AU** Chevalier, Arnaud; Viitanen, Tarja K. **AA** Chevalier: CEP, LSE. Viitanen: CEP, LSE and University of Warwick. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 516; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 20. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** I21, J13, J31. **KW** Teenage Pregnancy. Education. Wages. Britain.

AB Common wisdom states that teenage childbearing reduces schooling, labor market experiences and adult wages. However, the decisions to be a teenage mother, to quit school, and be less attached to the labor market might all stem from some personal or family characteristics. Using the National Child Development Study (NCDS), we find that in Britain teenage childbearing decreases the probability of post-16 schooling by 12% to 24%. Employment experience is reduced by up to three years, and the adult pay differential ranges from 5% to 22%. The negative impact of teen motherhood on various adult outcomes is not due to some pre-motherhood characteristics: hence policies aiming to encourage return to school and participation in the labor market may be an efficient way to reduce the long-term consequences of teenage pregnancy.

TI Estimates of the Effect of Wages on Job Satisfaction. **AU** Lydon, Reamonn; Chevalier, Arnaud.

Chevalier, Philippe

PD September 2001. **TI** Design and Performance Analysis of a Heavily Loaded Material Handling System. **AU** Chevalier, Philippe; Pochet, Yves; Talbot, Laurence. **AA** Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/37; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 19. **PR** \$100 per year. **JE** R40, R41, R49. **KW** Automated Guided Vehicle System. Number of Vehicles. Queuing Theory. Markov Chain Theory. Simulations.

AB This paper considers the problem of designing a 2-stations Automated Guided Vehicle System (AGVS). The AGVS consists of a pool of vehicles that transports products from one station to the other station through an undirectional guidepath. The paper seeks a model to estimate the minimal number of vehicles needed to guarantee some target service level expressed in terms of mean waiting time. To achieve this it is also needed to design dispatching rules in order to utilize the vehicles in the best way. The solution procedure starts by computing the necessary fill rate in order to respect the maximum mean waiting time. The paper uses a Reorder Point Inventory Policy and Markov Chain Theory to determine the dispatching rules and to estimate the minimum number of vehicles required to guarantee the fill rate. The computer simulations indicate that the model offers a good degree of approximation.

Chiappori, Pierre-Andre

PD 2002. **TI** Testing Contract Theory: A Survey of Some

Recent Work. **AU** Chiappori, Pierre-Andre; Salanie, Bernard. **AA** Chiappori: University of Chicago. Salanie: CREST, CNRS, and CEPR. **SR** INSEE Documents de Travail du CREST: 2002/11; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 28. **PR** no charge. **JE** C93, D82, J41, L14. **KW** Contract Theory. Heterogeneity. Asymmetric Information.

AB This paper presents a survey of the recent literature on the empirical evaluation of contract theory. We discuss the effect of incentives on behavior and the optimality of real-world contract. We stress particularly the importance of properly taking into account unobserved heterogeneity.

Chiuri, Maria Concetta

PD March 2001. **TI** Financial Market Imperfections and Home Ownership: A Comparative Study. **AU** Chiuri, Maria Concetta; Jappelli, Tullio. **AA** Chiuri: Universita degli studi di Bari. Jappelli: Universita di Salerno. **SR** CEPR Discussion Paper: 2717; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E21, G21. **KW** Financial Markets. Home Ownership.

AB We explore the determinants of the international pattern of home ownership using the Luxembourg Income Study (LIS), a collection of microeconomic data on fourteen OECD countries. In most, the cross-section is repeated over time and includes several demographic variables carefully matched between the different surveys. This allows us to construct a truly unique international dataset, merging data on more than 400,000 households with aggregate panel data on mortgage loans and down payment ratios. After controlling for demographic characteristics, country effects, cohort effects and calendar time effects, we find strong evidence that the availability of mortgage finance -- as measured by outstanding mortgage loans and down payment ratios -- affects the age-profile of home ownership, especially at the young end. The results have important implications for the debate on the relationship between saving and growth.

Choirat, Christine

PD 2001. **TI** Estimation in Discrete Parameter Models. **AU** Choirat, Christine; Seri, Raffaello. **AA** Choirat: Universite Paris Dauphine. Seri: CREST-LFA. **SR** INSEE Documents de Travail du CREST: 2001/08; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 39. **PR** no charge. **JE** C12, C13, C44. **KW** Discrete Parameter Space. Detection. Model Selection. Efficiency. Super-Efficiency.

AB In some estimation problems, especially in application dealing with information theory, signal processing and biology, theory provides us with additional information allowing us to restrict the parameter space to a finite number of points. In this case, we speak of discrete parameter models. Even though the problem is quite old and has interesting connections with testing and model selection, asymptotic theory for these models has hardly ever been studied. Therefore, we discuss consistency, asymptotic distribution theory, information inequalities and their relations with efficiency and super-efficiency for a general class of m-estimators. Then, we extend

some of the previous results to other classes of estimators.

Chopin, Nicolas

PD December 2001. **TI** Bayesian Hidden Markov Analysis of the Information Content of the Yield Curve About Inflation. **AU** Chopin, Nicolas; Pelgrin, Florian. **AA** Chopin: CREST-INSEE. Pelgrin: Universite de Cergy-Pontoise and OECD. **SR** INSEE Documents de Travail du CREST: 2001/44; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 10. **PR** no charge. **JE** C11, C19. **KW** Markov Models. Yield Curve. Particle Filter. Switching Regression Models. **AB** We present a new methodology for handling hidden Markov models. It consists of providing a Bayesian joint estimation of the parameters and the number of distinct regimes that have appeared in the sample. We adapt this approach to a switching regression model, and consider its application to the information content of the yield curve regarding future inflation in G7 countries. In order to compute the corresponding estimates, we implement a particle filter algorithm.

Christiano, Lawrence J.

TI How Severe is the Time Inconsistency Problem in Monetary Policy? **AU** Albanesi, Stefania; Chari, V. V.; Christiano, Lawrence J.

Chuma, Hiroyuki

PD October 2001. **TI** Sources of Machine-Tool Industry Leadership in the 1990s: Overlooked Intrafirm Factors. **AA** Hitotsubashi University. **SR** Yale Economic Growth Center Discussion Paper: 837; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 19. **PR** \$2.00 plus postage. **JE** L10, L22, L64. **KW** Industrial Development. Product Development Process. Information Sharing. Japan. **AB** Through the use of extensive field research and an original international questionnaire, the main sources of the development of the Japanese machine-tool industry in the past 19 years were investigated. Past studies have emphasized the strategic R&D alliance with superlative computerized numerical control (CNC) makers, the extensive use of outsourcing from excellent precision parts' suppliers, and the extraordinary development of automakers. This paper critically considered these factors and verified their inadequacy in explaining the further development of this industry in the 1990s. Hence, attention was paid to the significant roles of "intrafirm factors" such as: (a) the simultaneous and cross-functional information-sharing system at an early stage of new product development processes; (b) the positive and early participation of frontline skilled workers in assembly or machining shops; and (c) the existence of highly skilled assemblymen or machinists. The significant roles of these intrafirm factors were validated by the statistical analysis of the questionnaire survey as well as by the results of field research. The results showed striking similarities between the Japanese and the German machine-tool makers and notable dissimilarities between the two and the US makers.

Citanna, Alessandro

PD April 2001. **TI** The Taxation of Trades in Assets.

AU Citanna, Alessandro; Polemarchakis, Heracles M.; Tirelli, Mario. **AA** Citanna: HEC School of Management. Polemarchakis: Brown University. Tirelli: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/17; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 17. **PR** \$100 per year. **JE** D52, D60, H20. **KW** Taxation. Incomplete Asset Markets. Pareto Improvement. Asset Trading. **AB** When the asset market is incomplete, there typically exist taxes on trades in assets and a redistribution of revenue in the asset market that are Pareto improving. The policy is anonymous, it economizes on complexity, and it results in ex-post Pareto optimal allocations; it is publicly announced before markets open, thus fully and correctly anticipated by traders, it does not require that financial markets be shut down, and it does not modify the asset market structure. As such, it improves over previously proposed constrained interventions.

Coelli, Tim

PD November 2001. **TI** Capacity Utilisation and Profitability: A Decomposition of Short Run Profit Efficiency. **AU** Coelli, Tim; Grifell-Tatje, Emili; Perelman, Sergio. **AA** Coelli: University of New England and CORE. Grifell-Tatje: Universitat Autònoma de Barcelona. Perelman: Universite de Liege. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/52; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 25. **PR** \$100 per year. **JE** D24, L21, L25. **KW** Capacity Utilization. Profit Decomposition. Technical Efficiency. Allocative Efficiency. **AB** The principal aim of this paper is to measure the amount by which the profit of a multi-input, multi-output firm deviates from maximum short-run profit, and then to decompose this profit gap into components that are of practical use to managers. In particular, the interest is in the measurement of the contribution of unused capacity, along with measures of technical inefficiency, and allocative inefficiency, in this profit gap. The paper surveys existing definitions of capacity and, after discussing their shortcomings, proposes a new ray economic capacity measure that involves short-run profit maximization, with the output mix held constant. The paper goes on to describe how the gap between observed profit and maximum profit can be calculated and decomposed using linear programming methods. The paper concludes with an empirical illustration, involving data on 28 international airline companies. The empirical results indicate that these airline companies achieve profit levels which are on average US\$815m below potential levels, and that 70 percent of the gap may be attributed to unused capacity.

Coeure, Benoit

TI Big and Small Currencies: The Regional Connection. **AU** Benassy-Quere, Agnes; Coeure, Benoit.

Cohen, Daniel

PD December 2000. **TI** The HIPC Initiative: True and False Promises. **AA** Universite de Paris I and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2632; Centre for Economic Policy Research, Discussion Paper

Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F33, F43. **KW** Aid. Debt. HIPC.

AB The paper develops the view that the perspective on the HIPC (Heavily Indebted Poor Countries) initiative is distorted by the fact that, contrary to the Brady deal itself, it lacks all perspective on the "market value" of the debt which is written down. The appropriate "market value" is one that takes account of the risk of non-payment: arrears, rescheduling and "constrained" refinancing of various sorts. Building upon econometric evidence that relies on middle income debtors in the eighties, the paper argues that the initiative is about ten times less generous than face value accounting would suggest.

PD December 2000. **TI** Why was the Euro Weak? Markets and Policies. **AU** Cohen, Daniel; Loisel, Olivier. **AA** Cohen: Universite de Paris I and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2633; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F31. **KW** Euro. Policy Coordination.

AB Against all odds, the euro turned out to be a weak currency. This paper argues that this outcome can readily be explained by the policy mix that was chosen at the onset of the period: tight fiscal policies following the convergence mechanism that was imposed by the Maastricht treaty and loose monetary policy that resulted from the convergence of interest rates to the lower point of the spectrum. This outcome is investigated empirically and shows that the euro's weakness can be understood as the result of an excess supply in the zone, which is channeled abroad in the usual "beggar thy neighbor" way. The paper also outlines how an optimal policy mix could be set in the future and discusses a suggestion that has been made by Alessandra Casella on the proper way to determine the fiscal deficit of the zone.

Coleman, Wilbur John, II

TI Cross-Country Technology Diffusion: The Case of Computers. **AU** Caselli, Francesco; Coleman, Wilbur John, II.

TI Cross-Country Technology Diffusion: The Case of Computers. **AU** Caselli, Francesco; Coleman, Wilbur John, II.

Combes, Pierre-Philippe

PD September 2001. **TI** Labor Pooling, Labor Poaching, and Spatial Clustering. **AU** Combes, Pierre-Philippe; Duranton, Gilles. **AA** Combes: CNRS, CERAS, and CEPR. Duranton: CEP, LSE, and CEPR. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 510; Publications Unit, Centre for Economic Performance. London School of Economics and Political Science. Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 33. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J31, L13, R32. **KW** Labor Pooling. Labor Poaching. Firm Clustering. Agglomeration.

AB When firms cluster in the same local labor market, they face a trade-off between the benefits of labor pooling (i.e., access to workers whose knowledge help reduce costs) and the costs of labor poaching (i.e., loss of some key workers to

competition and the indirect effect of a higher wage bill to retain the others). We explore this trade-off in a duopoly game. Depending on market size and on the degree of horizontal differentiation between products, we characterize the strategic choices of firms regarding locations, wages, poaching and prices. Our results show that co-location, although it is always efficient, is not in general the equilibrium outcome.

Cooper, Russell

PD March 2001. **TI** Exhuming Q: Market Power vs. Capital Market Imperfections. **AU** Cooper, Russell; Ejarque, Joao. **AA** Cooper: Boston University, Federal Reserve Bank of Minneapolis and NBER. Ejarque: University of Copenhagen. **SR** National Bureau of Economic Research Working Paper: 8182; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** E22, E44. **KW** Q Regressions. Investment. Capital Market Imperfections. Market Power.

AB Evidence of the statistical significance of profits in Q regressions remains one of the principal findings in the empirical investment literature. This result is frequently taken to support the view that capital market imperfections are an important element for understanding investment. This paper challenges that conclusion. This paper argues that allowing the profit function at the firm level to be strictly concave, reflecting, for example, market power, is sufficient to replicate the Q theory based regression results in which profits are a significant factor determining investment. To be clear, the ability to replicate the existing results does not require the specification of any capital market imperfections. Thus the friction that explains the statistical significance of profits could be market power by sellers rather than capital market imperfections.

Coricelli, Fabrizio

PD March 2001. **TI** Economic Performance and Stabilization Policy in a Monetary Union with Imperfect Labor and Goods Markets. **AU** Coricelli, Fabrizio; Cukierman, Alex; Dalmazzo, Alberto. **AA** Coricelli: Universita di Siena and CEPR. Cukierman: CentER, Tilburg University, and Tel Aviv University. **SR** CEPR Discussion Paper: 2745; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E24, E31, E58. **KW** Central Bank Policy. Monetary Union. Monopolistic Competition. Shocks. Stabilization.

AB This paper develops a framework for the analysis of the effects of institutions on economic performance in a monetary union in the presence of stabilization policy, unionized labor markets and monopolistically competitive price setting firms. Nominal wages are fixed contractually. In spite of full price flexibility transmission of monetary policy operates via both aggregate demand and aggregate supply channels. The paper relates average, as well as country-specific, economic performance within the monetary union, broken down to country size, number of unions, the degree of product differentiation in product markets, and central bank conservativeness. Economic performance is characterized by unemployment, inflation, real wages and competitiveness. Both average, as well as country-specific, economic performance in

the presence of (possibly) heterogeneous shocks and a unified stabilization policy are evaluated.

Corneo, Giacomo

PD March 2001. **TI** Working in Public and Private Firms. **AU** Corneo, Giacomo; Rob, Rafael. **AA** Corneo: University of Osnabruck and CEPR. **SR** CEPR Discussion Paper: 2719; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** L32, L33. **KW** Incentive Schemes. Privatization. Public Enterprise. **AB** We develop a theoretical framework for comparing the style of work in public and private enterprises. We incorporate "socializing," as an activity that yields utility for workers and affects a firm's output, into a simple multitask model of work organization. In contrast with previous models, we establish the two following results. First, the optimal workers' compensation policy displays larger incentive intensity in the private firm than in the public firm. Second, labor productivity in the private firm may be higher or lower than in the public firm. Both results fit well with the findings of empirical work.

Corsetti, Giancarlo

PD April 2001. **TI** International Dimensions of Optimal Monetary Policy. **AU** Corsetti, Giancarlo; Pesenti, Paolo. **AA** Corsetti: Yale University. Pesenti: Federal Reserve Bank of New York and NBER. **SR** National Bureau of Economic Research Working Paper: 8230; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 30. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E31, E52, F42. **KW** Monetary Policy. International Integration. Monopolistic Firms.

AB This paper provides a baseline general-equilibrium model of optimal monetary policy among interdependent economies, with monopolistic firms that set prices one period in advance. Strict adherence to inward-looking policy objectives such as the stabilization of domestic output cannot be optimal when firms' markups are exposed to currency fluctuations. Such policies induce excessive volatility in exchange rates and foreign sales revenue, leading exporters to set higher prices in response to higher profit risk. In general, optimal rules trade off a larger domestic output gap against lower import prices. Monetary rules in a world Nash equilibrium lead to smaller exchange rate volatility relative to both inward-looking rules and discretionary policies, even when the latter do not suffer from any inflationary (or deflationary) bias. Gains from international monetary cooperation are related in a non-monotonic way to the degree of exchange rate pass-through.

Costello, Christopher

TI Dynamic Quotas with Learning. **AU** Karp, Larry; Costello, Christopher.

TI Overharvesting the Traditional Fishery with a Captured Regulator. **AU** Berck, Peter; Costello, Christopher.

Coughlin, Cletus C.

PD August 2000. **TI** Exchange Rate Pass-Through in U.S. Manufacturing: Exchange Rate Index Choice and Asymmetry Issues. **AU** Coughlin, Cletus C.; Pollard, Patricia S. **AA** Federal Reserve Bank of St. Louis. **SR** Federal

Reserve Bank of St. Louis Working Paper: 2000/022A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 16. **PR** no charge. **JE** F14, F31. **KW** Pass-Through. Index Choice. Asymmetry.

AB This paper explores two issues that have received limited attention in the exchange rate pass-through literature. First, are the pass-through estimates sensitive to the choice of the exchange rate index? Second, are pass-through estimates asymmetric with respect to the sign of exchange rate changes? Using data for 87 industries, we find that the answer to both questions is yes. J-test results indicate the "Major" exchange rate index produced by the Board of Governors of the Federal Reserve System tends to fit the data better than two alternative indexes. With respect to asymmetry, we find that pass-through is both more likely and greater in magnitude when the dollar is depreciating than when it is appreciating.

PD August 2001. **TI** Trade Policy Opinions at the State Level. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/006A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 13. **PR** no charge. **JE** F13, R12. **KW** Trade Policy. Regional Opinions. Voting Models.

AB Despite economists' nearly universal support for free trade policies, the general public has serious reservations about free trade. The present study produces estimates by state of trade preferences linked directly to individual preferences. Scheve and Slaughter (2001a) found that the lower the skill level of a worker, the stronger the support for additional trade restrictions. I generate estimates by state for 1992 and 1996 using Scheve and Slaughter's estimates. The estimates are generated in two steps. First, an average level of educational attainment for each state is constructed. Second, this educational attainment variable is inserted into Scheve and Slaughter's estimate of the relationship between educational attainment and an individual's support for additional trade restrictions to produce an average probability of state support for additional trade restrictions. Generally speaking, states in the South have the highest levels of support for additional trade restrictions. Support for additional trade restrictions is lower in 1996 than in 1992. A verdict on the usefulness of these estimates has yet to be delivered; however, the context of voting on NAFTA by U.S. Senators the estimates for 1992 yield plausible results.

PD February 2002. **TI** NAFTA and the Changing Pattern of State Exports. **AU** Coughlin, Cletus C.; Wall, Howard J. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/029B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 22. **PR** no charge. **JE** F15, R12. **KW** NAFTA. State Exports. Regional Integration.

AB The trade liberalization associated with NAFTA has affected the pattern of state exports by altering the origin as well as the destination of merchandise exports. We find that NAFTA has increased US merchandise exports to Mexico and Canada by just over 15 percent, and has increased total US merchandise exports by nearly 8 percents. We also find that although many states have seen large increase in exports to both Mexico and Canada, others have seen large decreases.

NAFTA has also affected states' exports to non-NAFTA regions of the world, tending to decrease exports to Europe and Latin America and increase exports to Asia. States in the northeast regions of the United States have seen the smallest increase in exports in the wake of NAFTA.

Courty, Pascal

PD March 2001. **TI** Performance Incentives with Award Constraints. **AU** Courty, Pascal; Marschke, Gerald. **AA** Courty: London Business School and CEPR. **SR** CEPR Discussion Paper: 2720; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. **Website:** www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** H72, J33, L14. **KW** Fixed Award Budget. Limited Liability. Performance Incentive.

AB This paper studies the provision of incentives in a large US training organization, which is divided into about 50 independent pools of training agencies. The number and the size of the agencies within each pool vary greatly. Each pool distributes performance incentive awards to the training agencies it supervises, subject to two constraints: the awards cannot be negative and the sum of the awards cannot exceed an award budget. We characterize the optimal award function and derive simple predictions about how award prizes should depend on the number of agencies, on their sizes, and on their performances. Our results indicate that the constraints on the award distribution bind and reduce the overall efficiency of the incentive system.

Cowell, Frank A.

PD 2000. **TI** Estimating Welfare Indices: Household Weights and Sample Design. **AU** Cowell, Frank A.; Jenkins, Stephen P. **AA** Cowell: London School of Economics. Jenkins: University of Essex. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/48; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 19. **PR** no charge. **JE** C13, D31, D63. **KW** Welfare Index. Inequality. Poverty. Sample Inference. Income Distribution.

AB The techniques of simple random sampling are seldom appropriate in the empirical analysis of income distributions. Various types of weighting schemes are usually required either from the point of view of welfare-economic considerations (the mapping of household/family distributions into individual distributions) or the point of view of sample design. The different types of weights have different implications for the sampling distribution of estimators of welfare indices.

TI Attitudes Towards Risk and Inequality: A Questionnaire-Experimental Approach. **AU** Amiel, Yoram; Cowell, Frank A.

PD May 2001. **TI** Robust Lorenz Curves: A Semi-Parametric Approach. **AU** Cowell, Frank A.; Victoria-Feser, Maria-Pia. **AA** Cowell: London School of Economics. Victoria-Feser: University of Geneva. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/50; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 23. **PR** no charge.

JE C13, C14, D31, D63. **KW** Welfare Dominance. Lorenz Curve. Pareto Model. M-Estimators. Semiparametric Methods. **AB** Lorenz curves and second-order dominance criteria are known to be sensitive to data contamination in the right of the distribution. We propose two ways of dealing with the problem: (1) Estimate Lorenz curves using parametric models for income distributions, and (2) Combine estimation with a parametric (robust) estimation of the upper tail of the distribution using the Pareto model. Approach (2) is preferred because of its flexibility. Using simulations we show the dramatic effect of a few contaminated data on the Lorenz ranking and the performance of the robust approach (2). Statistical inference tools are also provided.

PD July 2001. **TI** Risk and Inequality Perceptions. **AU** Cowell, Frank A.; Amiel, Yoram. **AA** Cowell: LSE. Amiel: Ruppin Institute, Israel. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/55; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 22. **PR** no charge. **JE** C13, D63. **KW** Risk. Inequality. Income Transformations.

AB We examine the relationship between risk analysis and inequality analysis, using a questionnaire-experimental approach. The experiments focus on the effect of income transformations on the perceived rankings of income distributions in either a risk or inequality context. Both context and income levels are important in influencing rankings.

PD April 2002. **TI** Sensitivity of Inequality Measures to Extreme Values. **AU** Cowell, Frank A.; Flachaire, Emmanuel. **AA** Cowell: LSE. Flachaire: University of Paris. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/60; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 19. **PR** no charge. **JE** C12, D63. **KW** Inequality Measures. Statistical Performance. Robustness.

AB We examine the sensitivity of estimates and inequality indices to extreme values, in the sense of their robustness properties and of their statistical performance. We establish that these measures are very sensitive to the properties of the income distribution. Estimation and inference can be dramatically affected, especially when the tail of the income distribution is heavy.

PD April 2002. **TI** Complaints and Inequality. **AU** Cowell, Frank A.; Ebert, Udo. **AA** Cowell: LSE. Ebert: Universitat Oldenburg. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/61; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 21. **PR** no charge. **JE** D63, D64. **KW** Inequality. Complaints. Transfer Principle.

AB Temkin (1986, 1993) sets out a philosophical basis for the analysis of income inequality that provides an important alternative to the mainstream welfare approach. We show that the Temkin principles can be characterized by a parsimonious axiomatic structure and we use this structure to derive a new class of inequality indices and an inequality ordering. This class of indices has a family relationship to well-known

measures of inequality, deprivation and poverty. The ordering is shown to have properties analogous to second-order dominance results.

PD June 1999. **TI** Income Inequality Comparisons with Dirty Data: The UK and Spain During the 1980s. **AU** Cowell, Frank A.; Litchfield, Julie A.; Mercader-Prats, Magda. **AA** London School of Economics. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/45; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 34. **PR** no charge. **JE** C13, D31, D63. **KW** Lorenz Dominance. Data Contamination. Cross-Country Comparisons. Income Inequality.

AB Inequality comparisons between countries and over time should take into account problems of data imperfection. We examine the contrasting experience of the UK and Spain during the 1980s in terms of the distribution of disposable income. We consider whether the apparent divergence in inequality could be attributable to deficiencies in income data including under-reporting.

PD December 1999. **TI** Statistical Inference for Welfare Under Complete and Incomplete Information. **AU** Cowell, Frank A.; Victoria-Feser, Maria-Pia. **AA** Cowell: London School of Economics. Victoria-Feser: University of Geneva. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/47; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 35. **PR** no charge. **JE** C13, D31, D63, D82. **KW** Inequality Measurement. Income Distribution. Lorenz Curve. Influence Function. Sampling Variance.

AB We show how a collection of results in the literature on the empirical estimation of welfare indicators from sample data can be unified. We also demonstrate how some of these ideas can be extended to empirically important cases where the data have been trimmed or censored.

Crafts, Nicholas

PD March 2002. **TI** Globalization in History: A Geographical Perspective. **AU** Crafts, Nicholas; Venables, Anthony J. **AA** LSE, CEP. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 524; Publications Unit, Centre 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** F18, N15, N75. **KW** Globalization. Economic History. Agglomeration.

AB This paper argues that a geographical perspective is fundamental to understanding comparative economic development in the context of globalization. Central to this view is the role of agglomeration in productivity performance; size and location matter. The tools of the new economic geography are used to illuminate important episodes when the relative position of major economies radically changed; the rise of the United States at the beginning and of East Asia at the end of the twentieth century. It is suggested that while lack of high quality institutions has been a major reason for falling behind

geographic disadvantage also merits attention.

Crama, Yves

PD October 2001. **TI** A Discussion of Production Planning Approaches in the Process Industry. **AU** Crama, Yves; Pochet, Yves; Wera, Yannic. **AA** Crama: University of Liege. Pochet: CORE. Wera: University of Liege and Corman S.A. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/42; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 21. **PR** \$100 per year. **JE** D20, L60. **KW** Production Flow Control. Process Industry. Production Planning.

AB This paper discusses the literature on production planning approaches in the process industry. The contribution of the paper is to underline the differences, as well as the similarities, between issues and models arising in process environments and better known situations arising in discrete manufacturing, and to explain how these features affect the optimization models used in production planning. The paper presents an overview of the distinctive features of process industries, as they relate to production planning issues. It also discusses some of the difficulties encountered with the implementation of classical flow control techniques, like MRP or JIT, and describes how various authors suggest to solve these difficulties. In particular the paper focuses on the concept of "recipe", which extends the classical Bill of Materials used in discrete manufacturing, and describes how the specific features of recipes are taken into account by different production planning models. Finally, the paper gives a survey of specific flow control models and algorithmic techniques that have been specifically developed for process industries.

Cremer, Helmuth

PD April 2001. **TI** Capital Income Taxation When Inherited Wealth is Not Observable. **AU** Cremer, Helmuth; Pestieau, Pierre; Rochet, Jean-Charles. **AA** Cremer: University of Toulouse and Institut Universitaire de France. Pestieau: University of Liege, CORE, and DELTA. Rochet: University of Toulouse. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/20; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 20. **PR** \$100 per year. **JE** H21, H22, H24. **KW** Income Taxation. Optimal Tax Policy. Wealth. Productive Ability.

AB This paper extends the Atkinson-Stiglitz model of direct and indirect taxation to a dynamic setting with two unobservable characteristics: productive ability and inherited wealth. Bequests are motivated by the "joy of giving". A child's inheritance is a random variable with a probability distribution that depends on his parent's investment in a "bequest technology". Public borrowing is assumed and implies the modified golden rule. We study the optimal tax policy when two instruments are available: a non-linear (wage) income tax and a proportional tax on capital income. We show that the second instrument ought, in general, to be used but that the tax rate is not necessarily positive. However, a positive tax rate is more likely when there is a positive correlation between inherited wealth and innate ability.

PD April 2001. **TI** Family Size and Optimal Income

Taxation. **AU** Cremer, Helmuth; Dellis, Arnaud; Pestieau, Pierre. **AA** Cremer: University of Toulouse and Institut Universitaire de France. Dellis: Universite de Liege. Pestieau: University of Liege, CORE, and DELTA. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/21; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 20. **PR** \$100 per year. **JE** H21, H22, H24. **KW** Family Size. Income Tax. Optimal Income Taxation.

AB This paper studies the role of family size in the design of optimal income taxation. We consider a second best setting where the government observes the number of children and the income of the parents but not their productivity. With a linear tax schedule the marginal tax rate is shown to decrease with the number of children, while the relationship between the demogrant and family size appears to be ambiguous. With two ability levels, optimal non-linear income tax implies zero marginal tax rates for the higher ability parents; low ability parents have positive marginal tax rates that decrease with family size.

Cukierman, Alex

TI Economic Performance and Stabilization Policy in a Monetary Union with Imperfect Labor and Goods Markets. **AU** Coricelli, Fabrizio; Cukierman, Alex; Dalmazzo, Alberto.

d'Aspremont, Claude

PD November 2000. **TI** Endogenous Business Cycles and Business Formation with Strategic Investment. **AU** d'Aspremont, Claude; Dos Santos Ferreira, Rodolphe; Gerard-Varet, Louis-Andre. **AA** d'Aspremont: CORE. Dos Santos Ferreira: Universite Louis Pasteur. Gerard-Varet: GREQAM. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/53; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 15. **PR** \$100 per year. **JE** D42, E32. **KW** Business Cycles. Monopoly. Cournot Competition. Investment.

AB This paper studies an endogenous business cycle model with Cournotian monopolistic competition and an endogenous number of firms in each sector. The model is a simple general equilibrium macroeconomic model introducing overlapping generations both of consumers and firms. Firms strategically decide on investment in the first period of their life, and compete a la Cournot in the second period. Investment is taken to be in human capital or technological know-how, to have spillover effects and to be formed from simple labor supplied by young consumers in anticipation of the profit share they will get when old. Cournot competition allows analyzing the variation of monopoly power along the cycle, since the number of firms is endogenized. As this number increases, firms behave more and more competitively. The properties along the cycle are generated by business formation. They will include the counter-cyclicality of markups and prices, the pro-cyclicality of the number of firms and of real wages.

PD October 2001. **TI** Social Welfare Functionals and Interpersonal Comparability. **AU** d'Aspremont, Claude; Gevers, Louis. **AA** d'Aspremont: CORE. Gevers: University of Namur and CORE. **SR** Universite Catholique de Louvain,

CORE Discussion Paper: 2001/40; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 90. **PR** \$100 per year. **JE** D71, D81. **KW** Social Welfare Functionals. Social Welfare Orderings. Invariance Axioms. Utilitarianism. Welfarism.

AB This paper reviews the SWFL approach to social choice. It attempts to give a critical assessment of the main axioms and their role in filtering the ethically relevant information. Social welfare functionals are defined formally together with closely related concepts. After adducing a good number of examples, the paper elaborates on the meaning of the SWFL domain of definition and sketches some alternative approaches. Several types of axioms are considered; some of them are used to filter the relevant information while others express collective efficiency or equity requirements. Then, to illustrate the various tradeoffs among these axioms, selected characterization results are presented; most of them are cast in what the paper calls the formally welfarist framework. Finally, the paper assembles some other characterizations which eschew either invariance properties or the formally welfarist framework. The paper discusses the treatment of two sets of social alternatives endowed with an enriched structure, viz. the set of classical exchange economies and the complete set of lotteries one can define on an abstract set of pure alternatives.

Dabo-Niang, Sophie

PD November 2001. **TI** Density Estimation in a Separable Metric Space. **AA** Universite Paris 6 and CREST. **SR** INSEE Documents de Travail du CREST: 2001/43; Mme Nadine GUEDEJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 21. **PR** no charge. **JE** C19. **KW** Density Estimation. Metric Space. Diffusion Process.

AB We estimate the common probability density function of n independently and identically distributed observations at a fixed point, valued in a separable metric space, particularly a function space. We prove the point-wise convergence in mean square; asymptotic normality and give almost complete convergence results. We give an application to diffusion process density estimation with respect to Wiener measure in the space of real valued continuous function over $(0,1)$, and some concluding remarks.

Dai, Qiang

PD March 2001. **TI** Expectation Puzzles, Time-Varying Risk Premia, and Dynamic Models of the Term Structure. **AU** Dai, Qiang; Singleton, Kenneth J. **AA** Dai: New York University. Singleton: Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 8167; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** G00, G10. **KW** Expectations Theory. Term Structure Models. Forward Rates. Risk Premia.

AB Though linear projections of returns on the slope of the yield curve have contradicted the implications of the traditional "expectations theory", this paper shows that these findings are not puzzling relative to a large class of richer dynamic term structure models. Specifically, it is possible to match all of the

key empirical findings reported by Fama and Bliss and Campbell and Shiller, among others, within large subclasses of affine and quadratic-Gaussian term structure models. Additionally, this paper shows that certain "risk-premium adjusted" projections of changes in yields on the slope of the yield curve recover the coefficients of unity predicted by the models. The risk premiums have a simple form consistent with Fama's findings on the predictability of forward rates, and are shown to also be consistent with interest rates, feedback rules used by a monetary authority in setting monetary policy.

Dalmazzo, Alberto

TI Economic Performance and Stabilization Policy in a Monetary Union with Imperfect Labor and Goods Markets. **AU** Coricelli, Fabrizio; Cukierman, Alex; Dalmazzo, Alberto.

Danziger, Sandra K.

TI Welfare Reform and Lone Mothers' Employment in the US. **AU** Waldfogel, Jane; Danziger, Sandra K.; Danziger, Sheldon; Seefeldt, Kristin.

Danziger, Sheldon

PD February 2000. **TI** Investing in Children: What do we know? What should we do? **AU** Danziger, Sheldon; Waldfogel, Jane. **AA** Sheldon: University of Michigan. Waldfogel: CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/34; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 20. **PR** no charge. **JE** H51, H52, H53, I30, J13. **KW** Child Development. Childhood Interventions. Childcare. Education. Inequality.

AB In 1998, a conference brought together US psychologists, economists, sociologists, demographers, political scientists, social workers, and medical doctors, to review what we know about the processes that affect child development and how we might wisely increase public and private investments in children to promote both their well-being and the productivity of the next generation. Current investments in children were examined and how they affect the development of the skills children need to succeed as adults in work, family, and society was discussed. What we have learned about childhood interventions from birth to college and what further investments in children are required, especially for disadvantaged children, was reviewed. This paper summarizes the findings of the conference, and we outline our views regarding a number of key investments. We conclude that there is no better way to break the cycle of poverty and inequality than to invest in children. Expanded investment in five key areas is proposed: programs to improve the health of women of childbearing age; early childhood interventions, targeted to the most disadvantaged children; measures to raise the quality of child care and pre-school education; after-school and mentoring programs; and programs to raise the level of college attendance by high-ability youth from low-income families.

TI Welfare Reform and Lone Mothers' Employment in the US. **AU** Waldfogel, Jane; Danziger, Sandra K.; Danziger, Sheldon; Seefeldt, Kristin.

de Bandt, Olivier

PD December 2000. **TI** Systemic Risk: A Survey.

AU de Bandt, Olivier; Hartmann, Philipp. **AA** de Bandt: Banque de France. Hartmann: European Central Bank. **SR** CEPR Discussion Paper: 2634; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** G12, G21, G29. **KW** Banking Crises. Contagion. Currency Crises. Financial Markets. Financial Stability.

AB This paper develops a broad concept of systemic risk, the basic economic concept for understanding financial crises. It is claimed that any such concept must integrate systemic events in banking and financial markets as well as in the related payment and settlement systems. At the heart of systemic risk are contagion effects, various forms of external effects. The concept also includes simultaneous financial instabilities following aggregate shocks. The quantitative literature on systemic risk, which has evolved swiftly in the last couple of years, is surveyed in light of this concept. Various rigorous models of bank and payment system contagion have now been developed, although a general theoretical paradigm is still missing. Direct econometric tests of bank contagion effects seem to be mainly limited to the United States. Empirical studies of systemic risk in foreign exchange and security settlement systems appear to be non-existent. Moreover, the literature surveyed reflects the general difficulty in developing empirical tests that can make a clear distinction between contagion in the proper sense and joint crises caused by common shocks, rational revisions of depositor or investor expectations when information is asymmetric ("information-based" contagion) and "pure" contagion as well as between "efficient" and "inefficient" systemic events.

De Clippel, Geoffroy

PD September 2001. **TI** The Procedural Value. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/16; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 8. **PR** \$100 per year. **JE** C71. **KW** Cooperative Games. Shapley Value.

AB This paper proposes a single-valued solution that extends both the consistent Shapley value of Maschler and Owen (1989) and Raiffa's discrete bargaining solution to a large class of NTU games. Though not axiomatized, the solution is motivated via the Nash program. In this respect, this paper follows an approach that is similar to the one initiated by Hart and Mas-Collel (1996).

PD December 2001. **TI** Two Remarks on the Inner Core. **AU** De Clippel, Geoffroy; Minelli, Enrico. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/01; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 11. **PR** \$100 per year. **JE** C71, D50. **KW** Inner Core. Exchange Economies.

AB For the case of smooth concave exchange economies, this paper provides a characterization of the inner core as the set of feasible allocations such that no coalition can improve on it, even if coalitions are allowed to use some random plans. For the case of compactly generated games, the paper discusses Myerson's definition of the inner core, and characterizes it

using lexicographic utility weight systems.

PD December 2001. **TI** Axiomatizing the Harsanyi Value, the Symmetric Egalitarian Solution and the Consistent Shapley Value. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/10; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 17. **PR** \$100 per year. **JE** C71. **KW** Harsanyi Value. Regulatory Conditions. Shapley Value. Games.

AB The validity of Hart (1985)'s axiomatization of the Harsanyi value is shown to depend on the regularity conditions that are imposed on the games. Following this observation, this paper proposes two related axiomatic characterizations, one of the symmetric egalitarian solution (cf. Kalai and Samet (1985)) and one of the consistent Shapley value (cf. Maschler and Owen (1992)). The three axiomatic results are studied, evaluated and compared in details.

PD March 2002. **TI** Values for Cooperative Games with Incomplete Information: An Eloquent Example. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/14; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 6. **PR** \$100 per year. **JE** C71. **KW** Cooperative Games. Incomplete Information. Incentive Constraints. Asymmetric Information.

AB Myerson (1984b)'s extension of the lambda-transfer value to cooperative games with incomplete information focus among other things on the strength of the incentive constraints at the solution for determining the power of coalitions. This paper constructs an intuitive three-player game where the player whose only contribution is to partly release the two other players from the incentive constraints they face when they cooperate, receives a zero payoff, according to Myerson's solution. On the contrary, the random order arrival procedure attributes a strictly positive payoff to him. The example is thus an analog of the banker game of Owen (1972) that was designed for evaluating the lambda-transfer value under complete information. Asymmetric information now takes up the role that was formerly attributed to the lack of transferability of utilities.

De Donder, Philippe

TI The Politics of Redistributive Social Insurance. **AU** Hindriks, Jean; De Donder, Philippe.

De Farias, Ismael R.

PD January 2002. **TI** A Polyhedral Study of the Cardinality Constrained Knapsack Problem. **AU** De Farias, Ismael R.; Nemhauser, George L. **AA** De Farias: CORE. Nemhauser: Georgia Institute of Technology. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/02; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 27. **PR** \$100 per year. **JE** C60. **KW** Mixed-Integer Programming. Knapsack Problem. Cardinality Constrained Programming. Branch-and-Cut.

AB A cardinality constrained knapsack problem is a continuous knapsack problem in which no more than a specified number of nonnegative variables are allowed to be

positive. Traditionally, cardinality constraints are modeled by introducing auxiliary 0-1 variables and additional constraints that relate the continuous and the 0-1 variables. This paper uses an alternative approach, in which only the continuous variables are kept in the model, and the paper enforces the cardinality constraint through a specialized branching scheme and the use of strong inequalities valid for the convex hull of the feasible set in the space of the continuous variables. To derive the valid inequalities, the paper extends the concepts of cover and cover inequality to this class of problems, and shows how cover inequalities can be lifted to derive facet-defining inequalities. The paper presents three families of non-trivial facet-defining inequalities that are lifted cover inequalities. Finally, the paper reports computational results that demonstrate the effectiveness of lifted cover inequalities and the superiority of the approach of not introducing auxiliary 0-1 variables over the traditional MIP approach for this class of problems.

de Janvry, Alain

TI Is a Friend in Need a Friend Indeed? Inclusion and Exclusion in Mutual Insurance Networks in Southern Ghana. **AU** Goldstein, Marcus; de Janvry, Alain; Sadoulet, Elisabeth.

De La Croix, David

PD April 2002. **TI** Public Versus Private Education When Differential Fertility Matters. **AU** De La Croix, David; Doepke, Matthias. **AA** De La Croix: FNRs, IRES, and CORE. Doepke: UCLA. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/22; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 24. **PR** \$100 per year. **JE** I20, I21, J13. **KW** Education. Fertility. Human Capital.

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

de Melo, Jaime

PD February 2001. **TI** The Political Economy of International Migration in a Ricardo-Viner Model. **AU** de Melo, Jaime; Grether, Jean-Marie; Muller, Tobias. **AA** de Melo: Universite de Geneve and CEPR. **SR** CEPR Discussion Paper: 2714; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D72, F22, J61. **KW** Direct Democracy. International Migration. Median Voter.

AB Determinants of national policies towards immigration are analyzed in the context of an economy open to international trade. Arguments for the existence of an "immigration surplus"

are reviewed and followed by an interpretative survey of the principal contributions of the political economy literature, emphasizing the role of the determinants of individual preferences in a direct democracy framework. A median voter model is grafted on several variants of a specific-factor open-economy model to discuss several recent changes in attitudes towards immigration (a stiffened stance, especially towards the unskilled) and in national policies ("melting-pot" vs. guest-worker programs, coexistence of legal and illegal immigrants, lax enforcement towards illegal aliens).

De Meyer, Bernard

PD December 2000. **TI** On the Strategic Origin of Brownian Motion in Finance. **AU** De Meyer, Bernard; Moussa Saley, Hadiza. **AA** De Meyer: Universite Henri Poincare and CORE. Moussa Saley: Universite Henri Poincare. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/57; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 28. **PR** \$100 per year. **JE** D82, G10. **KW** Private Information. Auction Model. Asymmetric Information. Brownian Motion. Stock Market.

AB This paper is concerned with the strategic use of private information on the stock market. A repeated auction model is used to analyze the evolution of the price system on a market with asymmetric information. The model turns out to be a zero-sum repeated game with one-sided information, as introduced by Aumann and Maschler. The stochastic evolution of the price system can be explicitly computed in the n times repeated case. As n grows to infinity, this process tends to a continuous time martingale related to a Brownian motion. This paper provides in this way an endogenous justification for the appearance of Brownian motion in finance theory.

Dees, Stephane

PD June 1999. **TI** The Role of External Variables in the Chinese Economy, Simulations from a Macroeconometric Model of China. **AA** CEPPII. **SR** CEPPII Working Paper: 1999/09; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 38. **PR** no charge. **JE** C51, C53, F23, F31, O11. **KW** Macroeconometric Modeling. Transition Economies. Exchange Rates. Foreign Direct Investment. China.

AB This paper first presents the macroeconomic model used for studying the impact of the openness policy adopted by China, especially the role of exchange rate and foreign direct investment. The external part of the model defines the foreign trade relationships and the determinants of FDI. The internal part is based on the supply-side of the economy, with a production function for industrial output. Some demand-side equations are estimated for the years 1984-1995. This model is then introduced in a multinational model (NIGEM of the NIESR) in order to determine how the conditions in the world economy influence the Chinese variables. Two simulations estimate the impacts of a devaluation and a reduction in the inflow of FDI on the economy as a whole. The devaluation improves competitiveness only in the short run but inflows of FDI have a positive impact on the Chinese output and competitiveness in the long run.

Dellis, Arnaud

TI Family Size and Optimal Income Taxation. **AU** Cremer, Helmuth; Dellis, Arnaud; Pestieau, Pierre.

Demichelis, Stefano

PD December 2000. **TI** From Evolutionary to Strategic Stability. **AU** Demichelis, Stefano; Ritzberger, Klaus. **AA** Demichelis: CORE. Ritzberger: Institute for Advanced Studies, Vienna. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/59; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 25. **PR** \$100 per year. **JE** C70, C72. **KW** Dynamic Stability. Evolutionary Game Theory. Index Theory. Strategic Stability.

AB A component of Nash equilibria is (dynamically) potentially stable if there exists an evolutionary selection dynamics from a broad class for which the component is asymptotically stable. A necessary condition for potential stability is that the component's index agrees with its Euler characteristic. Second, if the latter is nonzero, the component contains a strategically stable set. If the Euler characteristic is zero, the dynamics (which justifies potential stability) could be slightly perturbed so as to remove all zeros close to the component. Hence, any robustly potentially stable component contains equilibria which satisfy the strongest rationalistic refinement criteria.

Den Haan, Wouter J.

PD March 2001. **TI** The Comovements Between Real Activity and Prices in the G7. **AU** Den Haan, Wouter J.; Sumner, Steven. **AA** Den Haan: UCSD, CEPR, and NBER. Sumner: UCSD. **SR** National Bureau of Economic Research Working Paper: 8195; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** E31, E37. **KW** Real Activity. Price Comovements. Frequency Domain Filters.

AB In this paper, we study the short-run and long-run comovement between prices and real activity in the G7 countries during the postwar period using VAR forecast errors and frequency domain filters. We find that there are several patterns of the correlation coefficients that are the same in all countries. In particular, the correlation at the "long-run" horizon is virtually always negative and the correlation at the "short-run" horizon is typically substantially higher. Although there is evidence of positive "short-run" correlations for some countries it is not very robust to the choice of the price and output variables. In addition, we propose a more efficient method to calculate the covariances of VAR forecast errors and -- in contrast to claims made in the literature -- we show that band-pass filters isolate the desired set of frequencies not only when the series are stationary but also when they are first or second-order integrated processes.

Devooght, Kurt

PD January 2002. **TI** Measuring Inequality by Counting "Complaints": Theory and Empirics. **AA** Katholieke Universiteit Leuven. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/59; STICERD, Room Q280, London

School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG 64. PR no charge. JE D63, I38. KW Inequality. Complaints. Transfer Principle. Temkin.

AB This paper examines how people assess inequality of an income distribution and how inequality could be measured. We start from philosophical analysis of L. Temkin who distinguishes nine plausible aspects of inequality. His approach is based on the concept of "complaints" or distances between incomes. We examine the Temkin approach by means of the questionnaire-experimental method pioneered by Amiel and Cowell. We want to find out whether the aspects of equality have any plausibility for student-respondents if so, whether there are any aspects which are more appealing than others. Both the numerical and verbal responses show that a considerable majority of the respondents might be influenced by the intuitions included in the combination of the Weighted Additive Principle and the Average view of complaints. The questionnaire results also shed some light towards the Sequences and provide support for the poll result of the Temkin reports.

TI Responsibility-Sensitive Fair Compensation in Different Cultures. AU Schokkaert, Erik; Devooght, Kurt.

Di Tella, Rafael

TI Inequality and Happiness: Are Europeans and Americans Different? AU Alesina, Alberto; Di Tella, Rafael; MacCulloch, Robert.

Diaye, Marc-Arthur

PD September 2001. **TI** The World According to GARP: Non-Parametric Tests of Demand Theory and Rational Behavior. AU Diaye, Marc-Arthur; Gardes, Francois; Starzec, Christophe. AA Diaye: Universite d'Evry and CREST. Gardes: CREST and Universite de Paris I Pantheon Sorbonne. Starzec: CNRS and INSEE. **SR** INSEE Documents de Travail du CREST: 2001/27; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 21. PR no charge. JE C14, D11, D12. KW Rationality. GARP. Non-Parametric Tests. Shadow Prices.

AB The purpose of this paper is twofold. We first point out that violation of rationality axioms do not necessarily lead to a non-rational behavior. Second, our tests of the strong, general and weak revealed preference axioms over a Polish panel data (1987-90) show that over the 3630 households only 240 violate the three axioms. However these 240 violations are not caused by the non-respect of demand theory axioms but by the changing of preferences over the period. In order to explain these 240 households' preference changes, we build an econometric model of prices including an observed monetary component and an unobserved non-monetary component expressing the constraints faced by the agent. The estimation of this econometric model shows that the agents who apparently violate the axioms have these complete price changes superior to those of the agents who respect the axioms. Thus the agents who apparently violate the axioms faced during the period a change of their non-monetary resources and the appearance of new constraints.

PD September 2001. **TI** Attitude Towards Information and Non-Expected Utility Preferences: A Characterization by

Choice Functions. AU Diaye, Marc-Arthur; Koskiewicz, Jean-Max. AA Diaye: Universite d'Evry and CREST. Koskiewicz: Universite Paris I. **SR** INSEE Documents de Travail du CREST: 2001/40; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 22. PR no charge. JE D81, D83. KW Information. Decision Theory.

AB In the Allais' paradox, if an agent's preferences violate independence axiom, the non-Expected Utility decision maker appears to be prone to dynamic inconsistency. Moreover, Wakker (1988) proves that non-EU decision maker can be made worse off, in dynamic choice setting, by getting a prior knowledge of what nature's moves will be. Thus, dynamic inconsistency and Information aversion are closely linked. Following Wakker's argument, a number of papers have set out the relationship between dynamic consistency and information attitude, but authors restricts the class of non-EU preferences by imposing different consistent properties, non-EU preferences must satisfy. Our approach in this paper is different, instead of starting from agent's preference to infer agent's attitude towards information, conversely we start from the attitude towards information to infer the agent's preferences "logically" possible. We display in the simplest dynamic version of the Allais' paradox, the different possible attitudes towards information and characterize them in the Choice Functions Theory's framework. We show for instance that an agent who has non-EU preferences can be Information Averse as pointed out by Wakker (1988) but also Information Lover. Therefore, the simple observation of non-EU preferences cannot give us any piece of information about the agent's attitude towards information.

Dickens, Richard

PD June 2002. **TI** Has the National Minimum Wage Reduced UK Wage Inequality? AU Dickens, Richard; Manning, Alan. AA Dickens: University of London and CEP, LSE. Manning: CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 533; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 10. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J31, J38. KW Minimum Wages. Wage Inequality. Britain.

AB This paper investigates the impact on the wage distribution of the introduction, in April 1999, of the National Minimum Wage (NMW) in the UK. Because of the structure of UK earnings statistics, it is not straightforward to investigate this and a number of different methods for adjusting the published statistics are discussed. The main conclusions are that the NMW does have a detectable effect on the wage distribution and that compliance with the NMW is widespread but the impact is limited because the NMW has been set at a level such that only 6-7% of workers are directly affected and the NMW has had virtually no impact on the pay of workers not directly affected. Furthermore, virtually all the changes occurred within two months of the introduction in April 1999 and its impact declined over time from April 1999 to May 2001 as the minimum wage was not up-rated in line with the increase in average earnings.

Diebold, Francis X.

TI Modeling and Forecasting Realized Volatility. **AU** Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys, Paul.

TI High- and Low-Frequency Exchange Rate Volatility Dynamics: Range- Based Estimation of Stochastic Volatility Models. **AU** Alizadeh, Sassan; Diebold, Francis X.; Brandt, Michael W.

Dittmar, Robert

PD March 2002. **TI** Inflation Persistence and Flexible Prices. **AU** Dittmar, Robert; Gavin, William T.; Kydland, Finn E. **AA** Dittmar and Gavin: Federal Reserve Bank of St. Louis. Kydland: Carnegie Mellon University. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/010C; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 21. **PR** no charge. **JE** E31, E32, E42. **KW** Inflation Persistence. Flexible Prices. Taylor Rule.

AB The inability of rational expectation models with money supply rules to deliver inflation persistence following a transitory deviation of money growth from trend is due to the rapid adjustment of the price level to expected events. The observation of persistent inflation in macroeconomic data leads many economists to believe that prices adjust sluggishly and/or expectations must not be rational. Inflation persistence in U.S. data can be characterized by a vector autocorrelation function relating inflation and deviations of output from trend. In the vector autocorrelation function both inflation and output are highly persistent and there are significant positive dynamic cross-correlations relating inflation and output. This paper shows that a flexible-price general equilibrium business cycle model with money and a central bank using a Taylor rule can account for these patterns. There are no sticky prices and no liquidity effects. Agents' decisions in a period are taken only after all shocks are observed. The monetary policy rule transforms output persistence into inflation persistence and creates positive cross-correlations between inflation and output.

Doepke, Matthias

TI Public Versus Private Education When Differential Fertility Matters. **AU** De La Croix, David; Doepke, Matthias.

Dolmas, Sheila

PD June 2002. **TI** The Use and Abuse of "Real-Time" Data in Economic Forecasting. **AU** Dolmas, Sheila; Koenig, Evan F.; Piger, Jeremy. **AA** Dolmas: Unaffiliated. Koenig: Federal Reserve Bank of Dallas. Piger: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/015B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 23. **PR** no charge. **JE** C13, C82. **KW** Forecasting: Real-Time Data. Vintage Data. Preliminary Data. Final Data.

AB We distinguish between three different strategies for estimating forecasting equations with real-time data and argue that the most popular approach should generally be avoided. The point is illustrated with a model that uses current-quarter monthly industrial production, employment, and retail sales data to predict real GDP growth. When the model is estimated using either of our two alternative methods, its out-of-sample

forecasting performance is superior to that obtained using conventional estimation and compares favorably with that of the Blue-Chip consensus.

Dos Santos Ferreira, Rodolphe

TI Endogenous Business Cycles and Business Formation with Strategic Investment. **AU** d'Aspremont, Claude; Dos Santos Ferreira, Rodolphe; Gerard-Varet, Louis-Andre.

TI Endogenous Business Cycles and Business Formation with Strategic Investment. **AU** d'Aspremont, Claude; Dos Santos Ferreira, Rodolphe; Gerard-Varet, Louis-Andre.

Doukhan, Paul

TI Weak Dependence: Models and Applications. **AU** Ango Nze, Patrick; Doukhan, Paul.

Dranove, David

TI The Silent Majority Fallacy of the Elzinga-Hogarty Criteria: A Critique and New Approach to Analyzing Hospital Mergers. **AU** Capps, Cory S.; Dranove, David; Greenstein, Shane; Satterthwaite, Mark.

Dreze, Jacques H.

PD December 2001. **TI** Indeterminateness of Equilibria and Macroeconomics. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/58; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 23. **PR** \$100 per year. **JE** D50, E31, E40. **KW** Indeterminateness of Equilibria. Inflation. Price Rigidities. Incomplete Markets.

AB This paper reviews results on indeterminateness of equilibria in two extensions of the standard (Arrow-Debreu) model of general equilibrium. The extensions, motivated by macroeconomic interpretations, concern money and price rigidities. In a natural extension to money, if monetary policy fixes either nominal interest rates or money supply (but not both), the variability of inflation rates is unrestricted, at equilibrium. In the absence of initial nominal asset positions, the indeterminateness of inflation rates is harmless, in the complete- markets framework of Arrow-Debreu. When some relative prices are predetermined, there exists generically a continuum of real equilibria. In a model combining money and nominal price rigidities, the fixed nominal prices limit the indeterminateness of inflation rates, but the real indeterminateness subsists. When one introduces in addition a tatonnement process of nominal price formation, incorporating some downward nominal rigidities, both the nominal and the real indeterminateness may be eliminated in the complete-markets framework. It is argued that macroeconomic interpretations call for an incomplete- markets framework. A concluding section offers some heuristic remarks on the open problems associated with market incompleteness.

PD January 2002. **TI** Loss Reduction and Implicit Deductibles in Medical Insurance. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/05; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 15. **PR** \$100 per year. **JE** G22, I10. **KW** Health Insurance. Deductibles.

Moral Hazard.

AB This note presents a modest extension of the very useful "theorem of the deductible" (Arrow, American Economic Review, 1963). The extension concerns ex-post moral hazard in medical insurance. Under full insurance above a deductible, the marginal cost of treatment to the insured is zero, resulting in over-consumption. Co-insurance is the standard approach to mitigate that problem. Assuming that resources and consumption preferences are independent of health (to separate medical insurance from disability insurance), the optimal co-insurance contract results in the same indemnities as a contract with 100 percent coverage above a variable deductible, related positively to the elasticity of medical expenditures with respect to the coverage rate.

TI Money and Indeterminacy Over an Infinite Horizon.
AU Bloise, Gaetano; Dreze, Jacques H.; Polemarchakis, Heracles M.

Dueker, Michael J.

PD June 2000. **TI** Do Real Exchange Rates Have Autoregressive Unit Roots? A Test Under the Alternative of Long Memory and Breaks. **AU** Dueker, Michael J.; Serletis, Apostolos. **AA** Dueker: Federal Reserve Bank of St. Louis. Serletis: The University of Calgary. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/016A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 7. **PR** no charge. **JE** C22, F31. **KW** Fractional Integration. Long Memory Processes. Real Exchange Rates.

AB In this paper, we estimate (by maximum likelihood) the parameters of univariate fractionally integrated real exchange rate time series models, and test for autoregressive unit roots on the alternative of a covariance stationary long-memory process. We use quarterly dollar-based real exchange rates (since 1957) for seventeen OECD countries, and find that unit autoregressive roots do not go away even with this more sophisticated alternative.

TI Aggregate Price Shocks and Financial Instability: A Historical Analysis. **AU** Bordo, Michael D.; Dueker, Michael J.; Wheelock, David C.

PD September 2001. **TI** Forecasting Qualitative Variables With Vector Autoregressions: A Qual VAR of U.S. Recessions. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/012A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 28. **PR** no charge. **JE** C22, C25, F42. **KW** Vector Autoregressions. Forecasting. Recessions. Probit Models.

AB This article presents a new Qual VAR model for incorporating information from qualitative variables in vector autoregressive models. With a Qual VAR, it is possible to create dynamic forecasts of the qualitative variable using standard VAR projections. Previous forecasting methods for qualitative variables, in contrast, only produce static forecasts. Such an augmented VAR -- which includes information about the qualitative variable in the form of a truncated normal latent variable -- can also enhance the quality of forecasts of other variables in the system.

TI Aggregate Price Shocks and Financial Stability: The United Kingdom 1796-1999. **AU** Bordo, Michael D.;

Dueker, Michael J.; Wheelock, David C.

PD October 2001. **TI** Forecasting Output with Information from Business Cycle Turning Points: A Qualitative Variable VAR. **AU** Dueker, Michael J.; Wesche, Katrin. **AA** Dueker: Federal Reserve Bank of St. Louis. Wesche: University of Bonn. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/019A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 26. **PR** no charge. **JE** C22, C25, F42. **KW** Forecasting. Vector Autoregressions. Business Cycles. Turning Points.

AB One criticism of VAR forecasting is that macroeconomic variables tend not to behave as linear functions of their own past around business cycle turning points. This article investigates the methods and efficacy of forecasting with a VAR that expands the information set to include dynamic forecasts of a qualitative variable -- business cycle turning points. We apply this Qual VAR model to five of the G7 economies and find that the Qual VAR improves on forecasts from standard models, both for the qualitative variable and for macroeconomic data, such as industrial production. The improvement in the forecasts of the qualitative variable, relative to the standard probit model, is especially pronounced in recessionary periods.

PD June 2002. **TI** Can Markov Switching Models Predict Excess Foreign Exchange Returns? **AU** Dueker, Michael J.; Neely, Christopher J. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/021B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 16. **PR** no charge. **JE** F31, G15. **KW** Technical Trading Rules. Markov Switching. Exchange Rates. Excess Returns. Predictability.

AB This paper merges the literature on high-frequency technical trading rules with the literature on Markov switching at low frequencies to bring the advantages of statistical techniques to the computation of economically useful trading rules. We find that the Markov switching models are very successful, producing out-of-sample excess returns comparable to that of standard double moving-average rules. The returns appear to be fairly stable over time; there is only weak evidence that they have been declining recently. The rules generate excess returns out of sample, despite the facts that they achieve only mixed success with statistical tests of forecast accuracy and that we are able to reject parameter constancy.

Duffy, Bobby

PD December 2000. **TI** Satisfaction and Expectations: Attitudes to Public Services in Deprived Areas. **AA** MORI. **SR** London School of Economics, STICERD CASEpapers: CASE/45; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 45. **PR** no charge. **JE** H31, H50, H73, I31. **KW** Satisfaction. Public Services. Deprived Neighborhoods. Quality of Life. Welfare.

AB Based on outcomes for residents and qualitative studies, it is widely thought that public services meet the needs of residents less well in deprived areas, and that this is due to both the demands placed on services being greater and the services themselves being of a lower quality. This paper looks at the

use, importance and satisfaction ratings of a range of services by residents in deprived and other areas, using data from a large national survey, the People's Panel. Overall, there are relatively few services that deprived area residents are less satisfied with than are those elsewhere, and these differences are generally small, particularly when controlled for differences in the profile of residents between areas. Indeed, there are only six services (out of 40 considered) that are rated differently between areas, and for three of these satisfaction is higher in deprived areas. This finding may be at least partly due to the expectations of public services among those in deprived areas being lower than those elsewhere. The analysis attempts to account for this by comparing the ratings of similar "high resource" groups between areas, as these people are likely to have similar expectations. In this comparison there are more services that perform less well in deprived areas.

Duggan, Mark

PD October 2000. **TI** Hospital Market Structure and the Behavior of Not-For-Profit Hospitals: Evidence from Responses to California's Disproportionate Share Program. **AA** University of Chicago and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7966; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** H51, I11. **KW** Medicaid. Hospital Profits.

AB This paper exploits a plausibly exogenous change in hospital financial incentives to examine whether the behavior of private not-for-profit hospitals varies with the share of nearby hospitals organized as for-profit firms. Results show that not-for-profit hospitals in for-profit intensive areas are significantly more responsive to an increased incentive to treat low-income patients insured by the Medicaid program than are other not-for-profit providers. The heterogeneity in behavior is not due to differences in financial constraints but is instead likely driven by different degrees of market competitiveness in areas with one or more for-profit hospitals. The observed variation in the governing boards of not-for-profit hospitals across market areas supports the hypothesis that increased for-profit penetration makes these facilities more profit-oriented.

PD October 2000. **TI** More Guns, More Crime. **AA** University of Chicago and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7967; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** K14, K32, K42. **KW** Gun Ownership. Crime Statistics. Gun Legislation. Homicide.

AB This paper examines the relationship between gun ownership and crime. Previous research has suffered from a lack of reliable data on gun ownership. It exploits a unique data set to reliably estimate annual gun ownership rates at both the state and the county level during the past two decades. The findings demonstrate that changes in gun ownership are positively related to changes in the homicide rate to a significant degree, with this relationship driven entirely by the impact of gun ownership on murders in which a gun is used. The effect of gun ownership on all other crime categories is much less marked. Recent reductions in the fraction of households owning a gun can explain at least one-third of the

differential decline in gun homicides relative to non-gun homicides since 1993. This data is also used to examine the impact of Carrying Concealed Weapons legislation on crime, and provides reasons to reject the hypothesis that these laws led to increases in gun ownership or reductions in criminal activity.

Duncan, Greg J.

PD 2002. **TI** Panel and Pseudo-Panel Estimation of Cross-Sectional and Time Series Elasticities of Food Consumption: The Case of American and Polish Data. **AU** Duncan, Greg J.; Gardes, Francois; Gaubert, Patrice; Starzec, Christophe. **AA** Duncan: Northwestern University. Gardes: CREST-LSM and Universite de Paris I Pantheon-Sorbonne. Gaubert: Universite du Littoral. Starzec: CNRS-TEAM and INSEE. **SR** INSEE Documents de Travail du CREST: 2002/02; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 11. **PR** no charge. **JE** C31, C33, D12. **KW** Panel. Cross-Section. Elasticity of Consumption. Measurement Error. Heterogeneity.

AB The problem addressed in this article is the bias to income and expenditure elasticities estimated on pseudo-panel data caused by measurement error and unobserved heterogeneity. We gauge empirically these biases by comparing cross-sectional, pseudo-panel and true panel data from both Polish and American expenditure surveys. Our results suggest that unobserved, heterogeneity imparts a downward bias to cross-section estimates of income elasticities of at-home food expenditures and an upward bias to estimates of income elasticities of away-from-home food expenditures. Within and first-difference estimators suffer less bias, but only if the effects of measurement error are accounted for with instrumental variables. Pseudo-panel data provide cross-sectional estimates with less likely bias than estimates based on individual cross-sectional data. The magnitude of the differences in elasticity estimates across methods of estimation is roughly similar in U.S. Polish-based expenditure data. Contrary to typical cross-sectional estimates, income elasticities for food at home and food away in United States are very similar in magnitude.

Dunne, Timothy

PD January 2000. **TI** Wage and Productivity Dispersion in U.S. Manufacturing: The Role of Computer Investment. **AU** Dunne, Timothy; Foster, Lucia; Haltiwanger, John; Troske, Kenneth. **AA** Dunne: University of Oklahoma. Haltiwanger: University of Maryland and NBER. Foster: Bureau of the Census. Troske: University of Missouri. **SR** National Bureau of Economic Research Working Paper: 7465; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 37. **PR** \$5.00. **JE** J24, J31, L23, O33. **KW** Wages. Productivity. Skill Bias. Technological Change. Wage Dispersion.

AB By exploiting establishment-level data, this paper sheds new light on the source of the changes in the structure of production, wages, and employment that have occurred over the last several decades. Based on theoretical work by Caselli (1999) and Kremer and Maskin (1996), we focus on investigating the following two related hypotheses. The first hypothesis is that the channel through which skill biased technical change works through the economy is via changes in the dispersion in wages and productivity across establishments.

The second is that the increased dispersion in wages and productivity across establishments is linked to differential rates of technological adoption across establishments. Our findings are supportive of these hypotheses. Specifically, we find that (1) the between plant component of wage dispersion is a growing part of total wage dispersion, (2) much of the between plant increase in dispersion is within industries, (3) the between plant measures of wage and productivity dispersion have increased substantially over the last few decades, and (4) a substantial fraction of the rising dispersion in wages and productivity is accounted for by increasing wage and productivity differentials across high and low computer investment per worker plants and high and low capital intensity plants.

Duranton, Gilles

TI Labor Pooling, Labor Poaching, and Spatial Clustering. **AU** Combes, Pierre-Philippe; Duranton, Gilles.

PD September 2001. **TI** From Sectoral to Functional Urban Specialisation. **AU** Duranton, Gilles; Puga, Diego. **AA** Duranton: CEP, LSE, and CEPR. Puga: University of Toronto, Canadian Institute for Advanced Research, and CEPR. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 511; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 20. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** L23, R12, R32. **KW** Functional Specialization. City Economics. Business Services. Headquarters.

AB We document and then develop a model explaining and relating changes in firms' organization and in urban structure. Sharing of business services by headquarters and of sector-specific intermediates by production plants within a city reduces costs, while congestion increases with city size. A fall in the costs of remote management leads to a shift in urban structure, from a configuration where cities specialize by sector and host integrated headquarters and production plants, to a configuration where cities specialize by function, with headquarters from different sectors and business services clustered in a few large cities and production plants from each sector clustered in smaller separate cities.

Dustmann, Christian

PD February 2001. **TI** The Wage Performance of Immigrant Women: Full-Time Jobs, Part-Time Jobs and the Role of Selection. **AU** Dustmann, Christian; Schmidt, Christoph M. **AA** Dustmann: University College London and CEPR. Schmidt: Universitat Heidelberg. **SR** CEPR Discussion Paper: 2702; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** J22, J31, J61. **KW** Assimilation. Probit Model. Segmented Labor Markets.

AB This paper contrasts labor participation behavior and wages of native and immigrant women. Since the impact of family structure on labor supply differs between natives and immigrants, we explicitly distinguish between part-time and full-time jobs. The choice of jobs is accounted for by an ordered probit selection model with an incidental threshold, thus offering a flexible strategy to address selection issues in a segmented labor market. Our analysis is based on panel data, allowing us to control for correlated individual-specific effects

in both selection- and wage equations. We conclude that migrant women receive lower wages than native women in the same labor market segment, and that this is mainly associated with their relatively low educational endowments. Their relatively high ability to combine full-time work and child rearing somewhat mitigates these disadvantages.

Ebert, Udo

TI Complaints and Inequality. **AU** Cowell, Frank A.; Ebert, Udo.

Echenbaum, Martin

TI Assessing the Effects of Fiscal Shocks. **AU** Burnside, Craig; Fisher, Jonas D. M.; Echenbaum, Martin.

Edin, Per-Anders

TI Ethnic Enclaves and the Economic Success of Immigrants -- Evidence from a Natural Experiment. **AU** Aslund, Olof; Edin, Per-Anders; Fredriksson, Peter.

TI Settlement Policies and the Economic Success of Immigrants. **AU** Aslund, Olof; Edin, Per-Anders; Fredriksson, Peter.

Eguiazarova, Elina

TI Monopoly Versus R&D-Integrated Duopoly. **AU** Amir, Rabah; Nannerup, Niels; Stepanova, Anna; Eguiazarova, Elina.

Eichengreen, Barry

PD January 2000. **TI** Would Collective Action Clauses Raise Borrowing Costs? **AU** Eichengreen, Barry; Mody, Ashoka. **AA** Eichengreen: UC Berkeley and NBER. Mody: World Bank. **SR** National Bureau of Economic Research Working Paper: 7458; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 23. **PR** \$5.00. **JE** E58, F23, F30. **KW** Borrowing. Loans. Collective-Action Clauses. Bonds. Credit Worthiness.

AB We examine the implications for borrowing costs of including collective-action clauses in loan contracts. For a sample of some 2,000 international bonds, we compare the spreads on bonds subject to UK governing law, which typically include collective-action clauses, with spreads on bonds subject to US law, which do not. Contrary to the assertions of some market participants, we find that collective-action clauses in fact reduce the cost of borrowing for more credit-worthy issuers, who appear to benefit from the ability to avail themselves of an orderly restructuring process. In contrast, less credit-worthy issuers pay, if anything, higher spreads. We conjecture that for less credit-worthy issuers the advantages of orderly restructuring are offset by the moral hazard and default risk associated with the presence of renegotiation-friendly loan provisions.

PD February 2001. **TI** The EMS Crisis in Retrospect. **AA** University of California, Berkeley and CEPR. **SR** CEPR Discussion Paper: 2704; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E42, E44, F36. **KW** Emerging Markets. European Monetary System. Europe. Financial Crises.

AB This paper reconsiders the 1992/3 crisis in the European

Monetary System (EMS) in light of its emerging market successors. That episode was a predecessor of the Mexican and Asian crises in the sense that both capital movements and domestic financial fragility played important roles. The output effects of this currency crisis resemble those of the typical emerging market crisis as much as they do the more moderate effects of the typical industrial-country crisis, reflecting the influence of the aforementioned capital mobility and financial fragility. Leading indicator models, constructed using data from the Tequila and the Asian flu are shown to do a surprisingly good job at backcasting which European countries suffered currency instability in 1992/3, although these models also point to what was distinctive about the European case.

Einy, Ezra

PD November 2000. **TI** Information Advantage and Dominant Strategies in Second-Price Auctions. **AU** Einy, Ezra; Haimanko, Ori; Orzach, Ram; Sela, Aner. **AA** Einy, Orzach, and Sela: Ben-Gurion University of the Negev. Haimanko: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/55; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 13. **PR** \$100 per year. **JE** D44, D82. **KW** Common Value Second Price Auctions. Differential Information. Dominant Strategies. Information Advantage.

AB This paper studies a general model of common-value second-price auctions with differential information. It is shown that one of the bidders has an information advantage over the other bidders if and only if he possesses a dominant strategy. A dominant strategy is, in fact, unique, and is given by the conditional expectation of the common value with respect to his information field. Furthermore, when a bidder has information advantage, other bidders cannot make a profit.

Ejarque, Joao

TI Exhuming Q: Market Power vs. Capital Market Imperfections. **AU** Cooper, Russell; Ejarque, Joao.

Eldenburg, Leslie

PD April 2001. **TI** Hospital Governance, Performance Objectives, and Organizational Form. **AU** Eldenburg, Leslie; Weisbach, Michael S.; Hermalin, Benjamin E.; Wosinska, Marta. **AA** Eldenburg: University of Arizona. Weisbach: University of Illinois and NBER. Hermalin and Wosinska: UC Berkeley. **SR** National Bureau of Economic Research Working Paper: 8201; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** D21, G32, G34, L31, L32. **KW** Hospital Governance. Firm Organization.

AB This paper studies the governance of a sample of California hospitals. We document a number of empirical relations about hospital governance: The composition of the board of directors varies systematically across ownership types; poor performance and low levels of uncompensated care increase board turnover, with this sensitivity varying by organizational type. Poor performance, high administrative costs, and high uncompensated care lead to higher CEO turnover, with these effects again varying across different organizational types. Overall, these results are consistent with

the view that boards of directors of hospitals of different organizational forms are substantially different, and that these boards make decisions to maximize different objective functions.

Elloumi, Sourour

PD December 2001. **TI** New Formulation and Resolution Method for the p-Center Problem. **AU** Elloumi, Sourour; Labbe, Martine; Pochet, Yves. **AA** Elloumi: CEDRIC-CNAM. Labbe: Universite Libre de Bruxelles. Pochet: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/53; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 17. **PR** \$100 per year. **JE** C60. **KW** Min-Max Objective. Facility Location. p-Center. Mathematical Programming.

AB The p-center problem consists in locating p facilities among a set of M possible locations and assigning N clients to them in order to minimize the maximum distance between a client and the facility to which it is allocated. The paper presents a new integer linear programming formulation for this Min-Max problem with a polynomial number of variables and constraints, and show that its LP-relaxation provides a lower bound tighter than the classical one. Moreover, the paper shows that an even better lower bound LB* can be computed in polynomial time, and that, when the distances satisfy triangle inequalities, LB* is at least equal to half of the optimal value. Finally, the paper uses LB* as a starting point in an exact solution method and reports extensive computational results on test problems from the literature. For Euclidean instances, the method outperforms the runtime of other recent exact methods by an order of magnitude. Moreover, it is the first one to solve large instances of size up to N = M = 1817.

Emmons, William R.

PD February 2000. **TI** Banks vs. Credit Unions: Dynamic Competition in Local Markets. **AU** Emmons, William R.; Schmid, Frank A. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/006A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 24. **PR** no charge. **JE** G21, L11, L31. **KW** Bank. Concentration. Credit Unions. Not-For-Profit Institutions.

AB One interesting aspect of the financial services industry is that for-profit institutions such as commercial banks compete directly with not-for-profit financial intermediaries such as credit unions. In this article, we analyze competition among banks and between banks and credit unions using a dynamic model of spatial competition. The model allows for the co-existence of (for-profit) banks and (not-for-profit) credit unions. Using annual county-level data on banking market concentration and credit-union participation rates for the period 1989-96, we find empirical evidence of two-way competitive interactions between banks and credit unions.

PD March 2000. **TI** Pricing and Dividend Policies in Open Credit Cooperatives. **AU** Emmons, William R.; Schmid, Frank A. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/008A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 25. **PR** no charge.

JE G21, G32, L31. **KW** Cooperative Banks. Corporate Governance. Not-For-Profit Institutions.

AB This paper develops an integrated model of pricing and dividend policies in open credit cooperatives (those that do business with members and non-members on a non-discriminatory basis). We show that both the distribution of member preferences and the amount of non-member business the cooperative does influence its optimal pricing and dividend policies. For a fixed distribution of member preferences, the larger the fraction of business done by members, the smaller the optimal dividend and the larger the optimal pricing subsidy (hence, increasing demand). On the other hand, for a fixed fraction of member business, the greater the skewness of member preferences toward loan (deposit) business with the credit cooperative, the larger the optimal dividend and the higher (lower) the optimal loan (deposit) interest rate. Aggregate empirical evidence from the German cooperative banking sector supports a version of the latter prediction, namely, that in an increasingly depositor-dominated open credit cooperative, average deposit rates tend to fall as dividend payouts rise.

PD November 2001. **TI** Corporate Governance, Entrenched Labor, and Economic Growth. **AU** Emmons, William R.; Schmid, Frank A. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/023A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 15. **PR** no charge. **JE** G32, G38. **KW** Codetermination. Corporate Governance. Economic Growth.

AB The German system of codetermination contributes to the entrenchment of labor. We show in a two-period model of project choice that entrenched labor leads to underinvestment and overstaffing. We provide empirical evidence that German firms subject to codetermination with equal representation of workers on supervisory boards during the 1989-93 were, on average, overstaffed. In addition, the fraction of employees in codetermined firms has decreased over time. The expanded reach of codetermination during the mid-1970s therefore may have contributed to the deterioration of German economic growth performance beginning at about that time through underinvestment, overstaffing, and costly migration of business activity away from firms subject to codetermination.

PD November 2001. **TI** The Importance of Scale Economies and Geographic Diversification in Community Bank Mergers. **AU** Emmons, William R.; Gilbert, R. Alton; Yeager, Timothy J. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/024A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 25. **PR** no charge. **JE** G21, G28. **KW** Bank Supervision. Early Warning Models.

AB Mergers of community banks across economic market areas potentially reduce both idiosyncratic and local market risk. Geographic dispersion of banking activities across economic market areas may reduce local market risk because an adverse economic development that is unique to one market area will not affect a bank's loans to customers located in another market area. This paper simulates the mergers of community banks both within and across economic market areas by combining their call report data. We find that idiosyncratic risk reduction dominates local market risk

reduction. In other words, a typical community bank can diversify away its idiosyncratic risk almost as completely by merging with a bank across the street as it can by merging with one located across the country. The bulk of the pure portfolio diversification effects for community banks, therefore, appear to be unrelated to diversification across market areas but, instead, are related to bank size. These findings help explain why many community banks have not pursued geographic diversification more aggressively, but they beg the question as to why more small community banks do not pursue in-market mergers.

Engel, Eduardo

PD January 2002. **TI** How to Auction an Essential Facility When Underhand Integration is Possible. **AU** Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander. **AA** Engel: Yale University. Fischer and Galetovic: University of Chile. **SR** Yale Economic Growth Center Discussion Paper: 839; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 20. **PR** \$2.00 plus postage. **JE** D44, L12, L92. **KW** Auctions. Demsetz Auctions. Monopoly Regulation. Productive Efficiency. Vertical Integration.

AB An increasing number of countries are franchising seaports via Demsetz auctions to the port operator that bids the lowest cargo-handling fee. A major concern with such auctions is that the winning operator may integrate with a shipper and monopolize the shipping market by worsening service quality for competing shippers. This suggests banning the seaport from the shipping market; yet such a measure is suspect because it can be circumvented by an (illegal) underhand agreement between the port operator and the shipper. This paper shows that a ban on integration increases welfare if it is combined with a sufficiently high floor on the cargo-handling fee that operators can bid in the auction. In the absence of such a floor, however, a Demsetz auction is worse than no regulation at all of the bottleneck monopoly. These results apply to any essential facility that can monopolize a downstream market.

PD February 2002. **TI** Highway Franchising and Real Estate Values. **AU** Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander. **AA** Engel: Yale University. Fischer and Galetovic: University of Chile. **SR** Yale Economic Growth Center Discussion Paper: 840; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 27.

PR \$2.00 plus postage. **JE** D44, H40, H54, R42, R48. **KW** Demsetz Auctions. Highway Concessions. Infrastructure. **AB** It has become increasingly common to allocate highway franchises to the bidder that offers to charge the lowest toll. Often, building a highway increases the value of land held by a small group of developers, an effect that is more pronounced with lower tolls. This paper studies the welfare implications of highway franchises that benefit large developers, focusing on the incentives developers have to internalize the effect of the toll they bid on the value of their land. It studies how participation by developers in the auction affects equilibrium tolls and welfare. It is found that large developers bid more aggressively than construction companies that own no land. As long as land ownership is sufficiently concentrated, allowing developers in the auction leads to lower tolls and higher welfare. Moreover, collusion among developers is socially

desirable. The case of the franchise holder charging lower tolls to those buying her land ("toll discrimination") is also analyzed. Relative to uniform tolls, discrimination decreases welfare when land is high concentrated, but increases welfare otherwise. Finally, the welfare implications of subsidies and bonuses for proposing new highway projects is considered.

PD March 2002. **TI** Competition In or For the Field: Which is Better? **AU** Engel, Eduardo; Fischer, Ronald; Galetovic, Alexander. **AA** Engel: Yale University. Fischer and Galetovic: University of Chile. **SR** Yale Economic Growth Center Discussion Paper: 844; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 17. **PR** \$2.00 plus postage. **JE** D44, L12, L92. **KW** Demsetz Auction. Franchising. Monopoly. Dealerships. Royalty Contracts.

AB In many circumstances, a principal, who wants prices to be as low as possible, must contract with agents who would like to charge the monopoly price. This paper compares a Demsetz auction, which awards an exclusive contract to the agent bidding the lowest price (competition for the field) with having two agents provide the good under (imperfectly) competitive conditions (competition in the field). A simple sufficient condition shows unambiguously which option is best. The condition depends only on the shapes of the surplus function of the principal and the profit function of agents, and is independent of the particular duopoly game played *ex post*. This condition is applied to three canonical examples -- procurement, royalty contracts and dealerships -- and finds that whenever marginal revenue for the final good is decreasing in the quantity sold, a Demsetz auction is best. Moreover, a planner who wants to maximize social surplus also prefers a Demsetz auction.

Engel, Eduardo M. R. A.

PD March 2001. **TI** How to Auction an Essential Facility When Underhand Integration is Possible. **AU** Engel, Eduardo M. R. A.; Fischer, Ronald; Galetovic, Alexander. **AA** Engel: University of Chile and NBER. Fischer and Galetovic: University of Chile. **SR** National Bureau of Economic Research Working Paper: 8146; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 17. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D44, L12, L92. **KW** Auctions. Natural Monopoly. Hidden-Information. Vertical Separation.

AB There are many industries in which potentially competitive segments require services provided by natural-monopoly bottlenecks (essential facilities). Since it is difficult to regulate these facilities, developing countries are using Demsetz auctions, where the facility is awarded to the firm that bids the lowest user fee. In this paper we show that when underhand agreements between the monopoly bottleneck and downstream firms are possible, Demsetz auctions need floors on bids, since otherwise welfare can be lower than with an unregulated monopoly. We model an underhand agreement using a standard hidden-information model. We find that a sufficiently high floor on bids promotes vertical separation, yielding higher welfare than either an unregulated or a vertically integrated monopoly. Moreover, prohibiting open vertical integration means this floor can be lower, thus enhancing welfare. The incentive compatibility constraints

required by underhand agreements imply rent sharing and production distortions that make vertical integration less attractive.

Epstein, Gil S.

PD March 2001. **TI** Multi-Generation Model of Immigrant Earnings: Theory and Application. **AU** Epstein, Gil S.; Lecker, Tikva. **AA** Epstein: Bar-Ilan University and CEPR. **SR** CEPR Discussion Paper: 2750; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F22, J61, J62. **KW** Intergenerational Earnings. Earnings Mobility. Labor Markets. Migration.

AB The literature, starting with Chiswick (1977, 1978) to Gang and Zimmermann (2000) more recently, focuses on the economic achievements and performance of first- and second-generation migrants. This paper presents a three-generation migrant analysis, comparing relative economic performance of various migrant generations to one another and to the native population. We develop a theoretical model, which is then explored empirically using data from the 1995 Israeli Census. In both the theoretical and empirical analyses, the curve describing intergenerational immigrant earnings mobility is inversely U-shaped. The second generation earns relatively more than the first and third generations, while the third generation earns less than the second, but more than the first. Thus, assimilation of the third generation into the local population is far from clear.

Espasa, Antoni

TI On the (Intradaily) Seasonality and Dynamics of a Financial Point Process: A Semiparametric Approach. **AU** Veredas, David; Rodriguez-Poo, Juan; Espasa, Antoni.

Estrin, Saul

TI The Determinants of Foreign Direct Investment in Transition Economies. **AU** Bevan, Alan; Estrin, Saul.

Euwals, Rob

PD November 2000. **TI** What Matters Most: Teaching or Research? Empirical Evidence on the Remuneration of British Academics. **AU** Euwals, Rob; Ward, Melanie. **AA** Euwals: Centraal Planbureau and Centre for Economic Policy Research. Ward: European Central Bank. **SR** CEPR Discussion Paper: 2628; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C35, J31, J44. **KW** Academic Labor Market. Salary. Salary Scales.

AB This paper examines the impact of productivity on pay within academia, drawing upon a detailed dataset of academics from five old, established universities. The relationship between teaching and research skill is investigated, but no evidence is found in support of the hypothesis that productive researchers are also the best teachers. The results outline the importance of publication, grant receipt and teaching skill in the determination of pay. A large financial penalty for time out of the profession is revealed, which, with productivity variables, explains away the gender salary gap. Results also suggest that the best academics stay within the profession.

Evstigneev, Igor

TI Noncooperative Versus Cooperative R&D With Endogenous Spillover Rates. **AU** Amir, Rabah; Evstigneev, Igor; Wooders, John.

Fagart, Marie-Cecile

TI Prises de Participations et Expropriation des Actionnaires Minoritaires. **AU** Charlety, Patricia; Fagart, Marie-Cecile; Souam, Said.

PD 2002. **TI** Auditing Policies and Information Systems in a Principal-Agent Model. **AU** Fagart, Marie-Cecile; Sinclair-Desgagne, Bernard. **AA** Fagart: University of Rouen and CREST-LEI. **SR** INSEE Documents de Travail du CREST: 2002/14; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 24. **PR** no charge. **JE** D81, D82. **KW** Principal-Agent. Moral Hazard. Audit. Likelihood Ratio Distributions. Stochastic Dominance.

AB This paper considers the information systems induced by auditing policies in a principal-agent model with moral hazard, assuming the first-order approach is valid. We point out that in this context two information systems A and B are seldom comparable using the customary mean-preserving spread relation between their respective likelihood ratio distributions. We offer a general extension of this criterion, however, and we use it to show that, provided the sign of the third derivative of the agent's inverse utility function is constant, it is yet often possible to rank A against B because of one of the corresponding likelihood ratio distributions dominates the other in the third order.

PD March 2002. **TI** Wealth Effects, Moral Hazard and Adverse Selection in a Principal-Agent Model. **AA** University of Rouen and CREST-LEI. **SR** INSEE Documents de Travail du CREST: 2002/15; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 22. **PR** no charge. **JE** D82, L14. **KW** Adverse Selection. Moral Hazard. Wealth Effect.

AB This paper introduces hidden action in an adverse selection model, assuming that a risk neutral principal faces a risk averse agent. The optimal contract is compared against the two benchmark situations where either only hidden information or only hidden action arises. Most properties of incentive contracts pointed out by the literature still hold. Dealing with the two sources of asymmetric information only modifies the optimal effort, wealth effects playing an important role to determine this optimal action.

Falkingham, Jane

PD April 2000. **TI** A Profile of Poverty in Tajikistan. **AA** CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/39; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 57. **PR** no charge. **JE** I31, I32, I33, O20, P21. **KW** Central Asia. Transition Economies. Poverty. Living Standards.

AB This paper examines the profile of poverty in Tajikistan, the most remote and poorest of the independent states of the Former Soviet Union. Data is used from the first nationally representative household survey conducted since independence

and the cessation of civil war. The picture that emerges is of a population facing severe economic, physical and psycho-social stress. Over 95 percent of the population are living below the minimum consumption basket, four out of five are "poor", a third are "very poor" and nearly 20 percent "extremely poor". A significant proportion of children are now missing school due to financial hardship. This will have a damaging long-term impact both upon the welfare of the child itself, but also for the nation as a whole. Despite this gloomy picture, households are also proving to be remarkably resilient to the dramatic drop in living standards most have experienced. They are surviving through a variety of coping mechanisms including the sale of assets, expanding informal sector activities, borrowing from relatives or friends and humanitarian aid. But many of these survival strategies are not sustainable in the longer term and the government, in collaboration with the international community, needs to give urgent consideration to the development of a poverty alleviation strategy.

Fauli-Oller, Ramon

PD March 2001. **TI** To Merge or to License: Implications for Competition Policy. **AU** Fauli-Oller, Ramon; Sandonis, Joel. **AA** Fauli-Oller: Universidad de Alicante. **SR** CEPR Discussion Paper: 2740; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D43, D45, L41. **KW** Competition Policy. Merger. Patent Licensing.

AB The optimal competition policy when licensing is an alternative to a merger, which has the intention of transferring a superior technology, and is derived in a differentiated goods duopoly, as in the cases of Cournot and Bertrand competition. We show that whenever both royalties and fixed fees are feasible, mergers should not be allowed, which fits the prescription of the US Horizontal Merger Guidelines. In contrast, when only one instrument is feasible, be it fixed fees or royalties, the possibility of licensing cannot be used as a definitive argument against mergers.

Favero, Carlo A.

PD March 2001. **TI** Uncertainty on Monetary Policy and the Expectational Model of the Term Structure of Interest Rates. **AU** Favero, Carlo A.; Mosca, Frederico. **AA** Favero: Universita Bocconi and CEPR. **SR** CEPR Discussion Paper: 2748; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E44, E52, F41. **KW** Expectations Model. Forward-Looking Reactions. Term Structure.

AB In this paper we estimate jointly a forward-looking reaction function for the three-month rate along with a term structure relationship linking the six-month interest rates to current and expected future three-month rates. In our empirical model the response of the six-month interest rates to current and future three-month interest rates is allowed to depend on uncertainty on monetary policy. The expectation theory cannot be rejected in periods of low uncertainty on monetary policy.

Feenstra, Robert C.

PD March 2001. **TI** High-Frequency Substitution and the Measurement of Price Indexes. **AU** Feenstra, Robert C.; Shapiro, Matthew D. **AA** Feenstra: UC Davis and NBER.

Shapiro: University of Michigan and NBER. **SR** National Bureau of Economic Research Working Paper: 8176; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** C43, D11, D12. **KW** High Frequency Data. Price Indexes. Inventory Behavior. Consumer Theory.

AB This paper investigates the use of high-frequency scanner data to construct price indexes. In the presence of inventory behavior, purchases and consumption by individuals differ over time. Cost-of-living indexes can still be constructed using data on purchases. For weekly data on canned tuna, the paper contrasts two different types of price indexes: fixed-base and chained indexes. Only the former are theoretically correct, and in fact, the chained indexes have a pronounced upward bias for most regions of the U.S. This upward bias can be caused by consumers purchasing goods for inventory. The paper presents some direct statistical support for inventory behavior being the cause of the upward bias, though advertising and special displays also have a very significant impact on shopping patterns.

Fehr, Ernst

PD February 2001. **TI** Theories of Fairness and Reciprocity -- Evidence and Economic Applications. **AU** Fehr, Ernst; Schmidt, Klaus. **AA** Fehr: Universitat Zurich and CEPR. Schmidt: Universitat Munchen. **SR** CEPR Discussion Paper: 2703; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C70, C93, D64. **KW** Altruism. Behavioral Economics. Competition. Contracts. Experiments.

AB Most economic models are based on the self-interest hypothesis that assumes that all people are exclusively motivated by their material self-interest. In recent years experimental economists have gathered overwhelming evidence that systematically refutes the self-interest hypothesis and suggests that many people are strongly motivated by concerns for fairness and reciprocity. Moreover, several theoretical papers have been written showing that the observed phenomena can be explained in a rigorous and tractable manner. These theories in turn induced a new wave of experimental research offering additional exciting insights into the nature of preferences and into the relative performance of competing theories of fairness. The purpose of this paper is to review these recent developments, to point out open questions, and to suggest avenues for future research.

Femminis, Gianluca

PD March 2001. **TI** "Crony Capitalism," Bail Outs and Bank Runs. **AU** Femminis, Gianluca; Ruggerone, Luigi. **AA** Femminis: Universita Cattolica del Sacro Cuore, Milano and CEPR. **SR** CEPR Discussion Paper: 2751; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E61, F34. **KW** Bail Out. Bank Runs. Financial Crisis. International Lending.

AB We present a simple model where bank runs are possible and we analyze the role of subsidization of future investment in this setting. We find that such a policy exacerbates the short-

run liquidity problem for banks. Moreover, we highlight that a "shift in expectations" about keeping of the subsidization promises induces a bank run. We analyze the effects of a (partial) forced conversion of non liquidated deposits into banks equities, showing how a bank recapitalization of this type may help solving the problem. In fact, the deposit to equity swap can make credible an ex post recovery of the banking system, thus preventing the shift in expectation from generating a self-fulfilling bank crisis. This commitment device may prove useful also in the case of "political uncertainty."

Fermanian, Jean-David

PD 2002. **TI** Weak Convergence of Empirical Copula Processes. **AU** Fermanian, Jean-David; Radulovic, Dragan; Wegkamp, Marten. **AA** Fermanian: CREST-ENSAE. Radulovic and Wegkamp: Yale University. **SR** INSEE Documents de Travail du CREST: 2002/06; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 20. **PR** no charge. **JE** C14, C19. **KW** Copula Process. Weak Convergence. Gaussian. Semiparametric Models.

AB Weak convergence of the empirical copula process has been established in the case of independent marginal distribution (Deheuvels, 1979, 1981). Van der Vaart and Wellner (1996) utilize the functional delta method to show convergence in l infinity over squared $[a,b]$ for some $0 < a < b < 1$, under restriction on the distribution functions. We extend their results by proving the weak convergence of this process in l infinity over squared $[0,1]$ under minimal conditions on the copula function. In addition, we consider smoothed versions of the empirical copula process, and show that they tend weakly towards the same Gaussian limit. Some applications to semi-parametric models are considered as well.

Fernandes, Marcelo

PD August 2001. **TI** A Family of Autoregressive Conditional Duration Models. **AU** Fernandes, Marcelo; Grammig, Joachim. **AA** Fernandes: Fundacao Getulio Vargas. Grammig: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/36; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 14. **PR** \$100 per year. **JE** C22, C41. **KW** Box-Cox Transformation. Mixing Property. Price Duration. Shocks Impact Curve. Asymmetry.

AB This paper develops a family of autoregressive conditional duration (ACD) models that encompasses most specifications in the literature. The nesting relies on a Box-Cox transformation with shape parameter γ to the conditional duration process and a possibly asymmetric shocks impact curve. The paper establishes conditions for the existence of higher-order moments, strict stationarity, geometric ergodicity and beta-mixing property with exponential decay. The paper next derives moment recursion relations and the autocovariance function of the power γ of the duration process. Finally, the paper assesses the practical usefulness of the family of ACD models using NYSE price duration data on the IBM stock. While the in-sample results warrant the extra flexibility provided either by the Box-Cox transformation or by the asymmetric response to shocks, the paper finds no specification that entails satisfactory out-of-sample performance.

Fernie, Sue

PD April 2002. **TI** It's a Family Affair: The Effect of Union Recognition and Human Resource Management on the Provision of Equal Opportunities in the UK. **AU** Fernie, Sue; Gray, Helen. **AA** CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 525; Publications Unit, Centre 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** J51, J71, M12. **KW** Workplace Governance. Equal Opportunities. Trade Unions. Human Resource.

AB Equal opportunities policies and Family-Friendly practices are examined using data from the 1998 Workplace Employee Relations Survey in order to assess (i) their associations with union recognition and strategic human resource management and (ii) the outcomes of what has recently been described as "tinkering around" for women at work. We find that, controlling for various factors, equal opportunities policies and their monitoring, together with "softer" Family-Friendly policies are strongly associated with trade union recognition. On the other hand, we find that a number of both "hard" and "soft" Human Resource Management (HRM) policies are strongly associated with flexible working practices. Employees are least likely to have access to equal opportunities and Family-Friendly policies in workplaces which do not recognize a union or use HRM practices, and we present evidence to suggest that this is the worst option for the employer in terms of workplace performance, as well as for those with family responsibilities.

Ferrell, Allen

TI A New Approach to Takeover Law and Regulatory Competition. **AU** Bebchuk, Lucian Arye; Ferrell, Allen.

Fevrier, Philippe

PD 2002. **TI** Econometrics of Share Auctions. **AU** Fevrier, Philippe; Preget, Raphaelae; Visser, Michael. **AA** CREST-LEI. **SR** INSEE Documents de Travail du CREST: 2002/09; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 20. **PR** no charge. **JE** C13, C19, D44. **KW** France. Security Auctions. Share Auctions.

AB The purpose of this paper is to propose structural econometric methods for the empirical study of Wilson's (1979) share auction model. This is a common value model in which a single and perfectly divisible good is sold to a group of symmetric and risk-neutral buyers. The parameters in the distribution function of the value of the good and the signals received by the buyers are estimated using a two-step estimation procedure. The methods are applied to French Treasury securities auctions held in 1995. A counterfactual comparison shows that the Treasury's revenue in the discriminatory share auction (the mechanism adopted by the French Treasury) is 5% higher than in the uniform share auction.

Fidrmuc, Jan

PD December 2000. **TI** Disintegration and Trade. **AU** Fidrmuc, Jan; Fidrmuc, Jarco. **AA** Fidrmuc, Jan; Trinity College, Dublin and Centre for Economic Policy

Research. Fidrmuc, Jarco: Austrian National Bank. **SR** CEPR Discussion Paper: 2641; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F13, F15, F41. **KW** Disintegration. Gravity Model. International Trade.

AB The gravity model of trade is utilized to assess the impact of disintegration on trade. The analysis is based on three recent disintegration episodes involving the former Soviet Union, Yugoslavia and Czechoslovakia. The results point to a very strong home bias around the time of disintegration, with intra-union trade exceeding normal trade approximately 43 times in the former Soviet Union and Czechoslovakia, and 24 times in the former Yugoslavia. Disintegration was followed by a sharp fall in trade intensity. Nevertheless, there is a considerable hysteresis in economic relations, with trade flows among the former constituent republics still between two and 30 times greater than normal trade in 1998.

Fidrmuc, Jarco

TI Disintegration and Trade. **AU** Fidrmuc, Jan; Fidrmuc, Jarco.

Figuières, Charles

PD March 2001. **TI** Revenue Sharing Versus Expenditure Sharing. **AU** Figuières, Charles; Hindriks, Jean; Myles, Gareth D. **AA** Figuières: GREQAM and CORE. Hindriks: Queen Mary College and CORE. Myles: University of Exeter and Institute for Fiscal Studies. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2001/15; Center for Operations Research and Econometrics, Université Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 19. **PR** \$100 per year. **JE** C72, H71, H77. **KW** Fiscal Competition. Revenue and Expenditure Sharing. Economic Integration. Taxes and Transfers.

AB Problems of intergovernmental policy coordination can take many forms and are becoming increasingly important with continuing economic integration. This paper focuses on the fiscal competition problem where the non-cooperative choice of taxes and transfers among governments typically leads to suboptimal outcome. The paper looks at the effect of two widely used corrective policies: revenue sharing and expenditure sharing. The first main result is that these two corrective policies have opposite effects depending on the form of competition between governments, namely whether governments compete in taxes or expenditures. More precisely, for any form of competition, revenue sharing is desirable exactly when expenditure sharing is not and vice versa. The implication is that the choice of the optimal corrective policy requires a complete understanding of the underlying non-cooperative behavior among governments. The second main result is that neither policy can be sustained as a Nash equilibrium among governments, although all governments would benefit from one of these corrective policies. Central intervention is therefore inevitable unless governments can pre-commit to the optimal corrective policy before setting their fiscal policies.

PD September 2001. **TI** On the Effects of Conjectures in a Symmetric Strategic Setting. **AU** Figuières, Charles; Tidball, Mabel; Jean-Marie, Alain. **AA** Figuières: University of Bristol and CORE. Tidball: INRA-LAMETA. Jean, Marie:

LIRMM. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/38; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 26. **PR** \$100 per year. **JE** C72, D62. **KW** Conjectural Variations. Nash Equilibria. Consistency.

AB This paper deals with the effect of conjectures in a strategic setting. To do this it focuses on the so called Conjectural Variation Equilibrium (CVE). According to this concept, each agent chooses his most favorable action taking into account that rival strategies are a conjectured function of his own strategy. In the existing literature, a central role is played by the comparison between the CVE and the Nash Equilibrium (NE). The purpose of such a comparison is to appraise the impact of non-zero conjectures on agents' behaviors. The existing results suggest that it is not possible to know, in advance, the consequences of non-zero conjectures on behaviors. The aim of this paper is: i) to identify situations where it is indeed possible, a priori, to know which kind of non-cooperative concept Pareto dominates the other, ii) to provide the corresponding theoretical explanations.

PD October 2001. **TI** Matching Grants and Ricardian Equivalence. **AU** Figuieres, Charles; Hindriks, Jean. **AA** Figuieres: University of Bristol. Hindriks: University of London. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/48; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 14. **PR** \$100 per year. **JE** H23, H70. **KW** Fiscal Federalism. Ricardian Equivalence. Matching Grants.

AB This paper investigates the effectiveness of matching grants to correct for interjurisdictional spillovers in the light of Bernheim general neutrality result. Indeed this result suggests that the usual argument that matching grants are needed to internalize the externality arising from the existence of interjurisdictional spillovers is an artifact of the assumption that the jurisdictions neglect the impact that their decisions have on the federal budget. Relaxing this assumption and using a classical model where the arbitrage resulting from mobility implies that redistribution has the properties of a public good, this paper finds that matching grants are relevant, although somewhat less effective. The paper also finds that optimal matching rates are independent of the number of jurisdictions and their strategic variables contrarily to the case where jurisdictions ignore the impact of their decisions on the federal budget.

Fingleton, John

PD February 2001. **TI** Open Covenants, Privately Arrived At. **AU** Fingleton, John; Raith, Michael. **AA** Fingleton: Irish Competition Authority. Raith: University of Rochester. **SR** CEPR Discussion Paper: 2709; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C78, D74, D82. **KW** Delegated Bargaining. Strategic Bargaining. Uncertainty.

AB This paper analyses strategic bargaining between two agents each of whom negotiates on behalf of a principal. The principals face uncertainty about the bargaining skills of their agents as measured by the agents' abilities to assess the

opponent's preferences. Agents then have an incentive to promote their reputation as skilled bargainers through their bargaining behavior. We compare two different scenarios: open-door bargaining, where the principals observe the entire bargaining process, and closed-door bargaining, where they observe only the final outcome. We show that with open doors, the higher visibility of agents' actions induces low-skill agents to negotiate more aggressively than behind closed doors in order to distort their principals' inferences. Since this "posturing" increases the probability of delay or disagreement, closed-door bargaining is more efficient.

Fischer, Ronald

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

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

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

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

Fisher, Anthony C.

PD April 2000. **TI** Global Warming, Endogenous Risk, and Irreversibility. **AU** Fisher, Anthony C.; Narain, Urvashi. **AA** Fisher: University of California, Berkeley. Narain: Resources for the Future. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 908; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 22. **PR** \$5.50 Domestic; \$11.00 International Surface Rate. **JE** D81, D83, D92, Q25. **KW** Global Warming. Endogenous Risk. Irreversibility. Uncertainty. Greenhouse Gases.

AB This paper develops a two-period model with learning to ask the question: given a stock of greenhouse gases that poses a threat of damages of an unknown magnitude and the possibility of learning about the nature of damages, how does the presence of sunk abatement capital and a non-degradable stock of greenhouse gases affect the optimal rate of emissions? We show that with uncertain damages and future learning about the nature of damages, then so long as the risk of damages is exogenous the agent decreases investment in abatement capital as capital becomes more sunk. This result is weakened if the risk is endogenous. The agent then has to tradeoff a decrease in the stock of sunk capital with a decrease in the risk of damages occurring. With uncertainty, learning, and exogenous risk, the agent chooses to increase investment in abatement as the stock of greenhouse gases becomes non-degradable. With endogenous risk, investment continues to be a decreasing function of the rate of decay of the greenhouse gases stock so long as the agent has no incentive to trigger the disutility-changing event.

TI The Optimal Control of a Stock Pollutant with Sunk Capital and Endogenous Risk of Catastrophic Damages. **AU** Narain, Urvashi; Fisher, Anthony C.

PD May 2000. **TI** Reflections on Irreversibility:

Environmental Science and Environmental Economics. AA University of California, Berkeley. SR University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 910; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310.

Website: are.berkeley.edu/library/CUDARE/workpap.html. PG 15. PR \$5.00 Domestic; \$10.00 International Surface Rate. JE Q20. KW Irreversibility. Environmental Science. Environmental Economics. AB Not Available.

TI Irreversibility, Uncertainty, and Global Warming: A Theoretical Analysis. AU Narain, Urvashi; Fisher, Anthony C.

Fisher, Jonas D. M.

TI Assessing the Effects of Fiscal Shocks. AU Burnside, Craig; Fisher, Jonas D. M.; Echenbaum, Martin.

Flachaire, Emmanuel

TI Sensitivity of Inequality Measures to Extreme Values. AU Cowell, Frank A.; Flachaire, Emmanuel.

Fontagne, Lionel

TI Foreign Direct Investment and the Prospects For Tax Co-Ordination in Europe. AU Benassy-Quere, Agnes; Fontagne, Lionel; Lahreche-Revil, Amina.

PD June 1999. TI Haute Technologie et Echelles de Qualite: De Fortes Asymetries en Europe. AU Fontagne, Lionel; Freudenberg, Michael; Unal-Kesenci, Deniz. AA Fontagne: University of Paris I and CEPII. Freudenberg: OECD. Unal-Kesenci: CEPII. SR CEPII Working Paper: 1999/08; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. PG 60. PR no charge. JE F14, O33, O52. KW Specialization. Comparative Advantage. Input-Output Methods. Technological Intensity. International Trade.

AB (This paper is written in French). The dynamic dimension of a country's integration into international trade is essential as far as spreads in the technological content of industries in which countries are engaged, are likely to have permanent consequences on growth. This paper focuses on the asymmetries existing between the European countries on the market of hi-tech products, using international trade statistics. It puts forward an analysis of international trade using three dimensions: technological intensity, quality and the level of transformation of traded goods. The geographic distribution of the Unions' structural surpluses and deficits in hi-tech brings out deficits vis-a-vis the United States and Japan. Few European countries actually contribute to the performance of EU-15. Only four countries have a structural surplus in hi-tech products. These comparative advantages or disadvantages and their impact on growth are cause of strong asymmetries in Europe generally obscured by excessive attention paid to macro-financial convergence.

TI Exchange Rate Strategies in the Competition for Attracting FDI. AU Benassy-Quere, Agnes; Fontagne, Lionel; Lahreche-Revil, Amina.

Forbes, Kristin J.

PD March 2001. TI Are Trade Linkages Important Determinants of Country Vulnerability to Crises? AA MIT and NBER. SR National Bureau of Economic Research Working Paper: 8194; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 39. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE F36, F41, F42, G15. KW Crisis Vulnerability. Trade Linkages.

AB This paper measures whether trade linkages are important determinants of a country's vulnerability to crises that originate elsewhere in the world. It explains that trade can transmit crises internationally via three distinct, and possible counteracting, channels: a competitiveness effect (when changes in relative prices affect a country's ability to compete abroad); an income effect (when a crisis affects incomes and the demand for imports); and a cheap-import effect (when a crisis reduces import prices and acts as a positive supply shock). Next, the paper develops a series of statistics measuring each of these trade linkages for a sample of 58 countries during 16 crises from 1994 through 1999. Of particular interest is the competitiveness statistic, which uses 4-digit industry information to calculate how each crisis affects exports from other countries. Empirical results suggest that countries which compete with exports from a crisis country and which export to the crisis country (i.e. the competitiveness and income effects) had significantly lower stock market returns. Although trade linkages only partially explain stock market returns during recent crises, they are significant and economically important.

Forges, Francoise

PD September 2001. TI Incentives and the Core of an Exchange Economy: A Survey. AU Forges, Francoise; Minelli, Enrico; Vohra, Rajiv. AA Forges: Universite de Cergy-Pontoise and Institut Universitaire de France. Minelli: CORE. Vohra: Brown University. SR Universite Catholique de Louvain, CORE Discussion Paper: 2001/43; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 48. PR \$100 per year. JE C71, D51, D82. KW Core. Asymmetric Information. Incentive Compatibility. Exchange Economy.

AB This paper provides a general overview of the literature on the core of an exchange economy with asymmetric information. Incentive compatibility is emphasized in studying core concepts at the ex-ante and interim stage. The analysis includes issues of non-emptiness of the core as well as core convergence to price equilibrium allocations.

Foster, Lucia

TI Wage and Productivity Dispersion in U.S. Manufacturing: The Role of Computer Investment. AU Dunne, Timothy; Foster, Lucia; Haltiwanger, John; Troske, Kenneth.

Fournier, Martin

TI Selection Bias Correction Based on the Multinomial Logit Model. AU Bourguignon, Francois; Fournier, Martin; Gurgand, Marc.

Frankel, Jeffrey A.

PD December 2000. TI An Estimate of the Effect of

Currency Unions on Trade and Output. **AU** Frankel, Jeffrey A.; Rose, Andrew K. **AA** Frankel: Harvard University. Rose: University of California, Berkeley. **SR** CEPR Discussion Paper: 2631; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F11, F33, O40. **KW** Common. Cross-Section. Dollarization. Empirical. Growth.

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

Fredriksson, Peter

TI Ethnic Enclaves and the Economic Success of Immigrants -- Evidence from a Natural Experiment. **AU** Aslund, Olof; Edin, Per-Anders; Fredriksson, Peter.

TI Settlement Policies and the Economic Success of Immigrants. **AU** Aslund, Olof; Edin, Per-Anders; Fredriksson, Peter.

Freeman, Richard B.

PD January 2000. **TI** The Role of Wage and Skill Differences in US-German Employment Differences. **AU** Freeman, Richard B.; Schettkat, Ronald. **AA** Freeman: NBER. Schettkat: Utrecht University. **SR** National Bureau of Economic Research Working Paper: 7474; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 20. **PR** \$5.00. **JE** E24, J23, J31, L50. **KW** Wages. Job Creation. Skill Premium. Employment. Labor Demand.

AB Greater job creation in the US than in Germany has often been related to greater wage dispersion coupled with less regulated labor and product markets in the U.S. Based on the Comparative German American Structural Database and the International Adult Literacy Survey we find that employment of skilled to unskilled labor is unrelated to differences in skill premium but that changes in relative employment are related to changes in relative wages raising the possibility of some substitution behavior. Still, the differing dispersion of wages is not a major contributor to differences in employment rates. The jobs problem in Germany is one of a general lack in demand for labor.

PD March 2001. **TI** The Rising Tide Lifts...? **AA** Harvard University, LSE, CEP, and NBER. **SR** National Bureau of Economic Research Working Paper: 8155; Working Papers, NBER, 1050 Massachusetts Avenue,

Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I32, J64. **KW** Poverty. Unemployment. Income Distributions. Labor Market.

AB To what extent did the economic boom of the 1990s-early 2000s improve the well-being of persons in the bottom rungs of the income distribution? This paper uses a pooled cross-state time series regression design to estimate the effect of earnings, unemployment, and inequality on poverty in the boom. I find that the tight labor market reduced poverty substantively, gainsaying the gloom that developed in the 1980s about the effect of economic growth on the less advantaged; and that socially undesirable behavior also fell in the period, potentially due in part to the boom. While the rising tide of economic progress can lift many boats, however, around 6-8% of Americans cannot be so helped, and thus constitute a relatively long term poverty population. Moreover, the level of the tide needed to improve the conditions of the less advantaged is a 4-5% unemployment rate, not the 6-6.5% unemployment once viewed as the NAIRU.

Freudenberg, Michael

PD April 1999. **TI** Central and Eastern European Countries in the International Division of Labour in Europe. **AU** Freudenberg, Michael; Lemoine, Françoise. **AA** Freudenberg: OECD. Lemoine: CEPII. **SR** CEPII Working Paper: 1999/05; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 150. **PR** no charge. **JE** F14, F15. **KW** Specialization. European Union. Comparative Advantage. Transition Economies. International Trade.

AB This article analyzes trade between the European Union and the ten EU candidate countries. The evolution of specialization shows a growing differentiation between the countries of Central Europe which are developing comparative advantages in new sectors and the others which remain specialized in traditional labor and raw material intensive industries. Central Europe appears to be integrated into an international segmentation of production processes with the EU, not only in traditional industries such as textiles and clothing but also in new sectors, such as cars and telecommunications equipment, through direct investment by multinational firms. The nature of trade relations also differs: *EU trade with Central Europe is ever more intra-industrial*, whereas with the Baltic and Balkan countries it remains predominantly inter-industrial, based on sectoral complementarity. A "qualitative" division of labor is taking place between the two parts of Europe, as the CEECs are generally specialized in down- and mid-market products.

TI Haute Technologie et Echelles de Qualite: De Fortes Asymetries en Europe. **AU** Fontagne, Lionel; Freudenberg, Michael; Unal-Kesenci, Deniz.

Fridolfsson, Sven-Olof

PD February 2001. **TI** Should Mergers Be Controlled? **AU** Fridolfsson, Sven-Olof; Stennek, Johan. **AA** Research Institute for Industrial Economics, Stockholm. **SR** CEPR Discussion Paper: 2705; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C78, G34, L12, L41. **KW** Coalition Formation. Competition Policy. Mergers

and Acquisitions.

AB Anti-competitive mergers benefit competitors more than the merging firms. We show that such externalities reduce firms' incentives to merge (a hold-up mechanism). Firms delay merger proposals, thereby foregoing valuable profits and hoping other firms will merge instead – a war of attrition. The final result, however, is an overly concentrated market. We also demonstrate a surprising inter-temporal link. Merger incentives may be reduced by the prospect of additional profitable mergers in the future. The prospect of a future merger increases the value of becoming an insider in the first merger, which tends to hasten it. The prospect of a future merger may, however, increase the value of becoming an outsider in the first merger even more. If so, the first merger will be delayed by the prospect of the future merger. Merger control may help protect competition. Holdup and inter-temporal links make policy design more difficult, however. Even reasonable policies may be worse than not controlling mergers at all.

Frye, Timothy

PD March 2001. **TI** Rackets, Regulation and the Rule of Law. **AU** Frye, Timothy; Zhuravskaya, Ekaterina. **AA** Frye: Ohio State University. Zhuravskaya: Stockholm School of Economics and Center for Economic and Financial Research. **SR** CEPR Discussion Paper: 2716; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** H32, K42. **KW** Racket. Regulation. Transition. Russia.

AB Governments that levy predatory regulation and provide few weak legal institutions draw businesses into the unofficial economy and compel them to hire private protection organizations. Based on a survey of shopkeepers in three cities in Russia, we find that retail shops face very high levels of predatory regulation and have frequent contacts with private protection rackets. In addition, we show that higher levels of regulation are associated with weaker legal institutions and a higher probability of contact with a private protection organization. We also find that shopkeepers view private protection organizations primarily as a substitute for state-provided police protection and state-provided courts. These results emphasize the importance of public sector reform as a component of economic transition.

Fujisaki, Hideki

TI Are Americans More Altruistic than the Japanese? A U.S.-Japan Comparison of Saving and Bequest Motives. **AU** Horioka, Charles Yuji; Fujisaki, Hideki; Watanabe, Wako; Kouno, Takatsugu.

Fujita, Masahisa

PD March 2002. **TI** Agglomeration and Market Interaction. **AU** Fujita, Masahisa; Thisse, Jacques-Francois. **AA** Fujita: Kyoto University. Thisse: CORE, CERAS, and CEPR. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/11; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 40. **PR** \$100 per year. **JE** R10, R12, R50. **KW** Agglomeration. Spatial Economy. Urban Economics. Monopolistic Competition.

AB The most salient feature of the spatial economy is the

presence of a large variety of economic agglomerations. Our purpose is to review some of the main explanations of this universal phenomenon, as they are proposed in urban economics and modern economic geography. We first show why the competitive framework can hardly be the foundation for the economics of agglomeration. We then briefly review the alternative modeling strategies. In the hope to make our paper accessible to a broad audience, we present in detail the two models that have been used so far to study the spatial distribution of economic activities. Finally, several extensions of these models are discussed.

Gabszewicz, Jean J.

PD December 2000. **TI** Another Perverse Effect of Monopoly Power. **AU** Gabszewicz, Jean J.; Wauthy, Xavier Y. **AA** Gabszewicz: CORE. Wauthy: CEREC, Facultes Universitaires Saint-Louis and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/62; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 9. **PR** \$100 per year. **JE** D42. **KW** Monopoly.

AB This paper shows the simple fact that a monopolist sells a good in units which are indivisible if he is induced to select a quality for his product which is not the highest one, even if no cost of any sort is attached to quality improvement.

PD December 2000. **TI** Strategic Multilateral Exchange and Taxes. **AU** Gabszewicz, Jean J.; Grazzini, Lisa. **AA** Gabszewicz: CORE. Grazzini: CORE and Universita di Firenze. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/63; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 17. **PR** \$100 per year. **JE** C72, D51, H30, L13. **KW** Imperfect Competition. Taxation. Strategic Market Games. Multilateral Trade.

AB This paper investigates the effectiveness and welfare implications of fiscal policies in a context of multilateral trade, when traders behave strategically. The present approach deals simultaneously with two aspects of fiscal policies: collecting resources for redistributive purposes and correcting distortions related to imperfectly competitive behavior.

PD March 2001. **TI** The Option of Joint Purchase in Vertically Differentiated Markets. **AU** Gabszewicz, Jean J.; Wauthy, Xavier Y. **AA** Gabszewicz: CORE. Wauthy: CEREC, Facultes Universitaires Saint-Louis and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/13; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 11. **PR** \$100 per year. **JE** L10. **KW** Quality Differentiation. Price Competition.

AB Within the framework proposed by Mussa and Rosen (1978) for modelling quality differentiation, this paper allows consumers to buy simultaneously different variants of the same indivisible good. The paper calls this the "joint purchase option". The paper shows that this option dramatically affects price competition: while a unique equilibrium always prevails when consumers are assumed to make mutually exclusive

purchases, either uniqueness, or multiplicity, or absence of price equilibrium arise when the joint purchase option is opened depending on the utility attached to joint purchase relative to separate purchases.

Gale, William G.

PD April 2001. **TI** Rethinking the Estate and Gift Tax: Overview. **AU** Gale, William G.; Slemrod, Joel B. **AA** Gale: The Brookings Institution. Slemrod: University of Michigan. **SR** National Bureau of Economic Research Working Paper: 8205; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 62. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H21, H22, H24. **KW** Estate Tax. Gift Tax. Transfer Taxes. Intergenerational Transfers.

AB This paper surveys, integrates, and extends research on estate and gift taxes. The paper begins with information on features of U.S. transfer taxes, characteristics of recent estate tax returns, the evolution of transfer taxes, the role of such taxes in other countries, and theory and evidence concerning why people give intergenerational transfers. The next sections examine the incidence, equity, and efficiency of transfer taxes. Subsequent sections cover administrative issues and the effects on saving, labor supply, entrepreneurship, inter vivo gifts, charitable contributions, and capital gains realizations. The paper closes with a discussion of policy options and a short conclusion.

Galetovic, Alexander

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

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

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

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

Gali, Jordi

PD April 2001. **TI** European Inflation Dynamics. **AU** Gali, Jordi; Gertler, Mark; Lopez-Salido, J. David. **AA** Gali: University Pompeu Fabra, New York University, and NBER. Gertler: New York University and NBER. Lopez-Salido: Bank of Spain. **SR** National Bureau of Economic Research Working Paper: 8218; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 24. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E31, E32. **KW** Europe. Inflation Dynamics. New Phillips Curve.

AB We provide evidence on the fit of the New Phillips Curve (NPC) for the Euro area over the period 1970-1998, and use it as a tool to compare the characteristics of European inflation dynamics with those observed in the U.S. We also analyze the factors underlying inflation inertia by examining the cyclical behavior of marginal costs, as well as that of its two main components, namely, labor productivity and real wages. Some of the findings can be summarized as follows: (a) the NPC fits Euro area data very well, possibly better than U.S. data, (b) the degree of price stickiness implied by the estimates is

substantial, but in line with survey evidence and U.S. estimates, (c) inflation dynamics in the Euro area appear to have a stronger forward-looking component (i.e., less inertia) than in the U.S., (d) labor market frictions, as manifested in the behavior of the wage markup, appear to have played a key role in shaping the behavior of marginal costs and, consequently, inflation in Europe.

Galor, Oded

PD February 2001. **TI** Das Human Kapital. **AU** Galor, Oded; Moav, Omer. **AA** Galor: Brown University and CEPR. Moav: Hebrew University of Jerusalem. **SR** CEPR Discussion Paper: 2701; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** I21, O15. **KW** Class Struggle. Education. Growth. Income Distributions. **AB** This paper hypothesizes that the demise of the 19th century's European class structure reflects a deliberate transformation of society orchestrated by the Capitalists. Contrary to conventional wisdom, it argues that the demise of this class structure has been in part an outcome of a cooperative rather than purely a divisive process. The research suggests that the transition from this class structure may be viewed as the outcome of an optimal reaction process of the Capitalists to the increasing importance of human capital in sustaining their profit rates. The paper argues that the process of capital accumulation has gradually intensified the relative scarcity of labor and has generated an incentive to augment labor via human capital accumulation. Due to the complementarity between physical and human capital in production, the Capitalists were among the prime beneficiaries of the potential accumulation of human capital by the masses. They had therefore the incentive to financially support public education that would sustain their profit rates and would improve their economic well being, although it would ultimately undermine their dynasty's position in the social ladder.

PD March 2001. **TI** Natural Selection and the Origin of Economic Growth. **AU** Galor, Oded; Moav, Omer. **AA** Galor: Brown University and CEPR. Moav: Hebrew University. **SR** CEPR Discussion Paper: 2727; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** J11, J13, O11, O14, O33. **KW** Evolution. Fertility. Growth. Human Capital. Malthusian Stagnation.

AB This research develops an evolutionary growth theory that captures the interplay between the evolution of mankind and economic growth since the emergence of the human species. This unified theory encompasses the observed evolution of population, technology and income per capita in the long transition from an epoch of Malthusian stagnation to sustained economic growth. The theory suggests that prolonged economic stagnation prior to the transition to sustained growth stimulated natural selection that shaped the evolution of the human species, whereas the evolution of the human species was the origin of the take-off from an epoch of stagnation to sustained growth.

Gandal, Neil

PD October 2000. **TI** Technology, Trade, and Adjustment to Immigration in Israel. **AU** Gandal, Neil; Hanson, Gordon H.; Slaughter, Matthew J. **AA** Gandal: Tel Aviv University

and Center for Economic and Policy Research. Hanson: University of Michigan and National Bureau of Economic Research. Slaughter: Dartmouth College and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7962; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F15, F22, J31, J61.

KW Israel. Immigrant Labor. Open-Economy Mechanisms.

AB In the early 1990s Israel experienced a large and concentrated surge of immigration from the former Soviet Union. Most Russian immigrants had high education levels relative to the average Israeli. Despite the size and skill mix of the immigration shock, existing research has found little evidence that it put downward pressure on Israeli wages. This paper examines two open-economy mechanisms through which Israel may have absorbed changes in labor supplies related to the Russian immigrant inflow: the adoption of global changes in production technology, and national changes in the mix of traded goods produced. The main finding is that global changes in production techniques, which appear consistent with skill-biased technical change, were sufficient to more than offset Israel's change in relative factor supplies due to the Russian influx and other events. Also, it was found that changes in output mix (in either traded or nontraded industries) did not help Israel absorb changes in relative factor supplies.

Gardes, Francois

TI The World According to GARP: Non-Parametric Tests of Demand Theory and Rational Behavior. **AU** Diaye, Marc-Arthur; Gardes, Francois; Starzec, Christophe.

TI Panel and Pseudo-Panel Estimation of Cross-Sectional and Time Series Elasticities of Food Consumption: The Case of American and Polish Data. **AU** Duncan, Greg J.; Gardes, Francois; Gaubert, Patrice; Starzec, Christophe.

Gardiner, Karen

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

TI Why Rising Tides Don't Lift All Boats? An Explanation of the Relationship Between Poverty and Unemployment in Britain. **AU** Burgess, Simon; Gardiner, Karen; Propper, Carol.

TI Growing Up: School, Family and Area Influences on Adolescents' Later Life Chances. **AU** Burgess, Simon; Gardiner, Karen; Propper, Carol.

Gaspar, Vitor

TI Home Bias in Portfolios and Taxation of Asset Income. **AU** Gordon, Roger H.; Gaspar, Vitor.

Gatsios, Konstantine

PD December 2000. **TI** Capital Mobility, the Real Exchange Rate, and the Rate of Return to Capital in the Presence of Non-Traded Goods. **AA** Athens University of Economics and Business and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2644; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F10, F20. **KW** Capital Mobility. Nominal Rate

of Return to Capital. Real Rate of Return to Capital. Real Exchange Rate.

AB This paper constructs a general equilibrium trade model of a small open economy producing an exported good, an imported good and a non-traded good by using two or more factors of production, one of which, namely capital, is imperfectly internationally mobile. Within this framework, it is shown that an exogenous capital inflow may lead to a depreciation of the real exchange rate, and to an increase in both the nominal and the real rate of return to capital. For these paradoxical results to occur it is necessary that the non-traded good is capital intensive.

Gaubert, Patrice

TI Panel and Pseudo-Panel Estimation of Cross-Sectional and Time Series Elasticities of Food Consumption: The Case of American and Polish Data. **AU** Duncan, Greg J.; Gardes, Francois; Gaubert, Patrice; Starzec, Christophe.

Gaumont, Damien

PD December 2001. **TI** Information, the Internet and Competitive Equilibrium. **AU** Gaumont, Damien; Michel, Philippe. **AA** Gaumont: Universite de Paris 2 and ERMES UPRESA. Michel: Universite de la Mediterranee, GREQAM, and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/57; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 5. **PR** \$100 per year. **JE** D50, D89. **KW** General Equilibrium. Information. Internet. Pure Exchange Economy.

AB This paper analyzes the consequence of an increase of information (say as a consequence of the internet), on the equilibrium of pure exchange economy with n goods and m agents. It assumes that such an increase modifies the characteristics of goods a la Lancaster and has a positive effect on utility. The paper shows that in equilibrium an increase of information increases a linear combination of the utilities of the agents. The different possibilities of gains and losses are explicitly analyzed in an example with two goods and two agents.

Gautier, Axel

PD March 2002. **TI** Common and Separate Ownership of Projects. **AA** University of Bonn and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/15; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 8. **PR** \$100 per year. **JE** D23, G31, G32, L22. **KW** Conglomerate. Nature of the Firms. Markets vs. Hierarchies.

AB This note points out the differences between conducting several projects within one big firm (common ownership) and conducting each project within an independent firm (separate ownership).

Gavin, William T.

PD February 2000. **TI** Controlling Inflation After Bretton Woods: An Analysis Based on Policy Objectives. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/007A; Research Department, Federal Reserve Bank of St. Louis, P.O.

Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. PG 21. PR no charge.

JE E42, E52. KW Inflation Targeting. Monetary Policy.

AB This paper reviews the inflation experience in the post-Bretton Woods era in the context of alternative central bank objectives. It summarizes research on inflation-targeting issues, especially those associated with stabilizing the price level. Generally, inflation-targeting schemes do not provide a nominal anchor unless the central bank is focusing strictly on the inflation target and ignoring unemployment and the business cycle. Research summarized in this article suggests that the most important step a central bank can take to improve policy is to decide on a long-term path for the price level. Being explicit about the desired path for the price level not only reduces inflation variability at all horizons, but also gives the policymaker more flexibility to pursue output stabilization goals.

PD March 2002. TI Evaluating FOMC Forecasts. AU Gavin, William T.; Mandal, Rachel J. AA Federal Reserve Bank of St. Louis. SR Federal Reserve Bank of St. Louis Working Paper: 2001/005B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. PG 25. PR no charge. JE E37, E52. KW Federal Reserve. Forecast Evaluation. Monetary Policy.

AB Federal Reserve policymakers began reporting their economic forecasts to Congress in 1979. These forecasts are important because they indicate what the Federal Open Market Committee (FOMC) members think will be the likely consequence of their policies. We evaluate the accuracy of the FOMC forecasts relative to private sector forecasts, the forecasts of the Research Staff at the Board of Governors, and a naive alternative forecast. The Fed reports both the range (high and low) of the individual policymaker's forecasts and a truncated central tendency. We find no reason to consider the truncated version. We find that the FOMC output forecasts were better than the naive model and at least as good as those of the private sector and the Fed staff. The FOMC inflation forecasts were more accurate than the private sector forecasts and the naive model. For the period ending in 1996, however, they were not as accurate as Fed staff inflation forecasts.

TI Inflation Persistence and Flexible Prices. AU Dittmar, Robert; Gavin, William T.; Kydland, Finn E.

Gayraud, Ghislaine

PD 2002. TI Nonparametric Bayesian Estimation of Level Sets. AU Gayraud, Ghislaine; Rousseau, Judith. AA Gayraud: CREST and Universite de Rouen. Rousseau: CREST and Universite Paris V. SR INSEE Documents de Travail du CREST: 2002/03; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 15. PR no charge. JE C11, C14. KW Bayesian Nonparametric Estimation. Level Sets. Consistency. Voronoi Tesselation.

AB We propose a Bayesian nonparametric estimation of level sets on two dimensional space, based on the density of n independently and identically distributed observations. The prior on the density function puts mass on piecewise constant functions. The pieces, on which the function is constant, are Voronoi tiles generated by a spatial point process. The values taken by the function on each tile are driven by a random

Markov field. We prove that such a prior leads to a strongly consistent posterior distribution. This implies in particular that the Bayes estimate of the level set is consistent in terms of the Lebesgue measure of the symmetric difference. We also give simulation results to study the numerical performances of such an estimate.

Genesove, David

PD March 2001. TI Loss Aversion and Seller Behavior: Evidence from the Housing Market. AU Genesove, David; Mayer, Christopher. AA Genesove: Hebrew University of Jerusalem and NBER. Mayer: University of Pennsylvania. SR National Bureau of Economic Research Working Paper: 8143; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 20. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE L11, R21, R31. KW Loss Aversion. House Prices. Prospect Theory.

AB Data from downtown Boston in the 1990s show that loss aversion determines seller behavior in the housing market. Condominium owners subject to nominal losses 1) set higher asking prices of 25-35 percent of the difference between the property's expected selling price and their original purchase price; 2) attain higher selling prices of 3-18 percent of that difference; and 3) exhibit a much lower sale hazard than other sellers. The list price results are twice as large for owner-occupants as investors, but hold for both. These findings are consistent with prospect theory and help explain the positive price-volume correlation in real estate markets.

PD March 2001. TI Rules, Communication and Collusion: Narrative Evidence from the Sugar Institute Case. AU Genesove, David; Mullin, Wallace P. AA Genesove: Hebrew University of Jerusalem and NBER. Mullin: Michigan State University and NBER. SR National Bureau of Economic Research Working Paper: 8145; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 44. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE L12, L13, L41. KW Collusion. Cartel. Communication. AB Detailed notes on weekly meetings of the sugar refining cartel show how communication helps firms collude, and so highlight the deficiencies in the current formal theory of collusion. The Sugar Institute did not fix prices or output. Prices were increased by homogenizing business practices to make price cutting more transparent. Meetings were used to interpret and adapt the agreement, coordinate on jointly profitable actions, ensure unilateral actions were not misconstrued as cheating, and determine whether cheating had occurred. In contrast to established theories, cheating did occur, but sparked only limited retaliation, partly due to the contractual relations with selling agents.

PD March 2001. TI Rules, Communication and Collusion: Narrative Evidence from the Sugar Institute Case. AU Genesove, David; Mullin, Wallace P. AA Genesove: Hebrew University of Jerusalem and CEPR. SR CEPR Discussion Paper: 2739; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE L13, L41. KW Anti-Trust. Collusion. Communication. Detection. Punishment.

AB See the entry for Genesove, David; Mullin, Wallace P.

March 2001, "Rules, Communication and Collusion: Narrative Evidence from the Sugar Institute Case". National Bureau of Economic Research Working Paper: 8145; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Germain, Marc

PD August 2001. **TI** Optimal Policy with Tradable and Bankable Pollution Permits: Taking the Market Microstructure into Account. **AU** Germain, Marc; Van Steenberghe, Vincent. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/35; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 26. **PR** \$100 per year. **JE** Q28, Q38. **KW** Emission Control. Trade. Environment. Pollution Permits. **AB** This paper analyzes how the way emission permits are traded impacts the optimal policy to be adopted by the environmental agency. The microstructure used is one of a quote driven market type: market makers act as intermediaries for trading the permits by setting an ask price and a bid price. The possibility of permit banking is also introduced in the dynamic two-period model. The paper shows that when the market makers and the agency do not know the technology of the producers with certainty, a positive spread may be set by market makers and that, under some conditions, banking increases the expected welfare given this market microstructure. In the first period, the environmental agency will then have to define and allocate a larger amount of permits than if banking is not allowed, but a lower or a same amount of permits in the second period.

PD April 2002. **TI** Side Payments and International Cooperation in a Regionalised Integrated Assessment Model for Climate Change. **AU** Germain, Marc; Tulkens, Philippe; Tulkens, Henry; Van Ypersele, Jean-Pascal. **AA** Germain: CORE. Tulkens, P.: Bureau federal du Plan, Brussels. Tulkens, H.: CORE and Facultes Universitaires Saint-Louis. Van Ypersele: Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/19; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 30. **PR** \$100 per year. **JE** D60, F00, Q25. **KW** Climate. Greenhouse. Emissions. Regionalization.

AB Human induced climate change is a global concern but climate impacts and possibilities for greenhouse gases (GHG) emissions reductions exhibit strong regional contrasts. This paper presents a modified version of the economic-climatic RICE model that computes regional temperature changes and discusses the impact of this regionalization with respect to simulations using the global temperature trend only. Financial transfers between countries are a possible mechanism to sustain a binding emission reduction international treaty. With respect to other contributions, this study reevaluates the possible gains from a voluntary worldwide coalitionally stable agreement on GHG emissions reductions in the context of a more refined division of the world. The improved geographical representation highlights some contrasted interests to cooperate between countries otherwise aggregated in the "Rest of the World". The regional temperature change representation allow for more emission reductions in all scenarios as greater regional

damages appear. In terms of transfers and welfare, the overall picture remains similar to previous results published with this model but greater contrasts appear between the regions considered.

Gertler, Mark

TI European Inflation Dynamics. **AU** Gali, Jordi; Gertler, Mark; Lopez-Salido, J. David.

Gevers, Louis

TI Social Welfare Functionals and Interpersonal Comparability. **AU** d'Aspremont, Claude; Gevers, Louis.

Ghatak, Maitreesh

TI Government Versus Private Ownership of Public Goods. **AU** Besley, Timothy; Ghatak, Maitreesh.

Giavazzi, Francesco

PD January 2000. **TI** Searching for Non-Linear Effects of Fiscal Policy: Evidence from Industrial and Developing Countries. **AU** Giavazzi, Francesco; Pagano, Marco; Jappelli, Tullio. **AA** Giavazzi: Universita' Bocconi and NBER. Pagano and Jappelli: Universita' di Salerno. **SR** National Bureau of Economic Research Working Paper: 7460; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** \$5.00. **JE** E21, E62, H31. **KW** Saving. Fiscal Policy. Non-Linearities. Debt.

AB Several recent studies suggest that the response of national saving to fiscal policy may be non-linear. In this paper we use two data sets to search for the circumstances in which such non-linear responses may arise: a sample of OECD countries, already used in previous studies, and a sample of developing countries, using more recent World Bank data. We find that in both samples non-linear effects tend to be associated with large and persistent fiscal impulses. In the OECD sample the non-linearity of the response is stronger for fiscal contractions than for expansions. An increase in net taxes has no effect on national saving during large fiscal contractions, while it has a positive effect in less pronounced contractions. High or rapidly growing public debt does not appear to be a good predictor of non-linear effects. In the World Bank sample of developing countries, non-linearities in the response of national saving to fiscal policy are not limited to large fiscal contractions, and also tend to occur in periods in which debt is accumulating rapidly, regardless of its initial level.

TI EU Reforms for Tomorrow's Europe. **AU** Baldwin, Richard; Berglof, Erik; Giavazzi, Francesco; Widgren, Mika.

TI Macroeconomic Effects of Regulation and Deregulation in Goods and Labor Markets. **AU** Blanchard, Olivier J.; Giavazzi, Francesco.

Gilbert, R. Alton

PD August 2000. **TI** Do Depositors Care About Enforcement Actions? **AU** Gilbert, R. Alton; Vaughan, Mark D. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/020A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 36. **PR** no charge. **JE** G21, G28. **KW** Bank Supervision. Enforcement Actions. Market Discipline.

AB Since 1990, federal bank supervisors have publicly announced formal enforcement actions. This change in regime provides a natural laboratory to test two propositions: (1) claims by economists that putting confidential supervisory information in the public domain will enhance market discipline and (2) claims by bank supervisors that releasing such data will spark runs. To evaluate these propositions, we measure depositor reaction to 87 Federal Reserve announcements of enforcement actions. We compare deposit growth rates and yield spreads before and after the announcements at the sample banks and a control group of peer banks. The data show no evidence of unusual deposit withdrawals or spread increases at the sample banks following the announcements of formal actions. These results suggest that public announcements of enforcement actions did not spark bank runs or enhance depositor discipline. Apparently, depositors did not care a great deal about our sample actions.

PD August 2000. **TI** The Role of a Camel Downgrade Model in Bank Surveillance. **AU** Gilbert, R. Alton; Meyer, Andrew P.; Vaughan, Mark D. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/021A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 17. **PR** no charge. **JE** C53, G21, G28. **KW** Bank Supervision. Early Warning Models. Off-Site Surveillance.

AB This article examines the potential contribution to bank supervision of a model designed to predict which banks will have their supervisory ratings downgraded in future periods. We compare the ability of two models to predict downgrades of supervisory ratings to problems status: the Board staff model, which was estimated to predict bank failures, and a model estimated to predict downgrades of supervisory ratings. We find that both models do about as well in predicting downgrades of supervisory ratings for the early 1990s. Over time, however, the ability of the downgrade model to predict downgrades improves relative to that of the model estimated to predict failures. This pattern reflects the value of using a model for surveillance that can be re-estimated frequently. We conclude that the downgrade model may prove to be a useful supplement to the Board's model for estimating failures during periods when most banks are healthy, but that the downgrade model should not be considered a replacement for the current surveillance framework.

TI The Importance of Scale Economies and Geographic Diversification in Community Bank Mergers. **AU** Emmons, William R.; Gilbert, R. Alton; Yeager, Timothy J.

Giot, Pierre

TI A Comparison of Financial Duration Models via Density Forecasts. **AU** Bauwens, Luc; Giot, Pierre; Grammig, Joachim; Veredas, David.

PD April 2001. **TI** Value-At-Risk for Long and Short Trading Positions. **AU** Giot, Pierre; Laurent, Sebastien. **AA** Giot: Maastricht University and CORE. Laurent: Universite de Liege. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/22; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 12. **PR** \$100 per year. **JE** C52, C53, G15. **KW** Value-at-Risk. Expected Short-Fall. Skewed Student Distribution.

APARCH Model. Short and Long Trading.

AB This paper models Value-at-Risk (VaR) for daily stock index returns using a collection of parametric models of the ARCH family based on the skewed student distribution. The paper shows that models that rely on a symmetric density distribution for the error term underperform with respect to skewed density models when the left and right tails of the distribution of returns must be modelled. Thus, VaR for traders having both long and short positions is not adequately modelled using usual normal or student distributions. The paper suggests using an APARCH model based on the skewed student distribution to fully take into account the fat left and right tails of the returns distribution. This allows for an adequate modelling of large returns defined on long and short trading positions. The performances of all models are assessed on daily data for different stock indexes. The paper also computes the expected short-fall and the average multiple of tail event to risk measure for the new model.

Giraud, Gael

PD April 2001. **TI** Consistent Collusion-Proofness and Correlation in Exchange Economies. **AU** Giraud, Gael; Rochon, Celine. **AA** Giraud: Universite Louis Pasteur. Rochon: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/18; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 24. **PR** \$100 per year. **JE** C72, D51. **KW** Coalition-Proofness. Correlation. Semi-Strong Equilibrium. Walrasian Equilibria.

AB This paper presents a feasible strategic market mechanism with finitely many agents whose Nash, semi-strong Nash and coalition-proof Nash equilibria fully implement the Walrasian equilibria. The paper defines a strategic equilibrium concept, called correlated semi-strong equilibrium, and shows that the Walrasian equilibria can be implemented by these equilibria, and also by the coalition-proof correlated equilibria of the mechanism. It is shown that these two concepts, suitably modified with transfers, fully implement the Pareto optimal allocations. The paper extends to semi-strong correlated equilibria Aumann's Bayesian interpretation of correlated equilibria.

PD April 2001. **TI** Generic Efficiency and Collusion-Proofness in Exchange Economies. **AU** Giraud, Gael; Rochon, Celine. **AA** Giraud: Universite Louis Pasteur. Rochon: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/19; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 27. **PR** \$100 per year. **JE** C72, D51, D82. **KW** Coalition-Proofness. Bayesian Implementation. Communication Equilibrium. Interim Efficiency.

AB This paper defines a new strategic equilibrium concept -- called strong collusion-proof contract -- designed to characterize stable communication agreements in games with differential information against non-binding, self-enforcing and incentive compatible deviations by coalitions. It then constructs a strategic market mechanism which, for quasi-linear economies, is such that its strong collusion-proof contracts generically induce the incentive compatible interim efficient allocations. The paper shows that the internally consistent

extension of the strong collusion-proof contracts generically yields the same set of efficient allocations.

Glaeser, Edward L.

PD March 2001. **TI** A Case for Quantity Regulation. **AU** Glaeser, Edward L.; Shleifer, Andrei. **AA** Harvard University. **SR** National Bureau of Economic Research Working Paper: 8184; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. **Website:** www.nber.org. **PG** 10. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H21, L51. **KW** Optimal Regulation. Taxation. Quantity Regulation.

AB Contrary to the standard economic advice, many regulations of financial intermediaries, as well as other regulations such as blue laws, fishing rules, zoning restrictions, or pollution controls, take the form of quantity controls rather than taxes. We argue that costs of enforcement are crucial to understanding these choices. When violations of quantity regulations are cheaper to discover than failures to pay taxes, the former can emerge as the optimal instrument for the government, even when it is less attractive in the absence of enforcement costs. This analysis is especially relevant to situations where private enforcement of regulations is crucial.

Glennerster, Howard

PD October 2000. **TI** US Poverty Studies and Poverty Measurement: The Past Twenty-Five Years. **AA** CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/42; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 32. **PR** no charge. **JE** D63, I32. **KW** Poverty. Poverty Measurement. United States. Inequality.

AB This paper discusses the contribution made by American social scientists to the study of poverty in the past twenty five years. It has three parts. The first concentrates on the measurement of poverty and the fact that the US poverty line remained unchanged in that period despite its increasingly important deficiencies. Proposals to produce a revised poverty line and an Annual Poverty Report are advanced. The second part traces the change of emphasis in US writing about poverty both in terms of academic emphasis and prescription. The final part considers the policy impact of American work on poverty policy beyond America.

PD November 2001. **TI** United Kingdom Education 1997-2001. **AA** LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/50; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. **Website:** sticerd.lse.ac.uk. **PG** 43. **PR** no charge. **JE** H52, I21, I22. **KW** Education Productivity. Higher Education. Education Finance. Education Policy.

AB This paper reviews the achievements of the labor Government's education policy between 1997 and 2002. Tony Blair claimed that his Government would make education a priority. The first part of the paper reviews the scale of education spending in relation to the economy at large and within the education budget. The second part of the paper looks at the productivity of schools. How far have the changes that have affected schools in the past ten years and the past five in particular affected the quality of school achievements? The paper suggests there have been significant improvements not

just on average but especially in the gains made in poor areas and in the least good schools. Finally the paper discusses the funding of higher education, the introduction of income related loans to cover maintenance and up front fees. The paper concludes some serious errors were made in policy design. Even so the use of the Inland Revenue as the collection agency was a successful innovation and should be built upon.

Glied, Sherry A.

TI What Can the Take-Up of Other Programs Teach Us About How to Improve Take-Up of Health Insurance Programs? **AU** Remler, Dahlia K.; Glied, Sherry A.; Rachlin, Jason E.

Goetzmann, William N.

TI Hedge Funds With Style. **AU** Brown, Stephen J.; Goetzmann, William N.

Gokhale, Jagadeesh

PD March 2001. **TI** Life-Cycle Saving, Limits on Contributions to DC Pension Plans, and Lifetime Tax Benefits. **AU** Gokhale, Jagadeesh; Warshawsky, Mark J.; Kotlikoff, Laurence J. **AA** Gokhale: Federal Reserve Bank of Cleveland. Warshawsky: TIAA-CREF Institute. Kotlikoff: Boston University and NBER. **SR** National Bureau of Economic Research Working Paper: 8170; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. **Website:** www.nber.org. **PG** 24. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** D90. **KW** Saving and Investment. Defined Contributions. Tax Benefits. Pension Plans.

AB This paper addresses three questions related to limits on defined contributions (DC). The first question asks whether limits on tax-deductible contributions to DC plans are likely to be binding. The second question asks how large the tax benefit from participating in these plans is. The third question asks how the DC tax benefit depends on the level of lifetime income. The paper finds that the limits bind those older middle-income households who started their pension savings programs late in life, those who plan to retire early, single-earner households, those who are not borrowing constrained, those with rapid rates of real wage growth, and those with high levels of earnings. The paper also finds that the tax benefit from participating in a DC plan can be significant, and that the borrowing constraints mean that contributions to DC plans must come at the price of lower consumption when young and the benefit of higher consumption when old.

Goldberg, Linda S.

PD February 2001. **TI** Exchange Rates and Wages. **AU** Goldberg, Linda S.; Tracy, Joseph. **AA** Federal Reserve Bank of New York. **SR** National Bureau of Economic Research Working Paper: 8137; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. **Website:** www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E24, F31, J31, J63. **KW** Wages. Exchange Rates. Turnover.

AB The effect of exchange rate fluctuations across the population is an important issue for increasingly globalized economies. Previous studies using industry aggregate data have found differences across the industries in the labor market implications of exchange rates, reporting that industry wages are significantly more responsive than industry employment.

We offer an explanation for this paradoxical finding. Using Current Population Survey data for 1976 through 1998, we document that the main mechanism for exchange rate effects on wages occurs through job turnover and strong consequences this has for the wages of workers undergoing such job transitions. By contrast, workers who remain with the same employer experience little if any wage impacts from exchange rate shocks. In addition, we find that the least educated workers -- who also have the most frequent job -- changes shoulder the largest adjustments to exchange rates.

PD April 2001. **TI** When is U.S. Bank Lending to Emerging Markets Volatile? **AA** Federal Reserve Bank of New York. **SR** National Bureau of Economic Research Working Paper: 8209; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F32, F34, F36, F41. **KW** Bank Lending. Portfolio Diversification. Emerging Markets.

AB Using bank-specific data on U.S. bank claims on individual foreign countries since the mid-1980s, this paper: 1) characterizes the size and portfolio diversification patterns of the U.S. banks engaging in foreign lending; and 2) econometrically explores the determinants of fluctuations in U.S. bank claims on a broad set of countries. U.S. bank claims on Latin American and Asian emerging markets, and on industrialized countries, are sensitive to U.S. macroeconomic conditions. When the United States grows rapidly, there is substitution between claims on industrialized countries and claims on the United States. The pattern of response of claims on emerging markets to U.S. conditions differs across banks of different sizes and across emerging market regions. Moreover, unlike U.S. bank claims on industrialized countries, we find that claims on emerging markets are not highly sensitive to local country GDP and interest rates.

Goldstein, Marcus

PD February 2002. **TI** Is a Friend in Need a Friend Indeed? Inclusion and Exclusion in Mutual Insurance Networks in Southern Ghana. **AU** Goldstein, Marcus; de Janvry, Alain; Sadoulet, Elisabeth. **AA** Goldstein: LSE. de Janvry and Sadoulet: UC Berkeley. **SR** London School of Economics, STICERD Development Economics Discussion Paper: DEDPS/32; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 51. **PR** no charge. **JE** D12, O12, Z13. **KW** Risk. Social Networks. Mutual Insurance. Intrahousehold Allocation. **AB** Mutual insurance has been shown, theoretically and empirically, to be incomplete and limited by asymmetric information and lack of enforcement mechanisms. Using data from rural Ghana, we examine the role of social relations in obtaining assistance in the face of shocks. We examine this is a both the intra-household and community levels. At the household level, asking for and receiving assistance from the spouse is related to gender, the quality of the marital relationship, and the wealth of household members. At the community level, asking for and receiving help are correlated with membership in a major lineage, participation in secular organizations, the individual's fostering history, and anticipated land inheritance. We also show that these factors differ depending on whether the shortfall was for a household or personal item (as perceived by the respondent). This work helps

us to identify individuals who are more likely to fall outside of mutual insurance networks and require interventions to help them cope with risk.

Gomez, Rafael

PD September 2001. **TI** From "Playstations" to "Workstations": Youth Preferences for Unionisation in Canada. **AU** Gomez, Rafael; Gunderson, Morley; Meltz, Noah. **AA** Gomez: LSE and University of Toronto. Gunderson: University of Toronto and Institute for Work and Health. Meltz: University of Toronto and Netanya Academic College. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 512; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 23. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J13, J31, J51. **KW** Union Membership. Worker Preferences. Demographics. Life Cycle. Canada.

AB Differences in preferences for unions between youths and adults in Canada are analyzed based on a survey of approximately 1500 persons. The results indicate that the preferences of youth for unionization are strongly influenced by social factors such as familial union status and the attitudes of close peers. Preferences for unionization are also shaped by the perceived costs and benefits of unionization to deal with a wide range of workplace issues such as merit pay, voice, fair treatment, opportunities for advancement, layoffs, seniority, and a lack of progressive human resource management (HRM) and legislative protection at the workplace. Youths have a stronger preference than do adults for unions in general. Possible substitutes for unionization such as progressive HRM practices and legislative protection exert a powerful negative effect on preferences for unionization, especially for youths. The implications of these and other findings for the future of unionization are also discussed.

TI Youth-Adult Differences in the Demand for Unionisation: Are American, British, and Canadian Workers All That Different? **AU** Bryson, Alex; Gomez, Rafael; Gunderson, Morley; Meltz, Noah.

Goodhue, Rachael E.

PD February 2000. **TI** Processor Placements and Producer Incentives: Analyzing Broiler Chicken Production Contracts. **AU** Goodhue, Rachael E.; Rausser, Gordon C.; Simon, Leo K. **AA** Goodhue: University of California, Davis. Rausser and Simon: University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 858R; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 28. **PR** \$7.00 Domestic; \$14.00 International Surface Rate. **JE** C53, D82, L14, Q11. **KW** Contract Farming. Broilers. Chickens. Producer Incentives. Processor Placements. **AB** Recent theoretical work on agricultural contracts has utilized agency theory. Most of this work considers a moral hazard problem, and assumes that producers are homogeneous, so that there is no adverse selection problem. We utilize a sample of producer performance under a broiler production contract to confirm that heterogeneity exists. We model the principal's decision process and test predictions regarding how

heterogeneity will affect the principal's decisions. We attempt to differentiate between symmetric and asymmetric information cases. We find some support for our hypotheses, including evidence that adverse selection may affect the processor's decisions.

PD July 1999. **TI** Biotechnology, Intellectual Property and Value Differentiation in Agriculture. **AU** Goodhue, Rachael E.; Rausser, Gordon C.; Scotchmer, Suzanne; Simon, Leo K. **AA** Goodhue: University of California, Davis. Rausser, Scotchmer, and Simon: University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 901; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 33. **PR** \$8.25 Domestic; \$16.50 International Surface Rate. **JE** G34, O34, Q16. **KW** Agriculture. Biotechnology. Intellectual Property. Value Differentiation.

AB In the past several years, the seed industry worldwide has been dramatically restructured, mostly through mergers and acquisitions. We argue that the restructuring has been technologically driven, and has also resulted in the transformation of several chemical conglomerates into life-sciences firms. We discuss why the restructuring has mostly occurred through mergers rather than contractual relationships such as licensing, and investigate its efficiency implications, both as it concerns anticompetitive effects and the joint use of complementary assets.

Goodman, Alissa

TI Changes in Intergenerational Mobility in Britain. **AU** Blanden, Jo; Goodman, Alissa; Gregg, Paul; Machin, Stephen.

Gordon, Roger H.

PD March 2001. **TI** Expenditure Competition. **AU** Gordon, Roger H.; Wilson, John D. **AA** Gordon: UCSD and NBER. Wilson: Michigan State University. **SR** National Bureau of Economic Research Working Paper: 8189; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H11, H59, H71. **KW** Fiscal Decentralization. Perks. Government Waste.

AB Given the temptation on government officials to use some of their budget for "perks," residents face the problem of inducing officials to reduce such "waste." The threat to vote out of office officials who perform poorly is one possible response. In this paper, we explore the effect that competition for residents induced by fiscal decentralization has on "waste" in government. We find not only that such competition reduces waste and raises the utility of residents, but also that it should increase the desired level of public expenditures, and to a point above the level that jurisdictions would choose if they could coordinate. The results are in sharp contrast to the presumed effects from such "tax competition," and suggest an additional advantage of fiscal decentralization.

PD March 2001. **TI** Home Bias in Portfolios and Taxation of Asset Income. **AU** Gordon, Roger H.; Gaspar, Vitor. **AA** Gordon: UCSD and NBER. Gaspar: European Central Bank. **SR** National Bureau of Economic Research

Working Paper: 8193; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F32, G11. **KW** Feldstein-Horioka Puzzle. Home Bias. Capital Income Taxes.

AB Intuitively, the observed "home bias" in individual portfolios plausibly explains the international capital immobility in aggregate data reported by Feldstein and Horioka (1980) as well as the survival of taxes on capital income. These intuitions are examined explicitly in a model where random consumer prices cause individuals to invest heavily in domestic equity as a hedge against these price fluctuations. Neither intuition is fully supported by the model. While the model forecasts that extra domestic savings generate extra investment primarily in the home country, consistent with the evidence in Feldstein and Horioka, this is true regardless of whether consumer prices are random and so whether portfolios have "home bias." In addition, while random equity returns facilitate taxes on equity income, as shown in Gordon and Varian (1989) and Huizinga and Nielsen (1997), random consumer prices appear to undermine taxes on capital income.

Gorton, Gary

PD April 2002. **TI** Class Struggle Inside the Firm: A Study of German Codetermination. **AU** Gorton, Gary; Schmid, Frank A. **AA** Gorton: University of Pennsylvania and NBER. Schmid: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/025B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 21. **PR** no charge. **JE** G32, G34. **KW** Codetermination. Control Rights. Ownership Structure.

AB Under the German corporate governance system of "codetermination," employees are legally allocated some control rights over corporate assets, in the form of board seats. We empirically investigate the implications of equal board representation compared with one-third employee representation and find a 26% stock market discount on firms with equal representation. Employees redistribute the firm's surplus towards themselves but may also prefer a different objective function for the firm, maximizing employee utility rather than shareholder value. We investigate the shareholder response to codetermination via higher leverage that commits more cash to leave the firm. We also examine the relationship between codetermination and the performance sensitivity of compensation for board members.

Gossner, Olivier

PD October 2001. **TI** On the Complexity of Coordination. **AU** Gossner, Olivier; Hernandez, Penelope. **AA** Gossner: Universite Paris X-Nanterre and CORE. Hernandez: CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/47; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 13. **PR** \$100 per year. **JE** C70. **KW** Coordination. Complexity. Automata.

AB Many results on repeated games played by finite automata rely on the complexity of the exact implementation of a coordinated play of length n . For a large proportion of

sequences, this complexity appears to be no less than n . This paper studies the complexity of a coordinated play when allowing for a few mismatches. It proves the existence of a constant C . This contrasts with Neyman [6].

Gourinchas, Pierre-Olivier

PD March 2001. **TI** The Empirical Importance of Precautionary Saving. **AU** Gourinchas, Pierre-Olivier; Parker, Jonathan A. **AA** Gourinchas: Princeton University and CEPR. **SR** CEPR Discussion Paper: 2737; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D91, E21. **KW** Consumption. Fluctuations. Incomplete Markets. Insurance. Precautionary Saving.

AB One of the basic motives for saving is the accumulation of wealth to insure future welfare. Both introspection and extant research on consumption insurance find that people face substantial risks that they do not fairly pool. In theory, the consumption and wealth accumulation of price-taking households in an economy with incomplete markets differs substantially from the behavior of these same households in the equivalent economy with complete-markets. The question we address in this article is whether we find this difference to be large in practice. What is the empirical importance of precautionary saving? We provide a simple decomposition that characterizes the importance of precautionary saving in the US economy. We use this decomposition as an organizing framework to present four main findings: (a) the concavity of the consumption policy rule, (b) the importance of precautionary saving for life-cycle saving and wealth accumulation, (c) the contribution of changes in risk to fluctuations in aggregate consumption and (d) the significant impact of incomplete markets on aggregate fluctuations in calibrated general equilibrium models. We conclude with directions for future research.

Grammig, Joachim

TI A Comparison of Financial Duration Models via Density Forecasts. **AU** Bauwens, Luc; Giot, Pierre; Grammig, Joachim; Veredas, David.

TI A Family of Autoregressive Conditional Duration Models. **AU** Fernandes, Marcelo; Grammig, Joachim.

PD December 2001. **TI** The Econometrics of Airline Network Management. **AU** Grammig, Joachim; Hujer, Reinhard; Scheidler, Michael. **AA** Grammig: CORE. Hujer and Scheidler: Johann Wolfgang Goethe- University Frankfurt. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/55; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 17. **PR** \$100 per year. **JE** C15, C25, L93. **KW** Airline Industry. Transportation. Discrete Choice Models. Multinomial Probit Model.

AB The task of airline network management is to develop new flight schedule variants and evaluate them in terms of expected passenger demand and revenue. Given the industry's trend towards global cooperation, this is especially important when evaluating the potential synergies with alliance partners. From the econometric point of view, this task represents a discrete choice modeling problem in which the analyst has to

account for a large number of dependent alternatives. This paper discusses the applicability of recently proposed approaches and introduces a new multinomial probit specification designed for the airline network management task. The superior performance of the new model is demonstrated both in a simulation study and in a real-world application using airline bookings data.

Gray, Helen

TI It's a Family Affair: The Effect of Union Recognition and Human Resource Management on the Provision of Equal Opportunities in the UK. **AU** Fernie, Sue; Gray, Helen.

PD May 2002. **TI** Family-Friendly Working: What a Performance! An Analysis of the Relationship Between the Availability of Family-Friendly Policies and Establishment Performance. **AA** CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 529; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 25. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J13, J24, J71, M12. **KW** Family-Friendly. Part-Time. Worker Performance.

AB This paper uses the Management and Employee Questionnaires from the 1998 Workplace Employee Relations Survey (WERS98) to consider whether the performance of workplaces which offer a range of Family-Friendly policies are superior to that of workplaces without such practices. It is found that in almost all cases where there is a significant relationship between the use of a Family-Friendly practice and workplace performance, this relationship is positive. In addition, it appears that workplaces which offer an extensive range of Family-Friendly policies are much more likely to have above-average performance than those with no such practices. The paper moves on to consider whether employers offering policies which enable employees with families to maintain a full-time presence in the workplace e.g. a workplace nursery, have better performance than those which offer policies which result in reduced-visibility e.g. working from home, part-time work. The evidence from WERS98 suggests that this is indeed the case.

Grazzini, Lisa

PD November 2000. **TI** Ad Valorem and Per Unit Taxation in an Oligopoly Model. **AA** CORE and Universita di Firenze. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/54; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 13. **PR** \$100 per year. **JE** H20, L13. **KW** Imperfect Competition. Oligopoly. Commodity Taxation. Welfare Analysis.

AB This paper compares the welfare effects of ad valorem and per unit commodity taxation, in a model of oligopolistic interaction. The main result is that, when the number of consumers is sufficiently high, per unit taxes welfare dominate ad valorem taxes.

TI Strategic Multilateral Exchange and Taxes. **AU** Gabszewicz, Jean J.; Grazzini, Lisa.

Green, David A.

TI Population Growth, Technological Adoption and Economic Outcomes: A Theory of Cross-Country Differences for the Information Era. **AU** Beaudry, Paul; Green, David A.

Greenstein, Shane

TI The Silent Majority Fallacy of the Elzinga-Hogarty Criteria: A Critique and New Approach to Analyzing Hospital Mergers. **AU** Capps, Cory S.; Dranove, David; Greenstein, Shane; Satterthwaite, Mark.

Gregg, Paul

TI Changes in Intergenerational Mobility in Britain. **AU** Blanden, Jo; Goodman, Alissa; Gregg, Paul; Machin, Stephen.

Grether, Jean-Marie

TI The Political Economy of International Migration in a Ricardo-Viner Model. **AU** de Melo, Jaime; Grether, Jean-Marie; Muller, Tobias.

Grifell-Tatje, Emili

TI Capacity Utilisation and Profitability: A Decomposition of Short Run Profit Efficiency. **AU** Coelli, Tim; Grifell-Tatje, Emili; Perelman, Sergio.

Grilo, Isabel

TI On Strategic Complementarity Conditions in Bertrand Oligopoly. **AU** Amir, Rabah; Grilo, Isabel.

Grogger, Jeffrey

PD March 2001. **TI** The Effects of Time Limits and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families. **AA** UCLA. **SR** National Bureau of Economic Research Working Paper: 8153; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** H53, I38, J16, J22. **KW** Welfare Reform. Time Limits. Female Welfare.

AB Of all of the welfare reforms that were implemented during the 1990's, time limits may represent the single greatest break from past policy. This paper expands on what is known about this important welfare reform measure by exploiting the predictions from Grogger and Michalopoulos (1999) to estimate the effects of time limits on welfare use, employment, labor supply, earnings, and income among female-headed families. Results based on data from the March Current Population Survey suggest that time limits have had important effects on welfare use and work, accounting for about one-eighth of the decline in welfare use and about 7 percent of the rise in employment since 1993. They have had no significant effect on earnings or income. However, the analysis also shows that the collective effects of other reforms have had important impacts on employment and labor supply. Furthermore, it identifies the Earned Income Tax Credit (EITC) as a particularly important contributor to both the recent decrease in welfare use and the recent increase in employment, labor supply, and earnings.

Grossman, Herschel I.

TI Educational Inequality. **AU** Azuma, Yoshiaki;

Grossman, Herschel I.

Gruber, Jonathan

PD October 2000. **TI** Is Making Divorce Easier Bad for Children? The Long Run Implications of Unilateral Divorce. **AA** Massachusetts Institute of Technology and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7968; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J12, J13, J24. **KW** Divorce Law. Child Care. Marital Stability.

AB Most states in the U.S. allow for unilateral divorce, which increases the ease of divorce by not requiring the explicit consent of both partners. Such regulations have come under fire for their perceived negative consequences for marital stability and resulting child outcomes, but there is no evidence to date to support the contention that easier divorce regulations are actually bad for children. The long run implications for children growing up in a unilateral divorce environment are assessed by measuring how such youth exposure affects adult outcomes. Using 40 years of census data to exploit the variation across states and over time of changes in divorce law confirms that unilateral divorce regulations do significantly increase the incidence of divorce. Also, adults who were exposed to unilateral divorce regulations as children are less well educated and have lower family incomes, appearing more likely themselves to be both married and separated. Both of these effects reflect primarily a shift towards earlier marriage and separation. Thus, exposure to easier divorce regulation as a youth appears to worsen adult outcomes along a number of dimensions, but the ultimate implications depend on the long run impacts of early family formation among this cohort.

Grubert, Harry

TI Repatriation Taxes, Repatriation Strategies and Multinational Financial Policy. **AU** Altshuler, Rosanne; Grubert, Harry.

Guellec, Dominique

PD April 2000. **TI** Economic Growth in Europe: Entering a New Era? The European Central Bank: 1st Birthday. **AU** Guellec, Dominique; von Hagen, Jurgen. **AA** Guellec; OECD. von Hagen; ZEI. **SR** CEPII Working Paper: 2000/05; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 47. **PR** no charge. **JE** E58, F33, F36, F43, O52. **KW** Monetary Policy. Growth. European Monetary Union. Central Banks. Economic Integration.

AB Two papers were presented. Three major points were presented in the first paper, on "The European Central Bank: 1st anniversary": the process of introduction of the Euro, the external performance of the Euro, the integration of money and credit markets in the Euro zone and the monetary policy of the European Central Bank. The second paper tried to answer four questions: (i) how can US growth in the 1990s be explained? (ii) what was its background? (iii) after a rather dismal decade, what are the prospects for Europe in this light? (iv) what policies are needed to raise growth rates? The general discussion began by an evaluation of the remaining disparities in Europe: the imperfect integration of European markets combined with various stages in the business cycle were part of

the difficulty of devising the optimal monetary policy for the whole Euro-zone. The discussion centered on the objectives of the ECB, the transparency of its strategy and the decision-making process of the bank. The discussion focused also on the reforms Europe needed to raise growth rates while limiting the rise in inequalities.

Guichard, Stephanie

TI La Diversite Des Marches du Travail en Europe: Quelles Consequences pour l'Union Monetaire (Premiere partie: La Diversite des Marches du Travail dans les pays de l'Union Europeenne). **AU** Cadiou, Loic; Guichard, Stephanie; Maurel, Mathilde.

TI La Diversite des Marches du Travail en Europe: Quelles Consequences pour l'Union Monetaire (Deuxieme partie: Les Implications Macro- Economiques de la Diversite des Marches du Travail). **AU** Cadiou, Loic; Guichard, Stephanie; Maurel, Mathilde.

Guihenneuc, Chantal

PD 2002. **TI** Laplace Expansions in MCMC Algorithms for Latent Variable Models. **AU** Guihenneuc, Chantal; Rousseau, Judith. **AA** Guihenneuc: INSERM and Universite Paris V. Rousseau: CREST and Universite Paris V. **SR** INSEE Documents de Travail du CREST: 2002/13; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 17. **PR** no charge. **JE** C11, C19. **KW** Bayesian Estimation. Markov Models. Laplace Approximation.

AB To obtain Bayes estimates such as the posterior mean or Bayesian confidence regions, in Hidden Markov models, it is necessary to simulate the posterior distribution using a Markov chain Monte Carlo algorithm. These algorithms get slower as the number of observations increases, especially in this case of latent variable. To improve the convergence of the algorithm, we propose to decrease the number of parameters by using a Laplace approximation on the nuisance parameters. We therefore study, theoretically the impact that such an approximation has on the target posterior distribution. We prove that the distance between the true target distribution and the approximated one becomes essentially of order $1/n$ to the minus one as the number of observations increases. A simulation study illustrates the theoretical results. It turns out, that the approximated algorithm behaves extremely well, at least in the example considered in the paper, which is driven by a study on HIV patients.

Guinnane, Timothy W.

PD August 2001. **TI** Delegated Monitors, Large and Small: The Development of Germany's Banking System, 1800-1914. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 835; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 60. **PR** \$2.00 plus postage. **JE** G20, G30, N23. **KW** Universal Banking. German Banks. German Economic History.

AB Banks play a greater role in the German financial system than in the United States or Britain. Germany's large universal banks are admired by those who advocate bank deregulation in the United States. Others admire the universal banks for their

supposed role in corporate governance and industrial finance. Many discussions distort the German banking system by overstressing one of several types of banks, and ignore the competition and cooperation between the famous universal banks and other banking groups. Tracing the historical development of the German banking system from the early nineteenth century places the large universal banks in context.

PD November 2001. **TI** Fertility in South Dublin a Century Ago: A First Look. **AU** Guinnane, Timothy W.; Moehling, Carolyn; O Grada, Cormac. **AA** Guinnane and Moehling: Yale University. O Grada: University College, Dublin. **SR** Yale Economic Growth Center Discussion Paper: 838; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 25. **PR** \$2.00 plus postage. **JE** J13, N33. **KW** Ireland. Fertility. Demography.

AB Ireland's relatively late and feeble fertility transition remains poorly-understood. The leading explanations stress the role of Catholicism and a conservative social ethos. This paper reports the first results from a project that uses new samples from the 1911 census of Ireland to study fertility in Dublin and Belfast. The larger project aims to use the extensive literature on the fertility transition elsewhere in Europe to refine and test leading hypotheses in their Irish context. The present paper uses a sample from the Dublin suburb of Pembroke to take a first look at the questions, data, and methods. This sample is much larger than those used in previous studies of Irish fertility, and is the first from an urban area. Considerable support is found for the role of religion, networks, and other factors stressed in the literature on the fertility transition, but the data also show a role for the social-class effects downplayed in recent discussions.

Guiso, Luigi

PD March 2001. **TI** Risk Aversion, Wealth and Background Risk. **AU** Guiso, Luigi; Paiella, Monica. **AA** Guiso: Ente Luigi Einaudi, Roma and CEPR. **SR** CEPR Discussion Paper: 2728; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D11, D12, D81, D89. **KW** Background Risk. Heterogeneous Preferences. Prudence. Risk Aversion.

AB We use household survey data to construct a direct measure of absolute risk aversion based on the maximum price a consumer is willing to pay to enter a lottery. We relate this measure to consumers' endowment and attributes and to measures of background risk. We find that risk aversion is a decreasing function of endowment -- thus rejecting CARA preferences -- but that the elasticity to consumption is far below the unitary value predicted by CRRA utility. We also find that households' attributes are of little help in predicting their degree of risk aversion, which is characterized by massive unexplained heterogeneity. The consumers' environment, however, affects risk aversion. Individuals who are more likely to face income uncertainty exhibit a higher degree of absolute risk aversion, consistent with recent theories of attitudes towards risk in the presence of uninsurable risks. We also find that risk attitudes have considerable predictive power over several household decisions, including occupation and portfolio choice, moving decisions and health status.

Gunderson, Morley

TI From "Playstations" to "Workstations": Youth Preferences for Unionisation in Canada. **AU** Gomez, Rafael; Gunderson, Morley; Meltz, Noah.

TI Youth-Adult Differences in the Demand for Unionisation: Are American, British, and Canadian Workers All That Different? **AU** Bryson, Alex; Gomez, Rafael; Gunderson, Morley; Meltz, Noah.

Guo, Hui

PD January 2001. **TI** Risk and Return: Some New Evidence. **AU** Guo, Hui; Whitelaw, Robert. **AA** Guo: Federal Reserve Bank of St. Louis. Whitelaw: New York University. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/001A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 29. **PR** no charge. **JE** C22, G12. **KW** Stock Market Risk. Stock Market Returns. Intertemporal Asset Pricing. Implied Volatility.

AB We develop a structural asset pricing model to investigate the relationship between stock market risk and return. The structural model is estimated using the conditional market variance implied by S&P 100 index option prices. Relative risk aversion is precisely estimated and is found to be positive. However, the implied volatility data only span the period November 1983 to May 1995. As a robustness check, the structural model is also examined with the post-World War II monthly data, in which the conditional market variance is estimated. We again find a positive and significant risk-return relation and obtain similar point estimates of relative risk aversion. In addition, we document some facts about the stock market return. First, stock price movements are primarily driven by changes in investment opportunities, not by changes in market volatility. Second, there is some evidence of a leverage effect. Third, relative risk aversion is stable over time.

PD January 2002. **TI** Limited Stock Market Participation and Asset Prices in a Dynamic Economy. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/031B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 26. **PR** no charge. **JE** C68, E21, G11. **KW** Limited Participation. Borrowing Constraints. Uninsurable Shocks. Equity Premium Puzzle. Excess Volatility. Risk-Return Relation.

AB The paper presents a consumption-based heterogeneous agent model that explains the equity premium puzzles, the excess volatility puzzle, and stock return predictability. Our results rely on the three kinds of market-frictions -- limited stock market participation, borrowing constraints, and uninsurable income shocks. In the model, stocks cannot be used to buffer income shocks because of limited stock market participation: the precautionary saving motive lowers only bond return, but not stock return, and thus generates a large equity premium. Also, because of borrowing constraints, the shareholder's consumption growth or the pricing kernel of stocks mirrors his income growth, which is volatile and mean-reverting. Stock prices, therefore, exhibit excess volatility and predictability. Moreover, our model predicts an unstable relation between the price-dividend ratio and stock market volatility, which explains the "perverse" negative risk-return

tradeoff documented in the literature.

Gurgand, Marc

TI Selection Bias Correction Based on the Multinomial Logit Model. **AU** Bourguignon, Francois; Fournier, Martin; Gurgand, Marc.

Gustman, Alan L.

PD April 2001. **TI** Retirement and Wealth. **AU** Gustman, Alan L.; Steinmeier, Thomas L. **AA** Gustman: Dartmouth College and NBER. Steinmeier: Texas Tech University. **SR** National Bureau of Economic Research Working Paper: 8229; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 48. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D31, D91, E21, H55, J14, J26, J32. **KW** Retirement Equations. Wealth Equations.

AB This paper estimates reduced form retirement and wealth equations, and analyzes the relationship between them. Data are from the first four waves of the longitudinal Health and Retirement Study, individuals born from 1931 to 1941. Single equation retirement models relate the probability of retiring to forward looking measures of changes in the values of social security and pension benefits when retirement is postponed. Such simple models suggest that if the social security early retirement age were to be raised or abolished, more people would retire earlier rather than later. Our work analyzes the reasons for such counter intuitive predictions, and discusses the need to analyze these policies in the context of a structural model of retirement and wealth. To improve retirement analysis, we develop the premium value, a measure of the future value of pensions and social security that better reflects the accrual of benefits under defined contribution plans. We also introduce a new definition of retirement to blend information on objective hours worked with subjective self reports of retirement status. Our findings also explore the effects of social security incentives on partial retirement, and consider the importance of partial retirement in any study relating social security to retirement behavior.

Gylfason, Thorvaldur

PD March 2001. **TI** Natural Resources and Economic Growth: The Role of Investment. **AU** Gylfason, Thorvaldur; Zoega, Gylfi. **AA** Gylfason: University of Iceland and CEPR. Zoega: Birkbeck College. **SR** CEPR Discussion Paper: 2743; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** O11, O13. **KW** Economic Growth. Investment. Natural Resources.

AB Empirical evidence seems to indicate that economic growth since 1965 has varied inversely with natural resource abundance across countries. This paper proposes a linkage between abundant natural resources and economic growth, through saving and investment. When the share of output that accrues to the owners of natural resources rises, the demand for capital falls, leading to lower real interest rates and less rapid growth. Institutional reforms paving the way to a more efficient allocation of capital may, however, enhance the quantity as well as the quality of new investment and sustain growth. Empirical evidence from 85 countries from 1965-98 suggests that abundant natural capital may on average crowd out

physical capital thereby inhibiting economic growth. The results also suggest that abundant natural resources may hurt saving and investment indirectly by slowing down the development of the financial system. High growth rates in a handful of formerly resource-dependent economies seem to indicate that economic and structural reforms can overcome any adverse effect of natural resources on economic growth.

Gyourko, Joseph

TI The Spatial Distribution of Housing-Related Tax Benefits in the United States. **AU** Sinai, Todd; Gyourko, Joseph.

Hadass, Yael S.

PD March 2001. **TI** Terms of Trade Shocks and Economic Performance 1870-1940: Prebisch and Singer Revisited. **AU** Hadass, Yael S.; Williamson, Jeffrey G. **AA** Hadass: Harvard University. Williamson: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8188; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 33. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F14, F15, N10, O11. **KW** Terms of Trade. Prebisch-Singer Thesis.

AB Debate over trends in the terms of trade between primary commodities and manufacturers, their causes and their impacts has dominated the literature for more than a century. Classical economists claimed that the terms of trade primary commodities should improve since land and natural resources are always in inelastic supply. Following the Great Depression, a new view emerged. What came to be known as the Prebisch-Singer thesis was instead that the terms of trade for primary products had deteriorated up to the 1950s. The subsequent literature has almost exclusively and obsessively asked whether a deterioration has actually taken place over the 130 years following 1870. Nowhere in this literature has the impact of these terms of trade shocks on long run growth been assessed, although it is certainly full of lively speculation and debate. This paper fills part of this empirical gap by constructing a country-specific panel data base 1870-1940, by documenting terms of trade trends by country and region, and, finally, by estimating the impact of the price shocks on long run economic performance. We find the impact to have been asymmetric between center and periphery.

Hafner, Christian M.

PD June 2001. **TI** Fourth Moments of Multivariate GARCH Processes. **AA** Electrabel, R&D Energy Markets. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/46; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 18. **PR** \$100 per year. **JE** C22. **KW** Multivariate GARCH. Fourth Moments. Kurtosis. Co-Kurtosis.

AB This paper derives conditions for the existence of fourth moments of multivariate GARCH processes in the general vector specification and gives explicit results for the fourth moments and autocovariances of the squares and cross-products. Results are provided for the kurtosis and co-kurtosis between components. Applications of the results include the definition of impulse response functions for kurtosis and co-kurtosis, the derivation of the spectral density matrix of the

squares and cross-products, and a measure for causality in volatility. A bivariate exchange rate example illustrates the applications.

PD September 2001. **TI** Volatility Impulse Response Functions for Multivariate GARCH Models. **AU** Hafner, Christian M.; Herwartz, Helmut. **AA** Hafner: Electrabel, R&D Energy Markets. Herwartz: Humboldt University. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/39; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 20. **PR** \$100 per year. **JE** C22. **KW** Multivariate GARCH. Impulse Response. Exchange Rate. Volatility.

AB In the empirical analysis of financial time series, multivariate GARCH models have been used in various forms. As it is typical for nonlinear models there is yet no unique framework available to uncover dynamic covariance relationships for vector return processes. This paper introduces a new concept of impulse response functions tracing the effects of independent shocks on volatility through time. The advocated methodology avoids typical orthogonalization and order problems. Theoretical properties of volatility impulse response functions are derived and compared with conditional moment profiles introduced by Gallant, Rossi and Tauchen (1993) for semi-nonparametric models. In an empirical study of a bivariate foreign exchange rate series the paper uses volatility impulse response functions to compare alternative parametric volatility specifications. The paper shows that for shocks affecting foreign exchange rates in an asymmetric way, the difference between the methodology used and conditional volatility profiles can be substantial.

Haimanko, Ori

TI Information Advantage and Dominant Strategies in Second-Price Auctions. **AU** Einy, Ezra; Haimanko, Ori; Orzach, Ram; Sela, Aner.

PD December 2000. **TI** Price Symmetry in a Duopoly with Congestion. **AU** Haimanko, Ori; Steinberg, Richard. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/56; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 10. **PR** \$100 per year. **JE** C72, D43. **KW** Duopolistic Pricing. Congestion. Symmetric Equilibria.

AB This paper shows that in a duopoly operating in a congested market, with a general congestion function and an arbitrary distribution of consumer disutility for congestion, there cannot exist an asymmetric Nash equilibrium. The paper also shows that whenever an equilibrium does exist it is unique. Closed form expressions for the symmetric equilibrium prices and profits are provided.

PD April 2002. **TI** Transfers in a Polarized Country: Bridging the Gap Between Efficiency and Stability. **AU** Haimanko, Ori; Le Breton, Michel; Weber, Shlomo. **AA** Haimanko: CORE and Ben Gurion University. Le Breton: Universite de la Mediterannee. Weber: Southern Methodist University and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/18; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve,

Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 21. PR \$100 per year. JE D70, D73, H20. KW Polarization. Secession. Efficiency. Stability. Political Equilibrium.

AB This paper considers a political economy model of a country whose citizens have heterogeneous preferences for a national policy and some regions may contemplate a threat of secession. The country is efficient if its break-up into smaller countries leads to aggregate utility loss. The paper shows that in an efficient country whose citizens' preferences exhibit a high degree of polarization, a threat of secession cannot be eliminated without inter-regional transfers. The paper also demonstrates that, if majority voting is used to determine the redistribution schemes within the country, then a high degree of polarization yields the full compensation scheme as the unique political equilibrium.

Haltiwanger, John

TI Wage and Productivity Dispersion in U.S. Manufacturing: The Role of Computer Investment. AU Dunne, Timothy; Foster, Lucia; Haltiwanger, John; Troske, Kenneth.

Hanemann, Michael W.

TI Environmental Damages in Court: The American Trader Case. AU Chapman, David J.; Hanemann, Michael W.

Hanson, Gordon H.

TI Technology, Trade, and Adjustment to Immigration in Israel. AU Gandal, Neil; Hanson, Gordon H.; Slaughter, Matthew J.

Harmon, Colm

TI A Review of Estimates of the Schooling/Earnings Relationship, with Test for Publication Bias. AU Ashenfelter, Orley; Oosterbeek, Hessel; Harmon, Colm.

Hartmann, Philipp

TI Systemic Risk: A Survey. AU de Bandt, Olivier; Hartmann, Philipp.

Haynes, Michelle

PD February 2001. TI Estimating the Wage Costs of Inter- and Intra-Sectoral Adjustment. AU Haynes, Michelle; Upward, Richard; Wright, Peter. AA Haynes and Wright: University of Nottingham. SR CEPR Discussion Paper: 2710; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE C33, F16, J32, J62. KW Industry Specific Skills. Mobility. Tenure. Wages.

AB The proposition that labor market adjustments to intra-industry trade are less costly than adjustments to inter-industry trade is a widely-held belief amongst trade economists. If it is the case that there are significant sector-specific skills, then this "smooth adjustment hypothesis" seems intuitive. However, direct evidence relating to this issue remains largely anecdotal. In this paper we adopt the methodology of the micro-econometric labor literature to estimate the returns to tenure within firms, industries and occupations in order to predict the costs, in terms of wage losses, of moving jobs between and within sectors. To do this we use a large panel of individual workers for the UK over a long period (1975-1998), which

enables us to control for unobserved fixed effects which may jointly determine the propensity to move jobs and the wage level.

Helfand, Gloria E.

TI Spatial Variation in Benefits and Costs, or Why Pollution Isn't Always for Sale. AU Berck, Peter; Helfand, Gloria E.; Kim, Hong Jin.

Hendel, Igal

PD January 2000. TI The Role of Commitment in Dynamic Contracts: Evidence from Life Insurance. AU Hendel, Igal; Lizzeri, Alessandro. AA Hendel: Princeton University and NBER. Lizzeri: Princeton University. SR National Bureau of Economic Research Working Paper: 7470; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 30. PR \$5.00. JE D40, D81, G22, L14. KW Contracts. Commitment. Life Insurance. Classification Risk. Front Loading.

AB We look at the life insurance industry to study the properties of long term contracts in a world where consumers cannot commit to a contract. The main issue is how contracts are designed to deal with classification risk. We present a model that captures the main features of this industry. The data is especially suited for a test of the theory since it includes information on the entire profile of future premiums. The lack of commitment by consumers shapes contracts in the way predicted by the theory. All types of contracts involve front-loading. This generates a partial lock-in of consumers. Contracts that are more front-loaded have a lower present value of premiums over the period of coverage. This is consistent with the idea that more front-loaded contracts retain better risk pools. The estimates suggest that classification risk is almost completely insured by long term level-premium contracts.

Hermalin, Benjamin E.

PD March 2001. TI Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature. AU Hermalin, Benjamin E.; Weisbach, Michael S. AA Hermalin: UC Berkeley. Weisbach: University of Illinois and NBER. SR National Bureau of Economic Research Working Paper: 8161; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 34. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE G30, L20. KW Boards of Directors. Corporate Performance. CEO.

AB This paper surveys the economic literature on boards of directors. Formal theory on boards of directors has been quite limited to this point. Most empirical work on boards has been aimed at answering one of three questions: 1) How are board characteristics related to profitability? 2) How do board characteristics affect the observable actions of the board? 3) What factors affect the makeup of boards and how they evolve over time? In this respect, the primary findings from the literature are: Board composition is not related to corporate performance, while board size has a negative relation to it. Both composition and size are correlated with the board's decisions regarding CEO replacement, acquisitions, poison pills, and executive compensation. Firm performance, CEO turnover, and changes in ownership structure appear to be important factors affecting changes to boards. Finally, boards

appear to evolve over time as a function of the bargaining power of the CEO.

TI Hospital Governance, Performance Objectives, and Organizational Form. **AU** Eldenburg, Leslie; Weisbach, Michael S.; Hermalin, Benjamin E.; Wosinska, Marta.

TI Hospital Governance, Performance Objectives, and Organizational Form. **AU** Eldenburg, Leslie; Weisbach, Michael S.; Hermalin, Benjamin E.; Wosinska, Marta.

Hernandez, Penelope

TI On the Complexity of Coordination. **AU** Gossner, Olivier; Hernandez, Penelope.

Herwartz, Helmut

TI Volatility Impulse Response Functions for Multivariate GARCH Models. **AU** Hafner, Christian M.; Herwartz, Helmut.

Hills, John

PD August 2000. **TI** Taxation for the Enabling State. **AA** CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/41; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 32. **PR** no charge. **JE** D63, H23, H53, H61, I38. **KW** Taxation. Government Expenditures. Inequality. Public Attitudes. Redistribution.

AB This paper takes as its starting point Henry Neuberger's injunction that taxation must be seen as a contribution to the maintenance of the welfare state, not as a dead-weight burden. It sets recent developments in the UK tax ratio in the context of changes in public spending, particularly on welfare services, in the public sector's balance sheet, and the distributional effects of both tax and spending. It then discusses tax and transfer policy since the change of governance in May 1997 in the context of public attitudes to inequality and different forms of redistribution. It compares the distributional effects of the four Labor Budgets since July 1997 with those which would have resulted from simply indexing the April 1997 tax and social security system for income growth. This suggests that actual reforms will on average deliver as much to lower income groups as income indexation would have done, but at lower cost to the public finances, and in a way which is more consistent with public attitudes. However, delays between budget announcements and implementation meant that inequality and relative poverty increased in Labor's first two years in office.

Hindriks, Jean

PD December 2000. **TI** Public Versus Private Insurance: A Political Economy Argument. **AA** University of London and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/58; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 18. **PR** \$100 per year. **JE** C70, G22. **KW** Insurance. Adverse Selection. Risk. Risk Aversion.

AB This paper analyzes the political support for a public insurance in the presence of a private insurance alternative. The public insurance is compulsory and offers a uniform insurance policy. The private insurance is voluntary and can offer

different insurance policies to different individual risks. It is shown that adverse selection on the private insurance market can lead a majority of individuals to prefer public insurance over private insurance, even if the median risk is below the average risk (so that the median ends up subsidizing high-risk individuals). It is also shown that more risk aversion always leads to a greater political support for public insurance and that a mixture of public and private insurance is politically non-sustainable. Finally, how progressively more powerful information technology may help the private insurance market to mitigate the adverse selection problem and reduce the demand for public insurance threatening its political sustainability is demonstrated.

TI Revenue Sharing Versus Expenditure Sharing. **AU** Figuières, Charles; Hindriks, Jean; Myles, Gareth D.

TI Matching Grants and Ricardian Equivalence. **AU** Figuières, Charles; Hindriks, Jean.

PD December 2001. **TI** The Politics of Redistributive Social Insurance. **AU** Hindriks, Jean; De Donder, Philippe. **AA** Hindriks: University of London and CORE. De Donder: GREMAQ and IDEI, Toulouse. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/54; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 24. **PR** \$100 per year. **JE** H23, H50. **KW** Majority Rule. Social Insurance. Redistribution. Adverse Selection.

AB This paper analyzes the political support for a social insurance that includes elements of redistribution when there exists an imperfect private insurance alternative. Individuals differ both in their income and risk. The social insurance is compulsory and charges an income-related contribution with pooling of risks. The private insurance is voluntary and charges a contribution based on individual risks. However due to the adverse selection problem, private insurance companies provide only partial insurance. Adopting a non-expected utility model, this paper shows that there is a general majority support for social insurance and that this support is increasing with risk aversion. The paper also shows that a mixed insurance is politically impossible, regardless of the degree of redistribution of social insurance and the joint distribution of risk and income in the population. Finally, the paper analyzes how the political support for social insurance is affected by any change in its redistributive component and the possibility of using genetic tests.

Hines, James R., Jr.

TI Taxation and Economic Efficiency. **AU** Auerbach, Alan J.; Hines, James R., Jr.

Hobcraft, John

PD December 2000. **TI** The Roles of Schooling and Educational Qualifications in the Emergence of Adult Social Exclusion. **AA** CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/43; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 69. **PR** no charge. **JE** I20, I31, I32, J24, J62. **KW** Education. Social Exclusion. Inter-Generational Transfer. Child Poverty.

AB From a detailed analysis of the roles of childhood

experience, schooling and educational qualifications in the emergence of adult social exclusion, two key patterns emerge: Educational qualifications show a strong relationship to all 36 measures of adult disadvantage. This relationship emerges net of controls for a wide range of childhood factors. Childhood poverty is the most frequent clear predictor of negative adult outcomes. Additionally: Mother's interest in schooling is more salient for women, whilst father's interest matters more for men: Low parental interest in schooling, frequent absence from school, and low educational test scores are all quite influential on subsequent disadvantage, even net of qualification levels; Early contact with the police is more closely related to adult outcomes for men, but school absences are more influential for women. Specific continuities in exclusion also emerge: The father being in Social Classes IV or V remains a clear predictor of male survey members also being in these Classes at ages 23 and 33; Growing up in social housing shows a similar specific legacy of being in social housing for both men and women at ages 23 and 33; Childhood behavior indicators most specifically relate to adult malaise.

Hoekman, Bernard

PD March 2001. **TI** Tariff Peaks in the Quad and Least Developed Country Exports. **AU** Hoekman, Bernard; Ng, Francis; Olarreaga, Marcelo. **AA** Hoekman: World Bank and CEPR. Olarreaga: World Bank. **SR** CEPR Discussion Paper: 2747; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F13, F14, O19. **KW** Least Developed Countries. Market Access. Trade Preferences.

AB Although average tariffs in Quad markets are very low, tariff peaks and tariff escalation have a disproportional effect on exports from least developed countries (LDCs). Tariff peak products tend to be heavily concentrated in agriculture and food products and in labor-intensive sectors such as apparel and footwear. Full duty and quota free access for LDCs in the Quad for tariff peak products would result in an 11 percent increase in their total exports -- in the order of \$2.5 billion. Exports to Quad countries of tariff peak products would expand by 30-60 percent. Given that LDC exports of tariff peak items account for only a small share of total developing country exports, granting LDCs duty free access has a negligible impact on other developing countries. For the same reason, Quad imports increase only marginally, suggesting that this should not be a factor constraining implementation of duty free access for the poorest countries.

Holmstrom, Bengt

PD April 2001. **TI** Corporate Governance and Merger Activity in the U.S.: Making Sense of the 1980s and 1990s. **AU** Holmstrom, Bengt; Kaplan, Steven N. **AA** Holmstrom: NBER and MIT. Kaplan: University of Chicago. **SR** National Bureau of Economic Research Working Paper: 8220; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 31. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G34, L22. **KW** Corporate Governance. Mergers. Leveraged Buyouts.

AB This paper describes and considers explanations for changes in corporate governance and merger activity in the United States since 1980. Corporate governance in the 1980s

was dominated by intense merger activity distinguished by the prevalence of leveraged buyouts (LBOs) and hostility. After a brief decline in the early 1990s, substantial merger activity resumed in the second half of the decade, while LBOs and hostility did not. Instead, internal corporate governance mechanisms appear to have played a larger role in the 1990s. We conclude by considering whether these changes and the movement toward shareholder value are likely to be permanent.

Hong, Han

PD November 2001. **TI** A Fast Subsampling Method for Nonlinear Dynamic Models. **AU** Hong, Han; Scaillet, Olivier; Tamer, Elie. **AA** Hong: Princeton University and UCL. Scaillet: Universite de Geneve and FAME. Tamer: Princeton University. **SR** INSEE Documents de Travail du CREST: 2001/39; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 15. **PR** no charge. **JE** C12, C15, C22, C52. **KW** Subsampling. Nonlinear Dynamic Models. Estimators by Simulation.

AB We highlight a fast subsampling method that can be used to provide valid inference in nonlinear dynamic econometric models. This method is based on the subsampling theory proposed by Politis and Romano (1992, 1994) which computes an estimator on subsamples of the data and uses these estimates to construct valid inference under very weak assumptions. Fast subsampling directly exploits score functions computed on each subsample and avoids recomputing the estimators for each of them thereby reducing computational time considerably. This method is used to obtain the limit distribution of estimators, possibly simulation based, that admit an asymptotic linear representation with both known and unknown rates of convergence. It can also be used for bias reduction and variance estimation. Monte Carlo experiments demonstrate the desirable performance and vast improvement in numerical speed of the fast subsampling method.

Hong, Harrison

TI Breadth of Ownership and Stock Returns. **AU** Chen, Joseph; Hong, Harrison; Stein, Jeremy C.

Horioka, Charles Yuji

PD January 2000. **TI** Are Americans More Altruistic than the Japanese? A U.S.-Japan Comparison of Saving and Bequest Motives. **AU** Horioka, Charles Yuji; Fujisaki, Hideki; Watanabe, Wako; Kouno, Takatsugu. **AA** Horioka: Osaka University and NBER. Fujisaki: Seto, Tokyo, Japan. Watanabe: Naka Meguro, Tokyo, Japan. Kouno: Institute for Posts and Telecommunications Policy, Tokyo, Japan. **SR** National Bureau of Economic Research Working Paper: 7463; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 24. **PR** \$5.00. **JE** D12, D64, D91, E21. **KW** Saving. Altruism. Life Cycle Models. Bequests.

AB In this paper, we analyze a variety of data on saving motives, bequest motives, and bequest division from the "Comparative Survey of Savings in Japan and the United States," a binational survey conducted in 1996 by the Institute for Posts and Telecommunications Policy of the Ministry of Posts and Telecommunications of the Government of Japan, in order to shed light on which model of household behavior applies in the two countries. We find (1) that the selfish life

cycle model is the dominant model of household behavior in both countries but that it is far more applicable in Japan than it is in the U.S., (2) that the altruism model is far more applicable in the U.S. than it is in Japan but that it is not the dominant model of household behavior in either country, and (3) that the dynasty model is more applicable in Japan than it is in the U.S. but that it is of only limited applicability even in Japan.

Huang, Ming

TI Mental Accounting, Loss Aversion, and Individual Stock Returns. **AU** Barberis, Nicholas; Huang, Ming.

Hujer, Reinhard

TI The Econometrics of Airline Network Management. **AU** Grammig, Joachim; Hujer, Reinhard; Scheidler, Michael.

Hulten, Charles R.

PD January 2000. **TI** Total Factor Productivity: A Short Biography. **AA** University of Maryland and NBER. **SR** National Bureau of Economic Research Working Paper: 7471; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 63. **PR** \$5.00. **JE** B22, D24, N10, O47. **KW** Total Factor Productivity. Growth.

AB Economists have long recognized that total factor productivity is an important factor in the process of economic growth. However, just how important it is has been a matter of ongoing controversy. Part of this controversy is about methods and assumptions. Total factor productivity growth is estimated as a residual, using index number techniques. It is thus a "measure of our ignorance," with ample scope for measurement error. Another source of controversy arises from sins of omission, rather than commission. A new *Economy critique* of productivity points to unmeasured gains in product quality, while an environmental critique points to the unmeasured costs of growth. This essay is offered as an attempt to address these issues. Its first objective is to explain the origins of the growth accounting and productivity methods now under scrutiny. It is a biography of an idea, intended to show what results can be expected from the productivity framework and what cannot. The ultimate objective is to demonstrate the considerable utility of the idea, as a counter-weight to the criticism, often erroneous, to which it has been subjected. Despite its flaws, the residual has provided a simple and internally consistent intellectual framework for organizing data on economic growth, and has provided the theory to guide a considerable body of economic measurement.

Imbs, Jean

PD December 2000. **TI** Stages of Diversification. **AU** Imbs, Jean; Wacziarg, Romain. **AA** Imbs: London Business School and Centre for Economic Policy Research. Wacziarg, Romain: Stanford Graduate School of Business. **SR** CEPR Discussion Paper: 2642; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F15, F43, O40. **KW** Comparative Advantage. International Macroeconomics. International Trade. Specialization.

AB This paper studies the evolution of sectoral labor concentration in relation to the level of per capita income. It shows that various measures of sectoral concentration follow a

U-shaped pattern across a wide variety of data sources: countries first diversify, in the sense that labor is spread more equally across sectors, but there exists, relatively late in the development process, a point at which they start to specialize again. A model with endogenous costs of trading internationally is introduced that provides an explanation for this new empirical fact. The model highlights a trade-off between the benefits of diversification in the context of high trading costs, and the benefits of specialization in a Ricardian sense.

Ireland, Peter N.

PD February 2001. **TI** The Real Balance Effect. **AA** Boston College and NBER. **SR** National Bureau of Economic Research Working Paper: 8136; Working Papers. NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 33. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E31, E52. **KW** Cash-in-Advance. Liquidity Trap. Monetary Policy.

AB This paper extends a conventional cash-in advance model to incorporate a real balance effect of the kind described by de Scitovszky, Haberler, Pigou, and Patinkin. When operative, this real balance effect eliminates the liquidity trap, allowing the central bank to control the price level even when the nominal interest rate hits its lower bound of zero. Curiously, the same mechanism that gives rise to the real balance effect also implies that monetary policies have distributional consequences that make some agents much worse off under a zero nominal interest rate than they are when the nominal interest rate is positive.

Jacobs, Didier

PD January 2000. **TI** Low Inequality with Low Redistribution: An Analysis of Income Distribution in Japan, South Korea and Taiwan Compared to Britain. **AA** CASE. LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/33; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 51. **PR** no charge. **JE** D31, H55, I30, J38. **KW** Income Distribution. Inequality. Social Welfare. Social Security. Family Welfare.

AB This article is a comparative analysis of the sources of income inequality in four countries, namely Japan, South Korea, Taiwan and the United Kingdom. It relies upon decompositions of inequality measures by population groups and income sources (except for Japan because of data limitations). According to national family income and expenditure surveys, income inequality in the three Asian countries is about average among industrialized countries, and less severe than in Britain. The factors influencing income inequality are very different between the three Asian countries on the one hand, and Britain on the other. While they do not differ very much in terms of inequality of earnings, the most equalizing factor in the former countries is the favorable distribution of work across households, compared to social security in the latter. Public transfers are still very underdeveloped in Korea and Taiwan, although recent legislation will dramatically change that in the coming decades, while the Japanese social security system does not generate much vertical redistribution. However, income redistribution takes place within the family cell between people with and without work. Compared to the British situation, there are very

few workless households in the three Asian countries, thanks to their different co-residence and labor participation patterns.

Jagannathan, Ravi

PD January 2000. **TI** Does Product Market Competition Reduce Agency Costs? **AU** Jagannathan, Ravi; Srinivasan, Shaker B. **AA** Jagannathan: Northwestern University and NBER. Srinivasan: University of Minnesota. **SR** National Bureau of Economic Research Working Paper: 7480; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 15. **PR** \$5.00. **JE** D40, D82, G30, L11, L21. **KW** Agency Costs. Competition. Asymmetric Information. Leverage.

AB The folk wisdom is that competition reduces agency costs. We provide indirect empirical support for this view. We argue that the temptation to retain cash and engage in less productive activities is more severe for firms in less competitive industries. Hence an unanticipated increase in cash-flow due to higher past returns is more likely to lead to a reduction in leverage as well as a lowering of future returns for firms in less competitive environments. Current leverage will therefore be negatively related to past returns and positively related to future returns for such firms. In contrast, for firms in more competitive industries, the negative relation between past returns and current leverage will be attenuated. Theory suggests that the relation between current leverage and future returns for such firms will be zero or negative. Using a proxy to distinguish firms in less competitive industries and data for 165 single business firms in the U.S., we provide empirical support for our arguments.

PD March 2001. **TI** The Declining U.S. Equity Premium. **AU** Jagannathan, Ravi; McGrattan, Ellen R.; Scherbina, Anna. **AA** Jagannathan and Scherbina: Northwestern University. McGrattan: Federal Reserve Bank of Minneapolis. **SR** National Bureau of Economic Research Working Paper: 8172; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** G10, G12. **KW** Equity Premium. Stock Valuation Model.

AB This study demonstrates that the U.S. equity premium has declined significantly during the last three decades. The study calculates the equity premium using a variation of the classic Gordon stock valuation model. The calculation includes the bond yield, the stock dividend yield, and the expected dividend growth rate, which in this formulation can change over time. The study calculates the premium for several measures of the aggregate U.S. stock portfolio and several assumptions about bond yields and stock dividends and gets basically the same result. The premium averaged about 7 percentage points during 1926-70 and only about 0.7 of a percentage point after that. This result is shown to be reasonable by demonstrating the roughly equal returns that investments in stocks and consol bonds of the same duration would have earned between 1982 and 1999, years when the equity premium is estimated to have been zero.

Jappelli, Tullio

TI Searching for Non-Linear Effects of Fiscal Policy: Evidence from Industrial and Developing Countries. **AU** Giavazzi, Francesco; Pagano, Marco; Jappelli, Tullio.

TI Financial Market Imperfections and Home Ownership: A

Comparative Study. **AU** Chiuri, Maria Concetta; Jappelli, Tullio.

Jardet, Caroline

PD 2002. **TI** Why did the Term Structure of Interest Rates Lose its Predictive Power? **AA** CREST and Universite de Paris I. **SR** INSEE Documents de Travail du CREST: 2002/05; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 13. **PR** no charge. **JE** C22, E43, E52. **KW** Yield Curve. Term Structure. Monetary Policy. Structural Changes. VECM.

AB In this paper, we perform a multiple structural change test that makes it possible to detect a break in the correlation between spread of interest rate and future activity in 1984 for US monthly data. Basic regressions show that this break is associated with the loss of the predictive power of the term structure. Hence, in order to identify causes of this change, we estimate a structural vector autoregressive error correction model (VAR-VECM) of the joint dynamics of macroeconomic fundamentals and term structure of interest rates. It is then possible to compute the contributions of each structural shock in generating the predictive power of the spread of interest rates. Our results suggest that the loss of predictability of the spread is due to a substantial drop in both contributions of monetary policy and supply shocks.

Jean, Sebastien

TI What Drove Relative Wages in France? Structural Decomposition Analysis in a General Equilibrium Framework, 1970-1992. **AU** Bontout, Olivier; Jean, Sebastien.

PD May 2000. **TI** The Effect of International Trade on Labour-Demand Elasticities: Intersectoral Matters. **AA** CEPII. **SR** CEPII Working Paper: 2000/07; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 20. **PR** no charge. **JE** E24, F41, J23. **KW** International Trade. Labor-Demand Elasticity. Trade Specialization. Open Economy.

AB This paper studies the impact of trade on the price-elasticity of aggregate labor demand. The analysis is based on the idea that a variation in the cost of (a given type of) labor has an effect on the sectoral trade specialization of an economy, at the expense of the domestic productions using this factor intensively. This is true even when the trade is balanced. As this effect is more important the more open the economy, trade openness induces an increase in the associated labor-demand elasticity, at least if the country has a comparative disadvantage in the industries using intensively the type of labor considered. This argument is illustrated by a simple model, using the Armington hypothesis, with an empirical assessment for France.

PD July 2000. **TI** Syndrome, Miracle, Modele Polder et Autres Specificites Neerlandaises: Quels Enseignements pour l'Emploi en France? (Employment: The Lessons from the Netherlands). **AA** CEPII. **SR** CEPII Working Paper: 2000/12; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 40. **PR** no charge. **JE** J21, J23, J24, J31, J64. **KW** Labor Markets. The Netherlands. Unemployment. Wage Restraint. Labor Productivity.

AB (This paper is written in French). From nearly 10 percent in 1983, the unemployment rate in the Netherlands fell to less than 3 percent in 1999. The high number of people considered as disabled (nearly 11 percent of the workforce in 1997) is often cited, incorrectly, as one of the reasons for the fall in unemployment: this figure was proportionately higher in 1982. The activity rate has clearly risen since the beginning of the 1980s, mainly because of the massive influx of women into the labor market. The very strong growth in jobs is the main explanation for the fall in unemployment: the working population has grown by 30 percent since 1983, and by over 25 percent when compared with 1979. Two other trends must also be underlined. First, the working age population, which is the main determinant of long term employment, has risen strongly (up by 16 percent between 1979 and 1998). Second, part-time labor has expanded rapidly to levels that are exceptional worldwide. This paper also discusses how far the collective reduction of the working week, and the de-indexing of wages along with wage restraint, as well as the slowdown in hourly labor productivity, which occurred in the mid-1980s, have had an impact on the unemployment rate. Paper available in French only.

PD September 2000. **TI** International Trade and Firms' Heterogeneity Under Monopolistic Competition. **AA** CEPII. **SR** CEPII Working Paper: 2000/13; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 21. **PR** no charge. **JE** F12, L11, L13. **KW** International Trade. Firm Heterogeneity. Product Differentiation. Monopolistic Competition. Productive Efficiency.

AB This paper aims at shedding some light on the interactions between international trade and firms' heterogeneity, by proposing a tractable model consistent with the stylized facts unveiled by the recent empirical literature. The model describes, in a general equilibrium framework, two economies producing and trading two goods, one homogeneous and the other differentiated. In the differentiated-good sector, firms are heterogeneous by their marginal cost, in a context of monopolistic competition with free-entry and exit. They incur a fixed production cost, but also a fixed cost if they choose to export. We pay special attention to the way firms' heterogeneity influences the nature of trade and, reciprocally, to the impact of trade on the population of firms, and to its consequences in terms of industry-wide efficiency. In particular, we show that trade in differentiated goods increases industry-wide efficiency, through two different logics: one defensive, import-driven; the other offensive, export-driven. Furthermore, as soon as international efficiency differences and trade cost are sufficiently low, the offensive logic is dominant in shaping the impact of trade.

Jean-Marie, Alain

TI On the Effects of Conjectures in a Symmetric Strategic Setting. **AU** Figuières, Charles; Tidball, Mabel; Jean-Marie, Alain.

Jenkins, Stephen P.

TI Estimating Welfare Indices: Household Weights and Sample Design. **AU** Cowell, Frank A.; Jenkins, Stephen P.

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

Johnson, Ellis L.

TI The Relation of Time Indexed Formulations of Single Machine Scheduling Problems to the Node Packing Problem. **AU** Waterer, Hamish; Johnson, Ellis L.; Savelsbergh, Martin W. P.

Joskow, Paul

PD March 2001. **TI** A Quantitative Analysis of Pricing Behavior in California's Wholesale Electricity Market During Summer 2000. **AU** Joskow, Paul; Kahn, Edward. **AA** Joskow: Massachusetts Institute of Technology and NBER. Kahn: Analysis Group/Economics. **SR** National Bureau of Economic Research Working Paper: 8157; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 30. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** L11, L94, L98, Q41, Q48. **KW** Electricity Market. Pricing. Market Power.

AB We simulate competitive benchmark wholesale prices for electricity in California during the summer of 2000, taking account of changes in natural gas prices, electricity demand, and imports of electricity from other states during this time period. We also examine the impact of changes in the prices of NOx emissions permits on estimated competitive benchmark prices for electricity. The competitive benchmark prices are then compared to actual prices. A significant fraction of the changes in wholesale electricity prices in California during summer 2000 can be explained by these four factors. The impact of higher NOx permit prices, and their interaction with reduced imports into California, has a particularly large impact on competitive benchmark prices. However, during June, July and August a large unexplained difference between actual prices and competitive benchmark prices remains. We tentatively attribute this difference to supplier market power and related market imperfections. We then examine whether there is evidence of strategic behavior by suppliers during the highest priced hours during the summer. Evidence of supply withholding -- exercise of market power -- during these hours is identified.

Jovanovic, Boyan

PD January 2000. **TI** Growth Theory. **AA** New York University and NBER. **SR** National Bureau of Economic Research Working Paper: 7468; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 11. **PR** \$5.00. **JE** N10, O10, O40. **KW** Growth. Living Standards. Invention. Incentives.

AB Growth theory offers two plausible explanations of growth. One stresses the supply of productive ideas and holds that the industrial revolution had to wait until we had thought up enough inventions to lift us into the era of modern growth. It says, roughly, that the growth of living standards depends on the growth of science. The other explanation stresses incentives: Growth could begin only when hard work and business enterprise were free of heavy taxation, of social stigma and of other interference by the government and the church. The first branch of theory is well developed; it is the second that now challenges the growth economist to explain not just growth, but the evolution of political and religious institutions and social attitudes as well.

PD March 2001. **TI** Vintage Organization Capital. **AU** Jovanovic, Boyan; Rousseau, Peter L. **AA** Jovanovic:

University of Chicago and NBER. Rousseau: Vanderbilt University and NBER. **SR** National Bureau of Economic Research Working Paper: 8166; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 24. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** N20, O30. **KW** Organization Capital. Technology. Corporations. Vintage Effects.

AB This paper finds that there are large cohort effects in stock prices, effects that are labeled as "organization capital", and that a firm's organization capital depends on the state of technology when the firm was born and on the technologies that have followed. This paper estimates vintage effects on the value of firms and finds that a very large quantity of organization capital was created by the 1920's vintage, that there's major technological change since WW2 in the process by which organization capital is created, and that there are strong indications that the 1970's and 1980's vintages will be followed by more complementary technologies. This paper also finds that cohort effects grew at a rate of 1.75 percent per year, organization capital tends to grow fastest during the second half of a technological wave, and that the debt-equity ratio of all vintages declined.

Justman, Moshe

PD May 2001. **TI** Fiscal Competition and Regional Differentiation. **AU** Justman, Moshe; Thisse, Jacques-Francois; Van Ypersele, Tanguy. **AA** Justman: University of the Negev. Thisse: CORE, CERAS, and CEPR. Van Ypersele: University of Namur and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/24; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 18. **PR** \$100 per year. **JE** H73, O38, R12, R58. **KW** Fiscal Competition. Regional Development. Infrastructure. Horizontal Differentiation.

AB Regions can benefit by offering infrastructure services that are differentiated. Competition between regions over potential investors is then less direct, allowing them to realize greater benefits from external investors. The two polar cases of full and incomplete information about investors' needs are studied in this paper. In both cases, there is regional differentiation. However, fiscal competition is efficient in the former case but not in the latter. Finally, this paper shows that free entry in the location market calls for some regulation because of the excessive number of competing regions that would prevail in equilibrium.

Kahn, Edward

TI A Quantitative Analysis of Pricing Behavior in California's Wholesale Electricity Market During Summer 2000. **AU** Joskow, Paul; Kahn, Edward.

Kahn, Lawrence M.

TI Understanding International Differences in the Gender Pay Gap. **AU** Blau, Francine D.; Kahn, Lawrence M.

TI Do Cognitive Test Scores Explain Higher US Wage Inequality? **AU** Blau, Francine D.; Kahn, Lawrence M.

Kamionka, Thierry

PD May 2002. **TI** Asymmetry of Information, Market

Liquidity and the Activity of the Specialist on the NYSE. **AA** CNRS, CREST and IDEI. **SR** INSEE Documents de Travail du CREST: 2002/17; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 26. **PR** no charge. **JE** C41, G14. **KW** Asymmetric Information. Liquidity. Financial Events. Diagonal Effects.

AB In this paper we model jointly the interval of time between financial events and the category of these events (trades or quotes). We study the validity of some empirical implications of market microstructure theories. The model we estimate allows us to take into account the intraday activity of the markets and allows for serial correlations of the durations. The conditional distribution of the duration and the category of the financial event may depend on the whole history of the process and the characteristics of the market. This model is estimated for IBM on the New York Stock Exchange using the Trades and Quotes data set. We find in particular that, in the case of a wide spread, the information content of the last trade is important. The quantity traded has a significant impact on the probability that the market maker increases the spread. We find a diagonal effect on the category of the trade indicating the possible existence of imitation behavior or orders splitting strategies. This result indicates that trades are successively positively correlated. On the other hand, a trade at the midquote is the signal that more likely no new information is arrived on the market.

Kane, Edward J.

PD April 2001. **TI** Financial Safety Nets: Reconstructing and Modeling a Policymaking Metaphor. **AA** Boston College and NBER. **SR** National Bureau of Economic Research Working Paper: 8224; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F34, G22, G28, K23. **KW** Deposit Insurance. Transparency. Contract Enforcement.

AB This paper explains that financial safety nets exist because of difficulties in enforcing contracts and shows that elements of deposit-insurance schemes differ substantially across countries. It argues that differences in the design of financial safety nets correlate significantly with differences in the informational and contracting environments of individual countries and that a country's GDP per capita is correlated with proxies for a country's level of: (1) informational transparency, (2) contract enforcement and deterrent rights, and (3) accountability for safety net officials. The analysis portrays deposit insurance as a part of a country's larger safety net and contracting environment. This means that there is no universal method for preventing and resolving banking problems and that the structure of a country's safety net should evolve over time with changes in private and government regulators' capacity for: valuing financial institutions, for disciplining risk taking and resolving insolvency promptly, and for being held accountable for how well they perform these tasks.

Kane, Thomas J.

PD March 2001. **TI** Improving School Accountability Measures. **AU** Kane, Thomas J.; Staiger, Douglas O. **AA** Kane: Kennedy School of Government. Staiger: Dartmouth College. **SR** National Bureau of Economic

Research Working Paper: 8156; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 39. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I21, I28. **KW** Education. School-Level Tests. Bayesian Analysis.

AB A growing number of states are using annual school-level test scores as part of their school accountability systems. We highlight an under-appreciated weakness of that approach -- the imprecision of school-level test score means -- and propose a method for better discerning signal from noise in annual school report cards. For an elementary school of average size in North Carolina, we estimate that 28 percent of the variance in 5th grade reading scores is due to sampling variation and about 10 percent is due to other non-persistent sources. More troubling, we estimate that less than half of the variance in the mean gain in reading performance between 4th and 5th grade is due to persistent differences between schools. We use these estimates of the variance components in an empirical Bayes framework to generate "filtered" predictions of school performance, which have much greater predictive value than the mean for a single year. We also identify evidence of within-school heterogeneity in classroom level gains, which suggest the importance of teacher effects.

Kaplan, Ethan

PD April 2001. **TI** Did the Malaysian Capital Controls Work? **AU** Kaplan, Ethan; Rodrik, Dani. **AA** Harvard University. **SR** CEPR Discussion Paper: 2754; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F31, F32, F33, F36, O57. **KW** Capital Controls. Malaysia.

AB Malaysia recovered from the Asian financial crisis swiftly after the imposition of capital controls in September 1998. The fact that Korea and Thailand recovered in parallel has been interpreted as suggesting that capital controls did not play a significant role in facilitating Malaysia's rebound. However, the financial crisis was deepening in Malaysia in the summer of 1998, while it had eased up significantly in Korea and Thailand. We employ a time-shifted differences-in-differences technique to exploit the differences in the timing of the crises. Compared to IMF programs, we find that the Malaysian policies produced faster economic recovery, smaller declines in employment and real wages, and more rapid turnaround in the stock market.

Kaplan, Steven N.

PD April 2001. **TI** Venture Capitalists As Principals: Contracting, Screening, and Monitoring. **AU** Kaplan, Steven N.; Stromberg, Per. **AA** University of Chicago. **SR** National Bureau of Economic Research Working Paper: 8202; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 9. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G24, G32. **KW** Venture Capitalists. Principal-Agent Conflict.

AB Theoretical work on the principal-agent problem in financial contracting focuses on the conflicts of interest between an agent/entrepreneur with a venture that needs financing, and a principal/investor providing funds for the venture. In this paper, we describe recent empirical work and its relation to theory for one prominent class of principals --

venture capitalists (VCs). The empirical studies indicate that VCs attempt to mitigate principal-agent conflicts in the three ways suggested by theory (structuring financial contracts, pre-investment screening, and post-investment monitoring and advising). In screening, the VCs identify areas where they can add value through monitoring and support. In contracting, the VCs allocate rights in order to facilitate monitoring and minimize the impact of identified risks. Also, the equity allocated to VCs provides incentives to engage in costly support activities that increase upside values, rather than just minimizing potential losses. There is room for future empirical research to study these activities in greater detail for VCs, for other intermediaries such as banks, and within firms.

TI Corporate Governance and Merger Activity in the U.S.: Making Sense of the 1980s and 1990s. **AU** Holmstrom, Bengt; Kaplan, Steven N.

Karp, Larry

PD January 2000. **TI** The Long-Run Effects of Environmental Reform in Open Economies. **AU** Karp, Larry; Zhao, Jinhua; Sacheti, Sandeep. **AA** Karp: University of California, Berkeley. Zhao: Iowa State University. Sacheti: American Express. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 818R; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 39. **PR** \$9.75 Domestic; \$19.50 International Surface Rate. **JE** F10, F42, H23, Q20. **KW** International Trade. Environmental Policy. Policy Reform. Environment.

AB We compare the effects of environmental reform and harmonization in the short and the long run under autarky and free trade. With trade, harmonization of policies, even if achieved by lowering standards in one country, can improve short run aggregate welfare and increase the likelihood of reaching a good long run equilibrium. However, long run considerations favor a "race to the top" rather than a "race to the bottom". Under autarky, unilateral reform may have no short run effect, and it may have no qualitative long run effect if the environment regenerates slowly. Trade increases the likelihood that coordinated environmental reform will take place.

PD January 2000. **TI** The Clean Development Mechanism and its Controversies. **AU** Karp, Larry; Liu, Xuemei. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 903; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 26. **PR** \$6.50 Domestic; \$13.00 International Surface Rate. **JE** O14, Q25, Q28. **KW** Abatement Costs. Greenhouse Gases. Clean Development. Developing Countries.

AB The Clean Development Mechanism (CDM) has been proposed as a means of reducing the costs of abating greenhouse gases, and for assisting developing countries. Although the CDM offers apparent environmental benefits, in addition to benefiting both investors and developing country hosts, it has generated considerable controversy. We review and evaluate the arguments surrounding the CDM and we provide new empirical evidence concerning its potential benefits.

PD October 2000. **TI** Dynamic Quotas with Learning. **AU** Karp, Larry; Costello, Christopher. **AA** Karp: University of California, Berkeley. Costello: University of California, Santa Barbara. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 914; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 18. **PR** \$5.00 Domestic; \$10.00 International Surface Rate. **JE** D83, L51. **KW** Optimal Quota Sequence. Asymmetric Information. Search. Learning. Regulation.

AB We study the optimal quota sequence, in a stationary environment, where a regulator and a non-strategic firm have asymmetric information. The regulator is able to learn about the unknown cost parameter by using a quota that is slack with positive probability. It is never optimal for the regulator to learn gradually. In the first period, he either ignores the possibility of learning, or he tries to improve his information. Regardless of the outcome in the first period, he never experiments in subsequent periods.

PD October 2000. **TI** Why Promoters Like Scalpers. **AU** Karp, Larry; Perloff, Jeffrey M. **AA** University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 916; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 34. **PR** \$8.50 Domestic; \$17.00 International Surface Rate. **JE** C70, D42, D45, D82, L12. **KW** Price Discrimination. Scalpers. Coordination Game. Common Knowledge. Monopoly.

AB If a monopoly supplies a perishable good, such as tickets to a performance, and is unable to price discriminate within a period, the monopoly may benefit from the potential entry of resellers. If the monopoly attempts to intertemporally price discriminate, the equilibrium in the game among buyers is indeterminate when the resellers are not allowed to enter, and the monopoly's problem is not well defined. An arbitrarily small amount of heterogeneity of information among the buyers leads to a unique equilibrium. We show how the potential entry of resellers alters this equilibrium.

PD November 2000. **TI** Time-Consistent Policies. **AU** Karp, Larry; Lee, In Ho. **AA** Karp: University of California, Berkeley. Lee: University of Southampton. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 919; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 28. **PR** \$7.00 Domestic; \$14.00 International Surface Rate. **JE** C72, D83, E61. **KW** Time Inconsistency. Open-Loop Policies. Stationarity.

AB In many cases the optimal open-loop policy to influence agents who solve dynamic problems is time-inconsistent. We show how to construct a time-consistent open-loop policy rule. We also consider an additional restriction under which the time-consistent open-loop policy is stationary. We use examples to illustrate the properties of these tax rules.

Katkar, Rama

PD March 2001. **TI** Public Versus Secret Reserve Prices in eBay Auctions: Results from a Pokemon Field Experiment. **AU** Katkar, Rama; Lucking-Reiley, David. **AA** Katkar: Morgan Stanley Dean Witter. Lucking-Reiley: Vanderbilt University. **SR** National Bureau of Economic Research Working Paper: 8183; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 29. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** D44. **KW** Auctions.

AB Sellers in eBay auctions have the opportunity to choose both a public minimum bid amount and a secret reserve price. This paper asks, empirically, whether the seller is made better or worse off by setting a secret reserve above a low minimum bid, versus the option of making the reserve public by using it as the minimum bid level. In a field experiment, this paper auctions 50 matched pairs of Pokemon cards on eBay, half with secret reserves and half with equivalently high public minimum bids. It is found that secret reserve prices make sellers worse off, by reducing the probability of the auction resulting in a sale, deterring serious bidders from entering the auction, and lowering the expected transaction price of the auction. The paper also presents evidence that some sellers choose to use secret reserve prices for reasons other than increasing their expected auction prices.

Kato, Takao

PD October 2000. **TI** The Recent Transformation of Participatory Employment Practices in Japan. **AA** Colgate University. **SR** National Bureau of Economic Research Working Paper: 7965; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 47. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J53, L20, M11, M12, O53. **KW** Japan. Labor Unions.

AB Using both quantitative data from national surveys and qualitative data from field research, this paper provides evidence of changes in participatory employment practices in Japan during the 1990s. There are a few early signs of trouble which might eventually result in the breakdown of the system if left untreated. First, while the number of full-time union officials has been falling substantially as a result of continued downsizing of the labor force, the amount of time and effort that is put into participatory employment practices have not been falling. This often results in an uncompensated increase in workload for union officials. If this trend continues, union officials who have been playing a key role in Japanese participatory management will become less effective and less committed to the interests of the rank and file. Second, top management sometimes finds its participatory management system detrimental to timely and efficient management, and tries to streamline the system. Overloaded union officials may offer less resistance to this kind of management initiative. Third, the current system tends to produce a gap in the quantity and quality of information between top union officials and general membership. Such a gap may eventually result in the breakdown of the system.

Keller, Klaus

PD January 2000. **TI** Preserving the Ocean Circulation: Implications for Climate Policy. **AU** Keller, Klaus; Tan, Kelvin; Morel, Francois M. M.; Bradford, David F.

AA Keller, Tan, and Morel: Princeton University. Bradford: Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 7476; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 32. **PR** \$5.00. **JE** D90, Q25, Q28, Q30. **KW** Climate Change. Optimal Policy. Greenhouses Gases. Thermohaline Circulation.

AB Climate modelers have recognized the possibility of abrupt climate changes caused by a reorganization of the North Atlantic's current pattern (technically known as a thermohaline circulation collapse). This circulation system now warms north-western Europe and transports carbon dioxide to the deep oceans. The posited collapse of this system could produce severe cooling in north-western Europe, even when general global warming is in progress. In this paper we use a simple integrated assessment model to investigate the optimal policy response to this risk. Adding the constraint of avoiding a thermohaline circulation collapse would significantly reduce the allowable greenhouse gas emissions in the long run along an optimal path. Our analysis implies that relatively small damages associated with a collapse (less than 1% of gross world product) would justify a considerable reduction of future carbon dioxide emissions.

Keller, Wolfgang

PD February 2001. **TI** Geographic Localization of International Technology Diffusion. **AA** University of Texas and CEPR. **SR** CEPR Discussion Paper: 2706; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F21, O33. **KW** Agglomeration. Convergence. Spillovers. Economic Geography.

AB Convergence in per capita income across countries turns on whether technological knowledge spillovers are global or local in a large class of models. This paper estimates the amount of spillovers from research and development expenditures in major industrialized countries on a geographic basis. A new data set is used which encompasses most of the world's innovative activity at the industry-level between the years 1970 and 1995. The first result is that technological knowledge is to a substantial degree local, not global, as the benefits from foreign spillovers are declining with distance. The estimated distance at which the amount of technological knowledge is halved is about 1,200 kilometers. Second, while technological knowledge has become considerably more global over time, strong spatial patterns do persist. Finally, language skills are important for diffusion, which suggests that a substantial portion of international technology diffusion is unrelated to trade in high-technology goods.

PD March 2001. **TI** The Geography and Channels of Diffusion at the World's Technology Frontier. **AA** University of Texas and NBER. **SR** National Bureau of Economic Research Working Paper: 8150; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F21, O33. **KW** Technology Diffusion. Convergence. Spillovers.

AB Convergence in per capita income turns on whether technological knowledge spillovers are global or local. Global spillovers favor convergence, while a geographically limited scope of knowledge diffusion can lead to regional clusters of countries with persistently different levels of income per capita.

This paper estimates the importance of geographic distance for technology diffusion, how this changed over time, and whether international trade, foreign direct investment, and communication flows serve as important channels of diffusion. The analysis is based on examining the productivity effects of R&D expenditures in the world's seven major industrialized countries between 1970 and 1995. The first finding of the paper is that the scope of technology diffusion is severely limited by distance. Second, technological knowledge has become a lot more global from the early 1970s to the 1990s. Third, trade patterns account for the majority of all differences in bilateral technology diffusion, whereas foreign direct investment and language skills differences contribute circa 15% each. Lastly, the three channels together account for almost the entire localization effect that would otherwise be attributed to geographic distance.

Keuschnigg, Christian

PD November 2000. **TI** Tax Policy, Venture Capital and Entrepreneurship. **AU** Keuschnigg, Christian; Nielsen, Soren Bo. **AA** Keuschnigg: University of St Gallen and Centre for Economic Policy Research. Nielsen: Copenhagen Business School. **SR** CEPR Discussion Paper: 2626; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D82, G24, H24, H25. **KW** Entrepreneurship. Moral Hazard. Subsidies. Taxes. Venture Capital.

AB This paper studies the effects of tax policy on venture capital activity. Entrepreneurs pursue a single high-risk project each but have no resources of their own. Financiers provide equity finance. They must structure the entrepreneur's profit share and base salary to assure their incentives for full effort. In addition to providing equity finance, venture capitalists assist with valuable business advice to enhance survival rates. Within a general equilibrium framework with a traditional and an entrepreneurial sector, the effects of taxes on the equilibrium level of entrepreneurship and managerial advice is investigated. The paper considers differential wage and capital income taxes, a comprehensive income tax, incomplete loss offset, and progressive taxation, as well as investment and output subsidies to the entrepreneurial sector.

Kim, Chang-Jin

PD October 2001. **TI** Common Stochastic Trends, Common Cycles, and Asymmetry in Economic Fluctuations. **AU** Kim, Chang-Jin; Piger, Jeremy. **AA** Kim: Korea University. Piger: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/014A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 24. **PR** no charge. **JE** C32, E32. **KW** Asymmetry. Business Cycles. Common Shocks. Markov-Switching. Productivity Slowdown.

AB This paper investigates the nature of U.S. business cycle asymmetry using a dynamic factor model of output, investment, and consumption. We identify a common stochastic trend and common transitory component by embedding the permanent income hypothesis within a simple growth model. Markov-switching in each component captures two types of asymmetry. Shifts in the growth rate of the common stochastic trend, having permanent effects, and "plucking" deviations from the common stochastic trend, having only transitory effects.

Statistical tests suggest both asymmetries were present in post-war recessions, although the shifts in trend are less severe than found in the received literature.

PD October 2001. **TI** The Less Volatile U.S. Economy: A Bayesian Investigation of Timing, Breadth, and Potential Explanations. **AU** Kim, Chang-Jin; Nelson, Charles R.; Piger, Jeremy. **AA** Kim: Korea University. Nelson: University of Washington. Piger: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/016A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 21. **PR** no charge. **JE** C11, E31, E32, E52. **KW** Volatility Reduction. Structural Break. Monetary Policy. Bayesian. Bayes Factors. Business Cycles.

AB Using Bayesian tests for a structural break at an unknown break date, we search for a volatility reduction within the post-war sample for the growth rates of U.S. aggregate and disaggregate real GDP. We find that the growth rate of aggregate real GDP has been less volatile since the early 1980's and that this volatility reduction is concentrated in the cyclical component of real GDP. The growth rates on many of the broad production sectors of real GDP display similar reductions in volatility, suggesting the aggregate volatility reduction does not have a narrow source. We also find a large volatility reduction in aggregate final sales mirroring that in aggregate real GDP. We contrast this evidence to an existing literature documenting an aggregate volatility reduction that is shared by only one narrow sub-component, the production of durable goods, and is not present in final sales. In addition to the volatility reduction in real GNP, we document structural breaks in the volatility and persistence of inflation and interest rates occurring over a similar time frame as the volatility reduction in real GDP.

PD October 2001. **TI** Permanent and Transitory Components of Business Cycles: Their Relative Importance and Dynamic Relationship. **AU** Kim, Chang-Jin; Piger, Jeremy; Startz, Richard. **AA** Kim: Korea University. Piger: Federal Reserve Bank of St. Louis. Startz: University of Washington. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/017A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 26. **PR** no charge. **JE** C32, E32. **KW** Asymmetry. Business Cycles. Markov-Switching.

AB This paper investigates the relationship between permanent and transitory components of U.S. recessions in an empirical model allowing for business cycle asymmetry. Using a common stochastic trend representation for real GNP and consumption, we divide real GNP into permanent and transitory components, the dynamics of which are different in booms vs. recession. We find evidence of substantial asymmetries in postwar recessions, and that both the permanent and transitory component have contributed to these recessions. We also allow for the timing of switches from boom to recession for the permanent component to be correlated with switches from boom to recession in the transitory component. The parameter estimates suggest a specific pattern of recessions: switches in the permanent component lead switches in the transitory component both when entering and leaving recessions.

Kim, Hong Jin

TI Spatial Variation in Benefits and Costs, or Why Pollution

Isn't Always for Sale. **AU** Berck, Peter; Helfand, Gloria E.; Kim, Hong Jin.

Kim, Sukkoo

PD April 2001. **TI** Markets and Multiunit Firms from an American Historical Perspective. **AA** Washington University in St. Louis and NBER. **SR** National Bureau of Economic Research Working Paper: 8232; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** L22, N82. **KW** Transaction Costs. Information Costs. Industrial Organization.

AB The expansion of markets and industrialization greatly increased the benefits of specialization in the U.S. economy. However, since the benefits of specialization can only be realized through trade, specialization significantly increases the volume of market transactions in the economy. The analysis presented in this paper suggests that a better understanding of the historical changes in the nature of market transactions costs, especially those related to information is likely to provide considerable insights on the rise of the modern business enterprise and a richer understanding of the industrial organization of the U.S. economy.

Kind, Hans Jarle

PD March 2001. **TI** Corporate Taxation, Multinational Enterprise and Economic Integration. **AU** Kind, Hans Jarle; Knarvik, Karen-Helene Midelfart; Schjelderup, Guttorm. **AA** Kind and Knarvik: Norwegian School of Economics and Business Administration. **SR** CEPR Discussion Paper: 2753; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F15, F23, H25, H87. **KW** Economic Integration. International Tax Competition. Multinational Enterprises. Tax Regimes.

AB This paper studies how economic integration affects transfer pricing, tax policy and welfare, when multinationals are taxed either according to formula apportionment (FA) or separate accounting (SA). It is shown that economic integration induces multinationals to lower their transfer prices under both tax systems, but that transfer prices become less tax sensitive under FA than under SA. A main result of the paper is that economic integration lowers tax rates in the Nash equilibrium under SA, but leads to higher taxes in the Nash equilibrium under FA.

Klein, Michael W.

PD January 2000. **TI** Job Creation, Job Destruction, and the Real Exchange Rate. **AU** Klein, Michael W.; Schuh, Scott; Triest, Robert K. **AA** Klein: Tufts University and NBER. Triest and Schuh: Federal Reserve Bank of Boston. **SR** National Bureau of Economic Research Working Paper: 7466; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 31. **PR** \$5.00. **JE** F23, F31, F36, F41, J60. **KW** Exchange Rates. Job Creation. Job Destruction. Adjustment Costs. Manufacturing.

AB This paper contributes to an understanding of internationally generated adjustment costs by demonstrating a statistically significant and economically relevant effect of the real exchange rate on job creation and job destruction in the

U.S. manufacturing industries over the period 1973 to 1993. The responsiveness of these gross job flows to the real exchange rate reflects pervasive heterogeneity with respect to international conditions across firms, even within narrowly defined industries. We document this heterogeneity and show that the responsiveness of job flows to movements in the real exchange rate varies with the industry's openness to international trade. We also show an asymmetry in the responsiveness of job flows to the real exchange rate: appreciations play a significant role in job destruction, but job flows do not respond significantly to dollar depreciation.

Knarvik, Karen-Helene Midelfart

TI Corporate Taxation, Multinational Enterprise and Economic Integration. AU Kind, Hans Jarle; Knarvik, Karen-Helene Midelfart; Schjelderup, Guttorm.

Koenig, Evan F.

TI The Use and Abuse of "Real-Time" Data in Economic Forecasting. AU Dolmas, Sheila; Koenig, Evan F.; Piger, Jeremy.

Kool, Clemens J. M.

TI The Expectations Theory and the Founding of the Fed: Another Look at the Evidence. AU Thornton, Daniel L.; Kool, Clemens J. M.

Kopczuk, Wojciech

TI The Impact of the Estate Tax on the Wealth Accumulation and Avoidance Behavior of Donors. AU Slemrod, Joel B.; Kopczuk, Wojciech.

PD March 2001. TI Dying to Save Taxes: Evidence from Estate Tax Returns on the Death Elasticity. AU Kopczuk, Wojciech; Slemrod, Joel B. AA Kopczuk: University of Michigan. Slemrod: University of Michigan and NBER. SR National Bureau of Economic Research Working Paper: 8158; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 17. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE H24, H26. KW Estate Taxes. Death Elasticity. Rationalization.

AB This paper examines data from U.S. federal tax returns to shed light on whether the timing of death is responsive to its tax consequences. We investigate the temporal pattern of deaths around the time of changes in the estate tax system—periods when living longer, or dying sooner, could significantly affect estate tax liability. We find some evidence that there is small death elasticity, although we cannot rule out that what we have uncovered is *ex post* doctoring of the reported date of death. However, the fact that we find that postponement, rather than acceleration, of death is more likely to occur suggests that this phenomenon is at last partly a real (albeit timing) response to taxation.

Koskiewicz, Jean-Max

TI Attitude Towards Information and Non-Expected Utility Preferences: A Characterization by Choice Functions. AU Diaye, Marc-Arthur; Koskiewicz, Jean-Max.

Kotlikoff, Laurence J.

PD March 2001. TI Generational Policy. AA Boston University and NBER. SR National Bureau of Economic

Research Working Paper: 8163; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 82. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE H60. KW Generational Policy. Fiscal Incidence. Fiscal Labels. Generational Accounting.

AB Generational policy (GP) is a fundamental aspect of a nation's fiscal affairs. It involves redistributing resources across generations and allocating to particular generations the burden of paying the government's bills. This chapter shows how GP works, how it's measured, and how much it matters to virtual as well as real economics. It then shows the zero-sum nature of GP, and clarifies the difference between statutory and true fiscal incidence. It also illuminates the arbitrary nature of fiscal labels as well as their associated fiscal aggregates. Finally, it illustrates the various guises of GP. Then, the chapter shows that its lessons about fiscal labels are general. This demonstration sets the stage for the description, illustration, and critique of generational accounting. The chapter's final sections use a simulation model to illustrate GP, consider the theoretical and empirical case for and against Ricardian Equivalence, discuss government risk sharing and risk making, and summarize lessons learned.

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

Kouno, Takatsugu

TI Are Americans More Altruistic than the Japanese? A U.S.-Japan Comparison of Saving and Bequest Motives. AU Horioka, Charles Yuji; Fujisaki, Hideki; Watanabe, Wako; Kouno, Takatsugu.

Kouparitsas, Michael A.

TI What Causes Fluctuations in the Terms of Trade? AU Baxter, Marianne; Kouparitsas, Michael A.

Kramarz, Francis

TI Does Entry Regulation Hinder Job Creation? Evidence from the French Retail Industry. AU Bertrand, Marianne; Kramarz, Francis.

Krishnamurthy, Arvind

TI International and Domestic Collateral Constraints in a Model of Emerging Market Crises. AU Caballero, Ricardo J.; Krishnamurthy, Arvind.

TI International Liquidity Illusion: On the Risks of Sterilization. AU Caballero, Ricardo J.; Krishnamurthy, Arvind.

Kroszner, Randall S.

PD January 2000. TI Does Political Ambiguity Pay? Corporate Campaign Contributions and the Rewards to Legislator Reputation. AU Kroszner, Randall S.; Stratmann, Thomas. AA Kroszner: University of Chicago and NBER. Stratmann: George Mason University. SR National Bureau of Economic Research Working Paper: 7475; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. PG 26. PR \$5.00. JE D72, D78, G28, G38. KW Politicians. Reputation. Uncertainty. Campaign Contributions. Ambiguity. AB Do politicians tend to follow a strategy of ambiguity in

their policy positions or a strategy of reputational development to reduce uncertainty about where they stand? Ambiguity could allow a legislator to avoid alienating constituents and to play rival interests off against each other to maximize campaign contributions. Alternatively, reputational clarity could help to reduce uncertainty about a candidate and lead to high campaign contributions from favored interests. We outline a theory that considers conditions under which a politician would and would not prefer reputational development and policy-stance clarity in the context of repeat dealing with special interests. Our proxy for reputational development is the percent of repeat givers to a legislator. Using data on corporate political action committee contributions (PACs) to members of the U.S. House during the seven electoral cycles from 1983/84 to 1995/96, we find that legislators do not appear to follow a strategy of ambiguity and that high reputational development is rewarded with high PAC contributions.

Krugman, Paul

TI Agglomeration, Integration and Tax Harmonization. AU Baldwin, Richard; Krugman, Paul.

Kydland, Finn E.

TI Inflation Persistence and Flexible Prices. AU Dittmar, Robert; Gavin, William T.; Kydland, Finn E.

L'Haridon, Olivier

PD 2001. TI Job Protection and Aggregate Employment Fluctuations: A Reappraisal. AU L'Haridon, Olivier; Malherbet, Franck. AA L'Haridon: GRID and Universite Paris I. Malherbet: CREST-INSEE and Universite Paris I. SR INSEE Documents de Travail du CREST: 2001/36; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 23. PR no charge. JE J23, J38, J41, J64. KW Matching Models. Job Protection. Employment Fluctuation.

AB This paper tackles the issue of the link between the variability of employment and job protection. On this purpose, we build an equilibrium matching model of unemployment that handles both idiosyncratic and aggregate shocks. In opposition with standard labor demand models, the simultaneous decisions of job creation and job destruction do not underline any obvious relationship between aggregate employment variability and firing costs. Still, our quantitative analysis leads us to argue that an increase in job protection is likely to enhance employment variability at the aggregate level for reasonable parameters values.

Labbe, Martine

TI New Formulation and Resolution Method for the p-Center Problem. AU Elloumi, Sourour; Labbe, Martine; Pochet, Yves.

Labys, Paul

TI Modeling and Forecasting Realized Volatility. AU Andersen, Torben G.; Bollerslev, Tim; Diebold, Francis X.; Labys, Paul.

Lafontaine, Francine

PD March 2001. TI International Franchising: Evidence from US and Canadian Franchisors in Mexico. AU Lafontaine, Francine; Oxley, Joanne. AA University of

Michigan. SR National Bureau of Economic Research Working Paper: 8179; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 33. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE L20, L80. KW Franchising. Agency and Internationalization Theory.

AB The contracting practices of franchisors outside their domestic markets have received limited attention in the empirical literature, mostly due to data limitations. This paper exploits a newly assembled data set that allows not only to describe the contracting practices of US and Canadian franchisors in Mexico but, most importantly, to compare them to their domestic counterparts. This paper first reviews the two theoretical frameworks that have been used most to study franchisors' domestic and international operations, namely agency and internationalization theory, and uses implications derived from these frameworks. The paper focuses in turn on franchisors' decision to operate in the Mexican market, their propensity to enter via company-owned versus franchised units as compared to the same decision domestically, and finally the financial contract terms they adopt for their franchise agreements in Mexico compared to their home market. The empirical results confirm hypotheses derived from the theories. But some surprises are also found.

LaFrance, Jeffrey T.

PD June 2000. TI Duality Theory for the Household. AA University of California, Berkeley. SR University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 873R; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. PG 87. PR \$21.75 Domestic; \$43.50 International Surface Rate. JE D11. KW Duality Theory. Household Production. Consumer Choice.

AB Not Available.

TI The U.S. Income Distribution and Gorman Engel Curves for Food. AU Agnew, G. K.; Beatty, Timothy K. M.; LaFrance, Jeffrey T.; Pope, Rulon D.

PD October 2000. TI Subsidized Crop Insurance and Extensive Margin. AU LaFrance, Jeffrey T.; Shimshack, Jason; Wu, Steven. AA University of California, Berkeley. SR University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 912; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. PG 20. PR \$5.00 Domestic; \$10.00 International Surface Rate. JE D50, Q12, Q15. KW Agricultural Policy. Subsidies. Crop Insurance. Extensive Margin. Risk.

AB A partial equilibrium model of stochastic crop production is used to analyze the influence of subsidized crop insurance on the extensive margin. The addition of a crop insurance program that is characterized by a perfectly separating equilibrium and an actuarially fair premium for each quality does not change input use or land allocation. However, risk neutral farmers facing actuarially fair premiums are indifferent between the purchase and not purchase decision. Risk averse farmers all will purchase actuarially fair crop insurance. Premium

subsidies create incentives for the extensive margin to expand at the lower end of the quality spectrum leading to adverse selection. Land in production without crop insurance remains in production with subsidized crop insurance. An actuarially fair pooling equilibrium creates incentives for the extensive margin to expand at the lower end of the quality spectrum, again leading to adverse selection. In the short-run, owners of high quality land do not insure their crops, while owners of the lowest quality land purchase insurance, exacerbating adverse selection. In the long-run, the pooling equilibrium premium rate increases until a limiting solution is obtained in which risk neutral owners of only one land quality type are indifferent between insuring and not insuring a quality of land.

Lahreche-Revil, Amina

TI Foreign Direct Investment and the Prospects For Tax Co-Ordination in Europe. AU Benassy-Quere, Agnes; Fontagne, Lionel; Lahreche-Revil, Amina.

TI Exchange Rate Strategies in the Competition for Attracting FDI. AU Benassy-Quere, Agnes; Fontagne, Lionel; Lahreche-Revil, Amina.

Landier, Augustin

TI The Perverse Effects of Partial Labor Market Reform: Fixed Duration Contracts in France. AU Blanchard, Olivier J.; Landier, Augustin.

Lannoo, Karel

TI Economic Policy Coordination and Financial Supervision in the EMU. AU Wiplosz, Charles; Lannoo, Karel.

Lardjane, Salim

PD 2002. TI Optimal Speed Nonparametric Density Estimation for One-Dimensional Dynamical Systems. AA CREST-ENSAE and Universite de Bretagne-Sud. SR INSEE Documents de Travail du CREST: 2002/16; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. PG 9. PR no charge. JE C14, C19. KW Nonparametric Estimation. Ergodic Theory. Dynamic Processes. Chaos.

AB The author deals with nonparametric invariant density estimation for a general class of one-dimensional dynamical systems. He establishes various mixing inequalities and shows that the problem is equivalent to the estimation of the marginal density of a stationary dynamic process. He uses this equivalence to prove that the Parzen-Rosenblatt estimator of the marginal density of a dynamic process can converge in quadratic mean with the optimal rate of the independently and identically distributed case. He applies this result to invariant density estimation for ergodic dynamical systems and gives an interpretation of the mean quadratic error of the Parzen-Rosenblatt estimator in this context.

Laroque, Guy

PD 2002. TI Salaire Minimum et Emploi en Presence de Negociations Salariales. AU Laroque, Guy; Salanie, Bernard. AA Laroque: CREST-INSEE and CNRS. Salanie: CREST-INSEE, CNRS, and CEPR. SR INSEE Documents de Travail du CREST: 2002/10; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html.

PG 24. PR no charge. JE E24, J31. KW Minimum Wage. Labor Markets.

AB This paper studies the effect of changes in the minimum wage on employment and the wage distribution when wages are bargained over by each employee and each employer. Then an increase in the minimum wage may increase the welfare of workers if the induced wage increase more than compensates for job losses. In order to quantify these effects, we estimate a model inspired by our earlier work on individual data. The data reject the prediction of the model that wages depend positively on the variables that reduce participation. This paper is written in French.

Laukkanen, Marita

PD November 2000. TI Cooperative and Non-Cooperative Harvesting in a Stochastic Sequential Fishery. AA University of California, Berkeley. SR University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 918; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. PG 31. PR \$7.75 Domestic; \$15.50 International Surface Rate. JE C72, Q22. KW Fisheries Management. Shared Resources. Sequential Fishery. Non-Cooperative Games. Stochastic Recruitment.

AB We examine cooperative harvesting in a sequential fishery with stochastic shocks in recruitment. Two fleets harvest in a stochastic interception fishery. We analyze cooperative management as a non-cooperative game, where deviations from cooperative harvesting are deterred by the threat of harvesting at non-cooperative levels for a fixed number of periods whenever the initial stock falls below a trigger level. We illustrate the sequential harvesting game with an application to the Northern Baltic salmon fishery. Cooperative harvesting yields participants substantial gains in terms of expected payoffs. The greatest gains accrue to the fleet harvesting the spawning stock, the actions of which are not observed by the competitor. An explanation for the prevalence of fish wars is provided in that even if a cooperative agreement is reached, shocks in recruitment trigger phases of non-cooperative harvesting. Further, the cooperative solution can only be maintained when stock uncertainty is not too prevalent.

Laurent, Sebastien

TI Value-At-Risk for Long and Short Trading Positions. AU Giot, Pierre; Laurent, Sebastien.

TI A New Class of Multivariate Skew Densities, with Application to GARCH Models. AU Bauwens, Luc; Laurent, Sebastien.

Le Breton, Michel

TI Transfers in a Polarized Country: Bridging the Gap Between Efficiency and Stability. AU Haimanko, Ori; Le Breton, Michel; Weber, Shlomo.

Le Grand, Julian

TI Constraint and Opportunity: Identifying Voluntary Non-Employment. AU Burchardt, Tania; Le Grand, Julian.

TI Outside and Insider Expertise: The Response of Residents of Deprived Neighborhoods to an Academic Definition of Social Exclusion. AU Richardson, Liz; Le

Grand, Julian.

Leahy, Dermot

PD March 2001. **TI** Robust Rules for Industrial Policy in Open Economies. **AU** Leahy, Dermot; Neary, J. Peter. **AA** University College Dublin and CEPR. **SR** CEPR Discussion Paper: 2731; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F12, L13. **KW** Cost-Reducing Investment. Export Subsidies. Investment. R&D Subsidies. Industrial Policy.

AB The theory of strategic trade policy yields ambiguous recommendations for assistance to exporting firms in oligopolistic industries. Some writers have, however, suggested that investment subsidies are a more robust recommendation than export subsidies. We show that, though ambiguous in principle, the case for investment subsidies is reasonably robust in practice. Except when functional forms exhibit arbitrary non-linearities, it holds under both Cournot and Bertrand competition, with either cost-reducing or market-expanding investment, and with or without spillovers. Only if firms have strong asymmetries in their investment behavior and engage in Bertrand competition is an investment tax clearly justified.

Leamer, Edward E.

PD March 2001. **TI** The Life Cycle of US Economic Expansions. **AA** UCLA and NBER. **SR** National Bureau of Economic Research Working Paper: 8192; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** E31, E32, J64. **KW** Economic Expansions. Business Cycle Phases.

AB Graphs that allow side by side comparisons of the six longer US expansions since 1950 suggest that these expansions have four distinct phases: (1) a high growth recovery during which the rate of unemployment declines to its pre-recession level, (2) a modest growth plateau during which the rate of unemployment is constant, (3) a growth spurt that drives unemployment down further and (4) a second plateau with modest growth and constant rate of unemployment. There have been only three expansions that have experienced the spurt and none has experienced a second spurt. The phases involve substantially different rates of GDP growth, but within each of these four phases GDP growth is largely unpredictable. Forecast accuracy thus comes mostly from understanding the transitions. This requires both data and economics. The economics takes the form of a predator/prey model of the cycle, where 'prey' are investment opportunities and 'predators' are entrepreneurs. A probit model of the transition in to recession raises concerns about how much longer the aged Bush/Clinton expansion can last.

Lecker, Tikva

TI Multi-Generation Model of Immigrant Earnings: Theory and Application. **AU** Epstein, Gil S.; Lecker, Tikva.

Lecourt, Christelle

TI The Impact of Foreign Exchange Interventions: New Evidence from FIGARCH Estimations. **AU** Beine, Michel; Benassy-Quere, Agnes; Lecourt, Christelle.

Lee, In Ho

TI Time-Consistent Policies. **AU** Karp, Larry; Lee, In Ho.

Lehnert, Thorsten

PD February 2001. **TI** Modelling Scale-Consistent VaR with the Truncated Levy Flight. **AU** Lehnert, Thorsten; Wolff, Christian C. **AA** Maastricht University. **SR** CEPR Discussion Paper: 2711; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C22, C52, G12. **KW** Augmented GARCH Process. Scale Consistency. Truncated Levy Flight. Value-At-Risk.

AB Returns in financial assets show consistent excess kurtosis, indicating the presence of large fluctuations not predicted by Gaussian models. Mandelbrot (1963) first proposed the idea that price changes distributed according to a Levy stable law. The unique feature of Levy-stable distributions in general is that they are stable under addition. However, these distributions have power law tails that decay too slowly from the point of view of financial modeling. In recent studies the truncated Levy Flight has been shown to eliminate this problem and to be very promising for the modeling of financial dynamics. An exponential decay in the tails ensures that all moments are finite and the distribution is fat-tailed for short time scales and converges in a Gaussian process for increasing time scales, a feature observed in financial data. We propose a model with time varying scale parameter (GARCH process) with error terms that are truncated Levy distributed. We determine the appropriate GARCH specification for each data set by conducting a specification test based on a generalization of the augmented GARCH process of Duan (1997).

Leite-Monteiro, Manuel

TI Social Insurance and Redistribution. **AU** Boadway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

PD January 2002. **TI** Redistribution with Capital Mobility and Unions' Wage Setting. **AU** Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre. **AA** Leite-Monteiro: Universidade Catolica Portuguesa. Marchand: Universite Catholique de Louvain. Pestieau: Universite de Liege, CORE, and CEPR. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/03; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 13. **PR** \$100 per year. **JE** D30, E62, F10, F21. **KW** Tax Competition. Unemployment. Capital Mobility. Fiscal Policy.

AB Most models of tax competition assume full employment. Yet, actually one often observes that fiscal competition, particularly when it is aimed at attracting investment, is motivated by the concern of fighting unemployment and enhancing job creation. This paper considers a multicountry model with capital mobility and unemployment. Fiscal policy has two opposing objectives: financing unemployment insurance and increasing employment. In each country there is a majority vote on this policy. The purpose of this paper is to analyze how opening border to capital flows modifies the median voter's choice of the employment subsidy. Assuming that capital and labor are complements, economic integration is

shown to rise the employment subsidy with fixed wages. This agrees with intuition as a larger employment subsidy attracts more capital. However, when wages are set by labor unions, economic integration can change the median voter's choice in either direction.

Lemoine, Françoise

PD June 2000. **TI** FDI and the Opening Up of China's Economy. **AA** CEPII. **SR** CEPII Working Paper: 2000/11; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 80. **PR** no charge. **JE** F02, F13, F14, F21, F41. **KW** Economic Integration. Open Economy. China. Trade Liberalization. Foreign Direct Investment.

AB This paper intends to investigate the degree of openness of China's economy at the end of the nineties and the likely consequences of the accession of China to the WTO. Since 1980, China's share in international trade has trebled, rising from less than 1 percent to more than 3 percent in 1999 and China has become the second largest recipient of foreign direct investment (FDI). The study offers evidence of the positive impact of foreign direct investment (FDI) on China's manufacturing industry and its restructuring. FDI has allowed new entrants into China's industry and hence accelerated the diversification of ownership patterns, and the emergence of competitive structures. But the opening up policy has had adverse effects: for example, the hypothesis that preferential treatment for FDI has distorted competition is confirmed by large capital outflows which are fueling "false" FDI. The analysis also shows that China's specialization pattern during the nineties was largely determined by the strategy of foreign affiliates.

TI Central and Eastern European Countries in the International Division of Labour in Europe. **AU** Freudenberg, Michael; Lemoine, Françoise.

Lerner, Josh

PD January 2000. **TI** Do Equity Financing Cycles Matter? Evidence from Biotechnology Alliances. **AU** Lerner, Josh; Tsai, Alexander. **AA** Lerner: Harvard Business School and NBER. Tsai: Case Western Reserve University. **SR** National Bureau of Economic Research Working Paper: 7464; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 29. **PR** \$5.00. **JE** E32, G20, G32, L14, L69. **KW** Equity Financing. Biotechnology. Firm. Corporate Alliances.

AB While the variability of public equity financing has been long recognized, its impact on firms has attracted little empirical scrutiny. This paper examines one setting where theory suggests that variations in financing conditions should matter, alliances between small R&D firms and major corporations: Aghion and Tirole [1994] suggest that when financial markets are weak, assigning the control rights to the small firm may be sometimes desirable but not feasible. The performance of 200 agreements entered into biotechnology firms between 1980 and 1995 suggests that financing availability does matter. Consistent with theory, agreements signed during periods with little external equity financing that assign the bulk of the control to the corporate partner are significantly less successful than other alliances. These agreements are also disproportionately likely to be renegotiated if financial market conditions improve.

Lerman, Robert I.

PD April 2001. **TI** Child Support: Interaction Between Private and Public Transfers. **AU** Lerman, Robert I.; Sorensen, Elaine. **AA** Lerman: Urban Institute and American University. Sorensen: Urban Institute. **SR** National Bureau of Economic Research Working Paper: 8199; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 46. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H31, H71, I31, I38. **KW** Child Support Enforcement. Private Transfers. Public Transfers.

AB Child support is a private transfer that is integral to the means-tested public transfer system. Support payments generally lower the budget costs of welfare as well the incentives for parents to participate. This paper reviews the history of the Child Support Enforcement (CSE) program; the economic rationale for government's role; trends in support awards and payments; the importance of child support to low-income families; the capacity of non-custodial parents to pay child support; trends in costs, financing and effectiveness of the CSE program; the effects of child support on behavior; equity issues in child support; and proposals for reform. Despite efficiency gains in the CSE program, especially in establishing paternity, a shift in the composition of cases has offset these improvements, causing support payments per custodial mother to rise only modestly in real terms.

Lerner, Josh

PD January 2000. **TI** 150 Years of Patent Office Practice. **AA** Harvard Business School and NBER. **SR** National Bureau of Economic Research Working Paper: 7477; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** \$5.00. **JE** D82, N40, O34. **KW** Intellectual Property. Patents. Asymmetric Information. Law.

AB An extensive theoretical literature has examined the impact of information problems on interactions between government bodies and private firms. One little-explored empirical testing ground is the patent system. This paper examines the administrative practices of patent offices in sixty countries over a 150-year period. I show that the usage of patent renewal fees and other mechanisms to grant discretion to patentees is consistent with theoretical suggestions. Nations where information asymmetries between government officials and patentees are likely to be more prevalent -- larger countries, wealthier economies, and those where international trade is more important -- incorporate discretionary features into their patent systems more frequently. I also find evidence that policymakers are more likely to restrict patent office officials' flexibility and to divide the responsibility for determining patentability between the patent office and the courts when information problems are likely to be severe.

PD January 2000. **TI** 150 Years of Patent Protection. **AA** Harvard Business School and NBER. **SR** National Bureau of Economic Research Working Paper: 7478; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 28. **PR** \$5.00. **JE** K20, N40, O34. **KW** Intellectual Property. Patents. Law.

AB This paper examines three sets of explanations for variations in the strength of patent protection across sixty countries and a 150-year period. Wealthier nations are more

likely to have patent systems, to allow patentees a longer time to put their patents into practice, and to ratify treaties assuring equal treatment of other nations. But they are also likely to charge higher fees and limit patent protection in some important ways. Countries with democratic political institutions are consistently more likely to have patent protection appear to be determined by historical factors. The origin of a country's commercial law appears particularly important in explaining the presence of restrictions on patentees' privileges and discriminatory provisions against foreign patentees.

Li, Kui-Wai

TI The Changing Trade and Revealed Comparative Advantages of Asian and Latin American Manufacture Exports. **AU** Bender, Siegfried; Li, Kui-Wai.

Lichtenberg, Frank R.

PD March 2001. **TI** The Benefits and Costs of Newer Drugs: Evidence from the 1996 Medical Expenditure Panel Survey. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 8147; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 16. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I11, L65, O33. **KW** Prescription Drugs. Mortality. Medical Expenditures.

AB The nation's spending for prescription drugs has grown dramatically in recent years. Previous studies have shown that the replacement of older drugs by newer, more expensive, drugs is the single most important reason for this increase, but they did not measure how much of the difference between new and old drug prices reflects changes in quality as better, newer drugs replace older, less effective medications. In this paper, analyzed prescribed medicine event-level data from the 1996 Medical Expenditure Panel Survey to provide evidence about the effect of drug age on mortality, morbidity, and total medical expenditure, controlling for a number of characteristics of the individual and the event. The results provide strong support for the hypothesis that the replacement of older by newer drugs results in reductions in mortality, morbidity, and total medical expenditure. Although the mortality rate in this sample is quite low, we found that people consuming new drugs were significantly less likely to die by the end of the survey than people consuming older drugs. As to morbidity, we found weak evidence that people consuming new drugs were significantly less likely to experience work-loss days than people consuming old drugs.

Lindert, Peter H.

PD April 2001. **TI** Does Globalization Make the World More Unequal? **AU** Lindert, Peter H.; Williamson, Jeffrey G. **AA** Lindert: University of California, Davis. Williamson: Harvard University. **SR** National Bureau of Economic Research Working Paper: 8228; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 39. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D31, F02, F15. **KW** Global Inequality. Global Isolation. Global Integration.

AB The world economy has become more unequal over the last two centuries. Since within-country inequality exhibits no ubiquitous trend, it follows that virtually all of the observed rise in world income inequality has been driven by widening gaps between nations, while almost none of it has driven by

widening gaps within nations. Meanwhile, the world economy has become much more globally integrated over the past two centuries. This paper argues that the likely impact of globalization on world inequality has been very different from what these simple correlations suggest. Globalization probably mitigated rising inequality between participating nations. The nations that gained the most from globalization are those poor ones that changed their policies to exploit it, while the ones that gained the least did not, or were too isolated to do so. The effect of globalization on inequality within nations has gone both ways, but here too those who have lost the most from globalization typically have been the excluded non-participants. In any case, the net impact of globalization was far too small to explain the observed long run rise in world inequality.

Litchfield, Julie A.

TI Income Inequality Comparisons with Dirty Data: The UK and Spain During the 1980s. **AU** Cowell, Frank A.; Litchfield, Julie A.; Mercader-Prats, Magda.

Liu, Xuemei

TI The Clean Development Mechanism and its Controversies. **AU** Karp, Larry; Liu, Xuemei.

Lizzeri, Alessandro

TI The Role of Commitment in Dynamic Contracts: Evidence from Life Insurance. **AU** Hendel, Igal; Lizzeri, Alessandro.

Ljungqvist, Alexander P.

PD March 2001. **TI** The Seven Percent Solution? An International Perspective on Underwriting Spreads. **AU** Ljungqvist, Alexander P.; Wilhelm, William J., Jr. **AA** Ljungqvist: New York University and CEPR. **SR** CEPR Discussion Paper: 2736; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** G24, G32. **KW** Initial Public Offerings. Investment Banking. Underwriting Spreads.

AB Non-US firms frequently pay a substantial premium to have a US bank lead their initial public offering of equity, even when the issuing firm is not seeking a listing on a US exchange. We provide evidence that this decision reflects an expectation that US banks deliver a higher quality bundle of underwriting services. Specifically, a non-US issuing firm that includes a US bank in its underwriting syndicate can expect to have its offering underpriced by 17.7 percent less than had it not included a US bank in the syndicate. Failure to account for the endogeneity of the decision to hire a US bank vastly understates the magnitude of the effect. This finding has direct implications for the claim that US bank spreads for domestic IPOs are above competitive levels.

Lo, Ming Chien

PD May 2002. **TI** Is the Response of Output to Monetary Policy Asymmetric? Evidence from a Regime-Switching Coefficients Model. **AU** Lo, Ming Chien; Piger, Jeremy. **AA** Lo: University of Virginia. Piger: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/022B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442.

Website: www.stls.frb.org/research. PG 18. PR no charge. JE C32, E32. KW Asymmetry. Business Cycles. Regime Switching. Monetary Policy.

AB This paper adopts a general approach to investigate asymmetry in the leading explanatory power of interest-rate-based indicators of monetary policy for U.S. output. The purpose is to provide robust results by utilizing a model that does not pre-specify a particular condition under which asymmetry arises. In particular, we augment an unobserved-components decomposition of real output into permanent and transitory components with monetary policy indicators. Asymmetry is captured by allowing the coefficients on the policy variables to undergo regime switching. This framework produces a latent state variable that documents when policy actions have led output. In a second state, we use the estimated latent state variable to jointly evaluate the evidence from three specific types of asymmetry. We find that policy actions taken during periods of cyclical downturn in the economy are more likely to lead output than those taken during cyclical expansions. We also find that during periods of cyclical downturn, large policy actions and contractionary policy actions are more likely to lead output than those that are small or expansionary.

Loisel, Olivier

TI Why was the Euro Weak? Markets and Policies. AU Cohen, Daniel; Loisel, Olivier.

Lommerud, Kjell Erik

PD March 2001. TI Merger Profitability in Unionized Oligopoly. AU Lommerud, Kjell Erik; Sorgard, Lars; Straume, Odd Rune. AA Lommerud: University of Bergen and CEPR. SR CEPR Discussion Paper: 2738; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE J51, L13, L41. KW Endogenous Wages. Merger Profitability. Trade Unions.

AB We examine how a merger affects wages of unionized labor and, in turn, the profitability of a merger under Cournot competition in differentiated products. If unions are plant-specific, we find that a merger is more profitable than in a corresponding model with exogenous wages. In contrast to the received literature, we find that it can be more profitable to take part in a merger than to be an outsider. For firm-specific unions, on the other hand, results are reversed.

Lopez-Salido, J. David

TI European Inflation Dynamics. AU Gali, Jordi; Gertler, Mark; Lopez-Salido, J. David.

Louveaux, Quentin

PD October 2000. TI Combining Problem Structure with Basis Reduction to Solve a Class of Hard Integer Programs. AU Louveaux, Quentin; Wolsey, Laurence A. AA CORE. SR Universite Catholique de Louvain, CORE Discussion Paper: 2000/51; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 14. PR \$100 per year. JE C6. KW Integer Programming. Basis Reduction. Lattices. Market Share Problem.

AB Recently some small difficult equality constrained integer

programs have successfully been solved by using basis reduction to reformulate the problems as inequality constrained integer programs in a different space. Here this method is adapted to solve integer programs that are larger, but have special structure. The practical problem motivating this work is a variant of the market share problem. The main topic of this paper is a study of the lattice L . It is shown that an integer basis of L can be obtained by taking the Kronecker product of vectors from integer bases of two much smaller lattices. Furthermore the resulting basis is a reduced basis if the integer bases of the two small lattices are reduced bases, and a suitable ordering is chosen. Finally, some limited computational results are presented showing the benefits of making use of the problem structure.

Lucking-Reiley, David

TI Public Versus Secret Reserve Prices in eBay Auctions: Results from a Pokemon Field Experiment. AU Katkar, Rama; Lucking-Reiley, David.

Lydon, Reamonn

PD May 2002. TI Estimates of the Effect of Wages on Job Satisfaction. AU Lydon, Reamonn; Chevalier, Arnaud. AA Lydon: University of Warwick. Chevalier: CEP, LSE and University College Dublin. SR London School of Economics, Centre for Economic Performance Discussion Paper: 531; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 17. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE J28, J31. KW Job Satisfaction. Wages. Britain.

AB Empirical studies on job satisfaction have relied on two hypotheses: firstly, that wages are exogenous in a job satisfaction regression and secondly, that appropriate measures of relative wage can be inferred. In this paper we test both assumptions using two cohorts of UK university graduates. We find that controlling for endogeneity, the direct wage effect on job satisfaction doubles. Several variables relating to job match quality also impact on job satisfaction. Graduates who get good degrees report higher levels of job satisfaction, as do graduates who spend a significant amount of time in job search. Finally we show that future wage expectations and career aspirations have a significant effect on job satisfaction and provide better fit than some ad-hoc measures of relative wage.

Lynch, Lisa M.

TI What's Driving the New Economy: The Benefits of Workplace Innovation. AU Black, Sandra E.; Lynch, Lisa M.

MacCulloch, Robert

TI Inequality and Happiness: Are Europeans and Americans Different? AU Alesina, Alberto; Di Tella, Rafael; MacCulloch, Robert.

PD September 2001. TI What Makes a Revolution? AA LSE. SR London School of Economics, STICERD Development Economics Discussion Paper: DEDPS/30; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG not available. PR no charge. JE D23, D31, D74. KW Property Rights. Revolts. Income Inequality.

AB Although property rights are the cornerstone of capitalist economies, throughout history existing claims have been frequently overturned and redefined by revolution. A fundamental question for economists is what makes revolutions more likely to occur. A large literature has found contradictory evidence for the effect of income and income inequality on revolt, possibly due to omitted variable bias. The primary innovation of the paper is to tackle this problem by introducing a new panel at a set derived from surveys of revolutionary support across one-quarter of a million randomly sampled individuals. This allows one to control for unobserved fixed effects. The regressions are based on a choice-theoretic model of revolt. After controlling for personal characteristics, country and year fixed effects, more people are found to favor revolt when inequality is high and their net incomes are low. The results indicate that "going for growth", or implementing policies that reduce inequality, can buy nations out of revolt.

PD September 2001. **TI** Does Social Insurance Help Secure Property Rights? **AA** LSE. **SR** London School of Economics. **STICERD** Development Economics Discussion Paper: DEDPS/31; **STICERD**, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 40. **PR** no charge. **JE** D23, D31, D74. **KW** Social Insurance. Property Rights. Revolt.

AB This paper develops a simple model to show how social insurance affects the desire to revolt against property rights. It then tests for the effect of social insurance on revolt by introducing a panel data set derived from surveys across over 200,000 randomly sampled individuals from the 1970s to the 1990s. After controlling for the personal characteristics of respondents, country fixed effects, year dummies, as well as country-specific time trends, less people are found to support revolt when the generosity of either the elderly person's social security or unemployment benefits increases. A one standard deviation change in either variable explains approximately one standard deviation of the proportion of people supporting revolt, measured across the countries and years in the sample. The personal characteristic with the largest effect on reducing revolutionary support is being religious.

Machin, Stephen

TI Changes in Intergenerational Mobility in Britain. **AU** Blanden, Jo; Goodman, Alissa; Gregg, Paul; Machin, Stephen.

PD June 2002. **TI** The Structure of Wages in What Should be a Competitive Labour Market. **AU** Machin, Stephen; Manning, Alan. **AA** Machin: CEP, LSE and University College London. Manning: CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 532; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science. Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 15. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J31, J51. **KW** Wage Dispersion. Labor Markets. Britain. Healthcare Workers.

AB This paper examines the structure of wages in a very specific labor market, for care assistants in residential homes for the elderly on England's "sunshine coast". This sector corresponds closely to economists' notion of what should be a competitive labor market as: (i) there are a large number of

small firms undertaking a very homogeneous activity in concentrated geographical areas; and (ii) the workers they employ are not unionized, nor are they covered by any minimum wage legislation so that there are effectively no external constraints on the wage-setting process. We find that the structure of wages does not, in important respects, resemble what we would expect in a competitive labor market. We find a small amount of wage dispersion within firms and a correspondingly large amount between firms. And, the wage dispersion that is present does not seem to be closely related to the productivity related characteristics of workers. We test the hypothesis that unobserved labor quality can explain our findings, and it is rejected. The paper concludes with a discussion of other possible explanations of the patterns in our data.

Maganc, Thierry

PD June 2002. **TI** Panel Binary Variables and Individual Effects: Generalizing Conditional Logit. **AA** INRA and CREST. **SR** INSEE Documents de Travail du CREST: 2002/18; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 27. **PR** no charge. **JE** C14, C33. **KW** Logit Estimation. Panel Data. Semiparametric Estimation. Sufficiency.

AB We extend the conditional logit approach used in panel data models of binary variable with correlated fixed effects. In a two-period two-state model we derive the necessary and sufficient conditions on the joint distribution function of the individual-and-period specific shocks such that the sum of individual binary variables across time is a sufficient statistic for the individual effect. The conditional likelihood function, conditional on this statistic, does not therefore depend on individual effects. It leads to square root n -consistent and normally distributed estimators. Conditions under which this property of sufficiency is true are a lot less stringent than in the conditional logit approach (Rasch, Andersen, Chamberlain). In applied work, it gives justifications to quasi-differencing the binary variables as if they were continuous variables. Semiparametric approaches drawn from the cross-section literature can then be readily applied. Finally, the extension of a result of Chamberlain (1992) shows that the semi-parametric efficiency bound is not equal to zero if and only if the property of sufficiency is satisfied.

Malherbet, Franck

TI Job Protection and Aggregate Employment Fluctuations: A Reappraisal. **AU** L'Haridon, Olivier; Malherbet, Franck.

TI Unemployment Compensation Finance and Labor Market Rigidity. **AU** Cahuc, Pierre; Malherbet, Franck.

Malinvaud, Edmond

PD 2002. **TI** Knut Wicksell and the Challenges Faced by Capital Theory. **AA** CREST-INSEE. **SR** INSEE Documents de Travail du CREST: 2002/01; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 22. **PR** no charge. **JE** B31, D11, D24. **KW** Capital Theory. History of Thought.

AB The review of Wicksell's contributions to capital theory focuses on stationary states in four distinct models he used to account for the time dimension of production in market

economies. We now better understand the true challenges because of two developments: a full theory of inter-temporal general equilibria, the methodology for comparative analysis explained by Hicks. In Wicksell's equilibria, the real interest rate turns out to be equal to the marginal productivity of the volume of social capital, a concept that he could not master, hence avoided. Challenges remain, particularly to best account for complementarities and substitutions through time.

Mandal, Rachel J.

TI Evaluating FOMC Forecasts. **AU** Gavin, William T.; Mandal, Rachel J.

Manning, Alan

PD September 2001. **TI** Monopsony and the Efficiency of Labour Market Interventions. **AA** CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 514; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 16. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** J42, J51, J65. **KW** Labor Markets. Monopsony.

AB Implicit in many discussions of labor market policy is the assumption that, in the absence of interventions, the operation of the labor market is well-approximated by the perfectly competitive model. The merits or demerits of particular policies are then seen as a trade-off between efficiency and equality. This paper analyzes the impact of a variety of policies -- the minimum wage, trade unions, unemployment insurance, progressive income taxation and restrictions on labor contracts -- on efficiency when labor markets in the absence of intervention are monopsonistic and not perfectly competitive. A simple version of the Burdett and Mortensen (1998) model is used for this purpose.

TI The Structure of Wages in What Should be a Competitive Labour Market. **AU** Machin, Stephen; Manning, Alan.

TI Has the National Minimum Wage Reduced UK Wage Inequality? **AU** Dickens, Richard; Manning, Alan.

Marchand, Maurice

PD April 2001. **TI** Markets for Public and Private Health Care: Redistribution Arguments for a Mixed System. **AU** Marchand, Maurice; Schroyen, Fred. **AA** Marchand: CORE. Schroyen: Norwegian School of Economics and Business Administration. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/23; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 28. **PR** \$100 per year. **JE** I11, I18. **KW** Health Care. Public Policy. Income Tax System.

AB Should health care provision be public, private, or both? This paper looks at this question in a setting where people differ in their earnings capacity and express an inelastic demand for health care. The paper assumes that illness reduces a person's health status when not receiving immediate treatment. Treatment can be obtained in a competitive private sector or in the National Health Service (NHS) where it is provided free of charge but after some (endogenous) waiting time. The equilibrium in the health care sector consists of a fee for private consultations and a contract offered to NHS physicians such

that no physician has an incentive to switch place of work, and in addition a waiting time in the NHS such that no patient wants to switch health care provider. This equilibrium is governed by three public policies: the income tax system, the subsidy of private health care, and the terms of the contract offered to NHS physicians.

TI Social Insurance and Redistribution. **AU** Boadway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

TI Redistribution with Capital Mobility and Unions' Wage Setting. **AU** Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

Markowitz, Sara

PD January 2000. **TI** Criminal Violence and Alcoholic Beverage Control: Evidence from an International Study. **AA** New Jersey Institute of Technology and NBER. **SR** National Bureau of Economic Research Working Paper: 7481; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 18. **PR** \$5.00. **JE** I12, I18, K14, K42. **KW** Alcoholic Beverages. Criminal Behavior. Violence.

AB The purpose of this paper is to examine the relationship between the price of alcoholic beverages and the incidence of criminal violence in different countries around the world. The positive association between alcoholic beverage consumption and violence is well documented, as is the negative relationship between the quantity of alcohol consumed and its price. These two relationships together form the principal hypothesis of whether increases in alcoholic beverage prices will directly decrease the incidence of criminal violence. The data come from the 1989 and 1992 International Victimization Surveys. The sample used in this paper is comprised of almost 50,000 respondents in 16 different countries. The respondents were asked if they had been victims of three types of violent crimes in the past year: robbery, assault, and sexual assault (female respondents only). A reduced form model is estimated where the probability of being a victim of violent crime is determined by the price of alcohol, variables describing the area the person lives in, and other socio-economic characteristics of the respondent. Country fixed effects are also employed in some models. Results indicate that higher alcoholic beverage prices lead to lower incidences of all three types of violent crime in models where country fixed effects are not included. Results from models which include country fixed effects are not reliable.

Marschke, Gerald

TI Performance Incentives with Award Constraints. **AU** Courty, Pascal; Marschke, Gerald.

Martimort, David

PD February 2001. **TI** Monopolies Life Cycle, Bureaucratization, and Schumpeterian Growth. **AU** Martimort, David; Verdier, Thierry. **AA** Martimort: Universite des Sciences Sociales de Toulouse and CEPR. Verdier: DELTA. **SR** CEPR Discussion Paper: 2700; Centre for Economic Policy Research, Discussion Paper Orders. 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D92, L22, O40. **KW** Bureaucratization.

Dynamic Collusion. Internal Firm Organization. Schumpeterian Growth.

AB This paper analyses the link between the internal organization of firms, their individual life cycle and the whole process of macroeconomic growth. We present a Schumpeterian growth model in which firms face dynamic agency costs. These agency costs are due to the formation of vertical collusions within the organization. To respond to the opportunity of internal collusion, firms go through a whole life cycle, becoming more bureaucratized and less efficient over time. This bureaucratization affects both the inter-temporal distribution of profits in a given sector and the distribution of output across sectors. In a general equilibrium model, bureaucratization has two effects: a profitability effect on the return of innovation and a reallocation effect on the skilled labor market. First, we analyze the existence and properties of stationary equilibrium growth. Second, we endogenize the transaction costs of side-contracting and show how the growth rate depends on the firms various organizational parameters.

Mas, Andre

PD November 2001. **TI** Perturbation Approach Applied to the Asymptotic Study of Random Operators. **AU** Mas, Andre; Menneteau, Ludovic. **AA** Mas: University Toulouse III and CREST-INSEE. Menneteau: University Montpellier II and CREST-INSEE. **SR** INSEE Documents de Travail du CREST: 2001/41; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 12. **PR** no charge. **JE** C19. **KW** Random Operators. Limit Theorems. Transfert Principle.

AB We prove that, for the main kind of limit theorems (law of large numbers, central limit theorem, large deviation principle, law of the iterated logarithm) asymptotic results for self-adjoint random operators yield equivalent results for their eigenvalues and associated projectors. Statistical applications are mentioned.

PD 2002. **TI** Testing for the Mean of Random Curves: From Penalization to Dimension Selection. **AA** Universite Toulouse III and CREST-INSEE. **SR** INSEE Documents de Travail du CREST: 2002/08; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 15. **PR** no charge. **JE** C12, C19. **KW** Functional Statistics. Covariance Operators. Linear Inverse Problem. Prohorov's Metric.

AB Let n variables be an independently and identically distributed sample of random curves (of Hilbert space valued random elements) with mean m . An asymptotic test of the mean m equal to a given value against the alternate of the mean not equal to the given value is proposed. This procedure is based on the same principles as in the finite dimensional case. Inverting the covariance operator leads to a non standard linear inverse problem. Convergence of the test is obtained as well as a bound for the power.

Maskin, Eric

PD March 2001. **TI** Soft Budget Constraint Theories: From Centralization to the Market. **AU** Maskin, Eric; Xu, Chenggang. **AA** Maskin: Institute for Advanced Study. Xu: London School of Economics. **SR** CEPR Discussion Paper: 2715; Centre for Economic Policy Research, Discussion Paper Orders. 90-98 Goswell Road, London EC1V 7RR, United

Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D21, G28, G38. **KW** Banking and Finance. Centralized Economy. Renegotiation. Soft Budget Constraint. Firm Theory.

AB This paper surveys the theoretical literature on the effect of soft budget constraints (SBC) on economies in transition from centralization to capitalism; it also reviews our understanding of SBC in general. It focuses on the conception of the SBC syndrome as a commitment problem. We show that the two features of SBC in centralized economies ex post renegotiation of firms' financial plans and a close administrative relationship between firms and the center are intrinsically related. We examine a series of theories (based on the commitment-problem approach) that explain shortage, lack of innovation in centralized economies, devolution, and banking reform in transition economies. Moreover, we argue that SBC also bear on major issues in economics, such as the determination of the boundaries and capital structure of a firm. Finally, we show that SBC theory sheds light on financial crises and economic growth.

Maurel, Mathilde

TI Enterprise Adjustment and the Role of Bank Credit in Russia: Evidence from a 420 Firm's Qualitative Survey. **AU** Brana, Sophie; Maurel, Mathilde; Sgard, Jerome.

TI La Diversite Des Marches du Travail en Europe: Quelles Consequences pour l'Union Monetaire (Premiere partie: La Diversite des Marches du Travail dans les pays de l'Union Europeenne). **AU** Cadiou, Loic; Guichard, Stephanie; Maurel, Mathilde.

TI La Diversite des Marches du Travail en Europe: Quelles Consequences pour l'Union Monetaire (Deuxieme partie: Les Implications Macro- Economiques de la Diversite des Marches du Travail). **AU** Cadiou, Loic; Guichard, Stephanie; Maurel, Mathilde.

Mayer, Christopher

TI Loss Aversion and Seller Behavior: Evidence from the Housing Market. **AU** Genesove, David; Mayer, Christopher.

McCallum, Bennett T.

PD March 2001. **TI** Monetary Policy Analysis in Models Without Money. **AA** Carnegie Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 8174; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** E30, E52. **KW** Monetary Policy. Inflation. Taylor Principle.

AB This paper develops the following arguments: 1) Models without monetary aggregates do not imply that inflation is a non-monetary phenomenon and are not necessarily non-monetary models; 2) Theoretical considerations suggest that such models are misspecified, but the quantitative significance of this misspecification is very small; 3) Some prominent arguments based on "indeterminacy" findings are dubious merit: there are reasons for believing that findings of solution multiplicity are theoretical curiosities that have no real world significance; 4) Monetary policy rules that violate the Taylor principle, by contrast, possess another characteristic -- the absence of E-stability -- that suggests undesirable behavior in practice.

PD March 2001. **TI** Monetary Policy for an Open Economy: An Alternative Framework with Optimizing Agents and Sticky Prices. **AU** McCallum, Bennett T.; Nelson, Edward. **AA** McCallum: Carnegie Mellon University and NBER. Nelson: Bank of England and CEPR. **SR** National Bureau of Economic Research Working Paper: 8175; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** E52, E58, F41. **KW** Open Economy. Monetary Policy. Exchange Rate Policy. Imports.

AB The "new open-economy macroeconomics" seeks to provide an improved basis for monetary and exchange-rate policy through the construction of open-economy models that feature rational expectations, optimizing agents, and slowly adjusting prices of goods. This paper promotes an alternative approach for constructing such models by treating imports not as finished consumer goods but rather as raw-material inputs to the home economy's productive process. This treatment leads to a clean and simple theoretical structure that has some empirical attractions as well. A particular small-economy model is calibrated and its properties exhibited, primarily by means of impulse response functions. The preferred variant is shown to feature a pattern of correlations between exchange-rate changes and inflation that is more realistic than provided by a more standard specification. Important recent events are interpreted in light of the alternative models.

PD March 2001. **TI** Timeless Perspective vs Discretionary Monetary Policy in Forward-Looking Models. **AU** McCallum, Bennett T.; Nelson, Edward. **AA** McCallum: Carnegie Mellon University. Nelson: Bank of England. **SR** CEPR Discussion Paper: 2752; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E31, E32, E52, E58. **KW** Discretion. Expectations. Policymaking. Rules.

AB This paper reviews the distinction between the timeless perspective and discretionary modes of monetary policymaking, the former representing rule-based policy as recently formalized by Woodford (1999b). In models with forward-looking expectations there is typically a second inefficiency from discretionary policymaking, besides the inflationary bias. The paper presents calculations of the quantitative magnitude of this second inefficiency, using calibrated models of two prominent types; it examines the distinction between instrument rules and targeting rules; and briefly investigates operational issues involving the unobservable nature of current output and the possibility that an incorrect concept of the natural-rate level of output is used by the policymaker.

PD April 2001. **TI** Inflation Targeting and the Liquidity Trap. **AA** Carnegie Mellon University, NBER, and Federal Reserve Bank of Richmond. **SR** National Bureau of Economic Research Working Paper: 8225; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 38. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E31, E52, F41. **KW** Liquidity Trap. Inflation Targeting. **AB** This paper considers whether "liquidity trap" issues have important bearing on the desirability of inflation targeting as a strategy for monetary policy. From a theoretical perspective, it has been suggested that "expectation trap" and "indeterminacy"

dangers are created by variants of inflation targeting, the latter when forecasts of future inflation enter the policy rule. This paper argues that these alleged dangers are probably not of practical importance. >From an empirical perspective, a quantitative open-economy model is developed and the likelihood of encountering a liquidity trap is explored for several policy rules. Also, it is emphasized that, if the usual interest rate instrument is immobilized by a liquidity trap, there is still an exchange-rate channel by means of which monetary policy can exert stabilizing effects. The relevant target variable can still be the inflation rate.

PD April 2001. **TI** Should Monetary Policy Respond Strongly to Output Gaps? **AA** Carnegie Mellon University, NBER, and Federal Reserve Bank of Richmond. **SR** National Bureau of Economic Research Working Paper: 8226; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 9. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E17, E31, E32, E52. **KW** Output Gap. Monetary Policy.

AB Much recent monetary policy analysis has featured stochastic simulations with small structural macroeconomic models that include: a spending vs. saving ("IS") sector; a price-adjustment sector; and an interest rate policy rule. The first two are frequently specified so as to reflect optimizing behavior; policy may or may not be specified as optimizing depending on the study's objectives. Some leading issues concern modifications to simple quantitative optimizing models that are needed to generate realistic degrees of persistence in inflation and output-gap variables. A major policy issue is whether it is desirable for monetary policy to respond strongly to the output gap. The paper argues that the latter is unobservable and considers the implications of using a trend-type measure while the true concept is of a type more in keeping with basic theory. In such circumstances, highly undesirable consequences are likely to ensue if policy responds strongly to the measured gap.

PD April 2001. **TI** Monetary Policy for an Open Economy: An Alternative Framework with Optimizing Agents and Sticky Prices. **AU** McCallum, Bennett T.; Nelson, Edward. **AA** McCallum: Carnegie Mellon University. Nelson: Bank of England. **SR** CEPR Discussion Paper: 2756; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E52, E58, F41. **KW** Exchange Rates. Inflation. Monetary Policy Rules. New Open Economy. Macroeconomics.

AB See the entry for McCallum, Bennett T.; Nelson, Edward. March 2001, "Monetary Policy for an Open Economy: An Alternative Framework with Optimizing Agents and Sticky Prices". National Bureau of Economic Research Working Paper: 8175; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

McCluskey, Jill J.

PD January 2000. **TI** Hazardous Waste Sites and Housing Appreciation Rates. **AU** McCluskey, Jill J.; Rausser, Gordon C. **AA** McCluskey: Washington State University. Rausser: University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource

Economics and Policy Working Paper: 906; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310.

Website:

are.berkeley.edu/library/CUDARE/workpap.html. PG 25.

PR \$6.25 Domestic; \$12.50 International Surface Rate.

JE Q24, R31. KW Housing Markets. Appreciation Rates. Hazardous Waste.

AB The dynamic effect of a hazardous waste site is analyzed by investigating the causal relationship between housing appreciation rates and house location in relation to a hazardous waste site using resale data from individual sales transactions in Dallas County, Texas. The results indicate that in the period in which the hazardous waste site was identified and cleanup occurred, residential property owners in close proximity to the hazardous waste site experienced lower housing appreciation rates. In the first post-cleanup period, they gained some of the lost ground with a higher appreciation rate. In a subsequent post-cleanup period, their appreciation fell in line with property owners whose properties are located farther away from the hazardous waste site. This suggests that a long-run equilibrium has been reached since appreciation rates were not significantly different across the Dallas housing market in the second post-cleanup period. Although the results indicate that adjustment takes time, an equilibrium is eventually reached for the houses in this repeat sales data set. An important implication of our analysis is that since the post-cleanup recovery was not immediate, property owners should be compensated for their loss of liquidity.

PD February 2000. TI Estimation of Perceived Risk and its Effect on Property Values. AU McCluskey, Jill J.; Rausser, Gordon C. AA McCluskey: Washington University. Rausser: University of California, Berkeley. SR University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 879R; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website:

are.berkeley.edu/library/CUDARE/workpap.html. PG 33.

PR \$8.25 Domestic; \$16.50 International Surface Rate.

JE D80, R10, R31. KW Perceived Risk. Hazardous Waste. Media. Property Values.

AB A dynamic discrete time model is estimated in order to analyze the evolution of perceived risk around a hazardous waste site and its effect on property values. Residential property values are modeled as a function of housing attributes and perceived risk to health from a nearby hazardous waste site using a hedonic price framework. Perceived risk enters the model as a state equation, which includes a media coverage variable. An aggregate measure of perceived risk is estimated and weighted by the distance to the hazardous waste site in order to individualize risk to each location. Using a data set that spans seventeen years of property values around a hazardous waste site, the results indicate that media coverage and high prior risk perception increase current perceived risk. Increased perceived risk surrounding the hazardous waste site, in turn, lowers property values.

McGrattan, Ellen R.

TI The Declining U.S. Equity Premium. AU Jagannathan, Ravi; McGrattan, Ellen R.; Scherbina, Anna.

McKnight, Abigail

TI Sheer Class: The Extent and Sources of Variation in the UK Graduate Earnings Premium. AU Naylor, Robin; Smith, Jeremy; McKnight, Abigail.

Meade, Ellen E.

PD February 2001. TI Regional Influences on U.S. Monetary Policy: Some Implications for Europe. AU Meade, Ellen E.; Sheets, Nathan D. AA Meade: CEP, LSE. Sheets: Federal Reserve Board. SR London School of Economics, Centre for Economic Performance Discussion Paper: 523; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 21. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE E52, E58, F33. KW Monetary Policy. Central Banking. Regional Banking. Federal Reserve.

AB This paper looks at the monetary policy decisions of the U.S. Federal Reserve and asks whether those decisions have been influenced solely by national concerns, or whether regional factors have played a role. All of the Federal Reserve's policymakers have some regional identity, i.e., either their positions explicitly carry some regional affiliation or their region of origin is a factor that must be considered in the selection process. This research is relevant for the Fed, and it may also be relevant for Europe's fledgling central bank in Frankfurt. Critics have asserted that European Central Bank (ECB) policymakers have an incentive to base policy on national developments and respond to national political pressures. We find that Fed policymakers do take into account developments in regional unemployment when deciding monetary policy, and that these regional developments are more important for central bankers at the hub than in the spokes. These findings are robust to a variety of different specifications of the voting equation.

Meara, Ellen

PD April 2001. TI Why is Health Related to Socioeconomic Status? The Case of Pregnancy and Low Birth Weight. AA Harvard Medical School and NBER. SR National Bureau of Economic Research Working Paper: 8231; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 33. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE I12, I31, I32. KW Health Status. Birth Weight. Wealth Distribution.

AB There are striking disparities in morbidity and mortality by socioeconomic status (SES) within the United States. I examine pregnancy and health at birth to investigate possible mechanisms linking SES and health. I find that a limited set of maternal health habits during pregnancy, particularly smoking habits, can explain about half (one third) of the correlation between SES and low birth weight among white (black) mothers. I show evidence on three hypotheses to explain why health habits vary by SES. First, differences in knowledge by SES create only modest differences in health behaviors by SES, explaining about 10 percent of differential smoking by education. Second, women respond to common knowledge differentially by SES, so that knowledge and its use combined explain up to one third of differential smoking by education. Third, the most important determinants of differential health behavior are "third variables," or variables that can simultaneously determine health habits and SES. Finally, I

show evidence that network effects at the family level exacerbate differences in behavior regardless of the source.

Meier, Martin

PD December 2001. **TI** An Infinitary Probability Logic for Type Spaces. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/61; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 38. **PR** \$100 per year. **JE** C00. **KW** Strong Completeness. Canonical Type Space. Probability.

AB Type spaces in the sense of Harsanyi (1967/68) can be considered as the probabilistic analog of Kripke structures. By an infinitary propositional language with additional operators "individual i assigns probability at least α to" and infinitary inference rules, this paper axiomatizes the class of (Harsanyi) type spaces. The paper shows that the axiom system is strongly sound and strongly complete. To the best of knowledge, this is the very first strong completeness theorem for a probability logic of the present kind. The result is proved by constructing a canonical type space.

Mella-Barral, Pierre

PD March 2001. **TI** Equilibrium Exchange Rate Policies: Complicit Renegotiation-Proof Outcomes. **AU** Mella-Barral, Pierre; Vitale, Paolo. **AA** Mella-Barral: London Business School and CEPR. Vitale: London School of Economics. **SR** CEPR Discussion Paper: 2718; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C73, F31, F33. **KW** Bargaining Power. Wealth Transfers. Exchange Rate Management. Renegotiation.

AB Countries can repeatedly and opportunistically renegotiate the terms of agreements to which they can only complicitly assent. Therefore, when attempting to coordinate exchange rate policies, they continuously play partnership games. We develop a reduced form model of exchange rate management where, as a starting point, (a) sequences of discrete realignments and (b) shared intervention are desirable. We show that the implementation of the ex-ante optimal policy suffers from severe time-inconsistencies. We analyze the Stackelberg equilibria of the stochastic differential game played by partner countries. We find that equilibrium complicit renegotiation-proof policies are supported by net cross-country wealth transfers from the weaker to the stronger bargaining power country. Our theoretical results provide a game-theoretic interpretation of the evolution of monetary arrangements in Europe and the emergence of EMU.

Meltz, Noah

TI From "Playstations" to "Workstations": Youth Preferences for Unionisation in Canada. **AU** Gomez, Rafael; Gunderson, Morley; Meltz, Noah.

TI Youth-Adult Differences in the Demand for Unionisation: Are American, British, and Canadian Workers All That Different? **AU** Bryson, Alex; Gomez, Rafael; Gunderson, Morley; Meltz, Noah.

Mendoza, Enrique G.

PD April 2001. **TI** The International Macroeconomics of

Taxation and the Case Against European Tax Harmonization. **AA** Duke University and NBER. **SR** National Bureau of Economic Research Working Paper: 8217; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 40. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E61, F41, F42, H21. **KW** Tax Harmonization. Europe. Dynamic General Equilibrium.

AB The theory of international macroeconomics shows that domestic tax policy in a global economy affects foreign economic conditions via complex, dynamic interactions through relative prices, tax revenues, and wealth distribution. This paper proposes a tractable quantitative framework for assessing tax policies that is consistent with this theory. The significance of the international transmission channels of tax policy is evaluated in the context of a "workhorse" two-country dynamic general equilibrium model. The model is used to assess the potential effects of the European harmonization of capital income taxes. The results show that this policy, if enacted along the lines followed in harmonizing value-added taxes, yields large capital outflows and a significant erosion of tax revenue for Continental Europe while the opposite effects benefit the United Kingdom. Welfare in the United Kingdom rises as result, while Continental Europe may incur a substantial welfare cost.

Menneteau, Ludovic

TI Perturbation Approach Applied to the Asymptotic Study of Random Operators. **AU** Mas, Andre; Menneteau, Ludovic.

Mercader-Prats, Magda

TI Income Inequality Comparisons with Dirty Data: The UK and Spain During the 1980s. **AU** Cowell, Frank A.; Litchfield, Julie A.; Mercader-Prats, Magda.

Meyer, Andrew P.

TI The Role of a Camel Downgrade Model in Bank Surveillance. **AU** Gilbert, R. Alton; Meyer, Andrew P.; Vaughan, Mark D.

Michel, Philippe

PD December 2000. **TI** Temporary Bubbles in an Economy with Under-Accumulation. **AU** Michel, Philippe; Wigniolle, Bertrand. **AA** Michel: Universite de la Mediterranee II and GREQAM. Wigniolle: Universite de Paris I and Universite de Franche-Comte. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/61; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 25. **PR** \$100 per year. **JE** D90, E40. **KW** Overlapping Generations Model. Bubbles. Cash-in-Advance Constraint. Money.

AB This paper studies the equilibrium dynamics of an overlapping generations model with capital, money and cash-in-advance constraints. At each date the economy can experience two different regimes. In the first one, the cash-in-advance constraint is binding and money is a dominated asset. In the second one, the constraint is strictly satisfied and money has the same return as capital. When the second regime holds on some finite interval, it is said that the economy experiences a temporary bubble. This paper proves that temporary bubbles can exist in an economy which would experience under-

accumulation without money. The paper also shows, in an example, that cyclical bubbles and sunspot equilibria may occur. Finally, it is proven that money creation has the power to eliminate bubbles.

TI Information, the Internet and Competitive Equilibrium.
AU Gaumont, Damien; Michel, Philippe.

Micklewright, John

PD February 2002. **TI** Social Exclusion and Children: A European View for a US Debate. **AA** UNICEF Innocenti Research Center, Florence. **SR** London School of Economics, STICERD CASEpapers: CASE/51; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 35. **PR** no charge. **JE** I31, I32, J13. **KW** Children. Poverty. Social Exclusion.

AB The concept of social exclusion has been widely debated in Europe but its application to children has seen relatively little discussion. What could be meant by exclusion of children is the first main theme of the paper. Among other things, I consider the choice of reference group, the geographical dimension of exclusion, and the issue of who is responsible for any exclusion of children. The second main theme is the use of the concept of exclusion in the USA, where in contrast to Europe it has achieved little penetration to date. To assess whether there is fertile ground for discussion of social exclusion as it relates to children in the US, I discuss various features of US society and institutions including the measurement of poverty, analysis of children's living standards, state versus federal responsibilities, welfare reform and the emphasis on "personal responsibility".

Milesi-Ferretti, Gian Maria

PD March 2001. **TI** Electoral Rules and Public Spending. **AU** Milesi-Ferretti, Gian Maria; Perotti, Roberto; Rostagno, Massimo. **AA** Milesi-Ferretti: International Monetary Fund and CEPR. Perotti: European University Institute. **SR** CEPR Discussion Paper: 2742: Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** H11, H55. **KW** Electoral Rules. Proportionality. Public Spending. Transfers.

AB We study the effects of electoral institutions on the size and composition of public expenditure in OECD and Latin American countries. We emphasize the distinction between purchases of goods and services, which are easier to target geographically, and transfers, which are easier to target across social groups. We present a theoretical model in which voters anticipating government policymaking under different electoral systems have an incentive to elect representatives more prone to transfer (public good) spending in proportional (majoritarian) systems. The model also predicts higher total primary spending in proportional (majoritarian) systems when the share of transfer spending is high (low). After defining rigorous measures of proportionality to be used in the empirical investigation, we find considerable support for our predictions.

Miller, Andrew J.

PD November 2000. **TI** On the Polyhedral Structure of a Multi-Item Production Planning Model with Setup Times. **AU** Miller, Andrew J.; Nemhauser, George L.; Savelsbergh,

Martin W. P. **AA** Miller: CORE. Nemhauser and Savelsbergh: Georgia Institute of Technology. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2000/52; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 29. **PR** \$100 per year. **JE** E23, L23. **KW** Mixed Integer Programming. Production Planning. Polyhedral Combinatorics. Capacitated Lot-Sizing. Fixed Charge Network Flow.

AB This paper presents and studies a mixed integer programming model that arises as a substructure in many industrial applications. This model provides a relaxation of various capacitated production planning problems, more general fixed charge network flow problems, and other structured mixed integer programs. After distinguishing the general case, which is NP-hard, from a polynomially solvable case, this paper analyzes the polyhedral structure of the convex hull of this model, as well as of a strengthened LP relaxation. Among other results, the paper presents valid inequalities that induce facets of the convex hull in the general case. These inequalities suffice to solve this model by linear programming in the polynomially solvable case, and they have been proven computationally effective in solving capacitated lot-sizing problems.

Minelli, Enrico

TI Incentives and the Core of an Exchange Economy: A Survey. **AU** Forges, Francoise; Minelli, Enrico; Vohra, Rajiv.

TI Two Remarks on the Inner Core. **AU** De Clippel, Geoffroy; Minelli, Enrico.

Miravete, Eugenio J.

PD December 2000. **TI** Estimating Demand for Local Telephone Service with Asymmetric Information and Optional Calling Plans. **AA** University of Pennsylvania and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2635; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D42, D82, L96. **KW** Asymmetric Information. Optional Tariffs. Type Shocks.

AB This paper studies the theoretical and econometric implications of agents' uncertainty about their future consumption when a monopolist offers them either a unique, mandatory nonlinear tariff, or a choice in advance among a menu of optional two-part tariffs. In this model, agents' uncertainty is resolved through individual and privately known shocks on their types. In such a situation, the principal may screen agents according to their ex-ante or ex-post type, by offering either a menu of optional tariffs or a standard nonlinear schedule. The theoretical implications of the model are used to evaluate the tariff experiment run by South Central Bell in two cities of Kentucky in 1986. The empirical approach explicitly accounts for the existence of informational asymmetries between local telephone users and the monopolist, leading to different, nested, econometric specifications under symmetric and asymmetric information. The empirical evidence suggests that there exists a significant asymmetry of information between consumers and the monopolist under both tariff regimes. Both expected welfare and profits failure to increase with the introduction of optional tariffs for the estimated value of the parameters.

Mitchell, Olivia S.

PD October 2000. **TI** Retirement Responses to Early Social Security Benefit Reductions. **AU** Mitchell, Olivia S.; Phillips, John W. R. **AA** Mitchell: University of Pennsylvania. Phillips: Office of Research, Evaluation, and Statistics, Social Security Administration, Washington D.C. **SR** National Bureau of Economic Research Working Paper: 7963; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** H55, I12, J26. **KW** Social Security. Disability. Retirement Behavior.

AB This paper evaluates potential responses to reductions in early Social Security retirement benefits. Using the Health and Retirement Study (HRS) linked to administrative records, Social Security coverage is found to be quite uneven in the older population: one-quarter of respondents in their late 50's lack coverage under the Disability Insurance program, and one-fifth lack coverage for old-age benefits. Among those eligible for benefits, respondents who subsequently retired early appear quite similar initially to those who later filed for normal retirement benefits, but both groups were healthier and better educated than those who later filed for disability benefits. Additionally, the potential impact of curtailing, and then eliminating, early Social Security benefits was investigated. A life-cycle model of retirement behavior provides estimated parameters used to simulate the effects of cutting early Social Security benefits on retirement pathways. This would then boost the probability of normal retirement by twice as much as it would the probability of disability retirement.

Mitra, Kaushik

TI Determinacy, Learnability, and Monetary Policy Inertia. **AU** Bullard, James B.; Mitra, Kaushik.

TI Learning About Monetary Policy Rules. **AU** Bullard, James B.; Mitra, Kaushik.

Moav, Omer

TI Das Human Kapital. **AU** Galor, Oded; Moav, Omer.

TI Natural Selection and the Origin of Economic Growth. **AU** Galor, Oded; Moav, Omer.

Mocilnikar, Antoine Tristan

TI Reduction of Working Time/Eastward Enlargement of the European Union. **AU** Borsch-Supan, Axel; Clette, Gilbert; Mocilnikar, Antoine Tristan.

Mody, Ashoka

TI Would Collective Action Clauses Raise Borrowing Costs? **AU** Eichengreen, Barry; Mody, Ashoka.

Moehling, Carolyn

TI Fertility in South Dublin a Century Ago: A First Look. **AU** Guinnane, Timothy W.; Moehling, Carolyn; O Grada, Cormac.

Mohnen, Pierre

PD February 2001. **TI** Complementarities in Innovation Policy. **AU** Mohnen, Pierre; Roller, Lars-Hendrik. **AA** Mohnen: University of Maastricht. Roller: Wissenschaftszentrum Berlin für Sozialforschung. **SR** CEPR

Discussion Paper: 2712; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** L52, O31, O38. **KW** Complementarity. Innovation. Supermodularity.

AB This paper develops a framework for testing discrete complementarities in innovation policy using European data on obstacles to innovation. We propose a discrete test of supermodularity in innovation policy leading to a number of inequality constraints. We apply our test to two types of innovation decisions: to innovate or not, and if so, by how much. We find that industries display a considerable amount of complementarity, with some industries being complementary across all obstacles. We also find that the lack of internal human capital (skilled personnel) is complementary to all the other obstacles in almost all industries. In this sense, our results suggest that internal human capital is central to any innovation policy, insofar that it is complementary to all the other factors that might hamper innovation activities.

Morel, Francois M. M.

TI Preserving the Ocean Circulation: Implications for Climate Policy. **AU** Keller, Klaus; Tan, Kelvin; Morel, Francois M. M.; Bradford, David F.

Morton, Fiona Scott

PD October 2000. **TI** Internet Car Retailing. **AU** Morton, Fiona Scott; Zettelmeyer, Florian; Risso, Jorge Silva. **AA** Morton: Yale University and National Bureau of Economic Research. Zettelmeyer: University of California, Berkeley. Risso: J.D. Power and Associates. **SR** National Bureau of Economic Research Working Paper: 7961; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** L10, L80. **KW** Internet Referral Services. Automobile Sales.

AB This paper investigates the effect of Internet car referral services on dealer pricing of automobiles in California. Combining data from J.D. Power and Associates and Autobyte.com, online transaction prices are compared to regular "street" prices. The average customer of this online service pays approximately 2 percent less for her car, which corresponds to about \$450 for the average car. Fifteen percent of the savings comes from making the purchase at a low-price dealership affiliated with the service. The remaining 85 percent of the savings seems due to both the service's bargaining power and lower cost of serving an online consumer. Online consumers who indicate willingness to buy in the next two days pay even lower prices. Although dealers pay less for an online customer's trade-in vehicle, online customers are still better off overall than offline. Average gross margin on an online vehicle sale is lower by about \$300 than an equivalent offline sale. However, because online consumers are cheaper to serve and online sales may be new business for the dealerships, web-affiliated dealers are likely to benefit. Online consumers do better than at least 61 percent of offline consumers.

Mosca, Frederico

TI Uncertainty on Monetary Policy and the Expectational Model of the Term Structure of Interest Rates. **AU** Favero, Carlo A.; Mosca, Frederico.

Moussa Saley, Hadiza

TI On the Strategic Origin of Brownian Motion in Finance.
AU De Meyer, Bernard; Moussa Saley, Hadiza.

Mueller, Elisabeth

PD April 2002. **TI** Managerial Ownership and Firm Performance in German Small and Medium-Sized Enterprises. **AU** Mueller, Elisabeth; Spitz, Alexandra. **AA** Mueller: CEP, LSE. Spitz: Center for European Economic Research (ZEW). **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 528; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 24. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** C23, G32. **KW** Corporate Governance. Managerial Ownership. Firm Performance. German.

AB This paper studies the effect of managerial ownership on performance and the determinants of managerial ownership for small and medium-sized private companies. We use a panel of around 1300 firms in the German business-related service sector for the years 1997-2000. Managerial ownership up to around 80 percent has a positive impact on firm performance (incentive effect); for higher shares the effect becomes negative (entrenchment effect). Moreover, risk-aversion of managers and signaling of firm quality leads to a non-linear relationship between managerial ownership and the risk exposure of a firm. The determinants of performance and ownership are estimated simultaneously.

Muller, Tobias

TI The Political Economy of International Migration in a Ricardo-Viner Model. **AU** de Melo, Jaime; Grether, Jean-Marie; Muller, Tobias.

Mulligan, Casey B.

PD March 2001. **TI** Aggregate Implications of Indivisible Labor. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 8159; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** D11, J22. **KW** Indivisible Labor. Labor Supply. Nonlinear Taxes.

AB The paper suggests that the aggregate implications of indivisible labor are few, and subtle. First, behavior in an "indivisible labor" environment is modeled and aggregate behavior in such an economy is shown to be indistinguishable from aggregates generated by the divisible labor model. Second, aforementioned models of indivisible labor are generalized to allow for labor supply on the "intensive" margin, and to allow for nonlinear taxes. The aggregate implications of doing the former are quite subtle, but doing the latter suggests that the indivisibility of labor may have implications for public finance. The results also imply that backward bending aggregate labor supply, and any nonnegative degree of aggregate intertemporal substitution, are consistent with standard economic theory even when all labor is supplied on the so-called "extensive" margin. Finally, the results suggest that the classic aggregate studies of labor supply have a simple microeconomic interpretation.

Mullin, Wallace P.

TI Rules, Communication and Collusion: Narrative Evidence from the Sugar Institute Case. **AU** Genesove, David; Mullin, Wallace P.

TI Rules, Communication and Collusion: Narrative Evidence from the Sugar Institute Case. **AU** Genesove, David; Mullin, Wallace P.

Myles, Gareth D.

TI Revenue Sharing Versus Expenditure Sharing. **AU** Figueires, Charles; Hindriks, Jean; Myles, Gareth D.

Nannerup, Niels

TI Monopoly Versus R&D-Integrated Duopoly. **AU** Amir, Rabah; Nannerup, Niels; Stepanova, Anna; Eguiazarova, Elina.

Narain, Urvashi

TI Global Warming, Endogenous Risk, and Irreversibility. **AU** Fisher, Anthony C.; Narain, Urvashi.

PD April 2000. **TI** The Optimal Control of a Stock Pollutant with Sunk Capital and Endogenous Risk of Catastrophic Damages. **AU** Narain, Urvashi; Fisher, Anthony C. **AA** Urvashi: Resources for the Future. Fisher: University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 909; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 21. **PR** \$5.25 Domestic; \$10.50 International Surface Rate. **JE** D81, D92, Q25. **KW** Endogenous Risk. Greenhouse Gases. Abatement Capital. Endogenous Risk. Catastrophic Damages.

AB In this paper we characterize the optimal rate of emission of a pollutant whose stock poses a threat of damages of an unknown magnitude in the future, when abatement capital is sunk, the stock of pollutant is non-degradable, and there is an endogenous risk of catastrophic damages. The economic agent wants to avoid two situations: (i) building up a large stock of abatement capital when damages turn out to be negligible; (ii) allowing too large a build-up in the stock of a non-degradable pollutant when damages are revealed to be catastrophic. Unfortunately, the stock of pollutant cannot be reduced unless the agent invests in abatement capital. Given this trade-off, and the added feature that the probability of a catastrophe occurring may be endogenous, i.e., dependent on the pollutant stock which is in turn dependent on past investment decisions, our paper asks what should be the optimal rate of emission of the pollutant. Loosely speaking, we find a stronger effect on the optimal rate of emission associated with the accumulation of the pollutant than with investment in abatement capital.

PD July 1999. **TI** Irreversibility, Uncertainty, and Global Warming: A Theoretical Analysis. **AU** Narain, Urvashi; Fisher, Anthony C. **AA** Narain: Resources for the Future. Fisher: University of California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 843R; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/

workpap.html. **PG** 28. **PR** \$7.00 Domestic; \$14.00 International Surface Rate. **JE** D81, D92, Q25. **KW** Uncertainty. Risk. Global Warming. Greenhouse Gases. Decision- Making.

AB This paper characterizes the optimal rate of emission of greenhouse gases when investment in abatement capital is sunk, some part of the stock of greenhouse gases is non-degradable and there is an endogenous risk of catastrophic damages in the future. The agent wants to avoid two situations: (i) investing in sunk abatement capital today when the damages tomorrow turn out to be negligible; (ii) not reducing the stock of non-degradable greenhouse gases today when damages are revealed to be catastrophic tomorrow. Unfortunately, the stock of greenhouse gases cannot be reduced unless the agent invests in abatement capital. Given this trade-off, and the added feature that the probability of a catastrophe occurring may be endogenous, the paper asks what should be the optimal rate of emission of greenhouse gases. Previous studies have either relied on numerical simulations or failed to capture features of the environment important to global warming. This paper fills these gaps in the literature by developing a stochastic dynamic programming model that allows for sunk capital, a non-degradable stock of greenhouse gases, and endogenous catastrophic damages, and yields analytical results.

Naylor, Robin

PD March 2002. **TI** Sheer Class: The Extent and Sources of Variation in the UK Graduate Earnings Premium. **AU** Naylor, Robin; Smith, Jeremy; McKnight, Abigail. **AA** Naylor and Smith: University of Warwick. McKnight: LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/54; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 26. **PR** no charge. **JE** I21, I22, J31, J33, J44. **KW** Graduate Earnings. Degree Class. Subject. **AB** In this paper, we use the individual-level USR data for the whole population of 1993 leavers from the "old" universities of the UK to investigate the determinants of graduate occupational earnings. Among other results, we find that there are significant differences in the occupational earnings of leavers, according to: university attended, subject studied, degree class awarded, and Social Class of family background, *ceteris paribus*. Our results suggest that there is likely to be significant variation around the average rate of return to a first degree.

Neary, J. Peter

TI Robust Rules for Industrial Policy in Open Economies. **AU** Leahy, Dermot; Neary, J. Peter.

PD March 2001. **TI** Competition, Trade, and Wages. **AA** University College Dublin and CEPR. **SR** CEPR Discussion Paper: 2732; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F12, F16, J31. **KW** Wage Inequality. Oligopolistic Competition. Skill Premia. Skill- Biased Progress. Trade and Wages.

AB I review briefly the empirical evidence in the trade and wages debate, which overwhelmingly rejects the Heckscher-Ohlin explanation for recent increases in OECD skill-premia. I then argue that the same evidence is also difficult to reconcile in general equilibrium with the view that exogenous skill-

biased technological progress is the sole culprit. Finally, I present a model of oligopolistic competition, which is more consistent with the evidence. Removing quantitative import constraints (a metaphor for increased foreign competition) encourages both home and foreign firms to invest more aggressively, raising their demand for skilled labor even at unchanged relative wages.

Neely, Christopher J.

PD October 2000. **TI** The Practice of Central Bank Intervention: Looking Under the Hood. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/028A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 15. **PR** no charge. **JE** F31, F33. **KW** Foreign Exchange. Exchange Rates. Monetary Authority. Central Bank.

AB This article first reviews methods of foreign exchange intervention and then presents evidence -- focusing on survey results -- on the mechanics of such intervention. Types of intervention, instruments, timing, amounts, motivation, secrecy and perceptions of efficacy are discussed.

PD November 2000. **TI** The Temporal Pattern of Trading Rule Returns and Central Bank Intervention: Intervention Does Not Generate Technical Trading Rule Profits. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/018C; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 21. **PR** no charge. **JE** F31, G14. **KW** Technical Analysis. Trading Rules. Intervention. Exchange Rates.

AB This paper characterizes the temporal pattern of trading rule returns and official intervention for Australian, German, Swiss and U.S. data to investigate whether intervention generates technical trading rule profits. High frequency data show that abnormally high trading rule returns precede German, Swiss and U.S. intervention, disproving the hypothesis that intervention generates inefficiencies from which technical rules profit. Australian intervention precedes high trading rule returns, but trading/intervention patterns make it implausible that intervention actually generates those returns. Rather, intervention responds to exchange rate trends from which trading rules have recently profited.

PD September 2001. **TI** Predicting Exchange Rate Volatility: Genetic Programming vs. GARCH and RiskMetrics. **AU** Neely, Christopher J.; Weller, Paul A. **AA** Neely: Federal Reserve Bank of St. Louis. Weller: University of Iowa. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/009B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 18. **PR** no charge. **JE** C53, F31. **KW** Genetic Programming. GARCH. Foreign Exchange. Volatility. Forecasting. Heteroskedasticity.

AB This article investigates the use of genetic programming to forecast out-of-sample daily volatility in the foreign exchange market. Forecasting performance is evaluated relative to GARCH (1,1) and RiskMetrics models for two currencies, DEM and JPY. Although the GARCH/RiskMetrics models appear to have a inconsistent marginal edge over the genetic program using the mean-squared-error (MSE) and R squared criteria, the genetic program consistently produces lower mean absolute forecast errors (MAE) at all horizons and

for both currencies.

TI Can Markov Switching Models Predict Excess Foreign Exchange Returns? **AU** Dueker, Michael J.; Neely, Christopher J.

Nelson, Charles R.

PD October 2001. **TI** Markov Regime Switching and Unit Root Tests. **AU** Nelson, Charles R.; Piger, Jeremy; Zivot, Eric. **AA** Nelson and Zivot: University of Washington. Piger: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/013A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 29. **PR** no charge. **JE** C12, C22. **KW** Stochastic Trend. Deterministic Trend. Heteroskedasticity. Business Cycle. Asymmetry.

AB We investigate the power and size performance of unit root tests when the data undergo Markov regime switching. All tests, including those robust to a single break in trend growth rate, have low power against a process with a Markov-switching trend. Under the null hypothesis, we find previously documented size distortions in Dickey-Fuller type tests caused by a single break in trend growth rate or variance do not generalize to most parameterizations of Markov switching in trend or variance. However, Markov switching in variance can lead to over-rejection in tests allowing for a single break in the level of trend.

TI The Less Volatile U.S. Economy: A Bayesian Investigation of Timing, Breadth, and Potential Explanations. **AU** Kim, Chang-Jin; Nelson, Charles R.; Piger, Jeremy.

Nelson, Edward

TI Monetary Policy for an Open Economy: An Alternative Framework with Optimizing Agents and Sticky Prices. **AU** McCallum, Bennett T.; Nelson, Edward.

TI Timeless Perspective vs Discretionary Monetary Policy in Forward-Looking Models. **AU** McCallum, Bennett T.; Nelson, Edward.

TI Monetary Policy for an Open Economy: An Alternative Framework with Optimizing Agents and Sticky Prices. **AU** McCallum, Bennett T.; Nelson, Edward.

Nemhauser, George L.

TI On the Polyhedral Structure of a Multi-Item Production Planning Model with Setup Times. **AU** Miller, Andrew J.; Nemhauser, George L.; Savelsbergh, Martin W. P.

TI A Polyhedral Study of the Cardinality Constrained Knapsack Problem. **AU** De Farias, Ismael R.; Nemhauser, George L.

Neumann, Lynette R.

TI An Empirical Investigation of the Competitive Effects of Domestic Airline Alliances. **AU** Bamberger, Gustavo E.; Neumann, Lynette R.; Carlton, Dennis W.

Neumark, David

PD January 2000. **TI** Changes in Job Stability and Job Security: A Collective Effort to Untangle, Reconcile, and Interpret the Evidence. **AA** Michigan State University and NBER. **SR** National Bureau of Economic Research Working

Paper: 7472; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 22. **PR** \$5.00. **JE** J53, J63, J64. **KW** Employment. Job Stability. Job Security. Structural Changes.

AB The author synthesizes and summarizes a set of recent papers on changes in the employment relationship. The authors of these papers present the most up-to-date and accurate assessment of their evidence on changes in job stability and job security, and attempt to reconcile their evidence with the findings of other research, including the other papers discussed herein. Some of the papers also begin to explore explanations of changes in the employment relationship. The evidence suggests that the 1990's witnessed some changes in the employment relationship consistent with weakened bonds between workers and firms. But the magnitudes of the changes indicate that while these bonds may have weakened, they have not been broken. Furthermore, the changes that occurred in the 1990's have not persisted very long. The papers examining sources of changes in job stability and job security in the 1990's point to some potential explanations, including relative wage movements, growth in alternative employment relationships, and downsizing. However, with the possible exception of the first of these, this list does not encompass "fundamental" or exogenous changes impacting the employment relationship, but rather to some extent suggests how various changes in the employment relationship may reinforce each other.

TI Breast Cancer Survival, Work, and Earnings. **AU** Bednarek, Heather; Bradley, Cathy J.; Neumark, David.

PD March 2001. **TI** Age Discrimination Legislation in the United States. **AA** Michigan State University and NBER. **SR** National Bureau of Economic Research Working Paper: 8152; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G38, J18, J71, K31. **KW** Age Discrimination. Equal Pay Act. Law.

AB Legislation prohibiting age discrimination in the United States dates back to the decade of the 1960s, when along with the Equal Pay Act and the Civil Rights Act barring discrimination against women and minorities, the U.S. Congress passed the 1967 age Discrimination in Employment Act. This paper provides a summary, critical review, and synthesis of what we know about age discrimination legislation. It first traces out the legislative history and the evolving case law, and discusses implementation of the law. It then moves on to review the existing research on age discrimination legislation-research that addresses the rationale for the legislation, evidence on its effectiveness, and criticisms of age discrimination legislation.

PD April 2001. **TI** The Effects of Race and Sex Discrimination Laws. **AU** Neumark, David; Stock, Wendy A. **AA** Neumark: Michigan State University, Public Policy Institute of California, and NBER. Stock: Montana State University. **SR** National Bureau of Economic Research Working Paper: 8215; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 39. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J15, J16, J71. **KW** Anti-Discrimination Laws. Wage Inequality. Earnings. Sex Discrimination. Racial Discrimination.

AB We present new evidence on the effects of race and sex discrimination laws based on variation induced first by state anti-discrimination statutes passed prior to the federal legislation, and then by the extension of anti-discrimination prohibitions to the remaining states with the passage of federal legislation. This evidence is complementary to more recent work that revisits this question using data and statistical experiments that provide "treatment" and "comparison" groups. We examine the effects of race and sex discrimination laws on employment and earnings, in each case focusing on outcomes for black females, black males, and white females relative to white males. Overall, we interpret the evidence as corroborating the general conclusion that race discrimination laws positively impacted the relative employment and earnings of blacks, although the evidence is less dramatic than that reported in other research, and there are some cases (in particular, earnings effects for black males) and periods for which we find little positive impact. We find some evidence that sex discrimination/equal pay laws boosted the relative earnings of black and white females. Finally, we find that sex discrimination/equal pay laws reduced the relative employment of both black women and white women.

Neven, Damien J.

PD November 2000. **TI** Consumer Surplus vs. Welfare Standard in a Political Economy Model of Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik. **AA** Neven: Graduate Institute of International Studies, Geneva and Centre for Economic Policy Research. Roller: Wissenschaftszentrum Berlin für Sozialforschung. **SR** CEPR Discussion Paper: 2620; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D72, L40. **KW** Lobbying. Merger Control. Political Economy.

AB This paper considers merger control in a common agency framework where firms and their competitors can influence the antitrust agency and where transparency -- while making lobbying less effective -- also implies real resource costs. We examine the performance of two alternative standards that can be assigned to the antitrust agency in the presence of these regulatory failures. We find that under a welfare standard, lobbying leads to the clearance of relatively inefficient mergers that decrease welfare (i.e. there is a type II error). By contrast, under a consumer surplus standard, the agency will ban relatively efficient mergers that would increase welfare (i.e. there is a type I error). Lobbying actually reduces the extent to which this occurs, albeit at a cost in terms of real resources. We also find that a consumer surplus standard is more attractive when mergers are large, when increasing the size of a merger greatly enhances industry profits, when there is little transparency, and when co-ordination costs amongst competitors are low.

PD November 2000. **TI** The Scope of Conflict in International Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik. **AA** Neven: Graduate Institute of International Studies, Geneva and Centre for Economic Policy Research. Roller: Wissenschaftszentrum Berlin für Sozialforschung. **SR** CEPR Discussion Paper: 2621; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** L40, O78. **KW** Conflict. Merger Control.

AB This paper analyzes the scope for conflict between national merger control agencies that assert jurisdictions simultaneously. A positive model of merger control is considered in which market definition and the analysis of dominance are both explicitly specified. Conflict in international merger control is found to be less likely to occur when economic integration is high. Hence, "globalization" should alleviate rather than exacerbate conflict. In addition, conflict is less likely to arise between countries of different size and for extreme policy rules (very lenient or very strict) towards dominance.

Newbery, David M. G.

TI Investment, Reprourement and Franchise Contract Length in the British Railway Industry. **AU** Affuso, Luisa; Newbery, David M. G.

Newhouse, Joseph P.

PD March 2001. **TI** Medical Care Price Indices: Problems and Opportunities The Chung-Hua Lectures. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8168; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 35. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** I10, I11, O30. **KW** Medical Care Price Indices. Health.

AB This paper summarizes work that has been done on biases in medical care price indices. This paper begins by reviewing various uses of indices and why biases in the indices -- and changes in those biases -- matter. The paper then describes the assumptions and theory underlying the indices. It next turns to the problems of measuring medical prices, assuming the basic applicability of the theory upon which the indices are based. Then the paper takes up the potential inapplicability of the theory, the potential inapplicability of the assumptions made by that theory, and the resulting issues for measuring medical price changes. Finally, the paper describes an alternative theory and its implications for the measurement of prices. The paper concludes that the biases in the official medical indices, while substantially reduced by recent improvements, are likely to remain substantial enough to affect the overall official indices in the United States.

Ng, Francis

TI Tariff Peaks in the Quad and Least Developed Country Exports. **AU** Hoekman, Bernard; Ng, Francis; Olarreaga, Marcelo.

Nielsen, Soren Bo

TI Tax Policy, Venture Capital and Entrepreneurship. **AU** Keuschnigg, Christian; Nielsen, Soren Bo.

Nocke, Volker

TI Imperfect Competition, Market Size and Firm Turnover. **AU** Asplund, Marcus; Nocke, Volker.

Norback, Pehr-Johan

PD March 2001. **TI** Privatization and Foreign Competition. **AU** Norback, Pehr-Johan; Persson, Lars. **AA** Norback: Stockholm University. Persson: Stockholm University and CEPR. **SR** CEPR Discussion Paper: 2735; Centre for Economic Policy Research, Discussion Paper

Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE F23, L13, L33. KW Acquisitions. Failing Firms. FDI. National Treatment. Privatization.

AB This paper determines the equilibrium market structure in a mixed international oligopoly, where the state enterprise's assets are sold at an auction. The model suggests that low Greenfield costs and low trade costs induce foreign acquisitions. The intuition is that domestic firms can then not prevent foreign firms from becoming strong competitors and thus, their willingness to pay for the state assets is low. We also find that profit shifting from domestic to foreign firms generated by National Treatments clauses is partly paid for by the foreign investor in the bidding competition over the state assets. The reason is that the foreign firm pays a price for the state assets equal to the domestic firm's valuation of the assets. But the domestic firm's valuation of the assets is the negative impact on this firm through the decline in profits created by the foreign acquisition.

O Grada, Cormac

TI Fertility in South Dublin a Century Ago: A First Look. **AU** Guinnane, Timothy W.; Moehling, Carolyn; O Grada, Cormac.

O' Rourke, Kevin H.

PD March 2001. **TI** After Columbus: Explaining the Global Trade Boom 1500-1800. **AU** O' Rourke, Kevin H.; Williamson, Jeffrey G. **AA** O' Rourke: Trinity College, CEPR, and NBER. Williamson: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8186; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F14, N71, N73, N75, N76. **KW** Trade-Boom. Globalization. Price Convergence.

AB This paper documents the size and timing of the world inter-continental trade boom following the great voyages in the 1490s of Columbus, da Gama and their followers. Indeed, a trade boom followed over the subsequent three centuries. But what was its cause? The conventional wisdom in the world history literature offers globalization as the answer: it alleges that declining trade barriers, falling transport costs and overseas "discovery" explains the boom. In contrast, this paper reports the evidence that confirms unambiguously that there was no commodity price convergence between continents, something that would have emerged had globalization been a force that mattered. Thus, the trade boom must have been caused by some combination of European import demand and foreign export supply from Asia and the Americas. Furthermore, the behavior of the relative price of foreign importables in European cities should tell us which mattered most and when. We offer detailed evidence on the relative prices of such importables in European markets over the five centuries 1350-1850. We then offer a model which is used to decompose the sources of the trade boom 1500-1800.

Olarreaga, Marcelo

TI Tariff Peaks in the Quad and Least Developed Country Exports. **AU** Hoekman, Bernard; Ng, Francis; Olarreaga, Marcelo.

Olsen, Edgar O.

PD April 2001. **TI** Housing Programs for Low-Income Households. **AA** University of Virginia. **SR** National Bureau of Economic Research Working Paper: 8208; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 46. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** I31, I32, I38, R21. **KW** Public Housing. Housing Programs. Low Income Housing.

AB The primary purposes of this paper are to (1) consider the justifications that have been offered for housing subsidies to low-income households and the implications of these justifications for the evaluation and design of housing programs, (2) describe the most important features of the largest rental housing programs for low-income households in the United States, (3) summarize the empirical evidence on the major effects of these programs, and (4) analyze the major options for reform of the system of housing subsidies. The effects of housing subsidy programs that will be considered include effects on the housing occupied by recipients of the subsidy and their consumption of other goods, effects on labor supply of assisted households, the distribution of benefits among recipients, participation rates among different types of households, effects on the types of neighborhoods in which subsidized households live and the effect of subsidized housing and households on their neighbors, the effect on prices of unsubsidized housing, and the cost-effectiveness of alternative methods for delivering housing assistance.

Oosterbeek, Hessel

TI A Review of Estimates of the Schooling/Earnings Relationship, with Test for Publication Bias. **AU** Ashenfelter, Orley; Oosterbeek, Hessel; Harmon, Colm.

Orzach, Ram

TI Information Advantage and Dominant Strategies in Second-Price Auctions. **AU** Einry, Ezra; Haimanko, Ori; Orzach, Ram; Sela, Aner.

Owyang, Michael

PD January 2001. **TI** Regime Switching and Monetary Policy Measurement. **AU** Owyang, Michael; Ramey, Garey. **AA** Owyang: Federal Reserve Bank of St. Louis. Ramey: University of California, San Diego. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/002A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 14. **PR** no charge. **JE** C11, E52. **KW** Phillips Curve. Gibbs Sampling. Regime Switching. Monetary Policy Measurement.

AB This paper applies regime switching methods to the problem of measuring monetary policy. Policy preferences and structural factors are specified parametrically as independent Markov processes. Interaction between the structural and preference parameters in the policy rule serves to identify the two processes. The estimates uncover policy episodes that are initiated by switches to "dove regimes," shown to Granger cause both NBER recessions and the Romer dates. These episodes imply real effects of monetary policy that are smaller than those found in previous studies.

Oxley, Joanne

TI International Franchising: Evidence from US and Canadian Franchisors in Mexico. **AU** Lafontaine, Francine; Oxley, Joanne.

Paddison, Olivier

PD October 2001. **TI** Old Age Consumption and Pension Policy in a Two-Tier Developing Economy. **AU** Paddison, Olivier; Pestieau, Pierre. **AA** Paddison: Universite de Liege and CORE. Pestieau: Universite de Liege, CORE, CEPR, and DELTA. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/45; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 19. **PR** \$100 per year. **JE** H55, J61. **KW** Developing Economies. Pension.

AB In a number of developing countries, an important part of the economy is informal both in terms of production and of social protection. This paper considers introducing a universal pension system in the formal sector. It is shown to have two main effects: first, it makes the formal sector more attractive to migration and second, it affects capital accumulation in a way which depends on the type of social security introduced, PAYG or funded, and its induced effect on private saving.

Pagano, Marco

TI Searching for Non-Linear Effects of Fiscal Policy: Evidence from Industrial and Developing Countries. **AU** Giavazzi, Francesco; Pagano, Marco; Jappelli, Tullio.

Paiella, Monica

TI Risk Aversion, Wealth and Background Risk. **AU** Guiso, Luigi; Paiella, Monica.

Pakko, Michael R.

PD October 2001. **TI** What Happens When the Technology Growth Trend Changes? Transition Dynamics, Capital Growth and the "New Economy." **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/020A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 36. **PR** no charge. **JE** E37, O31, O33, O47. **KW** Productivity. Investment-Specific Technology. Stochastic Growth.

AB The rapid increase in U.S. economic growth during the late 1990s inspired speculation that an acceleration in the rate of technological progress had given rise to an increase in potential output growth. This paper considers the transition dynamics associated with such a change using a general equilibrium framework that incorporates stochastic growth trends. The model suggests that transition dynamics associated with a shift in the technological growth trend can have important implications for macroeconomic growth patterns, particularly when technological change is investment-specific. Simulations of the post- WWII U.S. economy show that the model's internal propagation mechanism is capable of explaining a significant portion of the variation in growth rates over the sample period, particularly for investment, capital accumulation, and employment.

PD January 2002. **TI** Technology Trends, Transition

Dynamics and Growth Accounting. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/014B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 20. **PR** no charge. **JE** E13, E22. **KW** Capital Deepening. Productivity. Stochastic Growth.

AB Rising rates of economic growth during the 1990s inspired speculation of a technology-induced shift in the underlying growth rate of productivity -- a proposition often investigated using the tools of growth accounting. This paper considers the adjustment dynamics of a technology growth shift using a basic neoclassical framework that incorporates stochastic growth trends. Simulations of the model suggest that the dynamic response of the capital stock to a change in the trend can have important implications for measuring underlying productivity and interpreting the results of growth accounting exercises, particularly when technological change is embodied in capital goods.

Panunzi, Fausto

TI Agency Conflicts, Ownership Concentration, and Legal Shareholder Protection. **AU** Burkart, Mike; Panunzi, Fausto.

Papathodorou, Christos

PD November 2000. **TI** Decomposing Inequality by Population Subgroups in Greece: Results and Policy Implications. **AA** National Center for Social Policy, Athens, Greece. **SR** London School of Economics, STICERD Distributional Analysis Research Programme Discussion Paper: DARP/49; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 54. **PR** no charge. **JE** D31, D33, D63. **KW** Inequality. Income Distribution. Decomposition Analysis. Population Subgroups. Income Sources.

AB This paper investigates the extent to which certain social characteristics and personal attributes could help explain income inequality in Greece. This analysis is quite revealing for understanding and explaining income differences among certain population subgroups with apparent policy implications. The degree to which overall inequality is attributable to inequality between these subgroups or to inequality within them is investigated, employing a decomposition analysis by population subgroups. The results show that there are significant differences in the average household income, in its structure and in inequality between the subgroups. However, despite these differences, in all groups used the between-group inequality accounts only for a small segment of the overall inequality.

Parker, Jonathan A.

TI The Empirical Importance of Precautionary Saving. **AU** Gourinchas, Pierre-Olivier; Parker, Jonathan A.

Patrick, Robert H.

PD April 2001. **TI** Estimating the Customer-Level Demand for Electricity Under Real-Time Market Prices. **AU** Patrick, Robert H.; Wolak, Frank A. **AA** Patrick: Rutgers University. Wolak: Stanford University. **SR** National Bureau of Economic Research Working Paper: 8213; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

PG 46. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D12, L94. **KW** Electricity Demand. Real-Time Prices.

AB This paper presents estimates of the customer-level demand for electricity by industrial and commercial customers purchasing electricity according to the half-hourly energy prices from the England and Wales (E&W) electricity market. These customers also face the possibility of a demand charge on their electricity consumption during the three half-hour periods that are coincident with E&W system peaks. Although energy charges are largely known by 4 PM the day prior to consumption, a fraction of the energy charge and the identity of the half-hour periods when demand charges occur are only known with certainty *ex post* of consumption. Four years of data from a Regional Electricity Company (REC) in the United Kingdom is used to quantify the half-hourly customer-level demands under this real-time pricing program. The econometric model developed and estimated here quantifies the extent of intertemporal substitution in electricity consumption across pricing periods within the day due to changes in all components of day-ahead E&W electricity prices, the level of the demand charge and the probability that a demand charge will be imposed.

Pecchenino, Rowena A.

TI A Simple Model of International Capital Flows, Exchange Rate Risk, and Portfolio Choice. **AU** Pollard, Patricia S.; Pecchenino, Rowena A.

PD August 2001. **TI** Aging, Myopia and the Pay-As-You-Go Public Pension Systems of the G7: A Bright Future. **AU** Pecchenino, Rowena A.; Pollard, Patricia S. **AA** Pecchenino: Michigan State University. Pollard: Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/015B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. **Website:** www.stls.frb.org/research. **PG** 23. **PR** no charge. **JE** D91, E61, H23, I38. **KW** Myopia. Public Pension. Endogenous Growth.

AB The public pension systems of the G7 countries were established in an era when the number of contributors far outweighed the number of beneficiaries. Now, for each beneficiary there are fewer contributors, and this trend is projected to accelerate. To evaluate the prospects for these economies we develop an overlapping generations model where growth is endogenously fueled by investments in physical and human capital. We analyze individuals' behavior when their expectations over their length of life are rational or myopic and examine whether policies exist that can offset the effects of aging, should they be adverse. We find that while perfectly anticipated aging is welfare improving and does not threaten the solvency of public pension systems, myopia worsens welfare, puts pension systems at risk, and cannot be easily remedied by public policy.

Pelgrin, Florian

TI Bayesian Hidden Markov Analysis of the Information Content of the Yield Curve About Inflation. **AU** Chopin, Nicolas; Pelgrin, Florian.

Perelman, Sergio

TI Capacity Utilisation and Profitability: A Decomposition of Short Run Profit Efficiency. **AU** Coelli, Tim; Grifell-Tatje, Emili; Perelman, Sergio.

Perez-Castrillo, David J.

TI Endogenizing Know-How Flows Through the Nature of R&D Investments. **AU** Cassiman, Bruno; Perez-Castrillo, David J.; Veugelers, Reinhilde.

Perloff, Jeffrey M.

TI Why Promoters Like Scalpers. **AU** Karp, Larry; Perloff, Jeffrey M.

Perotti, Enrico C.

PD March 2001. **TI** Outside Finance, Dominant Investors, and Strategic Transparency. **AU** Perotti, Enrico C.; von Thadden, Ernst-Ludwig. **AA** Perotti: Universiteit van Amsterdam and CEPR. von Thadden: Universite de Lausanne. **SR** CEPR Discussion Paper: 2733; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. **Website:** www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D43, G21, G32, G34. **KW** Adverse Selection. Banking. Capital Structure. Corporate Governance. Disclosure. **AB** This paper studies the incentives for transparency under different forms of corporate governance in a context of product market competition. We endogenize the governance and financial structure of firms and determine a strategic decision on the degree of transparency in a context of product market competition. When firms seeking outside finance resort to actively monitored debt in order to commit against opportunistic behavior, the dominant lender can influence corporate transparency. More transparency about 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 dissemination, as this protects firms when in a weak competitive position, while equity holders prefer more disclosure to maximize profitability when in a strong position. We show that bank-controlled firms will be opaque, while shareholder-run firms prefer more transparency. We can predict a clustering of attributes: bank dominance, established firms with valuable investment, but also significant assets in place, opaqueness, low variability of profits, somewhat lower average profits, and a reversed pattern for equity-controlled firms. Finally, bank control may fail to keep firms less transparent as global trading volumes rise.

Perotti, Roberto

TI Electoral Rules and Public Spending. **AU** Milesi-Ferretti, Gian Maria; Perotti, Roberto; Rostagno, Massimo.

Persson, Lars

PD March 2001. **TI** Predation and Mergers: Is Merger Law Counterproductive? **AA** Stockholm University and CEPR. **SR** CEPR Discussion Paper: 2734; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. **Website:** www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** K21, L12, L41. **KW** Failing Firm Defense. Merger Law. Mergers. Predation.

AB This paper shows that predation might help firms overcome the free riding problem of mergers by changing the acquisition situation in the buyer's favor relative to the firms outside the merger. It is also shown that the bidding competition for the prey's assets is most harmful to predators when the use of the prey's assets exerts strong negative

externalities on rivals, i.e. when their use severely reduces competitors' profits. The reason is that potential buyers are then willing to pay a high price for the prey in order to prevent other buyers from obtaining the assets. This implies that predators prefer predation technologies that destroy the prey's assets since they limit the negative effects of the subsequent bidding competition for the prey. It is also shown that a restrictive merger policy might be counterproductive, since it might increase the incentives for predation by helping predators avoid the bidding competition. Moreover, the incentive for predation under the US failing firm defense might be strong, since it allows mergers but limits the bidding competition.

TI Privatization and Foreign Competition. **AU** Norback, Pehr-Johan; Persson, Lars.

Persson, Torsten

PD March 2001. **TI** Electoral Rules and Corruption. **AU** Persson, Torsten; Tabellini, Guido; Trebbi, Francesco. **AA** Persson: Stockholm University, LSE, CEPR, and NBER. Tabellini: Bocconi University, CEPR, and CES-IFO. Trebbi: Harvard University. **SR** National Bureau of Economic Research Working Paper: 8154; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D72, H11. **KW** Corruption. Electoral Rules. Voting.

AB Is corruption systematically related to electoral rules? A number of studies have tried to uncover economic and social determinants of corruption but, as far as we know, nobody has yet empirically investigated how electoral systems influence corruption. We try to address this lacuna in the literature, by relating corruption to different features of the electoral system in a sample from the late nineties encompassing more than 80 democracies. The evidence is consistent with the theoretical models reviewed in the paper. Holding constant a variety of economic and social variables, we find that larger voting districts -- and thus lower barriers to entry -- are associated with less corruption, whereas larger shares of candidates elected from party lists -- and thus less individual accountability -- are associated with more corruption. Altogether, proportional elections are associated with more corruption, since voting over party lists is the dominant effect, while the district magnitude effect is less robust.

PD March 2001. **TI** Electoral Rules and Corruption. **AU** Persson, Torsten; Tabellini, Guido; Trebbi, Francesco. **AA** Persson: Stockholm University and CEPR. Tabellini: Universita Bocconi. **SR** CEPR Discussion Paper: 2741; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D72, D73, H11. **KW** Comparative Politics. Corruption. Political Economy.

AB See the entry for Persson, Torsten; Tabellini, Guido; Trebbi, Francesco. March 2001, "Electoral Rules and Corruption". National Bureau of Economic Research Working Paper: 8154; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

PD April 2001. **TI** Do Political Institutions Shape Economic Policy? **AA** Stockholm University, LSE, CEPR, and NBER. **SR** National Bureau of Economic Research Working Paper: 8214; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website:

www.nber.org. **PG** 20. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D72, E61, H11. **KW** Political Economy. Electoral Cycles. Majority Elections. Presidential Regimes.

AB Do political institutions shape economic policy? I argue that this question should naturally appeal to economists. Moreover, the answer is in the affirmative, both in theory and in practice. In particular, recent theoretical work predicts systematic effects of electoral rules and political regimes on the size and composition of government spending. Results from ongoing empirical work indicate that such effects are indeed present in international panel data. Some empirical results are consistent with theoretical predictions: presidential regimes have smaller governments and countries with majoritarian elections have smaller welfare-state programs and less corruption. Other results present puzzles for future research; the adjustment to economic events is clearly institution dependent, as is the timing and nature of the electoral cycle.

Pesenti, Paolo

TI International Dimensions of Optimal Monetary Policy. **AU** Corsetti, Giancarlo; Pesenti, Paolo.

Pestieau, Pierre

TI Capital Income Taxation When Inherited Wealth is Not Observable. **AU** Cremer, Helmuth; Pestieau, Pierre; Rochet, Jean-Charles.

TI Family Size and Optimal Income Taxation. **AU** Cremer, Helmuth; Dellis, Arnaud; Pestieau, Pierre.

TI Social Insurance and Redistribution. **AU** Boudway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

TI Old Age Consumption and Pension Policy in a Two-Tier Developing Economy. **AU** Paddison, Olivier; Pestieau, Pierre.

TI Redistribution with Capital Mobility and Unions' Wage Setting. **AU** Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

Petrakis, Emmanuel

TI Wages and Productivity Growth in a Dynamic Monopoly. **AU** Bester, Helmut; Petrakis, Emmanuel.

Petrin, Amil

PD April 2001. **TI** Quantifying the Benefits of New Products: The Case of the Minivan. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 8227; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 32. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** C51, D12, D43, L13, O47. **KW** Market-Level Data. Minivans. Profit Cannibalization. First-Mover Advantage.

AB I develop a technique useful for obtaining more precise estimates of demand and supply curves when constrained to market-level data. It augments the estimation routine with data on the average characteristics of consumers that purchase different products. I apply the technique to the automobile market, estimating the economic effects of the minivan introduction. I show that standard approaches yield results that are meaningfully different from those obtained with my

extension. I report benefits accruing to both minivan and non-minivan consumers. I complete the welfare picture by measuring the extent of first-mover advantage and of profit cannibalization both initially by the innovator and later by the imitators. My results support a simple economic story where large improvements in consumers' standard of living arise from competition as firms, ignoring the externalities they impose on one another, cannibalize each others profits by continually seeking new goods that give them some temporary market power.

Phillips, John W. R.

TI Retirement Responses to Early Social Security Benefit Reductions. AU Mitchell, Olivia S.; Phillips, John W. R.

Piachaud, David

PD March 2000. TI How Effective is the British Government's Attempt to Reduce Child Poverty? AU Piachaud, David; Sutherland, Holly. AA Piachaud: CASE, LSE. Sutherland: University of Cambridge. SR London School of Economics, STICERD CASEpapers: CASE/38; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG 47. PR no charge. JE I32, I38, J13. KW Child Poverty. Tax Policy. Benefit Policy. Welfare-to-Work.

AB The new Labor Government in Britain has made the reduction of child poverty one of its central objectives. This paper describes the specific initiatives involved in Labor's approach and weighs them up in terms of their potential impact. After setting out the extent of the problem of child poverty, the causes are discussed and Britain's problem is set in international perspective. The impact on child poverty of policies designed to raise incomes directly is analyzed using micro-simulation modeling. A major emphasis of current policy is on the promotion of paid work, and we explore the potential for poverty reduction of increasing the employment of parents. We find that at its maximum, increasing paid work could roughly double the reduction in child poverty achieved by tax and benefit policies alone -- a combined decrease of 1.85 million children in poverty. However, a more realistic forecast of increases in parental employment suggests that the number of children in poverty may be reduced by 1 million by 2002. The policies that address long-term disadvantage are also discussed and finally the whole program is assessed and future strategy is considered.

Pianelli, Dominique

PD November 1999. TI Groupe d'Echanges et de Reflexion sur la Caspienne. AU Pianelli, Dominique; Sokoloff, Georges. AA Pianelli: CEPII. Sokoloff: Institut national des langues et civilisations orientales, Paris and CEPII. SR CEPII Working Paper: 1999/15; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. PG 80. PR no charge. JE L71, N70, P20, Q40. KW Energy. Socialist Systems. Utilities. Transportation. Oil. AB (This paper is written in French). This paper is an overview of the meetings held between 1997 and 1998 by forty experts who mainly focused on the Caspian Sea as a center of oil resources. It stresses that if the Caspian oil reserves are huge (equivalent of the North Sea reserves), they are not as great as expected. In addition, they suffered over the past years from the

decrease of oil prices and economic crisis in Asia. Last, the progress made in exploration, operation, transportation and refining contribute to multiply worldwide available oil resources. The oil consortiums which financed their development start to operate these resources instead of keeping them in portfolios. Russia recently acknowledged the partition agreements signed between the coastal states and these consortiums. The oil shipment is now under way, Turkey and the United States preferring more ambitious routes than the ones actually used, but considered to be too expensive by the companies.

Piger, Jeremy

TI Markov Regime Switching and Unit Root Tests. AU Nelson, Charles R.; Piger, Jeremy; Zivot, Eric.

TI Common Stochastic Trends, Common Cycles, and Asymmetry in Economic Fluctuations. AU Kim, Chang-Jin; Piger, Jeremy.

TI The Less Volatile U.S. Economy: A Bayesian Investigation of Timing, Breadth, and Potential Explanations. AU Kim, Chang-Jin; Nelson, Charles R.; Piger, Jeremy.

TI Permanent and Transitory Components of Business Cycles: Their Relative Importance and Dynamic Relationship. AU Kim, Chang-Jin; Piger, Jeremy; Startz, Richard.

TI Is the Response of Output to Monetary Policy Asymmetric? Evidence from a Regime-Switching Coefficients Model. AU Lo, Ming Chien; Piger, Jeremy.

TI The Use and Abuse of "Real-Time" Data in Economic Forecasting. AU Dolmas, Sheila; Koenig, Evan F.; Piger, Jeremy.

Pisaruk, Nicolai

TI On Unions and Dominants of Polytopes. AU Balas, Egon; Bockmayr, Alexander; Pisaruk, Nicolai; Wolsey, Laurence A.

Pischke, Jorn-Steffen

TI Minimum Wages and On-the-Job Training. AU Acemoglu, Daron; Pischke, Jorn-Steffen.

Pochet, Yves

TI Design and Performance Analysis of a Heavily Loaded Material Handling System. AU Chevalier, Philippe; Pochet, Yves; Talbot, Laurence.

TI A Discussion of Production Planning Approaches in the Process Industry. AU Crama, Yves; Pochet, Yves; Wera, Yannic.

TI New Formulation and Resolution Method for the p-Center Problem. AU Elloumi, Sourour; Labbe, Martine; Pochet, Yves.

TI A General Heuristic for Production Planning Problems. AU Van Vyve, Mathieu; Pochet, Yves.

Polemarchakis, Heracles M.

TI The Taxation of Trades in Assets. AU Citanna, Alessandro; Polemarchakis, Heracles M.; Tirelli, Mario.

TI Money and Indeterminacy Over an Infinite Horizon. AU Bloise, Gaetano; Dreze, Jacques H.; Polemarchakis,

Heracles M.

Pollard, Patricia S.

TI Exchange Rate Pass-Through in U.S. Manufacturing: Exchange Rate Index Choice and Asymmetry Issues. **AU** Coughlin, Cletus C.; Pollard, Patricia S.

PD July 2001. **TI** A Simple Model of International Capital Flows, Exchange Rate Risk, and Portfolio Choice. **AU** Pollard, Patricia S.; Pecchenino, Rowena A. **AA** Pollard: Federal Reserve Bank of St. Louis. Pecchenino: Michigan State University. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/009B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 27. **PR** no charge. **JE** F34, G15. **KW** Capital Flows. Exchange Rate Risk.

AB This paper examines international capital flows in the context of a simple Diamond-Dybvig model in which there are neither moral hazard nor adverse selection problems, thus isolating exchange rate risk as the propagator of capital flows. The model shows that the adverse changes in exchange rate expectations can result in "hot money" flows even when a bank's balance sheet is perfectly transparent and its assets have a positive net present value in local currency terms. The model also indicates that foreign deposit guarantees even in the absence of a change in the bank's portfolio can increase the chance of bank runs.

TI Aging, Myopia and the Pay-As-You-Go Public Pension Systems of the G7: A Bright Future. **AU** Pecchenino, Rowena A.; Pollard, Patricia S.

Pope, Rulon D.

TI The U.S. Income Distribution and Gorman Engel Curves for Food. **AU** Agnew, G. K.; Beatty, Timothy K. M.; LaFrance, Jeffrey T.; Pope, Rulon D.

Poret, Sylvaine

PD 2002. **TI** Structure Verticale d'Un Reseau de Distribution de Drogues Illicites et Politique Repressive Optimale. **AA** ENSAE-CREST and Universite de Paris I. **SR** INSEE Documents de Travail du CREST: 2002/07; Mme Nadine GUEDJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 18. **PR** no charge. **JE** D23, K42, L22. **KW** Illicit Drugs. Vertical Relationship. Law.

AB The first aim of this paper is to give theoretical bases to the vertically organized structure of the distribution network of illicit drugs by using the analysis of vertical relationships proposed by the industrial organization and the illegal character of the drug traffic. The second one is to show how the regulator, through law enforcement costs imposed on drugs sellers, can decentralize the optimal structure, which minimizes drugs use. We show that the vertically organized network, a very often noticed structure on drugs market, can never be optimally executable. This paper is written in French.

Poterba, James M.

PD April 2001. **TI** Taxation and Portfolio Structure: Issues and Implications. **AA** Hoover Institution and Stanford University. **SR** National Bureau of Economic Research Working Paper: 8223; Working Papers, NBER, 1050

Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 39. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G11, H24. **KW** Taxation. Portfolio Structure.

AB This paper provides an overview of how taxation affects household portfolio structure. It begins by outlining six aspects of portfolio behavior that may be influenced by the tax system. These are asset selection, asset allocation, borrowing, asset location in taxable and tax-deferred accounts, asset turnover, and whether to hold assets directly or through financial intermediaries. The analysis considers how ignoring tax considerations may bias estimates of how other variables, such as income or net worth, affect the structure of household portfolios. The paper then describes the tax rules that apply to various portfolio instruments in a range of major industrialized nations. This illustrates the wide variation in the potential impact of tax rules on portfolio choice. Finally, the paper selectively reviews the existing evidence on how taxation affects portfolio choice. A small but growing literature, primarily based on the analysis of U.S. data, suggests that taxes have important effects on several aspects of portfolio choice. There remain a number of decisions, however, for which it appears difficult to reconcile household choices with tax-efficient behavior.

Pouyet, Jerome

TI Strategic Choice of Financing Systems in Regulated and Interconnected Industries. **AU** Bassanini, Anna; Pouyet, Jerome.

Power, Anne

PD February 2000. **TI** Social Exclusion and the Future of Cities. **AU** Power, Anne; Wilson, William Julius. **AA** Power: CASE, LSE. Wilson: Harvard University. **SR** London School of Economics, STICERD CASEpapers: CASE/35; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 31. **PR** no charge. **JE** I30, O18, R11, R23, R41. **KW** Social Exclusion. Urban Poverty. Area Regeneration. Urban Development.

AB In both Britain and the United States, people have been moving away from the inner cities to suburban developments, often leaving behind concentrations of poverty and decaying neighborhoods. Anne Power's paper focuses on the British situation. As Britain comes to terms with the implications of urban renaissance, a new way must be found of looking at regeneration based on rebuilding urban neighborhoods. The key points for the future are: limiting suburban land supply and creating higher density in depleted urban neighborhoods; equalizing the incentives to recycle old buildings and used land rather than greenfield sites; improving public transport; managing neighborhoods to encourage a social mix; and protecting green spaces. William Julius Wilson, looking at the American situation, addresses the rediscovery of "metropolitan solutions" as answers to the common problems of America's cities and suburbs. This rediscovery reflects the recognition that metropolitan areas constitute the real competitive units in the new economy and that competitiveness requires a healthy urban core; the growing awareness that complex issues such as pollution and traffic congestion cross boundaries and are immune to localized fixes; and the co-existence of persistent joblessness in the central cities and labor shortages in the

suburbs.

Preget, Raphael

TI Econometrics of Share Auctions. AU Fevrier, Philippe; Preget, Raphael; Visser, Michael.

Propper, Carol

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

TI Why Rising Tides Don't Lift All Boats? An Explanation of the Relationship Between Poverty and Unemployment in Britain. AU Burgess, Simon; Gardiner, Karen; Propper, Carol.

TI Growing Up: School, Family and Area Influences on Adolescents' Later Life Chances. AU Burgess, Simon; Gardiner, Karen; Propper, Carol.

TI The Class of '81: The Effects of Early-Career Unemployment on Subsequent Unemployment Experiences. AU Burgess, Simon; Propper, Carol; Rees, Hedley; Shearer, Arran.

Puga, Diego

TI From Sectoral to Functional Urban Specialisation. AU Duranton, Gilles; Puga, Diego.

Quah, Danny

PD September 2001. TI Spatial Agglomeration Dynamics. AA CEP, LSE. SR London School of Economics, Centre for Economic Performance Discussion Paper: 521; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 9. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE D31, O12, O41. KW Cluster. Convergence. Distribution Dynamics. Growth. Spillovers. Spatial Inequality.

AB This paper develops a model of economic growth and activity locating endogenously on a 3-dimensional featureless global geography. The same economic forces influence simultaneously growth, convergence, and spatial agglomeration and clustering. Economic activity is not concentrated on discrete isolated points but instead a dynamically-fluctuating, smooth spatial distribution. Spatial inequality is a Cass-Koopmans saddle path, and the global distribution of economic activity converges towards egalitarian growth. Equality is stable but spatial inequality is needed to attain it.

PD September 2001. TI Technology Dissemination and Economic Growth: Some Lessons for the New Economy. AA CEP, LSE. SR London School of Economics, Centre for Economic Performance Discussion Paper: 522; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. PG 21. PR 5 pounds for individual copies; 95 pounds for yearly subscription. JE N15, O33, O57. KW Aspatial. Endogenous Growth. Endogenous Technology. Nonrival. Weightless Economy.

AB This paper attempts to draw lessons for the New Economy from what economists know about technology dissemination and economic growth. It argues that what is most notable about the New Economy is that it is knowledge-driven,

not just in the sense that knowledge now assumes increasing importance in production, thereby raising productivity. Instead, it is that consumption occurs increasingly in goods that are like knowledge -- computer software, video entertainment, gene sequences, Internet-delivered goods and services -- where material physicality matters little. That knowledge is aspatial and nonrival is central. Understanding the effective exchange and dissemination of such knowledge-products will matter more than resolving the so-called productivity paradox.

Rachlin, Jason E.

TI What Can the Take-Up of Other Programs Teach Us About How to Improve Take-Up of Health Insurance Programs? AU Remler, Dahlia K.; Glied, Sherry A.; Rachlin, Jason E.

Radulovic, Dragan

TI Weak Convergence of Empirical Copula Processes. AU Fermanian, Jean-David; Radulovic, Dragan; Wegkamp, Marten.

Raith, Michael

TI Open Covenants, Privately Arrived At. AU Fingleton, John; Raith, Michael.

Rajan, Raghuram G.

PD March 2001. TI The Influence of the Financial Revolution on the Nature of Firms. AU Rajan, Raghuram G.; Zingales, Luigi. AA University of Chicago. SR National Bureau of Economic Research Working Paper: 8177; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 10. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE G30, L20. KW Firm Management. Nature of Firms. Financial Revolution.

AB Major technological, regulatory and institutional changes have made finance more widely available in recent years, amounting to a bona fide "financial revolution". This article focuses on the impact the financial revolution has had on the way firms are (or should be) organized and managed, and on the policy consequences.

PD March 2001. TI The Great Reversals: The Politics of Financial Development in the 20th Century. AU Rajan, Raghuram G.; Zingales, Luigi. AA University of Chicago. SR National Bureau of Economic Research Working Paper: 8178; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 53. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE G10, G15, N20, O16. KW Financial Development. Financial Sector. Growth Politics. Capital Flows.

AB This paper shows that the development of the financial sector does not change monotonically over time. In particular, this paper finds that by most measures, countries were more financially developed in 1913 than in 1980 and only recently have they surpassed their 1913 levels. This pattern is inconsistent with most recent theories of why cross-country differences in financial development do not track differences in economic development, since these theories are based upon time-invariant factors, such as a country's legal origin. This paper proposes instead an "interest group" theory of financial development. Incumbents oppose financial development because it breeds competition. The theory predicts that

incumbents' opposition will be weaker when an economy allows both cross-border trade and capital flows. This theory can go some way in accounting for the cross-country differences and the time series variation of financial development.

Ramey, Garey

TI Regime Switching and Monetary Policy Measurement.
AU Owyang, Michael; Ramey, Garey.

Rasche, Robert H.

TI The Domestic Adjusted Monetary Base.
AU Anderson, Richard G.; Rasche, Robert H.

PD May 2001. **TI** Identification of Dynamic Economic Models From Reduced Form VECM Structures: An Application of Covariance Restrictions. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/011B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 22. **PR** no charge. **JE** C32, E41, E43. **KW** Identification. VAR Models. Vector ECM's. Short-Run Money Demand. M2.

AB This analysis is a straightforward implementation of both long-run and short-run identifying or overidentifying restrictions on a vector error correction model in the "structural VAR" framework. The framework utilizes covariance restrictions, long-run multiplier restrictions, error correction coefficient restrictions, and restriction on slope coefficients of the simultaneous interactions in the "economic model". The framework is general enough to incorporate restrictions on impact multipliers. Two examples are provided. The first example is a dynamic M2 demand specification with a comparison to previous results that are constructed using restrictions on distributed lag coefficients to achieve identification. The second example illustrates the identification of equilibrium short-term and long-term interest responses of money demand using error-correction coefficient restrictions when the individual coefficients are underidentified in the cointegrating vectors in the presence of stationary interest rate spreads.

TI The Remarkable Stability of Monetary Base Velocity in the United States, 1919-1999. **AU** Anderson, Richard G.; Rasche, Robert H.

Rausser, Gordon C.

TI Hazardous Waste Sites and Housing Appreciation Rates.
AU McCluskey, Jill J.; Rausser, Gordon C.

TI Processor Placements and Producer Incentives: Analyzing Broiler Chicken Production Contracts.
AU Goodhue, Rachael E.; Rausser, Gordon C.; Simon, Leo K.

TI Estimation of Perceived Risk and its Effect on Property Values. **AU** McCluskey, Jill J.; Rausser, Gordon C.

TI Vertical Integration in Mexican Community Forestry.
AU Antinori, Camille M.; Rausser, Gordon C.

TI Fitting the Glass Slipper: Optimal Capital Structure in the Face of Liability. **AU** Veld, Klaas van't; Rausser, Gordon C.; Simon, Leo K.

TI Biotechnology, Intellectual Property and Value Differentiation in Agriculture. **AU** Goodhue, Rachael E.;

Rausser, Gordon C.; Scotchmer, Suzanne; Simon, Leo K.

Ravenhill, Megan

PD March 2000. **TI** Homelessness and Vulnerable Young People: A Social Audit of KeyChange Charity's Supported Accommodation. **AA** CASE, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/37; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** I38. **PR** no charge. **JE** I32, I38. **KW** Homelessness. Young Women. Social Exclusion.

AB Homelessness is still an ever-present problem in many towns and cities in the UK today. This paper is part of a more in-depth study of homelessness and social exclusion. It presents the results of a small-scale study, which illustrates the range of problems experienced by homeless young women and those running hostels for them. The study was carried out for KeyChange at their two hostels in Reigate and Exeter. It evaluates the quality of their women's hostel provision, the types of women they help, and the ways in which these women are helped by their time with KeyChange. It identifies a number of factors contributing to the quality of KeyChange's provision and points to areas for consideration where improvements could be made.

Razin, Assaf

PD March 2001. **TI** Country Risk and Capital Flow Reversals. **AU** Razin, Assaf; Sadka, Efraim. **AA** Razin: Tel-Aviv University and NBER. Sadka: Tel-Aviv University and CESIFO. **SR** National Bureau of Economic Research Working Paper: 8171; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 6. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F30. **KW** Credit and Default. Financial Crises. Capital Flow Reversal.

AB A remarkable feature of the 1997 crisis of the emerging economies in South and South-East Asia is the lack of early warning of the traditional sorts. Accordingly, the credit ratings of these economies were relatively sound. Nonetheless, the crisis erupted. This paper offers a channel through which such crises can erupt. It employs a model of credits with defaults to derive a sort of multiple equilibria phenomena and shows that a financial crisis with capital flow reversal occurs when a country shifts abruptly from a "good" equilibrium with low country-specific risk premium to a "bad" equilibrium with high country-specific risk premium and no foreign credit.

Rees, Hedley

TI The Class of '81: The Effects of Early-Career Unemployment on Subsequent Unemployment Experiences.
AU Burgess, Simon; Propper, Carol; Rees, Hedley; Shearer, Arran.

Reese, William A., Jr.

PD March 2001. **TI** Protection of Minority Shareholder Interests, Cross-Listings in the United States, and Subsequent Equity Offerings. **AU** Reese, William A., Jr.; Weisbach, Michael S. **AA** Reese: Tulane University. Weisbach: University of Illinois and NBER. **SR** National Bureau of Economic Research Working Paper: 8164; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge,

MA 02138-5398. Website: www.nber.org. PG 26. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE F30, G20, G30. KW Cross-listings. Shareholder Protection.

AB This paper examines the hypothesis that non-U.S. firms cross-list in the United States to increase protection of their minority shareholders. Cross-listing in the U.S. subjects a non-U.S. firm to a number of provisions of U.S. securities law and requires the firm to conform to U.S. GAAP. It therefore increases the expected cost to managers of extracting private benefits. The expected relation between the quantity of cross-listings and shareholder protection in the home country is ambiguous, because managers will consider both expected private benefits and the public value of their shares. However, there are clear predictions about the relation between subsequent equity issues, shareholder protection and cross-listings. Overall, the desire to protect shareholder rights is probably not an important determinant of the large recent increase in cross-listings, because legal requirements potentially deter a number of firms that do have a demand for equity capital from cross-listing in the U.S.

Reichlin, Pietro

TI Risk and Intermediation in a Dual Financial Market Model. AU Bloise, Gaetano; Reichlin, Pietro.

Remler, Dahlia K.

PD March 2001. TI What Can the Take-Up of Other Programs Teach Us About How to Improve Take-Up of Health Insurance Programs? AU Remler, Dahlia K.; Glied, Sherry A.; Rachlin, Jason E. AA Columbia University. SR National Bureau of Economic Research Working Paper: 8185; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 15. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE 111, 112, 118. KW Health Insurance. Medicaid. Take-Up Rates.

AB Many uninsured Americans are already eligible for free or low-cost public coverage through Medicaid or CHIP but do not take up that coverage. Several other programs, such as food stamps and unemployment insurance, also have less than complete take-up rates and take-up rates vary considerably among programs. This paper examines the take-up literature across a variety of programs to learn what effects non-financial features, such as administrative complexity, have on take-up. We find that making benefit receipt automatic is the most effective means of ensuring high take-up, while there is little evidence that stigma is important. Overall, surprisingly little is known about the quantitative impact, of non-financial characteristics of programs on take-up. New research that could be used to draw measurable causal inferences about how features as administrative complexity, renewal rules, and organizational structure affect participation would be extremely valuable.

Repullo, Rafael

PD December 2000. TI A Model of Takeovers of Foreign Banks. AA Centre for Monetary and Financial Studies and Centre for Economic Policy Research. SR CEPR Discussion Paper: 2639; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, S8 or 8 euros. JE G21, G28, G34.

KW Bank Closure. Bank Supervision. Cross-Border Bank Mergers. Deposit Insurance. Home Country Control.

AB This paper investigates the determinants of the takeover of a foreign bank by a domestic bank whereby the former becomes a branch of the latter. Each bank is initially supervised by a national agency that cares about closure costs and deposit insurance payouts, and may decide the early closure of the bank on the basis of supervisory information. Under the principle of home country control, the takeover moves responsibility for both the supervision of the foreign bank and the insurance of the foreign deposits to the domestic agency. It is shown that the takeover is more likely to happen if the foreign bank is small (relative to the foreign banking market) and its investments are risky (relative to those of the domestic bank). Moreover, the takeover is, in general, welfare improving for both countries.

Richardson, Liz

PD April 2002. TI Outside and Insider Expertise: The Response of Residents of Deprived Neighborhoods to an Academic Definition of Social Exclusion. AU Richardson, Liz; Le Grand, Julian. AA LSE. SR London School of Economics, STICERD CASEpapers: CASE/57; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG 26. PR no charge. JE 132, 138. KW Social Exclusion. Community Involvement. Neighborhood Renewal.

AB The aim of this paper is to compare academic interpretations of the term social exclusion with the understanding of people with direct experience of the phenomenon. A pre-selected group of residents of deprived neighborhoods were asked about various aspects of the concept and their responses compared with the definitions of social exclusion used by Burchardt, Le Grand and Piachaud in their 1999 article in the journal *Social Policy and Administration*. In general, the residents' understanding of the term corresponded well with the more academic definitions; however, in one or two key areas there were significant differences, for example, the importance of neighborhood and "service poverty", and the need for action against aspects of social exclusion on the grounds of social justice. This confirms that it might be useful for more academic concepts to be tested against the views of those with experience of the phenomenon which the concept is trying to capture.

Riezman, Raymond

TI How Reasonable are Assumptions Used in Theoretical Models? Computational Evidence on the Likelihood of Trade Pattern Changes. AU Abrego, Lisandro; Whalley, John; Riezman, Raymond.

Risso, Jorge Silva

TI Internet Car Retailing. AU Morton, Fiona Scott; Zettelmeyer, Florian; Risso, Jorge Silva.

Ritzberger, Klaus

TI From Evolutionary to Strategic Stability. AU Demichelis, Stefano; Ritzberger, Klaus.

Rob, Rafael

TI Working in Public and Private Firms. AU Corneo, Giacomo; Rob, Rafael.

Robert, Christian P.

PD 2002. **TI** A Mixture Approach to Bayesian Goodness of Fit. **AU** Robert, Christian P.; Rousseau, Judith. **AA** Robert: CREST-INSEE and Universite Paris Dauphine. Rousseau: CREST- INSEE and Universite Paris 5. **SR** INSEE Documents de Travail du CREST: 2002/12; Mme Nadine GUEJ, INSEE-CREST, 15 Boulevard Gabriel Peri, 92245 Malakoff Cedex, France. Website: www.crest.fr/doctravail/documents.html. **PG** 21. **PR** no charge. **JE** C11, C13, C14. **KW** Bayesian Inference. Beta Mixture. Consistency. MCMC Algorithms. Nonparametric Estimation. **AB** We consider a Bayesian approach to goodness of fit, that is, to the problem of testing whether or not a given parametric model is compatible with the data at hand. We thus consider a parametric family F equal to the set F subscript θ and θ is an element of big θ , where F subscript θ denotes a cumulative distribution function (cdf) with parameter θ . The null hypothesis is the random variable X is distributed F subscript θ , for unknown θ . The alternative nonparametric hypothesis can thus be interpreted as F subscript θ of X being distributed from a general cdf G subscript big ϕ on $(0,1)$. Estimation within both parametric and nonparametric structures is implemented using Markov chain Monte Carlo Algorithms that estimate the number of components in the mixture. Since we are concerned with a goodness of fit problem, it is more of interest to consider a functional distance to the tested model. We therefore propose a new test procedure based on the π 'th conditional moment of the distance between the density and the parametric family, with both an asymptotic justification and a finite sampler implementation.

Rochet, Jean-Charles

TI Capital Income Taxation When Inherited Wealth is Not Observable. **AU** Cremer, Helmuth; Pestieau, Pierre; Rochet, Jean-Charles.

Rochon, Celine

TI Consistent Collusion-Proofness and Correlation in Exchange Economies. **AU** Giraud, Gael; Rochon, Celine.

TI Generic Efficiency and Collusion-Proofness in Exchange Economies. **AU** Giraud, Gael; Rochon, Celine.

Rodriguez-Poo, Juan

TI On the (Intradaily) Seasonality and Dynamics of a Financial Point Process: A Semiparametric Approach. **AU** Veredas, David; Rodriguez-Poo, Juan; Espasa, Antoni.

Rodrik, Dani

TI Did the Malaysian Capital Controls Work? **AU** Kaplan, Ethan; Rodrik, Dani.

Roller, Lars-Hendrik

TI Consumer Surplus vs. Welfare Standard in a Political Economy Model of Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik.

TI The Scope of Conflict in International Merger Control. **AU** Neven, Damien J.; Roller, Lars-Hendrik.

TI Complementarities in Innovation Policy. **AU** Mohnen, Pierre; Roller, Lars-Hendrik.

Romer, David

PD January 2000. **TI** Keynesian Macroeconomics without the LM Curve. **AA** UC Berkeley and NBER. **SR** National Bureau of Economic Research Working Paper: 7461; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 33. **PR** \$5.00. **JE** E12, E32, E52. **KW** Macroeconomics. Business Fluctuations. Money Supply. Central Banks. Interest Rate Rules.

AB Changes in both the macroeconomy and in macroeconomics suggest that the IS-MS-AS model is no longer the best baseline model of short-run fluctuations for teaching and policy analysis. This paper presents an alternative model that replaces the assumption that the central bank targets the money supply with an assumption that it follows a simple interest rate rule. The resulting model is simpler, more realistic, and more coherent than the IS-LM-AS, not just in its treatment of monetary policy but in many other ways. The paper also discusses other alternatives to IS-LM-AS.

Rose, Andrew K.

TI An Estimate of the Effect of Currency Unions on Trade and Output. **AU** Frankel, Jeffrey A.; Rose, Andrew K.

Rostagno, Massimo

TI Electoral Rules and Public Spending. **AU** Milesi-Ferretti, Gian Maria; Perotti, Roberto; Rostagno, Massimo.

Rouguet, Otilia

PD January 2000. **TI** Le Passage des Retraites de la Repartition a la Capitalisation Obligatoire: Des Simulations a l'aide d'une Maquette Calibree. (From Pay-as-you-Go to Compulsory Funded Retirement Scheme: Simulations with a Computable Model). **AU** Rouguet, Otilia; Villa, Pierre. **AA** Rouguet: University of Paris IX Dauphine. Villa: CEPPII. **SR** CEPPII Working Paper: 2000/02; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 32. **PR** no charge. **JE** H55, I3. **KW** Pay As You Go. Defined-Benefit Pensions. Defined-Contribution. Social Security. Public Pensions.

AB (This paper is written in French). Simulations with an overlapping generations model of agents are used to assess the replacement of a Pay As You Go Compulsory system of retirement by a generalized capitalized and compulsory system of retirement. This study is articulated with three concepts. First, it must be defined if the system is built upon Defined-Contribution Plans or upon Defined-Benefit Plans. Secondly, the "Beveridge" system must be distinguished from the "Bismarckian" system. Thirdly, it must be distinguished whether retirement subsidies are financed by taxes or by a levying on savings. The change from a Pay as You Go system to a Capitalized Compulsory system is justified only when the economy is near full employment and/or when it is lacking of physical capital. Indeed this capitalized system favors the allowance of savings to investment instead of the income of the old that favors a more capital spending growth.

Rousseau, Judith

TI Nonparametric Bayesian Estimation of Level Sets. **AU** Gayraud, Ghislaine; Rousseau, Judith.

TI A Mixture Approach to Bayesian Goodness of Fit.

AU Robert, Christian P.; Rousseau, Judith.

TI Laplace Expansions in MCMC Algorithms for Latent Variable Models. **AU** Guihenneuc, Chantal; Rousseau, Judith.

Rousseau, Peter L.

TI Vintage Organization Capital. **AU** Jovanovic, Boyan; Rousseau, Peter L.

Ruggerone, Luigi

TI "Crony Capitalism," Bail Outs and Bank Runs. **AU** Femminis, Gianluca; Ruggerone, Luigi.

Rzepkowski, Bronka

PD February 2000. **TI** The Expectations of Hong Kong Dollar Devaluation and their Determinants. **AA** CEPII. **SR** CEPII Working Paper: 2000/04; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 28. **PR** no charge. **JE** E42, E58, F31, F41. **KW** Currency Boards. Hong Kong. Speculative Attacks. Density Functions. Contagion.

AB During the Asian financial turmoil over the 1997-1998 period, the Hong Kong dollar peg escaped the wave of huge devaluations. But speculative pressures did not spare the Hong Kong currency board. This paper first deals with the key determinants driving the expectations of a possible breakdown of the peg in a VAR framework. Second, the paper focuses on the cross-market speculation, which involved the stock exchange and the markets of Hang Seng Index (HSI) futures and options, in addition to the foreign exchange market. Third, the paper shows that the significant determinants originating the expectations of devaluation in Hong Kong as well as the pernicious speculative dynamics are important factors in order to understand both the interventions of the Hong Kong Monetary Authority (HKMA) and the reform of the currency board in September 1998.

Sacerdote, Bruce

PD January 2000. **TI** Peer Effects with Random Assignment: Results for Dartmouth Roommates. **AA** Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 7469; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 26. **PR** \$5.00. **JE** I21, J10, J24. **KW** Peer Effects. Roommates. Fraternities. Academic Effort.

AB This paper uses a unique data set to measure peer effects among college age roommates. Freshman year roommates and dormmates are randomly assigned at Dartmouth College. I find that in this group, peer effects are very important in determining levels of academic effort and in decisions to join social groups such as fraternities. Residential peer effects are markedly absent in other major life decisions such as choice of college major. Several forms of peer effects are considered. The data support a model in which peer effects are driven by roommate behavior after the freshman arrives. Social learning based on a roommate's observable pre-Dartmouth information or skills appears to be less important. Peer effects in GPA occur at the individual room level whereas peer effects in fraternity membership occur both at the room level and the entire dorm level. I also find that a freshman with high social ability is

likely to remain with his or her roommates in sophomore year, but high academic ability actually decreases roommate retention.

Sacheti, Sandeep

TI The Long-Run Effects of Environmental Reform in Open Economies. **AU** Karp, Larry; Zhao, Jinhua; Sacheti, Sandeep.

Sadka, Efraim

TI Country Risk and Capital Flow Reversals. **AU** Razin, Assaf; Sadka, Efraim.

Sadoulet, Elisabeth

TI Is a Friend in Need a Friend Indeed? Inclusion and Exclusion in Mutual Insurance Networks in Southern Ghana. **AU** Goldstein, Marcus; de Janvry, Alain; Sadoulet, Elisabeth.

Sakakibara, Mariko

TI When do Research Consortia Work Well and Why? Evidence from Japanese Panel Data. **AU** Branstetter, Lee G.; Sakakibara, Mariko.

Salanie, Bernard

TI Salaire Minimum et Emploi en Presence de Negociations Salariales. **AU** Laroque, Guy; Salanie, Bernard.

TI Testing Contract Theory: A Survey of Some Recent Work. **AU** Chiappori, Pierre-Andre; Salanie, Bernard.

Sandonis, Joel

TI To Merge or to License: Implications for Competition Policy. **AU** Fauli-Oller, Ramon; Sandonis, Joel.

Sapir, Andre

PD November 2000. **TI** EC Regionalism at the Turn of the Millennium: Towards a New Paradigm? **AA** Universite Libre de Bruxelles, European Commission, and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2629; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F13, F15. **KW** Regional Trade Agreements. World Trading System.

AB The paper examines the development of regional trade agreements (RTAs) between the European Community (EC) and its partners during the past decade. It finds that EC regionalism has recently entered a new phase: regional trade agreements with countries outside Europe. As a result of parallel initiatives by the United States, the world trading system finds itself in virgin, and potentially dangerous, territory.

Sarno, Lucio

TI The Dynamic Relationship Between the Federal Funds Rate and the Treasury Bill Rate: An Empirical Investigation. **AU** Thornton, Daniel L.; Sarno, Lucio.

Satterthwaite, Mark

TI The Silent Majority Fallacy of the Elzinga-Hogarty Criteria: A Critique and New Approach to Analyzing Hospital Mergers. **AU** Capps, Cory S.; Dranove, David; Greenstein, Shane; Satterthwaite, Mark.

Savaglio, Ernesto

PD March 2001. **TI** A Note on Inequality Criteria. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/14; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 7. **PR** \$100 per year. **JE** D31, D63, I31. **KW** Inequality Criteria. Lorenz Ordering. Orderings. Income Distributions.

AB The absolute differentials ordering (ADO) and the relative differentials ordering (RDO) have been introduced as suitable alternative inequality criteria to Lorenz ordering (LO). This paper provides two new alternative proofs that ADO and RDO are sub-orderings of LO. Furthermore, the paper points out some "paradoxical situations", where these two different partial orderings fail to rank alternative income distributions.

PD February 2002. **TI** Ordering, Equity and Non-Expected Utility Theory. **AA** CORE and Universite de Cergy-Pontoise. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/07; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 17. **PR** \$100 per year. **JE** D31, D63, I31. **KW** Inequality. Orderings. Social Welfare. Non-Expected Utility.

AB According to Chateauneuf (1996), this paper compares some inequality criteria. The paper investigates their properties and characteristics. Then, following the approach that link different levels of deprivation with alternative values of social welfare, it looks for a functional that evaluates the well-being of individuals with respect to their relative position in the distribution. After having criticized the approach to evaluate the social welfare using the expected utility theory or the rank dependent one respectively under a descriptive and normative point of view, the paper introduces an additive subjective utility functional in order to search the behavioral foundations of an equity concerned decision-maker.

Savelsbergh, Martin W. P.

TI On the Polyhedral Structure of a Multi-Item Production Planning Model with Setup Times. **AU** Miller, Andrew J.; Nemhauser, George L.; Savelsbergh, Martin W. P.

TI The Relation of Time Indexed Formulations of Single Machine Scheduling Problems to the Node Packing Problem. **AU** Waterer, Hamish; Johnson, Ellis L.; Savelsbergh, Martin W. P.

Scaillet, Olivier

TI A Fast Subsampling Method for Nonlinear Dynamic Models. **AU** Hong, Han; Scaillet, Olivier; Tamer, Elie.

Scheidler, Michael

TI The Econometrics of Airline Network Management. **AU** Grammig, Joachim; Hujer, Reinhard; Scheidler, Michael.

Scherbina, Anna

TI The Declining U.S. Equity Premium. **AU** Jagannathan, Ravi; McGrattan, Ellen R.; Scherbina, Anna.

Schettkat, Ronald

TI The Role of Wage and Skill Differences in US-German Employment Differences. **AU** Freeman, Richard B.;

Schettkat, Ronald.

Schjelderup, Guttorm

TI Corporate Taxation, Multinational Enterprise and Economic Integration. **AU** Kind, Hans Jarle; Knarvik, Karen-Helene Midelfart; Schjelderup, Guttorm.

Schmid, Frank A.

TI Banks vs. Credit Unions: Dynamic Competition in Local Markets. **AU** Emmons, William R.; Schmid, Frank A.

TI Pricing and Dividend Policies in Open Credit Cooperatives. **AU** Emmons, William R.; Schmid, Frank A.

TI Corporate Governance, Entrenched Labor, and Economic Growth. **AU** Emmons, William R.; Schmid, Frank A.

TI Class Struggle Inside the Firm: A Study of German Codetermination. **AU** Gorton, Gary; Schmid, Frank A.

Schmidt, Christoph M.

TI The Wage Performance of Immigrant Women: Full-Time Jobs, Part-Time Jobs and the Role of Selection. **AU** Dustmann, Christian; Schmidt, Christoph M.

Schmidt, Klaus

TI Theories of Fairness and Reciprocity -- Evidence and Economic Applications. **AU** Fehr, Ernst; Schmidt, Klaus.

Schmitt, John

PD April 2002. **TI** Give PC's a Chance: Personal Computer Ownership and the Digital Divide in the United States and Great Britain. **AU** Schmitt, John; Wadsworth, Jonathan. **AA** Schmitt: Economic Policy Institute. Wadsworth: University of London and CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 526; Publications Unit, Centre for Economic Performance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, England. Website: cep.lse.ac.uk. **PG** 16. **PR** 5 pounds for individual copies; 95 pounds for yearly subscription. **JE** D12, L63. **KW** Inequality. Personal Computers. Britain. Durables.

AB This paper summarizes inequalities in PC ownership using data from the US Consumer Expenditure Survey (CE) and the British General Household Survey (GHS) for the period 1984-98. Between 1988 and 1994, British households were more likely than US households to own a personal computer (PC). After 1994, however, US PC ownership rates accelerated rapidly, pushing the United States ahead of Britain. Differences in computer ownership rates are however much larger within the two countries, measured by income, education, age, family status, and race. Both the United States and Britain show large and growing inequality in PC ownership over the 1980s and 1990s. Analysis of ownership patterns of four other household consumer durables suggests that there may be significant limitations to relying solely on the market to eradicate PC inequality quickly.

Schokkaert, Erik

PD 1999. **TI** Responsibility-Sensitive Fair Compensation in Different Cultures. **AU** Schokkaert, Erik; Devooght, Kurt. **AA** London School of Economics. **SR** London School of Economics, STICERD Distributional Analysis Research

Programme Discussion Paper: DARP/46; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 34. **PR** no charge. **JE** D63, I38. **KW** Distributive Justice. Fair Compensation. Welfare. Responsibility.

AB Recently many philosophers and social choice theorists have questioned traditional welfare egalitarianism by introducing a notion of responsibility. They propose to distinguish between two sets of individual characteristics: those for which individuals are to be kept responsible and those for which they can be compensated. This approach raises the related questions of where to draw the line between these two sets of characteristics and how to operationalize the notion of "responsibility-sensitive fair compensation". The answers to these questions may depend on the cultural context. We present some empirical results from questionnaire studies in Belgium, Burkina Faso and Indonesia. The notion of control seems to play an important role in determining the variables for which individuals are to be held responsible. The strong notion of "full compensation" is clearly rejected in favor of more conservative distribution rules. Moreover, a large fraction of the respondents take the non-liberal position that the talented should be punished if they do not use their talents in a productive way. We find some intercultural differences. Belgian students are more in favor of redistribution. Indonesian students are the most conservative. While the Pareto principle is decisively rejected in Burkina Faso and Belgium, it is accepted by a majority of the Indonesian sample.

Schroyen, Fred

TI Markets for Public and Private Health Care: Redistribution Arguments for a Mixed System. **AU** Marchand, Maurice; Schroyen, Fred.

Schuh, Scott

TI Job Creation, Job Destruction, and the Real Exchange Rate. **AU** Klein, Michael W.; Schuh, Scott; Triest, Robert K.

Schultz, T. Paul

PD August 2001. **TI** The Fertility Transition: Economic Explanations. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 833; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 16. **PR** \$2.00 plus postage. **JE** D19, J10, J13, N30. **KW** Fertility Transition. Women's Schooling. Women's Wages. Child Mortality.

AB Economic explanations for the fertility transition focus on the role of returns to schooling, especially for women, which have encouraged women to obtain more education and facilitated the rise in women's wages relative to men's. The private opportunity costs of children have therefore increased, and parents have been motivated to substitute child schooling for additional births. Declines in fertility have proceeded unevenly, first across the high income countries, and more recently across the low income countries. The cross sectional differentials in fertility are also frequently analyzed in household surveys, suggesting parallels with the cross-country comparisons. At an aggregate level, states have simultaneously legislated socialized support for the consumption of the elderly, which has eroded the incentives for childbearing, and

subsidized child human capital through schools and public health programs, which has encouraged parents to demand fewer, higher quality, children.

PD August 2001. **TI** School Subsidies for the Poor: Evaluating the Mexican Progresas Poverty Program. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 834; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 33. **PR** \$2.00 plus postage. **JE** I21, I32, J13, J17, J24. **KW** School Enrollment. School Subsidies. Poverty Program. Mexico.

AB This paper evaluates how the Progresas Program, which provides poor mothers in rural Mexico with education grants, has affected enrollment. Poor children who reside in communities randomly selected to participate in the initial phase of the Progresas are compared to those who reside in other (control) communities. Pre-program comparisons check the randomized design, and double-difference estimators of the program's effect on the treated are calculated by grade and sex. Probit models are also estimated for the probability a child is enrolled, controlling for additional characteristics of the child, their parents, local schools, and community, and for sample attrition, to evaluate the sensitivity of the program estimates. These estimates of program short-run effects on enrollment are extrapolated to the lifetime schooling and the earnings of adults to approximate the internal rate of return on the public schooling subsidies as they increase expected private wages.

PD September 2001. **TI** Why Governments Should Invest More to Educate Girls. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 836; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 36. **PR** \$2.00 plus postage. **JE** I21, I22, J16, J31. **KW** Gender. Returns. Education. Development. Taxes.

AB Women and men often receive the same percentage increase in their wage rates with advances in schooling. Because these returns decline with more schooling, the marginal returns for women will tend to exceed those for men, especially in countries where women are much less educated. The health and schooling of children are more closely related to their mother's education than their father's. More educated women work more hours in the market labor force, broadening the tax base and thereby potentially reducing tax distortions. These three conditions justify the disproportionate allocation of public expenditures toward women's education.

PD February 2002. **TI** Wage Gains Associated with Height as a Form of Health Human Capital. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 841; Louise Danishevsky, Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 12. **PR** \$2.00 plus postage. **JE** I10, I12, J16, J24. **KW** Health. Height. Wages. Human Capital.

AB Height is a latent indicator of early nutrition and lifetime health status. Height has increased in recent decades in populations where per capita national income has increased and public health activities have grown. Height is genetically determined and realized in part through satisfactory nutrition and health care. Alternative instrumental variables (IV) are

explored in which proxy price and income constraints are expected to influence the latter reproducible human capital investments in height. The ordinary least squares technique (OLS) and IV estimates are reported of the partial effect of height on log hourly wages in recent national surveys from three countries: Ghana, Brazil and the United States. The conclusion is that the human capital productivity effect of height estimated by parent education IVs in the US and Ghana are many times larger than the OLS estimates, and in Ghana and Brazil the regional price IVs estimates also imply a substantially larger human capital wage effects of height compared with the OLS estimates. The OLS estimates of height effects on wages are dominated by the genetic variation in height, and appear to understate substantially the human capital returns to health and nutrition inputs which increase adult height.

Scotchmer, Suzanne

TI Biotechnology, Intellectual Property and Value Differentiation in Agriculture. **AU** Goodhue, Rachael E.; Rausser, Gordon C.; Scotchmer, Suzanne; Simon, Leo K.

Seefeldt, Kristin

TI Welfare Reform and Lone Mothers' Employment in the US. **AU** Waldfogel, Jane; Danziger, Sandra K.; Danziger, Sheldon; Seefeldt, Kristin.

Sefton, Tom

PD December 2000. **TI** Getting Less for More: Economic Evaluation in the Social Welfare Field. **AA** CASE and PSSRU, LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/44; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 31. **PR** no charge. **JE** A11, B41, D60. **KW** Economic Evaluation. Social Welfare. Methodology.

AB Economic evaluation has an important role in helping to make decisions about the use of scarce resources in an explicit and rational manner, yet economic evaluation is not well-developed in many areas of social welfare. This paper looks at the reasons for this, focusing on what economists could do to redress the situation. It argues that standard approaches to economic evaluation may not always be appropriate, because of the nature of many social welfare interventions and because evaluators need to be able to address a broader set of evaluation questions. Economists could usefully contribute more to the debates that have concerned mainstream evaluators from other disciplines and modify their approach to evaluation accordingly. The paper concludes that in many areas of social welfare, economists should probably be less ambitious in terms of what they set out to achieve in terms of economic evaluation, but more ambitious in terms of the types of programs they can usefully help to evaluate and in terms of the range of techniques they are prepared to use, and give credence to, as part of an economic evaluation.

Sela, Aner

TI Information Advantage and Dominant Strategies in Second-Price Auctions. **AU** Einy, Ezra; Haimanko, Ori; Orzach, Ram; Sela, Aner.

Sentana, Enrique

PD December 2000. **TI** Did the EMS Reduce the Cost of Capital? **AA** Centre for Monetary and Financial Studies and Centre for Economic Policy Research. **SR** CEPR Discussion Paper: 2640; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F30, G10. **KW** Currency Risk. European Monetary Union. Financial Integration. International Asset Pricing.

AB This paper proposes a dynamic APT multi-factor model with time-varying volatility for currency, bond and stock returns for ten European countries over the period 1977-1997. It exploits the cross-sectional dimension of the model to construct world portfolios, which, when added to the original list of assets, allow us to develop simple consistent methods of estimation and testing. The results reject the implicit asset pricing restrictions, and suggest that decreases in idiosyncratic exchange rate risk tend to lower the cost of capital, although the effect is small. Finally, the potential gains from increased stock market integration are assessed.

Seri, Raffaello

TI Estimation in Discrete Parameter Models. **AU** Choirat, Christine; Seri, Raffaello.

Serletis, Apostolos

TI Do Real Exchange Rates Have Autoregressive Unit Roots? A Test Under the Alternative of Long Memory and Breaks. **AU** Dueker, Michael J.; Serletis, Apostolos.

Sgard, Jerome

TI Enterprise Adjustment and the Role of Bank Credit in Russia: Evidence from a 420 Firm's Qualitative Survey. **AU** Brana, Sophie; Maurel, Mathilde; Sgard, Jerome.

Shapiro, Matthew D.

TI High-Frequency Substitution and the Measurement of Price Indexes. **AU** Feenstra, Robert C.; Shapiro, Matthew D.

Shearer, Arran

TI The Class of '81: The Effects of Early-Career Unemployment on Subsequent Unemployment Experiences. **AU** Burgess, Simon; Propper, Carol; Rees, Hedley; Shearer, Arran.

Sheets, Nathan D.

TI Regional Influences on U.S. Monetary Policy: Some Implications for Europe. **AU** Meade, Ellen E.; Sheets, Nathan D.

Shiller, Robert J.

TI Valuation Ratios and the Long-Run Stock Market Outlook: An Update. **AU** Campbell, John Y.; Shiller, Robert J.

Shimshack, Jason

TI Subsidized Crop Insurance and Extensive Margin. **AU** LaFrance, Jeffrey T.; Shimshack, Jason; Wu, Steven.

Shleifer, Andrei

TI A Case for Quantity Regulation. **AU** Glaeser, Edward

L.; Shleifer, Andrei.

Silverman, Elaine

PD February 2001. **TI** Are For-Profit Hospitals Really Different? Medicare Upcoding and Market Structure. **AU** Silverman, Elaine; Skinner, Jonathan. **AA** Silverman: Dartmouth-Hitchcock Medical Center. Skinner: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8133; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I12, L31. **KW** Upcoding. Hospital Care. Diagnostic Related Group. **AB** How do for-profit and not-for-profit hospitals differ? We consider one dimension: the shifting of a patient's diagnostic related group (DRG) to one that yields a greater reimbursement from the Medicare system, also known as upcoding. Our empirical work focuses primarily on hospital admissions involving pneumonia and respiratory infections. Between 1989 and 1996, the incidence of the most expensive DRG (relative to all DRGs for pneumonia and respiratory infections) rose by 10 percentage points among stable not-for-profit hospitals, 23 percent among stable for-profit hospitals, and 37 percentage points among hospitals that had converted to for-profit status. There is some evidence that not-for-profit hospitals operating in heavily for-profit markets were almost as likely to upcode as their for-profit brethren.

Simon, Leo K.

TI Processor Placements and Producer Incentives: Analyzing Broiler Chicken Production Contracts. **AU** Goodhue, Rachael E.; Rausser, Gordon C.; Simon, Leo K.

TI Fitting the Glass Slipper: Optimal Capital Structure in the Face of Liability. **AU** Veld, Klaas van't; Rausser, Gordon C.; Simon, Leo K.

TI Biotechnology, Intellectual Property and Value Differentiation in Agriculture. **AU** Goodhue, Rachael E.; Rausser, Gordon C.; Scotchmer, Suzanne; Simon, Leo K.

Sinai, Todd

PD March 2001. **TI** The Spatial Distribution of Housing-Related Tax Benefits in the United States. **AU** Sinai, Todd; Gyourko, Joseph. **AA** Sinai: University of Pennsylvania and NBER. Gyourko: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 8165; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 31. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H20, R38. **KW** Tax Subsidies. Neutral Taxation. Owner-occupied Housing. Spatial Distribution.

AB This paper estimates how tax subsidies to owner-occupied housing are distributed spatially across the United States, calculating their value as the difference in taxes currently paid by home owners and the taxes owners would pay if there were no preference for investing in one's home relative to other assets. This paper examines the distribution of benefits between states, across metropolitan areas, and within metropolitan areas. The national tax subsidy is found to be highly skewed spatially with few areas receiving large subsidies and most areas receiving small ones. The paper's

main focus is on how much the tax subsidy would decline in some areas relative to others if neutral taxation of owner-occupied housing were introduced. In this paper a first step is taken in answering the larger question of what the economic impact of changing the tax treatment of owner-occupied housing would be.

Sinclair-Desgagne, Bernard

TI Auditing Policies and Information Systems in a Principal-Agent Model. **AU** Fagart, Marie-Cecile; Sinclair-Desgagne, Bernard.

Singleton, Kenneth J.

TI Expectation Puzzles, Time-Varying Risk Premia, and Dynamic Models of the Term Structure. **AU** Dai, Qiang; Singleton, Kenneth J.

Skinner, Jonathan

TI Are For-Profit Hospitals Really Different? Medicare Upcoding and Market Structure. **AU** Silverman, Elaine; Skinner, Jonathan.

Slaughter, Matthew J.

TI Technology, Trade, and Adjustment to Immigration in Israel. **AU** Gandal, Neil; Hanson, Gordon H.; Slaughter, Matthew J.

Slemrod, Joel B.

PD January 2000. **TI** Tax Avoidance, Evasion, and Administration. **AU** Slemrod, Joel B.; Yitzhaki, Shlomo. **AA** Slemrod: University of Michigan Business School and NBER. Yitzhaki: Hebrew University and NBER. **SR** National Bureau of Economic Research Working Paper: 7473; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Website: www.nber.org. **PG** 65. **PR** \$5.00. **JE** H26, H31. **KW** Taxation. Tax Evasion. Behavioral Responses.

AB When tax structure changes, people may alter their consumption basket, but they also may call and give new instructions to their accountant, change their reports to the IRS, change the timing of transactions, and undertake a range of other actions that do not directly involve a change in their consumption basket. This survey argues that acknowledging the variety of behavioral responses to taxation changes the answers to traditional subjects of inquiry such as incidence, optimal progressivity, and optimal tax structure, and also raises a whole new set of policy questions, such as the appropriate level of resources to devote to administration and enforcement, and how these resources should be deployed. For some purposes, such as estimating the marginal cost of funds, and subject to some qualifications, the nature of the behavioral response does not matter, and only the total magnitude of response does. However, with respect to real behavioral responses such as labor supply, it is natural to presume that the response is an immutable function of preferences. With respect to avoidance and evasion, though, this is not appropriate because there are a variety of policy instruments that can affect the magnitude of responses, implying that the elasticity of response is itself a policy instrument.

PD October 2000. **TI** The Impact of the Estate Tax on the Wealth Accumulation and Avoidance Behavior of Donors. **AU** Slemrod, Joel B.; Kopczuk, Wojciech. **AA** Slemrod:

University of Michigan and National Bureau of Economic Research. Kopczuk: University of Michigan. **SR** National Bureau of Economic Research Working Paper: 7960; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 33. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** H20, H30. **KW** Estate Tax. Tax Rates.

AB Using estate tax return data from 1916 to 1996, this paper investigates the impact of the estate tax on reported estimates, which reflects the impact of the tax on both wealth accumulation and avoidance. An aggregate measure of reported estates is generally negatively correlated with summary measures of the level of estate taxation, holding constant other influences. In pooled cross-sectional analysis using individual decedent information, the relationship between the concurrent tax rate and the reported estate is fragile and sensitive to the set of instruments used to capture exogenous tax rate variation. However, the negative effect of taxes appears to be stronger for those who die at a more advanced age and with a will, both of which are consistent with the theory of how estate taxes affect altruistic individuals. Finally, findings show that the tax rate prevailing at age 45 or ten years before death is more clearly (negatively) associated with reported estates than the tax rate prevailing at death. Future research should concentrate on developing lifetime measures of the effective tax rates and on better measurements of the effective tax rate for married couples.

TI Dying to Save Taxes: Evidence from Estate Tax Returns on the Death Elasticity. **AU** Kopczuk, Wojciech; Slemrod, Joel B.

PD March 2001. **TI** Integrating Expenditure and Tax Decisions: The Marginal Cost of Funds and the Marginal Benefit of Projects. **AU** Slemrod, Joel B.; Yitzhaki, Shlomo. **AA** Slemrod: University of Michigan Business School. Yitzhaki: Hebrew University. **SR** National Bureau of Economic Research Working Paper: 8196; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H21, H41, H43. **KW** Public Goods. Distortionary Costs. Marginal Cost of Funds.

AB This paper seeks to clarify the extent to which the rule for providing public goods ought to correct for the distortionary cost of raising funds. We argue that, in evaluating public projects, the marginal cost of fund (MCF) concept must be supplemented by a symmetrical concept, which we label the marginal benefit of public projects, or MBP, which indicates the value to individuals of the dollars spent. Each of these concepts can be decomposed into two separate components, one reflecting efficiency, the other characterizing the distributional impact of the project itself or its financing. We conclude that efficiency of the financing cannot be ignored, that distributional considerations are also relevant, and that the availability and optimality of tax instruments is critical for evaluating the appropriateness of proceeding with a public good-cum financing project. However, one can construct special cases, as in Kaplow (1996), where the simple cost-benefit criterion applies.

TI Rethinking the Estate and Gift Tax: Overview. **AU** Gale, William G.; Slemrod, Joel B.

Smarzynska, Beata K.

PD October 2000. **TI** Corruption and Composition of Foreign Direct Investment: Firm-Level Evidence. **AU** Smarzynska, Beata K.; Wei, Shang-Jin. **AA** Smarzynska: World Bank. Wei: Brookings Institution and National Bureau of Economic Research. **SR** National Bureau of Economic Research Working Paper: 7969; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 14. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F23, K42. **KW** Foreign Direct Investment. Government Corruption.

AB This paper studies the impact of corruption in a host country on foreign investor's preference for a joint venture versus a wholly-owned subsidiary. There is a basic trade-off in using local partners. On the one hand, corruption makes local bureaucracy less transparent and increases the value of using a local partner to cut through the bureaucratic maze. On the other hand, corruption decreases the effective protection of investor's intangible assets and lowers the probability that disputes between foreign and domestic partners will be adjudicated fairly, which reduces the value of having a local partner. The importance of protecting intangible assets increases with investor's technological sophistication, which tilts the preference away from joint ventures in a corrupt country. Empirical tests of the hypothesis on a firm-level data set show that corruption reduces inward FDI and shifts the ownership structure towards joint ventures. Technologically more advanced firms are found to be less likely to engage in joint ventures.

Smith, Bruce D.

TI The Value of Inside and Outside Money. **AU** Bullard, James B.; Smith, Bruce D.

TI The Value of Inside and Outside Money: Expanded Version. **AU** Bullard, James B.; Smith, Bruce D.

Smith, Jeremy

TI Sheer Class: The Extent and Sources of Variation in the UK Graduate Earnings Premium. **AU** Naylor, Robin; Smith, Jeremy; McKnight, Abigail.

Soderling, Ludvig

TI The Role of Capital Accumulation, Adjustment and Structural Change for Economic Take-Off: Empirical Evidence from African Growth Episodes. **AU** Berthelemy, Jean-Claude; Soderling, Ludvig.

Sokoloff, Georges

TI Groupe d'Echanges et de Reflexion sur la Caspienne. **AU** Pianelli, Dominique; Sokoloff, Georges.

Sorensen, Elaine

TI Child Support: Interaction Between Private and Public Transfers. **AU** Lerman, Robert I.; Sorensen, Elaine.

Sorgard, Lars

TI Merger Profitability in Unionized Oligopoly. **AU** Lommerud, Kjell Erik; Sorgard, Lars; Straume, Odd Rune.

Souam, Said

TI Prises de Participations et Expropriation des Actionnaires Minoritaires. **AU** Charlety, Patricia; Fagart, Marie-Cecile; Souam, Said.

Soubeyran, Antoine

PD March 2001. **TI** District Formation: A Co-Opetition Approach. **AU** Soubeyran, Antoine; Weber, Shlomo. **AA** Soubeyran: GREQAM and Universite de la Mediterranee. Weber: Southern Methodist University and CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2001/16; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 23. **PR** \$100 per year. **JE** C72, D43, D62, L13. **KW** Industrial Districts. Cost Reduction Factor. Agglomeration and Dispersed Equilibria.

AB This paper considers a model of district formation that incorporates a notion of regional industrial systems. Each firm chooses its location from the set of existing industrial districts. The heterogeneous firms are distinguished by their "stand alone" district-dependent production and transportation costs. However, if other firms locate in the same district, the firm's stand alone cost is reduced by a factor that depends on the number of firms in the district. Thus, firms must take into account the reciprocal nature of cost-reduction as by joining a district, they engage in tacit cooperation: the firms reduce their own costs but in the same time reduce the costs of their rivals. The paper shows that under quite general assumptions this co-competition game that contains the elements of competition and cooperation yields a subgame perfect equilibrium for any number of firms and districts. The paper characterizes both "agglomeration" equilibria, where all firms locate in the same district, and "dispersed" equilibria, where firms locate in different districts.

Spitz, Alexandra

TI Managerial Ownership and Firm Performance in German Small and Medium-Sized Enterprises. **AU** Mueller, Elisabeth; Spitz, Alexandra.

Srinivasan, Shaker B.

TI Does Product Market Competition Reduce Agency Costs? **AU** Jagannathan, Ravi; Srinivasan, Shaker B.

Srinivasan, T. N.

PD February 2002. **TI** Developing Countries and the Multilateral Trading System after Doha. **AA** Yale University. **SR** Yale Economic Growth Center Discussion Paper: 842; Louise Danishevsky; Publications Office, Economic Growth Center, Yale University, P.O. Box 208269, New Haven, CT 06520-8269. Website: www.library.yale.edu/socsci/egcdisp.html. **PG** 37. **PR** \$2.00 plus postage. **JE** F02, F13, F15, F16, F18, O19, O34. **KW** World Trade Organization (WTO). Multilateral Trade Negotiations. Trade Related Intellectual Property Services (TRIPS). Trade and Labor Standards. Preferential Trade Agreements.

AB The Fourth Session of the Ministerial Conference of the World Trade Organization (WTO), held in Doha, Qatar, in November 2001, launched a new round of multilateral trade negotiations (MTN) and a work program (WP) for the WTO involving the negotiating agenda and steps for meeting the

challenges facing the multilateral trading system. This paper evaluates the WP, in particular, and whether it redresses the unfavorable balance between benefits and costs to developing countries (DCs) of the agreement that concluded the previous round of MTN held in Uruguay. It discusses the failure of the third session in Seattle to launch a new round in December 1999, and documents the unfavorable balance. While concluding that with adequate preparation, the negotiators could reach an agreement in the new round yielding substantial gains to DCs, the paper also suggests possible negotiating points for DCs.

Staiger, Douglas O.

TI Improving School Accountability Measures. **AU** Kane, Thomas J.; Staiger, Douglas O.

Startz, Richard

TI Permanent and Transitory Components of Business Cycles: Their Relative Importance and Dynamic Relationship. **AU** Kim, Chang-Jin; Piger, Jeremy; Startz, Richard.

Starzec, Christophe

TI The World According to GARP: Non-Parametric Tests of Demand Theory and Rational Behavior. **AU** Diaye, Marc-Arthur; Gardes, Francois; Starzec, Christophe.

TI Panel and Pseudo-Panel Estimation of Cross-Sectional and Time Series Elasticities of Food Consumption: The Case of American and Polish Data. **AU** Duncan, Greg J.; Gardes, Francois; Gaubert, Patrice; Starzec, Christophe.

Steedman, Hilary

PD September 2001. **TI** Benchmarking Apprenticeship: UK and Continental Europe Compared. **AA** CEP, LSE. **SR** London School of Economics, Centre for Economic Performance Discussion Paper: 513; Publications Unit, Centre 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** J24, I28. **KW** Apprenticeship. Europe. Skill Formation. **AB** This paper reviews the main characteristics of the provision, organization and financing of apprenticeship in a number of leading European countries -- Austria, Denmark, France, Germany and the Netherlands. These are compared to current practice in Britain as exemplified by Modern Apprenticeship. The main areas examined are the statutory framework and standards; employment prospects; achieving the employer-apprentice match; prior school qualifications of apprentices and motivation to enter apprenticeship; the management and financing of apprenticeship. The paper concludes that apprenticeship in Britain, judged as a program, falls short of the standards of that provided elsewhere in Europe on every important measure of good practice.

Stein, Jeremy C.

TI Breadth of Ownership and Stock Returns. **AU** Chen, Joseph; Hong, Harrison; Stein, Jeremy C.

Stein, Jonathan M.

PD August 2001. **TI** The Future of Social Justice in Britain: A New Mission for the Community Legal Service. **AA** Community Legal Services. **SR** London School of

Economics, STICERD CASEpapers: CASE/48; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG 48. PR no charge. JE I38, K49. KW Legal Aid. Social Justice. Community Legal Services.

AB This paper explores the disjuncture in the New Labor Government between the largest reform in fifty years of the nation's Legal Aid system and the concurrent pursuit of progressive anti-poverty, social inclusion, community regeneration, and human rights social policies. The paper defines a social justice mission for the CLS, an unfinished legal aid reform agenda for the second term Labor Government. Legal advocacy and advice for the poor and excluded is an effective engine of social inclusion and fighting poverty through insuring and expanding rights to critical benefits and services, and giving voices to grievances and empowering people and communities. The Labor continues to under serve social welfare law areas and community legal needs. Establishing a broad constitutional right to civil legal aid may be the necessary foundation for a future social justice mission, insuring that the modern welfare state is also a fair one.

Steinberg, Richard

TI Price Symmetry in a Duopoly with Congestion. **AU** Haimanko, Ori; Steinberg, Richard.

Steinmeier, Thomas L.

TI Retirement and Wealth. **AU** Gustman, Alan L.; Steinmeier, Thomas L.

Stennek, Johan

TI Should Mergers Be Controlled? **AU** Fridolfsson, Sven-Olof; Stennek, Johan.

Stepanova, Anna

TI Monopoly Versus R&D-Integrated Duopoly. **AU** Amir, Rabah; Nannerup, Niels; Stepanova, Anna; Eguiazarova, Elina.

Stewart, Kitty

PD March 2002. **TI** Measuring Well-Being and Exclusion in Europe's Regions. **AA** LSE. **SR** London School of Economics, STICERD CASEpapers: CASE/53; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. PG 93. PR no charge. JE I31, I32, R23. KW Regional Disparities. EU. Well-Being. Exclusion.

AB The Lisbon summit of the European Council in March 2000 declared the number of people living in poverty and social exclusion in the European Union to be unacceptable, and called for steps to tackle the issue, beginning with the setting of targets for particular indicators. The targets suggested have been broad in nature but have largely concentrated on national averages. This paper seeks to marry this approach with the EU's traditional focus on regional cohesion, by developing regional indicators of well-being and exclusion for EU countries. It draws on a range of sources to put together indicators in five dimensions of well-being: material well-being, health, education and participation in two spheres - productive and social. It explores, first, how far national indicators disguise geographical inequalities in these different

dimensions; and second, the extent to which regional performance differs according to which dimensions is being examined. At the same time, the paper draws attention to the limits of currently available data, in light of the fact that one key aspect of the Lisbon summit conclusions was a commitment to the collection of better data on poverty and social exclusion in the EU.

Stock, James H.

PD March 2001. **TI** Forecasting Output and Inflation: The Role of Asset Prices. **AU** Stock, James H.; Watson, Mark W. **AA** Stock: Harvard University and NBER. Watson: Princeton University and NBER. **SR** National Bureau of Economic Research Working Paper: 8180; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 42. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE C32, E37. KW Asset Prices. Inflation. Output Growth. Combination Forecasts. Forecasting.

AB This paper examines old and new evidence on the predictive performance of asset prices for inflation and real output growth. The paper first reviews the large literature on this topic, focusing on the past dozen years. It then undertakes an empirical analysis of quarterly data on up to 38 candidate indicators (mainly asset prices) for seven OECD countries for a span of up to 41 years (1959-1999). It finds that the conclusions from the literature review and the empirical analysis are the same. Some asset prices predict either inflation or output growth in some countries in some periods. Which series predicts what, when and where is, however, itself difficult to predict: good forecasting performance by an indicator in one period seems to be unrelated to whether it is a useful predictor in a later period. Intriguingly, forecasts produced by combining these unstable individual forecasts appear to improve reliably upon univariate benchmarks.

Stock, Wendy A.

TI The Effects of Race and Sex Discrimination Laws. **AU** Neumark, David; Stock, Wendy A.

Stratmann, Thomas

TI Does Political Ambiguity Pay? Corporate Campaign Contributions and the Rewards to Legislator Reputation. **AU** Kroszner, Randall S.; Stratmann, Thomas.

Straume, Odd Rune

TI Merger Profitability in Unionized Oligopoly. **AU** Lommerud, Kjell Erik; Sorgard, Lars; Straume, Odd Rune.

Stromberg, Per

TI Venture Capitalists As Principals: Contracting, Screening, and Monitoring. **AU** Kaplan, Steven N.; Stromberg, Per.

Stulz, Rene M.

PD April 2001. **TI** Culture, Openness, and Finance. **AU** Stulz, Rene M.; Williamson, Rohan. **AA** Stulz: Ohio State University. Williamson: Georgetown University. **SR** National Bureau of Economic Research Working Paper: 8222; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 30. PR \$10.00 per copy (plus \$10.00 per order for

shipping outside U.S.). **JE** G15, G38. **KW** Religion. Openness.

AB Religions have little to say about shareholders but have much to say about creditors. We find that the origin of a country's legal system is more important than its religion and language in explaining shareholder rights. However, a country's principal religion helps predict the cross-sectional variation in creditor rights better than a country's openness to international trade, its language, its income per capita, or the origin of its legal system. Catholic countries protect the rights of creditors less than other countries, and long-term debt is less important in these countries. A country's openness to international trade mitigates the influence of religion on creditor rights. Religion and language are also important predictors of how countries enforce rights.

Suarez, Javier

TI Managerial Compensation and the Market Reaction to Bank Loans. **AU** Almazan, Andres; Suarez, Javier.

Sumner, Steven

TI The Comovements Between Real Activity and Prices in the G7. **AU** Den Haan, Wouter J.; Sumner, Steven.

Sutherland, Alan

PD March 2001. **TI** Inflation Targeting in a Small Open Economy. **AA** University of St. Andrews and CEPR. **SR** CEPR Discussion Paper: 2726; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E52, E58, F41. **KW** Inflation Targets. Monetary Policy. Open Economy.

AB A small open economy model is presented, which allows explicit treatment of uncertainty and its effects on macroeconomic behavior. Inflation targeting is compared to the welfare maximizing monetary rule and to a fixed nominal exchange rate. It is found that flexible inflation targeting produces too little exchange rate volatility compared to the optimal rule but delivers higher welfare than a fixed nominal exchange rate. Strict inflation targeting also delivers higher welfare than a fixed rate. In addition it is found that the welfare-maximizing monetary rule can be replicated if the central bank's objective function includes the nominal exchange rate.

Sutherland, Holly

TI How Effective is the British Government's Attempt to Reduce Child Poverty? **AU** Piachaud, David; Sutherland, Holly.

Tabellini, Guido

TI Electoral Rules and Corruption. **AU** Persson, Torsten; Tabellini, Guido; Trebbi, Francesco.

TI Electoral Rules and Corruption. **AU** Persson, Torsten; Tabellini, Guido; Trebbi, Francesco.

Tabuchi, Takatoshi

PD October 2001. **TI** Taste Heterogeneity, Labor Mobility and Economic Geography. **AU** Tabuchi, Takatoshi; Thisse, Jacques-Francois. **AA** Tabuchi: University of Tokyo. Thisse: CORE, CERAS, and CEPR. **SR** Universite

Catholique de Louvain, CORE Discussion Paper: 2001/44; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 26. **PR** \$100 per year. **JE** O15, O18, R13. **KW** Logit. Agglomeration. Migrations. Wage Differential. Spatial Equity.

AB This paper investigates the impact of the heterogeneity of the labor force on the spatial distribution of activities. This goal is achieved by applying the tools of discrete choice theory to an economic geography model. The paper shows that taste heterogeneity acts as a strong dispersion force. It also shows that the relationship between spatial distribution of the industry (the wage differential) and trade costs is smooth and bell-shaped. Finally, while Rawlsian equity leads to the dispersion of industry, the analysis reveals that efficiency leads to a solution close to the market outcome, although the latter is likely to involve too much agglomeration compared to the former.

Talbot, Laurence

TI Design and Performance Analysis of a Heavily Loaded Material Handling System. **AU** Chevalier, Philippe; Pochet, Yves; Talbot, Laurence.

Tamer, Elie

TI A Fast Subsampling Method for Nonlinear Dynamic Models. **AU** Hong, Han; Scaillet, Olivier; Tamer, Elie.

Tan, Kelvin

TI Preserving the Ocean Circulation: Implications for Climate Policy. **AU** Keller, Klaus; Tan, Kelvin; Morel, Francois M. M.; Bradford, David F.

Thisse, Jacques-Francois

TI Fiscal Competition and Regional Differentiation. **AU** Justman, Moshe; Thisse, Jacques-Francois; Van Ypersele, Tanguy.

TI Taste Heterogeneity, Labor Mobility and Economic Geography. **AU** Tabuchi, Takatoshi; Thisse, Jacques-Francois.

TI Agglomeration and Market Interaction. **AU** Fujita, Masahisa; Thisse, Jacques-Francois.

Thornton, Daniel L.

PD November 2000. **TI** The Expectations Theory and the Founding of the Fed: Another Look at the Evidence. **AU** Thornton, Daniel L.; Kool, Clemens J. M. **AA** Thornton: Federal Reserve Bank of St. Louis. Kool: University of Maastricht. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/004B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 22. **PR** no charge. **JE** E43, E52. **KW** Expectations Theory. Bias. Measurement Error.

AB One of the most influential contributions to the literature on the expectations theory of the term structure of interest rates is Mankiw and Miron (1986), who found support for the expectations theory prior to the founding of the Fed but not after. Mankiw and Miron suggested that the failure of the expectations theory after the Fed's founding was due to the Fed's practice of smoothing short-term interest rates. In this

paper we show that Mankiw and Miron's findings are the result of a bias in the test that they employ. This bias arises when the short-term rate is excessively volatile, as it was during the financial panic of 1907. We argue that our finding that there was no more evidence supporting the expectations theory before the Fed's founding than after is consistent with the Fed's limited activity during its formative years. We argue that it is unlikely that the Fed actually pursued a policy of smoothing interest rates during the early years of its existence. But, even if it had, we argue that it is unlikely that such a policy accounts for the marked change in the behavior of interest rates.

PD June 2001. **TI** How Well Does the Fed Forecast the Treasury's Balance at the Fed? **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/004A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 16. **PR** no charge. **JE** E47, E52. **KW** Open Market Operations. Treasury's Balance. Federal Funds Rate.

AB As part of the Fed's operating procedure, each day, the Federal Reserve Bank of New York, the Board of Governors, and the Treasury make forecasts of the Treasury's balance at the Fed. The purpose of this paper is to evaluate these forecasts. We find that these agencies do a very good job of forecasting the Treasury's balance and that each agency's forecast contributes significantly to the optimal forecast. Moreover, the evidence suggests that the optimal forecast could not be improved by using an econometric model of the Treasury's balance. In addition, we find that the Fed appears to have done a good job incorporating these forecast into its daily operating procedure.

PD August 2001. **TI** The Bias in the Conventional Test of the Expectations Theory: Resolving the Anomalies at the Very Short End of the Term Structure. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/003B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 22. **PR** no charge. **JE** E43, E52. **KW** Expectations Theory. Bias. Settlement Wednesdays. Federal Funds Rate.

AB The expectations hypothesis of the term structure is frequently rejected regardless of the testing procedure. One frequently used test tends to provide statistical support of the expectations hypothesis in that the slope of the yield curve predicts the correct direction of long-term changes in the short-term rate and appears to explain a significant proportion of such changes. These results have frequently been interpreted as evidence of the expectations hypothesis despite the fact that, strictly interpreted, the expectations hypothesis is rejected. I show that this test is biased in favor of the expectations hypothesis when the expectation hypothesis does not hold. Monte Carlo experiments confirm that the conventional test nearly always indicates that the slope of the yield curve predicts the correct direction of long-term changes in the short-term rate and appears to explain a significant proportion of such changes. I then show how this feature of test led several researchers to report evidence favorable to the expectations hypothesis in circumstances when it is less likely to hold, and less favorable evidence when the expectations hypothesis is more likely to hold.

PD March 2002. **TI** The Dynamic Relationship Between the Federal Funds Rate and the Treasury Bill Rate: An Empirical Investigation. **AU** Thornton, Daniel L.; Sarno,

Lucio. **AA** Thornton: Federal Reserve Bank of St. Louis. Sarno: Federal Reserve Bank of St. Louis and University of Warwick. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/032C; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 21. **PR** no charge. **JE** E43, E52. **KW** Interest Rates. Term Structure. Equilibrium Correction. Nonlinear Dynamics.

AB This article examines the dynamic relationship between two key US money market interest rates—the federal funds rate and the 3-month Treasury bill rate. Using daily data over the period from 1974 to 1999, we find a long-run relationship between these two rates that is remarkably stable across monetary policy regimes of interest rate and monetary aggregate targeting. Employing a non-linear asymmetric vector equilibrium correction model, which is novel in this context, we find that most of the adjustment towards the long-run equilibrium occurs through the federal funds rates. In turn, there is strong evidence for the existence of significant asymmetries and nonlinearities in interest rate dynamics that have implications for the conventional view of interest rate behavior.

Tidball, Mabel

TI On the Effects of Conjectures in a Symmetric Strategic Setting. **AU** Figuières, Charles; Tidball, Mabel; Jean-Marie, Alain.

Tirelli, Mario

TI The Taxation of Trades in Assets. **AU** Citanna, Alessandro; Polemarchakis, Heracles M.; Tirelli, Mario.

Tracy, Joseph

TI Exchange Rates and Wages. **AU** Goldberg, Linda S.; Tracy, Joseph.

Trebbi, Francesco

TI Electoral Rules and Corruption. **AU** Persson, Torsten; Tabellini, Guido; Trebbi, Francesco.

TI Electoral Rules and Corruption. **AU** Persson, Torsten; Tabellini, Guido; Trebbi, Francesco.

Triest, Robert K.

TI Job Creation, Job Destruction, and the Real Exchange Rate. **AU** Klein, Michael W.; Schuh, Scott; Triest, Robert K.

Troske, Kenneth

TI Wage and Productivity Dispersion in U.S. Manufacturing: The Role of Computer Investment. **AU** Dunne, Timothy; Foster, Lucia; Haltiwanger, John; Troske, Kenneth.

Tsai, Alexander

TI Do Equity Financing Cycles Matter? Evidence from Biotechnology Alliances. **AU** Lener, Josh; Tsai, Alexander.

Tulkens, Henry

PD January 2002. **TI** On Cooperation in Musgravian Models of Externalities within a Federation. **AA** CORE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/06; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du

Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 14. PR \$100 per year. JE C72, H00. KW Externalities. Federation. Public Finance.

AB "Musgravian" externalities, formulated and illustrated by Musgrave in a 1966 paper on "social goods" are seen in this paper as one form of the interactions that occur between the components of a federation. The original formal apparatus is first exposed briefly. In that context, it is then considered whether and how alternative forms of federal structures are likely to achieve efficiency. Following suggestions from the literature, three such forms are dealt with: "planned", "cooperative" and "majority rule" federalism. Next, the relevance of non-cooperative equilibria is examined, in the light of an interpretation of them as "fall back" positions when disagreement occurs among members of a federation. Finally, the question is evoked of what economics and public finance may have to say on the limits to institutional decentralization, i.e. on the choice between federal, confederal and secessionary structures. The paper concludes with a reminder of Musgrave's view on the issue.

TI Side Payments and International Cooperation in a Regionalised Integrated Assessment Model for Climate Change. AU Germain, Marc; Tulkens, Philippe; Tulkens, Henry; Van Ypersele, Jean-Pascal.

Tulkens, Philippe

TI Side Payments and International Cooperation in a Regionalised Integrated Assessment Model for Climate Change. AU Germain, Marc; Tulkens, Philippe; Tulkens, Henry; Van Ypersele, Jean-Pascal.

Unal-Kesenci, Deniz

TI Haute Technologie et Echelles de Qualite: De Fortes Asymetries en Europe. AU Fontagne, Lionel; Freudenberg, Michael; Unal-Kesenci, Deniz.

Upward, Richard

TI Estimating the Wage Costs of Inter- and Intra-Sectoral Adjustment. AU Haynes, Michelle; Upward, Richard; Wright, Peter.

Van Steenberghe, Vincent

TI Optimal Policy with Tradable and Bankable Pollution Permits: Taking the Market Microstructure into Account. AU Germain, Marc; Van Steenberghe, Vincent.

Van Vyve, Mathieu

PD December 2001. TI A General Heuristic for Production Planning Problems. AU Van Vyve, Mathieu; Pochet, Yves. AA CORE. SR Universite Catholique de Louvain. CORE Discussion Paper: 2001/56; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. PG 15. PR \$100 per year. JE D24. KW Production Planning. Heuristic. Branch&Cut. Setup Times. Multilevel.

AB This paper considers production planning problems with the restriction that all integer variables model setups. Since finding a feasible solution of such problems is in general NP-complete, the classical approaches have been the use of heuristics to find good feasible solutions on the one hand, or

Branch&Cut on the other hand. In the case of the former, a dual bound is not available, and there is no guarantee of solution quality. For the latter, the accent has been on improving the dual bound and only the simplest schemes have been used to find good feasible solutions. This paper first shows that such simple schemes may run into trouble, even when applied to very simple problems. This motivates the proposed heuristic, IPE, which is designed to be used within a Branch&Cut approach. This paper tests the performance of the heuristic on various published lotsizing and network design problems, with and without tightened reformulation, and compares these results with other heuristics and with time truncated B&B searches. IPE appears to be the best choice for large problems with weak formulations.

Van Ypersele, Jean-Pascal

TI Side Payments and International Cooperation in a Regionalised Integrated Assessment Model for Climate Change. AU Germain, Marc; Tulkens, Philippe; Tulkens, Henry; Van Ypersele, Jean-Pascal.

Van Ypersele, Tanguy

TI Fiscal Competition and Regional Differentiation. AU Justman, Moshe; Thisse, Jacques-Francois; Van Ypersele, Tanguy.

Vandenbussche, Hylke

PD November 2000. TI European Antidumping Policy and Firms' Strategic Choice of Quality. AU Vandenbussche, Hylke; Wauthy, Xavier Y. AA Vandenbussche: Katholieke Universiteit Leuven and Centre for Economic Policy Research. Wauthy: Catholic University of Louvain. SR CEPR Discussion Paper: 2624; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE F13, L13. KW Bertrand Competition. European Antidumping Policy. Injury. Quality. Welfare.

AB In this paper, a European industry characterized by vertical product differentiation is considered. Using a two-stage model with quality choice made before price competition takes place shows that EU anti-dumping (A-D) policy that takes the form of price-undertakings offers a powerful protection to domestic firms, but only at the price competition stage. Once the impact of the A-D policy on quality choices is taken into account, European welfare as well as profits accruing to the domestic firm decrease whenever the free trade equilibrium is affected. Thus European A-D policies may induce "perverse" leapfrogging.

Vaughan, Mark D.

TI Do Depositors Care About Enforcement Actions? AU Gilbert, R. Alton; Vaughan, Mark D.

TI The Role of a Camel Downgrade Model in Bank Surveillance. AU Gilbert, R. Alton; Meyer, Andrew P.; Vaughan, Mark D.

Veld, Klaas van't

PD October 2000. TI Fitting the Glass Slipper: Optimal Capital Structure in the Face of Liability. AU Veld, Klaas van't; Rausser, Gordon C.; Simon, Leo K. AA Veld: University of Michigan. Rausser and Simon: University of

California, Berkeley. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 917; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 30. **PR** \$7.50 Domestic; \$15.00 International Surface Rate. **JE** G32, G33, K13, K32, Q28. **KW** Secured Debt. Tort Liability. Bankruptcy. Judgment Proof Problem. Firm Size. **AB** The model presented in this paper juxtaposes two theories for why a firm might offer creditors a security interest to back up a loan. One theory holds that issuing secured debt allows the firm's owners to reduce expected payments in the event of bankruptcy to so-called "non-adjusting" creditors, who cannot or do not adjust the size of their claims in response. An important class of such non-adjusting claims are liability claims on the firm. The other theory holds that issuing secured debt solves an underinvestment problem: the firm may only be able to finance a growth opportunity if it offers new investors a security interest. Recognizing that most real-world firms face both non-adjusting claims and growth opportunities, we combine the two theories in a single model. We find that firms generally choose an interior secured-debt ratio, and all firms smaller than a critical size choose a strictly higher secured-debt ratio than firms larger than the critical size. Moreover, the relationship between the optimal secured-debt ratio and firm size is highly nonlinear in ways consistent with the empirical evidence: the optimal ratio may or may not initially increase in firm size, then tends to decrease, and then becomes constant.

Venables, Anthony J.

TI *Globalization in History: A Geographical Perspective*. **AU** Crafts, Nicholas; Venables, Anthony J.

Verdier, Thierry

TI Monopolies Life Cycle, Bureaucratization, and Schumpeterian Growth. **AU** Martimort, David; Verdier, Thierry.

Veredas, David

TI A Comparison of Financial Duration Models via Density Forecasts. **AU** Bauwens, Luc; Giot, Pierre; Grammig, Joachim; Veredas, David.

PD April 2002. **TI** On the (Intradaily) Seasonality and Dynamics of a Financial Point Process: A Semiparametric Approach. **AU** Veredas, David; Rodriguez-Poo, Juan; Espasa, Antoni. **AA** Veredas: CORE. Rodriguez-Poo: Universidad de Cantabria. Espasa: Universidad Carlos III de Madrid. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/23; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 20. **PR** \$100 per year. **JE** C14, C41, G10. **KW** Tick-by-Tick. ACD Model. Seasonal Analysis. Nonparametric Method.

AB A new method of estimating a component model for the analysis of financial durations is proposed. The components are long-run dynamics and seasonality. The latter is left unspecified and the former is assumed to fall within the class of a certain family of parametric functions. The proposed estimation procedure is based on a generalized profile likelihood approach and requires the assumption either of a likelihood function for the model errors or, at least, that the error density belongs to the

class of exponential densities. Its main interest is twofold: 1) Consistent and asymptotically normal estimators for both the parameters of the long-run stochastic component and the nonparametric curve that approximates the deterministic seasonal component are provided; 2) The method is computationally very appealing since the resulting nonparametric estimator of the seasonal curve has an explicit form that turns out to be a transformation of the Nadaraya-Watson estimator. It is shown that the proposed method outperforms the other methods, such as estimation with splines and with adjustment methods.

Veugelers, Reinhilde

TI Endogenizing Know-How Flows Through the Nature of R&D Investments. **AU** Cassiman, Bruno; Perez-Castrillo, David J.; Veugelers, Reinhilde.

Victoria-Feser, Maria-Pia

TI Robust Lorenz Curves: A Semi-Parametric Approach. **AU** Cowell, Frank A.; Victoria-Feser, Maria-Pia.

TI Statistical Inference for Welfare Under Complete and Incomplete Information. **AU** Cowell, Frank A.; Victoria-Feser, Maria-Pia.

Viitanen, Tarja K.

TI The Long-Run Labour Market Consequences of Teenage Motherhood in Britain. **AU** Chevalier, Arnaud; Viitanen, Tarja K.

Villa, Pierre

TI *Le Passage des Retraites de la Repartition a la Capitalisation Obligatoire: Des Simulations a l'aide d'une Maquette Calibree*. (From Pay-as-you-Go to Compulsory Funded Retirement Scheme: Simulations with a Computable Model). **AU** Rouquet, Ottilia; Villa, Pierre.

Visser, Michael

TI Econometrics of Share Auctions. **AU** Fevrier, Philippe; Preget, Raphaela; Visser, Michael.

Vitale, Paolo

TI Equilibrium Exchange Rate Policies: Complicit Renegotiation-Proof Outcomes. **AU** Mella-Barral, Pierre; Vitale, Paolo.

Vohra, Rajiv

TI Incentives and the Core of an Exchange Economy: A Survey. **AU** Forges, Francoise; Minelli, Enrico; Vohra, Rajiv.

von Hagen, Jurgen

TI Economic Growth in Europe: Entering a New Era?/ The European Central Bank: 1st Birthday. **AU** Guellec, Dominique; von Hagen, Jurgen.

von Thadden, Ernst-Ludwig

TI Outside Finance, Dominant Investors, and Strategic Transparency. **AU** Perotti, Enrico C.; von Thadden, Ernst-Ludwig.

Wacziarg, Romain

TI Stages of Diversification. **AU** Imbs, Jean; Wacziarg,

Romain.

Wadsworth, Jonathan

TI Give PC's a Chance: Personal Computer Ownership and the Digital Divide in the United States and Great Britain.
AU Schmitt, John; Wadsworth, Jonathan.

Waldfogel, Jane

TI Investing in Children: What do we know? What should we do? **AU** Danziger, Sheldon; Waldfogel, Jane.

PD June 2001. **TI** Welfare Reform and Lone Mothers' Employment in the US. **AU** Waldfogel, Jane; Danziger, Sandra K.; Danziger, Sheldon; Seefeldt, Kristin. **AA** Waldfogel: Columbia University and CASE, LSE. Danziger, Sandra, Danziger, Shelton and Seefeldt: University of Michigan. **SR** London School of Economics, STICERD CASEpapers: CASE/47; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 29. **PR** no charge. **JE** I38, J13, J23. **KW** Welfare. Lone Mothers. Employment. Child Poverty.

AB The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 represents a dramatic change in the US welfare state. One of its key goals was to move lone mothers, even those with young children, from welfare to work. Early evidence suggests that, in concert with a strong economy, progress has been made -- welfare caseloads have fallen dramatically and the employment rates of lone mothers have increased substantially. In addition to the federal reforms, state level welfare reforms played an important role prior to 1996 and are playing an even more important role subsequent to 1996 as PRWORA gives states unprecedented flexibility in designing and implementing their welfare systems. In this paper, we examine some key state-level reforms, using evidence from selected states, to illustrate the three major types of policies used in the US to move lone mothers from welfare to work: mandating work (Michigan); making work pay (Michigan and Minnesota); and helping families with child care (Illinois). We conclude that each of these policies has a role to play in moving lone mothers from welfare to work, but that further policies are needed if the US is also to do a better job of reducing child poverty.

Wall, Howard J.

PD July 2000. **TI** Gravity Model Specification and the Effects of the Canada-U.S. Border. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/024A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 14. **PR** no charge. **JE** F14, F15, R11. **KW** Border Effect. Canada-U. S. Trade.

AB There is a well-established literature finding that the Canada-U.S. border has a large dampening effect on trade, is asymmetric, and differs across provinces. In this paper, I demonstrate that the standard gravity model used to obtain these results provides biased estimates of the volume of trade. I attribute this to heterogeneity bias and re-estimate the effects of the border using a gravity model that allows for heterogeneous gravity equations. Doing so does not alter the general results of existing studies, although it does yield a border effect that is 40 percent larger, reverses the border's asymmetry, and indicates

very different provincial effects.

PD November 2000. **TI** NAFTA and the Geography of North American Trade. **AA** Federal Reserve Bank of St. Louis. **SR** Federal Reserve Bank of St. Louis Working Paper: 2000/017B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 15. **PR** no charge. **JE** F13, R11. **KW** NAFTA. New Economic Geography.

AB Debates over the desirability a preferential trading area (PTA) begin with the supposition that it will have two effects on the volume of trade: it will increase trade between PTA members, and decrease trade between members and non-members. This paper demonstrates, however, that at the regional level the effects of NAFTA have been much more complicated than what is normally supposed. Specifically, I find that NAFTA has meant (i) less trade between Eastern Canada and the United States and Mexico, (ii) more trade between Central Canada and the United States and Mexico, and (iii) more trade between Western Canada and Mexico, but no change in the volume of trade between Western Canada and the United States. I also find that NAFTA has decreased trade between Canadian regions and both Europe and Asia, while increasing Mexico's trade with Asia.

PD August 2001. **TI** The British Beveridge Curve: A Tale of Ten Regions. **AU** Wall, Howard J.; Zoega, Gylfi. **AA** Wall: Federal Reserve Bank of St. Louis. Zoega: University of London. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/007A; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 18. **PR** no charge. **JE** E24, J63, J64, R23. **KW** Beveridge Curve. Matching Models. Vacancies. Unemployment.

AB Recent work has suggested the possibility that the Beveridge curve can shift over the business cycle. This is in contrast with a large body of literature claiming that Beveridge curves have shifted due to structural changes alone. To test these claims, we use county-level data to estimate the timing and magnitude of shifts in aggregate and regional British Beveridge curves. We find that these shifts coincide with the business cycle rather than with hysteresis effects or with changes in regional mismatch. This implies that the Beveridge curve is a flawed device for separating the effects of structural changes from those of the business cycle.

TI NAFTA and the Changing Pattern of State Exports.
AU Coughlin, Cletus C.; Wall, Howard J.

Ward, Melanie

TI What Matters Most: Teaching or Research? Empirical Evidence on the Remuneration of British Academics.
AU Euwals, Rob; Ward, Melanie.

Warshawsky, Mark J.

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

Watanabe, Wako

TI Are Americans More Altruistic than the Japanese? A U.S.-Japan Comparison of Saving and Bequest Motives.
AU Horioka, Charles Yuji; Fujisaki, Hideki; Watanabe, Wako; Kouno, Takatsugu.

Waterer, Hamish

PD February 2002. **TI** The Relation of Time Indexed Formulations of Single Machine Scheduling Problems to the Node Packing Problem. **AU** Waterer, Hamish; Johnson, Ellis L.; Savelsbergh, Martin W. P. **AA** Waterer: CORE. Johnson and Savelsbergh: Georgia Institute of Technology. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/09; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 21. **PR** \$100 per year. **JE** C00. **KW** Scheduling. Node Packing. Facet Defining Graphs. Facet Inducing Inequalities.

AB The relation of time indexed formulations of nonpreemptive single machine scheduling problems to the node packing problem is formally established and then used to provide simple and intuitive alternate proofs of validity and maximality for previously known results on the facial structure of the scheduling problem. Previous work on the facial structure has focused on describing the convex hull of the set of feasible partial schedules, i.e. schedules in which not all jobs have to be started. The equivalence between the characteristic vectors of this set and those of the set of feasible node packings in a graph whose structure is determined by the parameters of the scheduling problem is established. The main contribution of this paper is to show that the facet inducing inequalities for the convex hull of the set of feasible partial schedules that have integral coefficients and right hand side 1 or 2 are the maximal clique inequalities and the maximally and sequentially lifted 5-hole inequalities of the convex hull of the set of feasible node packings in this graph respectively.

Watson, Mark W.

TI Forecasting Output and Inflation: The Role of Asset Prices. **AU** Stock, James H.; Watson, Mark W.

Wauthy, Xavier Y.

TI European Antidumping Policy and Firms' Strategic Choice of Quality. **AU** Vandebussche, Hylke; Wauthy, Xavier Y.

TI Another Perverse Effect of Monopoly Power. **AU** Gabszewicz, Jean J.; Wauthy, Xavier Y.

TI The Option of Joint Purchase in Vertically Differentiated Markets. **AU** Gabszewicz, Jean J.; Wauthy, Xavier Y.

Weber, Shlomo

TI District Formation: A Co-Opetition Approach. **AU** Soubeyran, Antoine; Weber, Shlomo.

TI Transfers in a Polarized Country: Bridging the Gap Between Efficiency and Stability. **AU** Haimanko, Ori; Le Breton, Michel; Weber, Shlomo.

Wegkamp, Marten

TI Weak Convergence of Empirical Copula Processes. **AU** Fermanian, Jean-David; Radulovic, Dragan; Wegkamp, Marten.

Wei, Shang-Jin

TI Corruption and Composition of Foreign Direct Investment: Firm-Level Evidence. **AU** Smarzyńska, Beata K.; Wei, Shang-Jin.

PD March 2001. **TI** Negative Alchemy? Corruption, Composition of Capital Flows, and Currency Crises. **AU** Wei, Shang-Jin; Wu, Yi. **AA** Wei: Harvard University and NBER. Wu: Georgetown University. **SR** National Bureau of Economic Research Working Paper: 8187; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F21, F31, F36. **KW** Currency Crises. Crony Capitalism. Self-Fulfilling Expectations. Public Governance.

AB Crony capitalism and self-fulfilling expectations by international creditors are often suggested as two rival explanations for currency crisis. This paper examines a possible linkage between the two that has not been explored much in the literature: corruption may affect a country's capital inflow composition in a way that makes it more likely to experience a currency crisis that is triggered/aided by a sudden reversal of international capital flows. We find robust evidence that poor public governance is associated with a higher loan-to-FDI ratio. Such a composition of capital flows has been identified as being associated with a higher incidence of a currency crisis. We also find some weaker evidence that poor public governance is associated with a country's inability to borrow internationally in its own currency. The latter is also associated with a higher incidence of a currency crisis. To sum up, even though crony capitalism does not forecast the timing of a crisis, it can nevertheless increase its likelihood. This paper illustrates a particular channel through which this can happen.

Weisbach, Michael S.

TI Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature. **AU** Hermalin, Benjamin E.; Weisbach, Michael S.

TI Protection of Minority Shareholder Interests, Cross-Listings in the United States, and Subsequent Equity Offerings. **AU** Reese, William A., Jr.; Weisbach, Michael S.

TI Hospital Governance, Performance Objectives, and Organizational Form. **AU** Eldenburg, Leslie; Weisbach, Michael S.; Hermalin, Benjamin E.; Wosinska, Marta.

Weller, Paul A.

TI Predicting Exchange Rate Volatility: Genetic Programming vs. GARCH and RiskMetrics. **AU** Neely, Christopher J.; Weller, Paul A.

Wera, Yannic

TI A Discussion of Production Planning Approaches in the Process Industry. **AU** Crama, Yves; Pochet, Yves; Wera, Yannic.

Wesche, Katrin

TI Forecasting Output with Information from Business Cycle Turning Points: A Qualitative Variable VAR. **AU** Dueker, Michael J.; Wesche, Katrin.

Whalley, John

TI How Reasonable are Assumptions Used in Theoretical Models? Computational Evidence on the Likelihood of Trade Pattern Changes. **AU** Abrego, Lisandro; Whalley, John; Riezman, Raymond.

Wheelock, David C.

TI Aggregate Price Shocks and Financial Instability: A Historical Analysis. **AU** Bordo, Michael D.; Dueker, Michael J.; Wheelock, David C.

TI Aggregate Price Shocks and Financial Stability: The United Kingdom 1796-1999. **AU** Bordo, Michael D.; Dueker, Michael J.; Wheelock, David C.

PD March 2002. **TI** Consolidation in US Banking: Who are the Acquirers? **AU** Wheelock, David C.; Wilson, Paul W. **AA** Wheelock: Federal Reserve Bank of St. Louis. Wilson: University of Texas. **SR** Federal Reserve Bank of St. Louis Working Paper: 2001/003B; Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166-0442. Website: www.stls.frb.org/research. **PG** 27. **PR** no charge. **JE** C25, G21, L16, L84. **KW** Bank Mergers. Regulation. Market Structure. Count Data Models.

AB The number of commercial banks in the United States has declined by some 40 percent since 1984, primarily through mergers and acquisitions of solvent institutions. The relaxation of legal impediments to branching has enabled this consolidation, but specific characteristic of banks that make acquisitions reflect the regulatory process and market structure, as well as the bank's own condition. This paper seeks to quantify the regulatory, market, and financial characteristics that affect the probability of a bank being an acquirer and, the volume of acquisitions it makes over time. We examine separately consolidation within holding companies and mergers of independent banks.

Whitelaw, Robert

TI Risk and Return: Some New Evidence. **AU** Guo, Hui; Whitelaw, Robert.

Widgren, Mika

TI EU Reforms for Tomorrow's Europe. **AU** Baldwin, Richard; Berglof, Erik; Giavazzi, Francesco; Widgren, Mika.

Wigniolle, Bertrand

TI Temporary Bubbles in an Economy with Under-Accumulation. **AU** Michel, Philippe; Wigniolle, Bertrand.

Wilhelm, William J., Jr.

TI The Seven Percent Solution? An International Perspective on Underwriting Spreads. **AU** Ljungqvist, Alexander P.; Wilhelm, William J., Jr..

Williamson, Jeffrey G.

TI After Columbus: Explaining the Global Trade Boom 1500-1800. **AU** O'Rourke, Kevin H.; Williamson, Jeffrey G.

TI Terms of Trade Shocks and Economic Performance 1870-1940: Prebisch and Singer Revisited. **AU** Hadass, Yael S.; Williamson, Jeffrey G.

TI Does Globalization Make the World More Unequal? **AU** Lindert, Peter H.; Williamson, Jeffrey G.

Williamson, Rohan

TI Culture, Openness, and Finance. **AU** Stulz, Rene M.; Williamson, Rohan.

Wilson, John D.

TI Expenditure Competition. **AU** Gordon, Roger H.; Wilson, John D.

Wilson, Paul W.

TI Consolidation in US Banking: Who are the Acquirers? **AU** Wheelock, David C.; Wilson, Paul W.

Wilson, William Julius

TI Social Exclusion and the Future of Cities. **AU** Power, Anne; Wilson, William Julius.

PD February 2002. **TI** Expanding the Domain of Policy-Relevant Scholarship in the Social Sciences. **AA** Harvard University. **SR** London School of Economics, STICERD CASEpapers: CASE/52; STICERD, Room Q280, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, United Kingdom. Website: sticerd.lse.ac.uk. **PG** 10. **PR** no charge. **JE** I21, I28. **KW** Social Science. Policy Debates. Research Approaches.

AB In this paper the author argues that social scientists need to do more to provide policy-relevant research. Rapid technological and economic change raise new issues about how policy should adjust that are not adequately addressed by older and narrower approaches. The author suggests two ways in which the domain of policy-relevant scholarship can be expanded. First, social scientists should be more flexible about the kinds of data they use and the ways they use them. Preliminary data can suggest new hypotheses, which can widen debate, and ethnographic and other qualitative methods can uncover patterns of behavior invisible in quantitative sources. Second, social theories, concepts and ideas should play a greater role in the policy arena, shaping the way policy actors think about how the world works.

Wiplosz, Charles

PD April 1999. **TI** Economic Policy Coordination and Financial Supervision in the EMU. **AU** Wiplosz, Charles; Lannoo, Karel. **AA** Wiplosz: Graduate Institute of International Studies, Geneva. Lannoo: Centre for European Policy Studies, Bruxelles. **SR** CEPII Working Paper: 1999/04; Centre d'Etudes Prospectives et d'Informations Internationales, 9 rue Georges Pitard, 75740 Paris cedex 15, France. Website: www.cepii.fr. **PG** 40. **PR** no charge. **JE** E58, E61, E63, F33, F42. **KW** Policy Coordination. Fiscal Policy. Monetary Policy. Supervision. Transparency.

AB This working paper publishes the two papers discussed at the 4th meeting of the French-German Economic Forum, organized in January 1999. The first paper focuses on the new challenges and the new context of economic policy facing EMU after the ten-year long transition since the agreement on the Maastricht treaty. The author estimates two reaction functions of central banks and of fiscal authorities for the period 1980-1997 to analyze the interaction between monetary and fiscal policy and what could be the definition of the new policy mix. According to the author, this interaction will be stronger if member states coordinate their fiscal policies. He outlines six proposals for organizing the coordination of economic policies. The second paper raises the question of prudential supervision in the EMU: it is necessary to set up a code of conduct relating to supervision responsibilities, to encourage the circulation of information between the various supervision agencies and to ensure transparency vis-a-vis

markets.

Witt, Robert

TI What We Spend and What We Get: Public and Private Provision of Crime Prevention and Criminal Justice. **AU** Witte, Ann Dryden; Witt, Robert.

Witte, Ann Dryden

PD April 2001. **TI** What We Spend and What We Get: Public and Private Provision of Crime Prevention and Criminal Justice. **AU** Witte, Ann Dryden; Witt, Robert. **AA** Witte: Wellesley College and NBER. Witt: University of Surrey. **SR** National Bureau of Economic Research Working Paper: 8204; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 43. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H53, H59, K14, K42. **KW** Crime Measurement. Crime Levels.

AB In this paper, we consider a number of issues regarding crime prevention and criminal justice. We begin by considering how crime is measured and present both general and specific evidence on the level of crime in a variety of countries. Crime is pervasive and varies substantially across countries. We outline the arguments for some public roll in crime prevention, enforcement, prosecution, defense, and adjudication. We consider the relative role of the public and private sectors in crime control and criminal justice. We discuss various measures for the effectiveness of the criminal justice system. We conclude by suggesting some potential areas for research.

Wolak, Frank A.

PD March 2001. **TI** Identification and Estimation of Cost Functions Using Observed Bid Data: An Application to Electricity Markets. **AA** Stanford University. **SR** National Bureau of Economic Research Working Paper: 8191; National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 40. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** L13, L16, L94. **KW** Cost Function Estimates. Electricity Generation. Market Power.

AB This paper presents several techniques for recovering cost function estimates for electricity generation from a model of optimal bidding behavior in a competitive electricity market. Two techniques are developed based on different models of the price-setting process. The first assumes that the firm is able to choose the price that maximizes its realized profits given the bids of its competitors and the realization of market demand. This procedure is straightforward to apply. The second procedure uses the assumption that the firm bids to maximize its expected profits. This procedure is considerably more complex, but can yield more insights about the nature of the firm's variable costs, because it allows the researcher to recover generation unit-level variable cost functions. These techniques are applied to bid, market outcomes and financial hedge contract data obtained from the first three months of operation of the National Electricity Market (NEM1) in Australia. The empirical analysis illustrates the usefulness of these techniques in measuring actual market power and the ability to exercise market power possessed by generation unit owners in competitive electricity markets.

PD April 2001. **TI** An Empirical Analysis of the Impact of Hedge Contracts on Bidding Behavior in a Competitive Electricity Market. **AA** Stanford University. **SR** National

Bureau of Economic Research Working Paper: 8212; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 46. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** L11, L94. **KW** Bidding Behavior. Hedge Contracts. Electricity Market. Market Power.

AB A major concern in the design of wholesale electricity markets is the potential for the exercise of market power by generating unit owners. To better understand the determinants of generating unit owner market power and how it is exercised, this paper derives a model of bidding behavior in a competitive electricity market which incorporates various sources of uncertainty and the impact of the electricity generator's position in the financial hedge contract market on its expected profit-maximizing bidding behavior. The model is first used to characterize the profit-maximizing market price that a generator would like set by its bidding strategy for several hedge contract and spot sales combinations. This model applied to bid and contract data obtained from the first three months of operation of the National Electricity Market (NEM1) in Australia to answer several questions about the bidding behavior of a major participant in this market. This analysis illustrates the sensitivity of expected profit-maximizing bidding strategies to the amount of financial hedge contracts held by the generating unit owner. It also provides strong evidence for the effectiveness of financial hedge contracts as a means to mitigate market power during initial stages of operation of a wholesale electricity market.

TI Estimating the Customer-Level Demand for Electricity Under Real-Time Market Prices. **AU** Patrick, Robert H.; Wolak, Frank A.

Wolff, Christian C.

TI Modelling Scale-Consistent VaR with the Truncated Levy Flight. **AU** Lehnert, Thorsten; Wolff, Christian C.

Wolsey, Laurence A.

TI Combining Problem Structure with Basis Reduction to Solve a Class of Hard Integer Programs. **AU** Louveaux, Quentin; Wolsey, Laurence A.

TI On Unions and Dominants of Polytopes. **AU** Balas, Egon; Bockmayr, Alexander; Pisaruk, Nicolai; Wolsey, Laurence A.

PD March 2002. **TI** Solving Multi-Item Lot-Sizing Problems with an MIP Solver Using Classification and Reformulation. **AA** Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/12; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voie du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/services/DP.html. **PG** 28. **PR** \$100 per year. **JE** C60. **KW** Lot-Sizing. Production Planning. Classification. Mixed Integer Programming.

AB Based on research on the polyhedral structure of lot-sizing models, this paper claims that there is a nontrivial fraction of practical lot-sizing problems that can now be solved by nonspecialists just by taking an appropriate, a priori reformulation of the problem, and then feeding the resulting formulation into a commercial mixed integer programming solver. This claim uses the fact that many multi-item problems decompose naturally into a set of single-item problems with linking constraints, and that there is now a large body of

knowledge about single-item problems. To put this knowledge to use, this paper proposes a classification of lot-sizing problems, and then indicates in a set of Tables what is known about a particular problem class, and how useful it might be. Three distinct multi-item lot-sizing instances are then presented to demonstrate the approach, and comparative computational results are presented. Finally, the paper uses the classification to point out what appear to be some of the important open questions and challenges.

Wooders, John

TI Noncooperative Versus Cooperative R&D With Endogenous Spillover Rates. **AU** Amir, Rabah; Evstigneev, Igor; Wooders, John.

Wright, Peter

TI Estimating the Wage Costs of Inter- and Intra-Sectoral Adjustment. **AU** Haynes, Michelle; Upward, Richard; Wright, Peter.

Wu, Steven

TI Subsidized Crop Insurance and Extensive Margin. **AU** LaFrance, Jeffrey T.; Shimshack, Jason; Wu, Steven.

Wu, Yi

TI Negative Alchemy? Corruption, Composition of Capital Flows, and Currency Crises. **AU** Wei, Shang-Jin; Wu, Yi.

Wyplosz, Charles

PD March 2001. **TI** Do We Know How Low Inflation Should Be? **AA** Graduate Institute of International Studies, Geneva and CEPR. **SR** CEPR Discussion Paper: 2722; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E24, E32, E52. **KW** Inflation. Natural Rate. Europe. Unemployment.

AB The paper looks for evidence of grease and sand effects in Europe, in particular the possibility that the natural rate of unemployment is affected by the inflation rate. Looking at four countries, France, Germany, the Netherlands and Switzerland, the paper reports some preliminary evidence that the long-run rate of unemployment is a non-linear function of inflation. The particular shape of the empirical relationship supports the view that a moderate level of inflation provides some "grease" to the price and wage setting process. In particular, the long-run rate of unemployment is found to reach a maximum of between 0.5 percent and 1 percent, and to decline quickly for higher rates of inflation. For the range of inflation rates observed in the sample countries, there is no evidence of sand effects, that uncertainty associated with inflation adversely affect the long-run rate of unemployment.

PD March 2001. **TI** Exchange Rate Regimes: Some Lessons from Postwar Europe. **AA** Graduate Institute of International Studies, Geneva and CEPR. **SR** CEPR Discussion Paper: 2723; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E42, F31, F41, G28, O11. **KW** Currency Crises. Exchange Rate. Liberalization. Sequencing.

AB Can Europe's post-war experience with fixed exchange

rates be useful for today's emerging market countries? A new conventional wisdom suggests that the answer is negative; that in today's world of huge capital flows the only choice is between freely floating exchange rates and hard pegs. The paper argues to the contrary, that Europe's strategy has much to recommend it. Most European countries have identified trade integration as a key objective, and considered that exchange rate stability was a prerequisite for establishing a level-playing field. The survival of the regime was made possible by widespread financial repression. There is no evidence that such a strategy stunted growth, quite the contrary in fact. Nor is it the case that this strategy is impossible today for other small open economies.

PD March 2001. **TI** How Risky is Financial Liberalization in the Developing Countries? **AA** Graduate Institute of International Studies, Geneva and CEPR. **SR** CEPR Discussion Paper: 2724; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F41, G28, O11. **KW** Currency Crises. Liberalization. Sequencing.

AB This paper looks at the effect of domestic and external financial liberalization. Using a sample of 27 developing and developed countries, it studies the exchange market pressure and output gap effects of liberalization. The results show that developing and developed countries differ in many respects. By and large, the effects are significantly stronger in developing countries. Exchange market pressure to be strongly positive as capital flows, but reversals seem to follow systematically. Similarly, the behavior of the output gap corresponds well to boom and bust cycles. The paper concludes with a discussion of policy measures desirable to make liberalization safer than it has been so far.

Xu, Chenggang

TI Soft Budget Constraint Theories: From Centralization to the Market. **AU** Maskin, Eric; Xu, Chenggang.

Yashiv, Eran

PD March 2001. **TI** Macroeconomic Policy Lessons of Labor Market Frictions. **AA** University of Haifa and CEPR. **SR** CEPR Discussion Paper: 2749; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E24, E32. **KW** Beveridge Curve. Labor Market Frictions. Macroeconomic Policy. Matching. Search.

AB This paper explores the consequences of macroeconomic policy for labor market outcomes in the presence of frictions. It shows how policy may be useful in overriding frictions, as well as how it might generate adverse outcomes. The analysis looks at the main tools of macroeconomic policy and pertains to both the steady state and business cycle fluctuations. A partial-equilibrium, empirically-grounded model is used to simulate policy effects. It relies on a reduced-form VAR of the actual data to specify the effect of exogenous variables, precluding the possibility that labor market results will be affected by misspecifications in other parts of a more general macroeconomic model. The paper shows how policy affects the natural rate of unemployment and other key outcomes, such as unemployment duration, wages, and the asset value of the job-worker match. Effects on the persistence, co-movement and

volatility of the major variables along the business cycle are discussed, demonstrating how policy affects rigidity in the labor market.

Yeager, Timothy J.

TI The Importance of Scale Economies and Geographic Diversification in Community Bank Mergers. **AU** Emmons, William R.; Gilbert, R. Alton; Yeager, Timothy J.

Yitzhaki, Shlomo

TI Tax Avoidance, Evasion, and Administration. **AU** Slemrod, Joel B.; Yitzhaki, Shlomo.

TI Integrating Expenditure and Tax Decisions: The Marginal Cost of Funds and the Marginal Benefit of Projects. **AU** Slemrod, Joel B.; Yitzhaki, Shlomo.

Zellner, Arnold

PD May 1999. **TI** Bayesian Analysis of Golf. **AA** University of Chicago. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 904; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html.

PG 23. **PR** \$5.75 Domestic; \$11.50 International Surface Rate. **JE** C11, C49, D11. **KW** Bayesian Analysis. Sports Statistics. Golf Science. Decision Analysis.

AB In this paper Bayesian analysis is used to analyze some problems that arise in playing golf in what is thought to be a scientific manner. Some issues that arise are: (1) Is a scientific analysis of golf possible? (2) What concept of probability, models and inference procedures are most useful? And (3), Can Bayesian decision theoretic methods be used to help improve George Judge's and other golfers' scores? Several canonical golf problems are formulated and analyzed using Bayesian methods. Finally, frameworks for analyzing a consumer demand for golfing services and products and professional golfers' income optimization problems are provided. In the concluding section, implications for the future will be considered.

PD August 1999. **TI** Bayesian and Non-Bayesian Approaches to Scientific Modeling and Inference in Economics and Econometrics. **AA** University of Chicago. **SR** University of California, Berkeley, Department of Agricultural and Resource Economics and Policy Working Paper: 905; The Center for Labor Economics, University of California, Berkeley, Department of Economics, 207 Giannini Hall, Berkeley, CA 94720-3310. Website: are.berkeley.edu/library/CUDARE/workpap.html. **PG** 35. **PR** \$8.75 Domestic; \$17.50 International Surface Rate. **JE** C11, C49, C51, C52, C53. **KW** Bayesian Analysis. Non-Bayesian Analysis. Scientific Modeling. Inference. Economics.

AB After brief remarks on the history of modeling and inference techniques in economics and econometrics, attention is focused on the emergence of economic science in the 20th century. First, the broad objectives of science and the Pearson-Jeffreys' "unity of science" principle will be reviewed. Second, key Bayesian and non-Bayesian practical scientific inference and decision methods will be compared using applied examples from economics, econometrics and business. Third, issues and controversies on how to model the behavior of economic units

and systems will be reviewed and the structural econometric modeling, time series analysis (SEMTSA) approach will be described and illustrated using a macro-economic modeling and forecasting problem involving analyses of data for 18 industrialized countries over the years since the 1950s. Point and turning point forecasting results and their implications for macro-economic modeling of economies will be summarized. Last, a few remarks will be made about the future of scientific inference and modeling techniques in economics and econometrics.

Zettelmeyer, Florian

TI Internet Car Retailing. **AU** Morton, Fiona Scott; Zettelmeyer, Florian; Risso, Jorge Silva.

Zhao, Jinhua

TI The Long-Run Effects of Environmental Reform in Open Economies. **AU** Karp, Larry; Zhao, Jinhua; Satchi, Sandeep.

Zhuravskaya, Ekaterina

TI Rackets, Regulation and the Rule of Law. **AU** Frye, Timothy; Zhuravskaya, Ekaterina.

Zingales, Luigi

TI The Influence of the Financial Revolution on the Nature of Firms. **AU** Rajan, Raghuram G.; Zingales, Luigi.

TI The Great Reversals: The Politics of Financial Development in the 20th Century. **AU** Rajan, Raghuram G.; Zingales, Luigi.

Zivot, Eric

TI Markov Regime Switching and Unit Root Tests. **AU** Nelson, Charles R.; Piger, Jeremy; Zivot, Eric.

Zoega, Gylfi

TI Natural Resources and Economic Growth: The Role of Investment. **AU** Gylfason, Thorvaldur; Zoega, Gylfi.

TI The British Beveridge Curve: A Tale of Ten Regions. **AU** Wall, Howard J.; Zoega, Gylfi.