

ABSTRACTS OF WORKING PAPERS IN ECONOMICS

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Abel, Andrew B.

PD December 2001. **TI** On the Invariance of the Rate of Return to Convex Adjustment Costs. **AA** University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8635; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 17. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** E22, O41. **KW** Capital Stock. Growth. Return on Capital. Adjustment Costs.

AB The Modified Golden Rule, which relates the rate of return on capital and the growth rate of the capital stock along long-run growth paths that maximize the utility of a representative infinitely-lived consumer, is invariant to the introduction of convex capital adjustment costs. Therefore, along balanced growth paths in neoclassical optimal growth models with an exogenous long-run growth rate of capital, the rate of return is invariant to the introduction of convex adjustment costs, though the capital-labor ratio is reduced along such paths. In AK models, convex adjustment costs reduce the growth rate and rate of return on capital.

PD December 2001. **TI** On the Invariance of the Rate of Return to Convex Adjustment Costs. **AA** University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8649; 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 the U.S.). **JE** E22, O41. **KW** Modified Golden Rule. Convex Adjustment Costs. Neoclassical Growth Models. Capital Stock.

AB See the abstract for Abel, Andrew B.; December 2001, "On the Invariance of the Rate of Return to Convex Adjustment Costs". National Bureau of Economic Research Working Paper: 8635 Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Abeyasinghe, Tilak

PD November 2001. **TI** Trade Linkages and Output-Multiplier Effects: A Structural VAR Approach with a Focus on Asia. **AU** Abeyasinghe, Tilak; Forbes, Kristin J. **AA** Abeyasinghe: National University of Singapore. Forbes: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8600; 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** C32, C50, F10, O53. **KW** Asia. Vector Auto Regression. Trade Linkages. Output-Multiplier Effects.

AB This paper develops a structural VAR model to measure

how a shock to one country can affect the GDP of other countries. It uses trade linkages to estimate the multiplier effects of a shock as it is transmitted through other countries' output fluctuations. The paper introduces a new specification strategy that significantly reduces the number of unknowns and allows cross-country relationships to vary over time. Then it uses this model to examine the impact of shocks to 11 Asian countries, the U.S. and the rest of the OECD. The model produces reasonably good short-term forecasts. Impulse-response matrices suggest that these multiplier effects are large and significant and can transmit shocks in very different patterns than predicted from a bilateral-trade matrix. For example, due to these output-multiplier effects, a shock to one country can have a large impact on countries that are relatively minor bilateral trading partners.

Abrams, Burton A.

PD October 2002. **TI** Campaign-Finance Reform: A Public Choice Perspective. **AU** Abrams, Burton A.; Settle, Russell F. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2002/04; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 21. **PR** no charge. **JE** H11, K10. **KW** Campaign-Finance Reform. Bipartisan. Regulation. Soft Money. Congressional Voting.

AB In recent years the federal campaign spending "arms race" escalated, leading Congress to impose new constraints on campaign financing -- especially "soft money" contributions -- with enactment of the Bipartisan Campaign Reform Act (BCRA) of 2002. To illustrate, for the presidential election year of 2000, soft money contributions jumped 71 percent, to \$254.4 million. This explosive rise in soft money donations provided at least one of the rationales for BCRA. Using a public choice perspective, we reexamine the competing theories of government regulation so as to understand better the intent and consequences of campaign-finance regulation. We describe a simple model of the campaign spending process that highlights the underlying factors responsible for the recent rapid growth in campaign spending. Second, we discuss the major competing theories of government regulation. Third, we present data and evidence to test hypotheses concerning the underlying motivations for BCRA. The main conclusion is that BCRA is best explained by the economic theory of regulation rather than the public-interest theory of regulation.

Abrego, Lisandro

PD May 2001. **TI** How Often are Propositions on the Effects of Customs Unions Theoretical Curiosa and When

Should They Guide Policy? **AU** Abrego, Lisandro; Riezman, Raymond; Whalley, John. **AA** Abrego: University of Warwick. Riezman: University of Iowa. Whalley: University of Warwick, University of Western Ontario, and NBER. **SR** National Bureau of Economic Research Working Paper: 8304; 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** F10, F13, F15. **KW** Customs Unions. Regional Trade Agreements.

AB This paper uses computational techniques to assess whether or not various propositions that have been advanced as plausible in the literature on Customs Unions (or other regional trade agreements) may actually hold. The idea is to make probabilistic statements as to whether propositions of interest might hold, rather than to restrict assumptions so they unambiguously hold. The aim is to blend theory and numerical simulation and go beyond the ambiguous analytically derived propositions that dominate the theoretical literature so as to assess the likelihood of propositions holding for particular model specifications.

Acemoglu, Daron

PD May 2001. **TI** Directed Technical Change. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8287; 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** E25, J31, O30, O31, O33. **KW** Size Effect. Technical Change. Price Effect. Skill Bias.

AB For many problems in economics, whether technical change is biased towards particular factors is of central importance. This paper develops a simple framework to analyze the forces that shape these biases. There are two major forces affecting equilibrium bias: the price and the market size effect. While the former encourages innovations directed at scarce factors, the latter leads to technical change favoring abundant factors. The elasticity of substitution between different factors regulates how powerful these effects are, and this has implications about how technical change and factor prices respond to changes in relative supplies. If the elasticity of substitution is sufficiently large, the long-run relative demand for a factor can slope up. The paper applies this framework to discuss: Why technical change over the past 60 years was skill-biased, and why the skill bias may have accelerated over the past 25 years. Why new technologies introduced during the late 18th and early 19th centuries were unskill-biased. Why biased technical change may increase the income gap between rich and poor countries, and may be induced by international trade. Why a large wage-push may cause capital-biased technical change.

Adams, James D.

PD May 2001. **TI** Comparative Localization of Academic and Industrial Spillovers. **AA** University of Florida and NBER. **SR** National Bureau of Economic Research Working Paper: 8292; 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** D62, O31, O33, R12. **KW** Localization. R&D. Academic Spillovers.

AB This paper studies localization of academic and industrial

knowledge spillovers. Using data on U.S. Research and Development laboratories, that quantify spatial aspects of learning about universities and firms as well as their locations, this paper finds that academic spillovers are more localized than industrial spillovers. This paper also finds that localization is increased by nearby stocks of R&D, but reduced by laboratory and firm size. These results on localized academic spillovers reflect open science and the industry-university cooperative movement, which encourage firms to work with local universities, so that localization coincides with the public goods nature of science. This situation contrasts with relations to other firms, where contractual arrangements are needed to access proprietary information, often at a considerable distance.

Adjaoute, Kpate

PD November 2001. **TI** Portfolio Diversification: Alive and Well in Euroland! **AU** Adjaoute, Kpate; Danthine, Jean-Pierre. **AA** Adjaoute: Morgan Stanley. Danthine: Universite de Lausanne. **SR** CEPR Discussion Paper: 3086; 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, G11, G15. **KW** Euro. Portfolio Diversification. Return Dispersion.

AB Diversification opportunities in Euroland appear to have improved significantly since the advent of the euro, thus invalidating the prospects identified in the last years of the convergence-to-European Monetary Union period. We identify low frequency movements in the time series of return dispersions suggestive of cycles and long swings in return correlations. The most recent post-euro period is clearly associated with an important upswing with return dispersions exceeding for the first time their peaks of the early nineties.

Aghion, Philippe

PD December 2001. **TI** A Corporate Balance Sheet Approach to Currency Crises. **AU** Aghion, Philippe; Bacchetta, Philippe; Banerjee, Abhijit V. **AA** Aghion: Harvard University, University College London, and CEPR. Bacchetta: Studienzentrum Gerzensee and Universite de Lausanne. Banerjee: MIT. **SR** CEPR Discussion Paper: 3092; 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, F31, F41. **KW** Financial Crisis. Foreign Currency. Debt. Monetary Policy. General Equilibrium.

AB This paper presents a general equilibrium currency crisis model of the "third generation," in which the possibility of currency crises is driven by the interplay between private firms' credit-constraints and nominal price rigidities. Despite our emphasis on microfoundations, the model remains sufficiently simple that the policy analysis can be conducted graphically. The analysis hinges on four main features: i) ex post deviations from purchasing power parity; ii) credit constraints a la Bermanke-Gertler; iii) foreign currency borrowing by domestic firms; iv) a competitive banking sector lending to firms and holding reserves and a monetary policy conducted either through open market operations or short-term lending facilities. We first show that with a positive likelihood of a currency crisis, firms may indeed find it optimal to borrow in foreign currency, following Chamon (2001). Second, we derive sufficient conditions for the existence of a sunspot equilibrium

with currency crises. Third, we show that a reduction in the monetary base through restrictive open market operations is more likely to eliminate the possibility of currency crises if at the same time the central bank does not impose excessive constraints on short-term lending facilities.

Agrell, Per J.

PD December 2000. **TI** Multi-Period DEA Incentive Regulation in Electricity Distribution. **AU** Agrell, Per J.; Bogetoft, Peter; Tind, Jorgen. **AA** Agrell and Tind: Royal Agricultural University. Bogetoft: University of Copenhagen and Royal Agricultural University. **SR** University of Copenhagen, Centre for Industrial Economics Discussion Paper: 2000/13; Centre for Industrial Economics, Institute of Economics, University of Copenhagen, Studiestraede 6, DK-1455 Copenhagen K, Denmark. Website: www.econ.ku.dk/cie/. **PG** 15. **PR** no charge. **JE** D82, L51, L94. **KW** Regulation. Efficiency Analysis. Incentive Systems. Electricity Distributors.

AB Multi-period multi-product regulatory schemes for electricity distributors are presented, based on cost information from a productivity analysis model and an agency theoretical decision model. The proposed schemes are operational and demonstrate considerable advantages compared to the popular CPI-X revenue cap regulation. The schemes avoid arbitrariness, too high or negative informational rents as well as ratchet effects and they promote rapid productivity catch-up by making full use of available data. More generally, the paper contributes to the theoretical unification between firm-based Data Envelopment Analysis (DEA) productivity models and micro-economic reimbursement theories.

Aizenman, Joshua

PD December 2001. **TI** The Merits of Horizontal versus Vertical FDI in the Presence of Uncertainty. **AU** Aizenman, Joshua; Marion, Nancy. **AA** Aizenman: UC Santa Cruz and NBER. Marion: Dartmouth College. **SR** National Bureau of Economic Research Working Paper: 8631; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F21, F23. **KW** Foreign Direct Investment. Uncertainty. International Investment.

AB This paper examines the impact of uncertainty on the profitability of vertical and horizontal foreign direct investment (FDI). We consider a model where the risk-neutral multinational must commit its investment prior to the realization of shocks. The multinational has monopoly power and confronts two types of risk. It may face random productivity shocks or encounter a host country that tries to confiscate its rents. We show that greater uncertainty reduces the expected income from vertical FDI but increases the expected income from horizontal FDI. In addition, predatory actions by the host country are more costly to the multinational that has structured its production vertically rather than horizontally. If vertical FDI is more likely to flow into emerging markets and horizontal FDI into mature markets, then the empirical finding that most FDI is horizontal rather than vertical might be due, in part, to the greater uncertainty associated with emerging markets. We report cross-country regression results that provide some support for the predictions of the model. Volatility appears to have a differential impact on FDI inflows into mature and emerging markets. For mature

markets that supposedly attract mainly horizontal FDI, greater volatility significantly increases FDI inflows. For emerging markets that receive relatively more vertical FDI inflows, increased volatility does not increase FDI inflows.

Alberola-Ila, Enrique

PD March 1997. **TI** Espana en la Union Monetaria: Una aproximacion a sus costes y beneficios. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 62; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcalá, 50, 28014 Madrid, Spain. Website: www.bde.es/infornes/be/sazul/sazule.htm. **PG** 52. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** F02, F36, F43, O52. **KW** EMU. Spain. Stabilization. Growth. Economic Integration.

AB This book tries to evaluate the consequences of the incorporation of Spain to the European Monetary Union by critically reviewing the theoretical and empirical literature on the topic, specially emphasizing the Spanish case. The aim of the book is both to obtain a global perspective of the economic situation of Spain and to define strategies in order to appropriately meet the challenge of integration. The analysis is divided into two parts: a short-term approach, focusing on stabilization issues, and a long-term approach centered in the macroeconomic stability and in the integration created by the single currency. The results show that the benefits of the Monetary Union could more than make up for its costs, although they also underline the urgency of internalizing the restrictions given by the new economic environment.

Alcala, Francisco

PD December 2001. **TI** Trade and Productivity. **AU** Alcala, Francisco; Ciccone, Antonio. **AA** Alcala: Universidad de Murcia. Ciccone: Universitat Pompeu Fabra. **SR** CEPR Discussion Paper: 3095; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F43, J24, O47. **KW** Geography. Institutional Quality. Labor Productivity. Trade.

AB We estimate the effect of international trade on average labor productivity across countries. Our empirical approach relies on a summary measure of trade that, we argue, is preferable to the one conventionally used on both theoretical and empirical grounds. In contrast to the marginally significant and non-robust effects of trade on productivity found previously, our estimates are highly significant and robust even when we include institutional quality and geographic factors in the empirical analysis. We also examine the channels through which trade and institutional quality affect average labor productivity. Our finding is that trade works through labor efficiency, while institutional quality works through physical and human capital accumulation. We conclude with an exploratory analysis of the role of trade policies for average labor productivity.

Alesina, Alberto

PD December 2001. **TI** The Political Economy of International Unions. **AU** Alesina, Alberto; Angeloni, Ignazio; Etro, Federico. **AA** Alesina and Etro: Harvard University and NBER. Angeloni: European Central Bank. **SR** National Bureau of Economic Research Working Paper:

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8645; 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 the U.S.). JE F42, H73, P16. KW Political Economy. International Union. Spillovers. Heterogeneous Countries.

AB We model an international union as a group of countries deciding together the provision of certain public goods and policies because of spillovers. The countries are heterogeneous either in preferences and/or in economic fundamentals. The trade off between the benefits of coordination and the loss of independent policymaking endogenously determines the size, the composition and the scope of unions. Our model implies that the equilibrium size of the union is inversely related to the degree of heterogeneity between countries and to the spectrum of common policies. Hence, there is a tradeoff between enlargement and depending of coordination: a union involved in too many collateral activities will be favored by few countries, while a union which focuses on a core of activities will be favored by many countries. However the political equilibrium implies a bias toward excessive centralization and small size of the union. This bias can be corrected if there is a constitutional commitment of the union to centralize only certain policies.

PD December 2001. **TI** Institutional Rules for Federations. **AU** Alesina, Alberto; Angeloni, Ignazio; Etro, Federico. **AA** Alesina and Etro: Harvard University and NBER. **Angeloni**: European Central Bank. **SR** National Bureau of Economic Research Working Paper: 8646; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 32. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H23, H61, H73, P16. **KW** International Unions. Federations. Public Goods. Centralization. Spillovers. Majority Rule Voting.

AB We study the organization of federations -- or international unions -- which decide together the provision of certain public goods. The benefit of centralization depends on the internalization of the spillovers, that of decentralization on the adaptability to local differences. We individuate as an optimal institutional design a form of fiscal federalism based on decentralization of expenditures and a system of subsidies and transfers between countries. Since this solution can be politically unfeasible, we study institutional compromises between a centralized federation and a decentralized one. "Flexible unions" and federal mandates in which both the state and federal levels are involved in providing public goods are typically superior to complete centralization and politically feasible. Finally, we study the effects of a qualified majority voting rule in a centralized system: we find that it can be a useful device to correct a bias toward "excessive" union level activism.

PD December 2001. **TI** What Does the European Union Do? **AU** Alesina, Alberto; Angeloni, Ignazio; Schuknecht, Ludger. **AA** Alesina: Harvard University and NBER. **Angeloni** and **Schuknecht**: European Central Bank. **SR** National Bureau of Economic Research Working Paper: 8647; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 21. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** D78, F42, H11, H41, P16. **KW** European Union. Political Economy. Subsidiarity. Policy-Making. Policy Domains.

AB We construct a set of indicators to measure the policy-making role of the European Union (EU) (European Council, Parliament, Commission, Court of Justice, etc.), in a selected number of policy domains. Our goal is to examine the division of prerogatives between European institutions and national ones, in light of the implications of normative models and in relation to the preferences of European citizens. Our data confirm that the extent and the intensity of policy-making by the EU have increased sharply over the last 30 years. Such increase has taken place, at different speeds, and to different degrees, across policy domains. In recent times the areas that have expanded most are the most remote from the European Economic Community's (EEC's) original mission of establishing a free market zone with common external trade policy. We conjecture that the resulting allocation may be partly inconsistent with normative criteria concerning the assignment of policies at different government levels, as laid out in the theoretical literature.

PD January 2002. **TI** What Does the European Union Do? **AU** Alesina, Alberto; Angeloni, Ignazio; Schuknecht, Ludger. **AA** Alesina: Harvard University and CEPR. **Angeloni**: European Central Bank. **Schuknecht**: not available. **SR** CEPR Discussion Paper: 3115; 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** D78, F42, H11, H41, P16. **KW** European Union. Political Economy. Subsidiarity. Policy-Making. Policy Domains.

AB We construct a set of indicators to measure the policy-making role of the European Union (EU) (European Council, Parliament, Commission, Court of Justice, etc.), in a selected number of policy domains. Our goal is to examine the division of prerogatives between European institutions and national ones, in light of the implications of normative models and in relation to the preferences of European citizens. Our data confirm that the extent and the intensity of policy-making by the EU have increased sharply over the last 30 years. Such increase has taken place at different speeds, and to different degrees, across policy domains. In recent times the areas that have expanded most are the most remote from the European Economic Community's (EEC's) original mission of establishing a free market zone with common external trade policy. We conjecture that the resulting allocation may be partly inconsistent with normative criteria concerning the assignment of policies at different government levels, as laid out in the theoretical literature.

Alessie, Rob

PD November 2001. **TI** Consumer Credit: Evidence from Italian Micro Data. **AU** Alessie, Rob; Hochquertel, Stefan; Weber, Guglielmo. **AA** Alessie: Vrije Universiteit Amsterdam. **Hochquertel**: not available. **Weber**: Universita di Padova. **SR** CEPR Discussion Paper: 3071; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. **JE** D12, E21. **KW** Choice-Based Sample. Consumer Credit. Usury Law. Italy.

AB In this paper we analyze unique data on credit applications received by the leading provider of consumer credit in Italy (Findomestic). The data set covers a five year period (1995-99) during which the consumer credit market

rapidly expanded in Italy and a new law came into force that set a limit to interest rates charged to consumers (the usury law). We investigate ways in which the law may have affected the consumer credit market and show how the applicants' pool has changed over time in comparison to a representative sample of the Italian population. We compute behavioral changes by controlling for changes in the observable characteristics of the Findomestic clientele and argue that, under suitable identifying assumptions, these changes can be given a structural interpretation. If the usury shock is assumed to have affected credit supply but not credit demand, that is if the usury law had a differential impact on the supply of various types of credit but a uniform impact on demand, we can identify and estimate a demand equation. Our key finding is that demand is interest rate elastic, particularly in the North, where the consumer credit market is more competitive.

Alexander, Kern

PD December 2002. **TI** Lessons From the Rise of the US Limited Liability Partnership. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP255; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 33. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G38, K13, K23, L14. **KW** Transactional Relationships. Contracts and Reputation. Government Policy. Tort Law. Limited Liability Partnership.

AB The limited liability partnership has been heralded as a cost-effective way of doing business for professional firms that seek to reduce the personal liability risk of partners who are not directly involved in negligent acts or wrongdoing. The LLP business form has been adopted by all US states and has proved widely. This paper examines the rise of LLPs statutes in the US by analyzing the LLP statutes of three states that have proved prominent in recent litigation involving professional firms performing services in a negligent or reckless manner. The paper suggests that the liability protections of the US LLPs have not reduced risk, but simply shifted it onto customers, pensioners and the investing public. The liability limitation provisions of the US LLPs create a disincentive for professional firms to adopt effective risk management systems to control negligence and malfeasance within the professional firm. The paper suggests that the UK LLP statute addresses some of these issues.

Allouch, Nizar

PD January 2002. **TI** Arbitrage, Equilibrium, and Nonsatiation. **AU** Allouch, Nizar; Le Van, Cuong; Page, Frank H., Jr.. **AA** Allouch: University of Warwick. Le Van: University of Paris 1. Page: University of Alabama. **SR** The Warwick Economic Research Paper: 637; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 21. **PR** no charge. **JE** C62, D51. **KW** Arbitrage. Asset Market Equilibrium. Nonsatiation. Recession Cones.

AB We make two main contributions to the theory of arbitrage and competitive equilibrium. First, we show that, in general, in unbounded exchange economies (for example, asset exchange economies allowing short sales), even if some agents' preferences are satiated, the absence of arbitrage is sufficient

for the existence of competitive equilibria, as long as each agent who is satiated has a nonempty set of useful net trades. Second, we provide a new approach to proving existence in unbounded exchange economies. The key step in our new approach is to transform the original economy to an economy satisfying global nonsatiation such that all equilibria of the transformed economy are equilibria of the original economy. What our approach makes clear is that it is precisely the condition of weak nonsatiation that makes possible this transformation. Moreover, as we show via examples, without weak nonsatiation, existence fails.

PD April 2002. **TI** Competitive Pricing in Socially Networked Economies. **AU** Allouch, Nizar; Wooders, Myrma. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 639; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 13. **PR** no charge. **JE** D41, D71. **KW** Social Networks. Competitive Pricing. Cliques. Clubs. Edgeworth Equivalence.

AB In the context of a socially networked economy, this paper demonstrates an Edgeworth equivalence between the set of competitive allocations and the core. Each participant in the economy may have multiple links with other participants and the equilibrium network may be as large as the entire set of participants. A clique is a group of people who are all connected with each other. Large cliques, possibly as large as the entire population, are permitted; this is important since we wish to include in our analysis large, world-wide organizations such as workers in multi-national firms and members of world-wide environmental organizations, for example, as well as small cliques, such as two-person partnerships. A special case of our model is equivalent to a club economy where clubs may be large and individuals may belong to multiple clubs. We extend the extant decentralization literature on competitive pricing in economies with clubs and multiple memberships.

Altissimo, Filippo

PD December 2001. **TI** EuroCOIN: A Real Time Coincident Indicator of the Euro Area Business Cycle. **AU** Altissimo, Filippo; Bassanetti, Antonio; Cristadoro, Riccardo; Forni, Mario; Hallin, Marc; Lippi, Marco; Reichlin, Lucrezia; Veronese, Giovanni. **AA** Altissimo: Banca d'Italia, Harvard University, and CEPR. Bassanetti, Cristadoro and Veronese: Banca d'Italia. Forni: Universita di Modena. Lippi: Universita di Roma La Sapienza. Reichlin and Hallin: Universite Libre de Bruxelles. **SR** CEPR Discussion Paper: 3108; 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** C51, E32. **KW** Business Cycle. Dynamic Factor Model. Coincident Indicator.

AB This paper constructs a monthly coincident indicator of the business cycle of the euro area. The index is estimated on the basis of a harmonized data set of monthly statistics of the euro area (951 series) which we constructed from a variety of sources. We use the information of this large panel to obtain an indicator which has three characteristics: (i) it provides real time information on monthly coincident activity since it is updated as new information become available in a non-synchronous way; (ii) it is cleaned from noise originated from measurement error and idiosyncratic national and sectoral dynamics; (iii) it is cleaned from seasonal and short-run dynamics through a filter that requires very little revision at the

end of the sample. Unlike other methods used in the literature, the procedure takes into consideration the cross-country as well as the within-country correlation structure and exploits all information on dynamic cross-correlations. As a by product of our analysis, we provide a characterization of the commonality and dynamic relations of the series in the data set with respect to the coincident indicator and a dating of the euro area cycle.

Alvarez Gonzalez, Luis Julian

TI A BVAR Macroeconometric Model for the Spanish Economy: Methodology and Results. **AU** Ballabriga, Fernando C.; Alvarez Gonzalez, Luis Julian; Jareno, Javier.

Amato, Jeffrey D.

PD November 2001. **TI** Inflation Targeting in Emerging Market and Transition Economies: Lessons After a Decade. **AU** Amato, Jeffrey D.; Gerlach, Stefan. **AA** Amato: Bank for International Settlements. Gerlach: Hong Kong Monetary Authority. **SR** CEPR Discussion Paper: 3074; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E42, E52, E58. **KW** Central Banks. Inflation Targeting. Monetary Policy.

AB Starting in the early 1990s, several emerging market and transition economies (EMEs) have adopted inflation targeting (IT). In this paper we discuss a number of issues that arise in this context: (a) the definition of IT, (b) the role of preconditions for IT, (c) the use of intermediate exchange rate targets, and (d) the specification of inflation targets. Our overall conclusion is that, suitably modified, IT is a useful policy strategy for EMEs.

Amir, Rabah

PD December 2000. **TI** Strategic Complementarity Conditions in Bertrand Oligopoly. **AU** Amir, Rabah; Grilo, Isabel. **AA** Amir: University of Copenhagen and University of Southern Denmark. Grilo: CORE, Universite Catholique de Louvain. **SR** University of Copenhagen, Centre for Industrial Economics Discussion Paper: 2000/11; Centre for Industrial Economics, Institute of Economics, University of Copenhagen, Studiestraede 6, DK-1455 Copenhagen K, Denmark. Website: www.econ.ku.dk/cie/. **PG** 7. **PR** no charge. **JE** C72, D43, L13. **KW** Supermodularity. Single-Crossing Property. Price Competition. Profit Function.

AB This note relates to Topkis (1995). We establish via counterexample that: (i) A new monotone transformation of the firms' profit functions may lead to cardinal complementarity when the standard log and identity transformations both fail, and (ii) Topkis's notion of critical sufficient condition for monotone comparative statics of a firm cannot be extended to rely only on positive unit costs.

An, Mark Yuying

PD June 2001. **TI** China's Great Leap: Forward or Backward? Anatomy of a Central Planning Disaster. **AU** An, Mark Yuying; Li, Wei; Tao Yang, Dennis. **AA** An: Fannie Mae and Duke University. Li: University of Virginia and CEPR. Yang: Duke University. **SR** CEPR Discussion Paper: 2824; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** O14, Q18.

KW Agricultural Crisis. Central Planning. China. Grain Procurement. Industrialization.

AB The Great Leap Forward (GLF) disaster, characterized by a collapse of grain output, and the associated famine in China between 1959 and 1961, can be attributed to a systemic failure in central planning. Encouraged by unrealistic expectations for agricultural productivity gains from collectivization, the government switched to an accelerated and infeasible timetable for industrialization. Consequently, it diverted massive amounts of agricultural resources to industry and imposed excessive grain procurement burdens on peasants, leaving them with insufficient food to sustain labor productivity. Grain output fell sharply at the onset of these policies and started to recover gradually when the policies were reversed. Official data and our supplementary survey data support the theoretical prediction regarding the dynamic progression of the disaster. They also show that over 80 percent of the decline in grain output is attributable to the policies of excessive procurement and resource diversion.

Anderberg, Dan

PD December 2001. **TI** Self-Enforcing Intergenerational Transfers and the Provision of Education. **AU** Anderberg, Dan; Balestrino, Alessandro. **AA** Anderberg: Heriot-Watt University. Balestrino: University of Pisa. **SR** CEPR Discussion Paper: 3107; 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, H22, I21. **KW** Education Policy. Human Capital. Investments. Intergenerational Trade. Self-Enforceable Transfers.

AB Due to the presence of borrowing constraints in the market, the cost of educating the young members of a family is often borne by the adults. We consider intrafamily financing of human capital under the assumptions that individuals are selfish and binding contracts are not feasible. Cooperation among family members is possible through a family norm (a family "social capital") which prescribes the obligations to be met at each stage in life and sanctions for those who deviate. We note that it is crucial that transfers to education are combined with intrafamily transfers to old-family members. We characterize the set of self-enforcing transfers and show that there is a downward bias in the family provision of education. This gives a rationale for public action as a remedy to the lack of commitment between selfish family members. The analysis also points to a number of potential effects of education policy and public pensions on human capital formation.

Anderson, Robert H.

TI E-Commerce: A Revolution in the Making for Consumers, Firms, and Nations. **AU** Bikson, Tora K.; Anderson, Robert H.

Andres, Javier

PD October 2000. **TI** Assessing the Benefits of Price Stability: The International Experience. **AU** Andres, Javier; Hernando, Ignacio; Lopez-Salido, J. David. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 69; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 75. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** E31, E32, F43, O49.

KW Inflation. Growth. Stability. OECD.

AB The dynamic interaction among inflation and output has always been a matter of concern for central bankers and for macroeconomists at large. The main goal of this book is to provide an assessment of the real costs of inflation. Our approach has several features that depart somewhat from other published work. First, we focus on a sample of industrialized economies -- the OECD countries -- in order to test whether inflation is costly even at moderate rates. Second, we explicitly deal with the issue of causality between inflation and output. To do that, we follow several avenues: standard instrumental variable methods to estimate convergence equations and causality tests conducted by means of Structural Vector Auto Regression Models (SVAR). The book shows that even low or moderate inflation rates have a negative temporary impact upon growth rates; this effect is significant and generates a permanent reduction in the level of per capita income.

Ang, Andrew

PD December 2001. **TI** Downside Risk and the Momentum Effect. **AU** Ang, Andrew; Chen, Joseph; Xing, Yuhang. **AA** Ang: Columbia University and NBER. Chen: University of Southern California. Xing: Columbia University. **SR** National Bureau of Economic Research Working Paper: 8643; 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 the U.S.). **JE** C12, C15, C32, G12. **KW** Stock Returns. Momentum Strategies. Downside Risk.

AB Stocks with greater downside risk, which is measured by higher correlations conditional on downside moves of the market, have higher returns. After controlling for the market beta, the size effect and the book-to-market effects, the average rate of return on stocks with the greater downside risk exceeds the average rate of return on stocks with the least downside risk by 6.55% per annum. Downside risk is important for explaining the cross-section of expected returns. In particular, we find that some of the profitability of investing in momentum strategies can be explained as compensation for bearing high exposure to downside risk.

Angeloni, Ignazio

TI The Political Economy of International Unions. **AU** Alesina, Alberto; Angeloni, Ignazio; Etro, Federico.

TI Institutional Rules for Federations. **AU** Alesina, Alberto; Angeloni, Ignazio; Etro, Federico.

TI What Does the European Union Do? **AU** Alesina, Alberto; Angeloni, Ignazio; Schuknecht, Ludger.

TI What Does the European Union Do? **AU** Alesina, Alberto; Angeloni, Ignazio; Schuknecht, Ludger.

Angrist, Joshua

PD December 2001. **TI** Protective or Counter-Productive? European Labor Market Institutions and the Effect of Immigrants on EU Natives. **AU** Angrist, Joshua; Kugler, Adriana. **AA** Angrist: MIT and NBER. Kugler: Universitat Pompeu Fabra and CEPR. **SR** National Bureau of Economic Research Working Paper: 8660; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 28. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** J23, J61, J68. **KW** Employment. Western Europe. Immigrant Flows. Labor

Market Flexibility.

AB We estimate the effect of immigrant flows on native employment in Western Europe, and then ask whether the employment consequences of immigration vary with institutions that affect labor market flexibility. Reduced flexibility may protect natives from immigrant competition in the near term, but our theoretical framework suggests that reduced flexibility is likely to increase the negative impact of immigration on equilibrium employment. In models without interactions, ordinary least squares estimates for a panel of European countries in the 1980s and 1990s show small, mostly negative immigration effects. To reduce bias from the possible endogeneity of immigration flows, we use the fact that many immigrants arriving after 1991 were refugees from the Balkan wars. An instrumental variables strategy based on variation in the number of immigrants from former Yugoslavia generates larger though mostly insignificant negative estimates. We then estimate models allowing interactions between the employment response to immigration and institutional characteristics including business entry costs. These results, limited to the sample of native men, generally suggest that reduced flexibility increases the negative impact of immigration. Many of the estimated interaction terms are significant, and imply a significant negative effect on employment in countries with restrictive institutions.

Antecol, Heather

PD August 2001. **TI** Does Single Parenthood Increase the Probability of Teenage Promiscuity, Drug Use, and Crime? Evidence from Divorce Law Changes. **AU** Antecol, Heather; Bedard, Kelly; Helland, Eric. **AA** Antecol and Helland: Claremont McKenna College. Bedard: UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/08; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 35. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** J12, J13. **KW** Family Structure. Marital Dissolution. Youth Outcomes. Single Parents.

AB It has long since been established that children raised by single parents are more likely to become sexually active, commit illegal acts, and use illegal drugs at young ages. What has not been determined is whether or not there is a causal effect associated with the disintegration of the family. Would these children have been more likely to participate in "deviant" behavior even if their family structure had remained intact? This study provides evidence in favor of a negative causal impact of single-parent status. Using state-level divorce law changes to instrument for years that the biological father lives in the household, we find that youth who spend part of their childhood/youth living in a household that does not include their biological father are more likely to smoke regularly, become sexually active, and be convicted of a crime.

PD November 2001. **TI** The Racial Wage Gap: The Importance of Labor Force Attachment Differences Across Black, Mexican and White Men. **AU** Antecol, Heather; Bedard, Kelly. **AA** Antecol: Claremont McKenna College. Bedard: UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/07; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website:

www.econ.ucsb.edu. **PG** 22. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** J15, J31, J71. **KW** Discrimination. Wages. Labor Market. Unemployment. Experience.

AB Labor market attachment differs significantly across black, Mexican and white men; black and Mexican men are more likely to experience unemployment and out of the labor force spells than are white men. While it has long been agreed that potential experience is a poor proxy of actual experience for women, many view it as an acceptable approximation for men. Using the National Longitudinal Survey of Youth (NLSY), this paper documents the substantial difference between potential and actual experience for both black and Mexican men. We show that the fraction of the black/white and Mexican/white wage gaps that are explained by differences in potential experience are very different than the fraction of the racial wage gaps that are explained by actual (real) experience differences. We further show that the fraction of the racial wage gap explained by education is substantially overstated when potential experience is used instead of actual experience.

Apfel, Robert C.

PD December 2001. **TI** Short Sales, Damages and Class Certification in 10b-5 Actions. **AU** Apfel, Robert C.; Parsons, John E.; Schwert, G. William; Stewart, Geoffrey S. **AA** Apfel: Bondholder Communications Group. Parsons: Charles River Associates. Schwert: University of Rochester and NBER. Stewart: Jones Day Reavis and Pogue. **SR** National Bureau of Economic Research Working Paper: 8618; 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** G14, G18, K22. **KW** Securities. Fraud. Short Sales. Securities Law.

AB In a short sale, an investor sells a share of stock he does not own and profits when the price of the stock declines. A peculiar feature of short sales is the apparent increase in the number of shares of stock beneficially held by investors over and above the actual number of shares issued by the corporation. It has previously been noted that this may create problems in the execution of proxy votes. In this paper we illustrate a related problem in the prosecution of claims of securities fraud. We examine this problem using the recent case of Computer Learning Centers, Inc., (CLC) in which the number of short sales was extremely large. Plaintiffs in the Computer Learning Centers case proposed a class including all those who purchased CLC common stock from April 30, 1997 to April 6, 1998. Defendants opposed certification of the class, focusing on the large number of short sales and the resulting difficulty in establishing which members of the class actually had standing to sue. The court denied the motion for class certification. Although the court gave plaintiffs leave to amend the class, the case was settled before a new class was identified.

Arcidiacono, Peter

PD November 2001. **TI** Living Rationally Under the Volcano? An Empirical Analysis of Heavy Drinking and Smoking. **AU** Arcidiacono, Peter; Sieg, Holger; Sloan, Frank. **AA** Arcidiacono: Duke University. Sieg: Carnegie Mellon University and NBER. Sloan: Duke University and NBER. **SR** National Bureau of Economic Research Working

Paper: 8602; 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** C10, I10, I12. **KW** Addiction. Nested Models. Forward-Looking Behavior. Myopic Models.

AB This study investigates whether models of forward-looking behavior explain the observed patterns of heavy drinking and smoking of men in late middle age in the Health and Retirement Study better than myopic models. We develop and estimate a sequence of nested models, which differ by their degree of forward-looking behavior. We also study models that allow for heterogeneity in discounting, and thus test whether certain types of individuals are more likely to show forward-looking behavior than other types. Our empirical findings suggest that forward-looking models with an annual discount factor of approximately 0.78 fit the data the best. These models also dominate other behavioral models based on out-of-sample predictions using data of men aged 70 and over. Myopic models predict rates of smoking and drinking for old individuals which are significantly larger than those found in the data on elderly men.

Argimon, Isabel

PD October 1999. **TI** El Sector de las Administraciones Publicas en Espana (The General Government Sector in Spain). **AU** Argimon, Isabel; Gomez, Angel Luis; Hernandez de Cos, Pablo; Marti, Francisco. **AA** Argimon: H. M. Treasury, Public Services Directorate. Gomez, Hernandez de Cos, and Marti: Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 68; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcalá, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 151. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** H00, H10, H30. **KW** Government Sector. Spain. Fiscal Policy.

AB The main purpose of this book is to bring together the information available for analyzing the public sector and fiscal policy in Spain in detail. The first chapter contains a theoretical critique of the relationship between fiscal policy and macroeconomic policy, the redistribution of income and economic efficiency, and includes a review of the main empirical work on the impact of fiscal policy in Spain. The second chapter describes the trends in the main headings of the general government accounts in Spain since 1959, linking them to the role performed by the institutional framework. Finally, the third chapter summarizes the content of the available sources of information on the general government sector in Spain, as well as the way in which this information can be used for short-term economic analysis.

Armour, John

PD March 2002. **TI** Corporate Ownership Structure and the Evolution of Bankruptcy Law in the US and UK. **AU** Armour, John; Cheffins, Brian; Skeel, D. A., Jr. **AA** Armour and Cheffins: University of Cambridge. Skeel: University of Pennsylvania Law School. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP226; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 76. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G32, G33, K22.

KW Bankruptcy. Law and Finance. Ownership Structure. Debt Concentration.

AB The past decade has seen intense academic debates over possible explanations for the different systems of corporate ownership and control that exist in developed economies. Yet the role of bankruptcy as a mechanism of corporate governance has received relatively little attention. Furthermore, many theories have failed to account successfully for events occurring in the UK, notwithstanding its similarity to the US. In response, this paper offers an account of the complementarities between bankruptcy law and ownership structure, which it is argued can explain developments in both the UK and the US. By identifying the effects of concentration or dispersion in firms' capital structure (across both equity and debt), and by analyzing implications of these capital structure choices for bankruptcy, the paper develops a richer account of the corporate governance patterns we see in different nations.

PD September 2002. **TI** Law, Innovation and Finance: A Review. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP243; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 41. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G24, G38, K22. **KW** Venture Capital. Law and Finance. Company Law. Innovation.

AB A number of recent national and EU initiatives have sought explicitly to encourage innovative firms and venture capital finance. In keeping with the policy debate, this paper focuses explicitly on the role of law and lawyers in facilitating venture capital: that is, both supply by investors, and demand by entrepreneurs. It reviews existing literature in a way that seeks to clarify the links between law and legal institutions and the facilitation of venture capital finance, identifies open research questions and suggests a number of hypotheses. As such, it forms the first part of a wider study that will seek to test these hypotheses.

Arnold, Michael A.

PD January 2003. **TI** Price Dispersion in Online Markets: The Case of College Textbooks. **AU** Arnold, Michael A.; Saliba, Christine. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2003/02; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 21. **PR** no charge. **JE** D43, D83, L19, L89. **KW** Price Dispersion. Textbooks. Online Markets. E-Commerce.

AB In his seminal work, Stigler (1961) argued that price dispersion for a homogeneous product is an indication of consumer ignorance. Ready access to price information on the Internet has led to many claims that ignorance will not persist in online markets, and that online prices for a homogenous good will converge to the competitive price. However, a growing body of empirical research provides strong evidence of persistent price dispersion in online markets. In this paper we present a simple model which illustrates how price dispersion can exist in equilibrium even when all consumers are perfectly informed about the prices charged by all firms. The equilibrium relies on the fact that although prices are common knowledge, information about the availability of the product at any

particular firm can only be obtained at a positive cost. We test the model using data from the online market for college textbooks. The empirical results indicate that price dispersion exists in the online market for college textbooks, and support the predictions of the theoretical model that in an equilibrium with price dispersion some firms adopt a high-price, high-availability strategy while others adopt a low-price, low-availability strategy.

Arnold, Tone

PD May 2002. **TI** Dynamic Club Formation with Coordination. **AU** Arnold, Tone; Wooders, Myrma. **AA** Arnold: University of Hohenheim. Wooders: University of Warwick. **SR** The Warwick Economic Research Paper: 640; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 18. **PR** no charge. **JE** C72, C73, D62, D71. **KW** Club Formation. Cooperation. Best-Reply Dynamics. Learning. Approximate Core.

AB We present a dynamic model of jurisdiction formation in a society of identical people. The process is described by a Markov chain that is defined by myopic optimization on the part of the players. We show that the process will converge to a Nash equilibrium club structure. We define a Nash club equilibrium (NCE) as a strategy configuration that is immune to such coalitional deviations. We show that, if one exists, this modified process will converge to a NCE configuration with probability one. Finally, we deal with the case where a NCE fails to exist due to indivisibility problems. We define the concept of an approximate Nash club equilibrium (ANCE), where k is defined by the minimal number of left over players. We show that the modified process converges to an ergodic set of states each of which is ANCE.

Arora, Vivek

PD May 2001. **TI** Economic Integration and the Exchange Rate Regime: Some Lessons from Canada. **AU** Arora, Vivek; Jeanne, Olivier. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/01; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 15. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F15, F33, F36. **KW** Economic Integration. Exchange Rate Regime. Canada.

AB The Canadian experience with a floating exchange rate regime can shed some light on the question of whether growing economic integration among groups of countries makes a fixed exchange rate, or even a common currency, more desirable. The Canadian experience, especially since the inception of the 1989 U.S.-Canada Free Trade Agreement, suggests that exchange rate flexibility has not prevented economic integration between Canada and the United States from increasing substantially, and has played a useful role in buffering the Canadian economy against asymmetric external shocks. A fixed exchange rate thus does not seem to be a prerequisite for economic integration. It may, however, have benefits for some countries that lack monetary credibility.

Asch, Beth J.

PD 1999. **TI** Military Compensation: Trends and Policy Options. **AU** Asch, Beth J.; Hosek, James R. **AA** RAND

Corporation. **SR** RAND Corporation Report: DB/273/OSD; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica, CA 90407-2138. Website: www.rand.org. **PG** 59. **PR** \$6.00. **JE** H56, J30, J40. **KW** Military Compensation. Defense Personnel. Compensation Systems. Pay Gap.

AB The diversity of today's military operations, the threat of war, and plans for modernization draw attention to the crucial role of defense personnel, well-functioning personnel and compensation systems. Recently, concern has arisen regarding military pay and retention's ability to meet force needs. In this briefing, the authors provide a detailed analysis showing that (1) there is a pay gap for officers and senior enlisted personnel, but not for junior enlisted personnel; (2) overall, military pay has declined by 6.5 percent relative to civilian pay since 1993; (3) this pay decline and low unemployment rates have contributed to retention and enlistment difficulties; (4) measured by the extent of long or hazardous duty, retention had not declined despite the heightened pace of military operations in the mid-1990s; (5) over time, military personnel and compensation systems have been effective in retaining high-quality personnel and promoting them into higher ranks by providing incentives for high-quality personnel to remain in the military and seek advancement. The authors also discuss policy options aimed at ameliorating personnel concerns.

Astorga, Pablo

PD November 2001. **TI** The Dictator and the Parties: A Study on Policy Co-operation in Mineral Economies. **AA** Centro Studi Luca d'Agliano. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 157; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 22. **PR** no charge. **JE** C72, H11, N16, O11. **KW** Political Economy. Non Co-operative Games. Democracy. Mineral Economies. Venezuela.

AB This paper develops a game to study the possibility of co-operative behaviour where the political system is dominated by two strong, opportunistic parties competing in an economy highly dependent on the export of a commodity. Since a binding agreement, an external solution, is unlikely to succeed due to close association between the incumbent party and the government (the guardian), the paper explores the extent to which co-operation between political parties alternating in office can rely on self-enforcing strategies to provide internal solutions. For appropriate values of the probability of re-election and the discount factor, it is possible to rely on reciprocity to sustain an early-stopping equilibrium. Co-operation is undermined by low values of re-election probability out of current revenues and party myopia. Here, the self-policing solution might not be viable and an institutional response would be necessary. The game also sheds light on the apparent paradox of situations in some mineral-rich democracies, such as the recent Venezuelan experience.

Ayuso, Juan

PD July 1999. **TI** El Mercado Monetario Espanol en la Union Monetaria (The Spanish Money Market in the Monetary Union). **AU** Ayuso, Juan; Fuentes, Ignacio; Penalosa, Juan; Restoy, Fernando. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 67; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website:

www.bde.es/informes/be/sazul/sazule.htm. **PG** 64. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** E50. **KW** Money Markets. Monetary Policy. Liquidity Management.

AB In 1999, the new operating framework for the conduct of monetary policy in the euro area came into operation. This new framework shows a number of changes relative to the previous situation in Spain, some of which may have significant implications for the future of the Spanish money market. This paper first summarizes main changes. Second, given the short time elapsed since the beginning of Stage Three, the expected effects of such changes on the behavior of credit institutions operating in Spain and on the structure of the Spanish interbank market in the medium-term are discussed.

Azariadis, Costas

PD October 2002. **TI** Growth or Equality? Losers and Gainers from Financial Reform. **AU** Azariadis, Costas; de la Croix, David. **AA** Azariadis: UCLA. de la Croix: National Fund for Scientific Research, IRES, and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/58; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 28. **PR** \$100 per year. **JE** D31, J24, O16, O41. **KW** Liberalization. Credit Constraint. Poverty Trap. Human Capital. Emerging Economies.

AB We explore the consequences of liberalized credit markets for growth and inequality in a lifecycle economy with physical and human capital accumulation, populated by households of different abilities, and calibrated to match the long-run economic performance of a panel of emerging countries. Relatively modest improvements in extending credit to the ablest households appear to have large economic consequences: upfront costs (slower initial growth, higher income inequality) followed by delayed benefits (faster long-run growth). Reform also lowers lifecycle utility for a substantial majority of currently active households. Premature liberalization in the least developed countries (low TFP or capital intensity) may redirect economic growth towards a poverty trap.

Azrael, Deborah

PD October 2001. **TI** State and Local Prevalence of Firearms Ownership: Measurement, Structure, and Trends. **AU** Azrael, Deborah; Cook, Philip J.; Miller, Matthew. **AA** Azrael and Miller: Harvard School of Public Health. Cook: Duke University and NBER. **SR** National Bureau of Economic Research Working Paper: 8570; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 12. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J11, K42. **KW** Gun Ownership. Suicide by Firearm.

AB Of the readily computed proxies for the prevalence of gun ownership, one, the percentage of suicides committed with a gun, performs consistently better than the others in cross-section comparisons. It is readily computed for states and counties and has a high degree of validity when tested against survey-based estimates. It also appears valid as a proxy for changes over time in gun prevalence, at least at the regional level. Our analysis of this proxy measure for the period

1979-1997 demonstrates that the geographic structure of gun ownership has been highly stable. That structure is closely linked to rural tradition. There is, however, some tendency toward homogenization over this period, with high-prevalence states trending down and low-prevalence states trending up.

Bacchetta, Philippe

TI A Corporate Balance Sheet Approach to Currency Crises. **AU** Aghion, Philippe; Bacchetta, Philippe; Banerjee, Abhijit V.

Bailey, Ralph W.

PD June 2002. **TI** Free Riders Do Not Like Uncertainty. **AU** Bailey, Ralph W.; Eichberger, Jurgen; Kelsey, David. **AA** Bailey and Kelsey: University of Birmingham. Eichberger: Heidelberg Universitat. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/09; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 32. **PR** 2 pounds; no charge to academics. **JE** D81, H41. **KW** Ambiguity. Public Goods. Choquet Expected Utility. Free Riders.

AB In this paper we consider the effect of ambiguity on the private provision of public goods. Equilibrium is shown to exist and be unique. We examine how provision of the public good changes as the size of the population increases. We show that when there is uncertainty there may be less free-riding in large societies.

Baker, Michael

PD December 2001. **TI** The Retirement Incentive Effects of Canada's Income Security Programs. **AU** Baker, Michael; Milligan, Kevin; Gruber, Jonathan. **AA** Baker: University of Toronto and NBER. Milligan: University of British Columbia. Gruber: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8658; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 32. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H32, H55, J26. **KW** Canada. Disincentive to Work. Income Security System. Retirement Incentives.

AB Like most other developed nations, Canada has a large income security system for retirement that provides significant and widely varying disincentives to work at older ages. Empirical investigation of their effects has been hindered by lack of appropriate data. We provide an empirical analysis of the retirement incentives of the Canadian Income Security (IS) system using a new and comprehensive administrative data base. We find that the work disincentives inherent in the Canadian IS system have large and statistically significant impacts on retirement. This suggests that program reform can sometimes play a role in responses to the fiscal crises these programs periodically experience. We also demonstrate the importance of controlling for lifetime earnings in retirement models. Specifications without these controls overestimate the effects of the IS system. Finally, our estimates vary in sensible ways across samples lending greater confidence to our estimates.

Balestrino, Alessandro

TI Self-Enforcing Intergenerational Transfers and the

Provision of Education. **AU** Anderberg, Dan; Balestrino, Alessandro.

Ballabriga, Fernando C.

PD February 2000. **TI** A BVAR Macroeconometric Model for the Spanish Economy: Methodology and Results. **AU** Ballabriga, Fernando C.; Alvarez Gonzalez, Luis Julian; Jareno, Javier. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 64; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/infomes/be/sazul/sazule.htm. **PG** 104. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** C32, E00, O52. **KW** Bayesian Vector Auto Regression Model. Macroeconometric Model. Spanish Economy.

AB In the last few years the use of VAR methodology has grown, becoming a common tool among empirical macroeconomists. This growth has been based in three basic features: objectivity, replicability and systematization of the process of building the econometric model. These three features are found in the description of the methodology presented in the first section, which begins with a brief historical summary, and continues with topics related to the formulation, specification, estimation and identification of VAR models, and its potential applications. In the second part, a BVAR macroeconomic model used in the Research Department of the Bank of Spain to forecast the main indicators of the Spanish economy, and also to perform simulation exercises is described. This model serves as a support instrument in the policy decision making.

Banerjee, Abhijit V.

TI A Corporate Balance Sheet Approach to Currency Crises. **AU** Aghion, Philippe; Bacchetta, Philippe; Banerjee, Abhijit V.

PD May 2002. **TI** The Uses of Economic Theory: Against a Purely Positive Interpretation of Theoretical Results. **AA** MIT. **SR** Massachusetts Institute of Technology, Department of Economics Working Paper: 02/24; MIT, Department of Economics, Room E52-251, 50 Memorial Drive, Cambridge, MA 02142. Website: www.econ.mit.edu. **PG** 23. **PR** \$7.00 U.S., Canada, Mexico; \$10.00 other international. **JE** B41, D78, D83. **KW** Positivist Methodology. Mechanism Design. Micro-Credit.

AB Economists are excessively influenced by the so-called positive economics view, which says that economists should only describe and not prescribe. This paper argues that this view is flawed because it makes unreasonably strong assumptions about what players (the agents taking economic decisions) know and understand. It then uses the example of micro-credit to show how this bias towards positive economics has distorted the policy debate.

Bar-Ilan, Avner

PD December 2001. **TI** The Response to Fines and Probability of Detection in a Series of Experiments. **AU** Bar-Ilan, Avner; Sacerdote, Bruce. **AA** Bar-Ilan: University of Haifa. Sacerdote: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8638; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** \$10.00 per copy (plus \$10.00 per order for

shipping outside the U.S.). **JE** J11, K14, K42. **KW** Israel. Traffic. Illegal Behavior. Penalty Schemes.

AB We use traffic data from a series of experiments in the United States and Israel to examine how illegal behavior is deterred by various penalty schemes and whether deterrence varies with age, income, driving record and criminal record. We find that red light running decreases sharply in response to an increase in the fine or an increase in the probability of being caught. The elasticity of violations with respect to the fine is larger for younger drivers and drivers with older cars. Drivers convicted of violent offenses or property offenses run more red lights on average but have the same elasticity as drivers without a criminal record. Within Israel, members of ethnic minority groups have the smallest elasticity with respect to a fine increase.

Barba Navaretti, Giorgio

PD May 2001. **TI** Weightless Machines and Costless Knowledge: An Empirical Analysis of Trade and Technology Diffusion. **AU** Barba Navaretti, Giorgio; Soloaga, Isidro. **AA** Barba Navaretti: University of Ancona, Centro Studi Luca d'Agliano and Fondazione Eni Enrico Mattei. Soloaga: Inter-American Development Bank and University of Maryland College Park. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 154; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 30. **PR** no charge. **JE** F02, F20, O14, O30. **KW** Imported Technologies. Productivity Growth. Economic Integration. Trade Diffusion.

AB This paper, departing from earlier such studies, examines the impact of imported technologies on productivity for a sample of developing and transition countries in Central and Eastern Europe and the Southern Mediterranean. It estimates the choice of foreign technology and its impact on domestic productivity for a set of manufacturing sectors. The technological level of the machines imported is proxied by an index relating the unit value of the machines imported by a given country to that of the same machines imported by the US. The paper finds a constant and even increasing gap between the unit value of US imported machines and machines imported by our sample. Empirically, the analysis finds that productivity growth in manufacturing depends positively on the type of machines imported in a given industry. Given relative factor prices and their endowments of technology, this choice has a cost in terms of long run productivity growth.

PD November 2002. **TI** Adjusting Labor Demand: Multinational vs. National Firms: A Cross-European Analysis. **AU** Barba Navaretti, Giorgio; Checchi, Daniele; Turrini, Alessandro. **AA** Barba Navaretti: University of Milan and Centro Studi Luca d'Agliano. Checchi: University of Milan. Urban: UNCTAD, University of Bergamo, CEPR, and Centro Studi Luca d'Agliano. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 168; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 20. **PR** no charge. **JE** F23, J23. **KW** Multinational Firms. Labor Demand Elasticity. Employment Adjustment Costs.

AB This paper provides a cross-country perspective to the firm-level analysis of the relation between foreign ownership and labor demand. We estimate labor demand equations in 11 European countries using dynamic panel data techniques on samples that permit to distinguish the ownership status of firms.

We find that the employment adjustment is significantly faster in MNEs' affiliates, irrespective of the country investigated. As for the wage elasticity of labor demand, MNEs show smaller elasticities compared with national firms, and very little variation across countries. Cross-country correlations show that the relative value of wage elasticities in MNEs on that in NEs is positively related to country-level indexes of labor market regulation (employment protection, union presence, etc.). We interpret the results as follows. MNEs tend to have a more rigid demand for total labor (possibly due to a different skill composition). However, MNEs being relatively "footloose," this difference tends to vanish as the rigidity of employment regulations rises.

Barrios, Salvador

PD June 2001. **TI** Multinational Enterprises and New Trade Theory: Evidence for the Convergence Hypothesis. **AU** Barrios, Salvador; Gorg, Holger; Strobl, Eric. **AA** Barrios: Universite Catholique de Louvain and University of Manchester. Gorg: University of Nottingham. Strobl: Universite Catholique de Louvain and IZA. **SR** CEPR Discussion Paper: 2827; 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, F23. **KW** Convergence. Multinational Enterprises. New Trade Theory.

AB According to the "convergence hypothesis," multinational companies will tend to displace national firms and trade as total market size increases and as countries converge in relative size, factor endowments, and production costs. Using a recent model developed by Markusen and Venables (1998) as a theoretical framework, we explicitly develop and address the properties of empirical measures to proxy displacement of national by multinational firms between two countries. These empirical measures are then used to test the convergence hypothesis for a panel of data of country pairs over the years 1985-96. Our results provide some empirical support for the convergence hypothesis.

PD October 2002. **TI** Coagglomeration and Growth. **AU** Barrios, Salvador; Bertinelli, Luisito; Strobl, Eric. **AA** CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/53; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 20. **PR** \$100 per year. **JE** F23, L60, R11. **KW** Coagglomeration. Regional Growth. Multinational Companies. Ireland. Manufacturing.

AB Using plant-level data for the Irish manufacturing sector over the period 1983-98, we study the coagglomeration of domestic plants and foreign multinationals in Ireland. To this end we make use of the index developed by Ellison and Glaeser (1997) and find coagglomeration to be important for a number of sectors. We further test for the impact of coagglomeration on domestic firms' employment growth using panel level data. Foreign presence as well as foreign employment density is found to be important determinants of employment growth over the period especially for those sectors with a high degree of coagglomeration.

Bartolini, Leonardo

PD February 2002. **TI** The Overnight Interbank Market:

Evidence from the G7 and the Euro Zone. **AU** Bartolini, Leonardo; Bertola, Giuseppe; Prati, Alessandro. **AA** Bartolini: Federal Reserve Bank of New York. Bertola: European University Institute. Prati: IMF. **SR** CEPR Discussion Paper: 3090; 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** E43, E52, E58. **KW** Central Bank. Operating Procedures. Interest Rates. Reserve Requirements.

AB We study the interbank markets for overnight loans of the major industrial countries, linking the behavior of short-term interest rates to the operating procedures of these countries' central banks. We find that many of the key behavioral features of US federal funds rates, on which previous studies have focused, are not robust to changes in institutional details, along both cross-sectional and time-series dimensions of the data. Our results indicate that central banks' operating procedures and intervention styles play a crucial role in shaping empirical features of short-term interest rates' day-to-day behavior in industrial countries.

Barton, Harry

PD June 2002. **TI** Lean Production and Manufacturing Performance Improvement in Japan, the UK and US 1994-2001. **AU** Barton, Harry; Delbridge, Rick; Oliver, Nick. **AA** Barton and Delbridge: Cardiff Business School. Oliver: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP232; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 12. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** L20, L60, M10. **KW** Lean Production. Suppliers. Auto Industry. Japan. Productivity.

AB This study compared productivity and quality in the Japanese, US and UK automotive industries. A total of 26 first tier auto component makers were studied in 1994 and again in 1999-2001. The results show that the Japanese plants improved their labor productivity by around 20 percent between 1994 and 2001, whilst productivity in the US plants remained static and in the UK plants actually fell (by 13 percent) over the same period. All plants improved product quality, but the Japanese plants retained their lead with an average defect rate of 81 parts per million (ppm), compared to 111 ppm for the US plants and 416 ppm for the UK plants. There were few signs that the strong buyer-supplier relationships so characteristic of the Japanese auto industry were breaking down; however, independent firms such as Toyota and Honda appear to retain a stronger "Japanese" character than their counterparts who have been acquired by non-Japanese companies.

Bassanetti, Antonio

TI EuroCOIN: A Real Time Coincident Indicator of the Euro Area Business Cycle. **AU** Altissimo, Filippo; Bassanetti, Antonio; Cristadoro, Riccardo; Forni, Mario; Hallin, Marc; Lippi, Marco; Reichlin, Lucrezia; Veronese, Giovanni.

Bebchuk, Lucian Arye

PD November 2001. **TI** Takeover Bids versus Proxy Fights in Contests for Corporate Control. **AU** Bebchuk, Lucian Arye; Hart, Oliver. **AA** Bebchuk: Harvard Law

School and CEPR. Hart: Harvard University, NBER, and ECGI. **SR** CEPR Discussion Paper: 3073; 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** G34, K22. **KW** Corporate Control. Corporate Governance. Mergers and Acquisitions. Proxy Contests. Takeovers.

AB This paper evaluates the primary mechanisms for changing management or obtaining control in publicly traded corporations with dispersed ownership. Specifically, we analyze and compare three mechanisms: (1) proxy fights (voting only); (2) takeover bids (buying shares only); and (3) a combination of proxy fights and takeover bids in which shareholders vote on acquisition offers. We first show how proxy fights unaccompanied by an acquisition offer suffer from substantial shortcomings that limit the use of such contests in practice. We then argue that combining voting with acquisition offers is superior not only to proxy fights alone but also to takeover bids alone. Finally, we show that, when acquisition offers are in the form of cash or the acquirer's existing securities, voting shareholders can infer from the pre-vote market trading which outcome would be best in light of all the available public information. Our analysis has implications for the ongoing debates in the US over poison pills and in Europe over the new European Economic Community (EEC) directive on takeovers.

PD December 2001. **TI** Takeover Bids vs. Proxy Fights in Contests for Corporate Control. **AU** Bebchuk, Lucian Arye; Hart, Oliver. **AA** Bebchuk: Harvard Law School and NBER. Hart: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8633; 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** G34, K22. **KW** Takeover Bids. Proxy Fights. Corporate Control.

AB This paper evaluates the primary mechanisms for changing management or obtaining control in publicly traded corporations with dispersed ownership. Specifically, we analyze and compare three mechanisms: (1) proxy fights (voting only); (2) takeover bids (buying shares only); and (3) a combination of proxy fights and takeover bids in which shareholders vote on acquisition offers. We first show how proxy fights unaccompanied by an acquisition offer suffer from substantial shortcomings that limit the use of such contests in practice. We then argue that combining voting with acquisition offers is superior not only to proxy fights alone but also to takeover bids alone. Finally, we show that, when acquisition offers are in the form of cash or the acquirer's existing securities, voting shareholders can infer from the pre-vote market trading which outcome would be best in light of all the available public information. Our analysis has implications for the ongoing debates in the US over poison pills and in Europe over the new European Economic Community (EEC) directive on takeovers.

PD December 2001. **TI** Executive Compensation in America: Optimal Contracting or Extraction of Rents. **AU** Bebchuk, Lucian Arye; Fried, Jesse; Walker, David I. **AA** Bebchuk: Harvard Law School and CEPR. Fried: University of California, Berkeley. Walker: Harvard Law School and Ropes & Gray. **SR** CEPR Discussion Paper: 3112; Centre for Economic Policy Research, Discussion Paper

Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE D23, G32, G34, G38, J33. KW Agency Costs. Corporate Governance. Executive Compensation. Benefits of Control. Rent Extraction.

AB This paper develops an account of the role and significance of rent extraction in executive compensation. Under the optimal contracting view of executive compensation, which has dominated academic research on the subject, pay arrangements are set by a board of directors that aims to maximize shareholder value by designing an optimal principal-agent contract. Under the alternative rent extraction view that we examine, the board does not operate at arm's length; rather, executives have power to influence their own compensation, and they use their power to extract rents. As a result, executives are paid more than is optimal for shareholders and executive compensation might be structured sub-optimally. The presence of rent extraction, we argue, is consistent both with the processes that produce compensation schemes and with the market forces and constraints that companies face. Examining the large body of empirical work on executive compensation, we show that the picture emerging from it is largely compatible with the rent extraction view. We conclude that extraction of rents might well play a significant role in US executive compensation; and that the significant presence of rent extraction should be taken into account in any examination of the practice and regulation of corporate governance.

Bech, Morten L.

PD December 2001. **TI** The Intraday Liquidity Management Game. **AU** Bech, Morten L.; Garratt, Rod. **AA** Bech: Danmarks Nationalbank, Copenhagen. Garratt: UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/18; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 40. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C72, E58. **KW** Bank Behavior. Interbank Claims. Risk Aversion. Credit Policy. Prisoners' Dilemma. Stag Hunt.

AB We use a game theoretical framework to analyze the intraday behavior of banks with respect to settlement of interbank claims in a real time gross settlement setting. We find that the game played by banks depends upon the intraday credit policy of the central bank and that it encompasses two well-known game theoretical paradigms: the prisoner's dilemma and the stag hunt. The former arises in a collateralized credit regime where we confirm the result of earlier literature that banks have an incentive to postpone payments when daylight liquidity is costly and that this is socially inefficient. The latter arises in a priced credit regime where we show that the postponement of payments can be socially efficient. The analysis assumes banks are risk neutral. We also explain how risk aversion affects the results.

Beck, Stacie

PD February 2001. **TI** Money as Real Options in a Cash-in-Advance Economy. **AU** Beck, Stacie; Stockman, David R. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2001/02; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website:

www.be.udel.edu/economics/workingpaper.htm. **PG** 26. **PR** no charge. **JE** D58, E41, G13. **KW** Money. Real Options. Cash in Advance. Option Valuation. General Equilibrium. Uncertainty.

AB In the investment under uncertainty literature, option valuation techniques have been used to value real investments and characterize optimal investment decision behavior in a partial equilibrium framework. We extend this real options literature by employing option valuation techniques to interpret the value of real money balances and money demand in a general equilibrium cash-in-advance framework. In particular, this paper explores the impact of both nominal and real uncertainty on the equilibrium value of real money balances in a cash-in-advance economy. Conditions on economic primitives such that in equilibrium the cash-in-advance constraint is not always binding are given. Under such conditions, the equilibrium is characterized and a simple algorithm for numerically determining the equilibrium is provided. The equilibrium value of real money balances and money holding behavior are interpreted using real options theory. These option valuation techniques are shown to be valid by the construction of an isomorphism between the cash-in-advance economy and an economy with infinitely-lived real options on consumption.

PD September 2002. **TI** Price Expectations and the Bulgarian Currency Board. **AU** Beck, Stacie; Miller, Jeffrey B.; Saad, Mohsen. **AA** Beck and Miller: University of Delaware. Saad: University of Balamand, Lebanon. **SR** University of Delaware, Department of Economics Working Paper: 2002/02; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 24. **PR** no charge. **JE** F33, F41, P27. **KW** Currency Board. Bulgaria. Financial Crisis. Money Supply.

AB In 1996-97 Bulgaria experienced a very severe financial crisis, and inflation reached hyperinflationary levels in February 1997. After a currency board was introduced, inflation fell even more spectacularly than it had risen with prices rising less than 10% annually during 1998 and 1999. In this paper we seek an explanation for this sudden drop in inflation. Using a smooth transition model, we examine Cagan's money demand model. We find that there was a regime change in the relationship between the price level and inflation expectations after the currency board was implemented which could not be explained by the behavior of the money supply.

Bedard, Kelly

TI Does Single Parenthood Increase the Probability of Teenage Promiscuity, Drug Use, and Crime? Evidence from Divorce Law Changes. **AU** Antecol, Heather; Bedard, Kelly; Helland, Eric.

TI The Racial Wage Gap: The Importance of Labor Force Attachment Differences Across Black, Mexican and White Men. **AU** Antecol, Heather; Bedard, Kelly.

Beegle, Kathleen

TI The Real Costs of Indonesia's Economic Crisis: Preliminary Findings from the Indonesia Family Life Surveys. **AU** Frankenberg, Elizabeth; Thomas, Duncan; Beegle, Kathleen.

Belleflamme, Paul

PD May 2002. **TI** Yardstick Competition and Political Agency Problems. **AU** Belleflamme, Paul; Hindriks, Jean. **AA** Belleflamme: University of London. Hindriks: CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/29; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 20. **PR** \$100 per year. **JE** D72, H71. **KW** Electoral Accountability. Yardstick Competition. Adverse Selection. Moral Hazard.

AB This paper analyzes the role of yardstick competition for improving political decisions. We examine how performance comparisons cross jurisdictions affect the agency problem resulting from uncertainty about politicians (adverse selection) and their policies (moral hazard). We study two forms of inefficiency: the provision of wasteful project and the failure to provide useful project. We find a general neutrality result: yardstick competition does not affect the likelihood of fully efficient equilibria for any correlation (with a discontinuity at perfect correlation). We also find that yardstick competition has no effect on the likelihood of inefficient equilibria in which politicians refrain from implementing valuable projects. However, performance comparisons make it less likely to have equilibrium where bad politicians in both jurisdictions use wasteful projects as inefficient transfer forms.

Benfratello, Luigi

PD November 2002. **TI** Foreign Ownership and Productivity: Is the Direction of Causality So Obvious? **AU** Benfratello, Luigi; Sembenelli, Alessandro. **AA** Benfratello: Ceris-CNR. Sembenelli: University of Torino. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 166; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 32. **PR** no charge. **JE** C23, D24, F23. **KW** Multinational Firms. Total Factor Productivity. Panel Data. Foreign Ownership.

AB The purpose of this paper is to estimate the effect of foreign ownership on productivity under reasonable identification assumptions. In particular we estimate dynamic Cobb-Douglas production functions augmented with a set of variables capturing complementary characteristics of foreign ownership. We apply the GMM-System estimator developed by Blundell and Bond (1998) to a large sample of firms located in Italy. Our aggregate findings suggest that after controlling for unobserved heterogeneity, simultaneity and measurement errors, foreign ownership has no effect on productivity. Therefore we do not find widespread empirical support to the standard internalization theory of foreign direct investment. However, we find that nationality matters, since firms under US ownership tend to be more productive than firms under national ownership. In turn, this additional result suggests that the transfer of knowledge implied by the internalization theory occurs only if the difference between the recipient and the investing country is sufficiently pronounced.

Benigno, Gianluca

TI Monetary Policy Rules and the Exchange Rate. **AU** Benigno, Pierpaolo; Benigno, Gianluca.

Benigno, Pierpaolo

PD May 2001. **TI** Monetary Policy Rules and the Exchange Rate. **AU** Benigno, Pierpaolo; Benigno, Gianluca. **AA** Benigno, P.: New York University and CEPR. Benigno, G.: Bank of England and University of London. **SR** CEPR Discussion Paper: 2807; 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, F31, F41. **KW** Exchange Rate Regimes. Monetary Policy Rules. Welfare Criterion.

AB A positive and normative evaluation of alternative monetary policy regimes is addressed in a two-country general equilibrium model. The behavior of the exchange rate, as well as of the other macroeconomic variables, depends crucially on the monetary regime chosen, though not necessarily on monetary shocks. The centralized welfare criterion presents a trade-off between stabilizing the economy around the flexible-price allocation and reducing the volatility of the nominal interest rates. In this framework, some form of control of the exchange rate is welfare improving.

Beresteanu, Arie

PD March 2002. **TI** Nonparametric Analysis of Cost Complementarities in the Telecommunications Industry. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 02/07; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 29. **PR** no charge. **JE** C14, L11, L96. **KW** Nonparametric Regression. Supermodular Functions. Complementarities. Cost Functions. Telecommunications Industry.

AB The market structure of the telephone industry has been the focus of much empirical research following the divestiture of AT&T in 1984. Using data on Local Exchange Carriers (LECs), this paper estimates the total cost function of LECs operating between 1988 and 1995. First, the paper shows that cost complementarities can be nonparametrically identified in many situations where economies of scope and subadditivity -- the focus of previous empirical research -- cannot be identified. Next, the paper implements a feasible estimation model that is consistent with the properties that a cost function needs to satisfy according to economic theory. The telephone companies are treated as multi-product firms producing two outputs: local and toll calls. The results support the assumption of cost complementarities in the production of both outputs. The degree of complementarity is computed and shown to be larger for small companies.

Bergstrom, Carl T.

PD July 2001. **TI** Do University Site Licenses for Academic Journals Benefit the Scientific Community? **AU** Bergstrom, Carl T.; Bergstrom, Theodore C. **AA** Bergstrom, C.: University of Washington. Bergstrom, T.: UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/15; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 8. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** D45, L11, L31. **KW** Academic Journals. Site Licenses. Bundling. Non-Profit Firms.

AB This paper argues that by grouping customers with

university site licenses, profit-maximizing publishers are able to price discriminate more effectively than they could if they sold individual subscriptions only and as a result, the purchase of university site licenses from profit-maximizing commercial publishers is likely to reduce consumers' surplus of universities, although it increases economic efficiency. In contrast, university site licenses for non-profit journals will increase both economic efficiency and consumers' surplus.

Bergstrom, Theodore C.

PD March 2001. **TI** Free Labor for Costly Journals? **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/16; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 22. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** D21, D42, L31. **KW** Academic Journals. Information Technology. Coordination Game. Non-Profit Organizations. Libraries.

AB There is a remarkable difference between the prices that commercial publishers charge to libraries for economics journals and the prices that professional societies and university presses charge. This price difference does not reflect a difference in quality. The six most-cited economics journals listed in the Social Science Citation Index are all non-profit journals and their library subscription prices average about \$180 per year. Only five of the twenty most-cited journals are owned by commercial publishers, and the average price of these five journals is about \$1660 per year. This paper explores the reasons for this price difference and suggests that scholars would do well to refrain from supplying free refereeing services for overpriced journals.

PD July 2001. **TI** The Algebra of Assortative Encounters and the Evolution of Cooperation. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/13; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 21. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C72, C73. **KW** Evolutionary Game Theory. Assortative Matching. Altruism. Prisoners' Dilemma.

AB This paper explores the quantitative relation between non-random, assortative matching and the maintenance of cooperative behavior under evolutionary dynamics. We consider a population of individuals who are "hard-wired" to play either cooperate or defect. They meet other individuals according to some random process and play their programmed strategy in a game of Prisoners' Dilemma. The type that gets the higher expected payoff reproduces more rapidly. We define an index of assortativity of encounters and develop an "algebra of assortative encounters." In one set of applications, we calculate the index of assortativity for games between relatives with either cultural or genetic inheritance and we show the logical connection between the index of assortativity and Hamilton's theory of kin selection. We also apply the index of assortativity to determine the population dynamics when players select their partners, using partially informative cues about each others' types.

TI Do University Site Licenses for Academic Journals Benefit the Scientific Community? **AU** Bergstrom, Carl T.; Bergstrom, Theodore C.

PD October 2001. **TI** Evolution of Social Behavior: Individual and Group Selection Models. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/14; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 54. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C72, C73, D64. **KW** Evolution. Altruism. Group Selection. Evolutionary Game Theory. Assortative Matching. Prisoners' Dilemma.

AB How selfish does our evolutionary history suggest that humans will be? We explore models in which groups are formed and dissolved and where reproduction of individuals is determined by their payoffs in a game played within groups. If groups are formed "randomly" and reproductive success of group founders is determined by a multi-person prisoners' dilemma game, then selfish behavior will prevail over maximization of group payoffs. However, interesting models exist in which "group selection" sustains cooperative behavior. Forces that support cooperative behavior include assortative matching in groups, group longevity, and punishment-based group norms.

Berndt, Ernst R.

PD December 2001. **TI** Intermedia Substitutability and Market Demand by National Advertisers. **AU** Berndt, Ernst R.; Klein, Lisa R.; Silk, Alvin J. **AA** Berndt: MIT and NBER. Klein: Rice University. Silk: Harvard University. **SR** National Bureau of Economic Research Working Paper: 8624; 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** L84, M37. **KW** Advertising. Price Elasticities. Substitutes and Complements.

AB We assess substitutable and complementary relationships among eight national advertising media classes, as well as the magnitude of their own-price elasticities. We use a translog demand model, whose parameters we estimate by three-stage least squares, based on 1960-94 annual U.S. data. We find aggregate demand by national advertisers for each of the eight media is own-price inelastic, and that cross-price elasticities suggest slightly more substitute than complementary relationships, although both are rather weak. These patterns are consistent with long prevailing institutional arrangements and media selection practices.

Bertinelli, Luisito

PD September 2002. **TI** Urbanization and Growth. **AU** Bertinelli, Luisito; Black, Duncan. **AA** Bertinelli: FNRS and CORE, Universite Catholique de Louvain. Black: UC Irvine. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/44; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 18. **PR** \$100 per year. **JE** O18, R11. **KW** Urbanization. Human Capital Accumulation. Economic Development.

AB In a simple urban economics framework, we aim at

highlighting how the trade-off between optimal and equilibrium city size behaves when introducing dynamic human capital externalities beside the classical congestion externalities. Our purpose is to show that there are dynamic gains from oversized cities. To this end, we assume that productivity depends on human capital, which is solely accumulated in cities, such that urbanization is the engine of growth. In an empirical illustration, we highlight the link between urbanization and human capital accumulation, by focusing on cross-country panel data.

TI Coagglomeration and Growth. **AU** Barrios, Salvador; Bertinelli, Luisito; Strobl, Eric.

Bertola, Giuseppe

TI The Overnight Interbank Market: Evidence from the G7 and the Euro Zone. **AU** Bartolini, Leonardo; Bertola, Giuseppe; Prati, Alessandro.

Bertrand, Marianne

PD November 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-INSEE, IZA, and CEPR. **SR** CEPR Discussion Paper: 3039; 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** J23, L43, L81. **KW** Employment. Retail Trade. Zoning Regulation. Entry Deterrence.

AB Are product market and entry regulation key sources of low employment growth in many European countries? We investigate this question in the context of the French retail industry. Since 1974, approval by regional zoning boards has been required for the creation or extension of any large retail store in France. We exploit a unique database that provides time and region specific variation in boards' approval decisions. We show that stronger deterrence of entry by the boards, and the increase in large retail chains' concentration it induced, slowed down employment growth in France.

Besfamille, Martin

PD July 2002. **TI** Construction of Facilities Under Asymmetric Information: Do Constitutions Matter? **AU** Besfamille, Martin; Lozachmeur, Jean-Marie. **AA** Besfamille: Universidad Torcuato di Tella. Lozachmeur: CORE, Universite Catholique de Louvain and Universite de Liege. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/42; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 20. **PR** \$100 per year. **JE** D82, H77. **KW** Fiscal Federalism. Constitutional Constraints. Facilities. Intergovernmental Transfers. Asymmetric Information.

AB A country consists of two non-overlapping regions, each ruled by a local authority. The federal government plans to construct a facility in one of the regions. If the facility is constructed, it generates a social value in the host region and has spillover effects in the rest of the country. The federal government does not observe the local value (which can be high or low) because it is in fact the local authority's private information. To deal with this informational gap, the federal

government designs an incentive-compatible mechanism, specifying if the facility should be constructed and a scheme of interregional transfers. But the federal government is constitutionally constrained to respect a given measure of both regions' welfare. The type of local misbehavior is shown to depend crucially upon this minimum utility the central government must at least implement.

Besharov, Gregory

PD June 2001. **TI** Influence Costs in the Provision of Local Public Goods. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 01/02; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 33. **PR** no charge. **JE** H10, H41. **KW** Federalism. Local Public Goods. Influence Costs.

AB This paper studies federalism in a "menu auction" or common agency setting where influence costs depend on the heterogeneity of preferences over allowed policies. Though localized provision and uniformity constraints may preclude efficient policies, they reduce influence costs and may enhance welfare. Thus, the much-criticized, commonly-assumed uniformity restriction on central governments finds justification. Localized provision may be optimal even in the presence of spillovers. Higher spillovers from a jurisdiction reduce the welfare of its residents under local provision and have ambiguous effects under centralized provision. Uniformity constraints are better when individuals are mixed; local provision is complementary to sorting.

PD July 2001. **TI** Second-Best Considerations in Correcting Cognitive Biases. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 01/08; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 17. **PR** no charge. **JE** A12, D60. **KW** Second-Best. Cognitive Bias.

AB Studies in psychology and behavioral economics have found that decision-making is replete with cognitive biases. Using stylized examples of time inconsistency, regret, and overconfidence, this paper illustrates possible interactions among them. As is generally true in second-best environments, the existence of biases does not imply the possibility of welfare improvements from correcting them. If only some biases are known, even correction of all known biases has ambiguous effects. With costly correction, the presence of some biases may be optimal. Further, if the correct decision is unknown, then the presence of biases does not imply that mistakes are made.

Bhatt, Gita

PD September 2001. **TI** The IMF and Civil Society Organizations: Striking a Balance. **AU** Bhatt, Gita; Dawson, Thomas C. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/02; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12-607, Washington, DC 20431. Website: www.imf.org. **PG** 29. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F02, L31, O19. **KW** International Monetary Fund. Civil Society. Non-Governmental Organizations. International Policy.

AB In the space of just a few years, the term "civil society" has entered the international policy vocabulary in many contexts. The International Monetary Fund's (IMF's) engagement with civil society organizations (CSOs) raises several broad questions: Which CSOs have been, and should be, engaged by the Fund? What questions should IMF-CSO

engagement address? What are the limits to the dialogue? This paper examines the evolution of IMF-civil society relations and their effects on the Fund. It also seeks to identify the tensions that underlie the relationship.

Bhattacharya, Jayanta

PD March 2000. **TI** Could We Tell if Health Insurance Mandates Cause Unemployment? A Note on the Literature. **AU** Bhattacharya, Jayanta; Vogt, William B. **AA** Bhattacharya: RAND. Vogt: Carnegie Mellon University and NBER. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 167; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. **Website:** gsbwww.uchicago.edu/research/cses/. **PG** 18. **PR** \$3.00; make check payable to "The University of Chicago." **JE** I11, J23, J31. **KW** Health Insurance. Mandates. Employment. Wages. Natural Experiments.

AB Since the 1970s and at an increasing pace in the 1990s, states have adopted a wide variety of mandates designed to expand the set of medical care activities covered by health insurance. Since in the United States, health insurance is typically tied tightly to the workplace, it is reasonable to expect that these mandates have effects on employment and wages. There have been several studies by economists, such as Gruber (1992,4) and Kaestner and Simon (2000), which evaluate the labor market effects of these policies. These studies tend to reach the same two conclusions: that mandates significantly reduce wages, but not employment. Using the variation in the timing of adoption of these mandates by states as a "natural experiment," the studies rely on individual-level data from the Current Population Survey (CPS) to estimate the wage and employment effects of mandates. The studies typically find statistically insignificant effects on employment. The main goal of this note is to evaluate the power of these natural experiments. If the employment effects are small in size relative to the "noise" in the data, there is a risk of falsely accepting the hypothesis that there are no employment effects.

PD July 2001. **TI** A Simple Model of Pharmaceutical Price Dynamics. **AU** Bhattacharya, Jayanta; Vogt, William B. **AA** Bhattacharya: RAND. Vogt: Carnegie Mellon University and NBER. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 166; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. **Website:** gsbwww.uchicago.edu/research/cses/. **PG** 22. **PR** \$3.00; make check payable to "The University of Chicago." **JE** D21, M31, M37. **KW** Pharmaceutical Firms. Promotion Strategy. Drugs. Pricing.

AB Branded pharmaceutical firms use price and promotional strategy to manage public knowledge about their drugs. We propose a dynamic theory of pharmaceutical pricing and conduct an exploratory empirical analysis inspired by the theory. Our theory predicts a pattern of increasing prices and decreasing promotional activities over a drug's life cycle. Prices are kept low and advertising levels high early in the life cycle in order to build public knowledge about the drug. As knowledge grows, prices rise and advertising falls. If the management of this stock is important enough, this tendency of prices to rise can overwhelm the price-decreasing effect of entry by generic competitors late in the drug life cycle. We

argue that our theory of price dynamics explains the empirical regularities in this industry.

Bhattacharya, Joydeep

PD November 2001. **TI** Labor Market Search and Optimal Retirement Policy. **AU** Bhattacharya, Joydeep; Mulligan, Casey B.; Reed, Robert R., III. **AA** Bhattacharya: Iowa State University. Mulligan: University of Chicago and NBER. Reed: University of Kentucky. **SR** National Bureau of Economic Research Working Paper: 8591; 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** H21, J26, J63, J64. **KW** Searching. Optimal Retirement Policy. Social Security. Vacancies.

AB A popular view about social security, dating back to its early days of inception, is that it is a means for young, unemployed workers to "purchase" jobs from older, employed workers. The question we ask is: Can social security, by encouraging retirement and hence creating job vacancies for the young, improve the allocation of workers to jobs in the labor market? Using a standard model of labor market search, we establish that the equilibrium with no policy-induced retirement can be efficient. Even under worst-case parameterizations of our model, we find that public retirement programs pay the elderly substantially more than labor market search theory implies that their jobs are worth. An important effect, ignored by the popular view, is that the creation of a vacant job by a retirement reduces the value of other vacant jobs.

Bhide, Shashanka

TI Financial Exuberance: Savings Deposits, Fiscal Deficits and Interest Rates in India. **AU** Lal, Deepak; Bhide, Shashanka; Vasudevan, Deepa.

Bikson, Tora K.

PD 1998. **TI** E-Commerce: A Revolution in the Making for Consumers, Firms, and Nations. **AU** Bikson, Tora K.; Anderson, Robert H. **AA** RAND Corporation. **SR** RAND Corporation Report: P/8032; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica, CA 90407-2138. **Website:** www.rand.org. **PG** 8. **PR** \$5.00. **JE** L86, O30. **KW** Electronic Commerce. Technology. E-Crime. Income Distribution.

AB This article discusses the impact of the revolution in electronic commerce at three social levels: consumers, firms, and nations. At the consumer level, the technology tends to have a magnifying effect: realizing the retail potential for e-commerce may in fact widen existing gaps in access to computers between groups with differing education and income, with possible effects on the economic life of the nation. At the firm level, e-commerce may yield a more equal playing field for the largest and smallest contenders, but with fears that middle-size firms are in danger of disappearing. At the national level, a salient missing ingredient for the success of e-commerce is a sense of community based on shared norms and understandings. Without such frameworks, cyberspace may foster virtual havens for trade in illicit goods and services and other forms of e-crime. Many nations are also concerned with guarding against U.S. hegemony in cyberspace. Internationally networked e-commerce may serve to increase the already vast differences in well being between nations. A common theme

across levels is that dramatic impacts will occur within each sector.

Bild, Magnus

PD December 2002. **TI** Do Takeovers Create Value? A Residual Income Approach on UK Data. **AU** Bild, Magnus; Cosh, Andy; Guest, Paul; Runsten, Mikael. **AA** Bild and Runsten: Stockholm School of Economics. Cosh and Guest: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP252; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 28. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G12, G34, M40. **KW** Takeovers. Valuation. Accounting Studies. Event Studies. Residual Income.

AB This paper develops and empirically tests a new methodology for evaluating the financial performance of takeovers. The existing accounting and event study methodologies do not adequately address the key issue of whether takeovers are a positive net present value investment for acquiring a company. Our methodology attempts this by employing the residual income approach to valuation, and comparing the present value of the acquirer's future earnings before the acquisition, with those that actually result following takeover. In contrast to existing methodologies, we explicitly take account of the cost of the acquisition, the acquirer's cost of capital, and the earnings which are created beyond the sample period. The methodology is used for evaluating a comprehensive sample of UK acquisitions completed during 1985-96. Using the traditional accounting method, we find that acquisitions result in a significant improvement in profitability. However, the residual income approach reveals that on average, acquisitions destroy roughly 30 percent of the acquirer's pre-acquisition value.

Billot, Antoine

PD April 2002. **TI** How to Share When Context Matters: The Mobius Value as a Generalized Solution for Cooperative Games. **AU** Billot, Antoine; Thisse, Jacques-Francois. **AA** Billot: Universite de Paris 2, Institut Universitaire de France, CORE, Universite Catholique de Louvain, and CERAS-ENPC. Thisse: CORE, Universite Catholique de Louvain and CERAS-ENPC. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/25; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 25. **PR** \$100 per year. **JE** C71, D46, D63. **KW** Shapley Value. Quasivalu. Mobius Inverse.

AB All quasivalues rest on a set of three basic axioms (efficiency, null player, and additivity), which are augmented with positivity for random order values, and with positivity and partnership for weighted values. We introduce the concept of Mobius value associated with a sharing system and show that this value is characterized by the above three axioms. We then establish that (i) a Mobius value is a random order value if and only if the sharing system is stochastically rationalizable and (ii) a Mobius value is a weighted value if and only if the sharing system satisfies the Luce choice axiom.

PD June 2002. **TI** Stochastic Rationality and Mobius Inverse. **AU** Billot, Antoine; Thisse, Jacques-Francois.

AA Billot: Universite Paris 2, Institut Universitaire de France, CORE, Universite Catholique de Louvain, and CERAS-ENPC. Thisse: CORE, Universite Catholique de Louvain and CERAS-ENPC. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/35; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 7. **PR** \$100 per year. **JE** C71, D46, D63. **KW** Stochastic Rationality. Mobius Inverse. Choice Context.

AB Discrete choice theory is very much dominated by the paradigm of the maximization of a random utility, thus implying that the probability of choosing an alternative in a given set is equal to the sum of the probabilities of all the rankings for which this alternative comes first. This property is called stochastic rationality. In turn, the choice probability system is said to be stochastically rationalizable if and only if the Block-Marschak polynomials are all nonnegative. In this paper, we show that the Block-Marschak polynomials can be defined as the probabilities that the decision maker has to delete each alternative from the choice set when the choice probability system is stochastically rationalizable.

Bivins, Laura L.

PD December 2001. **TI** Transferability of Migration Licenses and the Distribution of Potential Rents. **AU** Bivins, Laura L.; Krishna, Kala. **AA** Bivins: Pennsylvania State University. Krishna: Pennsylvania State University and NBER. **SR** National Bureau of Economic Research Working Paper: 8619; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F13, F16, F22. **KW** Migration. Labor Market. Trade. Non-Transferable Licenses.

AB This paper compares the effects of migration restrictions using licenses which are freely traded in a competitive labor market to those that occur when licenses are allocated to firms who are not permitted to trade them. There is reason to expect that a policy of making licenses non-transferable will not only affect production efficiency, but also to allow producers to capture more of the potential migration rents. Applications to migration policies in the Gulf Cooperation Council (GCC) countries are discussed.

Black, Duncan

TI Urbanization and Growth. **AU** Bertinelli, Luisito; Black, Duncan.

Blanco Escolar, Roberto

PD May 1999. **TI** El Mercado Espanol de Renta Variable: Analisis de la Liquidez e Influencia del Mercado de Derivados (The Spanish Equity Market: Analysis of Liquidity and the Influence of the Derivatives Market). **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 66; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcalá, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 160. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** G10. **KW** Liquidity. Bid-Ask Spread. Volatility. Derivatives Market.

AB This book studies the liquidity in the Spanish stock market and the impact of the derivative market on the cash

market. It is found that immediacy costs show a marked intraday pattern and a size effect. These effects are even stronger than what the bid-ask spread pattern suggest. Also, evidence is found in favor of a price discovery function for the futures market. However, the bidirectional causality relationship between futures and cash markets suggests that the latter market also play a price discovery function role for the futures market. Finally, the effect of the derivatives markets on the cash price volatility is found not to be important.

Blonigen, Bruce A.

PD November 2001. **TI** Antidumping and Retaliation Threats. **AU** Blonigen, Bruce A.; Bown, Chad P. **AA** Blonigen: University of Oregon and NBER. Bown: Brandeis University. **SR** National Bureau of Economic Research Working Paper: 8576; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F13, L13. **KW** Antidumping. Retaliation. Dumping. World Trade Organization. Threats.

AB This paper examines how the prospect of foreign retaliation affects the antidumping (AD) process in the United States. We separate the capacity for retaliation into two channels: (i) the capacity for foreign government retaliation under the dispute settlement procedures of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) system, and (ii) the capacity of foreign industry retaliation through reciprocal claims of dumping and the foreign pursuit of AD duties in countries with AD regimes. Using a nested logit framework and analyzing U.S. AD cases between 1980 and 1998, we find significant empirical evidence consistent with the theory that U.S. industry is influenced by the threat of reciprocal foreign ADs in its decision of which foreign countries to name in the initial AD petition, and that the U.S. AD authority's antidumping decisions are influenced by the threat of foreign retaliation under the GATT/WTO dispute settlement mechanism.

Bloom, David E.

PD November 2001. **TI** The Effect of Health on Economic Growth: Theory and Evidence. **AU** Bloom, David E.; Canning, David; Sevilla, Jaypee. **AA** Bloom: Harvard University and NBER. Canning: Queen's University of Belfast. Sevilla: Harvard University. **SR** National Bureau of Economic Research Working Paper: 8587; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I18, J24, O11. **KW** Human Capital. Economic Growth. Work Experience. Health.

AB Macroeconomists acknowledge the contribution of human capital to economic growth, but their empirical studies define human capital solely in terms of schooling. In this paper, we extend production function models of economic growth to account for two additional variables that microeconomists have identified as fundamental components of human capital: work experience and health. Our main result is that good health has a positive, sizable, and statistically significant effect on aggregate output. We find little variation across countries in average work experience, thus differentials in work experience account for little variation in rates of economic growth. Finally, we find that the effects of average schooling on national output are

consistent with microeconomic estimates of the effects of individual schooling on earnings, suggesting that education creates no discernible externalities.

Blume, Lawrence

PD July 2002. **TI** Stigma and Social Control. **AA** Cornell University. **SR** Institute for Advanced Studies (IHS), Economics Series: 119; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 38. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** C73, Z13. **KW** Crime. Stigma. Social Norms.

AB Social interactions provide a set of incentives for regulating individual behavior. Chief among these is stigma, the status loss and discrimination that results from the display of stigmatized attributes or behaviors. The stigmatization of behavior is the enforcement mechanism behind social norms. This paper models the incentive effects of stigmatization in the context of undertaking criminal acts. Stigma is a flow cost of uncertain duration, which varies negatively with the number of stigmatized individuals. Criminal opportunities arrive randomly and an equilibrium model describes the conditions under which each individual chooses the behavior that, if detected, is stigmatized. The comparative static analysis of stigma costs differs from that of conventional penalties. One surprising result with important policy implications is that stigma costs of long duration will lead to increased crime rates.

Boadway, Robin

PD April 2002. **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: Universite Catholique de Louvain. Pestieau: Universite de Liege. **SR** Queen's Institute for Economic Research Discussion Paper: 1004; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 25. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** H23, H51. **KW** Social Insurance. Moral Hazard. Redistribution.

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. We show that government intervention in insurance markets is welfare-improving, and social insurance is generally desirable when there is a negative correlation between labor productivity and loss probability.

PD April 2002. **TI** Indirect Taxation and Redistribution: The Scope of the Atkinson-Stiglitz Theorem. **AU** Boadway, Robin; Pestieau, Pierre. **AA** Boadway: Queen's University. Pestieau: Universite de Liege. **SR** Queen's Institute for Economic Research Discussion Paper: 1005; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 17. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** H21, H23. **KW** Optimal Taxation. Indirect Taxation.

AB The Atkinson-Stiglitz Theorem states that if labor is weakly separable from goods in household utility functions, differential commodity taxation should not be part of an optimal redistributive tax system. This Theorem, which is arguable the most policy-relevant result to come out of the optimal income tax literature, has come under considerable scrutiny in the literature. We consider how robust it is with respect to differences in needs or endowments of goods, more than one type of labor supply, differences in preference for leisure, and restrictions on policy instruments.

PD April 2002. **TI** An Evaluation of the Risk-Sharing Function of Equalization in Canada. **AU** Boadway, Robin; Hayashi, Masayoshi. **AA** Boadway: Queen's University. Hayashi: Meiji Gakuin University. **SR** Queen's Institute for Economic Research Discussion Paper: 1006; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html.

PG 14. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** H71, H77. **KW** Intergovernmental Transfers. Equalization. Risk-Sharing. Interregional Redistribution.

AB The Canadian system of equalization is designed to address differences in revenue-raising capacity across provinces, basing entitlements on actual provincial tax rates and bases. However, since it does so on a year-on-year basis, the standard against which a given province's equalization entitlements are calculated fluctuates from year to year as all provinces' tax bases and tax rates do. The consequence is that, while the redistribution function is fulfilled annually, the risk-sharing function suffers. The evidence we present indicates that at least for the business income tax, the equalization system can actually be destabilizing, thereby imposing on provinces variability in their potential revenue streams that exceeds what would exist in the absence of equalization.

Boero, Gianna

PD October 2002. **TI** The Properties of Some Goodness-of-Fit Tests. **AU** Boero, Gianna; Smith, Jeremy; Wallis, Kenneth F. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 653; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 18. **PR** no charge. **JE** C12, C14. **KW** Goodness-of-Fit. Component Tests. Distributional Assumptions. Monte Carlo. Nonequippable Partitions.

AB The properties of Pearson's goodness-of-fit test, as used in density forecast evaluation, income distribution analysis and elsewhere, are analyzed. The components-of-chi-squared or "Pearson analog" tests of Anderson (1994) are shown to be less generally applicable than was originally claimed. For the case of equiprobable classes, where the general components tests remain valid, a Monte Carlo study shows that tests directed towards skewness and kurtosis may have low power, due to differences between the class boundaries and the intersection points of the distributions being compared. The power of individual component tests can be increased by the use of nonequippable classes.

Boersche-Supan, Axel

PD December 2001. **TI** Labor Market Effects of Population Aging. **AA** University of Mannheim and NBER. **SR** National Bureau of Economic Research Working Paper:

8640; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 36. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** J14, J24, J48. **KW** Aging. Labor Market. Public Policy. Germany.

AB This paper analyzes effects of population aging on the labor market and determines their broad implications for public policy. It takes Germany as an example, but it equally applies to the other large economies in Continental Europe. The paper argues that, alongside the amply discussed, demographically-determined increase in the contribution and tax burden which is responsible for the ever widening gap between gross and disposable earnings, two other important areas of policy deserve greater attention. First, it is unlikely that the decline in the relative size of the economically active population will be offset by higher capital intensity. Labor productivity will need to increase over and above this mechanism in order to compensate for the impact of population aging on domestic production. Hence, we will need more education and training to speed up human capital formation. Second, the shift in the age structure will also change the structure of demand for goods. This, in turn, will have large effects on the pattern of employment across different sectors of the economy and will require a substantial increase in labor mobility in order to accommodate these structural changes.

Bofinger, Peter

PD November 2001. **TI** Managed Floating: Understanding the New International Monetary Order. **AU** Bofinger, Peter; Wollmershaeuser, Timo. **AA** Bofinger: Universitat Wurzburg and CEPR. Wollmershaeuser: not available. **SR** CEPR Discussion Paper: 3064; 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, F31, F33, F41. **KW** Exchange Rate Regime. Floating. Interventions. Monetary Conditions. Monetary Policy.

AB Although there seems to be a broad consensus among economists that purely floating or completely fixed exchange rates (the so-called corner solutions) are the only viable alternatives of exchange rate management, many countries do not behave according to this paradigm. These intermediate regimes are characterized by significant foreign exchange market interventions of central banks and a certain degree of exchange rate flexibility. We develop a new empirical methodology that identifies three different forms of floating on the basis of a central bank's intervention activity: pure floating (no interventions), independent floating (exchange rate smoothing), and managed floating (exchange rate targeting). Our cross-country study shows that exchange rate targeting is at least as important as exchange rate smoothing. Subsequently we present a monetary policy framework in which central banks use the exchange rate as an operating target of monetary policy. We explain the mechanics of interventions and sterilization and we explain why a central bank has an interest in controlling simultaneously the exchange rate and the short-term interest rate. We derive the monetary policy rules for our two operating targets from a simple open economy macro model in which the uncovered interest parity condition and the Monetary Conditions Index play a central role.

Bogetoft, Peter

PD December 2000. **TI** Incentives, Information Systems and Competition. **AU** Bogetoft, Peter; Olesen, Henrik B. **AA** Bogetoft: University of Copenhagen and Royal Agricultural University. Olesen: Royal Agricultural University. **SR** University of Copenhagen, Centre for Industrial Economics Discussion Paper: 2000/12; Centre for Industrial Economics, Institute of Economics, University of Copenhagen, Studiestraede 6, DK-1455 Copenhagen K, Denmark. Website: www.econ.ku.dk/cie/. **PG** 11. **PR** no charge. **JE** L15, L23, Q13. **KW** Quality. Industrial Organization. Information Externalities. Agricultural Products.

AB We show how different competitive regimes affect the ability to provide incentives based on noisy information systems. Reduced competition facilitates incentive provision. This may rationalize both vertical integration and horizontal integration as seen in many agricultural markets with uncertain quality grading. Moreover, if trading terms are settled before the information is observed, a noisy information system suffices to give proper incentives. This may rationalize the use of long term conditional price contracts in the trading of many agricultural products.

TI Multi-Period DEA Incentive Regulation in Electricity Distribution. **AU** Agrell, Per J.; Bogetoft, Peter; Tind, Jorgen.

Bohn, Henning

PD January 2002. **TI** Government Asset and Liability Management in an Era of Vanishing Public Debt. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/01; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 36. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** E62, H63. **KW** Public Debt Management. Fiscal Policy. Uncommitted Funds.

AB The paper examines alternative options for managing public debt and public assets in a government balance sheet framework that includes the Treasury, the Federal Reserve, and social security. Even after September 11, U.S. fiscal policy is on a trajectory to accumulate substantial "uncommitted funds." The paper examines how such funds should be invested. A conclusion of this paper is that high-quality fixed-income securities are the best benchmark and that social security is the most appropriate government asset manager. The analysis of policy alternatives reveals a trilemma between maintaining a liquid Treasury market, minimizing rent-seeking, and facilitating intergenerational risk sharing.

Boldron, Francois

PD June 2002. **TI** Commodity Taxation with Non Linear Pricing Oligopoly. **AA** CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/39; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 11. **PR** \$100 per year. **JE** H22, L13. **KW** Two-Parts Tariffs. Commodity Taxation. Ad Valorem Tax.

AB This paper studies commodity taxation when firms use two-part tariffs in model of competition a la Hotelling. Three

kinds of taxes are considered: a specific tax, an ad valorem one on the subscription fee and an ad valorem one on the per usage fee. We first derive the equilibrium tariffs, market shares and profits. We show that the tax on the subscription fee is profit neutral (unlike the other two) but socially costly (like the other two) as it modifies the consumption choice of the consumers. In a context of costly public funds the ad valorem taxation on the variable fee dominates specific taxation. Moreover, the ranking between ad valorem taxation on the fixed fee and an ad valorem taxation on the variable fee depends on the relative magnitude of economic parameters, in particular the degree of differentiation. Finally, we show that the government might prefer the use of two-part tariffs rather than the use of more general tariffs.

Bond, Stephen R.

PD November 2001. **TI** GMM Estimation of Empirical Growth Models. **AU** Bond, Stephen R.; Hoeffler, Anke; Temple, Jonathan. **AA** Bond: University of Oxford and IFS. Hoeffler: University of Oxford. Temple: University of Bristol and CEPR. **SR** CEPR Discussion Paper: 3048; 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** O41, O47. **KW** Convergence. GMM. Growth. Weak Instruments.

AB This paper highlights a problem in using the first-differenced generalized method of moments (GMM) panel data estimator to estimate cross-country growth regressions. When the time series are persistent, the first-differenced GMM estimator can be poorly behaved, since lagged levels of the series provide only weak instruments for subsequent first-differences. Revisiting the work of Caselli, Esquivel and Lefort (1996), we show that this problem may be serious in practice. We suggest using a more efficient GMM estimator that exploits stationarity restrictions and this approach is shown to give more reasonable results than first-differenced GMM in our estimation of an empirical growth model.

Boning, Brent

PD May 2001. **TI** Opportunity Counts: Teams and the Effectiveness of Production Incentives. **AU** Boning, Brent; Ichniowski, Casey; Shaw, Kathryn. **AA** Boning: U.S. Council of Economic Advisers. Ichniowski: Columbia University and NBER. Shaw: Carnegie-Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 8306; 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** J24, J41, J50, L20, M11. **KW** Incentives. Productivity. Group Incentive Pay. Problem-solving Teams.

AB We investigate the individual and joint effects of group incentive pay and problem-solving teams on productivity. We collected longitudinal data including precise measures on productivity, work practices, and technology of each of these production lines. We find strong support for the proposition that problem-solving teams are an important means for increasing the effectiveness of group incentive pay plans in establishments with complex production processes. We find that problem-solving teams are adopted only in the presence of incentive pay plans, and that more technologically complex production lines are much more likely to adopt teams. The latter result implies

that teams are more valuable in these types of production environments. We also present estimates of the productivity effects of adopting these work practices. Group-based incentive pay, on average, raises productivity, and the adoption of teams in addition to incentive pay leads to further increase in productivity. We also find that the productivity effect of teams is significantly larger in more complex production lines. Finally, we show that our estimates of the productivity effects of these work practices are little changed by corrections for possible selectivity bias.

Boone, Jan

PD November 2001. **TI** Unemployment versus In-Work Benefits with Search Unemployment and Observable Abilities. **AU** Boone, Jan; Bovenberg, A. Lans. **AA** Tilburg University and CEPR. **SR** CEPR Discussion Paper: 3043; 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** H21, J64, J65. **KW** In-Work Tax Benefits. Search. Unemployment Compensation. Optimal Income Taxation.

AB This paper explores the optimal interaction between the tax system and unemployment compensation in insuring people against the risks of involuntary unemployment and low ability. To that end, we introduce search unemployment in a model of optimal non-linear income taxation. We find that the optimal search subsidy (i.e., the difference between the in-work benefit and the unemployment benefit) increases if, for efficient agents, the participation constraint (governing job search) becomes relatively more important than the incentive compatibility constraint (determining hours worked). The relation between unemployment benefits and the optimal level of in-work benefits (the number of people exerting positive work effort) is U (inversely U) shaped.

PD November 2001. **TI** Optimal Unemployment Insurance with Monitoring and Sanctions. **AU** Boone, Jan; Fredriksson, Peter; Holmlund, Bertil; van Ours, Jan C. **AA** Boone and van Ours: Tilburg University and CEPR. Fredriksson: Uppsala University and CESifo. Holmlund: Uppsala University. **SR** CEPR Discussion Paper: 3082; 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** J64, J65, J68. **KW** Sanctions. Search. Unemployment Insurance.

AB This paper analyses the design of optimal unemployment insurance in a search equilibrium framework where search effort among the unemployed is not perfectly observable. We examine to what extent the optimal policy involves monitoring of search effort and benefit sanctions if observed search is deemed insufficient. We find that introducing monitoring and sanctions represents a welfare improvement for reasonable estimates of monitoring costs; this conclusion holds both relative to a system featuring indefinite payments of benefits and a system with a time limit on unemployment benefit receipt. The optimal sanction rates implied by our calibrated model are much higher than the sanction rates typically observed in European labor markets.

Bordo, Michael D.

PD November 2001. **TI** Bond Market Inflation Expectations in Industrial Countries: Historical Comparisons.

AU Bordo, Michael D.; Dewald, William G. **AA** Bordo: Rutgers University and NBER. **SR** National Bureau of Economic Research Working Paper: 8582; 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** E42, E43, N11, N12. **KW** Bond Market. Inflation. Fisherian Theory. Golden Rule Theory.

AB We define the Fisherian Golden Rule measure of bond market inflation expectations as the difference between bond rates and trend real Gross Domestic Product (GDP) growth rates. The concept is based on the Fisherian theory than an increase in longer-term inflation expectations would be reflected in longer-term interest rates and the Golden Rule theory that in longer-term equilibrium the real rates of interest would equal the growth rate of real output. We compare the bond market inflation experiences of 13 advanced countries for the 1881-1913 gold standard era with the experience of the recent 1962-1995 period. The difference between average longer-term bond rates and average real GDP growth rates reflected the widespread expectation of low inflation during 1881-1913 in all of the industrial countries. Although real GDP growth was somewhat higher on average during 1962-65 than 1881-1913, bond rate averages were considerably higher, roughly comparable with the higher observed inflation rates. Long-term bond rates fell across the spectrum of the industrial countries in the 1980s and 1990s and bond market expectations for low inflation were substantially, but not fully regained for the industrial countries as a group.

PD November 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 Wheelock: Federal Reserve Bank of St. Louis. **SR** National Bureau of Economic Research Working Paper: 8583; 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** C25, E31, E52, N13, N14. **KW** Price Shocks. Financial Stability. United Kingdom. Inflation Rate.

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 profit 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.

PD November 2001. **TI** Core, Periphery, Exchange Rate Regimes, and Globalization. **AU** Bordo, Michael D.; Flandreau, Marc. **AA** Bordo: Rutgers University and NBER. Flandreau: Institut d'Etudes Politiques de Paris, OFCE, and CEPR. **SR** National Bureau of Economic Research Working Paper: 8584; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 66. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F21, F33, N20. **KW** Core. Currency Mismatch. Exchange Rate Regimes. Feldstein Horioka Tests. Financial Depth.

AB In this paper we focus on the different historical regime

experiences of the core and the periphery. We find that the financial integration observed for the recent period is truly an advanced country phenomenon, suggesting that the causality goes from globalization to the exchange rate regime rather than the other way round. We develop this intuition by showing that before 1914, advanced countries adhered to gold while periphery countries either emulated the advanced countries or floated. Some peripheral countries were especially vulnerable to financial crises and debt default in large part because of their extensive external debt obligations denominated in core country currencies. Today while advanced countries can successfully float, emergers, who are less financially mature and must borrow abroad in terms of advanced country currencies, are afraid to float for the same reason as their 19th century forbearers. To obtain access to foreign capital they may need a hard peg to the core country currencies, or else can resort to capital controls. Thus the key distinction between the exchange rate regime of core and periphery countries both then and now that we emphasize in this paper is financial maturity, evidenced in the ability to issue international securities denominated in domestic currency.

PD November 2001. **TI** Core, Periphery, Exchange Rate Regimes and Globalization. **AU** Bordo, Michael D.; Flandreau, Marc. **AA** Bordo: Rutgers University. Flandreau: Institut d'Etudes Politiques de Paris. **SR** CEPR Discussion Paper: 3077; 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, N20. **KW** Core. Currency Mismatch. Exchange Rate Regimes. Feldstein Horioka Tests. Financial Depth.

AB See the abstract for Bordo, Michael D.; Flandreau, Marc. November 2001, "Core, Periphery, Exchange Rate Regimes, and Globalization". National Bureau of Economic Research Working Paper: 8584; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Borenstein, Severin

PD December 2001. **TI** Trading Inefficiencies in California's Electricity Markets. **AU** Borenstein, Severin; Bushnell, James; Knittle, Christopher R.; Wolfram, Catherine. **AA** Borenstein and Wolfram: UC Berkeley, University of California Energy Institute, and NBER. Bushnell: University of California Energy Institute. Knittle: Boston University and University of California Energy Institute. **SR** National Bureau of Economic Research Working Paper: 8620; 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** G13, G14, L13. **KW** Electricity. California. Deregulation. Price Convergence. Trading Inefficiency.

AB We study price convergence between the two major markets for wholesale electricity in California from their deregulation in April 1998 through November 2000, nearly the end of trading in one market. We would expect profit-maximizing traders to have eliminated persistent price differences between the markets. Institutional impediments and traders' incomplete understanding of the markets, however, could have delayed or prevented price convergence. We find that the two benchmark electricity prices in California -- the Power Exchange's day-ahead price and the Independent System Operator's real-time price -- differed substantially after the

markets opened but then appeared to be converging by the beginning of 2000. Starting in May 2000, however, price levels and price differences increased dramatically. We consider several explanations for the significant price differences and conclude that rapidly changing market rules and market fundamentals, including one buyer's attempt to exercise a form of monopsony power, made it difficult for traders to take advantage of opportunities that ex post appear to have been profitable.

Borensztein, Eduardo R.

PD September 2002. **TI** Reviving the Case for GDP-Indexed Bonds. **AU** Borensztein, Eduardo R.; Mauro, Paolo. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/10; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 24. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F33, F34, F36, G13, G15. **KW** Emerging Markets. Gross Domestic Product. Indexed Bonds. Fiscal Policy.

AB This paper seeks to revive the case for countries to self-insure against economic growth slowdowns by issuing Gross Domestic Product (GDP)-indexed bonds. We simulate the effects of GDP-indexed bonds under different assumptions about fiscal policy reaction functions and their output effects and find that they could substantially reduce the likelihood that debt/GDP paths become explosive. The insurance premium would likely be small, because cross-country comovement of GDP growth rates is low and cross-country GDP growth risk is thus largely diversifiable for an investor holding a portfolio of GDP-indexed bonds. Potential obstacles to the emergence of a market for these bonds include the verifiability of GDP data, the trade-off between insurance and moral hazard, and the need for liquidity. The paper discusses institutional fixes and suggests an approach to attempting to start up a market.

Borgers, Tilman

PD November 2001. **TI** Strange Bids: Bidding Behavior in the United Kingdom's Third Generation Spectrum Auction. **AU** Borgers, Tilman; Dustmann, Christian. **AA** University College London. **SR** CEPR Discussion Paper: 3072; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D44, D45. **KW** Private Value. Simultaneous Ascending Auction. Radio Spectrum. United Kingdom.

AB This paper studies bidding behavior in the auction of radio spectrum for third generation mobile telephone services which took place in the United Kingdom in the spring of 2000. We show that several companies' bidding behavior deviates strongly from theoretical predictions. In particular some companies' evaluation of the added advantage of having a large license rather than a small license seemed to change dramatically during the auction for no obvious reason. We conclude that it is less well understood than previously believed how spectrum auctions work, and whether they lead to an efficient allocation of spectrum.

Bossone, Biagio

PD March 2002. **TI** The New Approach to Sovereign Debt Restructuring: Setting the Incentives Right. **AU** Bossone, Biagio; Sdravovich, Carlo A. **AA** IMF.

SR International Monetary Fund Policy Discussion Paper: PDP/02/04; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 25. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F33, F34, G15, G18, G33. **KW** Crisis Resolution. Private Sector Involvement. Sovereign Debt. Debt Default. Financial Crises.

AB The paper discusses key incentive-related issues of the sovereign debt restructuring mechanism recently outlined by the International Monetary Fund (IMF) First Deputy Managing Director. The structure of incentives in the mechanism should be consistent with the principle of favoring market-oriented, voluntary solutions to financial crises. The paper frames the mechanism in the context of involving the private sector in financial crisis resolution (PSI), and identifies the conditions for setting up an appropriate incentive structure. The paper explores issues relating to the functioning of the mechanism, including access policy on IMF resources; the power to activate the mechanism; its relation with intermediate PSI instruments; and its impact on investment in emerging markets.

Boucekkine, Raouf

PD May 2002. **TI** Early Mortality Declines at the Dawn of Modern Growth. **AU** Boucekkine, Raouf; de la Croix, David; Licandro, Omar. **AA** Boucekkine: IRES and CORE, Université Catholique de Louvain. de la Croix: FNRS, IRES and CORE, Université Catholique de Louvain. Licandro: EUI and FEDEA. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2002/30; Center for Operations Research and Econometrics, Université Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 16. **PR** \$100 per year. **JE** I21, J11, N33, O41. **KW** Human Capital. Longevity. Literacy. Growth. Schooling.

AB We explore the hypothesis that demographic changes started in the seventeenth and eighteenth centuries are at the root of the acceleration in growth rates at the dawn of the modern age. During this period, life tables for Geneva and Venice show a decline in adult mortality; French marriage registers who an important increase in literacy; historians measure an acceleration of economic growth. We develop an endogenous growth model with a realistic survival law in which rising longevity increases the individual incentive to invest in education and foster growth. We quantitatively estimate that the observed improvements in adult mortality account for 70% of the growth acceleration in the pre-industrial age.

PD December 2002. **TI** Obsolescence and Modernization in the Growth Process. **AU** Boucekkine, Raouf; del Rio, Fernando; Licandro, Omar. **AA** Boucekkine: IRES and CORE, Université Catholique de Louvain. del Rio: Universidade de Santiago de Compostela. Licandro: European University Institute and FEDEA. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2002/67; Center for Operations Research and Econometrics, Université Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 14. **PR** \$100 per year. **JE** E22, E32, O41. **KW** Schumpeterian Growth. Creative Destruction. Embodiment. Obsolescence. Modernization.

AB In this paper, an endogenous growth model is built up incorporating Schumpeterian growth and embodied

technological progress. Under embodiment, long run growth is affected by the following effects: (i) obsolescence costs add to the user costs of capital, reducing the research effort; and (ii) the modernization of capital through investment raises the incentives to undertake research and development (R&D) activities. Applied to the understanding of the growth enhancing role of both capital and R&D subsidies, we conclude that the positive effect of modernization generally more than compensate the negative effect of obsolescence.

Bourguignon, François

PD November 2001. **TI** The Political Economy of Education and Development in an Open Economy. **AU** Bourguignon, François; Verdier, Thierry. **AA** DELTA, Paris. **SR** CEPR Discussion Paper: 3075; 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** D78, F15, I21. **KW** Education. Globalization. Political Economy.

AB If the price effect of opening up a developing economy may be expected to act as a disincentive for investment in human capital, the opposite is likely to be true of the income effect, especially in the presence of credit market imperfections among the poor. It is shown in this paper that this may not be the case anymore in a society initially dominated by an oligarchic capitalist elite that is afraid of losing its political control in favor of an educated middle class. Although it may sometimes be in its interest to democratize by subsidizing education when the economy is closed, incentives to do so disappear when the economy is open to trade or factor flows.

Bovenberg, A. Lans

TI Unemployment versus In-Work Benefits with Search Unemployment and Observable Abilities. **AU** Boone, Jan; Bovenberg, A. Lans.

PD December 2001. **TI** Redistribution and Education Subsidies are Siamese Twins. **AU** Bovenberg, A. Lans; Jacobs, Bas. **AA** Bovenberg: Tilburg University and CEPR. Jacobs: University of Amsterdam and CPB Netherlands Bureau for Economic Policy Analysis. **SR** CEPR Discussion Paper: 3099; 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** H21, H52, I22, J24. **KW** Education Subsidies. Human Capital. Progressive Taxation.

AB We develop a model of human capital formation with endogenous labor supply and heterogeneous agents to explore the optimal level of education subsidies along with the optimal progressive schedule of the labor income tax and optimal capital income taxes. Subsidies on education ensure efficiency in human capital accumulation, while taxes on skilled labor help to redistribute income towards the less able. We thus provide a rationale for the widely observed presence of education subsidies. The actually observed tax codes and level of education subsidies suggest that a large part of education subsidies can be justified on these grounds.

Bover, Olympia

PD April 2001. **TI** Are there Economies of Scale in the Demand for Money by Firms? Some Panel Data Estimates. **AU** Bover, Olympia; Watson, Nadine. **AA** Bover: Bank of

Spain and CEPR. Watson: National Economic Research Associates Inc. **SR** CEPR Discussion Paper: 2818; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C23, D21, E41. **KW** Firms' Money Demand. Measurement Error. Panel Data. Technological Change.

AB We estimate scale elasticities in firms' money demand using panel data. Our main data set is a sample of Spanish companies observed over 1983-96. We also analyze comparable UK and US data sets. We find that the errors in money demand equations contain two terms correlated with sales: first, a permanent firm effect capturing differences in managerial efficiency, efficiency wages, technological sophistication; second, a measurement error in sales, probably because cash holdings are end-of-period whereas sales are annual measures. We show that failure to control for them results in important biases. Sales elasticity estimates for Spain increase substantially jointly considering correlated fixed effects and measurement error. Additionally, our estimates indicate declining sales elasticity from mid-1980s to mid-1990s, a period of increasing financial innovations. This suggests that financial innovations reduce money demand mainly by reducing the sales elasticity. We also estimate interest rate elasticities using both aggregate and firm specific rates.

PD April 2001. **TI** Quality-Adjusted Prices: Hedonic Methods and Implications for National Accounts. **AU** Bover, Olympia; Izquierdo, Mario. **AA** Bover: Banco de Espana. Izquierdo: FEDEA and Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 70; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 39. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** C43, E31, L63, O47. **KW** Hedonic Price Indices. Deflators. Computers. Housing. Cars.

AB Rapid technological progress in recent years has exacerbated the problems that arise in measuring price changes and, consequently, economic magnitudes at constant prices when changes in the quality of products occur. A natural means of tackling these measurement problems is to use hedonic price indices. This survey focuses on the use of hedonic methodology and its implications for the construction of deflators for significant National Accounts aggregates. It thus describes what hedonic methodology involves and analyses the various hedonic studies existing in the literature and the use made of hedonic methodology by different public statistics offices in the computers and related equipment, cars, and housing sectors. Finally, the implications of the use of these hedonic techniques for the estimation in real terms of macroeconomic magnitudes are reviewed.

PD October 2001. **TI** Hedonic House Prices Without Characteristics: The Case of New Multiunit Housing. **AU** Bover, Olympia; Velilla, Pilar. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 73; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 21. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** C43, E31, R31. **KW** House Prices. Quality Adjustment. Hedonic Price Indices. Site Specific Effects.

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

Bowlus, Audra J.

PD December 2001. **TI** Displaced Workers, Early Leavers, and Re-Employment Wages. **AU** Bowlus, Audra J.; Vilhuber, Lars. **AA** Bowlus: University of Western Ontario. Vilhuber: York University. **SR** University of Western Ontario, CIBC Working Paper: 2001/05; CIBC Working Paper Series Coordinator, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2. Website: www.ssc.uwo.ca/economics/econref/CIBCwp/WP.html. **PG** 16. **PR** Canadian \$10.00 plus a \$3.00 per order handling fee for hard copies; make checks payable to the University of Western Ontario. **JE** J31, J63, J65. **KW** Displaced Workers. Search Theory. Advance Notice. Re-Employment Wages.

AB When they receive information about an imminent plant closure or mass layoffs, workers search for new jobs. This has been the premise of advance notice legislation, but has been difficult to verify using survey data. In this paper, we lay out a search model that takes explicitly into account the information flow prior to a mass layoff. Using universal wage data files that allow us to identify individuals working with healthy and displacing firms both at the time of displacement as well as any other time period, we test the predictions of the model on re-employment wages. Controlling for worker quality, workers leaving a "distressed" firm have higher re-employment wages than workers who stay with the distressed firm until displacement.

PD June 2002. **TI** Domestic Violence, Employment and Divorce. **AU** Bowlus, Audra J.; Seitz, Shannon N. **AA** Bowlus: University of Western Ontario. Seitz: Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 1007; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 29. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** J12, J23. **KW** Domestic Violence. Abuse. Employment. Marriage. Divorce.

AB Using unique, representative data on domestic violence, we document several stylized facts on abuse: the average characteristics of abused wives and abusive husbands are markedly different than the characteristics of individuals in non-violent marriages, the vast majority of violent marriages end in divorce, and employment rates are lower for women who experience abuse. We then construct a sequential model of employment, marriage and abuse. The results indicate abuse is

the primary factor in the decision to divorce and witnessing violence as a child is a strong predictor of becoming an abusive spouse. Policy experiments suggest men are more responsive to policies designed to increase the costs of abuse than women are to policies reducing the cost of leaving violent marriages and policies designed to reduce the inter-generational effects of domestic violence may be promising strategies for preventing abuse.

Bown, Chad P.

TI Antidumping and Retaliation Threats. **AU** Blonigen, Bruce A.; Bown, Chad P.

Boyd, John H.

PD December 2002. **TI** A Theoretical Investigation of Handguns, Cops and Robbers. **AU** Boyd, John H.; Kim, Jin. **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research Discussion Paper: 318; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 24. **PR** no charge. **JE** D31, D50, K40, K42. **KW** Handguns. Robbery. Self-Defense. Wealth Redistribution.

AB We study a theoretical general equilibrium environment in which the only activity of interest is armed robbery. Agents choose whether to be citizens or robbers, and whether to purchase handguns. Armed citizens can protect themselves from robbery but any armed agent runs the risk of accidentally shooting himself or another agent. The government chooses a gun tax, and the intensity of police efforts to arrest would-be robbers and citizens who arm for self-defense. Properties of an equilibrium are characterized and the model is calibrated and solved. In all cases unique equilibria are obtained. We find that guns are an inefficient way of redistributing wealth, in the sense that social costs are very large relative to actual wealth redistribution. In this model society would be vastly better off if handguns could be eliminated. We do find, however, that handguns substantially deter crime when crime is defined as taking another's wealth by force. Yet handguns cause accidental deaths and resultantly in this model policy-makers confront a fundamental trade-off between property rights and gun deaths.

Boyer, George

PD May 2001. **TI** New Estimates of British Unemployment, 1870-1913. **AU** Boyer, George; Hatton, Tim. **AA** Boyer: Cornell University. Hatton: University of Essex. **SR** CEPR Discussion Paper: 2814; 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, J64, N33. **KW** Measurement. **UK** Unemployment.

AB Existing estimates of the annual unemployment rate from 1870 to 1913 were constructed by the Board of Trade, initially in 1888, and updated thereafter. This is still the series, which is widely used and cited. It is based on records of the number unemployed in various trade unions and has a number of well known flaws. The index is weighted by membership of reporting unions and is heavily skewed towards engineering and the metal trades. Some important sectors are largely omitted. We reconstruct sectoral unemployment rates based on union records and supplement this with estimates for certain

other sectors based on proxies for employment. These are weighted according to labor force shares but the index still excludes agriculture and services. The basic cyclical pattern is preserved but the new series has a higher mean and a lower standard deviation than the Board of Trade index. The wide swings in unemployment during the 1870s are confirmed but the amplitude of fluctuations in the 1880s and 1890s is smaller in the new index than in the old. More tentatively, unemployment increases over time in the new index relative to the old.

Braconier, Henrik

PD November 2001. **TI** Foreign Direct Investment in Central and Eastern Europe: Employment Effects in the EU. **AU** Braconier, Henrik; Ekholm, Karolina. **AA** Braconier: Universita Bocconi. Ekholm: Stockholm School of Economics. **SR** CEPR Discussion Paper: 3052; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F16, F23, J23. **KW** Central Europe. Eastern Europe. Foreign Direct Investment. Multinational Enterprises. Sweden.

AB See the abstract for Braconier, Henrik; Ekholm, Karolina. November 2002, "Foreign Direct Investment in Central and Eastern Europe: Employment Effects in the EU". Centro Studi Luca d'Agliano Development Studies Working Paper: 161; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it.

PD November 2002. **TI** Foreign Direct Investment in Central and Eastern Europe: Employment Effects in the EU. **AU** Braconier, Henrik; Ekholm, Karolina. **AA** Braconier: The Research Institute of Industrial Economics (IUI), Stockholm. Ekholm: Stockholm School of Economics and CEPR. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 161; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 38. **PR** no charge. **JE** F23, J20, J60. **KW** Foreign Direct Investment. Multinational Enterprises. Central and Eastern Europe. Labor Market.

AB We use firm-level data on Swedish multinationals to analyze how the recent expansion of affiliate employment in Central and Eastern Europe (CEE) has affected affiliate employment elsewhere. According to our results, employment in affiliates located in other low-wage countries in Europe decreased substantially as a consequence of the expansion in CEE. Furthermore, affiliate activities in these countries have become more sensitive to changes in labor costs as firms have set up production in CEE. We find that employment in Sweden and other high-wage European countries has also been affected, but these effects seem to be much smaller.

PD November 2002. **TI** Vertical FDI Revisited. **AU** Braconier, Henrik; Norback, Pehr-Johan; Urban, Dieter. **AA** Braconier: National Institute of Economic Research, Stockholm. Norback: Research Institute of Industrial Economics, Stockholm. Urban: London School of Economics and Political Science. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 167; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 46.

PR no charge. **JE** F16, F23. **KW** Multinational Firms. Wage Differentials. FDI.

AB This study explores how relative skilled-wage premia affect FDI. Contrary to previous studies based on factor endowment differences, we find strong support for vertical FDI, in the sense that more FDI is conducted in countries where unskilled labor is relatively cheap. In addition, we find that relative skill-premia also affect FDI activities that have previously been associated with horizontal FDI, i.e. local affiliate sales. Consequently, the potential effects of changes in the relative wage costs on international production reallocation within multinational enterprises (MNEs) are large. In fact, if not for the 8% rise in the US skilled wage premium relative to the average host country between 1986-1994, annual US affiliate sales abroad in relation to US GDP would have been half a percentage point higher.

Braguinsky, Serguey

PD 2001. **TI** Entrepreneurial Ability, Market Selection, and Setting Up an Infant Industry -- Theory and Evidence from the Japanese Cotton Textile Industry. **AU** Braguinsky, Serguey; Murphy, Kevin M.; Ohyama, Atsushi. **AA** Braguinsky: University of Chicago and Yokohama City University. Murphy and Ohyama: University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 163; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cses/. **PG** 33. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** F13, F14, O15. **KW** Protection. Infant Industry. Entrepreneur Talent.

AB In this paper we develop a new insight into the infant industry argument for protection, in the setting where entrepreneurs are differentiated by talent. The speed of technological progress depends on the quality of ideas and the incentives to innovate, not on the scale of the industry, and unprotected open economy competitive regime furnishes the best environment for innovation-led industrial growth even in the presence of industry-wide increasing returns to scale. Competitive market selection of ablest entrepreneurs forms a crucial condition for successful industrialization. The model is tested against the evidence of industrial revolution in Japan that presents a unique historic experiment in which an internationally competitive textile industry was eventually set up without government protection after earlier experiments with subsidized firms had failed.

PD June 2002. **TI** Bidder Discounts and Target Premia in Takeovers. **AU** Braguinsky, Serguey; Jovanovic, Boyan. **AA** Braguinsky: University of Chicago and SUNY. Jovanovic: NYU and University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 175; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cses/. **PG** 19. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** G12, G34. **KW** Takeover. Stock-Market Values.

AB When a takeover is announced, the sum of the stock-market values of the firms involved often falls, and the value of the acquirer almost always does. Does this mean that takeovers do not raise the values of the firms involved? Not necessarily.

We set up a model in which the equilibrium number of takeovers is constrained efficient. Yet, upon news of a takeover, a target's price rises, the bidder's price falls, and, most of the time the joint value of the target and acquirer also falls.

PD July 2002. **TI** Cooperative Technology Adoption Under Global Competition: The Case of the Japanese Cotton Spinning Industry. **AU** Braguinsky, Serguey; Ohyama, Atsushi; Rose, David C. **AA** Braguinsky: University of Chicago and SUNY. Ohyama: University of Chicago. Rose: University of Missouri-St. Louis. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 176; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cses/. **PG** 38. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** L23, N65, O31. **KW** Technological Cooperation. Infant Industries. Cotton Spinning. Free-Riders. Returns to Innovation.

AB This paper presents a model of technological cooperation between firms in infant industries that was inspired by the spectacular growth of the Japanese cotton spinning industry beginning in the 1880s. Information sharing accelerates diffusion of new technologies developed by more advanced countries and results from what we call the neighboring farmer effect -- the willingness to help competitors when output price is fixed. Technologies that produce industry-wide benefits are crucial for industry development but are subject to sub-optimal provision because of free-riding. To mitigate this problem, Japanese firms devised a sophisticated institutional arrangement to increase the private returns to innovation.

Bratti, Massimiliano

PD November 2002. **TI** Parents' Current Income, Long-Term Characteristics and Children's Education: Evidence from the 1970 British Cohort Study. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 658; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 26. **PR** no charge. **JE** I20, I24. **KW** Children. Education. Family Income. Ordered Probit. Hot-Deck Imputation. United Kingdom.

AB This paper investigates the effect of parents' current income and long-term family characteristics on individuals' highest educational qualification obtained by age 26 using UK data from the 1970 British Cohort Study. The issues of the possible sample selection bias produced by the not completely random omission of current family income and that of its potential endogeneity are addressed, using a hot-deck multiple imputation procedure and including an indicator of child ability, respectively. This paper finds evidence that current family income has a statistically significant positive impact on children's education, although it is one of negligible magnitude. Long-term family characteristics are far more important.

Bris, Arturo

PD December 2001. **TI** The Optimal Concentration of Creditors. **AU** Bris, Arturo; Welch, Ivo. **AA** Bris: Yale University. Welch: Yale University and NBER. **SR** National Bureau of Economic Research Working Paper: 8652; Working Papers. NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 32. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.).

JE G21, G32, G33. **KW** Public Creditors. Debt Concentration. Collecting Claims. Financial Distress.

AB There are situations in which dispersed creditors (e.g., public creditors) have more difficulties and higher costs when collecting their claims in financial distress than concentrated creditors (e.g., banks). Under this assumption, our model predicts that measures of debt concentration relate [a] positively to creditors' chosen aggregate debt collection expenditures; [b] positively to management's chosen expenditures to avoid paying; [c] positively to total net litigation costs/waste in financial distress; and [d] positively to accomplished claim recovery by creditors (to which we present some preliminary favorable empirical evidence). Under additional assumptions, measures of debt concentration relate [e] positively to intrinsic firm quality; [f] positively to creditor monitoring and negatively to managerial waste; [g] positively to optimal continuation/discontinuation choices; [h] negatively to issuing marketing expenses. In a signaling model, when concentration alone is not a sufficient signal, firms choose the ultimately concentrated debt (i.e., a house bank) and have to pay a high interest.

Brock, William A.

PD January 2003. **TI** Multinomial Choice with Social Interactions. **AU** Brock, William A.; Durlauf, Steven N. **AA** Brock: University of Wisconsin. Durlauf: University of Wisconsin and NBER. **SR** National Bureau of Economic Research Working Paper: w0288; 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** C35, C72. **KW** Multinomial Logit. Social Interactions. Individual Decision Making.

AB This paper develops a model of individual decision making in the presence of social interactions when the number of available choices is finite. We show how a multinomial logit model framework may be used to model such decisions in a way that permits a tight integration of theory and econometrics. Conditions are given under which aggregate choice behavior in a population exhibits multiple self-consistent equilibria. An econometric version of the model is shown to be identified under relatively weak conditions. That analysis is extended to allow for general error distributions and some preliminary ways to account for the endogeneity of group memberships are developed.

Browne, Jude

PD December 2002. **TI** Gender Pay Inequality: A Question for Corporate Social Responsibility. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP251; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 22. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G30, J70, K20, L20, M14. **KW** Gender Inequality. Gender Segregation. Corporate Governance. Corporate Social Responsibility. Kingsmill Review.

AB This paper examines the extent to which contemporary business-led approaches designed to maximize female human capital are effective in reducing the gender pay gap in the British labor market. In particular, it asks whether the approach outlined by the latest Cabinet Office Review on women's

employment and pay in Britain, headed by Denise Kingsmill, can help overcome the issue of pay inequality. The paper outlines Kingsmill's recommendations and then analyses their efficacy. The paper uses descriptive statistics and qualitative analysis to test both the successes and limitations of these recommendations in overcoming the gender pay gap within the BBC. It concludes by arguing that a partnership between innovative methods of human resource management and corporate governance on the one hand and government-centered mechanisms of social policy on the other offers the most likely solution to gendered pay inequality.

PD December 2002. **TI** Capabilities, Social Rights and European Market Integration. **AU** Browne, Jude; Deakin, Simon; Wilkinson, Frank. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP253; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 26. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** J83, K31. **KW** Capabilities. Social Rights. European Single Market. Market Integration.

AB This paper explores links between the economic notion of "capabilities" and the juridical concept of social rights. We begin by revisiting T. H. Marshall's classic analysis of social rights and their ambiguous relationship to the market. We then examine how far Amartya Sen's Capabilities Approach provides a framework for locating social rights within a market setting. We argue that Sen's non-dogmatic, context-orientated approach to defining the meaning of capabilities offers a viable way forward for thinking about the current tension between market rights and social rights in the European Union. This argument is illustrated by reference to the role played by mechanisms of corporate social responsibility in promoting gender equality.

Bru, Luis

PD November 2001. **TI** Informational Externalities, Herding and Incentives. **AU** Bru, Luis; Vives, Xavier. **AA** Bru: Universidad de Malaga. Vives: INSEAD. **SR** CEPR Discussion Paper: 3080; 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, L13. **KW** Coordination. Information Aggregation. Mechanism Design. Rational Expectations. Teams.

AB A version of the herding prediction model with a rational expectations flavor is reexamined in the light of incentive theory. The welfare loss at the market solution with respect to the incentive efficient solution can be decomposed into an information externality term minus an incentive cost term. It is found that the inefficiency of herding at the market solution is low when the cost of providing incentives is high. When the cost of providing incentives is low (and this happens when prior information is diffuse) the incentive efficient solution approaches the team solution that fully internalizes the information externality. Then the herding problem at the market solution is at its worst.

Brunello, Giorgio

PD May 2001. **TI** The Wage Expectations of European College Students. **AU** Brunello, Giorgio; Lucifora, Claudio;

Winter-Ebmer, Rudolf. AA Brunello: Universita di Padova, CESifo, and IZA. Lucifora: Universita Cattolica del Sacro Cuore di Milano. Winter-Ebmer: University of Linz, CEPR, WIFO, and IZA. SR CEPR Discussion Paper: 2817; 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 I20, J30, J40. KW Expectations Formation. Information Processing. Returns to Education.

AB Expected earnings and expected returns to education are seen by labor economists as a major determinant of educational attainment. In spite of this, the empirical knowledge about expectations and their formation is scarce. In this paper, we report the results of the first systematic study of the wage expectations of European college students. Our data are based on the replies to the same questionnaire by more than 6000 college students all over Europe. We study the determinants of wage expectations and expected employment probabilities, the variability of these expectations within a field of study and their variation across universities and fields. We also examine the trade-off between expected starting wages and wage growth. In the final section of the paper, we contrast expected returns to education with actual returns estimated from country-specific microdata. In line with US studies, we find that students overestimate returns to education.

Buisan, Ana

TI El Gasto de las Familias en Espana. AU Estrada, Angel; Buisan, Ana.

Buiter, Willem H.

PD November 2001. TI No Pain, No Gain? The Simple Analytics of Efficient Disinflation in Open Economies. AU Buiter, Willem H.; Grafe, Clemens. AA Buiter: European Bank for Reconstruction and Development, University of Cambridge, NBER, CESifo, and CEPR. Grafe: University of London. SR CEPR Discussion Paper: 3038; 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, F41. KW Disinflation. New Keynesian. Phillips Curve. Sacrifice Ratio.

AB The paper studies the design of efficient disinflation programs in open economies using the sacrifice ratio; that is, the cumulative additional un-employment or cumulative lost output required to achieve a 1 percent sustained reduction in the rate of inflation, as the metric of efficiency. The "new Keynesian" Phillips curve first proposed by Calvo has a zero sacrifice ratio: costless disinflation is possible, because the inflation process is purely forward-looking. There is inertia or rigidity in the price level but not in the rate of inflation. More interesting inflation kernels for which current inflation is partly forward-looking and partly backward-looking have a positive sacrifice ratio. Real exchange rate appreciation early in the disinflation process may raise the sacrifice ratio relative to a policy that keeps the real exchange rate constant. The sacrifice ratio is lower under gradualism than under "cold turkey." Efficient disinflation policies may, however, be time-inconsistent and therefore not credible.

Busetti, Fabio

PD November 2001. TI Tests of Stationarity Against a

Change in Persistence. AU Busetti, Fabio; Taylor, Robert A. M. AA Busetti: Bank of Italy. Taylor: University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 01/13; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. PG 51. PR 2 pounds; no charge to academics. JE C12, C22. KW Order of Integration. Stationarity. Persistence.

AB This paper considers testing against a change in the order of integration of a time series, either from $I(0)$ to $I(1)$ or from $I(1)$ to $I(0)$, at some known or unknown point in the sample. The null hypothesis is that the series is stochastically stationary around a constant level or a deterministic trend function. We first show that the ratio-based statistics proposed by Kim (2000) do not deliver consistent tests against such changes and propose a simple modification of these which facilitates consistent inference. When the change-point is not known we construct our tests taking functions of the locally best invariant (LBI) statistics over all possible break-dates. Sub-sample implementations of existing stationarity tests are also considered. We demonstrate by a series of simulation experiments that, for a given direction of change, the LBI-based approach delivers considerably more powerful tests than either the ratio-based tests or the sub-sample stationarity tests. Finally, we apply the tests discussed in the paper to the US inflation rate and find a consistent body of information supportive of a change in persistence from $I(1)$ to $I(0)$ behavior at the time of the US recession of 1990-91.

PD April 2002. TI Testing Against Stochastic Trend and Seasonality in the Presence of Unattended Breaks and Unit Roots. AU Busetti, Fabio; Taylor, Robert A. M. AA Busetti: Bank of Italy. Taylor: University of Birmingham. SR University of Birmingham, Department of Economics Discussion Paper: 02/06; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. PG 43. PR 2 pounds; no charge to academics. JE C12, C22. KW Stationarity Tests. Structural Breaks. Unattended Unit Roots. Bias-Corrected Tests. Pre-Filtering.

AB This paper considers the problem of testing against stochastic trend and seasonality in the presence of structural breaks and unit root behavior at frequencies other than those directly under test. We term the two cases that of unattended breaks and unattended unit roots respectively. We show that in both cases the true size of the Kwiatkowski et al. (1992) (KPSS) test at frequency zero and the Canova and Hansen (1995) (CH) test at the seasonal frequencies fall well below the nominal level under the null with an associated, often very dramatic, loss of power under the alternative. We suggest the following remedial actions: in the case of unattended breaks, a simple modification of the statistics can recover the usual limiting distribution appropriate to the case where there are no breaks; for unattended unit roots, the KPSS and CH statistics should be computed after pre-filtering the data. Our analysis provides both asymptotic representations for the statistics when there are unattended breaks or unit roots and associated Monte Carlo evidence appropriate to finite samples. The practical relevance of the theoretical contribution of the paper is demonstrated through empirical applications of the tests to data on U.K. marriages and U.K. consumers' expenditure on tobacco.

Bushnell, James

TI Trading Inefficiencies in California's Electricity Markets. **AU** Borenstein, Severin; Bushnell, James; Knittle, Christopher R.; Wolfram, Catherine.

Buti, Marco

PD June 2001. **TI** EMU in the Early Years: Differences and Credibility. **AU** Buti, Marco; Sapir, Andre. **AA** Buti: European Commission. Sapir: Universite Libre de Bruxelles and European Commission. **SR** CEPR Discussion Paper: 2832; 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, E50, E61, E63. **KW** EMU. Exposure and Adaptability to Shocks. Fiscal and Monetary Policy. Policy Coordination.

AB The main issue in the early years of EMU is one of credibility. On one hand, high exposure to asymmetric shocks and low adaptability (be it in terms of stabilization or adjustment) to both symmetric and asymmetric shocks make the early years of EMU potentially problematic. On the other hand, significant economic differences between EMU countries raise questions regarding the objective of price stability. Credibility-enhancing policy choices may, in the short run, conflict with optimal smoothing of shocks, but are essential to "ferry" EMU towards its "steady state." While a number of uncertainties still hang over the new regime, the paper finds that the experience of EMU so far is heartening. Although economic divergences skewed on the high side made internal monetary misalignments politically less troublesome, the stability-oriented EMU framework fostered broadly appropriate policy behavior in terms of both efforts to increase adaptability to shocks and of actual response to observed shocks.

Butkiewicz, James L.

PD March 2003. **TI** An Assessment of the Effectiveness of International Financial Intervention. **AU** Butkiewicz, James L.; Yanikkaya, Halit. **AA** Butkiewicz: University of Delaware. Yanikkaya: Celal Bayar University. **SR** University of Delaware, Department of Economics Working Paper: 2003/05; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 25. **PR** no charge. **JE** F34, O41. **KW** International Lending. Development Aid. Empirical Growth Model. World Bank. International Monetary Fund.

AB The two global international financial institutions, the International Monetary Fund (IMF) and the World Bank, frequently, and often repeatedly, extend loans to developing nations. Recently, these loans have been blamed for generating adverse economic outcomes. An empirical growth model, which controls for the other determinants of growth, is used to assess the growth impact of Fund and Bank loan programs. The primary focus is on the heavily criticized IMF lending programs. Another unique feature of this study is the use of the value of lending programs rather than the number of programs. The estimates indicate that Bank lending stimulates growth in some cases, primarily by increasing public investment. Fund lending is either neutral or detrimental to growth. The channel for this effect is a negative impact of Fund lending on private investment.

Cabral, Luis M. B.

PD November 2001. **TI** On the Evolution of the Firm Size Distribution: Facts and Theory. **AU** Cabral, Luis M. B.; Mata, Jose. **AA** Cabral: New York University and CEPR. Mata: New University of Lisbon and Bank of Portugal. **SR** CEPR Discussion Paper: 3045; 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, L11, L60. **KW** Financing Constraints. Firm Growth. Firm Size Distribution. Portuguese. Manufacturing.

AB Using a comprehensive data set of Portuguese manufacturing firms, we show that the firm size distribution is significantly right-skewed, evolving over time toward a log-normal distribution. We also show that selection accounts for very little of this evolution. Instead, we propose a simple theory based on financing constraint. A calibrated version of our model does a good job at explaining the evolution of the firm size distribution.

Cahuc, Pierre

PD May 2001. **TI** Labor Market Efficiency, Wages and Employment when Search Frictions Interact with Intrafirm Bargaining. **AU** Cahuc, Pierre; Wasmer, Etienne. **AA** Cahuc: Universite de Paris I and CEPR. Wasmer: Universite Libre de Bruxelles. **SR** CEPR Discussion Paper: 2812; 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** J30, J64. **KW** Overemployment. Search. Wage Bargaining.

AB In search of a macroeconomic theory of wage determination, the agnostic reader should be puzzled by the apparent contradiction between two influential theories. On one hand, in the standard search-matching theory with wage bargaining, hiring cost and constant returns of labor, the bargaining power of employees allows them to get rents and gives rise either to overemployment or to underemployment compared with the first best. On the other hand, in Stole and Zwiebel's theory of intrafirm bargaining with no hiring cost and decreasing returns of labor, the bargaining power of employees does not allow them to get rents and always gives rise to overemployment. In this paper, we try to reconcile these approaches. A simple matching model with large firms and diminishing marginal productivity of labor allows us to show that the two limit cases described above yield a mix of robust and non robust results: in the most general case, employees get rents and there is more frequently overemployment compared to the efficient allocation than in the standard search-matching model.

Campbell, John Y.

PD October 2001. **TI** A Multivariate Model of Strategic Asset Allocation. **AU** Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M. **AA** Campbell: Harvard University and NBER. Chan: Hong Kong University of Science and Technology. Viceira: Harvard University, CEPR, and NBER. **SR** National Bureau of Economic Research Working Paper: 8566; 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** G11, G12. **KW** Asset Returns.

Demand for Stocks. Predictability of Returns. Portfolio Choice. **AB** Much recent work has documented evidence for predictability of asset returns. We show how such predictability can affect the portfolio choices of long-lived investors who value wealth not for its own sake but for the consumption their wealth can support. We develop an approximate solution method for the optimal consumption and portfolio choice problem of an infinitely-lived investor with Epstein-Zin utility who faces a set of asset returns described by a vector autoregression in returns and state variables. Empirical estimates in long-run annual and postwar quarterly US data suggest that the predictability of stock returns greatly increases the optimal demand for stocks. The role of nominal bonds in long-term portfolios depends on the importance of real interest rate risk relative to other sources of risk. We extend the analysis to consider long-term inflation-indexed bonds and find that these bonds greatly increase the utility of conservative investors, who should hold large positions when they are available.

PD November 2001. **TI** A Multivariate Model of Strategic Asset Allocation. **AU** Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M. **AA** Campbell: Harvard University and NBER. Chan: Hong Kong University. Viceira: Harvard University, CEPR, and NBER. **SR** CEPR Discussion Paper: 3070; 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, G12. **KW** Intertemporal Hedging Demand. Portfolio Choice. Predictability. Strategic Asset Allocation.

AB See the abstract for Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M.; October 2001, "A Multivariate Model of Strategic Asset Allocation". National Bureau of Economic Research Working Paper: 8566; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Canning, David

TI The Effect of Health on Economic Growth: Theory and Evidence. **AU** Bloom, David E.; Canning, David; Sevilla, Jaypee.

Carlton, Dennis W.

PD December 2000. **TI** Competition, Monopoly, and Aftermarkets. **AU** Carlton, Dennis W.; Waldman, Michael. **AA** Carlton: University of Chicago. Waldman: Cornell University. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 164; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 38. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** D21, D42, D43, K21. **KW** Durable Goods. Market Power. Antitrust Law. Aftermarkets.

AB Consider a durable goods producer that potentially has market power in the aftermarkets associated with its products. An important question is to what extent, if any, should the antitrust laws restrict the firm's behavior in these aftermarkets? In this paper we explore a number of models characterized by either competition or monopoly in the new-unit market, and show that at variety of behaviors that hurt competition in aftermarkets can, in fact, be efficient responses to potential

inefficiencies that can arise in aftermarkets. Our results should give courts pause before intervening in aftermarkets.

Carow, Kenneth A.

PD November 2001. **TI** Event-Study Evidence of the Value of Relaxing Longstanding Regulatory Restraints on Banks, 1970-2000. **AU** Carow, Kenneth A.; Kane, Edward J. **AA** Carow: Indiana University. Kane: Boston College and NBER. **SR** National Bureau of Economic Research Working Paper: 8594; 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** D78, G21, G28, L51. **KW** Banking. Financial Deregulation. Institutions.

AB In a partial-equilibrium model, removing a binding constraint creates value. However, in general equilibrium, the stakes of other parties in maintaining the constraint must be examined. In financial deregulation, the fear is that expanding the scope and geographic reach of very large institutions might unblock opportunities to build market power from informational advantages and size-related safety-net subsidies. This paper reviews and extends event-study evidence about the distribution of the benefits and costs of relaxing longstanding geographic and product-line restrictions on U.S. financial institutions. The evidence indicates that the new financial freedoms may have redistributed rather than created value. Event returns are positive for some sectors of the financial industry and negative for others. Perhaps surprisingly, where customer event returns have been investigated, they prove negative.

Cartigny, Pierre

PD May 2002. **TI** On the Selection of One Feedback Nash Equilibrium in Discounted Linear-Quadratic Games. **AU** Cartigny, Pierre; Michel, Philippe. **AA** Cartigny: INRA-ESR and Universite de la Mediterranee. Michel: Universite de la Mediterranee. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/34; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be/. **PG** 11. **PR** \$100 per year. **JE** C61, C72. **KW** Linear-Quadratic Games. Nonzero Sum Games. Nash Equilibrium. Infinite Horizon.

AB We study a selection method for a Nash feedback equilibrium of a one-dimensional linear-quadratic nonzero sum game over an infinite horizon: by introducing a change in the time variable, one obtains an associated game over a finite horizon $T > 0$ and with free terminal state. This associated game admits a unique solution which converges to a particular Nash feedback equilibrium of the original problem as the horizon T goes to infinity.

Case, Karl E.

PD November 2001. **TI** Comparing Wealth Effects: The Stock Market Versus the Housing Market. **AU** Case, Karl E.; Shiller, Robert J.; Quigley, John M. **AA** Case: Wellesley College. Shiller: Yale University and NBER. Quigley: UC Berkeley. **SR** National Bureau of Economic Research Working Paper: 8606; 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** E20, G10, R31. **KW** Stock Market. Housing Market. Wealth. Consumption.

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

Casper, Steven

PD June 2002. **TI** Managing Competences in Entrepreneurial Technology Firms: A Comparative Institutional Analysis of Germany, Sweden and the UK. **AU** Casper, Steven; Whitley, Richard. **AA** Casper: University of Cambridge. Whitley: University of Manchester. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP230; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 36. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D80, L20, M13, O30. **KW** Entrepreneurship. Technology Firms. Competence. Technology Risks. Appropriability.

AB Innovative firms face two major kinds of risks in developing new technologies: competence destruction and appropriability. High levels of technical uncertainty and radical changes in knowledge in some fields generate high technical failure risks and make it difficult to plan research and development programmes. They therefore encourage high levels of flexibility in acquiring and using skilled staff. Appropriability risks, on the other hand, encourage innovative firms to develop organisation-specific competences through investing in complementary assets, such as marketing and distribution capabilities, that involve longer-term employer-employee commitments to building complex organisations. These connections between technology risks and employment policies help to explain why different kinds of market economies with contrasting labour market institutions develop varied innovation patterns. This study examines two new technology subsectors, computer software and biotechnology industries that vary in their level of technical change and appropriability in three European countries: Germany, Sweden and the United Kingdom.

Champarnaud, Luc

PD July 2002. **TI** Can Cultural Education Crowd Out Arts Subsidization? **AU** Champarnaud, Luc; Ginsburgh, Victor A.; Michel, Philippe. **AA** Champarnaud: Universite de Lille 3. Ginsburgh: Universite Libre de Bruxelles, and CORE, Universite Catholique de Louvain. Michel: Universite de la Mediterranee. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/40; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 15. **PR** \$100 per year. **JE** H23, H52, Z11. **KW** Arts Consumption. Education. Arts Subsidization. Overlapping Generations.

AB The debate about whether the arts should be supported or not is far from being recent, and most governments support the arts in one way or the other. The literature considers several

arguments in favor of such interventions. Education may seem as an action which could, in the long run, lead to possible reductions of subsidies. Surveys show that those who have been exposed to the arts when young, participate more when adult. However, the "non-market" transmission from parents to children, generates an external effect, which has to be taken into account to reach first-best situations. We construct an overlapping generations model in which young consumers are exposed to both public education towards the arts and transmission of such a taste from their parents and show that the first-best can be reached only if there is both public cultural education and subsidization of arts consumption. Education can, therefore, not be considered as a substitute for subsidies to arts consumption though the situations that prevail in most European countries point to subsidizing education, while consumption, especially of the older generations, should be taxed rather than subsidized.

Chan, Konan

PD May 2001. **TI** Earnings Quality and Stock Returns. **AU** Chan, Konan; Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef. **AA** Chan, K.: National Taiwan University. Chan, L. and Jegadeesh: University of Illinois at Urbana-Champaign. Lakonishok: University of Illinois at Urbana-Champaign and NBER. **SR** National Bureau of Economic Research Working Paper: 8308; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** G12, G14, M41. **KW** Accruals. Stock Returns. Earnings.

AB An exclusive focus on bottom-line income misses important information about the quality of earnings. Accrual (the difference between accounting earnings and cash flow) are reliably, negatively associated with future stock returns. Earnings increases that are accompanied by high accruals, suggesting low-quality earnings, are associated with poor future returns. We explore various hypotheses -- earnings manipulation, extrapolative biases about future growth, and under-reaction to business conditions -- to explain accruals' predictive power. Distinctions between the hypotheses are based on evidence from operating performance, the behavior of individual accrual items, and discretionary versus nondiscretionary components of accruals.

Chan, Louis K. C.

TI Earnings Quality and Stock Returns. **AU** Chan, Konan; Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef.

Chan, Yeung Lewis

TI A Multivariate Model of Strategic Asset Allocation. **AU** Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M.

PD November 2001. **TI** Catching Up with the Joneses: Heterogeneous Preferences and the Dynamics of Asset Prices. **AU** Chan, Yeung Lewis; Kogan, Leonid. **AA** Chan: Hong Kong University of Science and Technology. Kogan: MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8607; 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** E44, G12. **KW** Asset Pricing. Heterogeneity. Stock Returns. Leverage

Effect.

AB We analyze a general equilibrium exchange economy with a continuum of agents who have "catching up with the Joneses" preferences and differ only with respect to the curvature of their utility functions. While individual risk aversion does not change over time, dynamic redistribution of wealth among the agents leads to countercyclical time variation in the Sharpe ratio of stock returns. We show that both the conditional risk premium and the return volatility are negatively related to the level of stock prices, as observed empirically. Therefore, our model exhibits many of the empirically observed properties of aggregate stock returns, e.g., patterns of autocorrelation in returns, the "leverage effect" in return volatility and long-horizon return predictability. For comparison, otherwise similar representative agent economies with the same type of preferences exhibit counter-factual behavior, e.g., a constant Sharpe ratio of returns and procyclical risk premium and return volatility.

TI A Multivariate Model of Strategic Asset Allocation.
AU Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M.

Charles, Kerwin Kofi

PD November 2001. **TI** Job Displacement, Disability, and Divorce. **AU** Charles, Kerwin Kofi; Stephens, Melvin, Jr.. **AA** Charles: University of Michigan. Stephens: Carnegie Mellon University and NBER. **SR** National Bureau of Economic Research Working Paper: 8578; 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, J63. **KW** Job Displacement. Physical Disability. Divorce. Marriage.

AB This paper examines how job displacement and physical disability suffered by a spouse affects the probability that the person's marriage ends in divorce. According to the standard economic model of marriage, the arrival of new information about a partner's earning capacity that a negative earnings shock conveys might affect the gains that the couple believes it will receive from remaining married. Shocks may therefore affect divorce probability. Little previous work has explored this issue. The few efforts that exist use no explicit measures of earning shocks. Using the Panel Study of Income Dynamics, this paper finds an increase in the probability of divorce following a spouse's job displacement but no change in divorce probability after a spousal disability. This difference casts doubt on a purely pecuniary motivation for divorce following earnings shocks, since both types of shocks exhibit similar long-run economic consequences. Furthermore, the increase in divorce is found only for layoffs and not for plant closings which suggests that information conveyed about a partner's non-economic suitability as a mate due to a job loss may be more important than the financial losses in precipitating a divorce.

Charness, Gary

PD November 2000. **TI** What's in a Name? Anonymity and Social Distance in Dictator and Ultimatum Games. **AU** Charness, Gary; Gneezy, Uri. **AA** Charness: UCSB. Gneezy: University of Chicago. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/11; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 21. **PR** no charge for domestic

orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** A13, C91, D63, D64. **KW** E-Commerce. Experimental Economics. Generosity. Ultimatum Games. Social Distance.

AB The standard procedure in experimental economics maintains anonymity among laboratory participants. Yet, many field interactions are conducted with neither complete anonymity nor complete familiarity. When we are involved in interactive situations in the field, we usually have some clues concerning the characteristics of others; however, in environments such as e-commerce, these clues may not be very substantial. The issue of trust and behavior in virtual business is quite relevant in the contemporary economy. How will people respond to varying degrees of anonymity and social distance? This paper compares the standard procedure of playing dictator and ultimatum games with the same games played by participants who knew the family name of their counterparts. When these names were revealed, dictators allocated a significantly larger portion of the pie. However, this information had no significant effect on the offers in the ultimatum game, as it appears that strategic considerations crowd out impulses toward generosity of charity. Our results also have direct applications to fund-raising and philanthropic activities.

PD September 2001. **TI** Cheap Talk, Information, and Coordination -- Experimental Evidence. **AU** Charness, Gary; Grosskopf, Brit. **AA** Charness: UCSB. Grosskopf: Harvard Business School. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/09; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 25. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C72, C91, C92. **KW** Cheap Talk. Coordination. Payoff Information. Risk Dominance.

AB Costless and non-binding pre-play communication (cheap talk) has been found to often be effective in achieving efficient outcomes in experimental games. However, in previous two-player experimental games each player was informed about both his payoff and the action of the other player in the pair. In the field, people may engage in cheap talk and subsequently learn their payoffs, but frequently only learn their own payoffs and not the actions of other people. We model this uncertainty in the framework of a 2x2 coordination game in which one choice leads to the same payoff regardless of the action of the other player. We vary whether messages about intended play are permitted and whether participants are informed about the other person's play. Cheap talk is found to be effective, as there is much more coordination in both Signal treatments than in either of the No Signal treatments. We also find that information about the other person's play appears to increase coordination when messages are permitted. However, in the No Signal treatments, the round-to-round changes in choices induced by this additional information are unable to overcome the apparent pessimism about the feasibility of coordination without a signal.

PD September 2001. **TI** Social Distance and Reciprocity: The Internet vs. the Laboratory. **AU** Charness, Gary; Haruvy, Eran; Sonsino, Doron. **AA** Charness: UCSB. Haruvy: University of Texas at Dallas. Sonsino: Technion, Israel. **SR** University of California, Santa Barbara, Working Papers

in *Economics*: 01/10; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG 34. PR no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE A13, C72, C91, D63. KW Internet Experiments. Lost-Wallet Game. Reciprocity. Social Distance.

AB We explore the effects of social distance on reciprocal behavior in an experiment conducted over the Internet on three continents and in classroom laboratory sessions conducted in Israel and Spain. Our design elicits individual behavior profiles over a range of contingencies, enabling us to identify heterogeneity among our participants. We find that many people show regard for others, even with the apparent social distance inherent with Internet interaction. Even in a virtual experiment, about 28% of the population demonstrates what appears to be positive reciprocity. The classroom laboratory sessions minimize (anonymous) social distance. While the rate of positive reciprocity is higher (43%) with less social distance, the patterns in behavior are surprisingly similar across treatments. To the extent that reciprocity could be a feature of virtual international business, perhaps cooperative behavior is sustainable.

Chattopadhyay, Raghendra

PD December 2001. **TI** Women as Policy Makers: Evidence from a India-Wide Randomized Policy Experiment. **AU** Chattopadhyay, Raghendra; Duflo, Esther. **AA** Chattopadhyay: Indian Institute of Management. Duflo: MIT, NBER, and CEPR. **SR** National Bureau of Economic Research Working Paper: 8615; 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** H40, H70, I18, J16, O10. **KW** Policy Making. India. Women. Public Goods.

AB This paper uses political reservations for women in India to study the impact of women's leadership on policy decisions. In 1998, one third of all leadership positions of Village Councils in West Bengal were randomly selected to be reserved for a woman: in these councils only women could be elected to the position of head. Village Councils are responsible for the provision on many local public goods in rural areas. Using a data set we collected on 165 Village Councils, we compare the type of public goods provided in reserved and unreserved Villages Councils. We show that women invest more in infrastructure that is directly relevant to the needs of rural women (water, fuel, and roads), while men invest more in education. Women are more likely to participate in the policy-making process if the leader of their village council is a woman.

Checchi, Daniele

TI Adjusting Labor Demand: Multinational vs. National Firms: A Cross-European Analysis. **AU** Barba Navaretti, Giorgio; Checchi, Daniele; Turrini, Alessandro.

Cheffins, Brian

TI Corporate Ownership Structure and the Evolution of Bankruptcy Law in the US and UK. **AU** Armour, John; Cheffins, Brian; Skeel, D. A., Jr.

Chen, Joseph

TI Downside Risk and the Momentum Effect. **AU** Ang, Andrew; Chen, Joseph; Xing, Yuhang.

Chernew, Michael

PD November 2001. **TI** Learning and the Value of Information: The Case of Health Plan Report Cards. **AU** Chernew, Michael; Gowrisankaran, Gautam; Scanlon, Dennis P. **AA** Chernew: University of Michigan and NBER. Gowrisankaran: University of Minnesota, Federal Reserve Bank of San Francisco, and NBER. Scanlon: Pennsylvania State University. **SR** National Bureau of Economic Research Working Paper: 8589; 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** D12, D83, I11. **KW** Learning Model. Health Plan Performance. Bayesian Model.

AB We estimate a Bayesian learning model in order to assess the value of health plan performance information and the extent to which the explicit provision of information about product quality alters consumer behavior. We take advantage of a natural experiment in which health plan performance information for Health Maintenance Organizations (HMOs) was released to employees of a Fortune 50 company for the first time. Our empirical work indicates that the release of information affected health plan choices. Consumers were willing to pay an extra \$276 per year per below average rating avoided, and the average value of the information per employee was \$22 per year. The priors on quality and the quality ratings have a correlation of 0.14 that is statistically significant. The results suggest that despite the existence of a variety of informal mechanisms to convey information, including reputation, consumers may value formally constructed performance measures.

PD December 2001. **TI** Payer Type and the Returns to Bypass Surgery: Evidence from Hospital Entry Behavior. **AU** Chernew, Michael; Fendrick, A. Mark; Gowrisankaran, Gautam. **AA** Chernew: University of Michigan and NBER. Fendrick: University of Michigan. Gowrisankaran: University of Minnesota, Federal Reserve Bank of San Francisco, and NBER. **SR** National Bureau of Economic Research Working Paper: 8632; 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** D43, I11, L13. **KW** HMO. Medicare. Provision of Surgery. Artery Bypass Graft.

AB In this paper we estimate the returns associated with the provision of coronary artery bypass graft (CABG) surgery, by payer type (Medicare, Health Maintenance Organization, etc.). Because reliable measures of prices and treatment costs are often unobserved, we seek to infer returns from hospital entry behavior. We estimate a model of patient flows for CABG patients that provide inputs for an entry model. We find that FFS provides a high return throughout the study period. Medicare, which had been generous in the early 1980s, now provides a return that is close to zero. Medicaid appears to reimburse less than average variable costs. HMOs essentially pay at average variable costs, though the return varies inversely with competition.

Choi, James J.

PD December 2001. **TI** For Better or For Worse: Default Effects and 401(k) Savings Behavior. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew. **AA** Choi: Harvard University. Madrian: University of Chicago and NBER. Laibson: Harvard University and NBER. Metrick: University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8651; 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 the U.S.). **JE** D12, G11, J32. **KW** Savings Behavior. Asset Accumulation. Retirement. Automatic Program Enrollment.

AB In the last several years, many employers have decided to automatically enroll their new employees in the company 401(k) plan. Using several years of administrative data from three large firms, we analyze the impact of automatic enrollment on 401(k) participation rates, savings behavior, and asset accumulation. We find that although employees can opt out of the 401(k) plan, few choose to do so. As a result, automatic enrollment has a dramatic impact on retirement savings behavior: 401(k) participation rates at all three firms exceed 85% but participants tend to anchor at a low default savings rate and in a conservative default investment vehicle. We find that initially, about 80% of participants accept both the default savings rate (2% or 3% for our three companies) and the default investment fund. Even after three years, half of the plan participants subject to automatic enrollment continue to contribute at the default rate and invest their contributions exclusively in the default fund. The effects of automatic enrollment on asset accumulation are not straightforward. While higher participation rates promote wealth accumulation, the low default savings rate and the conservative default investment fund undercut accumulation. In our sample, these two effects are roughly offsetting on average.

PD December 2001. **TI** Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew. **AA** Choi: Harvard University. Madrian: University of Chicago and NBER. Laibson: Harvard University and NBER. Metrick: University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8655; 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 the U.S.). **JE** D91, G11, H55, J32. **KW** Savings Behavior. Automatic Enrollment. Pension Fund. Financial Education. Investment Options.

AB We assess the impact on savings behavior of several different 401(k) plan features, including automatic enrollment, automatic cash distributions, employer matching provisions, eligibility requirements, investment options, and financial education. We also present new survey evidence on individual savings adequacy. Many of our conclusions are based on an analysis of micro-level administrative data on the 401(k) savings behavior of employees in several large corporations that implemented changes in their 401(k) plan design. Our analysis identifies a key behavioral principle that should partially guide the design of 401(k) plans: employees often follow "the path of least resistance." For better or for worse, plan administrators can manipulate the path of least resistance to powerfully influence the savings and investment choices of

their employees.

Chu, Tianshu

PD January 2001. **TI** Vertical Specialization with Heterogeneous Entrepreneurs: Can Trade Promote Industrialization of Developing Countries? **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research Discussion Paper: 310; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 25. **PR** no charge. **JE** F11, F13, O11, O14. **KW** Neoclassical Trade Models. Commercial Policy. Protection. Economic Development. Industrialization.

AB This paper explores the theoretical link between trade liberalization and industrial development in developing economies. A two-country, three-good, and three-factor computable general equilibrium model is developed, which features a capital-intensive intermediate good, and a special factor of production, the entrepreneurial skill. The numerical results suggest that with free trade, the developing economy can import the cheaper capital-intensive intermediate good and largely expand its manufacture sector. Moreover, the developing economy can export its manufactured product to the developed economy. Unlike the conventional static trade models that predict that developing economies will de-industrialize with free trade, this theory helps to understand the rapid industrial expansion in newly industrialized economies while liberalizing their international trade.

Ciccone, Antonio

TI Trade and Productivity. **AU** Alcalá, Francisco; Ciccone, Antonio.

Clarida, Richard H.

PD November 2001. **TI** The Out-of-Sample Success of Term Structure Models as Exchange Rate Predictors: A Step Beyond. **AU** Clarida, Richard H.; Sarno, Lucio; Taylor, Mark; Valente, Giorgio. **AA** Clarida: NBER and Columbia University. Sarno, Taylor, and Valente: CEPR and University of Warwick. **SR** National Bureau of Economic Research Working Paper: 8601; 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** C50, C53, F31. **KW** Exchange Rates. Term Structure Models. Forecasting. Regime-Switching.

AB A large literature suggests that standard exchange rate models cannot outperform a random walk forecast and that the forward rate is not an optimal predictor of the spot rate. However, there is evidence that the term structure of forward premia contains valuable information for forecasting future spot exchange rates and that exchange rate dynamics display non-linearities. This paper proposes a term-structure forecasting model of exchange rates based on a regime-switching vector equilibrium correction model which is novel in this context. Our model significantly outperforms both a random walk and a linear term-structure vector equilibrium correction model for four major dollar rates across a range of horizons.

PD November 2001. **TI** The Empirics of Monetary Policy Rules in Open Economics. **AA** NBER and Columbia University. **SR** National Bureau of Economic Research

Working Paper: 8603; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E31, E50, F31, F41. **KW** Monetary Policy Rules. Open Economics. Inflation Targets. VAR. Exchange Rates.

AB This paper was prepared as a Keynote Address for the ESRC Conference on the Future of Macroeconomics held at the Bank of England Conference Center on April 14, 2000. It uses the empirical framework for formulating and estimating forward looking monetary policy rules developed in Clarida, Gali, Gertler (1998; 1999; 2000; 2001) and Clarida (2000) to assess what we know, don't know, and can't tell about monetary policy making in an open economy with an (implicit) inflation target. Among the issues discussed are: the relationship between structural VAR models of monetary policy and exchange rates and estimates of forward looking Taylor rules; the relationship between inflation targeting and leaning against the (exchange rate) wind; why central bankers are averse to even wide -- band target zones; quantifying that stresses and costs of a one size fits all monetary policy for the members of a monetary union or currency bloc.

PD November 2001. **TI** Optimal Monetary Policy in Closed versus Open Economies: An Integrated Approach. **AU** Clarida, Richard H.; Gali, Jordi; Gertler, Mark. **AA** Clarida: NBER and Columbia University. Gali: NBER, CEPR and Universitat Pompeu Fabra. Gertler: NBER and New York University. **SR** National Bureau of Economic Research Working Paper: 8604; Working Papers, NBER, 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 U.S.). **JE** E31, E40, E50, F31, F41. **KW** Optimal Monetary Policy. Open Economics. Taylor Rule. Interest Rates. Inflation.

AB This paper develops a new open economy macro model of optimal monetary for a small open economy. Our main result is that in this model, the optimal policy problem for the small open economy is isomorphic to the closed economy case studied in Clarida, Gali, Gertler (1999). In particular, the optimal policy can be implemented with a Taylor Rule under which the domestic interest rate adjusts to the equilibrium real interest rate and expected inflation in domestic prices.

Clark, Gregory

PD November 2001. **TI** Technology in the Great Divergence. **AU** Clark, Gregory; Feenstra, Robert. **AA** Clark: UC Davis. Feenstra: UC Davis and NBER. **SR** National Bureau of Economic Research Working Paper: 8596; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 56. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F10, N70. **KW** Productivity. Technology. Income Divergence. Trade.

AB In this paper, we examine the changes in per-capita income and productivity from 1700 to modern times, and show four things: (1) that incomes per capita diverged more around the world after 1800 than before; (2) that the source of this divergence was increasing differences in the efficiency of economies; (3) that these differences in efficiency were not due to problems of poor countries in getting access to the new technologies of the Industrial Revolution; (4) that the pattern of trade from the late nineteenth century between the poor and the rich economies suggests that the problem of the poor

economies was peculiarly a problem of employing labor effectively. This continues to be true today.

Cohen, Daniel

PD December 2001. **TI** The Phillips Curves Across the Atlantic: It is the Price Curves that Differ. **AU** Cohen, Daniel; Farhi, Emmanuel. **AA** Cohen: Universite de Paris I and CEPR. Farhi: MIT. **SR** CEPR Discussion Paper: 3100; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 12. **PR** 5 pounds, \$8 or 8 euros. **JE** E24, O57. **KW** Labor Market. Mark-Up. Phillips Curve. Price Behavior.

AB The paper highlights one critical difference between Europe and the US regarding the Phillips curve: the behavior of prices. While they are quickly restored to an equilibrium level in the US, European prices are driven by highly counter-cyclical mark-ups. In bad times, European firms manage to keep their price high relative to cost, while their US counterparts are pressed into cuts and discounts of various forms. We show that this behavior is the critical reason why Phillips curve look different across the Atlantic, much more than because of differences arising on the labor markets.

Colander, David C.

PD March 2002. **TI** Macroeconomic Externalities: New Keynesian Theory and Policy. **AU** Colander, David C.; Koford, Kenneth J.; Miller, Jeffrey B. **AA** Colander: Princeton University and Middlebury College. Koford and Miller: University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2002/01; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 29. **PR** no charge. **JE** E12, H23. **KW** Externalities. New Keynesian Theory. Internalization.

AB While macroeconomic models that contain macroeconomic externalities are now considered normal in macroeconomic theory, policies to internalize these macroeconomic externalities have not been considered in any detail, nor have they been analyzed from first principles. This paper extends Cooper and John's (1988) New Keynesian model to provide a framework for policy that parallels the microeconomic framework. Specifically, it identifies policies that can internalize macroeconomic externalities. The macroeconomic demand externality can in principle be internalized by a market in rights to that externality. We describe that optimal market and compare it with markets that internalize macroeconomic inflation and real output externalities. The role of more traditional policies -- monetary, fiscal, tax, institutional reform -- can also be analyzed in this internalizing macroeconomic externalities framework. Each has efficiency and administrative costs. We argue that differing views of those costs -- not differences over the existence of externalities -- should be seen as the heart of the macroeconomic policy debate. In addition, macroeconomic policy discussion should focus on the fundamental principle of internalizing externalities, as does microeconomic policy discussion.

Cole, Matthew A.

PD April 2002. **TI** FDI and the Capital Intensity of "Dirty" Sectors: A Missing Piece of the Pollution Haven

Puzzle. **AU** Cole, Matthew A.; Elliott, Robert J. R. **AA** Cole: University of Birmingham. Elliott: University of Manchester. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/04; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 33. **PR** 2 pounds; no charge to academics. **JE** F23, Q28, R38. **KW** Foreign Direct Investment. Environmental Regulations. Pollution Havens. Capital Endowments.

AB In an increasingly integrated world, falling trade barriers mean that the role environmental regulations play in shaping a country's comparative advantage is greater than ever. This has led to fears that pollution intensive industries will relocate to developing regions where environmental regulations may be less stringent. A number of reasons have been offered to explain why, despite anecdotal evidence and the predictions of many theoretical studies, little or no empirical verification for the existence of pollution havens has been found. However, little attention has been paid to the capital intensity of pollution intensive sectors. We investigate the relationship between US outward foreign direct investment and factor endowments across both countries and sectors. We highlight the role of capital and believe it explains why pollution havens are not more widespread. Our approach also highlights those countries that are likeliest to become pollution havens. A multivariate analysis reveals some evidence of pollution haven consistent behavior.

Colin Xu, Lixin

PD June 2001. **TI** The Political Economy of Privatization and Competition: Cross-Country Evidence from the Telecommunications Sector. **AU** Colin Xu, Lixin; Li, Wei; Qiang, Christine Zhen-Wei. **AA** Colin Xu and Qiang: World Bank. Li: University of Virginia and CEPR. **SR** CEPR Discussion Paper: 2825; 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** H10, L50, L96. **KW** Competition. Democracy. Political Economy. Political Structure. Privatization.

AB Using a new data set of the telecommunications sector on privatization and competition policies, we investigate the political economy determinants of privatization and liberalization in the telecommunications sector. Building on the framework of a generalized private interest theory, we derive hypotheses on how the characteristics of private interest groups and political structure affect policy changes in the telecommunications sector. We pay particular attention to how the effects of interest groups on policies vary from more democratic to less democratic countries. We find reasonably strong evidence in favor of the generalized interest group theory. Countries with stronger pro-reform interest groups (the financial services and the urban consumers) are more likely to reform. But countries are more likely to maintain state-owned monopolies in the sector when such a governance mode yields a higher pay-off for the governments -- when the telecommunications sector has higher profitability and when the fiscal deficit is higher and cannot be more easily financed by borrowing from the financial market. Democracy appears to affect the pace of reform by magnifying the voices of interest groups and by moderating politicians' discretion.

Connolly, Michelle P.

PD June 2001. **TI** Human Capital and Growth in the Post-Bellum South: A Separate But Unequal Story. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 01/01; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 27. **PR** no charge. **JE** N11, N12, O15, O18, R11. **KW** Human Capital. Economic Growth. Convergence. Regional Analysis. U. S. Economic History.

AB This paper tests the importance of human capital in explaining convergence across states of the United States after 1880. Human capital levels are found to matter not only to a state's income level but also to its growth rate through technological diffusion. The South's low human capital levels immediately after the Civil War, combined with its active resistance in the Post-Bellum period to educating its population, both white and black, played an important role in reducing the speed of Southern conditional convergence toward the rest of the nation after the Civil War.

Cook, Philip J.

TI State and Local Prevalence of Firearms Ownership: Measurement, Structure, and Trends. **AU** Azrael, Deborah; Cook, Philip J.; Miller, Matthew.

PD October 2001. **TI** After the Epidemic: Recent Trends in Youth Violence in the United States. **AU** Cook, Philip J.; Laub, John H. **AA** Cook: Duke University and NBER. Laub: University of Maryland. **SR** National Bureau of Economic Research Working Paper: 8571; 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** J11, J13, K42. **KW** Youth Violence. Abortion Effect. Crack Cocaine Markets.

AB The epidemic of youth violence in the United States peaked in 1993 and has been followed by a rapid, sustained drop. In parallel with our earlier treatment (Cook and Laub 1998), we assess two types of explanation for this drop -- those that focus on "cohort" effects (including the effects of abortion legalization) and those that focus on "period" effects (including the effects of the changing crack-cocaine trade). Once again we are able to reject the cohort-type explanations, yet also find contradictions with an account based on the dynamics of crack markets. The "way out" of this epidemic has not been the same as the "way in." The relative importance in homicide of youths, racial minorities, and guns, all of which increased greatly during the epidemic, has remained high during the drop. Arrest patterns tell a somewhat different story, in part because of changing the police practice with respect to aggravated assault. Finally, we demonstrate that the rise and fall of youth violence has been narrowly confined with respect to race, sex, and age, but not geography. Given the volatility in the rates of juvenile violence, forecasting rates is a risky business indeed.

Corsetti, Giancarlo

PD May 2001. **TI** The Role of Large Players in Currency Crises. **AU** Corsetti, Giancarlo; Pesenti, Paolo; Roubini, Nouriel. **AA** Corsetti: University of Rome III, Yale University, and CEPR. Pesenti: Federal Reserve Bank of New York and NBER. Roubini: New York University, NBER, and CEPR. **SR** National Bureau of Economic Research Working Paper: 8303; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website:

www.nber.org. **PG** 52. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F31, G15. **KW** Currency Crises. Emerging Markets. Leverage. Speculative Attacks.

AB During recent episodes of financial turmoil some policy makers voiced concerns about aggressive, and possibly manipulative, practices by highly leveraged institutions in emerging markets. This paper addresses these concerns by reconsidering in detail, at both theoretical and empirical levels, the role of large players in currency crises. The first part of the study discusses analytical results from different models of speculative attack, suggesting that the presence of agents with market power can increase a country's vulnerability to a crisis and make other investors more aggressive in their position-taking. Both size and reputation for quality of information matter in determining large players' impact on the market. The second part of the study presents evidence on the correlation between exchange rate movements and major market participants' net currency positions, and delves into a comparative analysis of several recent crisis episodes in Thailand, Hong Kong, Malaysia, Australia, and South Africa in light of the previous theoretical results.

Cosh, Andy

TI Do Takeovers Create Value? A Residual Income Approach on UK Data. **AU** Bild, Magnus; Cosh, Andy; Guest, Paul; Runsten, Mikael.

Costa, Dora L.

PD May 2001. **TI** Understanding the Decline in Social Capital, 1952-1998. **AU** Costa, Dora L.; Kahn, Matthew E. **AA** Costa: MIT and NBER. Kahn: Tufts University. **SR** National Bureau of Economic Research Working Paper: 8295; 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** J22, Z13. **KW** Social Capital. **AB** We evaluate trends in social capital since 1952 and assess explanations for the observed declines. We examine both social capital centered in the community and in the home and argue that the decline in social capital has been over-stated. Controlling for education, there have been small declines in the probability of volunteering, larger declines in group membership, and still larger declines in the probability of entertaining since the 1970s. There have been no declines in the probability of spending frequent evenings with friends or relatives, but there have been decreases in daily visits with friends or relatives. Rising community heterogeneity (particularly income inequality) explains the fall in social capital produced outside the home whereas the rise in women's labor force participation rates explains the decline in social capital produced within the home.

Crafts, Nicholas

PD November 2001. **TI** TFP Growth in British and German Manufacturing, 1950-96. **AU** Crafts, Nicholas; Mills, Terence C. **AA** Crafts: London School of Economics and CEPR. Mills: Loughborough University. **SR** CEPR Discussion Paper: 3078; 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** N14, O47. **KW** Adjustment Costs. Manufacturing. Total Factor

Productivity. Scale Economies.

AB The paper considers the accuracy of traditional Total Factor Productivity (TFP) growth estimates using an econometric methodology which takes account of scale economies, fixed factors of production and adjustment costs to reveal underlying "pure technological change." The results suggest that these biases vary substantially over time but do not impact heavily on Anglo-German comparisons. In both countries the early post-war years are a period when adjustment costs from a rising supply price of capital goods hold down TFP growth below that which could have accrued from pure technological progress. As might be expected, this problem largely disappeared in the later globalization period.

PD November 2001. **TI** Globalization in History: A Geographical Perspective. **AU** Crafts, Nicholas; Venables, Anthony J. **AA** London School of Economics and CEPR. **SR** CEPR Discussion Paper: 3079; 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** N10, N70, O57. **KW** Economic Geography. Economic History. Globalization.

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 20th century. It is suggested that while lack of high quality institutions has been a major reason for falling behind geographic disadvantages also merit attention.

Cremer, Jacques

TI Balanced Bayesian Mechanisms. **AU** D'Aspremont, Claude; Cremer, Jacques; Gerard-Varet, Louis-Andre.

Cristadoro, Riccardo

PD December 2001. **TI** A Core Inflation Index for the Euro Area. **AU** Cristadoro, Riccardo; Forni, Mario; Reichlin, Lucrezia; Veronese, Giovanni. **AA** Cristadoro and Veronese: Banca d'Italia. Forni: Universita di Modena. Reichlin: Universite Libre de Bruxelles. **SR** CEPR Discussion Paper: 3097; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. **Website:** www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E31, E52. **KW** Core Inflation. Dynamic Factor Model. Inflation Forecast. Monetary Policy.

AB This paper proposes an index of core inflation for the euro area which exploits information from a large panel of time series on disaggregated prices, industrial production, labor market indicators, financial and monetary variables. The index is the result of a smoothing operation at both the cross-sectional and time series level. By extracting the common component of national inflation and disregarding the idiosyncratic one, we clean inflation from measurement error, discrepancies in data recording and dynamics originated by national or sectoral idiosyncratic shocks (cross-sectional smoothing). By extracting the component with periodicity longer than one year we clean from high frequency variation and seasonal components which are not relevant for monetary policy (time

series smoothing). The indicator is shown to have a number of desirable characteristics and to perform very well as a forecaster of the euro area harmonized consumer price index at one and two years horizon, which is the relevant horizon for the European Central Bank monetary policy.

TI EuroCOIN: A Real Time Coincident Indicator of the Euro Area Business Cycle. **AU** Altissimo, Filippo; Bassanetti, Antonio; Cristadoro, Riccardo; Forni, Mario; Hallin, Marc; Lippi, Marco; Reichlin, Lucrezia; Veronese, Giovanni.

Cukierman, Alex

PD May 2001. **TI** Central Bank Reform, Liberalization and Inflation in Transition Economies -- An International Perspective. **AU** Cukierman, Alex; Miller, Geoffrey; Neyapti, Bilin. **AA** Cukierman: CentER, Tilburg University, Tel Aviv University, and CEPR. Miller: New York University. Bilin: Bilkent University. **SR** CEPR Discussion Paper: 2808; 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** E50, K20, P16, P20. **KW** Central Banks. Inflation. Legal Independence. Reform. Transition Economies.

AB This paper develops extensive new indices of legal independence (Central Bank Independence, or CBI) for new central banks in 26 former socialist economies (FSEs). The indices reveal that central bank reform in the FSEs during the 1990s has been quite ambitious. In spite of large price shocks, reformers in those countries have chosen to create central banks with levels of legal independence that are substantially higher, on average, than those of developed economies during the 1980s. The evidence in the paper shows that CBI is unrelated to inflation during the early stages of liberalization. But with sufficiently high and sustained levels of liberalization, and controlling for other variables, legal CBI and inflation are significantly and negatively related. These findings are consistent with the view that even high CBI cannot contain the initial powerful inflationary impact of removing price controls. But once the process of liberalization has gathered sufficient momentum legal independence becomes effective in reducing inflation. The paper also presents evidence on factors that affect the choice of CBI and it examines the relation between inflation and CBI in a broader sample.

Currie, Janet

PD December 2001. **TI** Hospitals, Managed Care, and the Charity Caseload in California. **AU** Currie, Janet; Fahr, John. **AA** Currie: UCLA and NBER. Fahr: KPMG Peat Marwick. **SR** National Bureau of Economic Research Working Paper: 8621; 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** I11, I18. **KW** HMOs. Charity Care. Health Care.

AB Many observers have blamed Health Maintenance Organizations (HMOs) for increasing financial pressures on private hospitals and causing them to cut back on the provision of charity care. We examine this issue using data on all hospital discharges in California between 1988 and 1996. We find that public hospitals in counties with higher HMO penetration do take on a larger share of the county's charity caseload. However, these public hospitals also take on larger shares of

most other types of patients. At the hospital level, we find little evidence that either for-profit or non-profit private hospitals respond to HMO penetration by turning away uninsured and Medicaid patients. On the contrary, in the for-profit sector higher HMO penetration is linked to reductions in the share of privately insured patients in the caseload, and corresponding increases in the share of Medicare patients and Medicaid births. Since HMO penetration reduces the price paid by privately insured patients they may be less attractive to for-profit hospitals relative to the publicly insured.

D'Aspremont, Claude

PD June 2002. **TI** Balanced Bayesian Mechanisms. **AU** D'Aspremont, Claude; Cremer, Jacques; Gerard-Varet, Louis-Andre. **AA** D'Aspremont: CORE, Universite Catholique de Louvain. Cremer: CNRS, IDEI, GREMAQ, Universite de Toulouse 1. Gerard-Varet: GREQAM. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/48; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 14. **PR** \$100 per year. **JE** D61, D71. **KW** Social Decision Rules. Bayesian Implementation. Balanced Budget Mechanisms.

AB We present a new condition on beliefs that guarantee the Bayesian implementability of all efficient social decision rules. We show that this condition is easy to verify and is both more interpretable and more general than the conditions that are found in the literature. We also study conditions guaranteeing the Bayesian implementability of all social decision rules with balanced budget mechanisms.

Danthine, Jean-Pierre

TI Portfolio Diversification: Alive and Well in Euroland!
AU Adjaoute, Kpate; Danthine, Jean-Pierre.

Das, Sanghamitra

PD December 2001. **TI** Market Entry Costs, Producer Heterogeneity, and Export Dynamics. **AU** Das, Sanghamitra; Roberts, Mark J.; Tybout, James R. **AA** Das: Indian Statistical Institute. Roberts and Tybout: Pennsylvania State University and NBER. **SR** National Bureau of Economic Research Working Paper: 8629; 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** D21, F23, L11. **KW** Export Supply. Columbia. Uncertainty. Entry Costs. Plant-Level Heterogeneity.

AB As the exchange rate, foreign demand, production costs and export promotion policies evolve, manufacturing firms are continually faced with two issues: Whether to be an exporter, and if so, how much to export. We develop a dynamic structural model of export supply that characterizes these two decisions and estimate the model using plant-level panel data on Colombian chemical producers. The model embodies uncertainty, plant-level heterogeneity in export profits, and sunk entry costs for plants breaking into foreign markets. Our estimates, and the simulation exercises that they support, yield several implications. First, entry costs are typically large, but vary greatly across producers. Second, there is substantial cross-plant heterogeneity in gross expected export profit streams. Third, these large entry costs make expectations about future exporting conditions important for many producers, so

changes in the exchange rate regime that are credible induce much more entry than those that are not. Fourth, however, most of the entry and exit takes place among marginal exporters who contribute little to aggregate export revenues. Finally, subsidies on export earnings have a much larger impact on export revenues (per dollar spent) than subsidies that reduce the entry costs faced by new exporters.

Davidson, Russell

PD October 2001. **TI** The Wild Bootstrap, Tamed at Last. **AU** Davidson, Russell; Flachaire, Emmanuel.

AA Davidson: Queen's University. Flachaire: London School of Economics. **SR** Queen's Institute for Economic Research Discussion Paper: 1000; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 17. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** C12, C15. **KW** Wild Bootstrap. Heteroskedasticity Consistent Covariance Matrix Estimators. Size Distortion.

AB Various versions of the wild bootstrap are studied as applied to regression models with heteroskedastic errors. We develop formal Edgeworth expansions for the error in the rejection probability (ERP) of wild bootstrap tests based on asymptotic *t* statistics computed with a heteroskedasticity consistent covariance matrix estimator. Particular interest centers on the choice of the auxiliary distribution used by the wild bootstrap in order to generate bootstrap error terms. We find that the Rademacher distribution usually gives smaller ERPs, in small samples, than the version of the wild bootstrap that seems most popular in the literature, even though it does not benefit from the latter's skewness correction. This conclusion, based on Edgeworth expansions, is confirmed by a series of simulation experiments. We conclude that a particular version of the wild bootstrap is to be preferred in almost all practical situations, and we show analytically that it, and no other version, gives perfect inference in a special case.

Davis, Donald R.

PD December 2001. **TI** The Factor Content of Trade. **AU** Davis, Donald R.; Weinstein, David E. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 8637; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 39. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F11, F16. **KW** Factor Trade. General Equilibrium. Patterns of Absorption.

AB Study of the factor content of trade has become a laboratory to test our ideas about how the key elements of endowments, production, absorption and trade fit together within a general equilibrium framework. Already a great deal of progress has been made in fitting these pieces together. Nevertheless, the existing research raises a great many questions that should help to focus empirical research in the coming years. Among the more pressing issues is a deeper consideration of the role of intermediates, the role of aggregation biases, and of differences in patterns of absorption. This work should provide a more substantial foundation for future policy work developed within a factor content framework.

Davis, Morris

PD November 2001. **TI** Housing and the Business Cycle. **AU** Davis, Morris; Heathcote, Jonathan. **AA** Davis: ReturnBuy and Federal Reserve Board. Heathcote: Duke University and New York University. **SR** Duke University Department of Economics Working Paper: 01/09; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 51. **PR** no charge. **JE** E20, E30, E32, R30. **KW** Residential Investment. House Prices. Multi-Sector Models.

AB In the United States, the percentage standard deviation of residential investment is more than twice that of non-residential investment. GDP, consumption, and both types of investment all co-move positively. At the industry level, output and hours worked in construction are more than three times as volatile as in services, and output and hours co-move positively across sectors. We reproduce all these facts in a multi-sector growth model with the following characteristics: different final goods are produced using different proportions of the same set of intermediate inputs, construction is relatively labor intensive, residential investment is relatively construction intensive, and housing depreciates much more slowly than business capital. Previous empirical work exploring the determinants of residential investment is re-examined in light of the model's equilibrium relationship between residential investment, house prices, and the rental rate on capital.

Dawson, Thomas C.

TI The IMF and Civil Society Organizations: Striking a Balance. **AU** Bhatt, Gita; Dawson, Thomas C.

de Clippel, Geoffroy

PD November 2002. **TI** Two-Person Bargaining With Verifiable Information. **AU** de Clippel, Geoffroy; Minelli, Enrico. **AA** FNRS and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/63; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 15. **PR** \$100 per year. **JE** C71, C78. **KW** Bargaining. Incomplete Information. Informed Principal.

AB We study Myerson's incomplete information bargaining solution under the assumption of verifiable types. For the case of an informed principal, in which one individual has all the bargaining power, we provide exact characterizations both from the non-cooperative and from the cooperative perspective. We then show that the axiomatic characterization can be extended to the case in which both individuals have some bargaining power. Myerson's approach also suggests a new definition of the core that refines Wilson's coarse core. We argue that this refinement captures an important aspect of negotiation at the interim stage.

de Jong, Frank

PD December 2001. **TI** Time-Varying Market Integration and Expected Returns in Emerging Markets. **AU** de Jong, Frank; de Roon, Frans. **AA** de Jong: Universiteit van Amsterdam and CEPR. de Roon: Tilburg University. **SR** CEPR Discussion Paper: 3102; 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, G15, G18. **KW** Asset Pricing. Emerging Markets. Market Integration.

AB We use a simple model in which the expected returns in emerging markets depend on their systematic risk as measured by their beta relative to the world portfolio as well as on the level of integration in that market. The level of integration is a time-varying variable that depends on the market value of the assets that can be held by domestic investors only versus the market value of the assets that can be traded freely. Our empirical analysis for 30 emerging markets shows that there are strong effects of the level of integration or segmentation on the expected returns in emerging markets. The expected returns depend both on the level of segmentation of the emerging market itself and on the regional segmentation level. We also find that there is significant time-variation in the betas relative to the world portfolio because of the level of segmentation. For the composite index of the emerging markets we find an annual increase in beta of 0.09 due to decreased segmentation of the emerging markets in our sample period. In terms of expected returns the total effect on the composite index translates into an average decrease of 4.5% per annum.

de la Croix, David

TI Early Mortality Declines at the Dawn of Modern Growth. **AU** Boucekkine, Raouf; de la Croix, David; Licandro, Omar.

TI Growth or Equality? Losers and Gainers from Financial Reform. **AU** Azariadis, Costas; de la Croix, David.

de Roon, Frans

TI Time-Varying Market Integration and Expected Returns in Emerging Markets. **AU** de Jong, Frank; de Roon, Frans.

Deakin, Simon

PD September 2002. **TI** Evolution for Our Time: A Theory of Legal Memetics. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP242; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 41. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** K22, K31. **KW** Legal Evolution. Memes. Path Dependence. Employment Contract. Corporate Governance.

AB The purpose of this paper is to explore the significance for legal thought of recent developments in evolutionary theory which are associated with the notion of "memetics". "Memetics" aims to account for processes of cultural transmission and change using a version of the "genetic metaphor". This is the idea that patterns of cultural evolution are closely analogous to those that occur in the natural world as a result of the interaction between genes, organisms and environments. At a further, more ambitious level, the initial metaphor gives way to a search for mechanisms that unite biological and cultural evolution. Identifying these general evolutionary mechanisms is part of a wide-ranging, interdisciplinary research agenda.

TI Capabilities, Social Rights and European Market Integration. **AU** Browne, Jude; Deakin, Simon; Wilkinson, Frank.

PD December 2002. **TI** Implicit Contracts, Takeovers and Corporate Governance: In the Shadow of the City Code. **AU** Deakin, Simon; Hobbs, Richard; Nash, David; Slinger, Giles. **AA** Deakin, Hobbs, and Nash: University of

Cambridge. Slinger: AT Kearney and Co. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP254; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 45. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D23, G34, K22. **KW** Hostile Takeovers. Stakeholding. Implicit Contracts. Breach of Trust. Corporate Governance.

AB This paper offers a qualitative, case study based analysis of hostile takeover bids mounted in the UK in the mid-1990s under the regime of the City Code on Takeovers and Mergers. It is shown that during bids, directors of bid targets focus on the concerns of target shareholders to the exclusion of other stakeholder groups. A review of case studies finds that, almost without exception, mergers led to large-scale job losses and asset disposals. However, almost none of the bids were considered by financial commentators, at this point, to have generated shareholder value for investors in the merged company. While there is therefore clear evidence that the Takeover Code is effective in protecting the interests of target shareholders, the implications of the Code for efficiency in corporate performance are much less certain.

del Rio, Fernando

TI Obsolescence and Modernization in the Growth Process. **AU** Boucekkine, Raouf; del Rio, Fernando; Licandro, Omar.

Delbridge, Rick

TI Lean Production and Manufacturing Performance Improvement in Japan, the UK and US 1994-2001. **AU** Barton, Harry; Delbridge, Rick; Oliver, Nick.

DeLeire, Thomas

PD November 2001. **TI** Gender, Occupation Choice and the Risk of Death at Work. **AU** DeLeire, Thomas; Levy, Helen. **AA** DeLeire: University of Chicago. Levy: University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 8574; 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** J16, J23. **KW** Occupation Choice. Gender Differences. Risk of Death. **AB** Women and men tend to work in different occupations. Although a great deal of research has been devoted to the measurement of trends in occupation segregation by gender, very little work has focused on the underlying job choice process that generates this segregation. What makes men and women choose the jobs they do? Using employment data from the 1995-1998 Current Population Surveys and data on occupational injuries and death from the Bureau of Labor Statistics, we estimate conditional logit models of occupation choice as a function of the risk of work-related death and other job characteristics. Our results suggest that women choose safer jobs than men. Within gender, we find that single moms or dads are most averse to fatal risk, presumably because they have the most to lose. The effect of parenthood on married women is larger than its effect on married men, which is consistent with the idea that men's contributions to raising children are more fully insured than women's. Overall, men and women's different preferences for risk can explain about one-quarter of the fact that men and women choose different occupations.

Demichelis, Stefano

PD June 2002. **TI** The Simple Geometry of Perfect Information Games. **AU** Demichelis, Stefano; Ritzberger, Klaus; Swinkels, Jeroen M. **AA** Demichelis: CORE, Universite Catholique de Louvain. Ritzberger: Institute for Advanced Studies. Swinkels: Washington University at St. Louis. **SR** Institute for Advanced Studies (IHS), Economics Series: 115; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 31. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** C72. **KW** Perfect Information. Subgame Perfection. Equilibrium Correspondence.

AB Perfect information games have a particularly simple structure of equilibria in the associated normal form. For generic such games each of the finitely many connected components of Nash equilibria is contractible. For every perfect information game there is a unique connected and contractible component of subgame perfect equilibria. Finally, the graph of the subgame perfect equilibrium correspondence, after a very mild deformation, looks like the space of perfect information extensive form games.

PD September 2002. **TI** Learning in Elections and Voter Turnout. **AU** Demichelis, Stefano; Dhillon, Amrita. **AA** Demichelis: CORE, Universite Catholique de Louvain. Dhillon: University of Warwick. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/45; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 31. **PR** \$100 per year. **JE** C72, D72. **KW** Voter Participation. Voter Learning. Markov Chain. Long Run Equilibria. Pivotal Elections.

AB Game theoretic models of voter turnout have recently fallen into disrepute because the crucial ingredient of the model, the probability of being pivotal for an individual voter, is infinitesimal in large elections. Moreover such models are plagued by the problem of multiple equilibria. We show that assuming voters to be boundedly rational instead of fully rational helps to ameliorate both these problems. Modeling the dynamics of voter learning in such a context leads to a unique equilibrium with a high probability, which increases with the number of voters. This enables the derivation of testable implications of the theory: increases in costs of voting affect turnout adversely but here may be persistence of turnout levels between elections even though costs and other parameters change. Increase in uncertainty increases turnout while increases in the size of the electorate decrease it, in line with intuitions.

Deschenes, Olivier

PD September 2001. **TI** Unobserved Ability, Comparative Advantage, and the Rising Return to Education in the United States: 1979-2000. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/12; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 29. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C23, I21, J24. **KW** Education. Unobserved Ability. Comparative Advantage.

Self-Selection. Correlated Random Coefficients.

AB This paper quantifies the change in the causal effect of education on labor market earnings in the United States between 1979 and 2000. In absence of valid instrumental variables for schooling, a causal model for earnings and schooling that incorporates heterogeneity in absolute and comparative advantage across individuals is used to impose some structure on the observed relationship between schooling and earnings. A simple intuition arises from the model: if individuals with higher returns to schooling acquire more schooling, the relationship between log earnings and schooling will be convex in the population. Differences across cohorts in the mapping between schooling and ability will lead to permanent differences in the profiles of the earnings- schooling relationship. Changes in the observed relationship between schooling and earnings can therefore be decomposed into year-specific and cohort-specific factors corresponding to causal and confounding components. Using Current Population Survey (CPS) data for cohorts of men born between 1930 and 1970, this paper finds that the causal return to education increased by 30% between 1979 and 2000, after controlling for the confounding effects of time-varying ability and comparative advantage biases across cohorts.

PD March 2002. **TI** Estimating the Effects of Family Background on the Return to Schooling. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/10; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 36. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C21, I21, J24. **KW** Return to Education. Self-Selection. Ability Bias. Family Background.

AB This paper examines the causal association between family background characteristics -- parental education and family size -- and returns to schooling using data from the Occupational Change in a Generation Survey. The paper first develops a formal model of schooling and earnings, with heterogeneous returns to education. Family environment is shown to influence the marginal return to schooling through its effects on the marginal benefit and the marginal cost of an additional year of education. Using two types of exclusion restrictions, one of the findings in the paper is that men raised in larger families have substantially lower returns to education, while the combined effects of parental education on the returns to education are more modest. I also examine the difference between ordinary least squares (OLS) and two stage least squares (TSLS) estimates of the return to schooling. Like other "supply-side" instrumental variable studies of the causal effect of education, this paper documents TSLS estimates that are larger than the corresponding OLS estimates. The results of this paper provide an alternative explanation for this phenomenon: constant marginal returns to schooling, combined with a negative ability bias and a positive self-selection bias (i.e. non-hierarchical sorting).

Devereux, Michael P.

PD April 2002. **TI** Do Countries Compete Over Corporate Tax Rates? **AU** Devereux, Michael P.; Lockwood, Ben; Redoano, Michela. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 642; Department of Economics, University of Warwick, Coventry CV4 7AL,

United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 30. PR no charge. JE F23, H25, H77. KW Tax Competition. Corporate Taxes. Effective Tax Rate. Multinational Firms.

AB This paper tests whether Organization for Economic Cooperation and Development (OECD) countries compete with each other over corporate taxes in order to attract investment. We develop two models: with firm mobility, countries compete only over the statutory tax rate or the effective average tax rate, while with capital mobility, countries compete only over the effective marginal tax rate. We estimate the parameters of reaction functions using data from 21 countries between 1983 and 1999. We find evidence that countries compete over all three measures, but particularly over the statutory tax rate and the effective average tax rate. This is consistent with a belief amongst governments that location choices by multinational firms are discrete. We also find evidence of concave reaction functions, consistent with the model outlined in the paper.

Dewald, William G.

TI Bond Market Inflation Expectations in Industrial Countries: Historical Comparisons. AU Bordo, Michael D.; Dewald, William G.

Dhillon, Amrita

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

Di Maria, Corrado

PD October 2001. TI Elastic Labour Supply and Optimal Taxation in a Model of Sustainable Endogenous Growth. AA Institute for Advanced Studies and Tilburg University. SR Institute for Advanced Studies (IHS), Economics Series: 105; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. PG 18. PR EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. JE D62, E62, O41, Q28. KW Endogenous Growth. Sustainable Growth. Environmental Externalities. Elastic Labor Supply. Optimal Taxation.

AB This paper presents an endogenous growth model, which features elastic labor supply in order to address the distortions created by labor income and consumption taxation. Introducing elastic labor into an AK model greatly changes the structure of the model and raises problems regarding the existence and the stability of a balanced growth path. Another important feature of this paper is the presence of environmental quality both in the utility and in the production functions and the requirement that the growth path of the economy be environmentally sustainable. Within the framework outlined, the focus of the analysis is on optimal taxation and on the effects of government policy on the growth path of the economy. The basic result is that even in this simple setting the interaction between the economic and the ecological system are complex and the policy outcomes crucially depend on the parameters of the model.

PD July 2002. TI Lagged Network Externalities and Rationing in a Software Monopoly. AU Di Maria, Corrado; Kotil, Johannes. AA Institute for Advanced Studies. SR Institute for Advanced Studies (IHS), Economics Series: 120; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. PG 16. PR EUR 6,00 individuals; EUR 20,00 institutions; prices

subject to change without notice. JE D42, D45, L12, L86. KW Software Monopoly. Lagged Network Externality. Introductory Pricing. Rationing.

AB The paper presents a model of a software monopolist who benefits from a lagged network externality arising from consumers' feedback through the so-called bug-fixing effect. That is, the software producer is able to correct errors in the software code detected by previous users, improving her products over time. Another feature of the model is that it responds to the short life cycle of software products, implying time-of-purchase depending utility functions, which are in contrast to the usual durable goods models. Both of these modifications are incorporated in a standard two-periods durable goods monopoly, analyzing questions of introductory pricing and quantity rationing. The model suggests that neither of these two instruments is able to explain why we see so much free software in the markets.

Diamantoudi, Effrosyni

PD September 2002. TI Coalitions, Agreements and Efficiency. AU Diamantoudi, Effrosyni; Xue, Licun. AA University of Aarhus. SR Universite Catholique de Louvain, CORE Discussion Paper: 2002/47; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. PG 18. PR \$100 per year. JE C71, C72, D62. KW Coalition Formation. Externalities. Efficiency. Agreements.

AB If agents negotiate openly and form coalitions, can they reach efficient agreements? We address this issue within a class of coalition formation games with externalities where agents' preferences depend solely on the coalition structures they are associated with. We derive Ray and Vohra's (1997) notion of equilibrium binding agreements using von Neumann and Morgenstern abstract stable set and then extend it to allow for arbitrary coalitional deviations (as opposed to nested deviations assumed originally). We show that, while the new notion facilitates the attainment of efficient agreements, inefficient agreements can nevertheless arise.

PD October 2002. TI International Environmental Agreements -- The Role of Foresight. AU Diamantoudi, Effrosyni; Sartzetakis, Eftichios S. AA Diamantoudi: University of Aarhus. Sartzetakis: University of Macedonia and University College of Cariboo. SR Universite Catholique de Louvain, CORE Discussion Paper: 2002/61; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. PG 27. PR \$100 per year. JE C79, H41. KW International Environmental Agreements. Public Good Provision. Coalition Formation. Foresight.

AB We examine the formation of International Environmental Agreements (IEAs). We extend the literature by endogenizing the reaction of the IEA's members to a deviation by a member or a group of members. We assume that when a country contemplates exiting or joining an agreement, it takes into account the reactions of other countries ignited by its own actions. We identify conditions under which there always exists a unique set of farsighted stable IEAs. The new farsighted IEAs can be much larger than those some of the previous models supported but are not always Pareto efficient. We extend the analysis to allow for coordinated action, that is, groups of countries jointly exiting or entering the agreement and fully

characterize the coalitionally farsighted stable IEAs.

Diao, Xinshen

PD October 2002. **TI** Economy-Wide Benefits From Establishing Water User-Right Markets in a Spatially Heterogeneous Agricultural Economy. **AU** Diao, Xinshen; Roe, Terry; Doukkali, Rachid. **AA** Diao: International Food Policy Research Institute. Roe: University of Minnesota. Doukkali: Institut Hassan II, Morocco. **SR** University of Minnesota Economic Development Center Working Paper: 2002/01; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/~econlib. **PG** 34. **PR** no charge. **JE** O13, O53, Q32. **KW** General Equilibrium. Water Pricing. Economic Development. Morocco.

AB This paper analyzes the economy-wide gains obtainable from the allocation of surface irrigation water to its most productive use, and evaluates a decentralized mechanism for achieving this result in a spatially heterogeneous environment. The focus country for the analysis is Morocco. The analysis is based on a general equilibrium model that, in addition to the rest of the economy, captures 83 agricultural production activities, 66 of which are in seven separately identified water districts that span the entire country. The results suggest that a decentralized water trading mechanism could increase agricultural inputs at the national level, including labor, and have economy-wide effects that entail modest declines in the cost of living, an increase in aggregate consumption, and expansion of international trade.

Djankov, Simeon

PD May 2001. **TI** Who Owns the Media? **AU** Djankov, Simeon; McLiesh, Caralee; Nenova, Tatiana; Shleifer, Andrei. **AA** Djankov, McLiesh, and Nenova: The World Bank. Shleifer: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8288; 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** H40, L30, L82. **KW** Government Monopoly. Media Ownership. Press Freedom.

AB We examine the patterns of media ownership in 97 countries around the world. We find that almost universally the largest media firms are owned by the government or by private families. Government ownership is more pervasive in broadcasting than in the printed media. Government ownership of the media is generally associated with less press freedom, fewer political and economic rights, and most conspicuously, inferior social outcomes in the areas of education and health. It does not appear that adverse consequences of government ownership of the media are restricted solely to the instances of government monopoly.

Dodds, Stefan

PD September 2002. **TI** Privacy and Endogenous Monitoring Choice When Private Information is a Public Good. **AA** Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 1010; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html.

PG 30. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** D82, H41. **KW** Privacy. Public Goods. Tagging.

AB This paper examines why economies endow agents with a degree of personal privacy, even when (a) "no privacy" is ex-post (Pareto) efficient, and (b) a costless monitoring technology exists. A government can provide more of a public good only by identifying "valuable" agents from a population of n . All agents report their type to the government -- truthfully or not -- unsure if they, or others, are being observed. When n is small, it is shown that increasing monitoring effectiveness can actually lead to ex-post inefficiency. Political equilibria are also characterized, where agents vote to constrain the government's monitoring effectiveness but not its ability to levy penalties or rewards. When n is large, all such equilibria are efficient; however, a utilitarian government may not implement taxes to reward honest reporting, nor impose penalties to punish it, even when these options ensure full revelation. Legislating a "right to privacy", by contrast, is always inefficient.

Doepke, Matthias

PD April 2002. **TI** Dynamic Mechanism Design with Hidden Income and Hidden Actions. **AU** Doepke, Matthias; Townsend, Robert M. **AA** Doepke: UCLA. Townsend: University of Chicago. **SR** University of California, Los Angeles, Department of Economics Working Paper: 818; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 42. **PR** no charge. **JE** C63, C73, D82. **KW** Moral Hazard. Public Reserves. Mechanism Design. Dynamic Contracts.

AB We develop general recursive methods to solve for optimal contracts in dynamic principal-agent models with hidden income and hidden actions. We further show that a curse of dimensionality which arises from the interaction of hidden endowments and hidden actions can be overcome by specifying behavior and utility promises off the equilibrium path. In an application to banking, we formulate the problem of providing optimal incentive-compatible credit insurance to banks that invest in risky loans, and find the optimal contract. We show that public reserves with a low return and a partial credit-guarantee scheme can be optimal if banks face uncertain and unobserved returns on their unobserved investments.

PD April 2002. **TI** Dynamic Mechanism Design with Hidden Income and Hidden Actions: Technical Appendix. **AU** Doepke, Matthias; Townsend, Robert M. **AA** Doepke: UCLA. Townsend: University of Chicago. **SR** University of California, Los Angeles, Department of Economics Working Paper: 819; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website:

www.econ.ucla.edu/research/index.html. **PG** 36. **PR** no charge. **JE** C63, C73, D82. **KW** Moral Hazard. Public Reserves. Mechanism Design. Dynamic Contracts.

AB In our paper "Dynamic Mechanism Design with Hidden Income and Hidden Actions," we develop general recursive methods to solve for optimal contracts in dynamic principal-agent models with hidden income and hidden actions. This appendix provides the detailed derivations of all recursive formulations presented in the paper, as well as proofs for all propositions.

PD September 2002. **TI** Show Me the Money: Retained

Earnings and the Real Effects of Monetary Shocks. AA UCLA. SR University of California, Los Angeles, Department of Economics Working Paper: 820; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 27. PR no charge. JE E32, E52. KW Monetary Shocks. Retained Earnings. Persistence. Flow of Funds. Monetary Policy. Business Cycles.

AB The empirical literature on monetary policy shocks documents that contractionary shocks are followed by a persistent rise in interest rates and a persistent fall in output. Standard monetary business cycle models can account for the initial effects of monetary shocks, but have difficulty generating persistence. This paper examines whether frictions that affect the asset allocation decisions of households can lead to persistent effects. In the model economy, households hold two assets, one used for transactions (the checking account) and one used for investment (the savings account). There is a small transaction cost for moving funds between the accounts. Another key feature of the economy is that the business sector accumulates retained earnings and credits profits to the consumers only with a delay. A finding of this paper is that in this environment monetary shocks have persistent effects even when the adjustment cost is very small.

PD November 2002. TI Child Mortality and Fertility Decline: Does the Barro-Becker Model Fit the Facts? AA UCLA. SR University of California, Los Angeles, Department of Economics Working Paper: 824; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 20. PR no charge. JE I12, J13. KW Fertility. Infant Mortality. Child Mortality. Demographic Transition.

AB This paper compares the predictions of three variants of the altruistic-parent model by Barro and Becker for the relationship between child mortality and fertility. In the baseline model, fertility choice is continuous, and there is no uncertainty over the number of surviving children. The baseline model is contrasted to an extension with discrete fertility choice and stochastic mortality, and a setup with sequential fertility choice. The quantitative predictions of the models are remarkably similar. While in each model the total fertility rate falls as child mortality declines, the number of surviving children increases. The results suggest that factors other than declining infant and child mortality are responsible for the large decline in net reproduction rates observed in industrialized countries over the last century.

PD February 2003. TI Voting With Your Children: A Positive Analysis of Child Labor Laws. AU Doepke, Matthias; Zilibotti, Fabrizio. AA Doepke: UCLA. Zilibotti: UCL, IFS, and CEPR. SR University of California, Los Angeles, Department of Economics Working Paper: 828; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. PG 56. PR no charge. JE J13, J38, K31. KW Child Labor. Fertility. Political Economy. Inequality.

AB We develop a positive theory of the adoption of child labor laws. The key mechanism in our model is that parents' decisions on family size interact with their preferences for child labor regulation. If policies are endogenous, multiple steady states with different child labor policies can exist. Consistent

with empirical evidence, the model predicts a positive correlation between child labor, fertility, and inequality across countries of similar per-capita income. In addition, the theory implies that the political support for regulation should increase if a rising skill premium induces parents to choose smaller families. The model replicates features of the history of the U.K. in the nineteenth century, when regulations were introduced after a period of rising wage inequality, and coincided with rapidly declining fertility rates and an expansion of education.

Domeij, David

PD August 2001. TI Factor Taxation with Heterogeneous Agents. AU Domeij, David; Heathcote, Jonathan. AA Domeij: Stockholm School of Economics. Heathcote: Duke University. SR Duke University Department of Economics Working Paper: 01/07; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. PG 42. PR no charge. JE E62, H21, H23, H31. KW Factor Taxation. Redistribution. Heterogeneous Agents.

AB We investigate the welfare implications of changing the mix between capital and labor taxes for a model economy in which heterogeneous households face uninsurable labor income risk. The stochastic process for labor earnings we construct is consistent with empirical estimates of earnings risk, and also implies a distribution of asset holdings across households closely resembling that in the United States. We find that a vast majority of households prefers the status quo to eliminating capital taxes. This finding is interesting in light of the fact that this reform would be optimal if we abstracted from heterogeneity and assumed a representative agent. A second finding is that a utilitarian government prefers the current calibrated U.S. capital income tax rate (39.7 percent) to any change in the capital tax rate.

Dorofeenko, Victor

PD July 2002. TI Time-Varying Uncertainty and the Credit Channel. AU Dorofeenko, Victor; Lee, Gabriel S.; Salyer, Kevin D. AA Dorofeenko and Lee: Institute for Advanced Studies. Salyer: UC Davis. SR Institute for Advanced Studies (IHS), Economics Series: 118; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/econ/publications.htm. PG 31. PR EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. JE E20, E32, E40, E50. KW Agency Costs. Credit Channel. Time-Varying Uncertainty.

AB We extend the Carlstrom and Fuerst (1997) agency cost model of business cycles by including time-varying uncertainty in the technology shocks that affect capital production. We first demonstrate that standard linearization methods can be used to solve the model yet second moment effects still influence equilibrium characteristics. The effects of the persistence of uncertainty are then analyzed. Our primary findings fall into three broad categories. First, it is demonstrated that uncertainty affects the level of the steady-state of the economy so that welfare analyses of uncertainty that focus entirely on the variability of output (consumption) will understate the true costs of uncertainty. A second key result is that time-varying uncertainty results in countercyclical bankruptcy rates -- a finding which is consistent with the data and opposite the result in Carlstrom and Fuerst. Third, we show that persistence of uncertainty affects both quantitatively and qualitatively the

behavior of the economy.

Doukkali, Rachid

TI Economy-Wide Benefits From Establishing Water User-Right Markets in a Spatially Heterogeneous Agricultural Economy. **AU** Diao, Xinshen; Roe, Terry; Doukkali, Rachid.

Dueker, Michael J.

PD June 2001. **TI** The Mechanics of a Successful Exchange-Rate Peg: Lessons for Emerging Markets. **AU** Dueker, Michael J.; Fischer, Andreas M. **AA** Dueker: Federal Reserve Bank of St Louis. Fischer: Schweizerische Nationalbank. **SR** CEPR Discussion Paper: 2829; 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, F31. **KW** Exchange Rate Peg. Emerging Markets. Monetary Policy.

AB This study seeks to determine if there were identifiable contrasts between the Austrian and Thai pegs that would have hinted at problems for Thailand prior to July 1997. The strategy is to first estimate a reaction function of a successful pegging country, i.e. Austria, to help identify salient features that made the Austrian peg credible. Next, the same model is applied to Thailand's monetary policy, an East Asian country that maintained one of the tightest pegs to the US dollar prior to its collapse. One lesson for pegging countries that emerges from the empirical results is that they ought to behave like assiduous inflation targeters even when there is no pressure on the exchange rate. A second lesson is that care is needed in choosing an anchor currency, because the major currencies experience wide swings against one another.

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

Dufo, Esther

TI Women as Policy Makers: Evidence from a India-Wide Randomized Policy Experiment. **AU** Chattopadhyay, Raghavendra; Dufo, Esther.

Dupont, Dominique Y.

PD September 2001. **TI** Hedging Barrier Options: Current Methods and Alternatives. **AA** EURANDOM-TUE, The Netherlands. **SR** Institute for Advanced Studies (IHS), Economics Series: 103; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 34. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** C63, G12, G13. **KW** Barrier Options. Static Hedging. Mean-Square Hedging. **AB** This paper applies to the static hedge of barrier options a technique, mean-square hedging, designed to minimize the size of the hedging error when perfect replication is not possible. It introduces an extension of this technique which preserves the computational efficiency of mean-square hedging while being consistent with any prior pricing model or with any linear constraint on the hedging residual. This improves on current static hedging methods, which aim at exactly replicating barrier options and rely on strong assumptions on the availability of traded options with certain strikes or maturities, or on the distribution of the underlying asset.

PD September 2001. **TI** Extracting Risk-Neutral Probability Distributions from Option Prices Using Trading Volume as a Filter. **AA** EURANDOM-TUE, The Netherlands. **SR** Institute for Advanced Studies (IHS), Economics Series: 104; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 32. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** G13, G14. **KW** Risk-Neutral Probability Distribution. Option Prices. Trading Volume.

AB This paper introduces a new technique to infer the risk-neutral probability distribution of an asset from the prices of options on this asset. The technique is based on using the trading volume of each option as a proxy of the informativeness of the option. Not requiring the implied probability distribution to recover exactly the market prices of the options allows us to weight each option by a function of its trading volume. As a result, we obtain implied probability distributions that are both smoother and should be more reflective of fundamentals.

Durenard, Eugene

PD 2002. **TI** Macro Surprises and Short-Term Behaviour in Bond Futures. **AU** Durenard, Eugene; Veredas, David. **AA** Durenard: Credit Suisse Group. Veredas: CIRANO and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/37; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 26. **PR** \$100 per year. **JE** C22, E32, G14. **KW** Bonds. Polynomial Distributed Lag Model. Business Cycle. Macro Announcements.

AB This paper analyses how the macro news affect the future price of the ten year Treasury bond future (TY), one the most important US bonds. We consider different fundamentals and we analyze the effect of their forecasting errors conditionally on their sign and the momentum of the business cycle. To obtain a smooth effect of the news arrival we consider a Polynomial Distributed Lag (PDL) model. We conclude that i) fundamentals affect TY for some hours, ii) their effect depends on the sign of the forecast error and iii) it depends on the business cycle. Finally the timeliness of the releases matters.

Durlauf, Steven N.

TI Multinomial Choice with Social Interactions. **AU** Brock, William A.; Durlauf, Steven N.

Dustmann, Christian

TI Strange Bids: Bidding Behavior in the United Kingdom's Third Generation Spectrum Auction. **AU** Borgers, Tilman; Dustmann, Christian.

Dyck, Alexander

PD December 2001. **TI** Private Benefits of Control: An International Comparison. **AU** Dyck, Alexander; Zingales, Luigi. **AA** Dyck: Harvard Business School. Zingales: University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 172; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 37. **PR** \$3.00;

make check payable to "The University of Chicago."
JE L33, O16, O57. **KW** Private Benefits. Control Transactions. Privatization.

AB We construct a measure of the private benefits of control in 39 countries based on 412 control transactions between 1990 and 2000. We find that the value of control ranges between -4% and +65%, with an average of 14 percent. As predicted by theory, in countries where private benefits of control are larger capital markets are less developed, ownership is more concentrated, and privatizations are less likely to take place as public offerings. We also analyze what institutions are most important in curbing these private benefits. A high degree of statutory protection of minority shareholders and high degree of law enforcement are associated with lower levels of private benefits of control, but so are a high level of diffusion of the press, a high rate of tax compliance, and a high degree of product market competition. A crude R-squared test suggests that the "non traditional" mechanisms have at least as much explanatory power as the legal ones commonly mentioned in the literature. In fact, in a multivariate analysis newspapers' circulation and tax compliance seem to be the dominating factors. We advance an explanation why this might be the case.

Dziobek, Claudia H.

PD July 2002. **TI** The Role of Monthly Economic Statistical Bulletins. **AU** Dziobek, Claudia H.; Jin, Mei. **AA** Dziobek: IMF. Jin: National Bureau of Statistics, China. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/09; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 17. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** A13, D83, E29, E58. **KW** Economic Information. Statistical Capacity Building. Technical Assistance. Statistical Bulletins.

AB Monthly economic statistical bulletins issued by central banks and national statistical offices, the focus of this study, are well established in countries with advanced statistical systems. Such bulletins present a synopsis of current economic trends and cater to a broad group of users involved in policy, markets, media, and research. Compendium bulletins serve as a reference point, contribute to public economic knowledge and transparency, and can add to international visibility. We find that only about half of developing countries produce monthly bulletins. Based on experience in industrial countries and a survey of 22 successful bulletins from developing countries, this paper highlights the role of such bulletins and discusses selected aspects of their content, production, and dissemination.

Ehrenberg, Ronald G.

PD May 2001. **TI** The Sources and Uses of Annual Giving at Private Research Universities. **AU** Ehrenberg, Ronald G.; Smith, Christopher L. **AA** Ehrenberg: Cornell University and NBER. Smith: Cornell University. **SR** National Bureau of Economic Research Working Paper: 8307; 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** I22, L30. **KW** Private Research Universities. Institutional Characteristics. Taxes. Annual Giving.

AB Private research universities differ in the shares of their annual giving coming from different sources (alumni, other

individuals, foundations, and corporations) and the shares of their annual giving applied to different uses (current operations, buildings and equipment, enhancing their endowments). After providing background data on the aggregate variation in these shares over time and their interuniversity variation at a point in time, our econometric analyses use data from a panel of research universities that span a 30-year period to provide explanations for these differences. These differences are seen to depend upon institutional characteristics, macroeconomic variables and tax parameters. One key finding is that richer institutions, as measured by endowment per student, devote a larger share of their annual giving to further building their endowments. This contributes to the increasing diversion of wealth across private research universities.

Eichberger, Jurgen

TI Free Riders Do Not Like Uncertainty. **AU** Bailey, Ralph W.; Eichberger, Jurgen; Kelsey, David.

Eijffinger, Sylvester C. W.

PD November 2001. **TI** Taxation if Capital is Not Perfectly Mobile: Tax Competition versus Tax Exportation. **AU** Eijffinger, Sylvester C. W.; Wagner, Wolf. **AA** Eijffinger: Tilburg University and CEPR. Wagner: Tilburg University. **SR** CEPR Discussion Paper: 3084; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 13. **PR** 5 pounds, \$8 or 8 euros. **JE** F15, F21. **KW** Capital Mobility. Cross-Ownership. Tax Competition. Financial Integration.

AB This paper analyses the tax competition and tax exporting effect of financial integration. On the one hand, financial integration increases capital mobility and thus the incentive for countries to compete for capital. On the other hand, financial integration increases foreign ownership of firms and capital and allows for exportation of source taxes. Both effects have contrary implications for capital taxes. Allowing for imperfectly mobile capital, our analysis suggests that currently the tax exportation effect is dominating, which implies excessive capital taxation. From studying the benchmark of full financial integration we find that capital taxes are likely to increase from current levels. We further examine the tax exportation effect empirically and find that it is significant as well as quantitatively important for the US.

Ekholm, Karolina

TI Foreign Direct Investment in Central and Eastern Europe: Employment Effects in the EU. **AU** Braconier, Henrik; Ekholm, Karolina.

TI Foreign Direct Investment in Central and Eastern Europe: Employment Effects in the EU. **AU** Braconier, Henrik; Ekholm, Karolina.

Elborgh-Woytek, Katrin C.

PD May 2002. **TI** Privatization in Ukraine: Challenges of Assessment and Coverage in Fund Conditionality. **AU** Elborgh-Woytek, Katrin C.; Lewis, Mark W. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/07; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 22. **PR** \$10; prepayment required for individual copies; make checks payable to IMF.

JE L32, P31. **KW** Public Enterprises. Privatization. Transition. Ukraine.

AB This paper examines the recent privatization experience in Ukraine in the context of the streamlining of Fund structural conditionality. A particular focus is the shift from privatization-related conditionality based on quantitative targets to conditionality aimed at strengthening privatization procedures. The paper examines how this shift was managed in Ukraine and discusses the challenges of applying conditionality to privatization procedures and the implications for country ownership.

Elliott, Robert J. R.

TI FDI and the Capital Intensity of "Dirty" Sectors: A Missing Piece of the Pollution Haven Puzzle. **AU** Cole, Matthew A.; Elliott, Robert J. R.

Epifani, Paolo

PD November 2001. **TI** Geography, Migrations and Equilibrium Unemployment. **AU** Epifani, Paolo; Gancia, Gino A. **AA** Epifani: University of Parma and CESPRI. Gancia: Stockholm University. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 156; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 23. **PR** no charge. **JE** F12, F15, F16. **KW** Trade Integration. Agglomeration. Regional Unemployment. Europe.

AB We study the effects of trade integration on the regional co-evolution of income, migrations and unemployment in a dynamic core-periphery model with limited labour mobility and frictions in the job matching process. Our model can help explain a recently documented empirical puzzle, i.e. the divergence of unemployment rates, together with low migrations and modest income convergence experienced by European regions over the last twenty years. By studying explicitly the transitional dynamics of the model, we also highlight a contrast between short run and long run effects of trade and policy shocks on a geographically differentiated economy.

Epstein, Gil S.

PD June 2001. **TI** A Theory of Immigration Amnesties. **AU** Epstein, Gil S.; Weiss, Avi. **AA** Epstein: Bar-Ilan University, IZA, and CEPR. Weiss: Bar-Ilan University and IZA. **SR** CEPR Discussion Paper: 2830; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** J61, J68. **KW** Amnesty. Border Controls. Illegal Immigration. Immigration. Internal Controls.

AB This paper presents a first attempt at understanding some of the many issues involved in the granting of an amnesty to illegal immigrants. We consider government behavior with respect to allocations on limiting infiltration (border control) and apprehending infiltrators (internal control) and, with respect to the granting of amnesties, the timing of amnesties, and limitations on eligibility for those amnesties. We demonstrate the effects of government actions on allocations and the flow of immigrants, and how the interactions between these factors combine to yield an optimal amnesty policy. We also consider various extensions such as intertemporal transfers of policing funds, risk-aversion, and "fuzziness" in declarations regarding eligibility for an amnesty aimed at apprehending and

deporting undesirables.

Estevadeordal, Antoni

PD May 2001. **TI** A Century of Missing Trade? **AU** Estevadeordal, Antoni; Taylor, Alan M. **AA** Estevadeordal: Inter-American Development Bank. Taylor: University of California, Davis. **SR** National Bureau of Economic Research Working Paper: 8301; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F11, F14, F20, N70. **KW** Missing Trade Mystery. Heckscher-Ohlin-Vanek Framework. Factor Abundance Theory.

AB In contemporary data, the measure factor content of trade is far smaller than its predicted magnitude in the pure Heckscher-Ohlin-Vanek framework, the so-called "missing trade" mystery. We wonder if this problem has been there from the beginning: that is, we ask if the Heckscher-Ohlin theory was so much at odds with reality at its time of conception. We apply contemporary tests to historical data, focusing on major trading zone that inspired the factor abundance theory, the Old and New Worlds of the pre-1914 "Greater Atlantic" economy. This places our analysis in a very different context than contemporary studies: an era with lower trade barriers, higher transport costs, a more skewed global distribution of the relevant factors (especially land), and comparably large productivity divergence. These conditions might seem more favorable to the theory, but the results are still very poor.

Estrada, Angel

PD April 1999. **TI** El Gasto de las Familias en Espana. **AU** Estrada, Angel; Buisan, Ana. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 65; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 134. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** E21, E22. **KW** Consumption. Durable and Non-Durable Consumption. Residential Investment.

AB This monograph studies household expenditure decisions with a dual aim: first, to analyze its behavior during the last three decades in order to determine the main underlying factors; and second, to study in detail the various sources of information available so as to analyze household expenditure, from both a short-term and structural perspective. Thus, the first chapter reviews the aspects considered fundamental under economic theory for understanding household expenditure decisions. The second chapter analyzes their performance in the last three decades and characterizes their pattern within the business cycle. The remaining two chapters present simple macroeconomic models providing for the structural analysis and enabling the framework for addressing the short-term analysis to be set up in place.

Etro, Federico

TI The Political Economy of International Unions. **AU** Alesina, Alberto; Angeloni, Ignazio; Etro, Federico.

TI Institutional Rules for Federations. **AU** Alesina, Alberto; Angeloni, Ignazio; Etro, Federico.

Evans, George W.

PD April 2001. **TI** Expectations and the Stability Problem for Optimal Monetary Policies. **AU** Evans, George W.; Honkapohja, Seppo. **AA** Evans: University of Oregon. Honkapohja: University of Helsinki. **SR** CEPR Discussion Paper: 2805; 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** D84, E31, E52. **KW** Adaptive Learning. Instability. Private Expectations. Stability.

AB A fundamentals-based monetary policy rule, which would be the optimal monetary policy without commitment when private agents have perfectly rational expectations, is unstable if in fact these agents follow standard adaptive learning rules. This problem can be overcome if private expectations are observed and suitably incorporated into the policy maker's optimal rule. These strong results extend to the case in which there is simultaneous learning by the policy maker and the private agents. Our findings show the importance of conditioning policy appropriately, not just on fundamentals, but also directly on observed household and firm expectations.

Fahr, John

TI Hospitals, Managed Care, and the Charity Caseload in California. **AU** Currie, Janet; Fahr, John.

Farhi, Emmanuel

TI The Phillips Curves Across the Atlantic: It is the Price Curves that Differ. **AU** Cohen, Daniel; Farhi, Emmanuel.

Favero, Carlo A.

PD December 2001. **TI** Large Datasets, Small Models and Monetary Policy in Europe. **AU** Favero, Carlo A.; Marcellino, Massimiliano. **AA** Università Bocconi and CEPR. **SR** CEPR Discussion Paper: 3098; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E52, E58. **KW** Dynamic Factors. Monetary Policy. Small Models.

AB Nowadays a considerable amount of information on the behavior of the economy is readily available, in the form of large datasets of macroeconomic variables. Central bankers can be expected to base their decisions on this very large information set. Yet the academic profession has shown a clear preference for using small models to highlight stylized facts and to implement policy simulation exercises. Omitted information is then a potentially relevant problem. Recent time-series techniques for the analysis of large datasets have shown how vast an amount of information can be captured by few factors. In this paper we combine factors extracted from large datasets with more traditional small-scale models to analyze monetary policy in Europe. In particular, we model hundreds of macroeconomic variables with a dynamic factor model, and summarize their informational content with a few estimated factors. These factors are then used as instruments in the estimation of forward-looking Taylor rules, and as additional regressors in structural Vector Autoregressions. The latter are then used to evaluate the effects of unexpected and systematic monetary policy.

Feenstra, Robert

TI Technology in the Great Divergence. **AU** Clark, Gregory; Feenstra, Robert.

Feldstein, Martin

PD November 2001. **TI** Potential Paths of Social Security Reform. **AU** Feldstein, Martin; Samwick, Andrew. **AA** Feldstein: Harvard University and NBER. Samwick: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8592; 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** H20, H55. **KW** Social Security Reform. Tax Rates. Payroll Tax.

AB This paper presents alternative Social Security reform options in which the projected level of benefits for every future cohort of retirees is as high or higher than the benefits projected in current law. These future benefits can be achieved without any increase in the payroll tax or in other tax rates. Under each option, the Social Security Trust Fund is solvent and ends with a sustainable positive and growing balance. Each option combines the current pay-as-you-go system of defined benefits with an investment-based personal retirement account (PRA). We also consider the option in which an individual can take all or part of his accumulated PRA balanced as a lump sum at normal retirement age. The basic plan that we present combines a transfer to the PRA of a portion of the individual's payroll tax if the individual agrees to deposit an equal out-of-pocket amount. The additional national saving that results from this option leads to increased business investment and therefore to increased general tax revenue; a portion of that revenue, equal to 1 percent of the PRA balances, is transferred to the Social Security Trust Fund.

Fendrick, A. Mark

TI Payer Type and the Returns to Bypass Surgery: Evidence from Hospital Entry Behavior. **AU** Chernew, Michael; Fendrick, A. Mark; Gowrisankaran, Gautam.

Fernandez, Raquel

PD November 2001. **TI** Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality. **AU** Fernandez, Raquel; Guner, Nezih; Knowles, John. **AA** Fernandez: New York University and NBER. Guner: Pennsylvania State University. Knowles: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 8580; 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** D31, I21, J12, J31. **KW** Matching. Inequality. Children. Marital Sorting.

AB This paper examines the interactions between household matching, inequality, and per capita income. We develop a model in which agents decide whether to become skilled or unskilled, form households, consume and have children. We show that the equilibrium sorting of spouses by skill type (their correlation in education) is increasing as a function of the skill premium. In the absence of perfect capital markets, the economy can converge to different steady states, depending upon initial conditions. The degree of marital sorting, wage inequality, and fertility differentials are positively correlated across steady states and negatively correlated with per capita

income. We use household surveys from 34 countries to construct several measures of the skill premium and of the degree of correlation of spouses' education (marital sorting). For all our measures, we find a positive and significant relationship between the two variables.

PD November 2001. **TI** Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality. **AU** Fernandez, Raquel; Guner, Nezih; Knowles, John. **AA** Fernandez: New York University, NBER, and CEPR. Guner: Pennsylvania State University Park. Knowles: University of Pennsylvania. **SR** CEPR Discussion Paper: 3040; 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, I21, J12, J31. **KW** Assortative Matching. Education. Fertility. Growth. Human Capital.

AB See the abstract for Fernandez, Raquel; Guner, Nezih; Knowles, John.; November 2001, "Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality". National Bureau of Economic Research Working Paper: 8580; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

Ferral, Christopher

PD August 2002. **TI** Estimation and Inference in Social Experiments. **AA** Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 1008; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 57. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** C61, C63, D58. **KW** Treatment Effects. Impact Analysis. Dynamic Programming. Policy Experiments.

AB This paper develops a framework for analyzing the outcome of experiments carried out on forward-looking subjects. Natural experiments, unexpected policy changes, and true experiments are all included in the framework as special cases. These concepts are defined in conjunction with explicit notions of controlled and randomized experiments. The persistent issues of sample-selection bias and heterogeneous impacts that surround interpretations of experiments are endogenous to the model. Special attention is given to interpreting empirical impact of the treatment within the model. The environments in which estimated mean impacts correspond to mean subjective impacts are specified, and they are found to be a small, uninteresting subset of environments contained within the framework.

Findlay, Robert

PD November 2001. **TI** Commodity Market Integration, 1500-2000. **AU** Findlay, Robert; O'Rourke, Kevin H. **AA** Findlay: Columbia University. O'Rourke: Trinity College Dublin and NBER. **SR** National Bureau of Economic Research Working Paper: 8579; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 56. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F15, N70, O33. **KW** Commodity Market. Market Integration. Technology Change.

AB This paper provides a summary of what is known about trends in international commodity market integration during the

second half of the second millennium. The range of goods which have been traded between continents since the Voyages of Discovery has steadily increased over time, and there has been substantial commodity market integration over the period, driven by technology in the 19th century and politics in the late 20th century. However, this trend towards greater market integration was not monotonic; it was periodically interrupted by shocks such as wars and world depressions, or by endogenous political responses to distributional effects of globalization itself. In some periods politics has reinforced the effects of technology, while in other periods it has offset them. In several cases, severe shocks have had long-run effects on the international integration of commodity markets, as a result of politically induced hysteresis. Finally, we know remarkably little about international commodity market integration during the 20th century.

Fischer, Andreas M.

TI The Mechanics of a Successful Exchange-Rate Peg: Lessons for Emerging Markets. **AU** Dueker, Michael J.; Fischer, Andreas M.

Fisher, Walter H.

PD October 2001. **TI** Status Seeking in the Small Open Economy. **AU** Fisher, Walter H.; Hof, Franz X. **AA** Fisher: Institute for Advanced Studies. Hof: Vienna University of Technology. **SR** Institute for Advanced Studies (IHS), Economics Series: 106; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 26. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** E21, F41. **KW** Status Seeking. Relative Wealth. Open Economy Dynamics. Ramsey Model.

AB In our modified version of the small open economy Ramsey model, we assume that agents have preferences over consumption and status which, in turn, is determined by relative wealth. This extension potentially eliminates the standard model's counterfactual result that an impatient country over time mortgages all of its capital and labor income. We show that the steady-state values of net assets and consumption, the speed of convergence and, in particular, the direction of adjustment during the transition depend crucially upon the degree of status consciousness. The latter also influences the economy's response to macro-economic shocks.

PD October 2001. **TI** Current Account Dynamics in a Small Open Economy Model of Status Seeking. **AA** Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 107; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 25. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** E21, F41. **KW** Current Account. Status Seeking. Relative Wealth. Open Economy Dynamics.

AB In this paper we will use a status-preference framework, together with a standard cost of adjustment investment function, to study the dynamics of the small open economy current account balance. We demonstrate that the transitional dynamics of the economy is characterized by two speeds of adjustment: a speed of adjustment arising from status-preference and a speed of adjustment arising from installation costs of investment. This structure implies that the current

account balance depends on both speeds of adjustment as well as on the long-run equilibrium. As a consequence, the current account can exhibit non-monotonic behavior in transition to the steady state.

PD February 2002. **TI** Investment and Current Account Dynamics in an Open Economy Status Seeking Framework. **AA** Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 110; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 30. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** E21, F41. **KW** Current Account. Status Seeking. Relative Wealth. Open Economy Dynamics. Investment. **AB** In this paper we analyze the implications of status-preference, modeled as relative wealth, for the current account in a small open economy framework with capital stock dynamics. We demonstrate that the transitional dynamics of the economy is characterized by two distinct speeds of adjustment: a speed of adjustment arising from status-preference and a speed of adjustment arising from installation costs of investment. This structure implies that the current account balance depends on both speeds of adjustment as well as on the long-run equilibrium, which is a function of the degree of status-consciousness. As a consequence, the current account can exhibit non-monotonic behavior in transition to the steady-state equilibrium.

Fisman, Raymond

PD December 2001. **TI** Tax Rates and Tax Evasion: Evidence from "Missing Imports" in China. **AU** Fisman, Raymond; Wei, Shang-Jin. **AA** Fisman: Columbia Business School. Wei: The Brookings Institution. **SR** CEPR Discussion Paper: 3089; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F14, H25, H26. **KW** Corruption. Laffer Curve. Tax Evasion. China.

AB Tax evasion, by its very nature, is difficult to observe. In this paper, we present a case study of tax evasion in China. The novel feature of our approach is that at a very disaggregated level of individual products, we can measure evasion relatively precisely, by comparing the values that China reports as imports from Hong Kong, with what Hong Kong reports as exports to China. We can match up this "evasion gap" with the tariff and VAT tax schedule at the product level. The result is striking: using the data in 1998, we find that on average, a 1% increase in the tax rate results in a 3% increase in evasion. The result is similar when a first-difference specification is used with data in 1997 and 1998. This relationship is nonlinear: the evasion elasticity is larger at high tax levels. Furthermore, the evasion gap is negatively correlated with the tax rates on closely related products, suggesting that part of the evasion takes place by misreporting the type of imports, in addition to under-reporting the value of imports. This effect is even more pronounced when the evasion gap is measured using quantities rather than values.

Flachaire, Emmanuel

TI The Wild Bootstrap, Tamed at Last. **AU** Davidson, Russell; Flachaire, Emmanuel.

Flandreau, Marc

TI Core, Periphery, Exchange Rate Regimes, and Globalization. **AU** Bordo, Michael D.; Flandreau, Marc.

TI Core, Periphery, Exchange Rate Regimes and Globalization. **AU** Bordo, Michael D.; Flandreau, Marc.

PD November 2001. **TI** Monetary Union, Trade Integration, and Business Cycles in 19th Century Europe: Just Do It. **AU** Flandreau, Marc; Maurel, Mathilde. **AA** Flandreau: Institut d'Etudes Politiques de Paris and CEPR. Maurel: Universite de Paris I. **SR** CEPR Discussion Paper: 3087; 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, F15, N23. **KW** Europe. Gravity Equations. Monetary Unions. Trade Integration. Business Cycle.

AB This paper seeks to trace the impact of monetary arrangements on trade integration and business cycle correlation, focusing on Europe in the late 19th century period as a guide for modern debates. For this purpose, we first estimate a gravity model and show that monetary arrangements were associated with substantially higher trade. The Austro-Hungarian dual monarchy, by many aspects a forerunner of Euroland, improved trade between member states by a factor of 3. Other arrangements, such as the gold standard and the Scandinavian union also impacted trade favorably. To explain this, we argue that monetary coordination, by fostering the correlation of business cycles compensate the adverse effect that the current account constraint has on trade integration. This is found to vastly compensate the negative consequences that trade integration might have on the symmetry of shocks, of which this paper finds strong evidence, in contrast with recent empirical work.

Forbes, Kristin J.

TI Trade Linkages and Output-Multiplier Effects: A Structural VAR Approach with a Focus on Asia. **AU** Abeyasinghe, Tilak; Forbes, Kristin J.

Forni, Mario

TI A Core Inflation Index for the Euro Area. **AU** Cristadoro, Riccardo; Forni, Mario; Reichlin, Lucrezia; Veronese, Giovanni.

TI EuroCOIN: A Real Time Coincident Indicator of the Euro Area Business Cycle. **AU** Altissimo, Filippo; Bassanetti, Antonio; Cristadoro, Riccardo; Forni, Mario; Hallin, Marc; Lippi, Marco; Reichlin, Lucrezia; Veronese, Giovanni.

TI EuroCOIN: A Real Time Coincident Indicator of the Euro Area Business Cycle. **AU** Altissimo, Filippo; Bassanetti, Antonio; Cristadoro, Riccardo; Forni, Mario; Hallin, Marc; Lippi, Marco; Reichlin, Lucrezia; Veronese, Giovanni.

Frait, Jan

PD August 2002. **TI** Theoretical and Empirical Analysis of the Debt-Adjusted Real Exchange Rate in Selected Transition Economies During 1994-2001. **AU** Frait, Jan; Komarek, Lubos. **AA** Frait: University of Ostrava. Komarek: University of Prague. **SR** The Warwick Economic Research Paper: 646; Department of Economics, University of Warwick,

Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 16. PR no charge. JE E47, E52, F31. KW Real Exchange Rate. Undervaluation. Overvaluation. Transition. Monetary Policy. Czech Republic. Currency Crisis.

AB This paper aims to enrich the debate on the overvaluation/undervaluation of the Czech koruna and the currencies of other selected transition economies by applying the concept of the debt-adjusted real exchange rate (DARER), thereby offering monetary policy makers another indicator for more responsive management of this important economic variable. The first three parts of this paper contain the theoretical underpinning of the concept. Part four defines newly proposed indicators of exchange rate overvaluation. Part five contains empirical DARER results for the Czech Republic. Part six and annex 1 contain empirical DARER results for selected transition countries, including a brief description of those countries' exchange rate histories. The final part examines the possibilities and limitations of the DARER concept in practice. The primary aim of this part, however, is to explain the information content of the real exchange rate as a very good warning signal of potential currency crisis.

Frankel, Jeffrey

PD December 2001. TI The Role of Industrial Country Policies in Emerging Market Crises. AU Frankel, Jeffrey; Roubini, Nouriel. AA Frankel: Harvard University and NBER. Roubini: New York University and NBER. SR National Bureau of Economic Research Working Paper: 8634; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 101. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE F33, F34, O19. KW Market Crises. Macroeconomic Policy. Financial Reform. Rescue Packages.

AB This paper considers policies of the industrialized countries, as they pertain to crises in emerging markets. These fall into three areas: (1) their own macroeconomic policies, which determine the global financial environment; (2) their role in responding to crises when they occur, particularly through rescue packages, which have three components -- reforms in debtor countries, public funds from creditor countries, and private sector involvement; and (3) efforts to reform the international financial architecture, with the aim of lessening the frequency and severity of future crises. A recurrent theme is the tension between mitigating crises that occur, and the moral hazard that such efforts create in the longer term. In addition to reviewing these three areas of policy, we consider the institutions through which the more powerful countries exercise their influence. We conclude with a discussion of the debate over the sins of the International Monetary Fund, and proposals for reform.

Frankenberg, Elizabeth

PD March 1999. TI The Real Costs of Indonesia's Economic Crisis: Preliminary Findings from the Indonesia Family Life Surveys. AU Frankenberg, Elizabeth; Thomas, Duncan; Beegle, Kathleen. AA Frankenberg and Beegle: RAND Corporation. Thomas: RAND Corporation and UCLA. SR RAND Corporation Report: DRU/2064/NIA/NICHD; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica, CA 90407-2138. Website: www.rand.org. PG 41. PR not available. JE I31, O53.

KW Population. Economic Crisis. Indonesia. Welfare Effects. AB Indonesia has experienced vast changes in both the economic and political environment during 1998. Few Indonesians have remained untouched by the events of the year, but the effects of the economic crisis on welfare vary by region and across socio-economic and demographic groups. This study has sought to provide information on those topics, based on data from the Indonesia Family Life Survey (IFLS), an ongoing longitudinal survey of individuals, households, and communities in Indonesia. For the purpose of understanding how the economic crisis has affected welfare, the paper compares the responses of individuals interviewed in the second half of 1997 to responses obtained through reinterviews with those same individuals in the second half of 1998.

Frech, H. E., III

PD March 2002. TI The Australian Private Health Insurance Boom: Was It Subsidies or Liberalised Regulation? AU Frech, H. E., III; Hopkins, Sandra; MacDonald, Garry. AA Frech: UCSB. Hopkins and MacDonald: Curtin University of Technology. SR University of California, Santa Barbara, Working Papers in Economics: 02/04; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG 9. PR no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE G22, H51, I11, I18, L31. KW Health Insurance. Age-Rating. Community Rating. Trend Analysis. Price Elasticity. Australia.

AB Over the period 1997 to 2000, the Australian government introduced two waves of price subsidies, then liberalized regulation to encourage private health insurance. Most of the increase in coverage occurred after the liberalization. Thus, it appears that this policy change rather than the earlier subsidies, explains most of the increase. We explore the relative impact of the different policy changes using trend analysis and careful attention to timing. While much of the increase in coverage may be attributed to liberalized regulation, the price subsidy did increase coverage. The increase was commensurate with existing estimates of the price elasticity of demand for health insurance.

TI The Productivity of Health Care and Pharmaceuticals: Quality of Life, Cause of Death and the Role of Obesity. AU Miller, Richard D., Jr.; Frech, H. E., III.

Fredriksson, Peter

TI Optimal Unemployment Insurance with Monitoring and Sanctions. AU Boone, Jan; Fredriksson, Peter; Holmlund, Bertil; van Ours, Jan C.

Fried, Jesse

TI Executive Compensation in America: Optimal Contracting or Extraction of Rents. AU Bebchuk, Lucian Arye; Fried, Jesse; Walker, David I.

Friedberg, Leora

PD May 2001. TI The Impact of Technological Change on Older Workers: Evidence from Data on Computer Use. AA University of Virginia and NBER. SR National Bureau of Economic Research Working Paper: 8297; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA

02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** J24, J26, O33. **KW** Elderly. Technological Change. Retirement. Computer Use.

AB New technologies like computers alter skill requirements. This paper explores two related effects of computers on older workers, who use computer less. The evolution of computer use in the Current Population Survey suggests that impending retirement reduces the incentive of older workers to acquire new skills. The Health and Retirement Study shows, further, that computer users retire later than non-users. This may arise because computer users choose to retire later and also because workers planning later retirement choose to acquire computer skills. Instrumental variables estimates suggest that computer use directly lowers the probability of retirement.

Friedland, Clairee

PD 2002. **TI** Remembrance and Appreciation Roundtable George J. Stigler (1911- 1991): Scholar, Father, Dissertation Advisor, Referee, Textbook Writer and Policy Analyst. **AU** Friedland, Clairee; Goodwin, Craufurd D.; Hammond, Claire H.; Hammond, Daniel; Levy, David; Medema, Steven G.; Naples, Michele I.; Samuels, Warren J.; Stigler, Stephen M. **AA** Friedland: University of Chicago. Goodwin: Duke University. Hammond, C. and Hammond, D.: Wake Forest University. Levy: George Mason University. Medema: University of Colorado at Denver. Naples: College of New Jersey. Samuels: Michigan State University. Stigler: University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 179; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 45. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** B21, D83, L51. **KW** George Stigler. Theory of Competitive Price. Scholar. Political Analyst. Referee. Biography.

AB George Joseph Stigler is an obvious target for historians of twentieth century economic thought. His Theory of Competitive Price (1942) helped shape the development of microeconomics after World War II and his remarkable topics for analysis produced seminal contributions to important and rapidly growing fields such as economics of industrial organization, the economics of regulation, public choice economics and the economics of information. In this article, we shall not try and reproduce all of this information. Also, we shall not try and touch on all aspects of his life and intellectual contribution. We do cover a few of the biographer's subject areas, hopefully in a novel way.

Fuchs, Victor R.

PD December 2001. **TI** Area Differences in Utilization of Medical Care and Mortality Among U.S. Elderly. **AU** Fuchs, Victor R.; McClellan, Mark; Skinner, Jonathan. **AA** Fuchs: NBER. McClellan: Stanford University and NBER. Skinner: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8628; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 30. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** I11, I12. **KW** Health Care. Mortality. Elderly. Utilization.

AB This paper examines 313 U.S. areas for differences in

medical care utilization and mortality of whites ages 65-84 in 1990. The variables included in the analysis are education, real income, cigarette sales, obesity, air pollution, percent black, and dummy variables for seven regions and five population size categories from Medical Savings Accounts (MSAs) over 500,000 to not in MSA. Utilization, especially inpatient care, is strongly positively related to mortality. Mortality is positively related to cigarette sales, obesity air pollution and percent black. Utilization (especially outpatient) is significantly higher in MSAs with populations greater than 500,000. Mortality does not vary with population size, with or without controls. Florida is an outlier for both utilization (very high) and mortality (by far the lowest of any region). The puzzles of Floridian exceptionalism and the positive relation between white mortality and percent black are discussed but not resolved.

Fuentes, Ignacio

TI El Mercado Monetario Espanol en la Union Monetaria (The Spanish Money Market in the Monetary Union). **AU** Ayuso, Juan; Fuentes, Ignacio; Penalosa, Juan; Restoy, Fernando.

Gabszewicz, Jean J.

PD April 2002. **TI** Attitudes Toward Advertising and Price Competition in the Press Industry. **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie. **AA** Gabszewicz: CORE, Universite Catholique de Louvain. Laussel: LEQAM, Universite d'Aix-Marseille II. Sonnac: Universite de Paris II and LEI- CREST. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/26; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 13. **PR** \$100 per year. **JE** C72, D43, M37. **KW** Duopolistic Competition. Press Industry. Advertising.

AB We consider a situation of duopolistic competition in the press industry, involving two editors competing in both the newspapers' and advertising markets. The population of readers in this market is differentiated in terms of their attitudes toward advertising; some of them are assumed to be advertising-lovers, while the remaining ones are assumed to be advertising-averse. We analyze a two-period sequential game whose players are the editors each selling a magazine of different political content. The editors also sell some proportion of their newspaper's surface as advertising support for the products sold by the advertisers. In the first stage of the game, editors select the newsstand price of their magazine and, in the second stage, the advertising tariff they oppose to the advertisers. We identify the equilibrium of this sequential game and examine how it depends on the proportion of ad-lovers and ad-avoiders' readers and on the intensity of their attraction-repulsion feelings for advertising.

PD October 2002. **TI** Network Effects in the Press and Advertising Industries. **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie. **AA** Gabszewicz: CORE, Universite Catholique de Louvain. Laussel: GREQAM, Universite de la Mediterranee. Sonnac: CREST-LEI and Universite Paris II. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/62; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 14. **PR** \$100 per year. **JE** D42, L82, M37. **KW** Media. Advertising. Network

Effects. Monopoly.

AB Generally, economists interested in network effects analyze these effects when the consumption externality created by the demand for the good is produced inside the industry itself. But it can be conceived that network effects take place from one industry to another. This happens when the utility of a good produced in a given industry varies with the size of the demand for a product produced in another industry. A particularly significant example of this phenomenon is provided by the interaction between the media and advertising industries. To illustrate the consequences of these network effects, we consider an editor who is a monopolist both in the press and advertising markets. In both markets, he faces a continuum of customers. In the press industry, these customers (readers) vary according to their willingness to pay for the newspaper, but also with their attitudes toward advertising: some of them are advertising-lovers while the others are advertising-averse. On the advertising market, advertisers vary according to their willingness to pay for an ad in the newspaper, which also depends positively on its reader's size. We characterize the monopoly solution in terms of the monopolist's instruments: the price of the newspaper and the advertising rate.

PD November 2002. **TI** Concentration in the Press Industry and the Theory of the "Circulation Spiral". **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie. **AA** Gabszewicz: CORE, Universite Catholique de Louvain. Laussel: GREQAM, Universite de la Mediterranee. Sonnac: CREST-LEI and Universite Paris II. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/64; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 21. **PR** \$100 per year. **JE** C72, D42, L82, M37. **KW** Newspaper. Advertising. Sequential Game. Monopolization.

AB In this paper we model a situation of competition between two editors who are rivals in both the newspapers' and advertising industries. To identify the consequences of this competition, we analyze a two-period sequential game whose players are the editors each seeing a differentiated newspaper, like newspapers of different political content. We characterize the equilibria and explore how they depend on the number of ad-avoiders and ad-lovers, and on the intensity of readers' attraction or repulsion feelings for advertising. Our main finding is that equilibria are often observed in the sequential game, at which one of the editors prevents the entry of his rival and fully monopolizes both the press and advertising markets.

Galassi, Francesco L.

PD June 2002. **TI** From Drought to Flood: Environmental Constraints and the Political Economy of Civic Virtue. **AA** University of Warwick and Universita di Ferrara. **SR** The Warwick Economic Research Paper: 643; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 24. **PR** no charge. **JE** N43, Q25. **KW** Co-Operative Engagement. Environmental Constraints. Pre-Industrial Society. Water Management.

AB The paper models co-operative engagement under varying environmental constraints giving rise to different forms of collective action problems, specifically focusing on water management in pre-industrial societies. The paper provides evidence that societies where water availability is strongly

seasonal develop no mechanism to encourage society-wide co-operative behavior because the benefits of water storage are fully excludable. With pre-industrial technology water storage is a pure club good, and optimal club size can be shown to be very small under credible parameter values, converging to 1 in some cases (private good). The social consequences of the environmental constraint include strongly circumscribed co-operation and rent seeking. In contrast, areas where water management involved flood control and irrigation develop society-wide institutions based on self-sustaining co-operative engagement assisted by external policing. The model thus offers an explanation of varying levels of "civic virtue" in different areas.

Gali, Jordi

TI Optimal Monetary Policy in Closed versus Open Economies: An Integrated Approach. **AU** Clarida, Richard H.; Gali, Jordi; Gertler, Mark.

Gancia, Gino A.

TI Geography, Migrations and Equilibrium Unemployment. **AU** Epifani, Paolo; Gancia, Gino A.

Garratt, Rod

TI The Intraday Liquidity Management Game. **AU** Bech, Morten L.; Garratt, Rod.

Gaspart, Frederic

PD May 2001. **TI** Collective Action for Local-Level Effort Regulation: An Assessment of Recent Experiences in Senegalese Small-Scale Fisheries. **AU** Gaspart, Frederic; Platteau, Jean-Philippe. **AA** University of Namur. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 150; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 47. **PR** no charge. **JE** D70, O18, O33, Q22. **KW** Collective Action. Local Regulation. Fishery. Senegal.

AB This paper analyses the reasons that determine the success or failure of collective action, and it focuses in particular on local-level regulation schemes in Senegalese small-scale fisheries. Fishing forms a vital sector of the Senegalese economy. During the last decades, following an enormous productivity increase, Senegalese fishermen have implemented effort-limiting collective actions. The paper investigates central questions, such as the motivations, effectiveness and sustainability of the collective action, characteristics of the supportive fishermen and the varying incidence of collective action success along the coastline. The study shows that critical parameters for the incidence and continuity of collective schemes are of a structural character, namely market conditions, features of fishing techniques, nature of relationships between fishermen and fish merchants and patterns of authority and leadership. Policy aspects also matter, while relying on regulatory schemes aimed at increasing fish prices in order to build up awareness about resource conservation may prove deceptive.

Genesove, David

PD May 2001. **TI** Loss Aversion and Seller Behavior: Evidence from the Housing Market. **AU** Genesove, David; Mayer, Christopher. **AA** Genesove: Hebrew University of Jerusalem, NBER, and CEPR. Mayer: University of

Pennsylvania. **SR** CEPR Discussion Paper: 2813; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** L10, R21. **KW** Housing Markets. Loss Aversion. 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 for investors, but hold for both. These findings are consistent with prospect theory and help explain the positive price-volume correlation in real estate markets.

Gerali, Andrea

PD December 2001. **TI** On the "Conquest" of Inflation. **AU** Gerali, Andrea; Lippi, Francesco. **AA** Banca d'Italia. **SR** CEPR Discussion Paper: 3101; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** E31, E52. **KW** Conservative Bankers. Disinflation. Inflation Bias. Learning.

AB Sargent (1999) warns that if policy makers' views on the unemployment-inflation trade-off are driven by empirical correlations, rather than theory, disinflations (escapes from high to low inflation) may periodically occur but are not bound to last. This paper asks how different inflation objectives by the policy maker affect this result. We show that escapes in the neighborhood of zero inflation are less frequent and have a shorter duration, as policy objectives become more inflation averse. A sufficiently (but not infinitely) inflation averse policy maker never escapes Nash inflation and, on average, yields a lower inflation rate.

Gerard-Varet, Louis-Andre

TI Balanced Bayesian Mechanisms. **AU** D'Aspremont, Claude; Cremer, Jacques; Gerard-Varet, Louis-Andre.

Gerardi, Dino

PD February 2003. **TI** Putting Your Ballot Where Your Mouth Is: An Analysis of Collective Choice. **AU** Gerardi, Dino; Yariv, Leeat. **AA** Gerardi: Yale University. Yariv: UCLA. **SR** University of California, Los Angeles, Department of Economics Working Paper: 827; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 25. **PR** no charge. **JE** D71, D72, D78. **KW** Communication. Collective Choice. Groups. Strategic Voting.

AB The goal of this paper is to analyze collective decision making with communication. We concentrate on decision panels that are comprised of a collection of agents having a joint task and possessing the ability to communicate at no cost. We show that communication renders a wide range of voting rules equivalent with respect to the sequential equilibrium outcomes they produce.

Gerlach, Stefan

TI Inflation Targeting in Emerging Market and Transition Economies: Lessons After a Decade. **AU** Amato, Jeffrey D.; Gerlach, Stefan.

Gertler, Mark

TI Optimal Monetary Policy in Closed versus Open Economies: An Integrated Approach. **AU** Clarida, Richard H.; Gali, Jordi; Gertler, Mark.

Gil, Ricard

PD October 2002. **TI** Social Security and Democracy. **AU** Gil, Ricard; Mulligan, Casey B.; Sala-i-Martin, Xavier. **AA** Gil and Mulligan: University of Chicago. Sala-i-Martin: Columbia University, UPF, and NBER. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 180; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/csces/. **PG** 53. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** H55, I38. **KW** South America. Southern Europe. Social Security Policy. Nondemocratic Regimes.

AB Using some new international data sets to produce both country-panel econometric estimates as well as case studies of South American and southern European countries, we find that Social Security policy varies according to economic and demographic factors, but that very different political histories can result in the same Social Security policy. We find little partial effect of democracy on the size of Social Security budgets, on how those budgets are allocated, or how economic and demographic factors affect Social Security. If there is any observed difference, democracies spend a little less of their gross domestic product (GDP) on Social Security, grow their budgets a bit more slowly, and cap their payroll tax more often, than do economically and demographically similar nondemocracies. Democracies and nondemocracies are equally likely to have benefit formulas inducing retirement and, conditional on GDP per capita, equally likely to induce retirement with a retirement test vs. an earnings test. Our results have implications for building political economic models of the nondemocratic regimes currently and historically ruling half or more of the world's population.

Ginsburgh, Victor A.

PD May 2002. **TI** Expert Opinion and Compensation: Evidence from a Musical Competition. **AU** Ginsburgh, Victor A.; van Ours, Jan C. **AA** Ginsburgh: Universite Libre de Bruxelles and CORE, Universite Catholique de Louvain. van ours: CentER, Tilburg University and CEPR. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/33; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 9. **PR** \$100 per year. **JE** L82, Z11. **KW** Success. Unobserved True Quality. Expert Opinion. Pianists. Musical Competition.

AB Pianists who achieve high scores in the Queen Elizabeth musical competition are rewarded by subsequent success. This is not surprising in itself, but it is not immediately clear whether this is caused by the score or because those who have high scores are better pianists. Data on eleven consecutive competitions make it possible to distinguish between the two

explanations, since an unexpected situation allows us to use an instrumental variable (the randomly assigned order in which musicians appear at the competition), uncorrelated with ability, but correlated with the results of the competition.

TI Can Cultural Education Crowd Out Arts Subsidization?
AU Champarnaud, Luc; Ginsburgh, Victor A.; Michel, Philippe.

PD July 2002. **TI** The Museum Pass Game and Its Value.
AU Ginsburgh, Victor A.; Zang, Israel. **AA** Ginsburgh: Université Libre de Bruxelles, and CORE, Université Catholique de Louvain. Zang: Tel Aviv University.
SR Université Catholique de Louvain, CORE Discussion Paper: 2002/41; 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. **PG** 5. **PR** \$100 per year. **JE** C71, L14. **KW** Subscription Game. Museums. Shapley Value. Transactional Relationships.

AB We discuss a subscription game in which service providers (e.g., museums) team up in offering a limited time subscription or access pass allowing unlimited usage of their services. In this game, a natural way to allocate the subscription income among the service providers is by using the Shapley value. We show that, for the particular game considered, the Shapley value takes a very intuitive and computationally simple form.

Giot, Pierre

PD June 2002. **TI** The Information Content of Implied Volatility in Agricultural Commodity Markets.
AA University of Namur and CORE, Université Catholique de Louvain. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2002/38; 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. **PG** 6. **PR** \$100 per year. **JE** C52, C53, G15, Q13. **KW** Implied Volatility. GARCH. Value-at-Risk. Futures. Agricultural Commodity Markets.

AB In this paper we compare the incremental information content of lagged implied volatility to Generalized Autoregressive Conditional Heteroskedasticity (GARCH) models of conditional volatility for a collection of agricultural commodities traded on the New York Board of Trade. We also assess the relevance of the additional information provided by the implied volatility in a risk management framework. It is first shown that past squared returns only marginally improve the information content provided by the lagged implied volatility. Secondly, Value-at-Risk (VaR) models that rely exclusively on lagged implied volatility perform as well as VaR models where the conditional variance is modeled according to GARCH type processes. These results indicate that the implied volatility for options on future contracts in agricultural commodity markets has a high information content regarding conditional variance and VaR forecasts.

PD September 2002. **TI** Implied Volatility Indices as Leading Indicators of Stock Index Returns?
AA University of Namur and CORE, Université Catholique de Louvain. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2002/50; 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. **PG** 16. **PR** \$100 per year.

JE G11, G12. **KW** Volatility Indices. Financial Markets. Fear Factor. Asset Returns.

AB This paper shows that, when the Market Volatility Index (VIX) or the National Association of Securities Dealers Automated Quotation System (NASDAQ) Volatility Index (VXN) increase, the Standard and Poor's 100 (S&P100) and NASDAQ100 stock indices exhibit on average negative returns, hence the "fear factor" associated with high levels of implied volatility in financial markets. However, attractive (from a mean-variance perspective) positive returns should then be expected on average in the immediate short-term. In this framework, very high levels of implied volatility can on a statistical basis be viewed as signaling an imminent increase in stock indices, at least on a short term basis. Our analysis also shows that average to moderately high levels of implied volatility lead to unfavorable (from a mean-variance perspective) returns. Thus trader willing to enter "oversold" markets should wait until extremely high levels of implied volatility are witnessed, and their strategy should be strictly on a short-term basis.

PD October 2002. **TI** How Large is Liquidity Risk in an Automated Auction Market?
AU Giot, Pierre; Grammig, Joachim. **AA** Giot: University of Namur and CORE, Université Catholique de Louvain. Grammig: University of St. Gallen and CORE, Université Catholique de Louvain. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2002/54; 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. **PG** 19. **PR** \$100 per year. **JE** G12, G15. **KW** Liquidity Risk. Value-at-Risk. Automated Action Market.

AB We introduce a new empirical methodology that takes account of liquidity risk in a Value-at-Risk (VaR) framework, and quantify liquidity risk premiums for portfolios and individuals stocks traded on the automated auction market Xetra which operates at various European exchanges. When constructing liquidity risk measures we allow for the potential price impact incurred by the liquidation of a portfolio. We study the sensitivity of liquidity risk towards portfolio size and VaR time horizon, and interpret its diurnal variation in the light of market microstructure theory.

Giraitis, Lidas

PD September 2002. **TI** On the Power of R/S-Type Test Under Contiguous and Semi Long Memory Alternatives.
AU Giraitis, Lidas; Kokoszka, Piotr; Leipus, Remigijus; Teyssiere, Gilles. **AA** Giraitis: London School of Economics. Kokoszka: University of Utah. Leipus: Vilnius University. Teyssiere: GREQAM, CORE, Université Catholique de Louvain, and National Bank of Greece. **SR** Université Catholique de Louvain, CORE Discussion Paper: 2002/57; 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. **PG** 9. **PR** \$100 per year. **JE** C12, C22. **KW** Long Memory. Gegenbauer Process. ARCH. Linear ARCH. Modified R/S Statistic.

AB The paper deals with the power and robustness of the rescaled adjusted range statistic (R/S) type tests under "contiguous" alternatives. We briefly review the long memory models in levels and volatility, and describe the R/S-type tests used to test for the presence of long memory. The empirical

power of the tests is investigated when replacing the fractional difference operator one minus L all raised to the power d , by the mixed operator one minus r times L all raised to the power d in the Autoregressive Fractionally Integrated Moving Average, Autoregressive Conditional Heteroskedasticity (ARCH), and Linear ARCH time series models. We also investigate the Gegenbauer process with a pole of the spectral density at frequency close to zero.

Glaeser, Edward L.

PD November 2001. **TI** Urban Decline and Durable Housing. **AU** Glaeser, Edward L.; Gyourko, Joseph. **AA** Glaeser: Harvard University and NBER. Gyourko: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 8598; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** R11, R21, R23. **KW** Housing. Urban Life. Population. Growth Rates. Cities.

AB People continue to live in many big American cities, because in those cities housing costs less than new construction. While cities may lose their productive edge, their houses remain and population falls only when housing depreciates. This paper presents a simple durable housing model of urban decline with several implications which document: (1) urban growth rates are leptokurtotic -- cities grow more quickly than they decline, (2) city growth rates are highly persistent, (3) positive shocks increase population more than they increase housing prices, (4) negative shocks decrease housing prices more than they decrease population, (5) the relationship between changes in housing prices and changes in population is strongly concave, and (6) declining cities attract individuals with low levels of human capital.

PD December 2001. **TI** Public Ownership in the American City. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8613; 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** H40, H41, H70. **KW** Public Ownership. Local Governments. Natural Monopolies. Corruption.

AB American local governments own and manage a wide portfolio of enterprises, including gas and electricity companies, water systems, subways, bus systems and schools. Existing theories of public ownership, including the presence of natural monopolies, can explain much of the observed municipal ownership. However, the history of America's cities suggests that support for public ownership came from corruption then associated with private ownership of utilities and public transportation. Private firms that either buy or sell to the government will have a strong incentive to bribe government officials to get lower input prices or higher output prices. Because municipal ownership dulls the incentives of the manager and decreases the firm's available cash, public firms may lead to less corruption. Public ownership is also predicted to create inefficiency and excessively large government payrolls.

PD December 2001. **TI** The Rise of the Regulatory State. **AU** Glaeser, Edward L.; Shleifer, Andrei. **AA** Harvard University and NBER. **SR** National Bureau of Economic

Research Working Paper: 8650; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 36. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** K13, K42, L51, N41. **KW** Litigation. Regulation. Control of Business. Law Enforcement.

AB During the Progressive Era at the beginning of the 20th century, the United States replaced litigation by regulation as the principal mechanism of social control of business. To explain why this happened, we present the model of choice of law enforcement strategy between litigation and regulation based on the idea that justice can be subverted with sufficient expenditure of resources. The model suggests that courts are more vulnerable to subversion than regulators, especially in an environment of significant inequality of wealth and political power. The switch to regulation can then be seen as an efficient response to the subversion of justice by robber barons during the Gilded Age. The model makes sense of the progressive reform agenda, and of the successes and failures of alternative law enforcement strategies in different countries.

Glen, Jack

PD December 2002. **TI** Corporate Profitability and the Dynamics of Competition in Emerging Markets: A Time Series Analysis. **AU** Glen, Jack; Lee, Kevin; Singh, Ajit. **AA** Glen: IFC. Lee: University of Leicester. Singh: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP248; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 32. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D40, F02, G30, L10. **KW** Competition. Profitability. Persistence. Emerging Markets.

AB The paper presents time-series analyses of corporate profitability in seven leading developing countries (DCs) using the common methodology of the persistence of profitability (PP) studies and systematically compares the results with those for advanced countries (ACs). Surprisingly, both short- and long-term persistence of profitability for DCs are found to be lower than those for ACs. The paper concentrates on economic explanations for these findings. It also reports the results on the persistence of the two components of profitability -- capital-output ratios and profit margins. These too raise important general issues of economic interpretation for PP studies which are outlined.

Glewwe, Paul

PD November 2001. **TI** Schools, Skills and Economic Development: Education Policies, Student Learning and Socioeconomic Outcomes in Developing Countries. **AA** University of Minnesota and World Bank. **SR** University of Minnesota Economic Development Center Working Paper: 2001/03; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 73. **PR** no charge. **JE** C81, I21, O12. **KW** Economic Development. Education. Schools. Cognitive Skills. School Quality. Academic Performance.

AB This paper reviews recent research on the determinants of educational outcomes, and the impact of those outcomes on other socioeconomic phenomena. More specifically, it

addresses three questions: 1. What school policies are most cost-effective in producing students with particular cognitive skills, such as literacy and numeracy? 2. What is the relationship between schooling, particularly cognitive skills acquired in school, and labor productivity? 3. What impact does schooling, especially cognitive skills, have on other socioeconomic outcomes? While recent research has made some progress, these are difficult questions and much more work is needed. The paper provides suggestions for future research on these questions.

Gluschenko, Konstantin

PD July 2002. **TI** Market Integration in Russia During the Transformation Years. **AA** Siberian Branch of the Russian Academy of Sciences. **SR** Institute for Advanced Studies (IHS), Economics Series: 116; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm.

PG 38. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** P22, P24, R10, R15. **KW** Market Integration. Law of One Price. Price Dispersion. Russian Regions.

AB A cross-sectional relationship between price dispersion among Russian regions and per capita income dispersion is used to measure the degree of integration between regional commodity markets. The sequence of cross-sectional estimations for each month of the period spanning 1992 through 2000 provides the temporal pattern of market integration in Russia, yielding an integration trajectory. This pattern suggests that the regional fragmentation of the national market had been increasing during the early years of transition, and then (since about the end of 1994) integration was tending -- in general -- to improve. However, substantial fluctuations occur in the movement to more integration. Difficult-to-access regions markedly contribute to the overall disconnectedness of regional markets; controlling for these regions, the pattern becomes more encouraging. Surprisingly, the European part of Russia turns out to be less integrated than its Asian part. A number of culprits behind market fragmentation are found, organized crime among them.

Gneezy, Uri

TI What's in a Name? Anonymity and Social Distance in Dictator and Ultimatum Games. **AU** Charness, Gary; Gneezy, Uri.

Goetzmann, William N.

PD November 2001. **TI** Long-Term Global Market Correlations. **AU** Goetzmann, William N.; Li, Lingfeng; Rouwenhorst, K. Geert. **AA** Goetzmann: Yale School of Management and NBER. Li: Yale University. Rouwenhorst: Yale School of Management. **SR** National Bureau of Economic Research Working Paper: 8612; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F15, F30, G10. **KW** Global Market Correlations. Economic Integration. Diversification Benefits.

AB In this paper, we examine the correlation structure of the major world equity markets over 150 years. We find that correlations vary considerably through time and are highest during periods of economic and financial integration such as the late 19th and 20th centuries. Our analysis suggests that the

diversification benefits to global investing are not constant, and that they are currently low compared to the rest of capital market history. We decompose the diversification benefits into two parts: a component that is due to variation in the average correlation across markets, and a component that is due to the variation in the investment opportunity set. There are periods, like the last two decades, in which the opportunity set expands dramatically, and the benefits to diversification are driven primarily by the existence of marginal markets. For other periods, such as the two decades following World War II, risk reduction is due to low correlations among the major national markets. From this, we infer that periods of globalization have both benefits and drawbacks for international investors. They expand the opportunity set, but diversification relies increasingly on investment in emerging markets.

Goh, Ai Ting

PD November 2001. **TI** Financing Decisions of Firms and Central Bank Policy. **AU** Goh, Ai Ting; Olivier, Jacques. **AA** Goh: National University of Singapore, Universite Catholique de Louvain, and CEPR. Olivier: Hautes Etudes Commerciales, Jouy-en-Josas, France. **SR** CEPR Discussion Paper: 3110; 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** E58, F34. **KW** Asian Crisis. Central Bank. Foreign Borrowing.

AB This paper aims to explain the sharp rise in unhedged foreign borrowing by South East Asian corporations in the few years prior to the crisis despite remarkably little change in fundamentals. The crucial element of our story is the complementarity between decisions of firms and of the central bank, which gives rise to multiple equilibria: when firms use foreign borrowing, they raise the cost of devaluation to the central bank, which in turn makes foreign borrowing more attractive. Consequently, a small shock to fundamentals may move the economy from a region of parameter values where no foreign borrowing is one of multiple possible equilibria to a region where high foreign borrowing is the only equilibrium, thus generating a large and permanent change of the equilibrium composition of firms' borrowing. While this possibility arises even when all firms behave competitively, we show that the impact on foreign borrowing is exacerbated by strategic behavior of firms.

Goldberg, Pinelopi Koujianou

PD November 2001. **TI** Trade Protection and Wages: Evidence from the Colombian Trade Reforms. **AU** Goldberg, Pinelopi Koujianou; Pavcnik, Nina. **AA** Goldberg: Yale University and NBER. Pavcnik: Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8575; 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** F13, J31. **KW** Trade Protection. Columbia. Reform. Wages. Trade Liberalization.

AB Starting in 1985, Colombia experienced gradual trade liberalization that culminated in the drastic tariff reduction of 1990-91. This paper exploits these trade reforms to investigate the relationship between protection and wages. The focus of the analysis is on relative wages, defined as industry wage premiums relative to the economy-wide average wage. Using the June waves of the Colombian National Household Survey,

we first compute wage premiums for the period 1984-98. We find that industry wage premiums in Colombia exhibit remarkably less persistence over time than U.S. wage premiums. Similarly, measures of trade protection are less correlated over time than in the U.S. data, indicating that as a result of trade liberalization the structure of protection has changed. Regressions of wage premiums on tariffs, without industry fixed effects, produce negative relationship between protection and wages. With fixed effects the results are reversed: Trade protection is found to increase relative wages. We also find that -- in contrast to the U.S. -- sectors with high import penetration in Colombia pay higher wages; nevertheless, regressions with industry fixed effects indicate that an increase of imports in a particular sector is associated with lower wages.

Gomez, Angel Luis

TI El Sector de las Administraciones Publicas en Espana (The General Government Sector in Spain). **AU** Argimon, Isabel; Gomez, Angel Luis; Hernandez de Cos, Pablo; Marti, Francisco.

Goodwin, Craufurd D.

TI Remembrance and Appreciation Roundtable George J. Stigler (1911- 1991): Scholar, Father, Dissertation Advisor, Referee, Textbook Writer and Policy Analyst. **AU** Friedland, Clairee; Goodwin, Craufurd D.; Hammond, Claire H.; Hammond, Daniel; Levy, David; Medema, Steven G.; Naples, Michele I.; Samuels, Warren J.; Stigler, Stephen M.

Gorg, Holger

TI Multinational Enterprises and New Trade Theory: Evidence for the Convergence Hypothesis. **AU** Barrios, Salvador; Gorg, Holger; Strobl, Eric.

Gourinchas, Pierre-Olivier

PD May 2001. **TI** Lending Booms: Latin America and the World. **AU** Gourinchas, Pierre-Olivier; Landerretche, Oscar; Valdes, Rodrigo. **AA** Gourinchas: Princeton University, NBER and CEPR. Landerretche: MIT. Valdes: Central Bank of Chile. **SR** CEPR Discussion Paper: 2811; 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, E51, F32. **KW** Balance-of-Payment Crises. Banking Crises. Credit Boom. Latin America. Lending Boom.

AB Recent theories on the origins of crises put lending booms at the root of financial collapses. Yet lending booms may be a natural consequence of economic development and fluctuations. So, are lending booms dangerous? In this paper, we investigate this question empirically using a broad sample of lending boom episodes over 40 years, with a special eye on Latin America. Our results indicate that: (1) lending booms are often associated with (i) a domestic investment boom, (ii) an increase in domestic interest rates, (iii) a worsening of the current account, (iv) a decline in reserves, (v) a real appreciation, and (vi) a decline in output growth; (2) lending booms typically do not substantially increase the vulnerability of the banking sector or the balance of payments. On comparing Latin America and the rest of the world, we find that Latin American lending booms make the economy considerably more volatile and vulnerable to financial and balance-of-

payment crises than is the case in other regions.

Gowrisankaran, Gautam

TI Learning and the Value of Information: The Case of Health Plan Report Cards. **AU** Chernew, Michael; Gowrisankaran, Gautam; Scanlon, Dennis P.

TI Payer Type and the Returns to Bypass Surgery: Evidence from Hospital Entry Behavior. **AU** Chernew, Michael; Fendrick, A. Mark; Gowrisankaran, Gautam.

Grafe, Clemens

TI No Pain, No Gain? The Simple Analytics of Efficient Disinflation in Open Economies. **AU** Buiter, Willem H.; Grafe, Clemens.

Graham, Bryan S.

PD November 2001. **TI** Rich Nations, Poor Nations: How Much Can Multiple Equilibria Explain? **AU** Graham, Bryan S.; Temple, Jonathan. **AA** Graham: Harvard University. Temple: University of Bristol. **SR** CEPR Discussion Paper: 3046; 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, O15. **KW** Multiple Equilibria. Poverty Traps. World Income Distribution.

AB The idea that income differences between rich and poor nations arise through multiple equilibria or "poverty traps" is as intuitive as it is difficult to verify. In this paper, we explore the empirical relevance of such models. We calibrate a simple two-sector model for 127 countries, and use the results to analyze the international prevalence of poverty traps and their consequences for productivity. We also examine the possible effects of multiplicity on the world distribution of income, and identify events in the data that may correspond to equilibrium switching.

Grammig, Joachim

TI How Large is Liquidity Risk in an Automated Auction Market? **AU** Giot, Pierre; Grammig, Joachim.

Gray, Simon

PD July 2000. **TI** Reconsidering External Financing of Domestic Budget Deficits: Debunking Some Received Wisdom. **AU** Gray, Simon; Woo, David. **AA** Gray: Bank of England and IMF. Woo: IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/00/08; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 22. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F34, H63. **KW** Debt Management. Foreign Currency. Sovereign Debt. Emerging Markets.

AB The past decade has witnessed a steady increase in outstanding external sovereign debt issued by emerging market economies. This paper examines some of the "received wisdom" regarding the benefits of external financing of domestic budget deficits and argues that it is often predicated on a narrow set of assumptions and incomplete evaluation of the underlying costs. The paper also suggests alternative sources of financing that can help capture some of the benefits associated with foreign financing without all of its costs.

Gresenz, Carole Roan

PD 1999. **TI** A Flood of Litigation? Predicting the Consequences of Changing Legal Remedies Available to ERISA Beneficiaries. **AU** Gresenz, Carole Roan; Hensler, Deborah R.; Studdert, David M.; Dombey-Moore, Bonnie; Pace, Nicholas M. **AA** RAND Corporation. **SR** RAND Corporation Report: IP/184; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica, CA 90407-2138. Website: www.rand.org. **PG** 19. **PR** not available. **JE** K13, K30, K40. **KW** Managed Care Plans. Employee Retirement Income Security Act. Tort Liability. Health Care.

AB The paper aims to examine assumptions about litigation and the legal system that underlie the fundamental assertions of proponents and opponents of changing Employee Retirement Income Security Act (ERISA) liability provisions--that allowing ERISA beneficiaries legal remedies against health plans can change the behavior of plans for the better and improve enrollees' health outcomes (proponents) and that changing the remedies will result in a flood of litigation (opponents). The paper concludes that support for claims on both sides of the debate is weak. The paper proposes a model for estimating what litigation rates are likely to be in a legal environment that is less constrained by ERISA. The model reveals that most of the data necessary for accurate estimates are not available. Using the model, how litigation consequences might differ depending on what assumptions are made about the behavior of key actors is shown.

Grilo, Isabel

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

Gromb, Denis

PD November 2001. **TI** Equilibrium and Welfare in Markets with Financially Constrained Arbitrageurs. **AU** Gromb, Denis; Vayanos, Dimitri. **AA** Gromb: London Business School and CEPR. Vayanos: MIT. **SR** CEPR Discussion Paper: 3049; 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** D62, G12, G18, G23. **KW** Arbitrage. Borrowing Constraints. Collateral. Liquidity. Welfare.

AB We propose a multi-period model in which competitive arbitrageurs exploit discrepancies between the prices of two identical risky assets, traded in segmented markets. Arbitrageurs need to collateralize separately their positions in each asset, and this implies a financial constraint limiting positions as a function of wealth. We derive an equilibrium and study its welfare properties. Allowing arbitrageurs to trade makes all investors better off. Arbitrageurs' positions may not be Pareto optimal, however, in the sense that a change in these positions may make all investors better off. We characterize conditions under which arbitrageurs take excessive or too little risk.

Grosskopf, Brit

TI Cheap Talk, Information, and Coordination -- Experimental Evidence. **AU** Charness, Gary; Grosskopf, Brit.

Grubb, Farley

PD May 2001. **TI** The Circulating Medium of Exchange in Colonial Pennsylvania, 1729- 1775: New Estimates of Monetary Composition and Economics Growth. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2001/03; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 17. **PR** no charge. **JE** E51, N11. **KW** Quantity of Specie. Money Supply. Colonial Pennsylvania. Specie.

AB Market transaction data are used to estimate the composition and quantity of specie in circulation. This estimate is used to provide the first comprehensive measure of the colony's money supply. This estimate, along with data on population and prices, is used to measure the growth in output using the quantity theory of money. Output growth is found to depend on periodization and the extent to which rising commercialization increased the velocity of circulation. Specie was scarce but becoming less so as the Revolution approached, and specie and paper currency were both substitutes and complements depending on the period of analysis.

PD January 2003. **TI** Two Theories of Money Reconciled: The Colonial Puzzle Revisited with New Evidence. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2003/03; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 14. **PR** no charge. **JE** E42, N11. **KW** Colonial America. Quantity Theory. Specie.

AB The purported failure of the classical quantity theory of money in the colonial economy is shown to be a failure of data and not a failure of theory. When new data on the quantity of specie in circulation is added to the current data on paper money and prices, and econometrically estimated in both short- and long-run monetary models, the long-debated anomaly regarding the performance of the classical quantity theory of money in the colonial economy disappears. How paper money was backed and could be exchanged for specie was important, but not in the way theorists assert.

PD January 2003. **TI** Babes in Bondage Parental Selling of Children to Finance Family Migration: The Case of German Migration to North America, 1720-1820. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2003/04; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 14. **PR** no charge. **JE** N31, N41. **KW** Servitude. Child Labor. Welfare Law. German Immigration. Family Debt Strategies. Colonial America.

AB The existence and extent of intra-family debt shifting via selling children into bondage among German immigrant families to North America is documented using quantitative ship manifest and servant auction data. This evidence is at odds with the standard description presented in the literature based on literary sources. Market competition created the opening and colonial welfare laws drove German immigrant parents into selling their children into bondage to finance their own (the parents) migration, but only for children within a particular and narrow age range. German immigrant parents did not callously

treat their children as only investment goods.

Gruber, Jonathan

PD December 2001. **TI** Taxes and Health Insurance. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8657; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** H25, H51, I18. **KW** Health Insurance. Tax Subsidization. Uninsured Persons. **AB** A common prescription for reducing the number of uninsured is to increase the tax subsidization of health insurance in the U.S. Yet, we already provide over \$100 billion per year in tax subsidies to health insurance. This paper provides an assessment of the past and potential impacts of taxation on health insurance coverage and costs. It begins by reviewing the central facts on health insurance and taxation. It then provides a framework for assessing the impacts of tax policies on health insurance coverage and costs, and it reviews the existing empirical evidence on the key behavioral parameters required to model these impacts. Finally the paper concludes with the policy implications of these findings for tax policies to expand insurance coverage.

TI The Retirement Incentive Effects of Canada's Income Security Programs. **AU** Baker, Michael; Milligan, Kevin; Gruber, Jonathan.

Gruener, Hans Peter

PD December 2001. **TI** Wealth Distribution and Interest Rates: Empirical Evidence for the U.S. **AA** Universitat Mannheim and CEPR. **SR** CEPR Discussion Paper: 3106; 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, E43, E62. **KW** Interest Rates. Wealth Distribution. Inequality. **AB** Capital market theory predicts that the wealth distribution should affect interest rates. This paper empirically analyses the relationship between the wealth distribution and interest rates in the US. We use data on wealth inequality from various sources. Measures of wealth inequality are linked positively to the real commercial paper rate and to the real rate on government securities. This result is consistent with predictions from capital market equilibrium models with moral hazard. Accordingly, rich individuals can only commit credibly to providing effort if the rate of return is not too high. When the rich are poorer, the rate of return has to be lower in order to guarantee entrepreneurial effort. Capital demand will therefore fall as inequality is reduced. The capital market is in equilibrium at a lower rate of return.

Guest, Paul

TI Do Takeovers Create Value? A Residual Income Approach on UK Data. **AU** Bild, Magnus; Cosh, Andy; Guest, Paul; Runsten, Mikael.

Guiso, Luigi

PD March 2002. **TI** Does Local Financial Development Matter? **AU** Guiso, Luigi; Sapienza, Paola; Zingales, Luigi. **AA** Guiso: University of Sassari and CEPR. Sapienza: Northwestern University and CEPR. Zingales: University of Chicago, NBER, and CEPR. **SR** University of Chicago,

George J. Stigler Center for the Study of the Economy and the State Working Paper: 173; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cses/. **PG** 28. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** M13, O16. **KW** Financial Development. Financial Integration. Entrepreneurship. Economic Development.

AB We study the effects of differences in local financial development within an integrated financial market. To do so, we construct a new indicator of financial development by estimating a regional effect on the probability that, *ceteris paribus*, a household is shut off from the credit market. By using this indicator we find that financial development enhances the probability an individual starts his own business, favors entry, increases competition, and promotes growth of firms. As predicted by theory, these effects are weaker for larger firms, which can more easily raise funds outside of the local area. Overall, the results suggest local financial development is an important determinant of the economic success of an area even in an environment where there are no frictions to capital movements.

Guner, Nezhir

TI Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality. **AU** Fernandez, Raquel; Guner, Nezhir; Knowles, John.

TI Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality. **AU** Fernandez, Raquel; Guner, Nezhir; Knowles, John.

Gupta, Sanjeev

PD March 2002. **TI** Challenges in Expanding Development Assistance. **AU** Gupta, Sanjeev; Heller, Peter S. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/05; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 41. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F35, H41, I32. **KW** Official Development Assistance. Poverty. Absorptive Capacity. International Public Goods.

AB This paper highlights the macro and microeconomic challenges associated with success of the effort to mobilize 0.7 percent of Gross National Product for official development assistance (ODA). To promote achievement of the Millennium Development Goals, enhanced ODA must be as productive as possible. In weighing the distribution of enhanced ODA among countries, the paper emphasizes the need to limit potentially adverse "real transfer effects." It recommends a multi-pronged approach to ODA that includes, *inter alia*, in addition to direct bilateral transfers, enhanced use of trust funds and the financing of global public goods.

Gylfason, Thorvaldur

PD June 2001. **TI** Obsolescence. **AU** Gylfason, Thorvaldur; Zoega, Gylfi. **AA** Gylfason: University of Iceland and CEPR. Zoega: Birkbeck College. **SR** CEPR Discussion Paper: 2833; 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** E22, E23. **KW** Capital. Depreciation. Economic Growth. Obsolescence.

AB Does it always pay to install high-quality capital? Or could it possibly be more profitable to make investments that do not last too long? In this paper, we ponder the optimal rate of depreciation of physical capital, first in the Solow model and then in a model of endogenous growth with learning-by-doing. Optimal durability and depreciation, including obsolescence, are attained when the marginal benefit of increasing durability -- and thus reducing the need for future replacement investment -- is equal to the marginal cost, which is the additional cost of investing due to the higher quality of capital. The optimality conditions are set out as golden rules for the quality, or durability, of capital. They entail that the higher the rate of population growth or technological progress, the larger the marginal cost of investing in durability and the lower the optimal level of durability; hence, the higher the optimal rate of depreciation. We then use a customer-market model to derive the privately optimal level of durability, and find that there is nothing in the model that ensures the socially optimal level of durability and depreciation.

Gyourko, Joseph

TI Urban Decline and Durable Housing. **AU** Glaeser, Edward L.; Gyourko, Joseph.

Haacker, Markus

PD October 2001. **TI** Providing Health Care to HIV Patients in Southern Africa. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/03; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12-607, Washington, DC 20431. Website: www.imf.org. **PG** 15. **PR** \$10; prepayment required for individual copies: make checks payable to IMF. **JE** H51, H61, I18. **KW** HIV/AIDS. Health. Government Expenditures. Southern Africa.

AB The paper provides an economic analysis of the impact of HIV/AIDS on the health sector in Southern Africa. It provides indicators for the scale of the impact, including estimates of the costs of various forms treatment. In anticipation of increasing numbers of patients with HIV/AIDS-related diseases, it is essential to expand the already strained health facilities and to substantially increase the training of health personnel. While proposed reductions in the prices of antiretroviral therapies will considerably expand the range of those who can afford them, they will remain accessible to a minority of the population only.

Haag, Matthew

PD September 2002. **TI** One the Size and Structure of Group Cooperation. **AU** Haag, Matthew; Lagunoff, Roger. **AA** Haag: University of Warwick. Lagunoff: Georgetown University. **SR** The Warwick Economic Research Paper: 650; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 20. **PR** no charge. **JE** C72, D62. **KW** Repeated Games. Maximal Average Cooperation. Heterogeneous Discount Factors. Prisoner's Dilemma.

AB This paper examines characteristics of cooperative behavior in a repeated, n-person, continuous action generalization of a Prisoner's Dilemma game. When time preferences are heterogeneous and bounded away from one, how "much" cooperation can be achieved by an ongoing group? How does group cooperation vary with the group's size and

structure? For an arbitrary distribution of discount factors, we characterize the maximal average co-operation (MAC) likelihood of this game. The MAC likelihood is the highest average level of cooperation, over all stationary subgame perfect equilibrium paths that the group can achieve. The MAC likelihood is shown to be increasing in monotone shifts, and decreasing in mean preserving spreads, of the distribution of discount factors. The latter suggests that more heterogeneous groups are less cooperative on average. Finally, we establish weak conditions under which the MAC likelihood exhibits increasing returns to scale when discounting is heterogeneous.

Haliassos, Michael

PD April 2001. **TI** Portfolio Choice and Liquidity Constraints. **AU** Haliassos, Michael; Michaelides, Alex. **AA** Haliassos: University of Cyprus. Michaelides: London School of Economics and CEPR. **SR** CEPR Discussion Paper: 2822; 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** E20, G11. **KW** Entry Costs. Liquidity Constraints. Portfolio Choice. Precautionary Saving.

AB We study the infinite horizon model of household portfolio choice under liquidity constraints and revisit the portfolio specialization puzzle for impatient consumers with access to riskless and risky assets. We consider a labor income process that allows us to decompose the consumption and portfolio effects of permanent and transitory shocks to labor income and show their interaction with liquidity constraints and their relative importance in producing precautionary effects and the portfolio specialization result. We show why the puzzle has proved robust for a number of model variations attempted in the literature, and argue that positive correlation between earnings shocks and stock returns is unlikely to provide a plausible resolution. We then offer an alternative explanation for observed stock holding patterns and the slow emergence of an equity culture. Specifically, we find that relatively small, fixed, stock market entry costs are sufficient to deter households from participating in the stock market. Such entry costs could arise, for example, from informational considerations, sign-up fees and investor inertia.

Hall, Bronwyn H.

PD December 2001. **TI** The NBER Patent Citations Data File: Lessons, Insights and Methodological Tools. **AU** Hall, Bronwyn H.; Jaffe, Adam B.; Trajtenberg, Manuel. **AA** Hall: Nuffield College, University of Oxford. Trajtenberg: Tel Aviv University. Jaffe: Brandeis University and NBER. **SR** CEPR Discussion Paper: 3094; 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** C81, O34. **KW** Patents. Citations. Data Construction. Truncation.

AB This paper describes the database on U.S. patents that we have developed over the past decade, with the goal of making it widely accessible for research. We present main trends in U.S. patenting over the last 30 years, including a variety of original measures constructed with citation data, such as backward and forward citation lags, indices of "originality" and "generality", self-citations, etc. Many of these measures exhibit interesting differences across our six main technological categories (comprising Computers and Communications, Drugs and

Medical, Electrical and Electronics, Chemical, Mechanical and Others). We discuss key issues that arise in the use of patent citations data, and suggest ways of addressing them. In particular, significant changes over time in the rate of patenting and in the number of citations made, as well as the inevitable truncation of the data, make it very hard to use the raw number of citations received by different patents directly in a meaningful way. To remedy this problem we suggest two alternative approaches: the fixed-effects approach involves scaling citations by the average citation count for a group of patents to which the patent of interest belongs; the quasi-structural approach attempts to distinguish the multiple effects on citation rates via econometric estimation.

Hamilton, Jonathan

PD June 2002. **TI** Optimal Income Taxation and the Ability Distribution: Implications for Migration Equilibria. **AU** Hamilton, Jonathan; Pestieau, Pierre. **AA** Hamilton: University of Florida. Pestieau: CEPR, CREPP, University of Liege and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/36; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 19. **PR** \$100 per year. **JE** H21, J61. **KW** Optimal Taxation. Income Tax. Progressivity. Migration. Mobility.

AB As recently argued by Diamond (1998), one of the key factors explaining the progressivity of an optimal non-linear income tax is the distribution of productivity among workers. Migration is one source of changes in the productivity distribution. How changes in the population's ability distribution affect optimal income tax schedules has received little attention. Changing the distribution generally changes both the objective function and the government budget constraint. We first consider the comparative statistics of the fraction of highly-skilled workers with a Rawlsian welfare function (so that only the second effect is present) and a quasi-linear utility function. We perform the same analysis for a despotic social welfare function, and present some results for a utilitarian social welfare function. We study the interaction between mobility and redistributive taxation. We consider mobility by either the skilled or unskilled population in both Rawlsian and majority voting frameworks where governments take the population as fixed. Our main result is that equal ability distributions across jurisdictions is a stable equilibrium when the unskilled are mobile, but only under certain conditions when the skilled are mobile.

Hammond, Claire H.

TI Remembrance and Appreciation Roundtable George J. Stigler (1911- 1991): Scholar, Father, Dissertation Advisor, Referee, Textbook Writer and Policy Analyst. **AU** Friedland, Clairee; Goodwin, Craufurd D.; Hammond, Claire H.; Hammond, Daniel; Levy, David; Medema, Steven G.; Naples, Michele I.; Samuels, Warren J.; Stigler, Stephen M.

TI Remembrance and Appreciation Roundtable George J. Stigler (1911- 1991): Scholar, Father, Dissertation Advisor, Referee, Textbook Writer and Policy Analyst. **AU** Friedland, Clairee; Goodwin, Craufurd D.; Hammond, Claire H.; Hammond, Daniel; Levy, David; Medema, Steven G.; Naples, Michele I.; Samuels, Warren J.; Stigler, Stephen M.

Hanushek, Eric A.

PD November 2001. **TI** Redistribution Through Education and Other Transfer Mechanisms. **AU** Hanushek, Eric A.; Leung, Charles Ka Yui; Yilmaz, Kuzey. **AA** Hanushek: Stanford University and NBER. Leung: Chinese University of Hong Kong. Yilmaz: University of Rochester. **SR** National Bureau of Economic Research Working Paper: 8588; 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** D63, H23, I22. **KW** Educational Subsidies. Equity-Efficiency Trade-Off. General Equilibrium. Income Distributions.

AB Educational subsidies are frequently justified as a method of altering the income distribution. It is thus natural to compare education to other tax-transfer schemes designed to achieve distributional objectives. While equity-efficiency trade-offs are frequently discussed, they are rarely explicitly tested. This paper creates a general equilibrium model of school attendance, labor supply wage determination, and aggregate production, which is used to compare alternative redistribution devices in terms of both deadweight loss and distributional outcomes. A wage subsidy generally dominates tuition subsidies in ex ante (or "opportunity") calculations, but this reverses in ex post (or "realized") calculations. Both are generally superior to a negative income tax. With externalities in production, however, there is an unambiguous role for governmental subsidy of education, because it both raises gross domestic product and creates a more equal income distribution.

PD November 2001. **TI** Why Public Schools Lose Teachers. **AU** Hanushek, Eric A.; Kain, John F.; Rivkin, Steven G. **AA** Hanushek: Stanford University and NBER. Kain: University of Texas at Dallas. Rivkin: Amherst College. **SR** National Bureau of Economic Research Working Paper: 8599; 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** I20, J45. **KW** Public Schools. Teacher Characteristics. Student Characteristics.

AB Many school districts experience difficulties attracting and retaining teachers, and the impending retirement of a substantial fraction of public school teachers raises the specter of severe shortages in some public schools. Schools in urban areas serving economically disadvantaged and minority students appear particularly vulnerable. This paper investigates those factors that affect the probabilities that teachers switch schools or exit the public schools entirely. The results indicate that teacher mobility is much more strongly related to characteristics of the students, particularly race and achievement, than to salary although salary exerts a modest impact once compensating differentials are taken into account.

Hart, Oliver

PD May 2001. **TI** Financial Contracting. **AA** Harvard University. **SR** National Bureau of Economic Research Working Paper: 8285; 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** D20, G30, L20. **KW** Contracts. Management. Profitability. Firm Value.

AB This paper discusses how economists' views of firms' financial structure decisions have evolved from treating firms' profitability as given; to acknowledging that managerial actions

affect profitability; to recognizing that firm value depends on the allocation of decision or control rights. The paper argues that the decision or control rights approach is useful, even though it is at an early stage of development, and that the approach has some empirical content: it can throw light on the structure of venture capital contracts and the reasons for the diversity of claims.

PD May 2001. **TI** Norms and the Theory of the Firm. **AA** Harvard University. **SR** National Bureau of Economic Research Working Paper: 8286; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 19. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D20, G30, L20. **KW** Theory of the Firm. Norms. Firm Boundaries.

AB This paper discusses some of the attempts economists have made in the last ten years or so to integrate norms into the theory of the firm. The paper argues that (a) although norms are undoubtedly very important both inside and between firms, incorporating them into the theory has been very difficult and is likely to continue to be so in the near future; (b) so far norms have not added a great deal to our understanding of such issues as the determinants of firm boundaries (the "make-or-buy" decision) -- that is, at this point a norm-free theory of the firm and a norm-rich theory of the firm don't seem to have very different predictions.

TI Takeover Bids versus Proxy Fights in Contests for Corporate Control. **AU** Bebchuk, Lucian Arye; Hart, Oliver.

TI Takeover Bids vs. Proxy Fights in Contests for Corporate Control. **AU** Bebchuk, Lucian Arye; Hart, Oliver.

Hartmann, Philipp

PD November 2001. **TI** The Microstructure of the Euro Money Market. **AU** Hartmann, Philipp; Manna, Michele; Manzanares, Andres. **AA** Hartmann: European Central Bank and CEPR. Manna: not available. Manzanares: European Central Bank. **SR** CEPR Discussion Paper: 3081; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D44, E43, E52, G14. **KW** Auctions. Financial Microstructure. Monetary Policy. Overnight Deposit Rates.

AB This paper provides the first empirical examination of the microstructure of the euro money market, using tick data from brokers located in six countries. Special emphasis is put on the institutional environment (monetary policy decisions and their implementation, payment systems and private market structures) and its implications for intraday volatility, quoting activity, trading volume and bid-ask spreads in the overnight deposit segment. Volatility and spreads increase right after European Central Bank (ECB) monetary policy decisions, but market expectations of the interest rate changes were relatively precise during the sample period. Main refinancing operations with the open market are associated with active liquidity reallocation, little volatility and no signs of market power or adverse selection. Spreads and volatility were high at the end of the reserve maintenance periods and during the year 2000 changeover. Even intraday, overnight rate levels hardly differ across euro area countries, reflecting active arbitrage and a high degree of integration.

Haruvy, Ernan

TI Social Distance and Reciprocity: The Internet vs. the

Laboratory. **AU** Charness, Gary; Haruvy, Ernan; Sonsino, Doron.

Hatton, Tim

TI New Estimates of British Unemployment, 1870-1913.

AU Boyer, George; Hatton, Tim.

Hauffer, Andreas

PD November 2001. **TI** Regional Tax Coordination and Foreign Direct Investment. **AU** Hauffer, Andreas; Wooton, Ian. **AA** Hauffer: Universitat Gottingen. Wooton: University of Glasgow. **SR** CEPR Discussion Paper: 3063; 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, H73, H87. **KW** International Investment. Regional Coordination. Tax Competition.

AB This paper analyses the effects of a regionally coordinated profit tax in a model with three active countries, one of which is not part of the union, and a globally mobile firm. We show that regional tax coordination can lead to two types of welfare gains. First, for investments that would take place in the region in the absence of coordination, this measure can transfer location rents from the firm to the union. Second, by internalizing all of the union's benefits from foreign direct investment, a coordinated policy attracts more investment than when member states act in isolation. Consequently, tax levels may rise or fall under regional coordination.

Hausken, Kjell

PD November 2002. **TI** The Truthful Signaling Hypothesis: An Economic Approach. **AU** Hausken, Kjell; Hirschleifer, Jack. **AA** Hausken: University of Stavanger, Norway. Hirschleifer: UCLA. **SR** University of California, Los Angeles, Department of Economics Working Paper: 825; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** not available. **PR** no charge. **JE** D82, D83. **KW** Signaling. Handicap. Bioeconomics. Mating Competition.

AB In mating competition, the Truthful Signaling Hypothesis (TSH), or handicap principle, asserts that higher-quality (H) males signal while lower-quality (L) males do not. Also, the signals are "believed". Our analysis employs specific functional forms to generate equilibrium solutions that validate the TSH. Following Grafen (1990b) in dealing with endowed quality that is non-heritable, we introduce several crucial analytic innovations: (1) A Mating Success Function (MSF) indicates how female mating choices respond to higher and lower signaling levels. (2) A "congestion" function rules out corner solutions in which females would mate exclusively with H males. (3) In addition, for biological equilibrium a Malthusian condition is employed to balance population size and resources. Equilibria validating the TSH are achieved over a wide range of parameters, though not universally. Contra some statements in the literature, for TSH equilibria it is not a strictly necessary condition that the high-quality males have an advantage in terms of lower per-unit signaling costs, although any cost difference in favor of the L-type males cannot be too great. Signaling can start up from a no-signaling equilibrium only if the trait used for signaling is not initially a handicap, but instead is functionally useful at low levels.

Hayashi, Masayoshi

TI An Evaluation of the Risk-Sharing Function of Equalization in Canada. **AU** Boadway, Robin; Hayashi, Masayoshi.

Heathcote, Jonathan

PD July 2001. **TI** Fiscal Policy with Heterogeneous Agents and Incomplete Markets. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 01/03; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 43. **PR** no charge. **JE** E62, H24, H31, H63. **KW** Ricardian Equivalence. Heterogeneous Agents. Borrowing Constraints. Fiscal Policy.

AB This paper undertakes a quantitative investigation into the short run effects of changes in the timing of taxes for model economies in which heterogeneous households face a borrowing constraint. A combination of the distortionary effects of non-lump-sum taxation and the liquidity effects arising from the asset market structure are found to imply large real effects from tax changes. For example, a temporary proportional income tax increase in the benchmark model economy reduces aggregate consumption by around 29 cents for every additional dollar of tax revenue raised. The consumption of low wealth households who are close to the borrowing constraint is most sensitive to the current tax rate. While there are many such households, richer households account for a disproportionately large fraction of aggregate income and consumption. Thus the distortionary effects of proportional taxation are quantitatively more important at the aggregate level than the effects associated with incompleteness of asset markets.

TI Factor Taxation with Heterogeneous Agents. **AU** Domeij, David; Heathcote, Jonathan.

PD September 2001. **TI** Financial Globalization and Real Regionalization. **AU** Heathcote, Jonathan; Perri, Fabrizio. **AA** Heathcote: Duke University and New York University. Perri: New York University and Princeton University. **SR** Duke University Department of Economics Working Paper: 01/05; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 50. **PR** no charge. **JE** F36, F41. **KW** International Business Cycles. International Diversification.

AB Over the period 1973-1985, the correlations of GDP, employment and investment between the United States and an aggregate of major trading partners were respectively 0.76, 0.67, and 0.61. Between 1986-1998 the same correlations were much lower: 0.25, -0.19, and 0.16 (real regionalization). At the same time, U.S. international asset trade has significantly increased. For example, between 1980 and 1999, United States gross foreign assets rose from 27 to 77 percent of U.S. GDP (financial globalization). We document that the correlation of real shocks between the U.S. and the rest of the world has declined. We then present a model in which international financial market integration occurs endogenously in response to less correlated shocks. Financial integration further reduces the international correlations in GDP and factor supplies. We find that both less correlated shocks and endogenous financial market development are needed to account for all the changes in the international business cycle.

TI Housing and the Business Cycle. **AU** Davis, Morris; Heathcote, Jonathan.

Helland, Eric

TI Does Single Parenthood Increase the Probability of Teenage Promiscuity, Drug Use, and Crime? Evidence from Divorce Law Changes. **AU** Antecol, Heather; Bedard, Kelly; Helland, Eric.

Heller, Peter S.

TI Challenges in Expanding Development Assistance. **AU** Gupta, Sanjeev; Heller, Peter S.

PD July 2002. **TI** Considering the IMF's Perspective on a "Sound Fiscal Policy". **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/08; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12-607, Washington, DC 20431. Website: www.imf.org. **PG** 28. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** E62, H21. **KW** Fiscal Policy. International Monetary Fund. Emerging Markets. Industrial Economies.

AB This paper provides a perspective on how the International Monetary Fund (IMF) assesses a "sound fiscal policy," focusing principally on industrial and emerging market economies. It observes six central criteria: the short-term fiscal policy stance, with greater emphasis on automatic stabilizers than discretionary fiscal policy; relevance of medium- and sometimes long-term issues; fiscal sustainability; capacity for aggregate fiscal policy implementation (including political economy factors); structural content of fiscal policy (tax efficiency and public expenditure quality); and institutional, governance, and process issues associated with budget implementation and revenue collection. Greater emphasis could be placed on an adequate margin to deal with uncertain long-term challenges.

Hendricks, Kenneth

PD May 2001. **TI** Empirical Implications of Equilibrium Bidding in First-Price, Symmetric, Common Value Auctions. **AU** Hendricks, Kenneth; Pinkse, Joris; Porter, Robert H. **AA** Hendricks: University of British Columbia and University of Texas. Pinkse: University of British Columbia. Porter: Northwestern University. **SR** National Bureau of Economic Research Working Paper: 8294; 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** C70, D44, L10. **KW** Auctions. Equilibrium Bidding.

AB This paper studies federal auctions for wildcat leases on the Outer Continental Shelf from 1954 to 1970. These are leases where bidders privately acquire (at some cost) noisy, but equally informative, signals about the amount of oil and gas that may be present. This paper develops a test of equilibrium bidding in a common values model that is implemented using data on bids and ex post values. The paper computes bid markups and rents under the alternative hypotheses of private and common values and finds that the data are more consistent with the latter hypothesis. Finally, the paper uses data on tract location and ex post values to test the comparative static prediction in common value auctions that bidders may bid less aggressively when they expect more competition.

Henry, Peter Blair

PD May 2001. **TI** Is Disinflation Good for the Stock Market? **AA** Stanford University and NBER. **SR** National

Bureau of Economic Research Working Paper: 8289; 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 E60, G10. KW Stabilization Efforts. Stock Market. Disinflation.

AB When countries attempt to stabilize annual inflation rates that are greater than 40 percent, the domestic stock market appreciates by 24 percent on average. The present value of the long-run benefits to shareholders of reducing high inflation outweighs the present value of the short-run costs. In contrast, the average market response is economically weak and statistically insignificant, if the pre-stabilization inflation rate is less than 40 percent. Stock market responses also help predict the change in inflation and output in the year following stabilization efforts. This additional result indicates that the stock market evidence for the 81 episodes studied is not spurious.

Hensler, Deborah R.

TI A Flood of Litigation? Predicting the Consequences of Changing Legal Remedies Available to ERISA Beneficiaries. AU Gresenz, Carole Roan; Hensler, Deborah R.; Studdert, David M.; Dombey-Moore, Bonnie; Pace, Nicholas M.

Hernandez de Cos, Pablo

TI El Sector de las Administraciones Publicas en Espana (The General Government Sector in Spain). AU Argimon, Isabel; Gomez, Angel Luis; Hernandez de Cos, Pablo; Marti, Francisco.

TI El Sector de las Administraciones Publicas en Espana (The General Government Sector in Spain). AU Argimon, Isabel; Gomez, Angel Luis; Hernandez de Cos, Pablo; Marti, Francisco.

Hernando, Ignacio

TI Assessing the Benefits of Price Stability: The International Experience. AU Andres, Javier; Hernando, Ignacio; Lopez-Salido, J. David.

Hickson, Charles R.

PD September 2002. TI The Trading of Unlimited Liability Bank Shares: The Bagehot Hypothesis. AU Hickson, Charles R.; Turner, John D. AA Queen's University. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP241; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. PG 30. PR \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE G21, G30, K20, N20, N83. KW Unlimited Liability. Corporate Governance. Joint Stock Companies. Banking.

AB From the mid-1820s, banks became the first business sector in Great Britain and Ireland to be granted the right to form freely on an unlimited liability joint stock basis. Walter Bagehot, the renowned contemporary banking expert, warned that shares in such banks would ultimately be owned by widows, orphans and other impecunious individuals. An alternative hypothesis is that the governing bodies of these banks constrained by special legal restrictions on share trading acted effectively to prevent such shares being transferred to the less wealthy members of society. We test both conjectures

using the archives of an Irish joint stock bank. The results do not support Bagehot's hypothesis, but instead indicate that shares continued to be owned by wealthy individuals.

Hindriks, Jean

TI Yardstick Competition and Political Agency Problems. AU Belleflamme, Paul; Hindriks, Jean.

Hirshleifer, Jack

TI The Truthful Signaling Hypothesis: An Economic Approach. AU Hausken, Kjell; Hirshleifer, Jack.

Hobbs, Richard

TI Implicit Contracts, Takeovers and Corporate Governance: In the Shadow of the City Code. AU Deakin, Simon; Hobbs, Richard; Nash, David; Slinger, Giles.

Hochquertel, Stefan

TI Consumer Credit: Evidence from Italian Micro Data. AU Alessie, Rob; Hochquertel, Stefan; Weber, Guglielmo.

Hodrick, Robert J.

PD November 2001. TI Do We Need Multi-Country Models to Explain Exchange Rate, Interest Rate and Bond Return Dynamics? AU Hodrick, Robert J.; Vassalou, Maria. AA Columbia University and CEPR. SR CEPR Discussion Paper: 3056; 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 C61, E43, E44. KW Bond Returns. Exchange Rates. Interest Rates. Multi-Country Models.

AB This paper examines characterizations of the dynamics for first and second moments of the one-month interest rate, the 12-month excess bond return and exchange rates. The countries considered are the US, Germany, Japan and the United Kingdom. Our tests are based on the implications of multi-country versions of the Cox, Ingersoll and Ross (1985) class of term structure models. Multi-country models are in several cases better able to explain the dynamics of one-month interest rates and the 12-month excess bond returns than one-country models. Furthermore, in some cases, they can also explain the dynamics of the exchange rates better than two-country models. Multi-country models are particularly useful for explaining the second moment of the one-month US interest rate, the second moments of the 12-month excess bond returns in US, Germany and Japan, as well as the first moment of the rate of appreciation of the Deutsche mark relative to the US dollar. In addition to results based on asymptotic distributions, we also provide inference using the small-sample distributions of test statistics.

Hoeffler, Anke

TI GMM Estimation of Empirical Growth Models. AU Bond, Stephen R.; Hoeffler, Anke; Temple, Jonathan.

Hoel, Michael

PD February 2002. TI Interregional Interactions and Population Mobility. AA UCSB. SR University of California, Santa Barbara, Working Papers in Economics: 02/05; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA

93106. Website: www.econ.ucsb.edu. PG 22. PR no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE D72, F22, H73. KW Interregional Interaction. Fiscal Federalism. Population Mobility.

AB The institutional level at which policies should be determined is an important issue that has been extensively treated in the economics literature. In particular, the literature has discussed to what extent decentralization of policy decisions give an inefficient outcome. With a homogeneous population and perfect population mobility, as it conventionally is modeled, the following result is derived for a very general class of economies with interregional interactions: A socially efficient outcome is a Nash equilibrium of the game of decentralized and uncoordinated policy setting. However, if decisions about migration take a longer time to make than decisions of policy changes, the general result above no longer holds. With this decision sequence decentralization may give an inefficient outcome also in situations where the decentralized outcome is efficient in the absence of population mobility.

Hof, Franz X.

TI Status Seeking in the Small Open Economy. AU Fisher, Walter H.; Hof, Franz X.

Hofer, Helmut

PD October 2001. TI Wage Mobility in Austria 1986-1996. AU Hofer, Helmut; Weber, Andrea. AA Institute for Advanced Studies. SR Institute for Advanced Studies (IHS), Economics Series: 108; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. PG 20. PR EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. JE J31, J60, P52. KW Wage Mobility. Shorrock's Indices. Corporatism. Austria. AB We examine wage mobility of Austrians, using 1986-1996 data from administrative sources. For the evaluation of wage mobility we calculate mobility measures based on transitions between quintiles in the wage distribution. A second group of indices measure wage mobility by the extent to which averaging wages over a longer period decreases cross sectional inequality. We find that mobility reduces wage inequality by 7 percent over a six-year period. This equalizing effect of wage mobility is only half as large as in other OECD countries. Considering an 11 year horizon for Austria implies a reduction of inequality of 10 percent. Mobility is high only for young workers and for workers who changed their employer at least once during the observation period. Decomposing the sample into sex, age and worker-type groups and comparing within- and between-group mobility shows that most of the equalizing effect of mobility occurs within the groups.

Hoffman, Saul D.

PD January 2003. TI The EITC Marriage Tax and EITC Reform. AA University of Delaware. SR University of Delaware, Department of Economics Working Paper: 2003/01; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. PG 20. PR no charge. JE I38, J18. KW Income Tax Credit. Marriage Tax. Labor Supply.

AB The Earned Income Tax Credit (EITC) provides marriage bonuses to some married couples and imposes marriage penalties on many others. The sources of these bonuses and penalties are the EITC eligibility rules, its non-linear benefit structure, and the phase-out of benefits at higher incomes. In this paper, we examine the source of the EITC marriage penalty, simulate the impact on the EITC marriage penalty of the reform included in the Economic Growth and Tax Relief Act of 2001, and then propose and examine additional reform that would both provide further relief from the EITC marriage penalty and improve labor supply incentives at the same time.

Holmlund, Bertil

TI Optimal Unemployment Insurance with Monitoring and Sanctions. AU Boone, Jan; Fredriksson, Peter; Holmlund, Bertil; van Ours, Jan C.

Honkapohja, Seppo

TI Expectations and the Stability Problem for Optimal Monetary Policies. AU Evans, George W.; Honkapohja, Seppo.

Hopkins, Sandra

TI The Australian Private Health Insurance Boom: Was It Subsidies or Liberalised Regulation? AU Frech, H. E., III; Hopkins, Sandra; MacDonald, Garry.

Horioka, Charles Yuji

PD November 2001. TI Are the Japanese Selfish, Altruistic, or Dynastic? AA Osaka University and NBER. SR National Bureau of Economic Research Working Paper: 8577; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 39. PR \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). JE D12, D64, D91, E21. KW Japan. Bequest Motive. Willingness to Help. AB This paper analyzes variety of evidence for Japan and, where available, for the United States on bequest practices, on the importance and nature of bequest motives, on bequest division, on the willingness of individuals to help others, etc., in order to shed light on which model of household behavior applies in the two countries. The results suggest 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., that the dynasty model is also more applicable in Japan than it is in the U.S. but that it is not of dominant importance even in Japan, and conversely, that the altruism model is far more applicable in the U.S. than it is in Japan.

Horvath, Roman

PD August 2002. TI Optimum Currency Area Theory: A Framework for Discussion About Monetary Integration. AU Horvath, Roman; Komarek, Lubos. AA Horvath: Central European University and Charles University. Komarek: The Czech National Bank. SR The Warwick Economic Research Paper: 647; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 25. PR no charge. JE E32, E42, F33, F42. KW Optimum Currency Area. Central Banking. Transition. European Union. Czech Republic.

AB The optimum currency area (OCA) theory tries to answer an almost prohibitively difficult question: what is the optimal

number of currencies to be used in one region. The difficulty of the question leads to a low operational precision of OCA theory. Therefore, we argue that the OCA theory is a framework for discussion about monetary integration. We summarize theoretical issues from the classical contributions to the OCA literature in the 1960s to the modern "endogenous view". A short survey of empirical studies on the OCA theory in the connection with the European Monetary Union and the Czech Republic is presented. Finally, we calculate OCA-indexes for the Czech Republic, European Union (EU), Germany and Portugal. We compare the structural similarity of the Czech Republic and Portugal to the German economy and find that the Czech economy is closer. The results are reversed when the EU economy is considered as a benchmark country.

Hosek, James R.

TI Military Compensation: Trends and Policy Options.
AU Asch, Beth J.; Hosek, James R.

Hubbard, Thomas N.

PD May 2001. TI Affiliation, Integration, and Information: Ownership Incentives and Industry Structure. AA University of Chicago and NBER. SR National Bureau of Economic Research Working Paper: 8300; 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 L11, L22. KW Ownership Incentives. Fragmented Industries. Horizontal Industry Structure.

AB This paper presents theory and evidence on horizontal industry structure, focusing on situations where plant-level scale economies are small and market power is not an issue. At issue is the question: what makes industries necessarily fragmented? The theoretical model distinguishes between the structure of brands and firms in an industry by examining trade-offs associated with affiliation and integration, and how they are affected by the contracting environment. The paper shows how contractual incompleteness can lead industries to be necessarily fragmented. It is also shown that improvements in the contracting environment will tend to lead to a greater concentration of brands, but whether they lead industries to be more or less concentrated depends on what becomes contractible. The paper then discusses the propositions generated by the model through a series of case study examples.

Hudson, Maria

PD June 2002. TI Partnership in Practice. AU Hudson, Maria; Konzelmann, Suzanne; Wilkinson, Frank. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP239; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. PG 42. PR \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE G34, J53, L23, M12. KW Industrial Partnership. Corporate Governance. Cooperation. Human Resource Management.

AB This paper examines human resource management practices adopted in a group of eight case study firms and their tendencies towards versus away from partnership. The analysis is based on data collected during interviews with 124 employees (75 in organizations tending towards partnership

and 49 in organizations tending away from partnership) and senior managers, conducted in 1997-1998 for the Job Insecurity and Work Intensification Survey (JIWIS). Drawing on the perspectives of senior managers and employees, we examine the tendency of firms towards and away from partnership in employment relations; and in keeping with the JIWIS methodology (Burchell et al., 2001) we combine quantitative and qualitative evidence in our analysis. Specifically, we are interested in what partnership looks like in these different contexts, the reasons it is pursued (or not), the degree to which companies have been successful in achieving their partnership objectives (from the perspective of both management and employees), and the conditions that have either facilitated or impeded partnership in relationships with employees.

Hunter, Charles G.

TI The Empirical Frequency of a Pivotal Vote.
AU Mulligan, Casey B.; Hunter, Charles G.

Hunter, John

TI A Panel Analysis of UK Industrial Company Failure.
AU Isachenkova, Natalia; Hunter, John.

Hurd, Michael

PD October 1998. TI An Analysis of the Choice to Cash Out Pension Rights at Job Change or Retirement. AU Hurd, Michael; Lillard, Lee; Panis, Constantijn. AA RAND Corporation. SR RAND Corporation Report: DRU/1979/DOL; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica, CA 90407-2138. Website: www.rand.org. PG 41. PR not available. JE H55, J26, J32. KW Old Age Pensions. Retirement. Pensions. Choice Set. Probit Models.

AB This report is concerned with workers' choices to cash out pension plans upon job change or retirement. Using new data with a unique feature, this report finds that the issue is far less severe than suggested in prior reports. Prior research on pension cash-outs has focused on the disposition of plans that were settled through a lump sum distribution. Recently released data from the Health and Retirement Study (HRS) contains information on whether workers have the option of a lump sum settlement. This analysis utilizes that information and is unique in its explicit recognition of the full choice set that plan participants face. The paper develops a theoretical framework based on the life cycle model and estimates a reduced form probit model of the propensity to cash out for individuals who leave their jobs.

PD March 1999. TI Mortality Risk and Consumption by Couples. AA RAND Corporation. SR RAND Corporation Report: DRU/2061/NIA; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica, CA 90407-2138. Website: www.rand.org. PG 49. PR not available. JE D10, D91, J12. KW Consumption. Married People. Wealth. Mortality.

AB The goal of this paper is to analyze a model to explain consumption by couples. It is an extension of the model for singles by Yaari (1965), and therefore emphasizes the role of mortality risk. It also allows for a "true" bequest motive, bequeathing by a couple to the next generation, or at least to others outside of their own two-person household. The analysis shows that a true bequest motive will reduce the rate of wealth decumulation by couples just as it does among singles.

Hurwicz, Leonid

PD February 2002. **TI** The Informational Efficiency of Finite Price Mechanisms. **AU** Hurwicz, Leonid; Marschak, Thomas. **AA** Hurwicz: University of Minnesota. Marschak: UC Berkeley. **SR** University of Minnesota Center for Economic Research Discussion Paper: 314; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 57. **PR** no charge. **JE** D51. **KW** Finite Price Mechanisms. Walrasian Mechanism. Informational Decentralization.

AB This paper obtains finite counterparts of previous results that showed the informational efficiency of the Walrasian mechanism among all mechanisms yielding Pareto-optimal individually rational trades in an exchange economy while using a continuum of possible messages. Such mechanisms lack realism, since it is not possible to transmit or announce all points of a continuum, and it generally takes infinite time to find an equilibrium message. Accordingly, the paper studies approximations of the continuum Walrasian mechanism, in which the number of messages is finite. It applies general results from a companion paper, which considered finite approximations of continuum mechanisms in general organizations, with exchange economies as a particular example. For classic exchange economies, we compare the continuum Walrasian mechanism with alternative continuum mechanisms that also find a Pareto-optimal and individually rational allocation. A finite approximation to a continuum mechanism will have an error. We find that the overall error of a sufficiently fine finite approximation of the Walrasian mechanism is arbitrarily close to the overall error of a not more costly approximation of an alternative continuum mechanism that has the same number of message variables.

Hutchison, Michael M.

PD May 2001. **TI** A Cure Worse Than the Disease? Currency Crises and the Output Costs of IMF-Supported Stabilization Programs. **AA** University of California, Santa Cruz. **SR** National Bureau of Economic Research Working Paper: 8305; 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** E63, F34, F41, O19. **KW** Stabilization Programs. Currency Crises. Output Growth. IMF.

AB We investigate the output effects of IMF-supported stabilization programs, especially those introduced at the time of a severe balance of payments/currency crisis. Using a panel data set over the 1975-97 period and covering 67 developing and emerging-market economies (with 461 IMF stabilization programs and 160 currency crises), we find that currency crises -- even after controlling for macroeconomic developments, political and regional factors -- significantly reduce output growth for 1-2 years. Output growth is also lower (0.7 percentage points annually) during IMF-stabilization programs, but it appears that growth generally slows prior to implementation of the program. Moreover, programs coinciding with recent balance of payments or currency crises do not appear to further damage short-run growth prospects. Countries participating in IMF programs significantly reduce domestic credit growth, but no effect is found on budget policy. Applying this model to the collapse of output in East Asia following the 1997 crisis, we find that the unexpected (forecast

error) collapse of output in Malaysia -- where an IMF-program was not followed -- was similar in magnitude to those countries adopting IMF programs (Indonesia, Korea, Philippines and Thailand).

Ianchovichina, Elena

PD April 2001. **TI** Unrestricted Market Access for Sub-Saharan Africa: How Much is it Worth and Who Pays? **AU** Ianchovichina, Elena; Mattoo, Aaditya; Olarreaga, Marcelo. **AA** World Bank. **SR** CEPR Discussion Paper: 2820; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F11, F13, F14, F15. **KW** Duty-Free Access. Least Developed Countries. Sub-Saharan Africa.

AB Initiatives to improve market access for the poorest countries have recently been announced by the European Union, Japan and the United States. This paper assesses the impact on Sub-Saharan Africa (SSA) of these initiatives and others that might be taken. It is found that fully unrestricted access to all the QUAD countries would produce substantial gains for SSA, leading to a 14 percent increase in non-oil exports (\$2.5 billion) and boosting real incomes in SSA by around 1 percent. Most of these gains would come from preferential access to the highly protected Japanese and European agricultural markets. The smallness of SSA ensures that the costs of trade diversion for the QUAD and other developing countries are negligible.

Iantchev, Milko

PD July 2000. **TI** Grabbing Hand, Helping Hand or Invisible Hand? The Government's Relationship to Small Business in Bulgaria. **AU** Iantchev, Milko; Miller, Jeffrey B. **AA** Iantchev: WEFA. Miller: University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2000/03; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 11. **PR** no charge. **JE** H11, P52. **KW** Regulatory Environment. Legal Environment. Small Business. Private Protection. Bulgaria.

AB A questionnaire developed by Frye and Shleifer (for Poland and Russia) is used to evaluate the relationship between government and small business. Three areas are investigated: regulatory environment, legal environment and the role of government and private protection. The regulatory environment in Bulgaria does not differ significantly from Poland and Romania (another country where the survey was carried out). Comparisons between Bulgaria and the other countries with respect to legal protections are less favorable. Bulgarian firms used the courts less often than businesses in the other countries, and were likely to need to use the courts and did not. Only Russia is worse. Bulgaria appears to have made considerable progress in reducing racketeering, but small businesses still need more help in fighting crime and enforcing contracts. Most disappointing is that small business people have a very negative attitude toward government.

Ichniowski, Casey

TI Opportunity Counts: Teams and the Effectiveness of Production Incentives. **AU** Boning, Brent; Ichniowski, Casey; Shaw, Kathryn.

Irwin, Douglas A.

PD December 2001. **TI** Airbus versus Boeing Revisited: International Competition in the Aircraft Market. **AU** Irwin, Douglas A.; Pavcnik, Nina. **AA** Dartmouth College and NBER. **SR** National Bureau of Economic Research Working Paper: 8648; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 25. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F12, F13, L13. **KW** Aircraft Market. Airbus. Boeing. International Competition. Entry.

AB This paper examines international competition in the commercial aircraft industry. We estimate a discrete choice, differentiated products demand system for wide-body aircraft and examine the Airbus-Boeing rivalry under various assumptions on firm conduct. We then use this structure to evaluate two trade disputes between the United States (US) and European Union (EU). Our results suggest that the aircraft prices increased by about 3 percent after the 1992 US-EU agreement on trade in civil aircraft that limits subsidies. This price hike is consistent with a 7.5 percent increase in firms' marginal costs after the subsidy cuts. We also simulate the impact of the future entry of the Airbus A-380 super-jumbo aircraft on the demand for other wide-bodied aircraft, notably the Boeing 747. We find that the A-380 could reduce the market share of the 747 by up to 14 percent in the long range wide-body market segment (depending upon the discounts offered on the A-380), but would reduce the market for Airbus's existing wide-bodies by an even greater margin.

Isachenkova, Natalia

PD March 2002. **TI** A Panel Analysis of UK Industrial Company Failure. **AU** Isachenkova, Natalia; Hunter, John. **AA** Isachenkova: University of Cambridge. Hunter: Brunel University. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP228; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 20. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G33. **KW** Company Failure Risk. Heterogeneity. Logit Model.

AB We examine the failure determinants for large quoted UK industrials using a panel data set comprising 539 firms observed over the period 1988-93. The empirical design employs data from company accounts and is based on Chamberlain's conditional binomial logit model, which allows for unobservable, firm-specific, time-invariant factors associated with failure risk. We find a noticeable degree of heterogeneity across the sample companies. Our panel results show that, after controlling for unobservables, lower liquidity measured by the quick assets ratio, slower turnover proxied by the ratio of debtors turnover, and profitability were linked to the higher risk of insolvency in the analysis period. The findings appear to support the proposition that the current cash-flow considerations, rather than the future prospects of the firm, determined company failures over the 1990s recession.

Izquierdo, Mario

TI Quality-Adjusted Prices: Hedonic Methods and Implications for National Accounts. **AU** Bover, Olympia; Izquierdo, Mario.

PD July 2001. **TI** An Approximation to Biases in the

Measurement of Spanish Macroeconomic Variables Derived from Product Quality Changes. **AU** Izquierdo, Mario; Matea, Ma. de los Llanos. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 71; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 18. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** E31, N10, O47, O50. **KW** Quality-Adjusted Prices. Deflators. National Accounts. Product Quality.

AB This study illustrates the biases that may arise on estimating real macroeconomic variables owing to the lack of -- or insufficient -- price adjustments to accommodate product quality changes. An exercise is performed for the period 1986-1994, which involves estimating the growth rates of the demand and output deflators arising from introducing quality-based adjustments into the prices for the information and communications technology, cars and housing branches. It further simulates the resulting effects on the real growth rates of these macroeconomic magnitudes. The adjustments to prices in these branches have drawn on the empirical evidence available for other countries. The estimated effects on the real-terms measurement of investment and trade flows are particularly notable, although the impact on GDP is, while relevant, of a lesser scale.

PD August 2001. **TI** Car Quality Improvements and Price Indices in Spain. **AU** Izquierdo, Mario; Licandro, Omar; Maydeu, Alberto. **AA** Izquierdo: Banco de Espana and FEDEA. Licandro: FEDEA. Maydeu: Universitat de Barcelona. **SR** Banco de Espana, Estudios Economicos: 72; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 22. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** C43, E31, L62. **KW** Hedonic Regressions. Quality Indices. Automobiles.

AB The objectives of this study are to measure quality improvements in automobile sector in Spain and to estimate the quality bias in car price index released by INE. In order to do that, we propose an alternative methodology to estimate hedonic regressions. This methodology involves classifying the "indicators" of quality of an automobile in "sub-indices" that reflect different aspects of quality, subsequently grouping the sub-indices in an overall quality index. Consequently, car quality can be measured by a readily interpretable index; and its price can be estimated with statistical accuracy in an hedonic regression where the overall quality index is used as regressor. Results indicate that the implicit quality bias in the car price index released by INE is 3.1 % per year.

PD December 2001. **TI** Hedonic Prices for Personal Computers in Spain During the 90s. **AU** Izquierdo, Mario; Matea, Ma. de los Llanos. **AA** Banco de Espana. **SR** Banco de Espana, Estudios Economicos: 74; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcala, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. **PG** 32. **PR** single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. **JE** E31, L86. **KW** Hedonic Price Index. Computers. Quality Bias.

AB This study applies hedonic methodology to calculate an hedonic price index for personal computers in Spain during the

period 1990-2000. A wide variety of specifications of the hedonic function have been estimated under different assumptions about the stability of the parameters, and it is found that the double logarithmic specification estimated on the basis of adjacent periods is that which best describes how these prices have changed. Separate analyses have been conducted for desktop and laptop computers, aggregating the resulting indices in an hedonic price index for personal computers. Most notable price reductions are obtained with this index, namely an annual average rate of decline of 38% between 1990 and 2000, with the declines having steepened in the second half of the decade. Comparing these developments with the CPI series for computers, a quality bias of 26% per year is estimated between 1992 and 2000.

Jackson, Matthew O.

PD March 2003. **TI** The Linking of Collective Decisions and Efficiency. **AU** Jackson, Matthew O.; Sonnenschein, Hugo F. **AA** Jackson: Caltech. Sonnenschein: University of Chicago. **SR** Caltech Social Science Working Paper: 1159; Working Paper Assistant, California Institute of Technology, Division of the Humanities and Social Sciences, MC 228-77, 1200 E. California Blvd., Pasadena, CA 91125. Website: www.hss.caltech.edu/ss/working-papers. **PG** 24. **PR** no charge. **JE** C72, D71, D74, D78. **KW** Mechanism Design. Linking Decisions. Bundling. Incentive Compatibility. Collective Decision Making.

AB For groups that must make several decisions of similar form, we define a simple and general mechanism that is designed to promote social efficiency. The mechanism links the various decisions by forcing agents to budget their representations of preferences so that the frequency of preferences across problems conforms to the underlying distribution of preferences. We show that as the mechanism operates over a growing number of decisions, the welfare costs of incentive constraints completely disappear. In addition, as the number of decisions being linked grows, a truthful strategy is increasingly successful and secures the efficient utility level for an agent.

Jacobs, Bas

TI Redistribution and Education Subsidies are Siamese Twins. **AU** Bovenberg, A. Lans; Jacobs, Bas.

Jaffe, Adam B.

TI The NBER Patent Citations Data File: Lessons, Insights and Methodological Tools. **AU** Hall, Bronwyn H.; Jaffe, Adam B.; Trajtenberg, Manuel.

Jareno, Javier

TI A BVAR Macroeconometric Model for the Spanish Economy: Methodology and Results. **AU** Ballabriga, Fernando C.; Alvarez Gonzalez, Luis Julian; Jareno, Javier.

Jeanne, Olivier

TI Economic Integration and the Exchange Rate Regime: Some Lessons from Canada. **AU** Arora, Vivek; Jeanne, Olivier.

Jegadeesh, Narasimhan

TI Earnings Quality and Stock Returns. **AU** Chan, Konan; Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef.

Jehiel, Philippe

PD May 2001. **TI** The European UMTS/IMT-2000 License Auctions. **AU** Jehiel, Philippe; Moldovanu, Benny. **AA** Jehiel: CERAS, University College London and CEPR. Moldovanu: Universitat Mannheim. **SR** CEPR Discussion Paper: 2810; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D44, D45, L13, L96. **KW** License Auctions. Market Entry. UMTS.

AB Europe has taken the global lead in the issuance of third generation (3G) licenses for mobile telecommunications according to the UMTS/IMT-2000 family of standards. We survey the recent European UMTS license auctions and compare their outcomes with the predictions of a simple auction model that emphasizes future market structure as a main determinant of valuations for licenses. Since the main goal of most spectrum allocation procedures is economic efficiency, and since consumers (who are affected by the ensuing market structure) do not participate at the auction stage, good designs must alleviate the asymmetry among incumbents and potential entrants by actively encouraging entry.

Jin, Mei

TI The Role of Monthly Economic Statistical Bulletins. **AU** Dziobek, Claudia H.; Jin, Mei.

Jofre-Bonet, Mireia

PD December 2001. **TI** Estimation of a Dynamic Auction Game. **AU** Jofre-Bonet, Mireia; Pesendorfer, Martin. **AA** Jofre-Bonet: Yale University. Pesendorfer: Yale University and NBER. **SR** National Bureau of Economic Research Working Paper: 8626; 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** D44, D82. **KW** Auction Game. Capacity Constraints. Highway Construction. Contracts.

AB This paper proposes an estimation method for a repeated auction game under the presence of capacity constraints. The estimation strategy is computationally simple as it does not require solving for the equilibrium of the game. It uses a two stage approach. In the first stage the distribution of bids conditional on state variables is estimated using data on bids, bidder characteristics and contract characteristics. In the second stage, an expression of the expected sum of future profits based on the distribution of bids is obtained, and costs are inferred based on the first order condition of optimal bids. We apply the estimation method to repeated highway construction procurement auctions in the state of California between May 1996 and May 1999. In this market, previously won uncompleted contracts reduce the probability of winning further contracts. We quantify the effect of intertemporal constraints on bidders' costs and on bids. Due to the intertemporal effect and also to bidder asymmetry the auction can be inefficient. Based on the estimates of costs, we quantify efficiency losses.

Johnson, Simon

PD October 2001. **TI** Courts and Relational Contracts. **AU** Johnson, Simon; McMillan, John; Woodruff, Christopher. **AA** Johnson: MIT and NBER. McMillan: Stanford

University. Woodruff: UCSD. **SR** National Bureau of Economic Research Working Paper: 8572; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 34. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D21, K12, P21. **KW** Contract Enforcement. Post-Communism. Court Credibility.

AB Post-communist countries offer new evidence on the relative importance of courts and relationships in enforcing contracts. Belief in the effectiveness of courts has a significant positive effect on the level of trust shown in new relationships between firms and their customers. Well-functioning courts also encourage entrepreneurs to try out new suppliers. Courts are particularly important when specific investments are needed for a relationship to develop. While relationships can sustain existing interactions, workable courts help new interactions to start and develop.

Jones, Ian

PD December 2002. **TI** How Do Multinationals Build Social Capital? Evidence from Mexico. **AU** Jones, Ian; Pollitt, Michael; Nyland, Chris. **AA** Jones: University of Oxford. Pollitt and Nyland: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP249; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 26. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F23, M14, Z13. **KW** Social Capital. Corporate Responsibility. Business Ethics. Mexico. Multinational Companies.

AB This paper looks at the self-reporting of social engagement by multinational firms in Mexico, mapping the configurations of declared engagement. Such social engagements are an important component of how these companies contribute to social capital in the communities within which they operate. We find high performance by some firms, with negligible performance by others. Strong performing sectors include pharmaceuticals & healthcare, other chemical products, and manufacturing. Two case studies -- on Alcoa and Schlumberger -- detailing different but successful approaches to social capital building are given.

Jovanovic, Boyan

PD November 2001. **TI** Liquidity Effects in the Bond Market. **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: 8597; 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** E44, E52. **KW** Bond Market. Liquidity Effects. Stock Market.

AB Our paper reports the following two findings: 1) In monthly data, bond purchases by the Fed raise bond prices and reduce bond yields. The residual bond-supply to traders is not fully predictable, and this supply-risk adds between 10 and 40 basis points to the standard deviation of the real interest rate on T-bills. 2) The Fed's open market purchases do not raise stock prices or reduce stock returns. If anything, they raise stock returns. More generally, bonds and stocks do not co-move at high frequencies. To explain these two facts, we model the

bond and stock markets as spatially separate or 'segmented'. In the model, bond purchases lower bond rates, but they do not affect stock returns, and this is consistent with both facts.

TI Bidder Discounts and Target Premia in Takeovers. **AU** Braguinsky, Serguey; Jovanovic, Boyan.

Judd, Kenneth L.

PD April 2002. **TI** Optimal Rules for Patent Races. **AU** Judd, Kenneth L.; Schmedders, Karl; Yeltekin, Sevin. **AA** Judd: Stanford University. Schmedders and Yeltekin: Northwestern University. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1343; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 29. **PR** \$3.00 U.S.; \$5.00 via international mail; \$2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** O31, O32, O34. **KW** Patents. Innovation. Social Benefit. Patent Race.

AB There are two important rules in a patent race: what an innovator must accomplish to receive the patent and the allocation of the benefits that flow from the innovation. Most patent races end before R&D is completed and the prize to the innovator is often less than the social benefit of the innovation. We derive the optimal combination of prize and minimal accomplishment necessary to obtain a patent for a dynamic multi-stage innovation race. Competing firms are assumed to possess perfect information about each others' innovation state and cost structures. A planner chooses the innovation stage at which the patent is awarded and the magnitude of the prize to the winner. We examine both social surplus and consumer surplus. A key consideration is the efficiency costs of transfers and of monopoly power to the patent holder. If efficiency costs are low and the planner maximizes social surplus, then races are undesirable. However, as efficiency costs of transfers rise, the optimal prize is reduced and the optimal policy spurs innovative effort through a race of nontrivial duration. In general, races do serve to spur innovation.

Jullien, Bruno

PD October 2001. **TI** Screening Risk Averse Agents Under Moral Hazard. **AU** Jullien, Bruno; Salanie, Francois; Salanie, Bernard. **AA** Jullien: Universite des Sciences Sociales de Toulouse and CEPR. Salanie, F.: INRA and Universite de Toulouse I. Salanie, B.: INSEE. **SR** CEPR Discussion Paper: 3076; 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, G22, G34. **KW** Contracts. Insurance. Principal-Agent Model. Moral Hazard. Private Information. Adverse Selection.

AB Principal-agent models of moral hazard have been developed under the assumption that the principal knows the agent's risk-aversion. This paper extends the moral hazard model to the case when the agent's risk-aversion is his private information, so that the model also exhibits adverse selection. We characterize the optimal menu of contracts; while its detailed properties depend on the setting, we show that some of them must hold for all environments. In particular, the power of incentives always decreases with risk-aversion. We also characterize the relationship between the outside option and the optimal contracts. We then apply our results to insurance,

managerial incentive pay and corporate governance.

Jumah, Adusei

PD January 2002. **TI** On Mean Reversion in Real Interest Rates: An Application of Threshold Cointegration. **AU** Jumah, Adusei; Kunst, Robert M. **AA** Jumah: BWZ and European Central Bank. Kunst: BWZ and Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 109; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 27. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** C32, C53, E43. **KW** Fisher Equation. Yield Spread. Forecasting. Real Interest Rates. Threshold Cointegration. **AB** Using data from Germany, Japan, UK, and the U.S., we explore possible threshold cointegration in nominal short- and long-run interest rates with corresponding inflation rates. Traditional cointegration implies perfect mean reversion in real rates and hence confirms the Fisher hypothesis. Threshold cointegration accounts for the possibility that this mean reversion is active only conditional on certain threshold values in the observed variables. We investigate whether findings of such effects can be exploited for interest rate prediction.

Justman, Moshe

PD December 2001. **TI** Taking the Bite Out of Fiscal Competition. **AU** Justman, Moshe; Thisse, Jacques-Francois; van Ypersele, Tanguy. **AA** Justman: Ben Gurion University of the Negev. Thisse: CERAS and Universite Catholique de Louvain. van Ypersele: Universite de Namur and Universite Catholique de Louvain. **SR** CEPR Discussion Paper: 3109; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** H73, O38, R12, R58. **KW** Fiscal Competition. Regional Development. Technological Infrastructure. Vertical Differentiation. **AB** Regions can benefit by offering infrastructure services that are differentiated by quality, thus segmenting the market for industrial location. Regions that compete on infrastructure quality have an incentive to increase the degree of differentiation between them. This places an upper bound on the number of regions successfully able to participate in the location market, and limits the dissipation of regional surplus through Tiebout competition. It indicates a process of fiscal agglomeration, through which regional concentrations arise, which does not depend on the circular causation underlying much of the recent literature on economic geography.

Kahn, Matthew E.

TI Understanding the Decline in Social Capital, 1952-1998. **AU** Costa, Dora L.; Kahn, Matthew E.

Kain, John F.

TI Why Public Schools Lose Teachers. **AU** Hanushek, Eric A.; Kain, John F.; Rivkin, Steven G.

Kaminsky, Graciela L.

PD October 2001. **TI** Financial Markets in Times of Stress. **AU** Kaminsky, Graciela L.; Reinhart, Carmen M. **AA** Kaminsky: George Washington University. Reinhart: University of Maryland and NBER. **SR** National Bureau of

Economic Research Working Paper: 8569; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F31, F36. **KW** Synchronized Markets. International Market Integration. Foreign Exchange Market. Bond Market. **AB** In this paper, we examine which markets are most synchronized internationally and exhibit the greater extent of comovement. We focus on daily data for four asset markets: bonds, equities, foreign exchange, and domestic money market. Our sample covers thirty-five developed and emerging market countries during 1997-1999. The extent of comovement and responsiveness to external shocks is examined in different ways. To measure the response of these markets to adverse external shocks, we date the peaks in domestic interest rates and bond spreads and the largest daily declines in equity prices and assess the extent of clustering around the same period. We also analyze which markets show evidence of greatest comovement in general, irrespective of whether there are adverse shocks or not.

Kanavos, Panos

TI Variations in the Prescribing Patterns of Atypical Antipsychotics: A Probit Analysis of the NAMCS and NHAMCS surveys for the period 1992 to 1999. **AU** Pollack, Michael; Kanavos, Panos; Link, Charles.

Kandori, Michihiro

TI Efficiency in Repeated Games Revisited: The Role of Private Strategies. **AU** Obara, Ichiro; Kandori, Michihiro.

Kane, Edward J.

TI Event-Study Evidence of the Value of Relaxing Longstanding Regulatory Restraints on Banks, 1970-2000. **AU** Carow, Kenneth A.; Kane, Edward J.

Karamanos, Anastasios

PD March 2002. **TI** Network Embeddedness and the Value of Complex Resources. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP227; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** not available. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D83, D84, L14. **KW** Knowledge Exchanges. Value. Networks. Centrality. **AB** This paper assesses the role of the structure of market networks in the imputation of value of knowledge-intensive resource exchanges. Our framework identifies two processes of knowing exchange value, namely knowing as learning and knowing as fad. We argue that knowing value as learning is enabled by the normative and cognitive proximity of exchange partners, and that this is facilitated by the centrality of the focal firm in market networks. We also argue that knowing value as a fad is based on a positional construction of the focal firm's status, which is determined by the centrality of the focal firm's network partners in their corresponding networks. This is a ranking system based on positional rather than reputational network data, whose efficacy stems from the inability of firms to manipulate their network positions because the latter are derived solely from the activities, events and relations in which the firms are actually involved.

PD September 2002. **TI** Market Networks and the Value in Knowledge Exchanges: Evidence from Biotechnology Strategic Alliances. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP240; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 29. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** D83, D84, L14. **KW** Alliances. Networks. Centrality. Knowledge Exchanges. Value.

AB Researchers have argued that market networks are an integral part of the firm's value output, but the extent to which the structural characteristics of firms and their partners in market networks mediate the link between network embeddedness and value generation remains a largely unexplored area of research. This paper argues that diffusion mechanisms within market networks enable them to selectively impute and know the value of inter-organizational knowledge exchanges. The purpose of this paper is to empirically determine the extent of this phenomenon in the context of the strategic alliance market network in the biotechnology industry. The paper finds evidence that the position of firms' partners in the network of strategic alliances is a significant predictor of wealth gains from the announcement of knowledge exchange deals. Also, for explicit knowledge exchanges, the market reacts more to announcements by firms that are in the periphery of the strategic alliance network.

Kawaguchi, Daiji

TI Attrition Bias in Economic Relationships Estimated with Matched CPS Files. **AU** Neumark, David; Kawaguchi, Daiji.

Keay, Ian

PD October 2001. **TI** An Empty Promise: Average Cost Savings and Scale Economies Among Canadian and American Manufacturers, 1910-1998. **AA** Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 1002; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 26. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** L61, N12, N62. **KW** Economic History. Technology and Scale. Growth and Fluctuations. Free Trade Agreement.

AB During the debate that led up to the implementation of a bilateral free trade agreement between Canada and the U.S. on January 1, 1989, much was made of economists' claims that both nations could expect significant welfare improvements as a result of the removal of tariffs on traded goods. The welfare gains were expected to flow from average cost savings associated with the exploitation of scale economies. In this paper we show that it was overly optimistic to predict substantive reductions in average costs in the response to any increases in the scale of production among Canadian or American manufacturing firms. Therefore, ex ante we should have expected trade liberalization between Canada and the U.S. to have had only muted scale, average cost, and welfare effects.

PD January 2002. **TI** Financial Markets and Twentieth Century Industrialization: Evidence From U.S. and Canadian Steel Producers. **AU** Keay, Ian; Redish, Angela. **AA** Keay: Queen's University. Redish: University of British Columbia. **SR** Queen's Institute for Economic Research

Discussion Paper: 1003; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 28. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** G32, N42, N62. **KW** North American Industrialization. Capital Market Development. Financial Intermediation. Steel Production.

AB Despite the diverse and developed nature of twentieth century U.S. and Canadian financial markets, the history of both economies is replete with claims of inefficiency and inadequacy among financial intermediaries, particularly the banking sectors. In Canada it has been argued that banks were oligopolistic and favored an entrenched merchant class over industrialists. In the U.S. the unit banking system has been perceived as unstable and of an inefficiently small scale. This paper examines the experiences of a set of firms from a large and economically important manufacturing industry; primary steel production; in an effort to determine the impact differences in macro financial markets have had on micro financial decision making. We find statistically significant, but not necessarily economically important, relationships among national capital market characteristics, firms' financing decisions, and firms' capital costs.

Keller, Wolfgang

PD May 2001. **TI** Knowledge Spillovers at the World's Technology Frontier. **AA** University of Texas and CEPR. **SR** CEPR Discussion Paper: 2815; 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, O30. **KW** Agglomeration. Communication. Convergence. Economic Geography.

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 has 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. First, it is found that the scope of diffusion is severely limited by distance: the geographic half-life of technology is estimated to be only 1,200 kilometers. Second, technological knowledge has become much more global from the early 1970s to the 1990s. Third, it is estimated that trade patterns account for the majority of all differences in bilateral technology diffusion, whereas foreign direct investment and language skills differences contribute circa 15 percent each. Lastly, these three channels together account for almost the entire localization effect that would otherwise be attributed to geographic distance.

PD October 2001. **TI** International Technology Diffusion. **AA** University of Texas and NBER. **SR** National Bureau of Economic Research Working Paper: 8573; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 51. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** F15, F21, O33. **KW** Technology Diffusion. Endogenous Technology. Foreign Direct Investment.

AB This paper discusses the concept and empirical importance of international technology diffusion from the point of view of recent work on endogenous technological change. In this literature, technology is viewed as technological knowledge. The first portion of the paper reviews the major concepts, and how international technology diffusion relates to other factors affecting economic growth in open economies. The following main section of the paper provides a review of recent empirical results on (i) basic results in international technology diffusion; (ii) the importance of specific channels of diffusion, in particular trade and foreign direct investment; (iii) the spatial distribution of technological knowledge, and (iv) other issues.

Kelly, Clare

PD November 2002. **TI** Consumption Patterns Over Pay Periods. **AU** Kelly, Clare; Lanot, Gauthier. **AA** Kelly: University of Warwick. Lanot: Keele University. **SR** The Warwick Economic Research Paper: 656; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 28. **PR** no charge. **JE** D11, D12, D91. **KW** Consumption. Liquidity Constraints. Uncertainty. Credit Cards.

AB This paper establishes a theoretical framework to characterize the optimal behavior of individuals who receive income periodically but make consumption decisions on a more frequent basis. The model incorporates price uncertainty and imperfect credit markets. The simulated numerical solution to this model shows that weekly consumption functions are ordered such that the functions within the payment period are highest in the first and the last week of the payment cycle for all wealth levels. Using weekly expenditure data from the Family Expenditure Survey (FES), we estimate the coefficient of relative risk aversion (point estimates are between 1.2 and 7) and the extent of measurement error in the data (which accounts for approximately 60% of the variance in the data).

Kelly, David

PD December 2001. **TI** Liquidity and Liquidation. **AU** Kelly, David; LeRoy, Stephen F. **AA** Kelly: University of Miami. LeRoy: UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/03; Working Paper Coordinator. Dept. of Economics, University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 25. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** G12, G33. **KW** Liquidity. Liquidation. Default. Bankruptcy.

AB The manager of a firm that is selling an illiquid asset has discretion as to the sale price: if he chooses a high (low) selling price, early sale is unlikely (likely). If the manager has the option to default on the debt that is collateralized by the illiquid asset, the optimal selling price depends on whether the manager acts in the interest of owners or creditors. We model the former case. In the preferred equilibrium, the owner will always offer the illiquid asset for sale at a strictly higher price than he paid, and he will default if he fails to sell. As a result, the illiquid asset changes hands at successively higher prices; the price inflation terminates upon the first failure to sell, which results in a default chain.

Kelly, Mary T.

PD September 2002. **TI** On Measuring Competitive Viability and Monopoly Power in Cable: An Empirical Cost Approach. **AU** Kelly, Mary T.; Ying, John S. **AA** Kelly: Villanova University. Ying: University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2002/03; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 20. **PR** no charge. **JE** L51, L82. **KW** Regulation. Market Power. Cable TV. Cost Functions. Subadditivity. Translog.

AB This study provides empirical evidence concerning the economic feasibility of competition in the local market for video-delivery services. Using responses from the Federal Communications Commission's (FCC) 1995 cost survey, we jointly estimate a translog cost function with factor share equations. To evaluate subadditivity, the fitted total cost of each firm is compared to the cost of two firms providing the same total output in eleven different market scenarios. While costs were mildly superadditive, in the vast majority of cases, costs were lower when one firm provided the output. Average cost savings from a monopoly were fairly small, ranging from 1.37 percent with a 10 percent market overlap to 5.05 percent with a complete overbuild. We also calculated marginal cost from the fitted total cost equation, and a price for cable services derived from the FCC survey data. Using these results and Rubinovitz's (1993) price elasticity of -1.46, we estimated that re-regulation had a regulatory effectiveness of 0.3251 and held prices to 40.5 percent of the monopoly level.

Kelsey, David

PD December 2001. **TI** Monopoly, Externalities, and Non-Profit Maximising Firms. **AU** Kelsey, David; Milne, Frank. **AA** Kelsey: University of Birmingham. Milne: Queens University. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/01; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 31. **PR** 2 pounds; no charge to academics. **JE** D52, L22. **KW** Monopoly. Stakeholder. Externality. Co-Operative. Hold-Up.

AB This paper provides a theory of a monopolist in general equilibrium. We assume that the firm's decisions are based on the preferences of shareholders and/or other stakeholders. We show that the monopolist will charge less than the profit-maximizing price, since shareholders suffer part of the cost of a price rise if they are also consumers. If price discrimination is possible, the resulting equilibrium will be Pareto efficient. We use the model to examine the effects of increasing stakeholder representation in firms. A related result shows that a non-profit firm will produce fewer negative externalities.

TI Free Riders Do Not Like Uncertainty. **AU** Bailey, Ralph W.; Eichberger, Jurgen; Kelsey, David.

PD January 2003. **TI** Imperfect Competition and Corporate Governance. **AU** Kelsey, David; Milne, Frank. **AA** Kelsey: University of Birmingham. Milne: Queens University. **SR** University of Birmingham, Department of Economics Discussion Paper: 03/01; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United

Kingdom. Website: www.economics.bhman.ac.uk/research/.
PG 39. **PR** 2 pounds; no charge to academics. **JE** G34, L13. **KW** Stakeholder. Price-Discrimination. Strategic Delegation. Corporate Governance. Imperfect Competition.

AB This paper studies corporate governance when a firm faces imperfect competition. We derive firms' decisions from utility maximization by individuals. This reduces the usual monopoly distortion. We find that corporate governance can effect the equilibrium in the product (or input) markets. This enables us to endogenize the objective function of the firm. If the firm cannot commit not to change its constitution, we find a Coase-like result where all market power is lost in the limit. The model can be used to examine the effects of encouraging stakeholder representation.

Kendall, Toby

PD October 2001. **TI** *The Effects of Trade Bloc Formation on Foreign Direct Investment*. **AU** Kendall, Toby; Ryan, Cillian. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 01/12; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 15. **PR** 2 pounds; no charge to academics. **JE** F15, F23. **KW** Foreign Direct Investment. Trade Blocs.

AB This paper presents a simple theoretical model to analyze the possible effects of trade bloc formation on foreign direct investment (FDI). It is shown that two countries forming a trade bloc could induce a firm in a third country to either switch from exporting to FDI or to invest in only one country rather than both. These effects are termed "FDI creation" and "FDI diversion" respectively.

PD December 2001. **TI** *Regional Economic Integration, Mergers and FDI*. **AU** Kendall, Toby; Ryan, Cillian. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 01/11; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 34. **PR** 2 pounds; no charge to academics. **JE** F12, F15, F23, L13. **KW** Economic Integration. Mergers. Foreign Direct Investment.

AB This paper presents a three-stage Cournot game in which foreign firms choose between exporting, Foreign Direct Investment (FDI) and acquiring a domestic firm as means of supplying the domestic market. It is shown that a foreign firm which chooses to either merge with a domestic firm or engage in FDI will also continue to export from its original base. Merger is more likely to be preferred to FDI when there is a larger cost difference between the predator and the target and when the fixed cost of engaging in FDI is high relative to the fixed cost of merging. Reductions in intra-union tariffs are likely to favor foreign predators over (possibly) more efficient domestic market leaders due to the external tariff jumping motive. Both mergers and FDI become more profitable, relative to exporting, for the foreign firm as a result of regional integration. Hence, while regional integration is often motivated by a desire to enhance the position of domestic and union-partner firms, customs union formation is likely to result in more foreign-owned plants within the union.

Kim, Jin

TI *A Theoretical Investigation of Handguns, Cops and Robbers*. **AU** Boyd, John H.; Kim, Jin.

Kirman, Alan

PD March 2002. **TI** *Microeconomic Models for Long-Memory in the Volatility of Financial Time Series*. **AU** Kirman, Alan; Teyssiere, Gilles. **AA** Kirman: Universite d'Aix Marseille III and GREQAM. Teyssiere: GREQAM and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/56; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 15. **PR** \$100 per year. **JE** C15, C22, G11. **KW** Long-Memory. Microeconomic Models. Field Effects. Semiparametric Tests. Conditional Heteroskedasticity.

AB We show that a class of microeconomic behavioral models with interacting agents, derived from Kirman (1991, 1993), can replicate the empirical long-memory properties of the two first conditional moments of financial time series. The essence of these models is that the forecasts and thus the desired trades of the individuals in the markets are influenced, directly, or indirectly by those of the other participants. These "field effects" generate "herding" behavior which affects the structure of the asset price dynamics. The series of returns generated by these models display the same empirical properties as financial returns: returns are $I(0)$, the series of absolute and squared returns display strong dependence, while the series of absolute returns do not display a trend. Furthermore, this class of models is able to replicate the common long-memory properties in the volatility and co-volatility of financial time series, revealed by Teyssiere (1997, 1998a). These properties are investigated by using various model independent tests and estimators, i.e., semiparametric and nonparametric. The relative performance for these tests and estimators for long-memory in a non-standard data generating process is then assessed.

PD October 2002. **TI** *Bubbles and Long-Range Dependence in Asset Prices Volatilities*. **AU** Kirman, Alan; Teyssiere, Gilles. **AA** Kirman: Universite d'Aix-Marseille III and GREQAM. Teyssiere: GREQAM and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/60; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 14. **PR** \$100 per year. **JE** C22, C52, G12. **KW** Interaction. Bubbles Testing. Long-Memory. Heteroskedasticity. Change-Point.

AB A model for a financial asset is constructed with two types of agents. The agents differ in terms of their beliefs. The proportions of the two types change over time according to a stochastic process which models the interaction between the agents, thus, unlike other models, agents do not persist in holding "wrong" beliefs. Bubble-like phenomena in the asset price occur. We consider several tests for detecting long range dependence and change-points in the conditional variance process. Although the model seems to generate long-memory properties of the volatility series, we show that this is due to the switching of regimes which are detected by the tests we propose.

Klein, Lisa R.

TI Intermedia Substitutability and Market Demand by National Advertisers. **AU** Berndt, Ernst R.; Klein, Lisa R.; Silk, Alvin J.

Knittle, Christopher R.

TI Trading Inefficiencies in California's Electricity Markets. **AU** Borenstein, Severin; Bushnell, James; Knittle, Christopher R.; Wolfram, Catherine.

TI Trading Inefficiencies in California's Electricity Markets. **AU** Borenstein, Severin; Bushnell, James; Knittle, Christopher R.; Wolfram, Catherine.

Knowles, John

TI Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality. **AU** Fernandez, Raquel; Guner, Nezih; Knowles, John.

TI Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality. **AU** Fernandez, Raquel; Guner, Nezih; Knowles, John.

Koedijk, Kees

PD November 2001. **TI** The Cost of Capital in International Financial Markets: Local or Global. **AU** Koedijk, Kees; Kool, Clemens J. M.; Schotman, Peter; van Dijk, Mathijs A. **AA** Koedijk: Erasmus University Rotterdam and CEPR. Kool: Maastricht University. Schotman: Maastricht University and CEPR. van Dijk: Erasmus University Rotterdam. **SR** CEPR Discussion Paper: 3062; 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, G15. **KW** Cost of Capital. Exchange Rate Exposure. Pricing Error. Capital Asset Pricing Model.

AB This paper analyses to what extent international and domestic asset pricing models lead to a different estimates of the cost of capital for an individual firm. We distinguish between (i) the multifactor international capital asset pricing model (ICAPM) of Solnik (1983) and Seru (1980) including both the global market portfolio and exchange rate risk premiums, and (ii) the single factor domestic CAPM. We test for the significance of the cost of capital differential in a sample of 3,293 stocks from nine countries in the period 1980-99. We find that the domestic CAPM yields a different estimate of the cost of capital from the multifactor ICAPM for only three percent of the firms in our sample. The difference amounts to on average 50 basis points for the US, 75 basis points for Germany and Japan and similar differentials for the other countries. We attribute these findings to strong country factors in individual stock returns.

Koford, Kenneth J.

TI Macroeconomic Externalities: New Keynesian Theory and Policy. **AU** Colander, David C.; Koford, Kenneth J.; Miller, Jeffrey B.

PD December 2002. **TI** Foreign Banks in Bulgaria, 1875-2002. **AU** Koford, Kenneth J.; Tschogl, Adrian E. **AA** Koford: University of Delaware. Tschogl: University of Pennsylvania. **SR** University of Delaware, Department of Economics Working Paper: 2002/06; Working Papers Coordinator, Department of Economics, University of

Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 38.

PR no charge. **JE** G21, L13, N34. **KW** International-Banking. Bulgaria. Transition. Ecological Succession. Banking System.

AB We use the analogy of ecological succession as our conceptual framework. We apply this analogy to the history of foreign banks in Bulgaria and argue that the current predominance of foreign banks is unlikely to be permanent, even without government action. Foreign banks have entered Bulgaria several times before World War I, again after that war, and after the fall of Communism in the early 1990s. The same source countries and even some of the same banks that were present before World War II or even World War I, reappear in the 1990s. Government concern with retaining control over credit limited the foreigners role in the banking system. However, since 1997 the government has privatized almost all the major banks with the result that foreign banks now control over 80 percent of the banking systems assets.

Kogan, Leonid

TI Catching Up with the Joneses: Heterogeneous Preferences and the Dynamics of Asset Prices. **AU** Chan, Yeung Lewis; Kogan, Leonid.

PD November 2001. **TI** Risk Aversion and Optimal Portfolio Policies in Partial and General Equilibrium Economies. **AU** Kogan, Leonid; Uppal, Raman. **AA** Kogan: MIT and NBER. Uppal: London Business School. **SR** National Bureau of Economic Research Working Paper: 8609; 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** C63, D52, G11, G12. **KW** Risk Aversion. Optimal Portfolio Policies. Incomplete Markets. Asset Pricing. General Equilibrium.

AB In this article, we show how to analyze analytically the equilibrium policies and prices in an economy with a stochastic investment opportunity set and incomplete financial markets, when agents have power utility over both intermediate consumption and terminal wealth, and face portfolio constraints. The exact local comparative statics and approximate but analytical expression for the portfolio policy and asset prices are obtained by developing a method based on perturbation analysis to expand around the solution for an investor with log utility. We then use this method to study a general equilibrium exchange economy with multiple agents who differ in their degree of risk aversion and face borrowing constraints. We characterize explicitly the consumption and portfolio policies and also the properties of asset returns. We find that the volatility of stock returns increases with the cross-sectional dispersion of risk aversion, with the cross-sectional dispersion in portfolio holdings, and with the relaxation of the constraint on borrowing. Moreover, tightening the borrowing constraint lowers the risk-free interest rate and raises the equity premium in equilibrium.

Kokoszka, Piotr

TI On the Power of R/S-Type Test Under Contiguous and Semi Long Memory Alternatives. **AU** Giraitis, Lidas; Kokoszka, Piotr; Leipus, Remigijus; Teyssiére, Gilles.

PD December 2002. **TI** Change-Point Detection in GARCH Models: Asymptotic and Bootstrap Tests.

AU Kokoszka, Piotr; Teyssiere, Gilles. **AA** Kokoszka: Utah State University. Teyssiere: National Bank of Greece, GREQAM, and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/65; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 17. **PR** \$100 per year. **JE** C12, C22. **KW** GARCH. Volatility Tests. Change-Point. Likelihood Ratio. Parametric Bootstrap. Size-Power Curves. Wavelets.

AB Two classes of tests designed to detect changes in volatility are proposed. Procedures based on squared model residuals and on the likelihood ratio are considered. The tests are applicable to parametric nonlinear models like Generalized Autoregressive Conditional Heteroskedasticity. Both asymptotic and bootstrap tests are investigated by means of a simulation study and applied to returns data. The tests based on the likelihood ratio are shown to be generally preferable. A wavelet based estimator of long memory is applied to returns data to shed light on the interplay of change points and long memory.

Komarek, Lubos

TI Theoretical and Empirical Analysis of the Debt-Adjusted Real Exchange Rate in Selected Transition Economies During 1994-2001. **AU** Frait, Jan; Komarek, Lubos.

TI Optimum Currency Area Theory: A Framework for Discussion About Monetary Integration. **AU** Horvath, Roman; Komarek, Lubos.

Konrad, Kai A.

PD November 2001. **TI** Investment in the Absence of Property Rights: The Role of Incumbency Advantages. **AA** Wissenschaftszentrum Berlin für Sozialforschung and CEPR. **SR** CEPR Discussion Paper: 3050; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** D23, D72, D74, H54. **KW** Contests. Endogenous Property Rights. Incumbency Advantage. Investment. Property States.

AB In many situations the individuals who can generate some output must enter a contest for appropriating this output. This paper analyses the investment incentives of such agents and the role of incumbency advantages in the contest. Depending on the advantages, an increase in the productivity of the investment can decrease or increase the amount of investment. The results are applied to autocrats' investment behavior and job specific investment in organizations.

Konzelmann, Suzanne

PD June 2002. **TI** Institutional Transplant and American Corporate Governance: The Case of Ferodyn. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP231; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 25. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G34, J53, L23, L61, M12. **KW** Industrial Partnership. Co-Operation. Corporate Governance. Corporate Restructuring. Steel Industry.

AB This paper examines the relationship between employment relations and American corporate governance using the case of Ferodyn*. In response to difficult industry conditions and sagging performance, American-owned Landis* Steel Corporation and Japanese-owned Daiichi* Steel Corporation jointly financed and built Ferodyn, a state-of-the-art high quality steel finishing facility. Although the joint venture was extremely successful in terms of quality, productivity and industrial relations, it came under severe stress from both external and internal pressures. Ferodyn's success was moderated by the market in that it was never able to extract a price premium for the quality of steel it produced. At the same time, pressures in the form of corporate governance and the parent/subsidiary relationship were substantial. Institutional investor demands for improvements in short run shareholder value ultimately resulted in the sale of Landis. In this case, the organ transplant provides a useful metaphor: Ferodyn was like a strong and healthy "organ transplant" in a weak and ailing corporate "body." In effect, antigens were created that weakened both Landis's ability to support the joint venture and Ferodyn's ability to survive in an alien and hostile environment.

TI Partnership in Practice. **AU** Hudson, Maria; Konzelmann, Suzanne; Wilkinson, Frank.

Kool, Clemens J. M.

TI The Cost of Capital in International Financial Markets: Local or Global. **AU** Koedijk, Kees; Kool, Clemens J. M.; Schotman, Peter; van Dijk, Mathijs A.

Kottl, Johannes

TI Lagged Network Externalities and Rationing in a Software Monopoly. **AU** Di Maria, Corrado; Kottl, Johannes.

Kovalenkov, Alexander

PD March 2002. **TI** Approximate Cores of Games and Economies with Clubs. **AU** Kovalenkov, Alexander; Wooders, Myrna. **AA** Kovalenkov: University of North Carolina. Wooders: University of Warwick. **SR** The Warwick Economic Research Paper: 634; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 33. **PR** no charge. **JE** C71, C78, D71. **KW** Cooperative Games. Clubs. Approximate Cores. Small Groups. Externalities.

AB We introduce the framework of parameterized collections of games with and with outside payments and provide three nonemptiness of approximate core theorems. The parameters bound (a) the number of approximate types of players and the size of the approximation and (b) the size of nearly effective groups of players and their distance from exact effectiveness. Our theorems are based on a new notion of partition-balanced profiles and approximately partition-balanced profiles. The results are applied to a new model of an economy with clubs. In contrast to the extant literature, our approach allows both widespread externalities and uniform results.

PD May 2002. **TI** Advances in the Theory of Large Cooperative Games and Applications to Club Theory: the Side Payments Case. **AU** Kovalenkov, Alexander; Wooders, Myrna. **AA** Kovalenkov: University of North Carolina. Wooders: University of Warwick. **SR** The Warwick Economic Research Paper: 641; Department of Economics,

University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 23. PR no charge. JE C71, D71. KW Cooperative Games. Clubs. Core. Approximate Cores. Widespread Externalities.

AB In a series of papers (Kovalenkov and Wooders 2001a, Games and Economic Behavior, 2001b, Mathematics of Operations Research, and 1997, Journal of Economic Theory to appear), the authors have developed the framework of parameterized collections of games and also that of parameterized collections of economies with clubs. These papers apply to collections of games with nontransferable utility and similarly to economies with clubs and general preferences. The game theoretic framework encompasses the earlier "pregame" framework (cf., Wooders 1994b *Econometrica*) and also earlier models of economies with clubs and with possibly multiple memberships in clubs (cf. Shubik and Wooders 1982). In this paper, we consider the special case of games with side payments and illustrate the application of our more general results in this special, and much simpler but still important, framework. The motivation for this line of research is developed and application to environmental problems is discussed.

Kramarz, Francis

TI Does Entry Regulation Hinder Job Creation? Evidence from the French Retail Industry. AU Bertrand, Marianne; Kramarz, Francis.

Krishna, Kala

PD May 2001. TI Lumpy Consumer Durables, Market Power, and Endogenous Business Cycles. AU Krishna, Kala; Yavas, Cemile. AA Krishna: Pennsylvania State University and NBER. Yavas: Pennsylvania State University. SR National Bureau of Economic Research Working Paper: 8296; 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 D11, D42, E13, E32. KW Market Power. Consumer Durables. Business Cycles.

AB This paper examines the role of lumpy consumer durables and market power in generating endogenous cycles, which seem to be consistent with the facts. When goods are durable, past consumption choices determine the current market size that consists of consumers who have not purchased the good previously, and who have the income to make their potential demand effective. Larger past sales, *ceteris paribus*, thus naturally result in a smaller current market size and income. In this manner, the seeds of a downturn are sown in an upturn.

TI Transferability of Migration Licenses and the Distribution of Potential Rents. AU Bivins, Laura L.; Krishna, Kala.

Krylova, Elizaveta

PD February 2002. TI The Credit Channel of Monetary Policy: Case of Austria. AA Institute for Advanced Studies. SR Institute for Advanced Studies (IHS), Economics Series: 111; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. PG 44. PR EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. JE C50, C53, E52. KW Monetary Transmission Mechanism. Credit Channel. Austria.

AB The legal environment, the structure of the financial system as well as the concentration of corporate ownership and the development of the capital market suggest for Austria a high effectiveness of the monetary policy with a strong impact of the lending channel. This supposition was verified combining three supplementary empirical methods: Granger causality between the velocities of money and loans and the real output; impulse-response functions for VECs with the subsequently opened/closed money/credit channels; the predictive power of money and loan variables for a production forecast. Both various types of loans and the total volume of credits for separate banking groups were examined. The Austrian output showed to be highly sensitive to monetary policy innovations; both the money and the credit channel were significant. The dependence of Austrian firms on credits rather than on other financial resources was more pronounced for credits in domestic currency, mortgage loans and municipal notes.

Kuehn, Astrid

PD December 2001. TI Breakdown of Will and the Value of Information. AU Kuehn, Astrid; Wambach, Achim. AA University of Munich. SR CEPR Discussion Paper: 3111; 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 D83, I12. KW Breakdown of Will. Genetic Testing. Hyperbolic Discounting. Time-Inconsistent Preferences.

AB It is commonly observed that people refuse to obtain more detailed information about their health status, e.g., by not taking genetic tests, even if this information is costless and only disclosed to the individual. This observation is in contrast to the predictions of expected utility theory. We present a model that accounts for this phenomenon by using time-inconsistent preferences. It is shown that if people devise strategies against their inconsistency, which in line with the literature will be called will, then information about a serious illness might lead to a breakdown of will. In those cases information might have a negative value. We derive some comparative statistics results and provide empirical evidence.

Kugler, Adriana

TI Protective or Counter-Productive? European Labor Market Institutions and the Effect of Immigrants on EU Natives. AU Angrist, Joshua; Kugler, Adriana.

Kuhn, Peter

PD December 2001. TI Leadership Skills and Wages. AU Kuhn, Peter; Weinberger, Catherine. AA UCSB. SR University of California, Santa Barbara, Working Papers in Economics: 02/02; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. PG 51. PR no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". JE I21, J24, J31. KW Education. Leadership. Wages. Ability.

AB American business seems to be infatuated with its workers "leadership" skills. Is there such a thing, and is it rewarded in labor markets? Using the Project Talent, National Longitudinal Study of the Class of 1972 (NLS72) and High School and Beyond datasets, we show that men who occupied

leadership positions in high school earn more as adults, even when cognitive skills are held constant. The pure leadership-wage effect varies from four percent for a broad definition of leadership in 1971 to twenty-four percent for a narrow definition in 1992, and appears to have increased over time. High-school leaders are more likely to occupy managerial occupations as adults, and leadership skills command a higher wage premium within managerial occupations than other jobs. We find evidence that leadership skill has a component that is determined before high school, but also find evidence that it is "teachable."

Kunst, Robert M.

TI On Mean Reversion in Real Interest Rates: An Application of Threshold Cointegration. **AU** Jumah, Adusei; Kunst, Robert M.

PD July 2002. **TI** Testing for Stationarity in a Cointegrated System. **AA** University of Vienna and Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 117; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 35. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** C11, C12, C15, C32. **KW** Bayes Test. Unit Roots. Cointegration. Decision Contours.

AB In systems of variables with a specified or already identified cointegrating rank, stationarity of component variates can be tested by a simple restriction test. The implied decision is often in conflict with the outcome of unit root tests on the same variables. Using a framework of Bayes testing and decision contours, this paper searches for a solution to such conflict situations in sample sizes of empirical relevance. It evolves from the decision contour evaluations that the best test to be used jointly with a restriction test on self-cointegration is a modified version of the Dickey-Fuller test that accounts for the other system variables, whereas strictly univariate unit-root tests do not help much in the decision of interest.

Kusuda, Koji

PD December 2002. **TI** Existence, Uniqueness, and Determinacy of Equilibria in Complete Security Markets with Infinite Dimensional Martingale Generator. **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research Discussion Paper: 316; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 24. **PR** no charge. **JE** C62, D50, G10. **KW** General Equilibrium. Security Markets. Option Pricing. Jumps. Diffusions.

AB There is strong evidence that most financial variables are better described by a combination of diffusion and jump processes. Considering such evidence, researchers have studied security market models with jumps. In most of their models, jump magnitude is specified as a continuously distributed random variable at each jump. Then, the dimensionality of martingale generator is infinite, and no finite set of securities can complete markets. In security market economy with infinite dimensional martingale generator, no equilibrium analysis has been conducted thus far. We assume approximately complete markets in which a continuum of bonds are traded and any contingent claim can be approximately replicated with an arbitrary precision. We introduce the notion of approximate

security market equilibrium in which an agent is allowed to choose a consumption plan approximately supported with any prescribed precision. We prove that such equilibrium in approximately complete markets can be identified with an Arrow-Debreu equilibrium. Then, we present sufficient conditions for the existence of equilibria in the case of stochastic differential utilities with Inada condition, and for the existence, uniqueness, and determinacy of equilibria in the case for additively separable utilities.

La Ferrara, Eliana

PD November 2002. **TI** Self-Help Groups and Income Generation in the Informal Settlements of Nairobi. **AA** Bocconi University. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 163; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 34. **PR** no charge. **JE** O12, P13, Z13. **KW** Self-Help Groups. Participation. Social Capital. Nairobi. Earnings.

AB The aim of this paper is to understand the functioning and the scope of self-help groups in the informal settlements of urban areas as a means of generating income for poor households. The paper uses a unique data set collected by the author in 1999 surveying all individual group members from several informal settlements of Nairobi. It studies the individual determinants of earnings within groups and relates group composition to various indicators of group functioning. Sex, age and ethnic identity are among the most important determinants of individual reliance on group income and of access to group loans. Heterogeneity in earnings among members is shown to reduce their ability to borrow from the group as a whole but not from each other. The impact of ethnic and other forms of heterogeneity on the division of labor, choice of compensation schemes, sanctioning technology and recruitment criteria is also described.

Laeven, Luc

PD November 2001. **TI** Confidence Building in Emerging Stock Markets. **AU** Laeven, Luc; Perotti, Enrico C. **AA** Laeven: World Bank. Perotti: Universiteit van Amsterdam. **SR** CEPR Discussion Paper: 3055; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** G31, P14. **KW** Emerging Market. Financial Integration. Liberalization. Political Risk. Privatization.

AB Investor confidence in reliable property rights and stable, market-oriented policies are a necessary condition for financial integration and the development of emerging stock markets. Announced market-oriented policies may be reversed, however, and are initially not fully credible. We argue that sustained privatization and liberalization programs represent a major test of political commitment to safer private property rights. We investigate whether successful privatization has a significant effect on emerging stock market development through the resolution of policy risk, i.e. the risk of ex post policy changes with redistributive impact on investment returns. The evidence from our panel study suggests that progress in privatization gradually leads to increased confidence. Moreover, increased confidence has a strong effect on local market development and is a significant determinant of excess returns. We conclude that financial liberalization and the resolution of policy risk resulting from successful privatization

has been an important source for the broadening and deepening of emerging stock markets.

Lagunoff, Roger

TI One the Size and Structure of Group Cooperation.
AU Haag, Matthew; Lagunoff, Roger.

Laibson, David

TI For Better or For Worse: Default Effects and 401(k) Savings Behavior. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew.

TI Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew.

Lakdawalla, Darius

PD April 2002. **TI** The Growth of Obesity and Technological Change: A Theoretical and Empirical Examination. **AU** Lakdawalla, Darius; Philipson, Tomas J. **AA** Lakdawalla: RAND and NBER. Philipson: University of Chicago and NBER. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 174; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 26. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** I12, O31, O33, Q16. **KW** Obesity. Technological Change. Weight Growth. Physical Activity. Agricultural Innovation.

AB This paper provides a theoretical and empirical examination of the long-run growth in weight over time. We argue that technological change has induced weight growth by making home- and market-production more sedentary and by lowering food prices through agricultural innovation. We analyze how such technological change leads to unexpected relationships among income, food prices, and weight. Using individual-level data from 1976 to 1994, we then find that such technology-based reductions in food prices and job-related exercise have had significant impacts on weight across time and populations. In particular, we find that about forty percent of recent growth in weight seems to be due to agricultural innovation that has lowered food prices, while sixty percent may be due to demand factors such as declining physical activity from technological changes in home and market production.

Lakonishok, Josef

TI Earnings Quality and Stock Returns. **AU** Chan, Konan; Chan, Louis K. C.; Jegadeesh, Narasimhan; Lakonishok, Josef.

Lal, Deepak

PD March 2002. **TI** Morality and Capitalism: Learning from the Past. **AA** UCLA. **SR** University of California, Los Angeles, Department of Economics Working Paper: 812; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 18. **PR** no charge. **JE** O19, P10. **KW** Mortality. Gains from Trade. Transaction Costs. Guilt.

AB This paper argues that morality is required to allow the

gains from trade to be reaped by reducing the "policing" type of transactions costs involved in opportunistic behavior. But, as Hume emphasized neither God nor Reason can justify any particular morality, the only source of morality must be local traditions which socialize children through the moral emotions of shame and guilt. Capitalism does require morality, but this cannot be enforced by States, non-governmental organizations or supra-national institutions.

PD October 2002. **TI** Free Trade and Laissez Faire. **AA** UCLA. **SR** University of California, Los Angeles, Department of Economics Working Paper: 823; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 13. **PR** no charge. **JE** F13, F18. **KW** Free Trade. Laissez-Faire. Political Economy Costs.

AB This paper examines the century old debate about free trade and laissez-faire. It shows, with the famous diagram from Corden's Trade Policy and Economic Welfare, that the logical conclusion for the modern theory of trade and welfare, once political economy costs are taken into account, is that as the classical liberals maintained, the case for free trade and laissez-faire hang together.

PD December 2002. **TI** Financial Exuberance: Savings Deposits, Fiscal Deficits and Interest Rates in India. **AU** Lal, Deepak; Bhide, Shashanka; Vasudevan, Deepa. **AA** Lal: UCLA. Bhide and Vasudevan: NCAER. **SR** University of California, Los Angeles, Department of Economics Working Paper: 821; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 10. **PR** no charge. **JE** E44, E63, O11, O16, O53. **KW** India. Financial Liberalization. Fiscal Deficit. Financial Exuberance. Interest Rates. Economic Development.

AB Even with the substantial liberalization of India's financial sector in the 1990's, administered rates still remain important for small savings instruments. This has allowed the government to finance its large fiscal deficit including that of the States by bond financing. This has led to higher real interest rates and crowding out of private investment. This paper develops a model of financial exuberance -- the other side of the coin to Mckinnon's well-known model of financial repression -- to show how despite high fiscal deficits the inflation rate has remained low in India. It then examines alternative methods of financing the fiscal deficit within a monetarist model of the economy, and finds that liberalizing small savings rates would lower overall interest rates but the gains in economic growth would not be great.

PD December 2002. **TI** Economic Reforms and Poverty Alleviation: India A Tale of Two Surveys. **AU** Lal, Deepak; Natarajan, I.; Mohan, Rakesh. **AA** Lal: UCLA. Natarajan and Mohan: NCAER. **SR** University of California, Los Angeles, Department of Economics Working Paper: 822; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 18. **PR** no charge. **JE** I32, O11, O53. **KW** India. Credibility. Survey Results. Poverty Alleviation.

AB This paper examines the results from two recent surveys, the National Sample Survey (NSS) and the The National Council of Applied Economic Research (NCAER) Market

Information Survey of Households (MISH) about the trends in poverty alleviation in India in the 1990's and finds that something seems to have gone seriously wrong with the NSS in recent years. Hence the trends it charts are not credible. Contrary to NSS estimates, poverty has declined substantially since the reforms of 1991 as shown by MISH.

Lamont, Owen A.

PD May 2001. **TI** Can the Market Add and Subtract? Mispricing in Tech Stock Carve-Outs. **AU** Lamont, Owen A.; Thaler, Richard H. **AA** University of Chicago. **SR** National Bureau of Economic Research Working Paper: 8302; 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** G12, G13, G14. **KW** Mispricing. Technology Stocks. Short Selling. Options. **AB** Recent equity carve-outs in US technology stocks appear to violate a basic premise of financial theory: identical assets have identical prices. In our 1998-2000 sample, holders of a share of company A are expected to receive x shares of company B, but $P_{sub A}$ is less than $xP_{sub B}$. A prominent example involves 3Com and Palm. Arbitrage does not eliminate these blatant mispricing due to short sale constraints, so that B is overpriced but expensive or impossible to sell short. Evidence from options prices shows that shorting costs are extremely high, eliminating exploitable arbitrage opportunities.

Landerretche, Oscar

TI Lending Booms: Latin America and the World. **AU** Gourinchas, Pierre-Olivier; Landerretche, Oscar; Valdes, Rodrigo.

Lanjouw, Jean Olson

PD December 2001. **TI** Enforcing Intellectual Property Rights. **AU** Lanjouw, Jean Olson; Schankerman, Mark. **AA** Lanjouw: Yale University and NBER. Schankerman: London School of Economics. **SR** National Bureau of Economic Research Working Paper: 8656; 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 the U.S.). **JE** K41, O34. **KW** Patent Suits. Intellectual Property Rights. Law Enforcement.

AB We study the determinants of patent suits and their outcomes over the period 1978-1999 by linking detailed information from the U.S. patent office, the federal court system, and industry sources. The probability of being involved in a suit is very heterogeneous, being much higher for valuable patents and for patents owned by individuals and smaller firms. Thus the patent system generates incentives, net of expected enforcement costs, which differ across inventors. Patentees with a large portfolio of patents to trade, or having other characteristics that encourage "cooperative" interaction with disputants, more successfully avoid court actions. At the same time, key post-suit outcomes do not depend on observed characteristics. This is good news: advantages in settlement are exercised quickly, before extensive legal proceedings consume both court and firm resources. But it is bad news in that the more frequent involvement of smaller patentees in court actions is not offset by a more rapid resolution of their suits. However, our estimates of the heterogeneity in litigation risk can facilitate development of private patent litigation insurance to

mitigate this adverse affect of high enforcement costs.

PD December 2001. **TI** Enforcing Intellectual Property Rights. **AU** Lanjouw, Jean Olson; Schankerman, Mark. **AA** Lanjouw: Yale University. Schankerman: European Bank for Reconstruction and Development and London School of Economics. **SR** CEPR Discussion Paper: 3093; 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** K41, O34. **KW** Court Actions. Patents Suits. Intellectual Property Rights. Law Enforcement.

AB We study the determinants of patent suits and their outcomes over the period 1978-99 by linking detailed information from the U.S. patent office, the federal court system, and industry sources. The probability of being involved in a suit is very heterogeneous, being much higher for valuable patents and for patents owned by individuals and smaller firms. Thus the patent system generates incentives, net of expected enforcement costs that differ across inventors. Patentees with a large portfolio of patents to trade, or having other characteristics that encourage "cooperative" interaction with disputants, more successfully avoid court actions. At the same time, key post-suit outcomes do not depend on observed characteristics. This is good news: advantages in settlement are exercised quickly, before extensive legal proceedings consume both court and firm resources. But it is bad news in that the more frequent involvement of smaller patentees in court actions is not offset by a more rapid resolution of their suits. Our estimates of the heterogeneity in litigation risk can, however, facilitate development of private patent litigation insurance to mitigate this adverse affect of high enforcement costs.

Lanot, Gauthier

TI Consumption Patterns Over Pay Periods. **AU** Kelly, Clare; Lanot, Gauthier.

Laub, John H.

TI After the Epidemic: Recent Trends in Youth Violence in the United States. **AU** Cook, Philip J.; Laub, John H.

Laussel, Didier

TI Attitudes Toward Advertising and Price Competition in the Press Industry. **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie.

TI Network Effects in the Press and Advertising Industries. **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie.

TI Concentration in the Press Industry and the Theory of the "Circulation Spiral". **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie.

Le Van, Cuong

TI Arbitrage, Equilibrium, and Nonsatiation. **AU** Allouch, Nizar; Le Van, Cuong; Page, Frank H., Jr.

PD October 2002. **TI** Recursive Utility and Optimal Growth With Bounded or Unbounded Returns. **AU** Le Van, Cuong; Vailakis, Yiannis. **AA** Le Van: CNRS, CERMSEM, Universite de Paris 1. Vailakis: IRES, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/55; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website:

www.core.ucl.ac.be. PG 27. PR \$100 per year. JE C61, D91. KW Recursive Utility. Dynamic Programming. Bellman Equation. Unbounded Returns.

AB In this appear we propose a unifying approach to the study of recursive economic problems. Postulating an aggregator function as the fundamental expression of tastes, we explore conditions under which a utility function can be constructed. We also modify the usual dynamic programming arguments to include this class of models. We show that Bellman's equation still holds, so many results known for the additively separable cases can be generalized for this general description of preferences. Our approach is general, allowing for both bounded and unbounded (above/below) returns. Many recursive economic models, including the standard examples studied in the literature, are particular cases of our setting.

Learmount, Simon

PD June 2002. TI Theorizing Corporate Governance: New Organizational Alternatives. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP237; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. PG 17. PR \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE B20, D23, G30, G34. KW Corporate Governance. Social Controls.

AB This paper contrasts "economic" and "organizational" approaches to corporate governance, in order to draw out some of their distinctive features and discuss their relative strengths and weaknesses. The paper identifies some promising areas of new research which examine the role of social controls and trust for the way that companies are governed. Although these are fairly embryonic, the paper argues that they call into question the hegemony of economic theories in theorizing the governance of the corporation. The paper concludes by advocating a re-consideration and broadening of the current conceptual scope of corporate governance, so as to facilitate and encourage other potentially valuable ways of exploring and understanding how companies are governed.

PD June 2002. TI Meanings of Ownership of the Firm. AU Learmount, Simon; Roberts, John. AA University of Cambridge. SR University of Cambridge, ESRC Centre for Business Research Working Paper: WP238; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. PG 26. PR \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. JE G32, G34, L00, L20. KW Corporate Governance. Ownership.

AB The notion of "ownership of the firm" is central to conventional treatments of corporate governance, yet there is very little discussion about what this means in practice. In this paper, we briefly draw attention to some of the debates around the notion of ownership in various disciplinary fields, and then recount and discuss some of the meanings associated with ownership of the firm that we have found in two empirical studies carried out in the UK and Japan. Our aim is to illuminate and disturb some of the commonly taken for granted notions of what it means to "own" a firm.

Lee, Gabriel S.

TI Time-Varying Uncertainty and the Credit Channel.

AU Dorofeenko, Victor; Lee, Gabriel S.; Salyer, Kevin D.

Lee, Kevin

TI Corporate Profitability and the Dynamics of Competition in Emerging Markets: A Time Series Analysis. AU Glen, Jack; Lee, Kevin; Singh, Ajit.

Leech, Dennis

PD July 2002. TI Computation of Power Indices. AA University of Warwick. SR The Warwick Economic Research Paper: 644; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 53. PR no charge. JE C63, C71, D71, D72. KW Power Indices. Voting Power. Banzhaf Index. Shapley-Shubik Index.

AB Power indices are a useful tool for studying voting systems in which different members have different numbers of votes. This paper addresses the problem of the computation of the two most widely used power indices, the so-called classical power indices, the Banzhaf index and the Shapley-Shubik index. It discusses the various methods that have been proposed in the literature, the advantages and disadvantages of the algorithms, including computational complexity, and describes methods for oceanic games. Finally the paper also discusses the inverse problem of finding what weights should be given to the desired power indices. The method is potentially useful in providing a basis for designing a voting system with a given desired distribution of power among the members, for example to reflect differences in population or financial contributions. Examples are given from the International Monetary Fund shareholder voting and the European Union Council.

PD July 2002. TI The Use of Coleman's Power Indices to Inform the Choice of Voting Rule with Reference to the IMF Governing Body and the EU Council of Ministers. AA University of Warwick. SR The Warwick Economic Research Paper: 645; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 23. PR no charge. JE D71, D72. KW Coleman's Power Indices. Voting Rules. Collective Institutions.

AB In his well known 1971 paper the mathematical sociologist James S. Coleman, proposed three measures of voting power: (1) "the power of a collectivity to act", (2) "the power to prevent action" and (3) "the power to initiate action". (1) is a measure of the overall decisiveness of a voting body taking into account its size, decision rule and the weights of its members, while (2) and (3) are separate indices of the power of individual members, in being able to block or achieve decisions. This paper proposes that these indices have a useful role in aiding a better understanding of collective institutions in which decisions are taken by voting. The paper uses them to illustrate different aspects of the design of a weighted voting system such as the governing body of the International Monetary Fund (IMF) or World Bank, or the system of Qualified Majority Voting (QMV) in the European Council.

PD August 2002. TI Power Indices as an Aid to Institutional Design: The Generalized Apportionment Problem. AA University of Warwick and LSE. SR The Warwick Economic Research Paper: 648; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 23. PR no charge. JE D71, D72. KW Power Indices.

Apportionment. Voting Systems. Distribution of Power.

AB A priori voting power analysis can be useful in helping to design a weighted voting system that has certain intended properties. Power indices can help determine how many weighted votes each member should be allocated and what the decision rule should be. These choices can be made in the light of a requirement that there be a given distribution of power and/or a desired division of powers between individual members and the collective institution. This paper focuses on the former problem: choosing the weights given that the power indices and the decision rule are fixed exogenously.

Lei, Zhang

TI Moral Hazard and the US Stock Market: The Idea of a "Greenspan Put." **AU** Miller, Marcus; Weller, Paul; Lei, Zhang.

Leipus, Remigijus

TI On the Power of R/S-Type Test Under Contiguous and Semi Long Memory Alternatives. **AU** Giraitis, Lidas; Kokoszka, Piotr; Leipus, Remigijus; Teyssiere, Gilles.

Leite-Monteiro, Manuel

TI Social Insurance and Redistribution. **AU** Boadway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

Lejeune, Bernard

PD April 2002. **TI** A Diagnostic M-Test for Distributional Specification of Parametric Conditional Heteroscedasticity Models for Financial Data. **AA** Universite de Liege, CORE, Universite Catholique de Louvain, and ERUDITE. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/24; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 12. **PR** \$100 per year. **JE** C12, C22, C52. **KW** Parametric Models. Conditional Heteroscedasticity. Distributional Specification Test. M-Testing.

AB This paper proposes a convenient and generally applicable diagnostic m-test for checking the distributional specification of parametric conditional heteroscedasticity models for financial data such as the customary Student t Generalized Autoregressive Conditional Heteroscedasticity (GARCH) model. The proposed test is based on the moments of the probability integral transform of the innovations of the assumed model. Monte-Carlo evidence indicates that our suggested test performs well both in terms of size and power.

Lepetit, Laetitia

PD March 2002. **TI** Diversification Versus Specialisation: An Event Study of M&AS in the European Banking Industry. **AU** Lepetit, Laetitia; Patry, Stephanie; Rous, Philippe. **AA** Lepetit: University of Birmingham and University of Limoges. Patry and Rous: University of Limoges. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/03; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 17. **PR** 2 pounds; no charge to academics. **JE** G14, G21, G34. **KW** European Banks. Mergers and Acquisitions. Bivariate

GARCH. Abnormal Returns.

AB This study examines the stock market valuation in terms of expected gains of mergers and acquisitions (M&As) amongst banks that were announced from 1991 to 2001 in 13 European markets. We classify M&As according to activity and geographic specialization or diversification. A Bivariate GARCH model is used to estimate abnormal returns taking betas variability into account. Our results document that there is, on average, a positive and significant increase in value for the group of targets' banks. Moreover, we find that on average there is a positive and significant market reaction for the two types of transactions: cross-product diversification and geographic specialization.

PD March 2002. **TI** Universal Banking and Equity Investment: Consequences on Bank Risk and Investment. **AA** University of Limoges and University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/08; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 27. **PR** 2 pounds; no charge to academics. **JE** G21, G24, G28. **KW** Universal Banking. Specialized Banking. Equity Investment. Risk-Taking. Investment Efficiency. Social Welfare.

AB This paper analyzes the effects of bank equity stakes in firms on bank risk and on welfare. The first purpose of this research is to determine the likelihood that financing a firm simultaneously with both equity investment and loans increases the risk of a bank's asset portfolio under conditions of imperfect information. We show that there is a negative relationship between the risk of a universal bank's asset portfolio and its level of equity investment as long as the latter does not exceed a critical threshold. Its second purpose is to compare bank risk and the value of the investment associated with stylized universal and specialized banking systems. We show that each system has advantages and disadvantages in terms of bank risk and investment, which are formally outlined.

LeRoy, Stephen F.

TI Liquidity and Liquidation. **AU** Kelly, David; LeRoy, Stephen F.

Lettau, Martin

PD December 2001. **TI** Time-Varying Risk Premia and the Cost of Capital: An Alternative Implication of the Q Theory of Investment. **AU** Lettau, Martin; Ludvigson, Sydney. **AA** Lettau: Federal Reserve Bank of New York, New York University, and CEPR. Ludvigson: Federal Reserve Bank of New York. **SR** CEPR Discussion Paper: 3103; 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** E22, G12. **KW** Investment. Q-Theory. Risk Premium. Stock Returns.

AB Evidence suggests that expected excess stock market returns vary over time, and that this variation is much larger than that of expected real interest rates. It follows that a large fraction of the movement in the cost of capital in standard investment models must be attributable to movements in equity risk premia. In this paper we emphasize that such movements in equity risk premia should have implications not merely for investment today, but also for future investment over long

horizons. In this case, predictive variables for excess stock returns over long-horizons are also likely to forecast long-horizon fluctuations in the growth of marginal Q, and therefore investment. We test this implication directly by performing long-horizon forecasting regressions of aggregate investment growth using a variety of predictive variables shown elsewhere to have forecasting power for excess stock market returns.

PD December 2001. **TI** Understanding Trend and Cycle in Asset Values: Bulls, Bears and the Wealth Effect on Consumption. **AU** Lettau, Martin; Ludvigson, Sydney. **AA** Lettau: Federal Reserve Bank of New York, New York University, and CEPR. Ludvigson: Federal Reserve Bank of New York. **SR** CEPR Discussion Paper: 3104; 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, E21, E44. **KW** Asset Values. Cointegration. Consumption. Wealth Effect.

AB This paper uses restrictions implied by cointegration to identify the permanent and transitory elements of household asset wealth. Our empirical analysis yields answers to the following questions: 1. Is there a large transitory component in household net worth or is wealth close to a random walk? Our point estimates imply that a striking 85% of the post-war variation in the growth of household net worth is transitory, attributable to fluctuations in the stock market component of wealth. 2. How is transitory variation in household net worth related to consumer spending? Does consumption adapt with a lag to permanent movements in wealth? Despite their quantitative importance, transitory fluctuations in asset values are found to be unrelated to aggregate consumer spending. Instead, aggregate consumption can be well described as a function of the trend components in wealth and income. 3. What kinds of shocks govern the dynamic behavior of consumption, asset wealth and labor income? We characterize three: a permanent income shock that affects consumption, asset wealth and labor earnings without distorting their long-run equilibrium relation; an income redistributive shock that shifts the composition of income between labor and capital; and a discount rate shock that generates transitory variation in asset values.

PD December 2001. **TI** Measuring and Modelling Variation in the Risk-Return Trade-Off. **AU** Lettau, Martin; Ludvigson, Sydney. **AA** Lettau: Federal Reserve Bank of New York, New York University, and CEPR. Ludvigson: Federal Reserve Bank of New York. **SR** CEPR Discussion Paper: 3105; 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, G12. **KW** Consumption. Expected Returns. Sharpe Ratio. Volatility.

AB Are excess stock market returns predictable over time and, if so, at what horizons and with which economic indicators? Can stock return predictability be explained by changes in stock market volatility? How does the mean return per unit risk change over time? This chapter reviews what is known about the time-series evolution of the risk-return tradeoff for stock market investment, and presents some new empirical evidence using a proxy for the log consumption-aggregate wealth ratio as a predictor of both the mean and volatility of excess stock market returns. We characterize the risk-return tradeoff as the conditional expected excess return on

a broad stock market index divided by its conditional standard deviation, a quantity commonly known as the Sharpe ratio. Our own investigation suggests that variation in the equity risk-premium is strongly negatively linked to variation in market volatility, at odds with leading asset pricing models. Since the conditional volatility and conditional mean move in opposite directions, the degree of countercyclicality in the Sharpe ratio that we document here is far more dramatic than that produced by existing equilibrium models of financial market behavior, which completely miss the sheer magnitude of variation in the price of stock market risk.

Leung, Charles Ka Yui

TI Redistribution Through Education and Other Transfer Mechanisms. **AU** Hanushek, Eric A.; Leung, Charles Ka Yui; Yilmaz, Kuzey.

Levaux, Hugh P.

TI Economic Openness: Many Facets, Many Metrics. **AU** Wolf, Charles, Jr.; Levaux, Hugh P.; Tong, Daochi.

Levy, Helen

TI Gender, Occupation Choice and the Risk of Death at Work. **AU** DeLeire, Thomas; Levy, Helen.

Lewis, Mark W.

TI Privatization in Ukraine: Challenges of Assessment and Coverage in Fund Conditionality. **AU** Elborgh-Woytek, Katrin C.; Lewis, Mark W.

Li, Lingfeng

TI Long-Term Global Market Correlations. **AU** Goetzmann, William N.; Li, Lingfeng; Rouwenhorst, K. Geert.

Li, Qing

PD November 2001. **TI** An Investment-Growth Asset Pricing Model. **AU** Li, Qing; Vassalou, Maria; Xing, Yuhang. **AA** Li and Xing: Columbia University. Vassalou: Columbia University and CEPR. **SR** CEPR Discussion Paper: 3058; 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** C21, C22, G12. **KW** GMM. Asset Returns. Investment Growth Rates. Pricing Portfolios.

AB In this paper we present a simple model where asset returns are functions of multiple investment growth rates. The model is tested for its ability to price the 25 Fama-French portfolios using the Generalized Methods of Moments (GMM) methodology, as well as Fama-MacBeth cross-sectional regressions. Comparisons on the basis of several metrics with other models, such as the capital asset pricing model (CAPM), the Fama-French (1993) model and Cochrane's (1996) model, reveal that it consistently outperforms the CAPM and Cochrane's model. It also outperforms the Fama-French model in several tests. Our model can explain a significantly larger proportion of the cross-sectional variation in the 25 Fama-French portfolios than the Fama-French model does. Specification tests in the context of GMM and the Fama-MacBeth regressions show that in the presence of the investment growth factors included in our model, the size and book-to-market characteristics lose their ability to explain asset

returns. Our model is successful in pricing size and book-to-market sorted portfolios, although it includes exclusively macroeconomic variables as factors.

Li, Wei

TI China's Great Leap: Forward or Backward? Anatomy of a Central Planning Disaster. **AU** An, Mark Yuying; Li, Wei; Tao Yang, Dennis.

TI The Political Economy of Privatization and Competition: Cross-Country Evidence from the Telecommunications Sector. **AU** Colin Xu, Lixin; Li, Wei; Qiang, Christine Zhen-Wei.

Licandro, Omar

TI Car Quality Improvements and Price Indices in Spain. **AU** Izquierdo, Mario; Licandro, Omar; Maydeu, Alberto.

TI Early Mortality Declines at the Dawn of Modern Growth. **AU** Boucekkine, Raouf; de la Croix, David; Licandro, Omar.

TI Obsolescence and Modernization in the Growth Process. **AU** Boucekkine, Raouf; del Rio, Fernando; Licandro, Omar.

Lichtenberg, Frank R.

PD October 2002. **TI** The Dual Effects of Intellectual Property Regulations: Within- and Between-Patent Competition in the US Pharmaceuticals Industry. **AU** Lichtenberg, Frank R.; Philipson, Tomas J. **AA** Lichtenberg: Columbia University and NBER. Philipson: University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 178; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 24. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** O31, O32. **KW** Patents. Intellectual Property. Research and Development.

AB A patent only protects an innovator from others producing the same product, but it does not protect him from others producing better products under new patents. Therefore, one may divide up the source of competition facing an innovator into within-patent competition, which results from production of the same product, and between-patent competition, which results from production of products on other patents. Previous theoretical and empirical micro-based analyses have emphasized the effects of intellectual property regulations on within-patent competition by showing how protecting innovative returns from imitators raises research and development incentives. However, between-patent affects innovative returns, particularly through creative destruction in the many high-tech industries that seem central to overall economic progress. This suggests that a fuller understanding of intellectual property (IP)-regulations take into account its effects on between-patent competition. We find that the total effects of intellectual property regulations depend heavily on whether these unexplored effects are present. We attempt to estimate the relative magnitudes of the two sources of competition in limiting innovative returns in the U.S. pharmaceuticals market. We estimate that between-patent competition costs the innovator at least as much as within-patent competition.

Liebman, Jeffrey B.

PD December 2001. **TI** Redistribution in the Current U.S. Social Security System. **AA** Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8625; 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** H55, I38. **KW** Social Security. Redistribution. Microsimulation Model. Retirement.

AB Social Security is generally thought to be progressive, providing a "better deal" to low earners in a cohort than to high earners. However, much of the intra-cohort redistribution in the U.S. Social Security system is related to factors other than lifetime income. For example, Social Security transfers income from people with low life expectancies to people with high life expectancies. This paper studies the redistribution accomplished in the retirement portion of the current U.S. Social Security system using a microsimulation model built around a match of the 1990 and 1991 Surveys of Income and Program Participation to Social Security administrative earnings and benefit records. The model simulates the distribution of internal rates of returns, net transfers, and lifetime net tax rates from Social Security that would have been received by members of the 1925 to 1929 birth cohorts if they had lived under current Social Security rules for their entire lives. The paper finds that annual income-related transfers from Social Security are only 5 to 9 percent of Social Security benefits paid, or \$19 to \$34 billion, at 2001 aggregate benefits levels, when taxes and benefits are discounted at the cohort rate of return of 1.29 percent.

Lillard, Lee

TI An Analysis of the Choice to Cash Out Pension Rights at Job Change or Retirement. **AU** Hurd, Michael; Lillard, Lee; Panis, Constantijn.

Lindeboom, Maarten

PD December 2001. **TI** An Econometric Analysis of the Mental-Health Effects of Major Events in the Life of Elderly Individuals. **AU** Lindeboom, Maarten; Portrait, France; van den Berg, Gerard J. **AA** Lindeboom and Portrait: Free University of Amsterdam. van den Berg: Vrije Universiteit Amsterdam. **SR** CEPR Discussion Paper: 3091; 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** J14, J26. **KW** Health Care. Death. Depression. Disease. Endogeneity. Elderly.

AB Major events in the life of an elderly individual, such as retirement, a significant decrease in income, death of the spouse, disability, and a move to a nursing home, may affect the mental health status of the individual. For example, the individual may enter a prolonged depression. We investigate this using unique longitudinal panel data that track labor market behavior, health status, and major life events, over time. To deal with endogenous aspects of these events we apply fixed effects estimation methods. We find some strikingly large effects of certain events on the occurrence of depression. We show that the results are of importance for the design of health care and labor market policy towards the elderly.

Link, Charles

TI Variations in the Prescribing Patterns of Atypical

Antipsychotics: A Probit Analysis of the NAMCS and NHAMCS surveys for the period 1992 to 1999. **AU** Pollack, Michael; Kanavos, Panos; Link, Charles.

Lippi, Francesco

PD April 2001. **TI** Strategic Monetary Policy with Non-Atomistic Wage-Setters: Some Evidence. **AA** Bank of Italy and CEPR. **SR** CEPR Discussion Paper: 2819; 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** E50, J50. **KW** Conservatism. Non-Atomistic Agents. Strategic Monetary Policy. Wage-Setting.

AB Most monetary policy analyses assume an atomistic private sector, thereby ignoring strategic interactions between policy and wage-setting decisions. Yet, non-atomistic wage-setters are a key feature of several industrialized economies. We study the economic consequences of non-atomistic agents and show that this qualifies previous results on the effects and desirability of conservative central bankers. In particular, the central bank aversion to inflation may have a permanent effect on structural employment, while no such effect emerges with atomistic agents. This prediction is consistent with evidence that unemployment is positively associated with conservatism in countries where wage-setting is non-atomistic but not in the countries where wage setting is decentralized.

TI On the "Conquest" of Inflation. **AU** Gerali, Andrea; Lippi, Francesco.

Lipsey, Robert E.

PD May 2001. **TI** Foreign Direct Investment and Wages in Indonesian Manufacturing. **AU** Lipsey, Robert E.; Sjöholm, Fredrik. **AA** Lipsey: NBER. Sjöholm: National University of Singapore. **SR** National Bureau of Economic Research Working Paper: 8299; 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, J31, O12. **KW** Wages. FDI. Labor Markets. Indonesia.

AB We ask two types of questions. One is about the behavior of foreign-owned firms in Indonesian labor markets and the other is about the effect of the presence of foreign-owned firms on Indonesian wages. We ask first whether foreign-owned plants pay a higher price for labor, that is, more than locally-owned plants for workers of a given quality, as we can measure it. We then ask whether foreign-owned plants pay a higher price for labor given the characteristics of the plants such as their size, industry, and location. The answer is that foreign firms do pay a higher price, and even a higher price given their plant characteristics. The second set of questions is whether a larger presence of foreign-owned plants results in higher wages in locally-owned plants and overall. Higher foreign presence leads to higher wages in locally-owned plants. Since the foreign plants also pay higher wages than locally-owned ones, the two factors together mean that higher foreign presence raises the general wage level in a province and industry.

PD November 2001. **TI** Affiliate Activity in Japanese and U.S. Multinationals and Japanese Exports 1986-1995. **AU** Lipsey, Robert E.; Ramstetter, Eric D. **AA** Lipsey: NBER. Ramstetter: International Research Centre for the Study of East Asian Development. **SR** National Bureau of Economic Research Working Paper: 8581; 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** F21, F23. **KW** Japan. Multinational Corporations. Gravity Model. Manufacturing Exports.

AB This study examines the relationship between Japan's manufactured exports to individual markets and the economic activities of foreign manufacturing affiliates of Japanese multinational corporations (MNCs) and U.S. MNCs in those markets. First, the relationships between Japanese export levels and employment in foreign affiliates of Japanese MNCs are analyzed in the context of a typical gravity model explaining the cross-country variations of Japan's manufacturing exports. Second, the paper examines the effects of the presence of affiliates of U.S. MNCs on Japanese export levels. And third, it analyzes the relation of changes in Japanese exports to levels of and changes in employment in Japanese and U.S. MNC affiliates. The level of Japan's manufactured exports to a country is almost always positively related to employment in foreign manufacturing affiliates of Japanese MNCs there. There is no evidence that Japanese-owned host country production replaces Japanese exports. However, production by U.S. MNC affiliates in a country often tends to reduce Japanese exports to that market. The predominant effect of U.S. affiliates' presence on changes in Japanese exports to a country is negative, but the evidence for that effect is not strong.

PD December 2001. **TI** Foreign Direct Investment: and the Operations of Multinational Firms: Concepts, History, and Data. **AA** NBER. **SR** National Bureau of Economic Research Working Paper: 8665; 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 the U.S.). **JE** F21, F23. **KW** Foreign Direct Investment. Measurement. Multinational Firms.

AB The concept and measurement of foreign direct investment (FDI) have changed over time, and what is measured by balance of payments flows and stocks is quite different from what is implied by theories of direct investment. The industrial distribution of stocks of FDI, the most widely available measure, is only poorly related to the distribution of FDI production, and changes in stocks are poorly related to changes in production. FDI flows have grown in importance relative to other forms of international capital flows, and the resulting production has increased as a share of world output, but it was still only about 8 percent at the end of the 20th Century. The United States began its role as a foreign direct investor in the late 19th Century, while it was still a net importer of capital. It became the dominant supplier of direct investment to the rest of the world, accounting for about half of the world's stock in 1960. Since then, other countries have become major direct investors. The U.S. share is now less than a quarter of the world total and the United States has become a major recipient of FDI from other countries.

Ljungqvist, Alexander P.

PD November 2001. **TI** Hot Markets, Investor Sentiment and IPO Pricing. **AU** Ljungqvist, Alexander P.; Nanda, Vikram; Singh, Rajdeep. **AA** Ljungqvist: New York University, ECGI, and CEPR. Nanda: University of Michigan. Singh: University of Minnesota. **SR** CEPR Discussion Paper: 3053; 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, G34. KW Behavioral Finance. Hot Issue Markets. Initial Public Offerings. Long-Run Performance.

AB Our model of the initial public offering (IPO) process links the three main empirical IPO "anomalies" -- underpricing, hot issue markets, and long-run underperformance -- and traces them to a common source of inefficiency. We relate hot IPO markets (such as the 1999/2000 market for Internet IPOs) to the presence of a class of investors who are "irrational" in the sense of having exuberant expectations regarding future performance. Underpricing and long-run underperformance emerge as underwriters attempt to maximize profits from the sale of equity, at the expense of these exuberant investors. Underpricing assists to compensate regular IPO investors for their role in restricting the supply of available shares and maintaining prices. The model is shown to be consistent with many aspects of the IPO process. It also generates a number of new empirical predictions.

Ljungqvist, Lars

PD November 2001. TI How Do Layoff Costs Affect Employment? AA Stockholm School of Economics and CEPR. SR CEPR Discussion Paper: 3051; 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, J63, J68. KW Layoff Costs. Unemployment. General Equilibrium.

AB General equilibrium analysis of layoff costs have had mixed messages on the implications for employment. This paper brings out the economic forces at work and explains the disparate results. Specifically, we show that positive employment effects of layoff costs come through reducing labor reallocation, whereas negative effects come through reducing the private return to work due to those layoff costs and the associated inefficient allocation of labor. Additional adverse employment effects can arise through an increase in the effective bargaining strength of workers. These forces explain why layoff costs tend to increase employment in search models while the opposite is true in models with employment lotteries. In matching models, we show that the employment effects depend critically on how layoff costs are assumed to enter the bargaining process.

Lochner, Lance

PD November 2001. TI The Effect of Education on Crime: Evidence from Prison Inmates, Arrests, and Self-Reports. AU Lochner, Lance; Moretti, Enrico. AA Lochner: University of Rochester and NBER. Moretti: UCLA. SR National Bureau of Economic Research Working Paper: 8605; 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 I20, I21, K42. KW Education. Crime. High School Graduation.

AB We estimate the effect of high school graduation on participation in criminal activity accounting for endogeneity of schooling. We begin by analyzing the effect of high school graduation on incarceration using Census data. Instrumental variable estimates using changes in state compulsory attendance laws as an instrument for high school graduation uncover a significant reduction in incarceration for both blacks

and whites. When estimating the impact of high school graduation only, OLS and IV estimators estimate different weighted sums of the impact of each schooling progression on the probability of incarceration. We clarify the relationship between OLS and IV estimates and show that the "weights" can explain differences in the estimates. Overall, the estimates suggest that completing high school reduces the probability of incarceration by about .76 percentage points for whites and 3.4 percentage points for blacks. We corroborate these findings using FBI data on arrests that distinguish among different types of crimes. The biggest impacts of graduation are associated with murder, assault, and motor vehicle theft. We also examine the effect of drop out on self-reported crime.

Lockwood, Ben

TI Do Countries Compete Over Corporate Tax Rates? AU Devereux, Michael P.; Lockwood, Ben; Redoano, Michela.

Lopez-Salido, J. David

TI Assessing the Benefits of Price Stability: The International Experience. AU Andres, Javier; Hernando, Ignacio; Lopez-Salido, J. David.

Lowry, Michelle

PD November 2001. TI Biases in the IPO Pricing Process. AU Lowry, Michelle; Schwert, G. William. AA Lowry: Penn State University. Schwert: University of Rochester and NBER. SR National Bureau of Economic Research Working Paper: 8586; 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 G14, G24, G32. KW Initial Public Offering. Pricing. Learning.

AB By investigating the entire initial public offering (IPO) pricing process, beginning when the offering is filed, this paper contributes to the existing literature along four dimensions. First, price updates during the registration period are predictable based on firm and offer-specific characteristics known at the time the offer is filed. Second, price updates reflect market movements prior to the initial filing date as well as during the registration period. Third, positive and negative information learned during the registration period affect the offer price asymmetrically. Finally, public and private information learned during the registration period have different effects on the offer price. While a number of the biases that we uncover are consistent with one or more theories regarding IPOs, many remain a puzzle.

Lozachmeur, Jean-Marie

TI Construction of Facilities Under Asymmetric Information: Do Constitutions Matter? AU Besfamille, Martin; Lozachmeur, Jean-Marie.

PD September 2002. TI Optimal Age Specific Income Taxation. AA Universite de Liege and CORE, Universite Catholique de Louvain. SR Universite Catholique de Louvain, CORE Discussion Paper: 2002/46; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. PG 15. PR \$100 per year. JE D91, H21. KW Life Cycle. Optimal Income Taxation. Choice of Education. Choice of Retirement.

AB This paper studies optimal earnings taxation in a three period life cycle model where the taxes raised to finance an exogenous amount of public expenditure are allowed to be differentiated across ages. Agents choose their level of education when young and their age of retirement when old. We first look at the problem of optimal taxation when the young can borrow and then turn to the case where young face borrowing constraints. It is shown that, without borrowing constraints, a first best optimum can be decentralized by setting a zero tax rate in the third period and a first period tax lower than the second one. With the borrowing constraint, the government may not be able restore intertemporal efficiency in which case a zero tax rate when old may not be optimal.

Lucchetti, Riccardo

PD May 2001. **TI** Banks' Inefficiency and Economic Growth: A Micro-Macro Approach. **AU** Lucchetti, Riccardo; Papi, Luca; Zazzaro, Alberto. **AA** University of Ancona. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 153; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 24. **PR** no charge. **JE** C33, G21, O40. **KW** Bank Inefficiency. Regional Growth.

AB This paper offers a methodological contribution to the empirical analysis of the relationships between banking and economic growth by suggesting a new indicator for the state of development of the banking system based on a measure of bank microeconomic efficiency. This choice helps to overcome the problem of causality and to capture the effects of the banks' allocative activity. This new approach is then applied to analyse the relationship between the banking system and economic growth in the Italian regions, through a dynamic panel technique. The empirical results show the existence of an independent effect exerted by the efficiency of banks on regional growth.

Lucifora, Claudio

TI The Wage Expectations of European College Students. **AU** Brunello, Giorgio; Lucifora, Claudio; Winter-Ebmer, Rudolf.

Ludvigson, Sydney

TI Time-Varying Risk Premia and the Cost of Capital: An Alternative Implication of the Q Theory of Investment. **AU** Lettau, Martin; Ludvigson, Sydney.

TI Understanding Trend and Cycle in Asset Values: Bulls, Bears and the Wealth Effect on Consumption. **AU** Lettau, Martin; Ludvigson, Sydney.

TI Measuring and Modelling Variation in the Risk-Return Trade-Off. **AU** Lettau, Martin; Ludvigson, Sydney.

Lundberg, Shelly

PD December 2001. **TI** Efficiency in Marriage. **AU** Lundberg, Shelly; Pollak, Robert A. **AA** Lundberg: University of Washington. Pollak: Washington University and NBER. **SR** National Bureau of Economic Research Working Paper: 8642; 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 the U.S.). **JE** C78, J12. **KW** Marriage. Repeated Interaction. Bargaining. Efficiency.

AB Economists usually assume that bargaining in marriage leads to efficient outcomes. The most convincing rationale for this assumption is the belief that efficient allocations are likely to emerge from repeated interactions in stationary environments, and that marriage provides such an environment. This paper argues that when a current decision affects future bargaining power, inefficient outcomes are plausible. If the spouses could make binding commitments -- in effect, commitments to refrain from exploiting the future bargaining advantage -- then the inefficiency would disappear. But spouses seldom can make binding commitments regarding allocation within marriage. To investigate the efficiency of bargaining within marriage when choices affect future bargaining power, we consider the location decisions of two-earner couples. These location decisions are transparent and analytically tractable examples of choices likely to affect future bargaining power, but the logic of our analysis applies to many other decisions. For example, decisions about education, fertility, and labor force participation are also potential sources of inefficiency.

MacDonald, Garry

TI The Australian Private Health Insurance Boom: Was It Subsidies or Liberalised Regulation? **AU** Frech, H. E., III; Hopkins, Sandra; MacDonald, Garry.

Machidon, Oana Secieru

PD September 2001. **TI** Tax Competition and Tax Harmonisation in an Urban Context. **AA** Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 999; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 28. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** H21, H41, H79, R23, R31. **KW** Urban. Tax Competition. Tax Harmonization. Public Goods. Property Tax. Payroll Tax.

AB It is a standard prediction in the literature on tax competition that mobility of factors between jurisdictions causes local governments to choose too low tax rates and to under provide public goods. This paper shows circumstances when the prediction may be false. The prediction may be false when workers live in one jurisdiction and commute to work in another. We show that in an urban setting land developers will make inefficient choices of both tax rates and public expenditures. Whether these are too high or too low from a social point of view is ambiguous. The only unambiguous prediction is that the non-cooperative payroll tax is inefficiently low. In our framework, the locational inefficiency is two-fold, both residents and workers are inefficiently allocated across communities in equilibrium. We also show that tax harmonization and/or voluntary inter-community transfers are not effective in restoring efficiency.

Madrian, Brigitte C.

TI For Better or For Worse: Default Effects and 401(k) Savings Behavior. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew.

TI Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew.

Mairesse, Jacques

PD December 2001. **TI** To Be or Not To Be Innovative: An Exercise in Measurement. **AU** Mairesse, Jacques; Mohnen, Pierre. **AA** Mairesse: CREST-INSEE and NBER. Mohnen: Maastricht University. **SR** National Bureau of Economic Research Working Paper: 8644; Working Papers. NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 22. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** C35, L60, O31, O33. **KW** Innovation Accounting. Tobit Model. Measurement. French Manufacturing.

AB In this paper, we put forward the ideas of an innovation accounting framework and consider two main indicators based on it: expected innovation and innovativeness. The framework is the analogue of the standard framework of economic growth accounting, with innovativeness being a parallel notion to that of (total factor) productivity. We provide an illustration of the idea using data from European Community Innovation Surveys and measuring innovation by the share of firm innovative sales. We adopt a generalized tobit model of the propensity and intensity of innovation as our accounting framework. We first apply the framework to a comparison of the innovation performance of French manufacturing industries, while also checking the robustness of our estimates to the use of micro-aggregated firm data provided by Eurostat versus the original individual firm data. We also provide an overview of the results of a larger comparison of innovation across seven European countries.

Manasse, Paolo

PD November 2002. **TI** Wage Premia and Skill Upgrading in Italy: Why Didn't the Hound Bark? **AU** Manasse, Paolo; Stanca, Luca; Turrini, Alessandro. **AA** Manasse: University of Bologna. Stanca: University of Milan and London School of Economics. Turrini: University of Bergamo, UNCTAD, and CEPR. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 162; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 35. **PR** no charge. **JE** F12, F16, J31. **KW** Wage Premia. Technological Change. International Trade.

AB We present firm level evidence on the dynamics of non-manual wage premia and employment shares in Italian manufacturing industry during the nineties. We find that the relative stability of aggregate wage premia and employment shares hide offsetting disaggregate forces. First, while technical progress raises the relative demand for skilled labor within firms, demand changes associated with exports reduce the relative demand for skills. Second, within the class of non-manual workers, wage premia and employment shares of executives rise substantially, whereas those of clerks fall in a similar proportion. We also find that the export status of firms plays a key role in explaining labor market dynamics, as exporters account for most of both demand-related and technology-related shifts. Overall, our results for Italy question the general validity of the conventional view that emphasizes the role of labor market institutions, as opposed to trade and technology, in determining wage and employment dynamics in continental Europe.

Mankiw, N. Gregory

PD May 2001. **TI** Sticky Information Versus Sticky Prices: A Proposal to Replace the New Keynesian Phillips

Curve. **AU** Mankiw, N. Gregory; Reis, Ricardo. **AA** Mankiw: Harvard University and NBER. Reis: Harvard University. **SR** National Bureau of Economic Research Working Paper: 8290; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 26. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E31, E52. **KW** Sticky-Price Model. Monetary Policy. Inflation. Sticky-Information Model.

AB This paper examines a model of dynamic price adjustment based on the assumption that information disseminates slowly throughout the population. Compared to the commonly used sticky-price model, this sticky-information model displays three, related properties that are more consistent with accepted views about the effects of monetary policy. First, disinflations are always contractionary (although announced disinflations are less contractionary than surprise ones). Second, monetary policy shocks have their maximum impact on inflation with a substantial delay. Third, the change in inflation is positively correlated with the level of economic activity.

PD December 2001. **TI** Sticky Information: A Model of Monetary Nonneutrality and Structural Slumps. **AU** Mankiw, N. Gregory; Reis, Ricardo. **AA** Mankiw: Harvard University and NBER. Reis: Harvard University. **SR** National Bureau of Economic Research Working Paper: 8614; 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** E00, E31, E52, J20, J30. **KW** Monetary Nonneutrality. Wage Adjustment. Sticky Information. Employment. Inflation.

AB This paper explores a model of wage adjustment based on the assumption that information disseminates slowly throughout the population of wage setters. This informational frictional yields interesting and plausible dynamics for employment and inflation in response to exogenous movements in monetary policy and productivity. In this model, disinflations and productivity slowdowns have a parallel effect: They both cause the path of employment to fall below the level that would prevail under full information. The model implies that, in the face of productivity change, a policy of targeting either nominal income or the nominal wage leads to more stable employment than does a policy of targeting the price of goods and services. Finally, we examine U.S. time series and find that, as the model predicts, unemployment fluctuations are associated with both inflation and productivity surprises.

Manna, Michele

TI The Microstructure of the Euro Money Market. **AU** Hartmann, Philipp; Manna, Michele; Manzañares, Andres.

Manzañares, Andres

TI The Microstructure of the Euro Money Market. **AU** Hartmann, Philipp; Manna, Michele; Manzañares, Andres.

Marcellino, Massimiliano

TI Large Datasets, Small Models and Monetary Policy in Europe. **AU** Favero, Carlo A.; Marcellino, Massimiliano.

Marchand, Maurice

TI Social Insurance and Redistribution. **AU** Boadway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

PD September 2002. **TI** Can Partial Fiscal Coordination Be Welfare Worsening? A Model of Tax Competition. **AU** Marchand, Maurice; Pestieau, Pierre; Sato, Motohiro. **AA** Marchand: CORE, Universite Catholique de Louvain. Pestieau: CORE, Universite Catholique de Louvain, and Universite de Liege. Sato: Hitotsubashi University. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/52; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 8. **PR** \$100 per year. **JE** H21, H87. **KW** Tax Competition. Tax Coordination. Withholding Tax. Mobile Factors.

AB Most work on tax competition argues that mobile factors tend to be undertaxed except if there is coordination of tax policies. Full coordination is not however always feasible, and as a consequence some measures of partial coordination have been proposed such as minimal withholding taxes on interest income. We show that partial coordination can be in some instances welfare worsening and that then no coordination is to be preferred.

Marchesi, Silvia

PD May 2001. **TI** Adoption of an IMF Programme and Debt Rescheduling: An Empirical Analysis. **AA** University of Warwick. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 152; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 29. **PR** no charge. **JE** C35, F34. **KW** IMF. Debt Rescheduling. Bivariate Probit Model.

AB The existence of an empirical relationship between the adoption of an IMF programme and the concession of a debt rescheduling by commercial creditors is tested using a bivariate probit model. If countries who have arrangements with the IMF are more likely than others to obtain a rescheduling of their external debt, we could conclude that the adoption of an IMF programme could work as a sort of signal of a country's "good willingness", which is thus rewarded with the debt relief. The results confirm the existence of a significant effect of the adoption of an IMF programme on the subsequent concession of a debt rescheduling by creditors.

Marin Uribe, Pedro L.

PD June 2001. **TI** Exclusive Contracts and Market Power: Evidence from Ocean Shipping. **AA** Universidad Carlos III de Madrid and CEPR. **SR** CEPR Discussion Paper: 2828; 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, L42. **KW** Event Study. Exclusive Contracts. Shipping Conferences. Market Power.

AB There is a substantial theoretical literature on the potential effects of loyalty contracts, but a relative paucity of empirical work. This paper employs the event study methodology to examine the effect of exclusionary contracts on firm performance in the ocean shipping industry Shipping conferences -- legal cartels exempt from antitrust laws --

offered discounts to customers that patronized exclusively cartel member firms. The usage of these contracts was the subject of an extended legal and political struggle. This paper tests for the impact of the most important events in this conflict on the stock returns of firms in the shipping industry. It is found that some of these events resulted in significant changes in the firms' stock returns. The evidence suggests that exclusive contracts may have contributed to market power in the shipping industry.

Marion, Nancy

TI The Merits of Horizontal versus Vertical FDI in the Presence of Uncertainty. **AU** Aizenman, Joshua; Marion, Nancy.

Marschak, Thomas

TI The Informational Efficiency of Finite Price Mechanisms. **AU** Hurwicz, Leonid; Marschak, Thomas.

Martin, Ron

PD September 2002. **TI** Deconstructing Clusters: Chaotic Concept or Policy Panacea. **AU** Martin, Ron; Sunley, Peter. **AA** Martin: University of Cambridge. Sunley: University of Edinburgh. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP244; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 45. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** R30. **KW** Business Location. Clusters. Chaotic Concept. Cluster Theory. Cluster Policy.

AB Recently there has been growing interest in local industrial agglomeration and specialization, by economic geographers, economists and policy-makers. Michael Porter's work on "clusters" has proved by far the most influential to have emerged. His "cluster theory" has become the standard concept in the field, and policy-makers worldwide have seized upon it as a tool for promoting national, regional and local competitiveness, innovation and growth. However, seductive though the cluster concept is, there is much about it that is problematic, and the rush to employ "cluster ideas" has run ahead of many fundamental conceptual, theoretical and empirical questions. Our aim is to deconstruct the cluster concept in order to reveal and highlight our concerns relating to the definition of the cluster concept, its theorization, its empirics, the claims made for its benefits and advantages, and its use in policy-making.

Masson, Paul R.

PD October 2001. **TI** Globalization: Facts and Figures. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/04; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 17. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F15, F22, F36. **KW** Globalization. Economic Integration. Trade. Liberalization.

AB Globalization has become the focus for a wide range of protests against various features of the world economy. This paper aims to give a concise summary of the economic dimensions of globalization, while leaving to one side other aspects -- such as cultural, environmental, or political ones --

that are beyond the scope of the IMF. Periods of increased globalization have tended to be associated with technological innovations that reduce transportation and communications costs and with generally rising standards of living. Moreover, countries that have embraced openness to the rest of the world have done better than those that have not. Nevertheless, globalization may also be associated with increased inequality and volatility, which may justify strengthening domestic safety nets and financial supervision and regulation, and enhancing international economic policy coordination. The IMF helps to ensure economic gains from globalization by encouraging trade liberalization, reducing countries' vulnerability to crises, lending to them when they are in difficulty, and assisting them in putting in place structural reforms that help reduce poverty.

Mata, Jose

TI On the Evolution of the Firm Size Distribution: Facts and Theory. **AU** Cabral, Luis M. B.; Mata, Jose.

Matea, Ma. de los Llanos

TI An Approximation to Biases in the Measurement of Spanish Macroeconomic Variables Derived from Product Quality Changes. **AU** Izquierdo, Mario; Matea, Ma. de los Llanos.

TI Hedonic Prices for Personal Computers in Spain During the 90s. **AU** Izquierdo, Mario; Matea, Ma. de los Llanos.

Mattoo, Aaditya

TI Unrestricted Market Access for Sub-Saharan Africa: How Much is it Worth and Who Pays? **AU** Ianchovichina, Elena; Mattoo, Aaditya; Olarreaga, Marcelo.

PD April 2001. **TI** Should Credit Be Given for Autonomous Liberalization in Multilateral Trade Negotiations? **AU** Mattoo, Aaditya; Olarreaga, Marcelo. **AA** World Bank. **SR** CEPR Discussion Paper: 2821; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F02, F13, F15. **KW** Credit. Unilateral Liberalization. WTO. Multilateral Trade Negotiations.

AB As each new round of multilateral trade negotiations approaches, there is a demand for a negotiating rule that would give credit for autonomous liberalization. We show that the desirability and feasibility of such a rule depends on when it is instituted. A credit rule established at the beginning of a round of negotiations has primarily a distributional effect, favoring those who have already undertaken liberalization. The implementation of such a rule relies on the generosity of those who have not liberalized. We propose instead the establishment of a credit rule at the end of a round of negotiations, which creates an ex ante assurance that any unilateral liberalization will receive credit in the next round. Such a rule would help induce and/or enhance liberalization between negotiating rounds by reducing the gains from retaining protection as negotiating currency. Moreover, it leads to lower intertemporal average protection in all countries under plausible conditions. Most importantly, such an ex ante rule does not rely on altruism to be generally acceptable.

Maurel, Mathilde

TI Monetary Union, Trade Integration, and Business Cycles in 19th Century Europe: Just Do It. **AU** Flandreau, Marc;

Maurel, Mathilde.

Mauro, Paolo

TI Reviving the Case for GDP-Indexed Bonds. **AU** Borensztein, Eduardo R.; Mauro, Paolo.

Maydeu, Alberto

TI Car Quality Improvements and Price Indices in Spain. **AU** Izquierdo, Mario; Licandro, Omar; Maydeu, Alberto.

Mayer, Christopher

TI Loss Aversion and Seller Behavior: Evidence from the Housing Market. **AU** Genesove, David; Mayer, Christopher.

McClellan, Mark

TI Area Differences in Utilization of Medical Care and Mortality Among U.S. Elderly. **AU** Fuchs, Victor R.; McClellan, Mark; Skinner, Jonathan.

McGrattan, Ellen R.

PD December 2001. **TI** The Stock Market Crash of 1929: Irving Fisher was Right! **AU** McGrattan, Ellen R.; Prescott, Edward C. **AA** McGrattan: Federal Reserve Bank of Minneapolis and NBER. Prescott: University of Minnesota and NBER. **SR** National Bureau of Economic Research Working Paper: 8622; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 18. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** E62, G12, N22. **KW** Financial Crisis. Fundamentals. Stock Valuations. **AB** In the fall of 1929, the market value of all shares listed on the New York Stock Exchange fell by 30 percent. Many analysts then and now take the view that stocks were then overvalued and the stock market was in need of a correction. Irving Fisher argued that the fundamentals were strong and the stock market was undervalued. In this paper, we estimate the fundamental value of corporate equity in 1929 using data on stocks of productive capital and tax rates as in McGrattan and Prescott (2000, 2001) and compare it to actual stock valuations. We find that the stock market in 1929 did not crash because the market was overvalued. In fact, the evidence strongly suggests that stocks were undervalued, even at their 1929 peak.

PD December 2001. **TI** Taxes, Regulations, and Asset Prices. **AU** McGrattan, Ellen R.; Prescott, Edward C. **AA** McGrattan: Federal Reserve Bank of Minneapolis and NBER. Prescott: University of Minnesota and NBER. **SR** National Bureau of Economic Research Working Paper: 8623; 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** E13, G12. **KW** Asset Prices. Growth. Taxes. Regulation.

AB U.S. stock prices have increased much faster than gross domestic product (GDP) in the postwar period. Between 1962 and 2000, corporate equity value relative to GDP nearly doubled. In this paper, we determine what standard growth theory says the equity value should be in 1962 and 2000, the two years for which our steady-state assumption is a reasonable one. We find that the actual valuations were close to the theoretical predictions in both years. The reason for the large run-up in equity value relative to GDP is that the average tax rate on dividends fell dramatically between 1962 and 2000. We

also find that, given legal constraints that effectively prohibited the holding of stocks as reserves for pension plans, there is no equity premium puzzle in the postwar period. The average returns on debt and equity are as theory predicts.

McLennan, Andrew

PD April 2002. **TI** The Expected Number of Nash Equilibria of a Normal Form Game. **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research Discussion Paper: 315; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 31. **PR** no charge. **JE** C72. **KW** Normal Form Game. Nash Equilibrium. Computational Complexity. Algebraic Geometry. Random Games.

AB Fix finite pure strategy sets S_1, \dots, S_n , and let $S = S_1 \times \dots \times S_n$. In our model of a random game the agents' payoffs are statistically independent, with each agent's payoff uniformly distributed on the unit sphere in \mathbb{R}^s . For given nonempty T_1, \dots, T_n we give a computationally implementable formula for the mean number of Nash equilibria in which each agent i 's missed strategy has support T_i . The formula is the product of two expressions. The first is the expected number of totally mixed equilibria for the truncated game obtained by eliminating pure strategies outside the sets T_i . The second may be construed as the "probability" that such an equilibrium remains an equilibrium when the strategies in the sets $S_i \setminus T_i$ become available.

McLiesh, Caralee

TI Who Owns the Media? **AU** Djankov, Simeon; McLiesh, Caralee; Nenova, Tatiana; Shleifer, Andrei.

McMillan, John

TI Courts and Relational Contracts. **AU** Johnson, Simon; McMillan, John; Woodruff, Christopher.

Metrick, Andrew

TI For Better or For Worse: Default Effects and 401(k) Savings Behavior. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew.

TI Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance. **AU** Choi, James J.; Madrian, Brigitte C.; Laibson, David; Metrick, Andrew.

Meyer, Bruce D.

PD May 2001. **TI** The Effects of Welfare and Tax Reform: The Material Well-Being of Single Mothers in the 1980s and 1990s. **AU** Meyer, Bruce D.; Sullivan, James X. **AA** Meyer: Northwestern University and NBER. Sullivan: Northwestern University. **SR** National Bureau of Economic Research Working Paper: 8298; 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** D12, H31, I30. **KW** Tax Reform. Welfare Programs.

AB The tax and welfare programs that provide income and in-kind benefits to single mothers have changed dramatically in recent years. These changes began as far back as the mid-1980s and culminated with the 1996 welfare law that "ended welfare as we knew it." These tax and welfare changes have

sharply increased the employment of single mothers and cut welfare rolls. However, little is known about the effects of these policy changes on the living conditions of single mothers and their children. Studies of those leaving welfare have found that a substantial percentage have problems paying rent, purchasing enough food, and paying utility bills. Other studies have found a decline in income among the worst-off single mothers. The goal of this paper is to examine the material well-being of single mothers and their families before and soon after welfare reform. The paper examines the consumption patterns of single mothers, and finds that the material conditions of single mothers did not decline in recent years. In most cases, the evidence suggests that the material conditions of single mothers have improved slightly, even for highly disadvantaged single mothers.

Michaelides, Alex

TI Portfolio Choice and Liquidity Constraints. **AU** Haliassos, Michael; Michaelides, Alex.

PD June 2001. **TI** Portfolio Choice, Liquidity Constraints and Stock Market Mean Reversion. **AA** London School of Economics and CEPR. **SR** CEPR Discussion Paper: 2823; 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, G11. **KW** Liquidity Constraints. Portfolio Choice. Stock Market Mean Reversion. Stock Market Predictability.

AB This paper solves numerically for the optimal consumption and portfolio choice of an infinitely lived investor facing short sales and borrowing constraints, undiversifiable labor income risk and a predictable time varying equity premium. The investor aggressively times the market while positive correlation between permanent earnings shocks and stock return innovations generates a substantial hedging demand for the riskless asset. Moreover, a speculative increase in savings arises when stock returns are expected to be high and conversely when future returns are expected to be low. Small information/optimization costs can make it optimal for an investor to assume i.i.d. excess stock returns both because liquidity constraints can be frequently binding and because households can smooth idiosyncratic earnings shock using a small buffer stock of wealth.

PD November 2001. **TI** International Portfolio Choice: Liquidity Constraints and the Home Equity Bias Puzzle. **AA** London School of Economics and CEPR. **SR** CEPR Discussion Paper: 3066; 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** E22, G11. **KW** Home Equity Bias. Information Costs. International Portfolio. Liquidity Constraints.

AB This paper solves for optimal international portfolio choice in the presence of liquidity constraints and undiversifiable labor income risk. Optimal portfolios are internationally diversified while positive correlation between domestic stock market returns and permanent labor income shocks can worsen the home equity bias puzzle. Nevertheless, either small costs associated with investing abroad or a slightly positive domestic to foreign equity premium differential are sufficient to either deter households from participating in a foreign market or generate a substantial bias for home equities.

The benefits of international diversification are limited because consumption fluctuations can be smoothed with a small amount of buffer stock saving, while exchange rate risk makes foreign investments less appealing to risk averse investors.

Michel, Philippe

TI On the Selection of One Feedback Nash Equilibrium in Discounted Linear-Quadratic Games. **AU** Cartigny, Pierre; Michel, Philippe.

TI Can Cultural Education Crowd Out Arts Subsidization? **AU** Champarnaud, Luc; Ginsburgh, Victor A.; Michel, Philippe.

PD September 2002. **TI** Fiscal Policy with Agents Differing in Altruism and in Ability. **AU** Michel, Philippe; Pestieau, Pierre. **AA** Michel: IUF and GREQAM, University of Mediterranean. Pestieau: University of Liege, CORE, Universite Catholique de Louvain, and DELTA. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/49; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 16. **PR** \$100 per year. **JE** D64, H55, H63. **KW** Overlapping Generations. Altruism. Heterogeneous Productivity. Fiscal Policies. Public Debt. Social Security.

AB This paper presents an overlapping generations model of growth with individuals differing in productivity and altruism. Within such a model wealth is entirely held in the steady-state by the families with the highest degree of altruism. We then look at the macroeconomic and distributive effects of three fiscal policies: public debt, pay-as-you- to social security and estate taxation. Under plausible assumption we show that both public debt and social security are neutral a la Ricardo but increase inequality. We also show that estate taxation can be Pareto worsening even though it can foster income equality.

PD September 2002. **TI** Economic Growth With Gifts in the Family. **AA** GREQAM, Universite de la Mediterranee, Institut Universitaire de France, and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/51; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 60. **PR** \$100 per year. **JE** D13, D64, O41. **KW** Gifts. Head of Family. Children Giving. Parental Giving.

AB There are two basic models of economic growth. In the overlapping- generations model, there is no private transfer decision of households. In the model with an infinite-lived representative consumer, there is a complete harmony of all generations who behave as a unique agent. We propose another approach with gifts in the family and a unique head of the family. It differs from the joy of giving model in two points: parents take into account wealth of the children and gifts are two- sided, from parents to children and from children to parents. We first present standard results of the neoclassical growth theory and some recent developments. After that we study three different assumptions on the behavior of households: no gift, gifts in the family and one-sided gifts from the parents to children.

PD October 2002. **TI** Wealth Transfer Taxation With Both Accidental and Planned Bequests. **AU** Michel,

Philippe; Pestieau, Pierre. **AA** Michel: GREQAM and IUF, Universite de Marseille II. Pestieau: Universite de Liege, CORE, Universite Catholique de Louvain, DELTA, and CES. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/59; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 11. **PR** \$100 per year. **JE** D64, H24. **KW** Bequest. Joy of Giving. Altruism. Estate Taxation.

AB Actual bequests are a hybrid of canonical types and in particular of accidental bequest and paternalistic bequest related to some joy of giving. In this case the estate consists of two components: an amount intended by altruistic parents and an amount which results from the "premature" death of parents. Taxing those two types of bequests separately is known to have different implications. The purpose of this paper is to see the distributive incidence of estate taxation when those two components are indistinguishable.

Miller, Geoffrey

TI Central Bank Reform, Liberalization and Inflation in Transition Economies -- An International Perspective. **AU** Cukierman, Alex; Miller, Geoffrey; Neyapti, Bilin.

Miller, Jeffrey B.

TI Grabbing Hand, Helping Hand or Invisible Hand? The Government's Relationship to Small Business in Bulgaria. **AU** Iantchev, Milko; Miller, Jeffrey B.

TI Macroeconomic Externalities: New Keynesian Theory and Policy. **AU** Colander, David C.; Koford, Kenneth J.; Miller, Jeffrey B.

TI Price Expectations and the Bulgarian Currency Board. **AU** Beck, Stacie; Miller, Jeffrey B.; Saad, Mohsen.

Miller, Marcus

PD November 2001. **TI** Moral Hazard and the US Stock Market: The Idea of a "Greenspan Put." **AU** Miller, Marcus; Weller, Paul; Lei, Zhang. **AA** Miller: University of Warwick and CEPR. Weller: University of Iowa. Zhang: University of Warwick. **SR** CEPR Discussion Paper: 3041; 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** D84, E52, G12. **KW** Asset Bubble. Greenspan Put. Monetary Policy. Risk Premium.

AB The risk premium in the US stock market has fallen far below its historic level, which Shiller (2000) attributes to a bubble driven by psychological factors. As an alternative explanation, we point out that the observed risk premium may be reduced by one-sided intervention policy on the part of the Federal Reserve which leads investors into the erroneous belief that they are insured against downside risk. By allowing for partial credibility and state dependent risk aversion, we show that this "insurance" -- referred to as the Greenspan put -- is consistent with the observation that implied volatility rises as the market falls. Our bubble, like Shiller's, involves market psychology: but what we describe is not so much "irrational exuberance" as exaggerated faith in the stabilizing power of Mr. Greenspan.

Miller, Matthew

TI State and Local Prevalence of Firearms Ownership: Measurement, Structure, and Trends. **AU** Azrael, Deborah; Cook, Philip J.; Miller, Matthew.

Miller, Richard D., Jr.

PD July 2002. **TI** The Productivity of Health Care and Pharmaceuticals: Quality of Life, Cause of Death and the Role of Obesity. **AU** Miller, Richard D., Jr.; Frech, H. E., III. **AA** Miller: Center for Naval Analyses. Frech: UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/12; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 85. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** H51, I12, J14, L84. **KW** Health Production. Pharmaceutical Pricing. Obesity. Health Care. Life Expectancy. Quality of Life. Mortality.

AB This study updates and extends our previous work (1999 and 2000) that found pharmaceutical consumption to significantly improve health. This study uses newer Organization for Economic Cooperation and Development (OECD) and World Health Organization (WHO) cross-national data on broader measures of medical outputs and includes data on obesity. New output measures include quality-adjusted life expectancy and mortality by cause of death. (Earlier work used life expectancy and infant mortality). The earlier results are confirmed -- indeed, they are now slightly stronger and more robust. Pharmaceutical consumption is found to be more even more productive for quality of life than for simple life expectancy. Large differences are found in the productivity of pharmaceutical consumption across cause of death and age. Lastly, obesity is found to have a significant negative effect on health.

Milligan, Kevin

TI The Retirement Incentive Effects of Canada's Income Security Programs. **AU** Baker, Michael; Milligan, Kevin; Gruber, Jonathan.

Mills, Terence C.

TI TFP Growth in British and German Manufacturing, 1950-96. **AU** Crafts, Nicholas; Mills, Terence C.

Milne, Frank

TI Monopoly, Externalities, and Non-Profit Maximising Firms. **AU** Kelsey, David; Milne, Frank.

TI Imperfect Competition and Corporate Governance. **AU** Kelsey, David; Milne, Frank.

Minelli, Enrico

TI Two-Person Bargaining With Verifiable Information. **AU** de Clippel, Geoffroy; Minelli, Enrico.

Mishkin, Frederic S.

PD December 2001. **TI** The Transmission Mechanism and the Role of Asset Prices in Monetary Policy. **AA** Columbia University and NBER. **SR** National Bureau of Economic Research Working Paper: 8617; 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** E44, E52. **KW** Monetary Policy. Transmission Mechanism. Asset Prices.

AB This paper surveys the transmission mechanisms of monetary policy beyond the standard interest rate channel by focusing on how monetary policy affects the economy through other asset prices. It outlines how the monetary transmission mechanisms operating through stock prices, real estate prices, and exchange rates affect which investment and consumption decisions of both firms and households. Given the role that asset prices play on the transmission mechanism, central banks have been often tempted to use them as targets of monetary policy. This paper shows that despite the significance of asset prices in the conduct of monetary policy, targeting asset prices by central banks is likely to lead to worse economic outcomes and might even erode the support for their independence.

Mitchell, Olivia S.

PD October 2001. **TI** Developments in Decumulation: The Role of Annuity Products in Financing Retirement. **AA** University of Pennsylvania and NBER. **SR** National Bureau of Economic Research Working Paper: 8567; 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** G23, H31. **KW** Life Annuities. Longevity Risk. Protection.

AB Longer lifespans are generally seen as a positive outcome of economic growth. Yet life extension also means that more people face the risk of living too long -- that is, outliving their assets and means of support. A range of financial products exists currently or can be envisioned for the future that would be useful in helping to protect people against having to dramatically curtail consumption in old age. This paper reviews the usefulness of life annuities in providing protection against longevity risk.

Moav, Omer

PD November 2001. **TI** Cheap Children and the Persistence of Poverty. **AA** Hebrew University of Jerusalem and CEPR. **SR** CEPR Discussion Paper: 3059; 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** J13, O11, O15. **KW** Fertility. Growth. Human Capital. Educational Choice. Poverty.

AB This paper develops a theory of fertility and child educational choice that offers an explanation for the persistence of poverty within and across countries. The joint determination of the quality (education) and quantity of children in the household is studied under the key assumption that individuals' productivity as teachers increases with their own human capital. As a result, the poor choose high fertility rates with low education investment and therefore, their offspring are poor as well. Furthermore, the high fertility rates in poor economies dilute physical capital accumulation and amplify the effect of child quality choice on economic growth. The model generates multiple steady states even though the technologies employed in the production of human capital and output are convex and preferences are convex and homothetic.

Mocan, H. Naci

PD May 2001. **TI** Can Consumers Detect Lemons? Information Asymmetry in the Market for Child Care. **AA** University of Colorado at Denver and NBER. **SR** National Bureau of Economic Research Working Paper: 8291; 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** D82, J13, L15, L80. **KW** Information Asymmetry. Child Care. Quality. Moral Hazard.

AB This paper applies direct tests for adverse selection and moral hazard in the market for child care. Comparisons of consumer evaluations of quality to actual quality show that, after adjusting for scale effects, parents are weakly rational. The hypothesis of strong rationality is rejected, indicating that parents do not utilize all available information in forming their assessment of quality. Parent characteristics impact the accuracy of their evaluations. An analysis of easy-to-observe versus difficult-to-observe aspects of quality reveals that parents are trying to extract signals more heavily in cases of difficult-to-observe items. A comparison of parent assessments to results obtained from standard quality production functions reveals that, for the most part, parents interpret the signals incorrectly. The results demonstrate the existence of information asymmetry and adverse selection in the market. There is some limited evidence for moral hazard, as nonprofit centers with very clean reception areas tend to produce lower level of quality for unobservable items. These results provide an explanation for low average quality in the child care market.

Modica, Salvatore

PD October 2002. **TI** Asset Trading with Informed Price Makers. **AA** Universita di Palermo. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/66; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 14. **PR** \$100 per year. **JE** D82, G14. **KW** Asset Trading Interaction. Asymmetric Information. Uninformed Agents. Externality. European Markets.

AB The present paper analyzes existence and structure of revealing equilibria of a game which models the asset-trading interaction between a risk-neutral informed price-making agent and an uninformed one. The trade-off in the problem faced by the uninformed turns out to be between losing smaller amounts with higher probability and losing larger amounts with lower probability. This balance is governed by downside risk aversion. Asymmetric information and risk aversion notwithstanding, the downside-risk neutral uninformed (quadratic utility) always gets a fair price on the bet he enters in the revealing equilibrium, corresponding to the expected value of the asset conditional on full information. On the contrary, the downside-risk averse uninformed person always pays more than the above expected value. This conclusion is our counterpart of that reached by Glosten-Milgrom (1985) and Kyle (1985), who consider uninformed agents trading with uninformed price-making dealers: there the uninformed traders bear a negative externality exerted by the informed traders; here they enter unfair bets because of their own downside risk aversion. It is argued that the present model applies more closely to European stock markets.

Mohan, Rakesh

TI Economic Reforms and Poverty Alleviation: India A Tale of Two Surveys. **AU** Lal, Deepak; Natarajan, I.; Mohan, Rakesh.

Mohnen, Pierre

TI To Be or Not To Be Innovative: An Exercise in Measurement. **AU** Mairesse, Jacques; Mohnen, Pierre.

Moldovanu, Benny

TI The European UMTS/IMT-2000 License Auctions. **AU** Jehiel, Philippe; Moldovanu, Benny.

Morck, Randall

PD December 2001. **TI** The Mysterious Growing Value of S&P 500 Membership. **AU** Morck, Randall; Yang, Fan. **AA** University of Alberta Business School and NBER. Yang: University of Alberta Business School. **SR** National Bureau of Economic Research Working Paper: 8654; 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 the U.S.). **JE** G11, G14. **KW** Efficient Market Hypothesis. Passive Indexing. Active Fund Management.

AB The efficient markets hypothesis implies that passive indexing should generate as high a return as active fund management. Indexing has been a very successful strategy. We document a large value premium in the average *q* ratios of firms in the Standard and Poor's (S&P) 500 index relative to the *q* ratios of other similar firms that appear in the mid 1980s and grows in step with the growth of indexing. Passive investment strategies that require the purchase of the particular 500 stocks in this index increase demand for those stocks and so push up their prices. In short, indexing induces downward sloping demand curves for stocks in the index. For reasons that are not fully clear, arbitrageurs apparently do not correct this overvaluation.

Moretti, Enrico

TI The Effect of Education on Crime: Evidence from Prison Inmates, Arrests, and Self-Reports. **AU** Lochner, Lance; Moretti, Enrico.

Morton, Fiona Scott

TI Cowboys or Cowards: Why are Internet Car Prices Lower? **AU** Zettelmeyer, Florian; Morton, Fiona Scott; Silva-Risso, Jorge.

PD December 2001. **TI** Consumer Information and Price Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities? **AU** Morton, Fiona Scott; Zettelmeyer, Florian; Silva-Risso, Jorge. **AA** Morton: Yale University and NBER. Zettelmeyer: UC Berkeley. Silva-Risso: J.D. Power and Associates. **SR** National Bureau of Economic Research Working Paper: 8668; 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 the U.S.). **JE** J71, L11, L86. **KW** Internet. Retail Car Prices. Price Discrimination. Consumer Information.

AB Mediating transactions through the Internet removes important cues that salespeople can use to assess a consumer's willingness to pay. We analyze whether dealers' difficulty in

identifying consumer characteristics on the Internet and consumers' ease in finding information affects equilibrium prices in car retailing. Using a large dataset of transaction prices for new automobiles, we find that offline African-American and Hispanic consumers pay approximately 2% more than other consumers, however, we can explain 65% of this price premium with difference in income, education, and search costs; we find no evidence of statistical race discrimination. We also find that online minority buyers who use the Internet Referral Service we study, Autobyte.com, pay nearly the same prices as do whites, irrespective of their income, education, and search costs. Since members of minority groups who use the Internet may not be representative, we control for selection. We conclude that the Internet is disproportionately beneficial to those who have personal characteristics that put them at a disadvantage in negotiating. African-American and Hispanic individuals, who are least likely to use the Internet, are the ones who benefit the most from it.

Mowery, David C.

PD October 2001. **TI** The Geographic Reach of Market and Non-Market Channels of Technology Transfer: Comparing Citations and Licenses of University Patents. **AU** Mowery, David C.; Ziedonis, Arvids A. **AA** Mowery: UC Berkeley and NBER. Ziedonis: University of Pennsylvania. **SR** National Bureau of Economic Research Working Paper: 8568; 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** O31, O32, R12. **KW** Spillovers. Knowledge Flows. Licensing Contracts. Regional Agglomeration. High-Technology. **AB** The growth of high-technology clusters in the United States suggests the presence of strong regional agglomeration effects that reflect proximity to universities or other research institutions. Using data on licensed patents from the University of California, Stanford University, and Columbia University, this paper compares the geographic "reach" of knowledge flows from university inventions through two important channels: non-market "spillovers" exemplified by patent citations and market contracts (licenses). We find that knowledge flows through market transactions to be more geographically localized than those operating through non-market "spillovers." Moreover, the differential effects of distance on licenses and citations are most pronounced for exclusively licensed university patents. We interpret these findings as reflecting the incomplete nature of licensing contracts and the need for licensees to maintain access to inventor know-how for many university inventions. Such access appears to be less important for inventions that are non-exclusively licensed (e.g. "research tools").

Mulligan, Casey B.

PD November 2001. **TI** The Empirical Frequency of a Pivotal Vote. **AU** Mulligan, Casey B.; Hunter, Charles G. **AA** Mulligan: University of Chicago and NBER. Hunter: Lexecon. **SR** National Bureau of Economic Research Working Paper: 8590; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 27. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside U.S.). **JE** D72. **KW** Election Margins. Pivotal Vote. Empirical Frequency. **AB** Empirical distributions of election margins are computed

using data on U.S. Congressional and state legislator election returns. We present some of the first empirical calculations of the frequency of close elections, showing that one of every 100,000 votes cast in U.S. elections, and one of every 15,000 votes cast in state elections, "mattered" in the sense that they were cast for a candidate that officially tied or won by one vote. Very close elections are much rarer than the independent binomial model predicts. The evidence also suggests that recounts, and other margin-specific election procedures, are quite relevant determinants of the frequency of a pivotal vote. Although moderately close elections (winning margin of less than ten percentage points) are more common than landslides, the distribution of moderately close U.S. election margins is approximately uniform. The distribution of state legislature election margins is clearly monotonic, with closer margins more likely, except for very close and very lopsided elections. We find an inverse relationship between election size and the frequency of one vote margins in both data sets over a wide range of election sizes, with the exception of the smallest U.S. elections for which the frequency increases with election size.

TI Labor Market Search and Optimal Retirement Policy. **AU** Bhattacharya, Joydeep; Mulligan, Casey B.; Reed, Robert R., III.

PD February 2002. **TI** A Century of Labor-Leisure Distortions. **AA** University of Chicago and NBER. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 170; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/csces/. **PG** 43. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** J22, J23, J42, N31, N32. **KW** Labor-Leisure Distortions. Competitive Equilibrium. Monopoly Unionization. Regulation.

AB The paper constructs direct measures of labor-leisure distortions for the American economy during the period 1889-1996, using a new method for empirically evaluating competitive equilibrium models and extending that method to some noncompetitive situations. The paper then compares measured labor-leisure distortions to proxies for potential restraints of trade: distortionary taxes and subsidies, labor market regulation, monopoly unionism, and search friction. Distortions have grown steadily over the century, with the exception of the Great Depression (when distortions were above trend), World War II (below trend), and the 1980's (below trend). Marginal tax rates are well correlated with labor-leisure distortions at low frequencies, but cannot explain Depression, wartime, or 1980's distortions. Monopoly unionism might explain a small part of the Depression distortions, and the decline of unions might explain some of the reduced distortions in the 1980's. In general, the paper finds the decade-to-decade aggregate fluctuations in consumption, wages, and work to be hard to reconcile with simple quantitative models of labor supply and demand.

PD March 2002. **TI** Economic Limits on "Rational" Democratic Redistribution. **AA** University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 171; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/csces/. **PG** 37. **PR** \$3.00; make check payable to

"The University of Chicago." **JE** H23, J24. **KW** Labor Productivity. Income Tax. Redistribution.

AB This paper begins with an economic environment familiar from welfare- and political-economic literatures and show how, with quantitatively reasonable distributions of labor productivity and tax- price-elasticities of taxable income, middle class consumers are (personally) worse off with any negative income tax scheme than they would be with no redistribution at all. This finding has important implications for political-economic theories of redistribution, because it implies that the fully informed median voter cannot be expected to support programs of cash redistribution from rich to poor -- such as the negative income tax -- merely on the basis of his personal benefits from the program. It also implies that the "rational" median voter model of redistribution is, in the empirically relevant range, consistent with a zero correlation between income distribution skewness, or enfranchisement of the poor, and the amount of rich-poor redistribution. The paper also presents some comparable cross-country measure of one of the determinants of the tax-price-elasticity of taxable income, tax based breadth.

TI Social Security and Democracy. **AU** Gil, Ricard; Mulligan, Casey B.; Sala-i-Martin, Xavier.

Mulligan, James G.

PD January 2001. **TI** The Pricing of a Round of Golf: The Inefficiency of Membership Fees Revisited. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2001/01; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 18. **PR** no charge. **JE** D71, L83. **KW** Membership Fees. Golf. Pricing. Club Theory.

AB This paper argues that the use of membership fees at shared facilities, such as private golf courses, is not per se evidence of inefficient pricing as implied by the club theory literature on variable usage. This paper reconciles the inconsistency between the predictions of existing models and empirical evidence by accounting for members' opportunity cost of time and the effect of congestion on members' utility. In particular, this research shows that the simplified nature of congestion assumed in the literature ignores the positive externalities that members receive from a members-only club.

Murphy, Frederic H.

PD December 2002. **TI** Generation Capacity Expansion in Imperfectly Competitive Restructured Electricity Markets. **AU** Murphy, Frederic H.; Smeers, Yves. **AA** Murphy: Temple University. Smeers: CORE and FSA, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/69; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 41. **PR** \$100 per year. **JE** C72, L13, L94. **KW** Electric Utilities. Existence of Equilibria. Noncooperative Games. Oligopolistic Models.

AB Investments in generation capacity in restructured electricity systems remain a relatively unexplored subject in the modeling community. We consider three models that differ by their underlying economic assumptions and the degree to which they depart from the old capacity expansion representation. The

first model assumes a perfect, competitive equilibrium. The second model (open-loop Cournot game) extends the Cournot model that is sometimes used for modeling operations in restructured electricity systems to include investments in new generation capacities. This model can be interpreted as describing investments in an oligopolistic market where capacity is simultaneously built and sold on long-term contracts when there is not spot market (Power Purchase Agreements). The third model (closed-loop Cournot game) separates the investment and sales decision. It describes a situation where investments are decided in a first stage and sales occur in a second stage, both taking place in oligopolistic markets. This corresponds to investments in merchant plants where the first stage equilibrium problem is solved subject to equilibrium constraints. One of the important results is that the solution of the closed-loop game, when it exists, falls between the solution of the open-loop game and the competitive equilibrium.

Murphy, Kevin M.

PD 2000. **TI** The Effects of School Quality on the Youth Labor Market. **AU** Murphy, Kevin M.; Peltzman, Sam. **AA** University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 162; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cses/. **PG** 22. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** I21, J13, J24. **KW** School Quality. Labor Market. Entrants. Test Scores. Youth.

AB How does the quality of education received by children affect their performance when they enter the labor market? This paper is an attempt to answer this question for new entrants to the labor market over a period from 1970 to the mid 1990s. Most previous studies of the effect of school quality on the labor market, beginning with Card and Krueger (1992), measure quality with inputs (school expenditures, teacher-pupil ratios). We focus instead on an output measure - test scores. Thus our work is also related to the literature on 'education production functions,' which tries to estimate a link between education inputs and outputs. The first contribution of this paper is to describe the relation between changes in school system performance and changes in earnings for those who enter the labor force without going on to college. The findings in this paper are that declining school quality is associated with lower wages for new labor market entrants, reduced "job quality" and a lower probability of college entrance. There is weak evidence that on-the-job training or experience dilutes some of the wage effect. We also find that total employment - not just the employment of young workers - is reduced when school quality declines.

TI Entrepreneurial Ability, Market Selection, and Setting Up an Infant Industry -- Theory and Evidence from the Japanese Cotton Textile Industry. **AU** Braguinsky, Serguey; Murphy, Kevin M.; Ohyama, Atsushi.

Myers, Mary Margaret

PD December 2001. **TI** Copycat Funds: Information Disclosure Regulation and the Returns to Active Management in the Mutual Fund Industry. **AU** Myers, Mary Margaret; Shackelford, Douglas A.; Poterba, James M.; Shoven, John B. **AA** Myers: University of Chicago. Shackelford: University of North Carolina and NBER. Poterba: MIT and NBER.

Shoven: Stanford University and NBER. **SR** National Bureau of Economic Research Working Paper: 8653; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** G23, G28, K22, L15. **KW** Mutual Funds. Private Information. Cost of Disclosure. Copycat Funds.

AB Mutual funds must disclose their portfolio holdings to investors semiannually. The costs and benefits of such disclosures are a long-standing subject of debate. For actively managed funds, one cost of disclosure is a potential reduction in the private benefits from research on asset values. Disclosure provides public access to information on the assets that the fund manager views as undervalued. This paper tries to quantify this potential cost of disclosure by testing whether "copycat" mutual funds, funds that purchase the same assets as actively-managed funds as soon as those asset holdings are disclosed, can earn returns that are similar to those of the actively-managed funds. Copycat funds do not incur the research expenses associated with the actively-managed funds that they are mimicking, but they miss the opportunity to invest in assets that managers identify as positive return opportunities between disclosure dates. Our results for a limited sample of high expense funds in the 1990s suggest that while returns before expenses are higher for the underlying actively managed funds relative to the copycat funds, after expenses copycat funds earn statistically indistinguishable, and possibly higher, returns than the underlying actively managed funds.

Nachum, Lilach

PD March 2002. **TI** Firm-Specific Attributes and MNE Location Choices: Financial and Professional Service FDI to New York and London. **AU** Nachum, Lilach; Wymbs, Cliff. **AA** Nachum: University of Cambridge. Wymbs: City University of New York. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP223; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 36. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F23, L10, L80, R30. **KW** Foreign Acquisitions. Location Advantages. Clusters. Global Cities.

AB In this paper, we sought to extend the theory of the location determinants of MNEs by challenging one of the fundamental assumptions underlying it, namely that location advantages are absolutes whose values are identical for different MNEs. We explicitly acknowledge the relative value of location advantages for individual MNEs and search for the firm-specific attributes affecting this variation. The empirical testing is based on an analysis of 673 financial and professional service MNEs that entered New York and London business clusters via M&As during the last two decades. The findings confirm that the value of particular location advantages varies for MNEs with different attributes, and that it is the interaction between location and firm-specific attributes, rather than each of these independently, that affects location choices. Firms' previous experience in a country, the geographic scope of their acquisition activity, and their size were found to be particularly influential attributes.

PD March 2002. **TI** International Business in a World of Increasing Returns. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP224; CBR, Judge Institute of

Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 28. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F23, L10, M21. **KW** MNE Advantages. Increasing Returns. US FDI.

AB This study examines the factors affecting the propensity of firms to engage in cross border activities in a world of increasing returns. A model connecting outward FDI from the US with a set of firm-specific advantages is estimated on samples of industries dominated by increasing and diminishing return processes.

PD June 2002. **TI** Liability of Foreignness in Global Competition? Financial Service MNEs in the City of London. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP229; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 29. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F23, L80, M21. **KW** Financial Services. City of London. Liability of Foreignness. Global Competition. MNEs.

AB This study was inspired by the observation that foreign financial service firms operating in the City of London do not suffer the liability of foreignness to the extent suggested by theory. To examine the reasons for this departure from theory, the study advances a theoretical framework that distinguishes between three types of advantages that together account for the competitive performance of MNEs relative to that of indigenous firms. Empirical analyses of a sample of 296 foreign financial service firms in the City of London show that in this particular context major sources of competitive performance are the firm-specific advantages and the advantages of multinationality, where British firms may not necessarily possess an advantage over foreign firms. An examination of the validity of the findings, in order to assess the extent to which this situation is unique to the City of London or rather signifies a more general trend that requires theoretical modifications and extensions, is emphasized as a major task for future research.

PD June 2002. **TI** MNEs in the Digital Economy? **AU** Nachum, Lilach; Zaheer, Srilata. **AA** Nachum: University of Cambridge. Srilata: University of Minnesota. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP236; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 31. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F23, L21, L86, R30. **KW** Digital Economy. FDI Motivations. US FDI. MNEs.

AB Technological advances are changing many aspects of business activity and in particular the meaning of distance and geography. Such changes are likely to have profound impact on firms whose activities take place over distance, namely MNEs. Using the motivations for FDI identified in the literature as a theoretical framework, this study examines the motivations of firms producing and selling products that can be transferred electronically in real time and at little or no cost, to establish operations outside their home countries. The paper advances a set of hypotheses regarding the likely motivations for foreign activity under such circumstances and provides some statistical testing for their prevalence in US inward and outward FDI. The findings suggest that the investment motivations of firms

operating in the digital economy differ from those of firms in the traditional world. The most important motivations for FDI in the digital economy appear to be efficiency and the quest for intangible assets, especially those embedded in human capital, while market seeking and the search for low cost export platforms appear to be the dominant motivations for FDI in the traditional economy.

Nanda, Vikram

TI Hot Markets, Investor Sentiment and IPO Pricing. AU Ljungqvist, Alexander P.; Nanda, Vikram; Singh, Rajdeep.

Nash, David

TI Implicit Contracts, Takeovers and Corporate Governance: In the Shadow of the City Code. AU Deakin, Simon; Hobbs, Richard; Nash, David; Slinger, Giles.

Natarajan, I.

TI Economic Reforms and Poverty Alleviation: India A Tale of Two Surveys. AU Lal, Deepak; Natarajan, I.; Mohan, Rakesh.

Naylor, Robin A.

PD April 2002. TI The Effects of Entry in Bilateral Oligopoly. AA University of Warwick. SR The Warwick Economic Research Paper: 638; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 19. PR no charge. JE D43, J51, L13. KW Union. Bilateral Oligopoly. Wage Bargaining. Firm Profits. Cournot.

AB We show that a firm's profits under Cournot oligopoly can be increasing in the number of firms in the industry if wages are determined by (decentralized) bargaining in unionized bilateral oligopoly. The intuition for the result is that increased product market competition following an increase in the number of firms is mirrored by increased labor market rivalry which induces (profit-enhancing) wage moderation. Whether the product or labor market effect dominates depends both on the extent of union bargaining power and on the nature of union preferences. A corollary of the results derived is that if the upstream agents are firms rather than labor unions, then profits are always decreasing in the number of firms, as in the standard Cournot model. We also show that if bargaining is centralized then there is no wage moderation effect and wages are the same independent of the number of firms.

PD November 2002. TI Schooling Effects on Subsequent University Performance: Evidence for the UK University Population. AU Naylor, Robin A.; Smith, Jeremy. AA University of Warwick. SR The Warwick Economic Research Paper: 657; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. PG 14. PR no charge. JE I21, N30. KW Independent Schools. Degree Performance. School Fees. United Kingdom.

AB From a unique data-set identifying the school attended prior to university for a full cohort of UK university students, we examine the determinants of final degree classification. We exploit the detailed school-level information and focus on the influence of school characteristics, such as school type, on subsequent performance of students at university. We estimate that, on average, a male (female) graduate who attended an

Independent school is 6.5 (5.4) percentage points less likely to obtain a "good" degree than is a student who attended an LEA (that is, state-sector) school, *ceteris paribus*. We also find considerable variation around this average figure across different Independent schools. We find that, for males, the variation in the probability of attaining a "good" degree across schools can largely be explained by the level of school fees.

Neary, J. Peter

PD November 2001. TI Foreign Direct Investment and the Single Market. AA University College Dublin and CEPR. SR Centro Studi Luca d'Agliano Development Studies Working Paper: 160; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. PG 24. PR no charge. JE F12, F15, F23. KW Foreign Direct Investment. Market Integration. Multinational Corporations. Single Market.

AB The reduction in barriers to trade within the EU had important but disputed effects on inward direct investment. On one hand, fears have been expressed that the Union could become a "Fortress Europe," with foreign firms effectively excluded from the internal market. On other hand, there is considerable empirical evidence for the importance of the Single Market in encouraging more foreign direct investment into the EU. In the case of smaller and more peripheral countries, this effect has been particularly significant. Empirical work tends to concentrate on those firms that have located in the EU, and hence may miss potential multinationals that have chosen not to locate in EU markets. This paper presents a framework in which some of these issues can be considered. It focuses on a single industry, and on the location decisions of a single potential multinational firm. The paper begins by paying more attention than usual to the non-strategic bench-mark case where the multinational firm has a monopoly and faces no competition from domestic firms. Subsequently the paper relaxes this assumption, but even then simplifies by allowing a limited role for domestic firms.

Nelson, Edward

PD November 2001. TI What Does the UK's Monetary Policy and Inflation Experience Tell Us About the Transmission Mechanism? AA Bank of England and CEPR. SR CEPR Discussion Paper: 3047; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. PG not available. PR 5 pounds, \$8 or 8 euros. JE E52, E58. KW Great Inflation. Taylor Rule. Transmission Mechanism. United Kingdom. Monetary Policy.

AB This paper provides a discussion of some aspects of aggregate supply and demand determination in the United Kingdom. It argues that: (1) UK policymakers in the 1960s and 1970s did not use the downward-sloping Phillips curve as a model of inflation or a guide to policy. The explanation proposed by Sargent (1999) for the US Great Inflation is therefore unlikely to account for the Great Inflation in the UK. (2) The proposition that inflation is a monetary phenomenon is fully consistent with the use of models in which money and other measures of monetary policy stance do not appear in the price-setting equations. (3) The UK exhibits a relationship between output and short-term real interest rates that is quite distinct from that observed in the US.

Nenova, Tatiana

TI Who Owns the Media? **AU** Djankov, Simeon; McLiesh, Caralee; Nenova, Tatiana; Shleifer, Andrei.

Neumark, David

PD December 2001. **TI** Attrition Bias in Economic Relationships Estimated with Matched CPS Files. **AU** Neumark, David; Kawaguchi, Daiji. **AA** Neumark: Michigan State University and NBER. Kawaguchi: Michigan State University. **SR** National Bureau of Economic Research Working Paper: 8663; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 32. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** C23, C24, J12. **KW** Attrition Bias. Marriage Premium. Longitudinal Analysis.

AB Short panel data sets constructed by matching individuals across monthly files of the Current Population Survey (CPS) have been used to study a wide range of questions in labor economics. However, the CPS makes no effort to follow movers, these panels exhibit significant attrition, which may lead to bias in longitudinal estimates using matched CPS files. Because the Survey of Income and Program Participation (SIPP) uses essentially the same sampling frame and design as the CPS, but makes substantial efforts to follow individuals that move, we use the SIPP to construct "data-based" rather than "model-based" corrections for bias from selective attrition. The approach is applied to a couple of standard economic relationships that have been studied with the CPS -- specifically union wage differentials and the male marriage wage premium. The results for the longitudinal analysis of union wage effects reveal negligible and statistically insignificant evidence of attrition bias. In contrast, the longitudinal analysis of the marriage premium for males finds statistically significant evidence of attrition bias, although the amount of bias does not seem to be serious in an economic sense. We regard the evidence as suggesting the advantages of using matched CPS panels are likely to far outweigh the disadvantages from attrition biases.

Neyapti, Bilin

TI Central Bank Reform, Liberalization and Inflation in Transition Economies -- An International Perspective. **AU** Cukierman, Alex; Miller, Geoffrey; Neyapti, Bilin.

Nickell, Stephen John

PD November 2001. **TI** Educational Attainment, Labor Market Institutions and the Structure of Production. **AU** Nickell, Stephen John; Redding, Stephen; Swaffield, Joanna K. **AA** Nickell and Redding: London School of Economics and CEPR. Swaffield: University of York. **SR** CEPR Discussion Paper: 3068; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** 34. **PR** 5 pounds, \$8 or 8 euros. **JE** I21, O33. **KW** De-Industrialization. Educational Attainment. Factor Endowments. Labor Market Institutions. Specialization.

AB A key feature of Organization for Economic Cooperation and Development (OECD) economic growth since the early 1970s has been the secular decline in manufacturing's share of Gross Domestic Product (GDP) and the secular rise of service sectors. This paper examines the role played by relative prices,

technology, factor endowments and labor market institutions in the process of "de-industrialization." We find a statistically significant and quantitatively important effect of levels of educational attainment. Furthermore, the production structure responds differently to the educational attainment of men and women. Finally, countries with stronger levels of employment protection are shown to adjust more slowly to changes in prices, technology and factor endowments.

Niederle, Muriel

PD December 2001. **TI** Unraveling Reduces the Scope of an Entry Level Labor Market: Gastroenterology With and Without a Centralized Match. **AU** Niederle, Muriel; Roth, Alvin E. **AA** Niederle: Harvard University. Roth: Harvard University and NBER. **SR** National Bureau of Economic Research Working Paper: 8616; 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** I11, J41, J44. **KW** Gastroenterology. Labor Market. Entry.

AB From 1986 through 1997 the entry-level market for American gastroenterologists was organized by a centralized clearinghouse. Before, and since, it has been conducted via a decentralized market in which appointment dates have unraveled to well over a year before the start of employment. The career paths of gastroenterologists therefore offer a unique opportunity to examine the difference between the market when appointments are decentralized and early, versus when they are made later via a centralized clearinghouse. (Most centralized clearinghouses remain in use once established, and so there is no way to separate changes due to the clearinghouse from other changes that may have taken place over time.) We find that, both before and after the years in which the centralized clearinghouse was used, gastroenterologists are less mobile, and more likely to be employed at the same hospital in which they were internal medicine residents, than when the clearinghouse was in use. This suggests that the clearinghouse serves not only to coordinate the timing of appointments, but that it also increases the scope of the market, compared to decentralized markets with early appointments and exploding offers. This has implications for theories of market failure due to unraveling over time.

Nielsen, Soren Bo

PD June 2001. **TI** Tax Spillovers under Separate Accounting and Formula Apportionment. **AU** Nielsen, Soren Bo; Raimondos-Moller, Pascalis; Schjelderup, Guttorm. **AA** Nielsen: Copenhagen Business School, CESifo, and CEPR. Raimondos-Moller: EPRU, University of Copenhagen, CESifo, and CEPR. Schjelderup: Norwegian School of Economics and CESifo. **SR** CEPR Discussion Paper: 2831; 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, H23. **KW** Formula Apportionment. Separate Accounting. Tax Externalities. Transfer Prices.

AB It is observed in the real world that taxes matter for location decisions and that multinationals shift profits by transfer pricing. The US and Canada use Formula Apportionment (FA) to tax corporate income, and the EU is debating a switch from Separate Accounting (SA) to FA. This paper develops a theoretical model that compares basic

properties of FA to SA. The focal point of the analysis is on how changes in tax rates affect capital formation, input choice, and transfer pricing as well as spillovers on tax revenue in other countries. The analysis shows that a move from SA to FA will not eliminate such spillovers and will, in cases identified in the paper, actually aggravate them.

Norback, Pehr-Johan

TI Vertical FDI Revisited. **AU** Braconier, Henrik; Norback, Pehr-Johan; Urban, Dieter.

Nyland, Chris

TI How Do Multinationals Build Social Capital? Evidence from Mexico. **AU** Jones, Ian; Pollitt, Michael; Nyland, Chris.

Nyman, John A.

PD March 2001. **TI** The Theory of the Demand for Health Insurance. **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research Discussion Paper: 311; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 26. **PR** no charge. **JE** D11, I110. **KW** Health Insurance. Moral Hazard. Income Transfer Effect.

AB Conventional theory holds that moral hazard -- the additional health care purchased as a result of becoming insured -- is an opportunistic price response and is welfare-decreasing because the value of the additional health care purchased is less than its costs. The theory of the demand for health insurance presented here suggests that moral hazard is primarily an income transfer effect. In an estimation based on parameters from the literature, the value of moral hazard consumption is found to be 3 times greater than its costs, suggesting that income transfer effects dominate price effects and that moral hazard is welfare-increasing.

PD July 2001. **TI** The Demand for Insurance: Expected Utility Theory From a Gain Perspective. **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research Discussion Paper: 313; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 19. **PR** no charge. **JE** D80, G22. **KW** Insurance. Expected Utility Theory.

AB Expected utility theory holds that the demand for insurance is a demand for certainty, because under the conventional specification of the theory, it appears as if buyers of insurance prefer certain losses to actuarially equivalent uncertain ones. Empirical studies, however, show that individuals actually prefer uncertain losses to actuarially equivalent certain ones. This paper attempts to reconcile expected utility theory with this empirical evidence by suggesting that insurance is demanded to obtain an income payoff in the "bad" state. This specification is mathematically equivalent to the conventional specification and consistent with this and other empirical evidence, but it implies that the demand for insurance has nothing to do with demand for certainty.

PD January 2003. **TI** Health Insurance Theory: The Case of the Vanishing Welfare Gain. **AA** University of Minnesota. **SR** University of Minnesota Center for Economic Research

Discussion Paper: 319; Economics Research Library, 1235 Walter W. Heller Hall, University of Minnesota, 271 19th Avenue South, Minneapolis, MN 55455. Website: www.econ.umn.edu/econlib. **PG** 28. **PR** no charge. **JE** D11, G22, I11. **KW** Health Insurance. Welfare Gains. Transfer of Income. Moral Hazard. Medical Care.

AB This paper presents theory that an important source of value is missing from conventional theory of the demand for health insurance, namely, the effect of the transfer of income (from those who purchase insurance and remain healthy to those who purchase insurance and become ill) on purchase of medical care. Because the portion of moral hazard that is attributable to income is welfare increasing and would replace some of moral hazard that is spuriously deemed to be welfare decreasing, the new theory suggests that the value of health insurance has been dramatically undervalued. Implications for policy are outlined.

Nys, Emmanuelle

PD May 2002. **TI** The Cross-Selling of Bank Credit and Services: A Theoretical and Empirical Analysis. **AA** University of Birmingham and University of Limoges. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/10; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 27. **PR** 2 pounds; no charge to academics. **JE** D21, G12, G21. **KW** Bank Spread. Credit Risk. Empirical Analysis. Cross-Selling Services.

AB Several recent studies have shown that banks have increased their service activities in recent years. This paper studies the cross-selling of services and credit; that is, services sold by a bank because of an already existing credit banking relationship. In the theoretical model, we suppose that banks anticipate the potential sale of services to their clients when competing on the credit market. The question is whether this particular attitude affects the pricing strategy of banks as well as the risk borne on their balance sheet. Two of the main results derived from the analysis of the model are that services provision implies a lower loan interest rate and an increase of the average riskiness of all projects financed by banks. The study, undertaken in this paper, tests services provision as one of the explanatory variables of the credit rate, in twelve selected European countries during the period 1989-1999 for a sample of 1436 banks. The empirical results tend to confirm the inverse impact of commissions revenue on loan interest rate.

O'Rourke, Kevin H.

PD May 2001. **TI** After Columbus: Explaining the Global Trade Boom 1500-1800. **AU** O'Rourke, Kevin H.; Williamson, Jeffrey G. **AA** O'Rourke: Trinity College, Dublin, NBER and CEPR. Williamson: Harvard University and NBER. **SR** CEPR Discussion Paper: 2809; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F14, N70. **KW** Demand and Supply. History. Trade Growth. Globalization.

AB This paper documents the size and timing of the world intercontinental trade boom following the great voyages in the 1490s of Columbus, da Gama and their followers. Indeed, a trade boom followed over the next 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 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. The behavior of the relative price of foreign importables in European cities should tell which mattered most and when. The paper offers detailed evidence on the relative prices of such importables in European markets over the five centuries 1350-1850. The paper then offers a model, which is used to decompose the sources of the trade boom 1500-1800.

TI Commodity Market Integration, 1500-2000.
AU Findlay, Robert; O'Rourke, Kevin H.

Obara, Ichiro

PD January 2003. **TI** Efficiency in Repeated Games Revisited: The Role of Private Strategies. **AU** Obara, Ichiro; Kandori, Michihiro. **AA** Obara: UCLA. Kandori: University of Tokyo. **SR** University of California, Los Angeles, Department of Economics Working Paper: 826; Working Paper Coordinator, Department of Economics, UCLA, 8283 Bunche Hall, Los Angeles, CA 90095-1477. Website: www.econ.ucla.edu/research/index.html. **PG** 31. **PR** no charge. **JE** C72, D82. **KW** Imperfect Monitoring. Mixed Strategy. Private Equilibrium. Private Strategy. Repeated Game.

AB Most theoretical or applied research on repeated games with imperfect monitoring has restricted attention to public strategies; strategies that only depend on history of publicly observable signals, and perfect public equilibrium (PPE); sequential equilibrium in public strategies. Although public strategies are attractive due to their simplicity and tractability, they are restrictive. The present paper sheds light on the role of private strategies; strategies that depend on players' own actions in the past as well as observed public signals. Our main finding is that players can sometimes make better use of information by using private strategies and efficiency in repeated games can often be drastically improved. We first study a simple repeated partnership game with two public signals, for which Radner, Myerson, and Maskin (1986)'s anti-folk theorem holds. We also offer several examples to emphasize the importance of private strategies. In the first example with two public signals, we show that a private equilibrium achieves almost efficiency as players become patient while the only PPE is the repetition of the one-shot Nash equilibrium. We also provide an example with a richer information structure where the folk theorem holds.

Ofek, Eli

PD December 2001. **TI** DotCom Mania: The Rise and Fall of Internet Stock Prices. **AU** Ofek, Eli; Richardson, Matthew. **AA** New York University and NBER. **SR** National Bureau of Economic Research Working Paper: 8630; 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** G12, L86. **KW** Internet. Stock Prices. Heterogeneous Agents. Short Sales.

AB This paper provides one potential explanation for the

rise, persistence and eventual fall of internet stock prices. Specifically, we appeal to a model of heterogeneous agents with varying degrees of beliefs about asset payoffs who are subject to short sales constraints. In this framework, it is possible that "optimistic" investors overwhelm "pessimistic" ones, leading to prices not reflecting fundamental values about cash flows summarized by aggregate beliefs. Empirical support for this explanation is provided by exploring the behavior of internet stock prices during the period January 1998 to November 2000. In particular, we document four important elements to our story: (i) the high level of internet stock prices given their underlying fundamentals, (ii) responses of stock prices to a shift towards potentially optimistic investors, (iii) empirical results consistent with shorting being at its maximum possible level for internet stocks, and (iv) the eventual fall, or bubble bursting, of internet stocks being tied to the increase in the number of sellers to the market via expiration of lockup agreements.

Ohyama, Atsushi

TI Entrepreneurial Ability, Market Selection, and Setting Up an Infant Industry -- Theory and Evidence from the Japanese Cotton Textile Industry. **AU** Braguinsky, Serguey; Murphy, Kevin M.; Ohyama, Atsushi.

TI Cooperative Technology Adoption Under Global Competition: The Case of the Japanese Cotton Spinning Industry. **AU** Braguinsky, Serguey; Ohyama, Atsushi; Rose, David C.

Olarreaga, Marcelo

TI Unrestricted Market Access for Sub-Saharan Africa: How Much is it Worth and Who Pays? **AU** Ianchovichina, Elena; Mattoo, Aaditya; Olarreaga, Marcelo.

TI Should Credit Be Given for Autonomous Liberalization in Multilateral Trade Negotiations? **AU** Mattoo, Aaditya; Olarreaga, Marcelo.

Olesen, Henrik B.

TI Incentives, Information Systems and Competition. **AU** Bogetoft, Peter; Olesen, Henrik B.

Oliver, Nick

TI Lean Production and Manufacturing Performance Improvement in Japan, the UK and US 1994-2001. **AU** Barton, Harry; Delbridge, Rick; Oliver, Nick.

Olivier, Jacques

TI Financing Decisions of Firms and Central Bank Policy. **AU** Goh, Ai Ting; Olivier, Jacques.

Ottaviano, Gianmarco I. P.

PD November 2001. **TI** Footloose Capital, Market Access and the Geography of Regional State Aid. **AA** Università Commerciale "L. Bocconi", GIIS, and CEPR. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 155; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 22. **PR** no charge. **JE** F12, L13, R13. **KW** Economic Integration. Specialization. Home Market Effect. Regional Policy.

AB The global welfare implications of home market effects in trade models with imperfect competition are little

understood. This paper proposes a simple model in which such implications can be easily analyzed. It shows an overall tendency of imperfectly competitive sectors to inefficiently cluster in locations that offer market access advantages. The more so the stronger the market power of firms as well as the intensity of increasing returns to scale and the lower the trade costs. As such features are likely to differ widely across sectors, those results provide theoretical ground to the promotion of regional policies that are also sector-specific and not only region-specific as currently in the EU.

PD November 2002. **TI** Distance and FDI When Contracts Are Incomplete. **AU** Ottaviano, Gianmarco I. P.; Turrini, Alessandro. **AA** Ottaviano: Bocconi University, GIIIS, and CEPR. Turrini: UNCTAD, University of Bergamo, and CEPR. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 165; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 26. **PR** no charge. **JE** F23, K12. **KW** Foreign Direct Investment. Trade Costs. Incomplete Contracts. Outsourcing. **AB** We introduce incomplete outsourcing contracts in an otherwise standard model of multinational enterprises (MNEs) based on the trade-off between proximity and concentration. This has both positive and normative implications. As to the former, incomplete outsourcing contracts can account for the observed emergence of FDIs in large markets not only when trade costs are large but also when trade costs are small. As to the latter, contractual incompleteness alters somewhat dramatically the choice of supply mode made when contracts are complete.

Page, Frank H., Jr.

TI Arbitrage, Equilibrium, and Nonsatiation. **AU** Allouch, Nizar; Le Van, Cuong; Page, Frank H., Jr.

Panis, Constantijn

TI An Analysis of the Choice to Cash Out Pension Rights at Job Change or Retirement. **AU** Hurd, Michael; Lillard, Lee; Panis, Constantijn.

Papi, Luca

TI Banks' Inefficiency and Economic Growth: A Micro-Macro Approach. **AU** Lucchetti, Riccardo; Papi, Luca; Zazzaro, Alberto.

Parsons, John E.

TI Short Sales, Damages and Class Certification in 10b-5 Actions. **AU** Apfel, Robert C.; Parsons, John E.; Schwert, G. William; Stewart, Geoffrey S.

Pashigian, B. Peter

PD July 2000. **TI** Teaching Microeconomics in Wonderland. **AA** University of Chicago. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 161; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/csese/. **PG** 8. **PR** \$3.00; make check payable to "The University of Chicago.". **JE** A22, D43. **KW** Imperfect Competition. Text Books. Microeconomics.

AB A gap has existed between the relative space that authors

of intermediate microeconomics textbooks devote to imperfectly competitive markets and their relative frequency. This gap has persisted for at least 40 years even with an almost complete turnover of authors between the decades of the sixties and the nineties. The picture portrayed in most micro textbooks gives students a distorted view of the presence of market imperfections throughout the economy. Even so, there are large differences between authors in their relative coverage of imperfect markets. It does not appear that the credibility gap exists because the concepts discussed in imperfect markets are more difficult to explain. Nor is there any evidence that authors agree more on what to include in the competitive chapters but differ about what to include in the imperfectly competitive chapters. It appears that many authors have strong priors that non-competitive behavior permeates most markets even though concentration statistics fail to support these priors. Authors may overly stress non-competitive industry analyses to justify or enlarge their advocacy role in public policy discussions and analyses of firm behavior in antitrust cases and consulting.

Pastine, Ivan

TI Cost of Delay, Deadlines and Endogenous Price Leadership. **AU** Pastine, Tuvana; Pastine, Ivan.

Pastine, Tuvana

PD November 2001. **TI** Cost of Delay, Deadlines and Endogenous Price Leadership. **AU** Pastine, Tuvana; Pastine, Ivan. **AA** Bilkent University and CEPR. **SR** CEPR Discussion Paper: 3054; 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, L13. **KW** Endogenous Timing. Price Leadership. War of Attrition. Leadership Model.

AB This paper analyses endogenous price leadership in a duopolistic market with differentiated products and symmetrically informed firms. We study the effects of deadlines and discounting in a standard endogenous leadership model. We show that there will be occasional changes in the identity of the price leader with any cost of delay or discounting, however small. By analyzing the incentives that induce a firm to take up the leader position we derive positive predictions about which firm will lead most price changes.

Patry, Stephanie

TI Diversification Versus Specialisation: An Event Study of M&AS in the European Banking Industry. **AU** Lepetit, Laetitia; Patry, Stephanie; Rous, Philippe.

Pavcnik, Nina

TI Trade Protection and Wages: Evidence from the Colombian Trade Reforms. **AU** Goldberg, Pinelopi Koujianou; Pavcnik, Nina.

TI Airbus versus Boeing Revisited: International Competition in the Aircraft Market. **AU** Irwin, Douglas A.; Pavcnik, Nina.

Payne, Richard

PD November 2001. **TI** A Transaction Level Study of the Effects of Central Bank Intervention of Exchange Rates. **AU** Payne, Richard; Vitale, Paolo. **AA** London School of Economics. **SR** CEPR Discussion Paper: 3085; 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, G14, G15. KW Foreign Exchange. Market Microstructure. Sterilized Intervention. Event Study. Switzerland National Bank.

AB We study the effects of sterilized intervention operations executed on behalf of the Swiss National Bank (SNB) using tick-by-tick transaction data between 1985-95. We extend preliminary analysis conducted by Fischer and Zurlinden (1999) by matching these data with intra-day indicative exchange rate quotes and with news-wire reports of central banks' activity. Via an event study analysis we find that intervention has important short-run effects on exchange rate returns and volatility. In particular, among various results, we find that intervention (1) has a stronger impact when the SNB moves with-the-market and when its activity is concerted with that of other central banks, (2) is partially anticipated by the market and (3) temporarily reduces market liquidity.

Peltzman, Sam

TI The Effects of School Quality on the Youth Labor Market. AU Murphy, Kevin M.; Peltzman, Sam.

PD 2002. **TI** Offsetting Behavior and Medical Breakthroughs. AA University of Chicago. SR University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 177; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cses/. PG 22. PR \$3.00; make check payable to "The University of Chicago.". JE I12, O31. KW Medical Breakthrough. Health. Mortality. Antibiotics.

AB Some of the lives will be saved by a medical breakthrough, while others will be lost to other risks. This paper argues that such offsetting risk may be important empirically. It focuses on the history of a great medical breakthrough that nearly conquered infectious diseases -- the development of antibiotics and other anti-infective drugs. This advance produced a greatly accelerated decline in US mortality over a period from the late 1930s to the mid 1950s. But most of this trend-adjusted progress evaporated in the subsequent 10 to 15 years. Similar, though somewhat more muted, reversals in mortality progress occurred in most developed countries with available data. This paper examines several different kinds of mortality data from the US and other countries. The dominant pattern in these data is consistent with an off-setting behavior interpretation of those aggregate trends. For example, age groups that benefited most from antibiotics show the worst subsequent deterioration in mortality. That deterioration is especially visible in mortality from accidents, suicides and homicides, where, arguably, mortality can respond promptly to behavioral change. In addition, within an age group, geographical areas (States and countries) with unusually large antibiotic benefits have relatively unfavorable subsequent mortality trends.

Penalosa, Juan

TI El Mercado Monetario Espanol en la Union Monetaria (The Spanish Money Market in the Monetary Union). AU Ayuso, Juan; Fuentes, Ignacio; Penalosa, Juan; Restoy, Fernando.

Peralta, Susana

PD May 2002. **TI** Capital Tax Competition Among an Arbitrary Number of Asymmetric Countries. AU Peralta, Susana; van Ypersele, Tanguy. AA Peralta: CORE, Universite Catholique de Louvain. Ypersele: Namur Univeristy, CORE, Universite Catholique de Louvain, and CEPR. SR Universite Catholique de Louvain, CORE Discussion Paper: 2002/31; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. PG 14. PR \$100 per year. JE F21, H23, H73. KW Capital Mobility. Tax Competition. Asymmetric Regions. Nash Equilibrium.

AB This paper addresses the issue of capital tax competition among an arbitrary number of countries. Countries are allowed to be asymmetric not only in their population endowment but also in their capital endowment per inhabitant. National governments tax capital and labor in order to finance a public good. Asymmetric capital taxation arises at equilibrium leading to a distortion on the international capital market. We provide conditions for the existence of a Nash Equilibrium. We fully characterize how equilibrium taxes and welfare levels depend upon countries' population and capital endowments.

PD May 2002. **TI** Coordination of Capital Taxation Among Asymmetric Countries. AU Peralta, Susana; van Ypersele, Tanguy. AA Peralta: CORE, Universite Catholique de Louvain. Ypersele: Namur Univeristy, CORE, Universite Catholique de Louvain, and CEPR. SR Universite Catholique de Louvain, CORE Discussion Paper: 2002/32; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. PG 14. PR \$100 per year. JE F21, F23, H21, H23, H77. KW Capital Mobility. Tax Competition. Tax Coordination. Integrated Markets.

AB This paper tackles the issue of international fiscal coordination among sovereign national governments in a world of integrated markets. Taxation of mobile capital and immobile labor in order to finance a public good generates inefficient fiscal competition. Two fiscal reforms are considered: a minimum capital tax level and a tax range, i.e., a minimum plus a maximum capital tax level. We show that the introduction of a lower bound to the capital tax level is never preferred to fiscal competition by all countries, while there always is a combination of both a lower and an upper bound which is unanimously accepted.

Peri, Giovanni

PD November 2002. **TI** The Veblen-Gerschenkron Effect of FDI in Mezzogiorno and East Germany. AU Peri, Giovanni; Urban, Dieter. AA Peri: University of California Davis. Urban: London School of Economics. SR Centro Studi Luca d'Agliano Development Studies Working Paper: 164; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. PG 49. PR no charge. JE D62, F23, O47, R11. KW Veblen-Gerschenkron Effect. FDI. Spillovers. Productivity. Multinational Enterprises.

AB The presence of foreign multinational enterprises (MNEs) can benefit local economies. In particular, if MNEs are very productive compared to domestic firms, they may promote learning and catch-up of local firms. Such a channel of spillovers from MNEs to local firms is known as the Veblen-

Geschenkron effect. Rather than the overall density of MNEs in a region or sector, it is their initial productivity advantage on the local firm that determines the positive effect on domestic productivity growth. This paper tests this hypothesis using firm level data for German and Italian companies during the nineties and finds evidence of a significant and robust Veblen-Geschenkron effect.

Perotti, Enrico C.

TI Confidence Building in Emerging Stock Markets. **AU** Laeven, Luc; Perotti, Enrico C.

PD November 2001. **TI** Strategic Advantage and the Optimal Exercise of Entry Options. **AU** Perotti, Enrico C.; Rossetto, Silvia. **AA** Perotti: University of Amsterdam and CEPR. Rossetto: Tinbergen Institute Amsterdam. **SR** CEPR Discussion Paper: 3061; 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, G31, L11, L13. **KW** Entry. Growth Opportunities. Real Options. Strategic Investment. Technological Innovation.

AB We investigate the timing and the valuation of strategic investment aimed at enhancing entry opportunities in related market segments. As demand is uncertain, entry options should be exercised at the optimal time, trading off the market share gain against the option to wait until more information is revealed, while anticipating competitors' entry behavior. When the strategic investment grants a strong competitive advantage, the innovator can optimally choose the timing of entry; in case of weaker advantage, the investing firm enters just before its competitor would. In a context of increased uncertainty, the value of waiting to invest rises, but the value of a strategic investment increases even more. In some cases, strategic investment can act as a threat to discourage cross-entry, making parallel monopoly sustainable.

Perri, Fabrizio

TI Financial Globalization and Real Regionalization. **AU** Heathcote, Jonathan; Perri, Fabrizio.

Pesendorfer, Martin

TI Estimation of a Dynamic Auction Game. **AU** Jofre-Bonet, Mireia; Pesendorfer, Martin.

Pesenti, Paolo

TI The Role of Large Players in Currency Crises. **AU** Corsetti, Giancarlo; Pesenti, Paolo; Roubini, Nouriel.

Pestieau, Pierre

TI Social Insurance and Redistribution. **AU** Boadway, Robin; Leite-Monteiro, Manuel; Marchand, Maurice; Pestieau, Pierre.

TI Indirect Taxation and Redistribution: The Scope of the Atkinson-Stiglitz Theorem. **AU** Boadway, Robin; Pestieau, Pierre.

TI Optimal Income Taxation and the Ability Distribution: Implications for Migration Equilibria. **AU** Hamilton, Jonathan; Pestieau, Pierre.

TI Fiscal Policy with Agents Differing in Altruism and in Ability. **AU** Michel, Philippe; Pestieau, Pierre.

TI Can Partial Fiscal Coordination Be Welfare Worsening? A Model of Tax Competition. **AU** Marchand, Maurice; Pestieau, Pierre; Sato, Motohiro.

TI Wealth Transfer Taxation With Both Accidental and Planned Bequests. **AU** Michel, Philippe; Pestieau, Pierre.

Philipson, Tomas J.

TI The Growth of Obesity and Technological Change: A Theoretical and Empirical Examination. **AU** Lakdawalla, Darius; Philipson, Tomas J.

TI The Dual Effects of Intellectual Property Regulations: Within- and Between-Patent Competition in the US Pharmaceuticals Industry. **AU** Lichtenberg, Frank R.; Philipson, Tomas J.

Picard, Pierre M.

PD April 2002. **TI** Economic Geography and the Role of Profits. **AU** Picard, Pierre M.; Thisse, Jacques-Francois; Toulemonde, Eric. **AA** Picard: University of Manchester and CORE, Universite Catholique de Louvain. Thisse: CORE, Universite Catholique de Louvain, CERAS, and CEPR. Toulemonde: National Fund for Scientific Research, University of Namur, and CORE, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/27; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 22. **PR** \$100 per year. **JE** L13, R13. **KW** Economic Geography. Imperfect Competition. Product Differentiation. Agglomeration.

AB In modern economies, the amount of profits distributed to shareholders is far from being negligible. We show that the way they are distributed among agents matters for the space-economy. For example, the existence of mobile rentiers is sufficient to make the symmetric configuration unstable for all transport cost values and to make partial agglomeration of firms stable. Obviously, to account for profits and for their distribution, the assumption of free entry must be abandoned. So doing, we ignore fixed costs and show that it is imperfect competition more than increasing returns that matters for the formation of agglomeration in economic geography.

PD December 2002. **TI** Endogenous Qualifications and Firms' Agglomeration. **AU** Picard, Pierre M.; Toulemonde, Eric. **AA** Picard: University of Manchester and CORE, Universite Catholique de Louvain. Toulemonde: University of Lausanne, CORE, Universite Catholique de Louvain, and IZA. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/70; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 24. **PR** \$100 per year. **JE** J24, J41. **KW** Qualifications. Firms' Location. Professional Skills. Agglomeration. Matching.

AB This paper analyzes firms' location when workers endogenously choose to qualify for professional skills but when they remain uncertain about the potential match between their personal abilities and/or affinities and the firms' specific production tasks. By qualifying in a region where firms agglomerate, workers benefit from higher prospects of good match. At the equilibrium, we show that firms may locate in a single cluster, symmetric clusters or labor supply parameters are provided.

Pinkse, Joris

TI Empirical Implications of Equilibrium Bidding in First-Price, Symmetric, Common Value Auctions. **AU** Hendricks, Kenneth; Pinkse, Joris; Porter, Robert H.

Pippenger, John

PD March 2002. **TI** A Better Measure of Relative Volatility. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/09; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 21. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** F31, G15. **KW** Purchasing Power Parity. Relative Volatility. Exchange Rates. Price Indexes. Frequency Domain.

AB The usual ways to measure relative volatility are to compare the variability of monthly changes in relative price indexes or to measure how much of the variance for monthly changes in real exchange rates is explained by monthly changes in nominal exchange rates. However, using variances in this way seriously biases the relative volatility upward. This paper suggests a better way to measure the relative volatility of exchange rates and price indexes. It uses the frequency domain, which decomposes the variance by frequency. This paper uses both the United States and Great Britain as base countries to show that spectral estimates substantially reduce the evidence that flexible exchange rates are more volatile than what is consistent with the purchasing power parity.

Pitt, Michael K.

PD July 2002. **TI** Smooth Particle Filters for Likelihood Evaluation and Maximisation. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 651; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/economics/. **PG** 30. **PR** no charge. **JE** C15, C21. **KW** Importance Sampling. Filtering. Particle Filter. Simulation. State Space.

AB A method is introduced for approximating the likelihood for the unknown parameters of a state space model. The approximation converges to the true likelihood as the simulation size goes to infinity. In addition, the approximating likelihood is continuous as a function of the unknown parameters under rather general conditions. The approach advocated is fast, robust and avoids many of the pitfalls associated with current techniques based upon importance sampling. We assess the performance of the method by considering a linear state space model, comparing the results with the Kalman filter, which delivers the true likelihood. We also apply the method to a non-Gaussian state space model, the Stochastic Volatility model, finding that the approach is efficient and effective. Applications to continuous time finance models are also considered. A result is established allowing likelihood to be estimated quickly and efficiently using the output from the general auxiliary particle filter.

Platteau, Jean-Philippe

TI Collective Action for Local-Level Effort Regulation: An Assessment of Recent Experiences in Senegalese Small-Scale Fisheries. **AU** Gaspart, Frederic; Platteau, Jean-Philippe.

Pollack, Michael

PD December 2002. **TI** Variations in the Prescribing Patterns of Atypical Antipsychotics: A Probit Analysis of the NAMCS and NHAMCS surveys for the period 1992 to 1999. **AU** Pollack, Michael; Kanavos, Panos; Link, Charles. **AA** Pollack: Economics Research Inc. Kanavos: London School of Economics. Link: University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2002/05; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 25. **PR** no charge. **JE** I11. **KW** Pharmaceuticals. Prescription Patterns. Atypical Antipsychotics.

AB By examining the prescribing patterns for schizophrenic patients of a representative sample of office-based physicians, and emergency and outpatient departments of hospitals across the US over the period 1992-99, we have sought to analyze the predictors of atypical antipsychotic prescribing. We find a low, but increasing, rate of uptake in the prescribing of atypical antipsychotics amongst office-based physicians as well as emergency and outpatient departments of hospitals. Atypical antipsychotics seem to be prescribed more often in hospital settings than among office-based physicians. Time was shown to have a strong positive and statistically significant effect on atypical prescribing. Having controlled for patient risk factors, we have seen significant age and race bias in the prescribing of atypical antipsychotics. Concerning the insurance coverage, the results are quite ambiguous. Conflicting results were obtained for the Medicare program compared to patients enrolled in the Medicaid program.

Pollak, Robert A.

TI Efficiency in Marriage. **AU** Lundberg, Shelly; Pollak, Robert A.

Pollitt, Michael

TI How Do Multinationals Build Social Capital? Evidence from Mexico. **AU** Jones, Ian; Pollitt, Michael; Nyland, Chris.

Popp, David

PD May 2001. **TI** Induced Innovation and Energy Prices. **AA** Syracuse University and NBER. **SR** National Bureau of Economic Research Working Paper: 8284; 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** O31, Q40, Q42. **KW** Innovation. Energy Prices. Quality of Knowledge. Patents.

AB This paper uses U.S. patent data from 1970 to 1994 to estimate the effect of energy prices on energy-efficient innovation. Using patent citations to construct a measure of the usefulness of the existing base of scientific knowledge, the paper considers the effect of both demand-side factors, which spur innovative activity by increasing the value of new innovations, and supply-side factors, such as scientific advancements that make new innovations possible. The paper finds that both energy prices and the quality of existing knowledge have strongly significant positive effects on innovation. Furthermore, it shows that omitting the quality of knowledge adversely affects the estimation results.

PD November 2001. **TI** Pollution Control Innovations

and the Clean Air Act of 1990. **AA** Syracuse University and NBER. **SR** National Bureau of Economic Research Working Paper: 8593; 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** O33, Q00, Q25, Q28, Q48. **KW** Pollution. Innovations. Patents. Environment. **AB** Although economists cite potential gains from induced innovation as an advantage of using market-based mechanisms to protect the environment, counts of patents related to flue gas desulfurization units ("scrubbers") peaked before trading of sulfur dioxide (SO₂) permits began. This paper uses plant level data to study the effect of these patents on pollution control. It is found that requiring plants constructed before 1990 to install scrubbers created incentives for innovation that would lower the costs of operating scrubbers. There is little evidence that the new patents created before 1990 improved the ability of scrubbers to more effectively control pollution. However, patents granted during the 1990s, when market-based mechanisms were in place, do serve to improve the removal efficiency of scrubbers.

Porter, Robert H.

TI Empirical Implications of Equilibrium Bidding in First-Price, Symmetric, Common Value Auctions. **AU** Hendricks, Kenneth; Pinkse, Joris; Porter, Robert H.

Portrait, France

TI An Econometric Analysis of the Mental-Health Effects of Major Events in the Life of Elderly Individuals. **AU** Lindeboom, Maarten; Portrait, France; van den Berg, Gerard J.

Poterba, James M.

PD November 2001. **TI** The Transition to Personal Accounts and Increasing Retirement Wealth: Macro and Micro Evidence. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A. **AA** Poterba: MIT and NBER. Venti: Dartmouth College and NBER. Wise: Harvard University, NBER, and Hoover Institution. **SR** National Bureau of Economic Research Working Paper: 8610; Working Papers, NBER, 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 U.S.). **JE** E21, J26. **KW** Retirement. Saving. Pensions.

AB Retirement saving has changed dramatically over the last two decades. There has been a shift from employer-managed defined benefit pensions to defined contribution retirement saving plans that are largely controlled by employees. In this paper, we use both macro and micro data to describe the change in retirement assets and in retirement saving. We give particular attention to the possible substitution of pension assets in one plan for assets in another plan. Aggregate data show that between 1975 and 1999 assets to support retirement increased about five-fold relative to wage and salary income. This increase suggests large increases in the wealth of future retirees. The enormous increase in defined contribution plan assets dwarfed any potential displacement of defined benefit plan assets. In addition, in recent years the annual "retirement plan contribution rate" has been over 5 percent. This is much higher than the NIPA total personal saving rate, which has been close to zero. Rising retirement plan contributions, as well as favorable rates of return on retirement plan assets in the 1990s,

explain the large increase in these assets relative to income.

TI Copycat Funds: Information Disclosure Regulation and the Returns to Active Management in the Mutual Fund Industry. **AU** Myers, Mary Margaret; Shackelford, Douglas A.; Poterba, James M.; Shoven, John B.

TI Copycat Funds: Information Disclosure Regulation and the Returns to Active Management in the Mutual Fund Industry. **AU** Myers, Mary Margaret; Shackelford, Douglas A.; Poterba, James M.; Shoven, John B.

Pouyet, Jerome

PD April 2002. **TI** Antitrust Enforcement Policy and Markets Interaction: Targeted or Concerted Interventions? **AU** Pouyet, Jerome; Verouden, Vincent. **AA** Pouyet: CORE, Universite Catholique de Louvain and CERAS-ENPC. Verouden: CentER, Tilburg University. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/28; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 21. **PR** \$100 per year. **JE** C72, L41. **KW** Antitrust Intervention. Product Differentiation. Horizontal Differentiation. Collusion.

AB We study the design of antitrust intervention policy in presence of horizontally imperfectly differentiated industries. Firms in a given industry may decide to collude, but inter-industry collusion is assumed not to be possible. We find that the enforcement policy depends critically on the nature of the differentiation and of the competition between industries. With substitutes, the intervention policy should be targeted when firms are Cournot competitors. Indeed, in this case, enforcing a competitive behavior from one industry has a positive spillover on the incentive to collude in the other industry: the stronger the substitutability, the more targeted the intervention. However, with Bertrand competition and sufficiently homogenous products, even two collusive industries make almost no profits. In this case, we show that this intervention is concerted across industries and decreases with the substitutability between products. By contrast, with complements, these probabilities must be equal across markets since enforcing a competitive behavior in one industry reinforces the other industry's incentive to collude. This result carries over to the situation of vertically linked industries where outputs are technological complements. For sufficiently large degrees of complementarity, the antitrust authority is forced to intervene with probability one in both markets.

Prati, Alessandro

TI The Overnight Interbank Market: Evidence from the G7 and the Euro Zone. **AU** Bartolini, Leonardo; Bertola, Giuseppe; Prati, Alessandro.

Prendergast, Canice

PD December 2001. **TI** Selection and Oversight in the Public Sector, With the Los Angeles Police Department as an Example. **AA** University of Chicago and NBER. **SR** National Bureau of Economic Research Working Paper: 8664; 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 the U.S.). **JE** J45, L32, R53. **KW** Public Sector Employees. Oversight. Monitoring. Bureaucrats. Los

Angeles Police.

AB This paper offers theoretical and empirical observations on the oversight of public sector employees. It argues that it is unreasonable to expect that the solutions typically considered in the literature will be effective with public sector employees, because bureaucrats are especially difficult to monitor. To offset this weakness, agencies tend to hire bureaucrats who are biased against consumers, where such bias increases incentives. The paper then addresses how bureaucrats should be overseen and offers a choice between internal monitoring of public agencies, with overseers who are biased against consumers, or external monitoring, where bureaucrats become excessively worried about the prospect of an investigation and may change their behavior to attain that goal. This paper provides evidence from the Los Angeles Police Department to show that officers appear to have responded to increased oversight by reducing crime-fighting activities in an attempt to avoid investigation.

Prescott, Edward C.

TI The Stock Market Crash of 1929: Irving Fisher was Right! **AU** McGrattan, Ellen R.; Prescott, Edward C.

TI Taxes, Regulations, and Asset Prices. **AU** McGrattan, Ellen R.; Prescott, Edward C.

Qiang, Christine Zhen-Wei

TI The Political Economy of Privatization and Competition: Cross-Country Evidence from the Telecommunications Sector. **AU** Colin Xu, Lixin; Li, Wei; Qiang, Christine Zhen-Wei.

Quigley, John M.

TI Comparing Wealth Effects: The Stock Market Versus the Housing Market. **AU** Case, Karl E.; Shiller, Robert J.; Quigley, John M.

Quince, Thelma

PD June 2002. **TI** "Meet the Parents": The Importance of "Pre-Conception" Conditions in Facilitating High-Technology Spin-Out Companies. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP233; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 21. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** L52, M13, O32. **KW** Entrepreneurship. New Technology Based Firms. Business Incubation. Research Organizations. Organization Culture.

AB Encouraging the spinning out of high tech companies from higher education institutes (HEIS) is now a major tenet of industrial policy in the UK and other European countries. New enterprise formation is seen as a vehicle for technology transfer and the commercialization of research by universities, and independent and government funded research institutes. Despite the proliferation of schemes and mechanisms supporting would-be entrepreneurs and their nascent enterprises, we are still some way from identifying the factors making for success. Understanding any scheme aimed at generating new technology based firms (ntbfs) requires a holistic approach which considers the nature of the parent research organization, the local economic context, the specific objectives of the scheme and the changing needs of new enterprises. The nature of the parent is particularly important in

setting what may be seen as "pre-conception" conditions: namely inspiration, motivation, willingness to take risk and identification of potential idea. This paper describes differences found in these pre-conception conditions in a number of research organizations in the UK.

PD June 2002. **TI** High Tech Businesses in the UK: Performance and Niche Markets. **AU** Quince, Thelma; Whittaker, Hugh. **AA** Quince: University of Cambridge. Whittaker: Doshisha University. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP234; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 33. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** L23, M13, O30. **KW** High Technology. Small Firms. Innovation. Niche Markets.

AB This paper presents the findings of a survey of 237 high tech small and medium sized businesses based in the UK. The survey is part of an ongoing comparative study of high tech small businesses in the UK and Japan. The paper describes the growth, innovative activity and market structure of businesses studied. Based on characteristics of the businesses and their CEOs, five "types" of high tech small business are identified. Differences between the types of business in respect of market structure, competitive advantages and limitations suggest fundamental differences in "niche" markets. At one extreme are niche markets in which the technology is embodied in the person -- the scientific or technical expert --, at the other niche markets in which the technology is embodied in the product or service product. Implications for innovation, growth and policy associated with these differences are discussed.

PD June 2002. **TI** Close Encounters: Evidence of the Potential Benefits of Proximity to Local Industrial Clusters. **AU** Quince, Thelma; Whittaker, Hugh. **AA** Quince: University of Cambridge. Whittaker: Doshisha University. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP235; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 16. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** L23, L52, O18, R19. **KW** High Technology Small Firms. Business Clusters. Location. Untraded Interdependencies.

AB Local clusters of high technology small businesses are of increasing interest to politicians and academics. This paper draws on a study of 237 high tech small businesses located throughout the UK. Combining information on activity and location, firms were grouped according to their potential degree of embeddedness in local industrial clusters. Businesses with differing levels of cluster involvement were then examined in terms of market structure, supportiveness of local cluster and their performance. The findings lend support to the role of untraded rather than traded interdependencies in the dynamics of localized high tech clusters. Research indicating compensating behavior by high tech businesses disadvantaged by location is also supported, emphasizing the need to consider not only the location and activity but also entrepreneurial objectives.

Quiros, Gabriel

PD August 1997. **TI** Mercado Espanol de Deuda Publica. **AA** Banco de Espana. **SR** Banco de Espana, Estudios

Economicos: 63; Banco de Espana, Biblioteca, Seccion de Publicaciones, Alcalá, 50, 28014 Madrid, Spain. Website: www.bde.es/informes/be/sazul/sazule.htm. PG 175.

PR single copy 10,82 euro; payment accepted in euro; make checks payable to Publicaciones, Banco de Espana. JE G10, H63, O52. KW Public Debt Market. Derivative Market. Microstructure. Spain.

AB This book provides a detailed description of the different organizational aspects of the Spanish public debt market. Its recent establishment (1987) involved the introduction of the structures needed to finance public deficits through financial markets. This book analyses the design and evolution of the primary market, where the government finances its deficits by issuing debt according to market criteria; studies the way in which the transmission to the secondary market is done, identifying members, type of operations and the general profile of activity; describes settlement and registration procedures inside the book-entry system, managed by the Bank of Spain; and examines the organization and working of the Spanish public debt derivative market, given its important stabilizing function. The book finishes with a chapter on the legal foundations of the different topics covered.

Raimondos-Moller, Pascalis

TI Tax Spillovers under Separate Accounting and Formula Apportionment. AU Nielsen, Soren Bo; Raimondos-Moller, Pascalis; Schjelderup, Guttorm.

Ramstetter, Eric D.

TI Affiliate Activity in Japanese and U.S. Multinationals and Japanese Exports 1986-1995. AU Lipsey, Robert E.; Ramstetter, Eric D.

Razin, Assaf

PD November 2001. TI The "New Keynesian" Phillips Curve: Closed Economy versus Open Economy. AU Razin, Assaf; Yuen, Chi-Wa. AA Razin: Cornell University, Tel Aviv University, and CEPR. Yuen: University of Hong Kong. SR CEPR Discussion Paper: 3083; 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 E12, F41. KW Capital Mobility. New Keynesian. Phillips Curve. Trade.

AB The paper extends Woodford's (2000) analysis of the closed economy Phillips curve to an open economy with both commodity trade and capital mobility. We show that consumption smoothing, which comes with the opening of the capital market, raises the degree of strategic complementarity among monopolistic competitive suppliers, thus rendering prices stickier and magnifying output responses to nominal GDP shocks.

PD December 2001. TI Why International Equity Inflows to Emerging in Markets are Inefficient and Small Relative to International Debt Inflows. AU Razin, Assaf; Yuen, Chi-Wa; Sadka, Efraim. AA Razin: Tel Aviv University and NBER. Yuen: University of Hong Kong. Sadka: Tel Aviv University. SR National Bureau of Economic Research Working Paper: 8659; 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 the U.S.). JE F21, F35, H25, H32. KW Asymmetric Information. Small Open Economy.

Financing of Investment. Emerging Markets. Debt Flows.

AB This paper considers the financing of investment in the presence of asymmetric information between the "insiders" and the "outsiders" of the firms in a small open economy. It establishes a well-defined capital structure for the economy as a whole with the following features: low-productivity firms rely on the equity market to finance investment at a relatively low level; medium-productivity firms do not invest at all; and high-productivity firms rely on the debt market to finance investment at a relatively high level. It is shown that the debt market is efficient, with respect to both its scope and the amount of investment that each firm makes. However, the equity market fails: its scope is too narrow and the investment each firm makes is too little. A corrective policy requires just one instrument which is rather unconventional: lump-sum subsidies to those firms that choose to equity-finance their investment (i.e., equity-market-contingent grants).

Redding, Stephen

TI Educational Attainment, Labor Market Institutions and the Structure of Production. AU Nickell, Stephen John; Redding, Stephen; Swaffield, Joanna K.

Redish, Angela

TI Financial Markets and Twentieth Century Industrialization: Evidence From U.S. and Canadian Steel Producers. AU Keay, Ian; Redish, Angela.

Redoano, Michela

TI Do Countries Compete Over Corporate Tax Rates? AU Devereux, Michael P.; Lockwood, Ben; Redoano, Michela.

Reed, Robert R., III

TI Labor Market Search and Optimal Retirement Policy. AU Bhattacharya, Joydeep; Mulligan, Casey B.; Reed, Robert R., III.

Reichlin, Lucrezia

TI A Core Inflation Index for the Euro Area. AU Cristadoro, Riccardo; Forni, Mario; Reichlin, Lucrezia; Veronese, Giovanni.

Reinhart, Carmen M.

TI Financial Markets in Times of Stress. AU Kaminsky, Graciela L.; Reinhart, Carmen M.

Reis, Ricardo

TI Sticky Information Versus Sticky Prices: A Proposal to Replace the New Keynesian Phillips Curve. AU Mankiw, N. Gregory; Reis, Ricardo.

TI Sticky Information: A Model of Monetary Nonneutrality and Structural Slumps. AU Mankiw, N. Gregory; Reis, Ricardo.

Restoy, Fernando

TI El Mercado Monetario Espanol en la Union Monetaria (The Spanish Money Market in the Monetary Union). AU Ayuso, Juan; Fuentes, Ignacio; Penalosa, Juan; Restoy, Fernando.

Richardson, Matthew

TI DotCom Mania: The Rise and Fall of Internet Stock Prices. **AU** Ofek, Eli; Richardson, Matthew.

Riechel, Klaus-Walter

PD November 2001. **TI** Financial Sector Regulation and Supervision: The Case of Small Pacific Island Countries. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/06; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 16. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** G21, G28. **KW** Banks. Financial Intermediaries. Regulation. Supervision. Offshore Financial Sector. Money Laundering.

AB This paper discusses issues of financial sector regulation and supervision -- including those concerning nonbank financial intermediaries -- in small resource-constrained Pacific island countries. It advocates stronger cooperation in these areas and calls for increased financial and technical assistance. The paper also reviews recent international initiatives directed toward offshore financial centers and the fight against money laundering and other financial crime and explores their significance for the Pacific island countries.

PD November 2001. **TI** Public Financial Management: Principal Issues in Small Pacific Island Countries. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/01; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 19. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** G18, H61. **KW** Fiscal Policy. Budget Systems. Public Financial Management. Small Country Issues.

AB The paper discusses reform in public financial management in small, resource-constrained economies such as the Pacific island countries (PICs). It describes the efforts undertaken by PICs in the past and assesses their results. A principal conclusion is that reform in public financial management needs to be defined against the capacity of countries to sustain it at the national level. This requires a careful definition of priorities for action and the determination of appropriate pacing and sequencing of reform. In this decision, achievement of the imperatives of expenditure control and sustainability of deficits is typically more important than exploitation of the scope for efficiency gains promised by "cutting edge" public financial management systems.

Riezman, Raymond

TI How Often are Propositions on the Effects of Customs Unions Theoretical Curiosa and When Should They Guide Policy? **AU** Abrego, Lisandro; Riezman, Raymond; Whalley, John.

Rigobon, Roberto

PD December 2001. **TI** The Curse of Non-Investment Grade Countries. **AA** MIT and NBER. **SR** National Bureau of Economic Research Working Paper: 8636; 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 the U.S.). **JE** C32, F41, F42. **KW** Mexico. Transmission of Shocks. Argentina. ARCH. Investment Upgrade.

AB Mexico was upgraded from non-investment to investment grade in March of 2000. This paper examines the impact of this event on the properties of the transmission of shocks between Argentina and Mexico. The paper shows that there is a statistically significant change in the propagation of shocks the day the upgrade was announced. Furthermore, it is found that the parameters that shifted are those explaining the diffusion of shocks through the means, while the transmission through the variances remained stable. Moreover, the change in the estimated coefficients can explain more than a third in the unconditional comovement that these assets experienced before the upgrade. From the methodological point of view, the paper offers an identification procedure based on conditional heteroskedasticity (ARCH) that solves the problem of estimation in a linear simultaneous equations model that can be used in other Macro and Finance applications.

Ritzberger, Klaus

PD April 2002. **TI** Cross-Ownership Among Firms: Some Determinants of the Separation of Ownership from Control. **AU** Ritzberger, Klaus; Shorish, Jamsheed. **AA** Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 113; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/eco/publications.htm. **PG** 19. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** G32, G34. **KW** Cross-Ownership. Ownership and Control. Corporate Governance.

AB This paper demonstrates that the current literature on cross-ownership among firms underestimates the true degree of separation between cash flow rights and voting rights. We use accounting identities to define coefficients of control, such that any (direct or indirect) control of a firm may be identified using these coefficients. This procedure is sufficient to show that under cross-ownership the voting rights associated with ownership are typically underestimated. We demonstrate by example that control and ownership of dividend rights may be entirely separated, and that multiple equilibria may exist in economies with cross ownership.

TI The Simple Geometry of Perfect Information Games. **AU** Demichelis, Stefano; Ritzberger, Klaus; Swinkels, Jeroen M.

Rivkin, Steven G.

TI Why Public Schools Lose Teachers. **AU** Hanushek, Eric A.; Kain, John F.; Rivkin, Steven G.

Robb, Caroline M.

PD November 2001. **TI** Reviewing Some Early Poverty Reduction Strategy Papers in Africa. **AU** Robb, Caroline M.; Scott, Alison M. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/05; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 37. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** E61, H53, I32, O55. **KW** Poverty. Africa. Strategy Papers.

AB This paper reviews some early interim and full Poverty Reduction Strategy Papers (PRSPs) for countries with which the authors worked during 1999-2000 (Uganda, Burkina Faso, Tanzania, Mozambique, Mali and The Gambia). The purpose of the review is to compare and contrast how the PRSP process

was established there. It finds that rapid progress was made in implementing the initiative in all the countries, increasing commitment to poverty reduction amongst government and donors and encouraging broader participation in the policy dialogue. However, there was considerable variation between the cases, reflecting different local contexts and capacities.

Roberts, John

TI Meanings of Ownership of the Firm. **AU** Learmount, Simon; Roberts, John.

Roberts, Mark J.

TI Market Entry Costs, Producer Heterogeneity, and Export Dynamics. **AU** Das, Sanghamitra; Roberts, Mark J.; Tybout, James R.

Rockoff, Hugh

PD November 2001. **TI** The Changing Role of America's Veterans. **AA** Rutgers University and NBER. **SR** National Bureau of Economic Research Working Paper: 8595; 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** H50, I38, N40. **KW** Veterans. Government Benefits. Historical Statistics.

AB This essay provides a historical background for understanding the statistics on veterans that will appear in the millennial edition of the Historical Statistics of the United States. It describes changes in the number of veterans, and in the benefits provided by governments to veterans, from colonial times to the present. It then discusses in broad terms how political and historical forces shaped the form and amount of benefits provided to veterans, and how the programs created for veterans in turn influenced the evolution of other government programs.

Rodrigues, Paulo M. M.

TI On Tests for Double Differencing: Some Extensions and the Role of Initial Values. **AU** Taylor, Robert A. M.; Rodrigues, Paulo M. M.

PD April 2002. **TI** Alternative Estimators and Unit Root Tests for Seasonal Autoregressive Processes. **AU** Rodrigues, Paulo M. M.; Taylor, Robert A. M. **AA** Rodrigues: University of Algarve. Taylor: University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/07; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 40. **PR** 2 pounds; no charge to academics. **JE** C12, C22. **KW** Seasonality. Unit Root Tests. Symmetric Least Squares. Ornstein-Uhlenbeck Processes.

AB In this paper we suggest a new set of regression-based statistics for testing the seasonal unit root null hypothesis. The proposed tests are based on simple symmetric and weighted least squares estimation of the Hylleberg et al. (1990) seasonal unit root test regression. We derive the asymptotic distributions of the new test statistics under both the seasonal unit root null hypothesis and under locally seasonally integrated alternatives, from which we simulate the asymptotic local power functions of the new statistics. The new tests are shown to strictly dominate those of the existing statistics of Hylleberg et al.

(1990) in terms of asymptotic local power. Asymptotic critical values for the new statistics are also provided. Monte Carlo simulation into the finite-sample size and power properties of the new tests for the case of quarterly data reveals that, overall, the new statistics perform rather better than existing tests of the seasonal unit root hypothesis with the tests based on weighted symmetric least squares estimation being the most power of all.

Roe, Terry

TI Economy-Wide Benefits From Establishing Water User-Right Markets in a Spatially Heterogeneous Agricultural Economy. **AU** Diao, Xinshen; Roe, Terry; Doukkali, Rachid.

Romano, Richard

PD July 2001. **TI** On the Endogeneity and Robustness of Cournot-Nash and Stackelberg Equilibria: Games of Accumulation. **AU** Romano, Richard; Yildirim, Huseyin. **AA** Romano: University of Florida. Yildirim: Duke University. **SR** Duke University Department of Economics Working Paper: 01/06; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 53. **PR** no charge. **JE** C72, D43, H40. **KW** Accumulation. Dynamic Games. Cournot-Nash Outcome. Stackelberg Outcome.

AB We characterize equilibria of games with two properties: (i) agents have the opportunity to adjust their strategic variable after their initial choices and before payoffs occur; but (ii) they can only add to their initial amounts. The equilibrium set consists of just the Cournot-Nash outcome, one or both Stackelberg outcomes, or a continuum of points including the Cournot-Nash outcome and one or both Stackelberg outcomes. A simple theorem that uses agents' standard one-period reaction functions and the one-period Cournot-Nash and Stackelberg equilibria delineates the equilibrium set. Applications include contribution games to public goods, oligopoly games, and rent-seeking games.

Rose, David C.

TI Cooperative Technology Adoption Under Global Competition: The Case of the Japanese Cotton Spinning Industry. **AU** Braguinsky, Serguey; Ohyama, Atsushi; Rose, David C.

Rosenberg, Dinah

PD December 2001. **TI** On the MaxMin Value of Stochastic Games with Imperfect Monitoring. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas. **AA** Rosenberg: Universite Paris Nord. Solan: Northwestern University and Tel Aviv University. Vieille: HEC. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1344; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 20. **PR** \$3.00 U.S.; \$5.00 via international mail; \$2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** C61, C72, C73. **KW** Stochastic Games. Imperfect Monitoring. Uniform MinMax Value.

AB We study zero-sum stochastic games in which players do not observe the actions of the opponent. Rather, they observe a stochastic signal that may depend on the state, and on the pair of actions chosen by the players. We assume each player observes the state and his own action. We propose a candidate

for the max-min value, which does not depend on the information structure of player 2. We prove that player 2 can defend the proposed max-min value, and that in absorbing games player 1 can guarantee it. Analogous results hold for the min-max value. This paper thereby unites several results due to Coulomb.

PD March 2002. **TI** Stochastic Games with Imperfect Monitoring. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas. **AA** Rosenberg: Universite Paris Nord. Solan: Northwestern University and Tel Aviv University. Vieille: HEC. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1341; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 30. **PR** \$3.00 U.S.; \$5.00 via international mail; \$2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** C61, C72, C73. **KW** Stochastic Games. Imperfect Monitoring. Uniform Min-Max Value.

AB We study zero-sum stochastic games in which players do not observe the actions of the opponent. Rather, they observe a stochastic signal that may depend on the state, and on the pair of actions chosen by the players. We assume each player observes the state and his own action. In a companion paper we proposed a candidate for the max-min value, we proved that player 2 can defend this value, and that player 1 can guarantee it in the class of absorbing games. In the present paper we prove that player 1 can guarantee this quantity in general stochastic games. An analogous result holds for the min-max value.

PD March 2002. **TI** Approximating a Sequence of Observation by a Simple Process. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas. **AA** Rosenberg: Universite Paris Nord. Solan: Northwestern University and Tel Aviv University. Vieille: HEC. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1345; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 29. **PR** \$3.00 U.S.; \$5.00 via international mail; \$2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** C40. **KW** Approximation. Simple Process. Piecewise Homogeneous Markov Process.

AB Given a sequence (s_0, s_1, \dots, s_N) of observations from a finite set S , we construct a process (s_n) that satisfies the following properties: (i) (s_n) is a piecewise Markov chain, (ii) the conditional distribution of s_n given s_0, \dots, s_{n-1} is close to the empirical transition given by the observed sequence, for most n , (iii) under (s_n) , with high probability the empirical frequency of the realized sequence is close to the one given by the observed sequence. We generalize this result to the case that the conditional distribution of s_n given s_0, \dots, s_{n-1} is required to be in some polyhedron V_{sn-1} .

Rossetto, Silvia

TI Strategic Advantage and the Optimal Exercise of Entry Options. **AU** Perotti, Enrico C.; Rossetto, Silvia.

Roth, Alvin E.

TI Unraveling Reduces the Scope of an Entry Level Labor

Market: Gastroenterology With and Without a Centralized Match. **AU** Niederle, Muriel; Roth, Alvin E.

Roubini, Nouriel

TI The Role of Large Players in Currency Crises. **AU** Corsetti, Giancarlo; Pesenti, Paolo; Roubini, Nouriel.

TI The Role of Industrial Country Policies in Emerging Market Crises. **AU** Frankel, Jeffrey; Roubini, Nouriel.

Rous, Philippe

TI Diversification Versus Specialisation: An Event Study of M&AS in the European Banking Industry. **AU** Lepetit, Laetitia; Patry, Stephanie; Rous, Philippe.

Rousseau, Peter L.

TI Liquidity Effects in the Bond Market. **AU** Jovanovic, Boyan; Rousseau, Peter L.

Rouwenhorst, K. Geert

TI Long-Term Global Market Correlations. **AU** Goetzmann, William N.; Li, Lingfeng; Rouwenhorst, K. Geert.

Rowat, Colin

PD August 2002. **TI** Non-Linear Strategies in a Linear Quadratic Differential Game with Bounded Controls. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/11; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 28. **PR** 2 pounds; no charge to academics. **JE** C61, C73, H41. **KW** Markov Equilibrium. Non-Linear Strategies. Linear Quadratic Game.

AB This paper derives the set of non-linear Markov perfect equilibria in a two agent linear quadratic differential game with bounded controls. A continuum of non-linear solutions is found for certain calibrations. Otherwise, the unique solution is the standard linear solution. These results modify those derived by Tsutsui and Mino (1990); the present results, however, do not require endogenization of the state space. Two non-linear quadratic examples are explored using the techniques presented here.

PD August 2002. **TI** Asymmetric Play in a Linear Quadratic Differential Game with Bounded Controls. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/12; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 34. **PR** 2 pounds; no charge to academics. **JE** C61, C63, C73, H41. **KW** Linear Quadratic. Markov Equilibrium. Non-Linear Strategies. Numerical Methods. Games.

AB This paper uses computational techniques to identify the Markov perfect equilibria in a two agent linear quadratic differential game with bounded controls. No evidence is found asymmetric equilibria when the agents are symmetric or of non-linear equilibria when the agents are asymmetric. This suggests that the standard continuum result for identical agents is not robust and that non-linear strategies are not of general

interest in the analysis of linear quadratic differential games. The techniques presented here are applicable to a broader class of differential games as well.

PD August 2002. **TI** Functional Nash Equilibria in Commons Games. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/13; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 31. **PR** 2 pounds; no charge to academics. **JE** C61, C72, H41, Q21. **KW** Functional Equilibria. Transfers. Side Payments. Common Problem. Uncertainty.

AB This paper explores functional Nash equilibria (FNE) in three static commons problems. The first yields a non-existence result. Two linear equilibrium strategies are found in the second. Unlike the result in Klemperer and Meyer (1989, *Eca*), this is unaffected by the domain of the stochastic variable. The third model finds two FNE when the second's strategy space is expanded to allow transfers. While these equilibria are improvements over their equivalents in the second model, the models cannot be Pareto ranked.

Rubinchik-Pessach, Anna

PD July 2002. **TI** Why Are Some Taxes "More Equal Than Others"? **AA** University of Colorado. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/43; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 20. **PR** \$100 per year. **JE** D72, H21, H41, H61, K34. **KW** Public Goods. Cost Sharing. Constitutional Design. Taxation for Projects.

AB This paper examines efficiency rationales behind uniformity of taxation for public projects. Let a benevolent risk neutral "constitutional designer" to set an optimal cost-sharing rule for a legislature operating under majority rule. Then the designer will choose "more equal taxes" for a country with more homogeneous tastes, which is in accord with a popular view. Higher quality projects provide an additional reason for this choice. Moreover, an exogenous requirement to use broader supermajority may also lead to more uniformity.

Runsten, Mikael

TI Do Takeovers Create Value? A Residual Income Approach on UK Data. **AU** Bild, Magnus; Cosh, Andy; Guest, Paul; Runsten, Mikael.

Ryan, Cillian

PD April 2001. **TI** Merger Activity Under Tariffs and Quotas. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 01/05; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 32. **PR** 2 pounds; no charge to academics. **JE** F11, F12, L11, L13. **KW** Oligopoly. Mergers. Market Concentration. Trade Policy. **AB** By considering a game where a predatory firm has the option to transfer its superior technology this paper shows that operating a target as an independent division or franchise dominates a market-concentrating merger. In contrast to the market-concentrating merger literature it finds that trade

barriers tend to encourage mergers, some of which may involve foreign predators who are less efficient than their potential domestic takeover rivals. It also re-establishes qualitative equivalence between tariffs and quotas though the quantitative effects differ. Finally it finds that while domestic takeovers are more likely with a tariff than its quota equivalent, the effect of trade policies on international and foreign merger activity depends on a variety of empirical parameters.

TI The Effects of Trade Bloc Formation on Foreign Direct Investment. **AU** Kendall, Toby; Ryan, Cillian.

TI Regional Economic Integration, Mergers and FDI. **AU** Kendall, Toby; Ryan, Cillian.

Saad, Mohsen

TI Price Expectations and the Bulgarian Currency Board. **AU** Beck, Stacie; Miller, Jeffrey B.; Saad, Mohsen.

Sacerdote, Bruce

TI The Response to Fines and Probability of Detection in a Series of Experiments. **AU** Bar-Ilan, Avner; Sacerdote, Bruce.

Sadka, Efraim

TI Why International Equity Inflows to Emerging in Markets are Inefficient and Small Relative to International Debt Inflows. **AU** Razin, Assaf; Yuen, Chi-Wa; Sadka, Efraim.

Saint-Paul, Gilles

PD November 2001. **TI** Growth Effects of Non-Proprietary Innovation. **AA** Universite des Sciences Sociales de Toulouse and CEPR. **SR** CEPR Discussion Paper: 3069; 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** L12, L13, L16, L86, O31. **KW** Growth. Imperfect Competition. Innovation. Monopoly. Open Source.

AB We study an endogenous growth model where a profit-motivated research and development sector coexists with the introduction of free blueprints invented by philanthropists. These goods are priced at marginal cost, contrary to proprietary ones, which are produced by a monopoly owned by the inventor. We show that philanthropy does not necessarily increase long-run growth and that it may even reduce welfare. The reason is that it crowds out proprietary innovation, which on net may reduce total innovation in the long run. These effects would be reinforced if philanthropical inventors sometimes came out with another version of an existing proprietary good. Dynamics can also be characterized and it is shown that the impact effect of free inventions on growth is positive.

Sala-i-Martin, Xavier

TI Social Security and Democracy. **AU** Gil, Ricard; Mulligan, Casey B.; Sala-i-Martin, Xavier.

Salanie, Bernard

TI Screening Risk Averse Agents Under Moral Hazard. **AU** Jullien, Bruno; Salanie, Francois; Salanie, Bernard.

Salanie, Francois

TI Screening Risk Averse Agents Under Moral Hazard.
AU Jullien, Bruno; Salanie, Francois; Salanie, Bernard.

PD March 2002. **TI** Regulating an Agent with Different Beliefs. **AU** Salanie, Francois; Treich, Nicolas.
AA LEERNA, INRA, and Universite de Toulouse.
SR University of California, Santa Barbara, Working Papers in Economics: 02/06; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 27.
PR no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** D61, D78, D81, L51, Q28. **KW** Risk Regulation. Risk Perceptions. Cost-Benefit Analysis. Multi-Prior Beliefs. Prevention. Prudence.

AB There is some evidence that people have biased perceptions of risks, such as lethal or environmental risks. Hence their behavior is based on beliefs which may differ from the "objective" beliefs used by a regulator. The optimal regulation then depends on this difference in beliefs. We set up a general framework and study this policy change. It turns out that, in many situations, the policy change depends on the absolute "distance" between beliefs, and not on whether agents over-estimate or under-estimate risks. We characterize the necessary and sufficient condition for "more distant" beliefs to always reduce the regulator's decision. We apply and extend that condition in several ways.

Saliba, Christine

TI Price Dispersion in Online Markets: The Case of College Textbooks. **AU** Arnold, Michael A.; Saliba, Christine.

Salyer, Kevin D.

TI Time-Varying Uncertainty and the Credit Channel.
AU Dorofeenko, Victor; Lee, Gabriel S.; Salyer, Kevin D.

Samwick, Andrew

TI Potential Paths of Social Security Reform.
AU Feldstein, Martin; Samwick, Andrew.

Sapienza, Paola

TI Does Local Financial Development Matter?
AU Guiso, Luigi; Sapienza, Paola; Zingales, Luigi.

Sapir, Andre

TI EMU in the Early Years: Differences and Credibility.
AU Buti, Marco; Sapir, Andre.

Sarno, Lucio

TI The Out-of-Sample Success of Term Structure Models as Exchange Rate Predictors: A Step Beyond. **AU** Clarida, Richard H.; Sarno, Lucio; Taylor, Mark; Valente, Giorgio.

Sartzetakis, Eftichios S.

TI International Environmental Agreements -- The Role of Foresight. **AU** Diamantoudi, Effrosyni; Sartzetakis, Eftichios S.

Sato, Motohiro

TI Can Partial Fiscal Coordination Be Welfare Worsening? A Model of Tax Competition. **AU** Marchand, Maurice;

Pestieau, Pierre; Sato, Motohiro.

Sault, Joanne

PD September 2002. **TI** Fast Food -- the Early Years: Geography and the Growth of a Chain-Store in the UK. **AU** Sault, Joanne; Toivanen, Otto; Waterson, Michael.
AA Sault and Waterson: University of Warwick. Toivanen: Helsinki School of Economics. **SR** The Warwick Economic Research Paper: 655; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 17. **PR** no charge. **JE** L21, L81, R11, R12. **KW** Fast Food. Diffusion. Regional Economic Activity. Entry. United Kingdom.

AB We examine the development of United Kingdom outlets of a major fast food chain, from inauguration in 1974 until 1990, after which industry structure changed somewhat. The chain effectively introduced the counter-service burger concept. Locational spread across local authority district markets is explained by the characteristics of the areas where the outlets are sited. Of special interest is the effect of scale economies, measured by the outlet numbers in neighboring districts. Both first and second entry are examined. We find that the hazard of first entry is positively influenced by market size and population density and negatively by distance from company headquarters.

Scanlon, Dennis P.

TI Learning and the Value of Information: The Case of Health Plan Report Cards. **AU** Cherner, Michael; Gowrisankaran, Gautam; Scanlon, Dennis P.

Schaechter, Andrea

PD March 2002. **TI** Issues in Electronic Banking: An Overview. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/06; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12-607, Washington, DC 20431. Website: www.imf.org. **PG** 26. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** G21, G28. **KW** Electronic Banking. Banking Regulation. Banking Supervision.

AB Using electronic delivery channels for banking services and products has become increasingly popular in recent years. Electronic banking makes it possible to offer banking services around the world 24 hours a day. The dependence on technology for providing the services with the necessary security, and the cross-border nature of transactions, involve additional risks for banks and new challenges for banking regulators and supervisors. This paper provides an overview of some of the issues resulting from the development of electronic banking and how they are currently being addressed by regulatory and supervisory authorities.

Schankerman, Mark

TI Enforcing Intellectual Property Rights. **AU** Lanjouw, Jean Olson; Schankerman, Mark.

TI Enforcing Intellectual Property Rights. **AU** Lanjouw, Jean Olson; Schankerman, Mark.

Schjelderup, Guttorm

TI Tax Spillovers under Separate Accounting and Formula Apportionment. **AU** Nielsen, Soren Bo; Raimondos-Moller, Pascal; Schjelderup, Guttorm.

Schmedders, Karl

TI Optimal Rules for Patent Races. **AU** Judd, Kenneth L.; Schmedders, Karl; Yeltekin, Sevin.

Schmidt, Christoph M.

PD July 2001. **TI** Knowing What Works: The Case for Rigorous Program Evaluation. **AA** Universitat Heidelberg and CEPR. **SR** CEPR Discussion Paper: 2826; 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** C40, C90. **KW** Counterfactual. Experiments. Observational Studies. Evaluation Research. Policy Interventions.

AB Since interventions by the public sector generally commit substantial societal resources, the evaluation of effects and costs of policy interventions is imperative. This paper outlines why program evaluation should follow well respected scientific standards and why it should be performed by independent researchers. Moreover, it outlines the three fundamental elements of evaluation research, the choice of the appropriate outcome measure, the assessment of the direct and indirect cost associated with the intervention, and the attribution of effects to underlying causes. The paper proceeds to outline in intuitive terms that the construction of a credible counterfactual situation is at the heart of the formal statistical evaluation problem. It introduces several approaches, based on both experiments and on non-experimental data that have been proposed in the literature to solve the evaluation problem, and illustrates them numerically.

Schmitt-Grohe, Stephanie

PD January 2002. **TI** Closing Small Open Economy Models. **AU** Schmitt-Grohe, Stephanie; Uribe, Martin. **AA** Schmitt-Grohe: Rutgers University and CEPR. Uribe: University of Pennsylvania. **SR** CEPR Discussion Paper: 3096; 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** C61, F41. **KW** Incomplete Asset Markets. Small Open Economy. Stationarity. Business Cycle.

AB The small open economy model with incomplete asset markets features a steady state that depends on initial conditions. Furthermore, equilibrium dynamics contain a random walk component. A number of modifications to the standard model have been proposed to induce stationarity. This paper presents a quantitative comparison of these alternative approaches. Five different specifications are considered: (1) A model with an endogenous discount factor (Uzawa-type preferences); (2) A model with a debt-elastic interest-rate premium; (3) A model with convex portfolio adjustment costs; (4) A model with complete asset markets; (5) A model without stationarity-inducing features. The main finding of the paper is that all models deliver virtually identical dynamics at business-cycle frequencies, as measured by unconditional second moments and impulse response functions. The only noticeable difference among the alternative specifications is that the complete-asset-market model induces smoother consumption dynamics.

Schotman, Peter

TI The Cost of Capital in International Financial Markets:

Local or Global. **AU** Koedijk, Kees; Kool, Clemens J. M.; Schotman, Peter; van Dijk, Mathijs A.

Schuknecht, Ludger

TI What Does the European Union Do? **AU** Alesina, Alberto; Angeloni, Ignazio; Schuknecht, Ludger.

TI What Does the European Union Do? **AU** Alesina, Alberto; Angeloni, Ignazio; Schuknecht, Ludger.

Schwert, G. William

TI Biases in the IPO Pricing Process. **AU** Lowry, Michelle; Schwert, G. William.

TI Short Sales, Damages and Class Certification in 10b-5 Actions. **AU** Apfel, Robert C.; Parsons, John E.; Schwert, G. William; Stewart, Geoffrey S.

TI Short Sales, Damages and Class Certification in 10b-5 Actions. **AU** Apfel, Robert C.; Parsons, John E.; Schwert, G. William; Stewart, Geoffrey S.

Scott, Alison M.

TI Reviewing Some Early Poverty Reduction Strategy Papers in Africa. **AU** Robb, Caroline M.; Scott, Alison M.

Sdravlevich, Carlo A.

TI The New Approach to Sovereign Debt Restructuring: Setting the Incentives Right. **AU** Bossone, Biagio; Sdravlevich, Carlo A.

Seitz, Shannon N.

TI Domestic Violence, Employment and Divorce. **AU** Bowlus, Audra J.; Seitz, Shannon N.

PD September 2002. **TI** Accounting for Racial Differences in Marriage and Employment. **AA** Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 1009; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html. **PG** 49. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** D83, J11, J12, J23. **KW** Sex Ratio. Search. Intra-Household Allocation. Marriage. Employment.

AB The extent to which marriage market conditions explain differences in marriage and employment decisions across blacks and whites and across men and women is considered in a dynamic, two-sided model of marriage. The quantity and quality of men and women in the marriage market evolve endogenously over time in the model, and in turn influence the allocation of income within married households and the ease with which single agents attract prospective mates. The parameters of the model are estimated using a panel of young men and women from the U.S. The results highlight the responsiveness of intra-household transfers to changes in marriage market opportunities and the importance of women's options outside marriage in determining the black-white gap in marriage rates. Policy experiments suggest that improving the socio-economic characteristics of blacks and reducing the black-white gap in earnings further decreases the black marriage rate, highlighting the importance of equilibrium effects.

Sembenelli, Alessandro

TI Foreign Ownership and Productivity: Is the Direction of Causality So Obvious? **AU** Benfratello, Luigi; Sembenelli, Alessandro.

PD November 2002. **TI** Foreign Direct Investment, Competitive Pressure and Spillovers: An Empirical Analysis on Spanish Firm Level Data. **AU** Sembenelli, Alessandro; Siotos, Georges. **AA** Sembenelli: University of Torino. Siotos: Carlos III University, Madrid. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 169; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 35. **PR** no charge. **JE** F23, L40, L60. **KW** Foreign Direct Investment. Technology Transfers. Competition. Panel Data. Spillovers.

AB A short review of the theoretical and empirical evidence indicates that Foreign Direct Investment (FDI) has the potential to increase the intensity of competition as well as to act as a channel for technology transfers. One would expect, all else equal, an increase in average productivity following a wave of FDI, as multinational corporations (MNCs) enjoy higher levels of efficiency. At the same time, the entry of foreign firms has also been associated with an increase in competitive pressure on the domestic market. Using a large firm level data set covering all sectors of Spanish manufacturing during the period 1983-1996, we attempt to disentangle these two effects by estimating a dynamic model of firm level profitability. We find that FDI has a positive long-run effect on the profitability of target firms, but this is limited to firms belonging to R&D intensive sectors. In addition, the results indicate that foreign presence dampens margins. However, this effect appears to be more than compensated by positive spillovers in the case of knowledge intensive industries.

Sengupta, Jati K.

PD December 2002. **TI** Nonparametric Efficiency Analysis Under Uncertainty. **AA** UCSB. **SR** University of California, Santa Barbara, Working Papers in Economics: 02/11; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 16. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C14, D24, D81. **KW** Production Efficiency. Demand. Supply. Uncertainty. Level Efficiency. Growth.

AB Production and cost frontiers of a firm in an industry are directly affected by the uncertainty of market demand and the uncertainty of input availability. The nonparametric approach of data envelopment analysis is generalized here in both static and dynamic directions by incorporating these uncertainties.

Settle, Russell F.

TI Campaign-Finance Reform: A Public Choice Perspective. **AU** Abrams, Burton A.; Settle, Russell F.

Sevilla, Jaypee

TI - The Effect of Health on Economic Growth: Theory and Evidence. **AU** Bloom, David E.; Canning, David; Sevilla, Jaypee.

Shackelford, Douglas A.

TI Copycat Funds: Information Disclosure Regulation and the Returns to Active Management in the Mutual Fund Industry. **AU** Myers, Mary Margaret; Shackelford, Douglas A.; Poterba, James M.; Shoven, John B.

Shanken, Jay

PD December 2001. **TI** Risk, Mispricing, and Asset Allocation: Conditioning on Dividend Yield. **AU** Shanken, Jay; Tamayo, Ane. **AA** Shanken: University of Rochester and NBER. Tamayo: London Business School. **SR** National Bureau of Economic Research Working Paper: 8666; 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 the U.S.). **JE** C11, G11, G12, G14. **KW** Asset Pricing. Risk. Bayesian Methods. Beliefs.

AB In the asset pricing literature, time-variation in market expected excess return captured by financial ratios like dividend yield is typically viewed as a reflection of either changing risk, related to the business cycle, or irrational mispricing. Extending the work on asset allocation and dividend yield by Kandel and Stambaugh (1996) to accommodate variation in risk as well as expected return, we develop Bayesian methods to examine the interaction between the data and an investor's initial beliefs about the sources of return predictability. Although results vary with the subperiod examined, different views on the relative importance of these factors can have important implications for asset allocation between a stock index and a riskless asset. In general, however, the simple risk/return model of Merton (1980) explains very little of the yield-related return predictability observed.

Shaw, Kathryn

TI Opportunity Counts: Teams and the Effectiveness of Production Incentives. **AU** Boning, Brent; Ichniowski, Casey; Shaw, Kathryn.

Shields, Michael

PD May 2001. **TI** Improving Nurse Retention in the National Health Service in England: The Impact of Job Satisfaction on Intentions to Quit. **AU** Shields, Michael; Ward, Melanie. **AA** Shields: University of Melbourne. Ward: European Central Bank. **SR** CEPR Discussion Paper: 2806; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** I11, I18, J63. **KW** Job Satisfaction. Nurses. Principal Component Analysis. Quitting Intentions.

AB In recent years the British National Health Service (NHS) has experienced an acute shortage of qualified nurses. This has placed issues of recruitment and retention in the profession high on the political agenda. In this paper, we investigate the determinants of job satisfaction for nurses and establish the importance of job satisfaction in determining nurses' intentions to quit the NHS. We find that nurses who report overall dissatisfaction with their jobs have a 65 percent higher probability of intending to quit than those reporting to be satisfied. However, dissatisfaction with promotion and training opportunities are found to have a stronger impact than workload or pay. Recent policies, which focus heavily on improving the pay of all NHS nurses, will have only limited

success unless they are accompanied by improved promotion and training opportunities. Better retention will, in turn, lead to reduced workload.

Shiller, Robert J.

TI Comparing Wealth Effects: The Stock Market Versus the Housing Market. **AU** Case, Karl E.; Shiller, Robert J.; Quigley, John M.

Shleifer, Andrei

TI Who Owns the Media? **AU** Djankov, Simeon; McLiesh, Caralee; Nenova, Tatiana; Shleifer, Andrei.

TI The Rise of the Regulatory State. **AU** Glaeser, Edward L.; Shleifer, Andrei.

Shorish, Jamsheed

TI Cross-Ownership Among Firms: Some Determinants of the Separation of Ownership from Control. **AU** Ritzberger, Klaus; Shorish, Jamsheed.

Sibert, Anne

PD December 2001. **TI** Monetary Policy With Uncertain Central Bank Preferences. **AA** Birkbeck College and CEPR. **SR** CEPR Discussion Paper: 3113; 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, E31, E52, E58. **KW** Monetary Policy. Signaling. Private Information. Inflation.

AB This paper considers monetary policy when the weight policy makers put on output loss relative to inflation is their private information. The paper shows that in the first period of a two-period term, all policy makers but the least inflation averse inflate less -- but respond more to shocks -- than if there were no private information. Moderately inflation-averse policy makers may reduce their inflation most. A tendency toward increased conservatism in their second period increases inflation in the first. The model is extended to T-period terms, T less than 8. It is shown that inflation depends solely on the policy maker's time left in office and not how long he has served or what he has already done. With unchanging preferences and no discounting, inflation is lower the longer he has left.

Sieg, Holger

TI Living Rationally Under the Volcano? An Empirical Analysis of Heavy Drinking and Smoking. **AU** Arcidiacono, Peter; Sieg, Holger; Sloan, Frank.

Sigman, Hilary

PD November 2001. **TI** International Spillover and Water Quality in Rivers: Do Countries Free Ride? **AA** Rutgers University and NBER. **SR** National Bureau of Economic Research Working Paper: 8585; 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** F18, Q25. **KW** Spillovers. Environmental Quality. Free Riders. International Rivers.

AB Transboundary spillovers may degrade environmental quality if countries free ride. This paper examines the extent of such degradation in water quality in international rivers. Using

data from river monitoring stations in the United Nations Global Emissions Monitoring System (GEMS), it compares pollution levels in international and domestic rivers. The results suggest that free riding may substantially increase pollution in international rivers, but the estimates are sensitive to the inclusion of country effects.

Silk, Alvin J.

TI Intermedia Substitutability and Market Demand by National Advertisers. **AU** Berndt, Ernst R.; Klein, Lisa R.; Silk, Alvin J.

Silva-Risso, Jorge

TI Cowboys or Cowards: Why are Internet Car Prices Lower? **AU** Zettelmeyer, Florian; Morton, Fiona Scott; Silva-Risso, Jorge.

TI Consumer Information and Price Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities? **AU** Morton, Fiona Scott; Zettelmeyer, Florian; Silva-Risso, Jorge.

Singh, Ajit

PD December 2002. **TI** Capital Account Liberalization, Free Long-Term Capital Flows, Financial Crises and Economic Development. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP245; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 34. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F21, F23, F30, F32, F36. **KW** Capital Account Liberalization. FDI. Financial Crises. Economic Development.

AB The first part of this paper examines the theoretical and empirical case for full capital account liberalization in developing countries (DCs) and finds it unconvincing. Indeed, analysis and evidence presented here point to a compelling case against it. The second part considers the liberalization of only the long-term capital account, particularly FDI -- a form of inflow favored by most economists. This paper, however, argues that even FDI, if unregulated, may do more harm than good. It is suggested that DCs should, therefore, resist the new advanced country proposals for a multilateral agreement on FDI.

PD December 2002. **TI** Competition and Competition Policy in Emerging Markets: International and Developmental Dimensions. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP246; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 42. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** F23, G34, L10, L40, O14. **KW** Competition. Competition Policy. Development. Mergers. Emerging Markets.

AB This paper examines the role of competition policy in emerging markets from a developmental and international perspective. Its main conclusions include: contrary to conventional wisdom, evidence suggests that the intensity of competition in leading emerging markets is certainly no less than that observed in advanced countries; analysis and evidence indicates that maximum competition is not

necessarily optimal, in terms of dynamic efficiency; developing countries need a competition policy today, because of (a) privatization and deregulation, and (b) the huge international merger movement; there is little evidence to indicate that the current international merger wave will enhance global economic efficiency; the current competition policies in the UK and the EU are unsuitable for developing countries -- countries at different levels of development and governance capacities require different types of competition policies. The paper presents a proposal for a development-oriented international competition authority to control anti-competitive conduct and growth by mergers of large multi-national companies.

PD December 2002. **TI** Competition, Corporate Governance and Selection in Emerging Markets. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP247; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 30. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G30, L10, O12. **KW** Competition. Corporate Governance. Selection. Emerging Markets.

AB The paper introduces the three articles in this Policy Feature, concerned respectively with competition, corporate governance and selection in emerging markets. Apart from being important in their own right, it is shown how these topics have recently acquired urgent domestic and international policy significance. This overview also provides the intellectual background to the issues raised in the papers and examines their interrelationships in analytical, empirical and methodological terms. It outlines a research program that would not only have direct policy relevance for both emerging and mature countries, but would also have broader analytical significance for many areas of economic theory.

TI Corporate Profitability and the Dynamics of Competition in Emerging Markets: A Time Series Analysis. **AU** Glen, Jack; Lee, Kevin; Singh, Ajit.

PD December 2002. **TI** Corporate Governance, Competition, the New International Financial Architecture and Large Corporations in Emerging Markets. **AU** Singh, Ajit; Singh, Alaka; Weisse, Bruce. **AA** Singh: University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP250; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 67. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G30, L10, L40, O10. **KW** Corporate Governance. Competition. Emerging Markets. Mergers. Growth.

AB This paper examines from the developing countries perspective important analytical and policy issues arising from: a) the current international discussions about corporate governance in relation to the New International Financial Architecture; b) changes in the international competitive environment being caused by the enormous international merger movement in advanced countries. The paper's main conclusions include: the thesis that the deeper causes of the Asian crisis were the flawed systems of corporate governance and a poor competitive environment in the affected countries is not supported by the evidence; emerging markets, as well as European countries, have successful records of fast long-term

growth with different governance systems, indeed superior to those of Anglo-Saxon countries; corporate financing patterns in emerging markets in the 1990s continue to be anomalous, as they were in the 1980s; and the claim that developing country conglomerates are inefficient and financially precarious is not supported by evidence or analysis.

Singh, Alaka

TI Corporate Governance, Competition, the New International Financial Architecture and Large Corporations in Emerging Markets. **AU** Singh, Ajit; Singh, Alaka; Weisse, Bruce.

Singh, Rajdeep

TI Hot Markets, Investor Sentiment and IPO Pricing. **AU** Ljungqvist, Alexander P.; Nanda, Vikram; Singh, Rajdeep.

Siotos, Georges

TI Foreign Direct Investment, Competitive Pressure and Spillovers: An Empirical Analysis on Spanish Firm Level Data. **AU** Sembenelli, Alessandro; Siotos, Georges.

Sjoholm, Fredrik

TI Foreign Direct Investment and Wages in Indonesian Manufacturing. **AU** Lipsey, Robert E.; Sjöholm, Fredrik.

Skeel, D. A., Jr.

TI Corporate Ownership Structure and the Evolution of Bankruptcy Law in the US and UK. **AU** Armour, John; Cheffins, Brian; Skeel, D. A., Jr..

Skinner, Jonathan

TI Area Differences in Utilization of Medical Care and Mortality Among U.S. Elderly. **AU** Fuchs, Victor R.; McClellan, Mark; Skinner, Jonathan.

Slinger, Giles

TI Implicit Contracts, Takeovers and Corporate Governance: In the Shadow of the City Code. **AU** Deakin, Simon; Hobbs, Richard; Nash, David; Slinger, Giles.

Sloan, Frank

TI Living Rationally Under the Volcano? An Empirical Analysis of Heavy Drinking and Smoking. **AU** Arcidiacono, Peter; Sieg, Holger; Sloan, Frank.

Smeers, Yves

PD December 2002. **TI** Market Incompleteness in Regional Electricity Transmission. Part I: The Forward Market. **AA** CORE, and FSA, Universite Catholique de Louvain. **SR** Universite Catholique de Louvain, CORE Discussion Paper: 2002/68; Center for Operations Research and Econometrics, Universite Catholique de Louvain, 34 Voi du Roman Pays, 1348 Louvain-la-Neuve, Belgium. Website: www.core.ucl.ac.be. **PG** 33. **PR** \$100 per year. **JE** D52, F14. **KW** Electricity Transmission. Incomplete Markets. Forward Market. Energy.

AB The paper analyzes various proposals for the organization of regional electricity transmission in terms of the market incompleteness that they may implicitly assume. Elementary notions of variational inequalities constitute the

analytical tool used throughout the paper. The discussion is conducted with reference to the flowgate debate in the US and European proposal for the organization of cross border electricity trade. This first part of the paper discusses market incompleteness in the forward (day ahead) market. The main results can be summarized as follows. An energy market without a market for transmission services is incomplete and hence inefficient. The nodal and flowgate models complete the market when one does not consider contingencies. One can define a notion of transmission capacity (called an extended flowgate) by aggregating line capacities using spot prices. This transmission capacity completes the market and reduces the number of necessary flowgates (possibly to one). But these extended flowgates have variable capacities. As in the case of the nodal model, extended flowgates can accommodate contingencies in the forward market.

TI Generation Capacity Expansion in Imperfectly Competitive Restructured Electricity Markets. **AU** Murphy, Frederic H.; Smeers, Yves.

Smith, Christopher L.

TI The Sources and Uses of Annual Giving at Private Research Universities. **AU** Ehrenberg, Ronald G.; Smith, Christopher L.

Smith, Jennifer C.

PD September 2002. **TI** Pay Cuts and Morale: A Test of Downward Nominal Rigidity. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 649; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 10. **PR** no charge. **JE** E24, J31. **KW** Wage Rigidity. Satisfaction. Morale Theory.

AB This paper tests the "morale" theory of downward nominal wage rigidity. This theory relies on workers disliking nominal pay cuts: cuts should make workers less happy. We investigate this using panel data on individual employees' pay and satisfaction. We confirm that nominal cuts do make workers less happy than if their pay had not fallen. But we find no difference in the effect on happiness of cuts and pay freezes. This represents important information about the nature of wage rigidity in practice and the applicability of the morale theory. The morale theory may be able to explain generalized downward wage rigidity, but apparently fails to explain downward nominal rigidity.

Smith, Jeremy

TI The Properties of Some Goodness-of-Fit Tests. **AU** Boero, Gianna; Smith, Jeremy; Wallis, Kenneth F.

TI Schooling Effects on Subsequent University Performance: Evidence for the UK University Population. **AU** Naylor, Robin A.; Smith, Jeremy.

Smith, Tony E.

PD November 2001. **TI** A Discrete-Time Stochastic Model of Job Matching. **AU** Smith, Tony E.; Zenou, Yves. **AA** Smith: University of Pennsylvania. Zenou: Southampton University. **SR** CEPR Discussion Paper: 3044; 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** D83, J41, J61. **KW** Job-Matching. Matching

Function. Optimal Search Intensity.

AB In this paper, an explicit micro scenario is developed which yields a well-defined aggregate job-matching function. In particular, a stochastic model of job-matching behavior is constructed in which the system steady state is shown to be approximated by an exponential-type matching function, as the population becomes large. This steady-state approximation is first derived for fixed levels of both wages and search intensities, where it is shown (without using a free-entry condition) that there exists a unique equilibrium. It is then shown that if job searchers are allowed to choose their search intensities optimally, then this model is again consistent with a unique steady state. Finally, the assumption of a fixed wage is relaxed, and an optimal "offer wage" is derived for employers.

Solan, Eilon

TI On the MaxMin Value of Stochastic Games with Imperfect Monitoring. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas.

TI Stochastic Games with Imperfect Monitoring. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas.

PD March 2002. **TI** Perturbed Markov Chains. **AU** Solan, Eilon; Vieille, Nicolas. **AA** Solan: Northwestern University and Tel Aviv University. Vieille: HEC. **SR** Northwestern University, Center for Mathematical Studies in Economics and Management Science Discussion Paper: 1342; Northwestern University, CMS-EMS, 2001 Sheridan Road, 580 Leverone Hall, Evanston, IL 60208-2014. Website: www.kellogg.nwu.edu/research/math/. **PG** 19. **PR** \$3.00 U.S.; \$5.00 via international mail; \$2.00 Northwestern faculty/students; make check payable to Northwestern University. **JE** C40, F10, J10. **KW** Perturbed Markov Chains. Conductance.

AB We obtain results on the sensitivity of the invariant measure and other statistical quantities of a Markov chain with respect to perturbations of the transition matrix. We use graph-theoretic techniques, in contrast with the matrix analysis techniques previously used.

TI Approximating a Sequence of Observation by a Simple Process. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas.

Soloaga, Isidro

TI Weightless Machines and Costless Knowledge: An Empirical Analysis of Trade and Technology Diffusion. **AU** Barba Navaretti, Giorgio; Soloaga, Isidro.

Sonnac, Nathalie

TI Attitudes Toward Advertising and Price Competition in the Press Industry. **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie.

TI Network Effects in the Press and Advertising Industries. **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie.

TI Concentration in the Press Industry and the Theory of the "Circulation Spiral". **AU** Gabszewicz, Jean J.; Laussel, Didier; Sonnac, Nathalie.

Sonnenschein, Hugo F.

TI The Linking of Collective Decisions and Efficiency. **AU** Jackson, Matthew O.; Sonnenschein, Hugo F.

Sonsino, Doron

TI Social Distance and Reciprocity: The Internet vs. the Laboratory. **AU** Charness, Gary; Haruvy, Eran; Sonsino, Doron.

Stanca, Luca

TI Wage Premia and Skill Upgrading in Italy: Why Didn't the Hound Bark? **AU** Manasse, Paolo; Stanca, Luca; Turrini, Alessandro.

Stark, Oded

PD March 2002. **TI** Migration Dynamics. **AU** Stark, Oded; Wang, You Qiang. **AA** Stark: University of Oslo and University of Vienna. Wang: Chinese University of Hong Kong. **SR** Institute for Advanced Studies (IHS), Economics Series: 112; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. Website: www.ihs.ac.at/publications/econo/publications.htm. **PG** 7. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** F22, J61. **KW** Migration Dynamics. Migrants' Transfers. Follow-Up Migration.

AB Quite often established migrants offer assistance and support that facilitate the arrival of new migrants. Why would migrants want other migrants to join them -- so much so as to be willing to pay for them to come? We suggest a rationale. Our modeling framework is capable of explaining several stylized facts pertaining to transfers by migrants and the structure and dynamics of migration.

Steigerwald, Douglas G.

PD August 2001. **TI** Option Market Microstructure and Stochastic Volatility. **AU** Steigerwald, Douglas G.; Vagnoni, Richard J. **AA** Steigerwald: UCSB. Vagnoni: General Accounting Office, Washington, DC. **SR** University of California, Santa Barbara, Working Papers in Economics: 01/17; Working Paper Coordinator. Dept. of Economics. University of California, Santa Barbara, Santa Barbara, CA 93106. Website: www.econ.ucsb.edu. **PG** 53. **PR** no charge for domestic orders; for non-U.S. orders, U.S. \$3 per paper, pre-paid personal check or money order made out to "Regents of the University of California". **JE** C52, G13. **KW** Options. Stochastic Volatility. Market Microstructure. Information-Based Trade.

AB Our primary goal is to develop and analyze a dynamic economic model that takes into account several sources of information-based trade -- the markets for a stock and options on that stock -- and that ultimately accounts for salient features of stock price data, including serial correlation in stock trades, serial correlation in squared stock price changes (stochastic volatility), and more persistent serial correlation in stock trades than in squared stock price changes. We derive the dynamic relationships among the stock, the call option, and the put option and capture the leverage effect offered by options. We derive consistency results for the learning process and the convergence of an asset's quotes to the asset's true value. We also derive closed-form analytic results for expected calendar period priced changes and trades, and we examine calendar period serial correlation properties of squared price changes and trades.

Stephens, Melvin, Jr.

TI Job Displacement, Disability, and Divorce.

AU Charles, Kerwin Kofi; Stephens, Melvin, Jr.

Stinebrickner, Ralph

TI Working During School and Academic Performance. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph.

TI Time-Use and College Outcomes. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph.

TI Peer Effects Among Students From Disadvantaged Backgrounds. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph.

TI Understanding Educational Outcomes of Students from Low Income Families: Evidence from a Liberal Arts College with a Full Tuition Subsidy Program. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph.

Stinebrickner, Todd R.

PD December 2001. **TI** Working During School and Academic Performance. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph. **AA** Stinebrickner, T.: University of Western Ontario. Stinebrickner, R.: Berea College. **SR** University of Western Ontario. CIBC Working Paper: 2001/01; CIBC Working Paper Series Coordinator, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2. Website: www.ssc.uwo.ca/economics/econref/CIBCwp/WP.html.

PG 18. **PR** Canadian \$10.00 plus a \$3.00 per order handling fee for hard copies; make checks payable to the University of Western Ontario. **JE** I20, J00, J20. **KW** Academic Performance. Educational Outcomes. Working During School. Grade Performance.

AB Unique new data from a college with a mandatory work-study program are used to examine the relationship between working during school and academic performance. Particular attention is paid to the importance of biases that are potentially present because the number of hours that are worked is endogenously chosen by the individual. The results suggest that, even if the results appear reasonable, a researcher should be cautious when drawing policy conclusions about the relationship between hours-worked and a particular outcome of interest unless he/she is confident that potential problems associated with the endogeneity of hours have been adequately addressed.

PD December 2001. **TI** Time-Use and College Outcomes. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph. **AA** Stinebrickner, T.: University of Western Ontario. Stinebrickner, R.: Berea College. **SR** University of Western Ontario, CIBC Working Paper: 2001/02; CIBC Working Paper Series Coordinator, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2. Website: www.ssc.uwo.ca/economics/econref/CIBCwp/WP.html. **PG** 26. **PR** Canadian \$10.00 plus a \$3.00 per order handling fee for hard copies; make checks payable to the University of Western Ontario. **JE** I20, J00, J20. **KW** Time Allocation. Educational Outcomes. College Outcomes. Grade Performance.

AB Despite an increased awareness of the policy importance of understanding the determinants of education outcomes, knowledge of the relationship between education outcomes and perhaps the most basic input in the education production process -- students' study time and effort -- has remained virtually non-existent. This paper examines this issue using

unique longitudinal data from Berea College.

PD December 2001. **TI** Peer Effects Among Students From Disadvantaged Backgrounds. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph. **AA** Stinebrickner, T.: University of Western Ontario. Stinebrickner, R.: Berea College. **SR** University of Western Ontario, CIBC Working Paper: 2001/03; CIBC Working Paper Series Coordinator, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2. Website: www.ssc.uwo.ca/economics/econref/CIBCwp/WP.html.

PG 13 pages. **PR** Canadian \$10.00 plus a \$3.00 per order handling fee for hard copies; make checks payable to the University of Western Ontario. **JE** I21, I30, J00. **KW** Peer Effects. Educational Outcomes. Academic Performance. Low-Income Students.

AB This paper compliments the work of Sacerdote (1999) and Zimmerman (1999) by examining peer effects in a context where many students are from the types of disadvantaged backgrounds that are often the focus of education policy. The paper finds strong evidence of peer effects for females and suggests that a net gain is likely to result from combining students from diverse backgrounds.

PD December 2001. **TI** Understanding Educational Outcomes of Students from Low Income Families: Evidence from a Liberal Arts College with a Full Tuition Subsidy Program. **AU** Stinebrickner, Todd R.; Stinebrickner, Ralph. **AA** Stinebrickner, T.: University of Western Ontario. Stinebrickner, R.: Berea College. **SR** University of Western Ontario, CIBC Working Paper: 2001/04; CIBC Working Paper Series Coordinator, Department of Economics, Social Science Centre, University of Western Ontario, London, Ontario, N6A 5C2. Website: www.ssc.uwo.ca/economics/econref/CIBCwp/WP.html. **PG** 28. **PR** Canadian \$10.00 plus a \$3.00 per order handling fee for hard copies; make checks payable to the University of Western Ontario. **JE** I20, I30, J00. **KW** Educational Outcomes. Low-Income Students. Poverty. Tuition Subsidy.

AB Issues related to the schooling attainment of children from low-income families arise frequently in current education policy debates. In part due to a recent increase in the disparity between the wages of college graduates and the wages of individuals with less than a college degree, there has been a specific interest in understanding why a very high percentage of children from low income families do not graduate from college and why college graduation rates of children from low income families are substantially lower than those of children from other families. Using unique new data obtained directly from a high-quality liberal arts college that maintains a full tuition subsidy program (and large room and board subsidies) for all students, this paper provides direct evidence that reasons unrelated to the direct costs of college are very important in explaining these realities.

Stockman, David R.

TI Money as Real Options in a Cash-in-Advance Economy. **AU** Beck, Stacie; Stockman, David R.

PD August 2001. **TI** Assessing the Size of Local Indeterminacy in Macroeconomic Models. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2001/04; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website:

www.be.udel.edu/economics/workingpaper.htm. **PG** 28. **PR** no charge. **JE** C62, C68. **KW** Local Indeterminacy. Domain of Attraction. Implicit Differential Equations. Dynamic General Equilibrium.

AB An important area of recent macroeconomic research has focused on the possibility of local indeterminacy of equilibria in intertemporal general equilibrium models. This type of indeterminacy is of interest for many reasons (e.g., sunspot equilibria and a richer shock propagation mechanism). However, the analytical method used to determine this type of indeterminacy is local and therefore valid only for a small neighborhood around a deterministic steady state. This paper will investigate via examples and numerical calculations just how small is small? The area of indeterminacy is called the domain of attraction. I find that the domain of attraction is larger for models that have exogenous conditions for indeterminacy than for those with endogenous conditions. Global analysis of the implicit differential equations that characterize equilibrium reveals singularities. The region in the phase space where these singularities occur forms a manifold that bounds the domain of attraction.

PD December 2002. **TI** Default, Reputation and Balanced-Budget Rules. **AA** University of Delaware. **SR** University of Delaware, Department of Economics Working Paper: 2002/07; Working Papers Coordinator, Department of Economics, University of Delaware, Newark, DE 19716. Website: www.be.udel.edu/economics/workingpaper.htm. **PG** 24. **PR** no charge. **JE** E61, H21, H63. **KW** Balanced Budget. Sustainable Equilibrium. Default. Debt Obligations.

AB Is a balanced-budget rule compatible with a government honoring its debt obligations? According to the conventional explanation, governments honor their debt obligations to maintain a good reputation for future borrowing. The ability to borrow is desirable because it allows for greater tax smoothing. However, a balanced-budget rule limits the ability to smooth taxes, rendering a large class of competitive equilibria not compatible with a government honoring its debt obligations. The reputation model predicts default as the equilibrium outcome under a balanced-budget restriction. Insofar as this prediction is falsified by empirical observation, mechanisms other than reputation must be at work.

Stone, Mark R.

PD July 2000. **TI** Large-Scale Post-Crisis Corporate Sector Restructuring. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/00/07; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12-607, Washington, DC 20431. Website: www.imf.org. **PG** 24. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** G34, O57. **KW** Financial Crises. Corporate Restructuring. Financial Restructuring.

AB This paper summarizes the objectives, tasks, and modalities of large-scale, post-crisis corporate restructuring based on nine recent episodes with a view to organizing the policy choices and drawing some general conclusions. These episodes suggest that government-led restructuring efforts should integrate corporate and bank restructuring in a holistic and transparent strategy based on clearly defined objective and including sunset provisions.

Storesletten, Kjetil

PD November 2001. **TI** Asset Pricing with Idiosyncratic Risk and Overlapping Generations. **AU** Storesletten, Kjetil; Telmer, Chris; Yaron, Amir. **AA** Storesletten: Stockholm University and CEPR. Telmer: Carnegie Mellon University. Yaron: University of Pennsylvania. **SR** CEPR Discussion Paper: 3065; 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, G12. **KW** Life-Cycle Effects. Idiosyncratic Risk. Asset Pricing. Overlapping Generations.

AB Constantines and Duffie (1996) show that for idiosyncratic risk to matter for asset pricing the shocks must (i) be highly persistent and (ii) become more volatile during economic contractions. We show that data from the Panel Study on Income Dynamics (PSID) are consistent with these requirements. Our results are based on econometric methods that incorporate macroeconomic information going beyond the time horizon of the PSID, dating back to 1910. We go on to argue that life-cycle effects are fundamental for how idiosyncratic risk affects asset pricing. We use a stationary overlapping-generations model to show that life-cycle effects can either mitigate or accentuate the equity premium, the critical ingredient being whether agents accumulate or disperse risky assets as they age. Our model predicts the latter and is able to account for both the average equity premium and the Sharpe ratio observed on the US stock market.

Straubhaar, Thomas

PD November 2001. **TI** Divergence -- Is It Geography? **AU** Straubhaar, Thomas; Surcke, Marc; Urban, Dieter. **AA** Straubhaar: HWWA and CEPR. Surcke: HWWA and UNICEF. Urban: Centro Studi Luca d'Agliano and HWWA. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 158; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 35. **PR** no charge. **JE** F12, O41, R11. **KW** Threshold Estimation. Economic Geography. Regional Income Convergence. Poverty Trap. Regime Shifts.

AB We test directly a geography and growth model using regional data for Europe, the US, Japan during different time periods. We set up a standard geography and growth model with a poverty trap and derive a log-linearized growth equation that corresponds directly to a threshold regression technique in econometrics. We test whether regions with high population density (centers) grow faster and have a permanently higher per capita income than regions with lower densities (peripheries). We find geography driven divergence for the US and Europe after 1980. Population density is superior in explaining divergence to initial income, which the most important official EU eligibility criterion for regional aid is built on. Divergence is stronger on smaller regional units (NUTS3) than on larger ones (NUTS2). The wavelength of agglomeration forces seems to be small in Europe. Human capital and R&D are transmission channels of divergence processes. Human capital based poverty trap models are an alternative explanation for regional poverty traps.

Strauss, Robert P.

PD July 2001. **TI** It's What You Know, Not How You Learned to Teach It: Evidence from a Study of the Effects of

Knowledge and Pedagogy on Student Achievement. **AU** Strauss, Robert P.; Vogt, William B. **AA** Strauss: University of Chicago. Vogt: Carnegie Mellon University and NBER. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State. Working Paper: 168; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 22. **PR** \$3.00; make check payable to "The University of Chicago." **JE** I21, M51. **KW** Student Achievement. Teacher Characteristics. Pennsylvania. Educational Testing.

AB While there is growing national concern about inadequate student achievement in the US compared to that of our trading partners, and a general awareness that what a classroom teacher knows and how they teach it must make a difference in student achievement, there is little systematic evidence on the relationship between such teacher characteristics and student achievement. This paper reports the results of estimating a multi-equation model of hiring policies, teacher characteristics, and student achievement at the district level in Pennsylvania. We find that, before correcting for endogeneity of teacher quality viz a viz the hiring decision, the elasticity of median Educational Testing Service's National Teacher Exam General Knowledge test scores on multidimensional measures of student achievement is about .8. However, after correcting for endogeneity of this teacher quality measure viz a viz the hiring decision, the elasticity is very large in absolute value (from about 8.0 to 12.0) and statistically significant. We also find that the median Professional Knowledge test score is typically negatively related to student achievement. After correcting for endogeneity, the elasticity remains negative, but becomes much larger in absolute value, although it is typically not statistically significant.

Strobl, Eric

TI Multinational Enterprises and New Trade Theory: Evidence for the Convergence Hypothesis. **AU** Barrios, Salvador; Gorg, Holger; Strobl, Eric.

TI Coagglomeration and Growth. **AU** Barrios, Salvador; Bertinelli, Luisito; Strobl, Eric.

Strumpf, Koleman S.

PD February 2003. **TI** Illegal Sports Bookmakers. **AA** University of North Carolina at Chapel Hill. **SR** University of Chicago, George J. Stigler Center for the Study of the Economy and the State Working Paper: 181; George J. Stigler Center, University of Chicago, Graduate School of Business, c/o Vicki Ryberg, 1101 East 58th Street, Chicago, IL 60637. Website: gsbwww.uchicago.edu/research/cs/es/. **PG** 32. **PR** \$3.00; make check payable to "The University of Chicago." **JE** K42, L83. **KW** Economics of Crime. Industrial Organization. Illegal Sports Bookmaking.

AB This paper provides an economic analysis of illegal sports bookmaking using detailed records from six bookmakers who operated in the 1990s. These operations are structured like standard firms and utilize incentive contracts to induce appropriate employee behavior. The bookmakers offer prices which closely follow the graphically separated legal market, but larger operations price discriminate based on individual betting patterns. Despite the availability of inexpensive

hedging instruments, all operations take on substantial financial risk. This implies the bookmakers cannot be risk-averse and must hold large cash reserves. The risk-adjusted profit rate is lower than in legal financial markets. These results and behaviors are consistent with standard models of economic self-interest.

Studdert, David M.

TI A Flood of Litigation? Predicting the Consequences of Changing Legal Remedies Available to ERISA Beneficiaries. **AU** Gresenz, Carole Roan; Hensler, Deborah R.; Studdert, David M.; Dombey-Moore, Bonnie; Pace, Nicholas M.

TI A Flood of Litigation? Predicting the Consequences of Changing Legal Remedies Available to ERISA Beneficiaries. **AU** Gresenz, Carole Roan; Hensler, Deborah R.; Studdert, David M.; Dombey-Moore, Bonnie; Pace, Nicholas M.

Sugita, Katsuhiko

PD July 2002. **TI** Testing for Cointegration Rank Using Bayes Factors. **AA** University of Warwick. **SR** The Warwick Economic Research Paper: 654; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. Website: www.warwick.ac.uk/fac/soc/Economics/. **PG** 14. **PR** no charge. **JE** C11, C12, C32. **KW** Cointegration. Bayes Factor. Monte Carlo Simulations. **AB** This paper proposes Bayesian methods for estimating the cointegration rank using Bayes factors. We consider natural conjugate priors for computing Bayes factors. First, we estimate the cointegrating vectors for each possible rank. Then, we compute the Bayes factors for each rank against 0 rank. Monte Carlo simulations show that using Bayes factor with conjugate priors produces fairly good results. We apply the method to demand for money in the US.

Sullivan, James X.

TI The Effects of Welfare and Tax Reform: The Material Well-Being of Single Mothers in the 1980s and 1990s. **AU** Meyer, Bruce D.; Sullivan, James X.

Sullivan, Ryan

PD November 2001. **TI** Forecast Evaluation with Shared Data Sets. **AU** Sullivan, Ryan; Timmermann, Allan G.; White, Halbert. **AA** Sullivan: Economic Analysis LLC. Timmermann and White: UCSD. **SR** CEPR Discussion Paper: 3060; 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** C15, C87. **KW** Bootstrap. Calendar Effects. Data Sharing. Forecast Evaluation. Technical Trading.

AB Data sharing is common practice in forecasting experiments in situations where fresh data samples are difficult or expensive to generate. This means that forecasters often analyze the same data set using a host of different models and sets of explanatory variables. This practice introduces statistical dependencies across forecasting studies that can severely distort statistical inference. Here we examine a new and inexpensive recursive bootstrap procedure that allows forecasters to account explicitly for these dependencies. The procedure allows forecasters to merge empirical evidence and draw inference in the light of previously accumulated results. In an empirical example, we merge results from predictions of

daily stock prices based on (1) technical trading rules and (2) calendar rules, demonstrating both the significance of problems arising from data sharing and the simplicity of accounting for data sharing using these new methods.

Sunley, Peter

TI Deconstructing Clusters: Chaotic Concept or Policy Panacea. **AU** Martin, Ron; Sunley, Peter.

Surcke, Marc

TI Divergence -- Is It Geography? **AU** Straubhaar, Thomas; Surcke, Marc; Urban, Dieter.

Swaffield, Joanna K.

TI Educational Attainment, Labor Market Institutions and the Structure of Production. **AU** Nickell, Stephen John; Redding, Stephen; Swaffield, Joanna K.

Swinkels, Jeroen M.

TI The Simple Geometry of Perfect Information Games. **AU** Demichelis, Stefano; Ritzberger, Klaus; Swinkels, Jeroen M.

Symeonidis, George

PD May 2001. **TI** Price Competition, Innovation and Profitability: Theory and UK Evidence. **AA** University of Essex and CEPR. **SR** CEPR Discussion Paper: 2816; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** L11, L13, O31. **KW** Cartels. Innovation. Manufacturing. Market Structure. Price Competition. **AB** This paper examines the effect of price competition on innovation, market structure and profitability in R&D-intensive industries. The theoretical predictions are tested using UK data on the evolution of competition, concentration, innovation counts and profitability over 1952-77. The econometric results suggest that the introduction of restrictive practices legislation in the UK had no significant effect on the number of innovations commercialized in previously cartelized R&D-intensive manufacturing industries, while it caused a significant rise in concentration in these industries. In the short run profitability decreased, but in the long run it was restored through the rise in concentration.

Tabuchi, Takatoshi

PD December 2001. **TI** Taste Heterogeneity, Labour Mobility and Economic Geography. **AU** Tabuchi, Takatoshi; Thisse, Jacques-Francois. **AA** Tabuchi: University of Tokyo. Thisse: Universite Catholique de Louvain. **SR** CEPR Discussion Paper: 3114; 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** O15, O18, R13. **KW** Agglomeration. Logit. Migrations. Spatial Equity. Wage Differential. Heterogeneous Labor Force.

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. We show that taste heterogeneity acts as a strong dispersion force. We also show that the relationship between the 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, our 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.

Tamayo, Ane

TI Risk, Mispricing, and Asset Allocation: Conditioning on Dividend Yield. **AU** Shanken, Jay; Tamayo, Ane.

Tao Yang, Dennis

TI China's Great Leap: Forward or Backward? Anatomy of a Central Planning Disaster. **AU** An, Mark Yuying; Li, Wei; Tao Yang, Dennis.

Taylor, Alan M.

TI A Century of Missing Trade? **AU** Estevadeordal, Antoni; Taylor, Alan M.

Taylor, Curtis R.

PD March 2002. **TI** Private Demands and Demands for Privacy: Dynamic Pricing and the Market for Customer Information. **AA** Duke University. **SR** Duke University Department of Economics Working Paper: 02/02; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. **PG** 34. **PR** no charge. **JE** C73, D81, D82, L86. **KW** Privacy. Customer Information. Internet. E-Commerce.

AB Consumer privacy and the market for customer information in electronic retailing are investigated. The value of customer information derives from the ability of firms to identify individual consumers and charge them personalized prices. Two settings are studied, a closed privacy regime in which sale of customer information is forbidden and an open privacy regime in which it is permitted. Consumers fare poorly and firms fare well under an open privacy regime when consumers are myopic. In such settings the opportunity to sell information often gives firms incentives to charge "experimental" prices. When consumers are farsighted relative to firms, however, they may undermine the market for customer information by strategically rejecting offers. In this case, firms are always better off committing to keep customer information private.

Taylor, Mark

TI The Out-of-Sample Success of Term Structure Models as Exchange Rate Predictors: A Step Beyond. **AU** Clarida, Richard H.; Sarno, Lucio; Taylor, Mark; Valente, Giorgio.

Taylor, Robert A. M.

TI Tests of Stationarity Against a Change in Persistence. **AU** Busetti, Fabio; Taylor, Robert A. M.

PD March 2002. **TI** On the Asymptotic Properties of Some Seasonal Unit Root Tests. **AA** University of Birmingham. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/02; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 23. **PR** 2 pounds; no charge to academics. **JE** C12, C22. **KW** Seasonal Unit Root. Hypothesis Testing. Seasonal Autoregression. Random Walk. Lag Augmentation.

AB This paper analyzes the large sample behavior of the

seasonal unit root test of Dickey et al. (1984) (DHF) when applied to a series which admits a unit root at the zero but not seasonal spectral frequencies. We show that in such cases the DHF statistics have non-degenerate limiting distributions. Consequently, there is a non-zero probability that they will lead the applied researcher to accept the seasonal unit root null hypothesis, and hence, incorrectly, take seasonal differences of the series, even asymptotically. The same conclusion is shown to hold if the process displays unit root behavior at any of the zero and/or seasonal frequencies. Our results therefore prove a conjecture, made on the basis of Monte Carlo simulation evidence, in Ghysels et al. (1994) that the tests of the DHF, unlike those of the Hylleberg et al. (1990) (HEGY), are unable to separate between unit roots at the zero and seasonal frequencies. We also demonstrate that the standard practice of augmenting the test regression by adding lags of the dependent variable alters the large sample distributions of the DHF statistics in the above scenario. Overall, we strongly recommend that the HEGY seasonal unit root tests supplant those of DHF in applied work.

PD March 2002. **TI** On Tests for Double Differencing: Some Extensions and the Role of Initial Values. **AU** Taylor, Robert A. M.; Rodrigues, Paulo M. M. **AA** Taylor: University of Birmingham. Rodrigues: University of Algarve. **SR** University of Birmingham, Department of Economics Discussion Paper: 02/05; Discussion Paper Coordinator, Department of Economics, University of Birmingham, Edgbaston, Birmingham B15 2TT, United Kingdom. Website: www.economics.bhman.ac.uk/research/. **PG** 38. **PR** 2 pounds; no charge to academics. **JE** C12, C22. **KW** Similar Tests. Brownian Motions. De-Trending. Double Differencing Tests.

AB In this paper we investigate the impact which starting values have upon the double differencing tests of Hasza and Fuller (1979) and Sen and Dickey (1987), based on Ordinary Least Squares (OLS) and Simple Symmetric LS (SSLS) estimation respectively. We demonstrate that, contrary to what is observed for conventional unit root tests, when based on data which has been de-measured, either directly or by the inclusion of a constant in the test regression, these tests are not exact similar to the starting values of the process, except where they are fixed and equal. We show that such tests can also fail to be asymptotically pivotal. We demonstrate that OLS tests based on data which has been de-trended, either directly or by the inclusion of a constant and linear time trend in the test regression, yield exact similar inference. We extend the SSLS-based tests in a similar direction and show that here one obtains exact similar tests only if direct de-trending is used. We highlight another error which appears in the literature, demonstrating that the two de-measured OLS-based tests do not coincide, even asymptotically, and that the same holds for the OLS- and SSLS-based tests for de-trended data.

TI Testing Against Stochastic Trend and Seasonality in the Presence of Unattended Breaks and Unit Roots. **AU** Busetti, Fabio; Taylor, Robert A. M.

TI Alternative Estimators and Unit Root Tests for Seasonal Autoregressive Processes. **AU** Rodrigues, Paulo M. M.; Taylor, Robert A. M.

Telmer, Chris

TI Asset Pricing with Idiosyncratic Risk and Overlapping Generations. **AU** Storesletten, Kjetil; Telmer, Chris; Yaron,

Amir.

Temple, Jonathan

TI Rich Nations, Poor Nations: How Much Can Multiple Equilibria Explain? AU Graham, Bryan S.; Temple, Jonathan.

TI GMM Estimation of Empirical Growth Models. AU Bond, Stephen R.; Hoeffler, Anke; Temple, Jonathan.

Teysiere, Gilles

TI Microeconomic Models for Long-Memory in the Volatility of Financial Time Series. AU Kirman, Alan; Teysiere, Gilles.

TI On the Power of R/S-Type Test Under Contiguous and Semi Long Memory Alternatives. AU Giraitis, Liduas; Kokoszka, Piotr; Leipus, Remigijus; Teysiere, Gilles.

TI Bubbles and Long-Range Dependence in Asset Prices Volatilities. AU Kirman, Alan; Teysiere, Gilles.

TI Change-Point Detection in GARCH Models: Asymptotic and Bootstrap Tests. AU Kokoszka, Piotr; Teysiere, Gilles.

Thaler, Richard H.

TI Can the Market Add and Subtract? Mispricing in Tech Stock Carve-Outs. AU Lamont, Owen A.; Thaler, Richard H.

Thisse, Jacques-Francois

TI Taking the Bite Out of Fiscal Competition. AU Justman, Moshe; Thisse, Jacques-Francois; van Ypersele, Tanguy.

TI Taste Heterogeneity, Labour Mobility and Economic Geography. AU Tabuchi, Takatoshi; Thisse, Jacques-Francois.

TI How to Share When Context Matters: The Mobius Value as a Generalized Solution for Cooperative Games. AU Billot, Antoine; Thisse, Jacques-Francois.

TI Economic Geography and the Role of Profits. AU Picard, Pierre M.; Thisse, Jacques-Francois; Toulemonde, Eric.

TI Stochastic Rationality and Mobius Inverse. AU Billot, Antoine; Thisse, Jacques-Francois.

Thomas, Duncan

TI The Real Costs of Indonesia's Economic Crisis: Preliminary Findings from the Indonesia Family Life Surveys. AU Frankenber, Elizabeth; Thomas, Duncan; Beegle, Kathleen.

Timmermann, Allan G.

TI Forecast Evaluation with Shared Data Sets. AU Sullivan, Ryan; Timmermann, Allan G.; White, Halbert.

Tind, Jorgen

TI Multi-Period DEA Incentive Regulation in Electricity Distribution. AU Agrell, Per J.; Bogetoft, Peter; Tind, Jorgen.

Titman, Sheridan

PD December 2001. TI The Modigliani and Miller Theorem and Market Efficiency. AA University of Texas and NBER. SR National Bureau of Economic Research Working Paper: 8641; Working Papers. NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. PG 23. PR \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). JE F15, L13. KW Capital Market Integration. Financial Strategies. Risk Management Capital Structure.

AB Most of the recent literature on risk management and capital structure assumes that markets are perfect, i.e., efficient and complete. This paper presents anecdotal evidence that suggests that different capital markets (e.g., debt, equity and warrants markets) may not be perfectly integrated, and discuss the implications of this lack of integration on financing strategies. This paper claims that although models that assume perfect markets are sufficient to explain cross-sectional differences in financing and risk management choices within an economy, that issues relating to market conditions may be necessary to explain differences in these choices across time.

Toivanen, Otto

TI Fast Food -- the Early Years: Geography and the Growth of a Chain-Store in the UK. AU Sault, Joanne; Toivanen, Otto; Waterson, Michael.

Tong, Daochi

TI Economic Openness: Many Facets, Many Metrics. AU Wolf, Charles, Jr.; Levaux, Hugh P.; Tong, Daochi.

Toulemonde, Eric

TI Economic Geography and the Role of Profits. AU Picard, Pierre M.; Thisse, Jacques-Francois; Toulemonde, Eric.

TI Endogenous Qualifications and Firms' Agglomeration. AU Picard, Pierre M.; Toulemonde, Eric.

Townsend, Robert M.

TI Dynamic Mechanism Design with Hidden Income and Hidden Actions. AU Doepke, Matthias; Townsend, Robert M.

TI Dynamic Mechanism Design with Hidden Income and Hidden Actions: Technical Appendix. AU Doepke, Matthias; Townsend, Robert M.

Trajtenberg, Manuel

TI The NBER Patent Citations Data File: Lessons, Insights and Methodological Tools. AU Hall, Bronwyn H.; Jaffe, Adam B.; Trajtenberg, Manuel.

Trefler, Daniel

PD May 2001. TI The Long and Short of the Canada-U.S. Free Trade Agreement. AA University of Toronto and NBER. SR National Bureau of Economic Research Working Paper: 8293; 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 F10, F13, F14, F15. KW FTA. Trade Liberalization. Labor Productivity. AB The Canada-U.S. Free Trade Agreement (FTA) provides

a unique window on the effects of trade liberalization. It was an unusually clean trade policy exercise in that it was not bundled into a larger package of macroeconomic or market reforms. This paper uses the 1989-96 Canadian FTA experience to examine the short-run adjustment costs and long-run efficiency gains that flow from trade liberalization. For industries subject to large tariff cuts (these are typically "low-end" manufacturing industries), the short-run costs included a 15% decline in employment and about a 10% decline in both output and the number of plants. Balanced against these large short-run adjustment costs were long-run labor productivity gains of 17% or a spectacular 1.0% per year. Although good capital stock and plant-level data are lacking, an attempt is made to identify the sources of FTA-induced labor productivity growth. Surprisingly, this growth is not due to rising output per plant, increased investment, or market share shifts to high-productivity plants. Instead, half of the 17% labor productivity growth appears due to favorable plant turnover (entry and exit) and rising technical efficiency.

Treich, Nicolas

TI Regulating an Agent with Different Beliefs. **AU** Salanie, Francois; Treich, Nicolas.

Treichel, Volker

PD February 2002. **TI** Stabilization Policies and Structural Reforms in Albania since 1997 -- Achievements and Remaining Challenges. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/02; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 27. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** E61, E65, O52. **KW** Albania. Macroeconomic Stabilization. Structural Reform.

AB This paper assesses the effectiveness of stabilization policies and structural reforms in Albania since 1997 and seeks to identify the remaining key challenges in various policy areas. It also draws lessons for other transition economies from the recent Albanian experience. While progress has been made toward macroeconomic stability and the establishment of a modern institutional framework, much remains to be done to enhance the sustainability of the recent favorable macroeconomic performance and reduce unemployment and poverty. Crucial areas of reform are the creation of functioning institutions, notably in the judicial field, and the establishment of a reliable supply of electricity, which has recently become an obstacle for rapid growth.

Tschoegl, Adrian E.

TI Foreign Banks in Bulgaria, 1875-2002. **AU** Koford, Kenneth J.; Tschoegl, Adrian E.

Tseng, Wanda S.

PD February 2002. **TI** Foreign Direct Investment in China: Some Lessons for Other Countries. **AU** Tseng, Wanda S.; Zebregs, Harm H. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/02/03; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. Website: www.imf.org. **PG** 20. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** F15, F21, F43. **KW** China. Foreign Direct Investment. Growth. Investment.

AB China's increasing openness to foreign direct investment (FDI) has contributed importantly to its exceptional growth performance. This paper examines China's experience with FDI and identifies some lessons for other countries. Most of the factors explaining China's success have also been important in attracting FDI to other countries: market size, labor costs, quality of infrastructure, and government policies. FDI has contributed to higher investment and productivity growth, and has created jobs and a dynamic export sector. China's success, however, did not come without some pitfalls: an increasingly complex tax incentive system and growing regional income disparities. Accession to the World Trade Organization should broaden China's "opening up" policies and continue FDI's contributions to China's economy in the future.

Turner, John D.

TI The Trading of Unlimited Liability Bank Shares: The Bagehot Hypothesis. **AU** Hickson, Charles R.; Turner, John D.

Turrini, Alessandro

PD May 2001. **TI** For Whom is MAI? A Theoretical Perspective on Multilateral Agreements on Investments. **AU** Turrini, Alessandro; Urban, Dieter. **AA** Turrini: University of Bergamo and CEPR. Urban: Centro Studi Luca d'Agliano and HWWA, Hamburg. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 151; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 21. **PR** no charge. **JE** F13, F23, O19. **KW** Foreign Direct Investment. International Agreements. Adverse Selection. Multiple Equilibria.

AB Why do we observe some LDCs objecting the prospect of a Multilateral Agreement on Investment (MAI), although they have been keen to liberalize investment in preferential agreements in recent years? In this paper, we analyze the issue of MAI implementation and assess the welfare consequences of such kind of agreements. In our model, participation to MAI involves a trade-off between less rent extraction from multinational firms (MNEs) and more abundant FDI inflows. At equilibrium, either all countries enter MAI, or all countries stay out, or only some of them enter. Coordination problems may induce multiple equilibria: the three types of equilibria may coexist. So, the implementation of MAI may depend not only on structural factors but also on the general "political climate." When all countries join MAI, world welfare is maximized because this minimizes the hold-up problem faced by MNEs and stimulates investment. However, in an asymmetric world, welfare gains are not guaranteed for all countries.

PD November 2001. **TI** Traders, Courts and the Home Bias Puzzle. **AU** Turrini, Alessandro; van Ypersele, Tanguy. **AA** Turrini: UNCTAD, University of Bergamo and CEPR. Van Ypersele: University of Namur and CORE. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 159; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 18. **PR** no charge. **JE** F12. **KW** Cross-Border Trade. Legal Costs. Matching. Home Bias Puzzle.

AB Recent evidence shows that the "home bias puzzle" in international trade may be associated with the mere presence of national borders (McCallum (1996)). In this paper, we provide a theoretical framework to explain why borders may matter so

much for trade. Our argument is that even between perfectly integrated and similar countries, the legal system differs, so that legal costs are higher when business is done abroad. Using a matching model of trade, we show that the home bias is associated with both less searching foreign sellers in the home market and a lower probability of cross-border matches being accepted. In industries characterised by high turnover, legal costs may reduce trade by reducing the mass of searching foreign sellers and increasing at the same time that of searching domestic sellers.

TI Wage Premia and Skill Upgrading in Italy: Why Didn't the Hound Bark? **AU** Manasse, Paolo; Stanca, Luca; Turrini, Alessandro.

TI Distance and FDI When Contracts Are Incomplete. **AU** Ottaviano, Gianmarco I. P.; Turrini, Alessandro.

TI Adjusting Labor Demand: Multinational vs. National Firms: A Cross-European Analysis. **AU** Barba Navaretti, Giorgio; Checchi, Daniele; Turrini, Alessandro.

Tybout, James R.

TI Market Entry Costs, Producer Heterogeneity, and Export Dynamics. **AU** Das, Sanghamitra; Roberts, Mark J.; Tybout, James R.

Uppal, Raman

TI Risk Aversion and Optimal Portfolio Policies in Partial and General Equilibrium Economies. **AU** Kogan, Leonid; Uppal, Raman.

Urban, Dieter

TI For Whom is MAI? A Theoretical Perspective on Multilateral Agreements on Investments. **AU** Turrini, Alessandro; Urban, Dieter.

TI Divergence -- Is It Geography? **AU** Straubhaar, Thomas; Surcke, Marc; Urban, Dieter.

TI The Veblen-Gerschenkron Effect of FDI in Mezzogiorno and East Germany. **AU** Peri, Giovanni; Urban, Dieter.

TI Vertical FDI Revisited. **AU** Braconier, Henrik; Norback, Pehr-Johan; Urban, Dieter.

Uribe, Martin

TI Closing Small Open Economy Models. **AU** Schmitt-Grohe, Stephanie; Uribe, Martin.

Usher, Dan

PD January 2003. **TI** Mysterious Bargaining. **AA** Queen's University. **SR** Queen's Institute for Economic Research Discussion Paper: 1001; Department of Economics, Institute for Economic Research, Queen's University, Kingston, Ontario, K7L 3N6 Canada. Website: qed.econ.queensu.ca/pub/papers/abstracts/index.html.

PG 35. **PR** Canada \$3.21; U.S. and Foreign \$3.50 (Canadian); make checks payable to IER. **JE** C78, D74. **KW** Bargaining. Fairness. Agreements. Corporate Finance. Politics. Blackmail. Threats.

AB Economists do not understand how bargains are struck. A bargain is the sharing of a pie between two or more people who are collectively entitled to the pie but cannot appropriate it until they agree how large each person's slice is to be. We know that people do strike bargains and that civilized life could not

proceed otherwise. We do not know how the required agreement is reached. Theorists have solved the bargaining problem, but only by the imposition of strong, artificial and unrealistic constraints. Trusting that the existence of some complex solution has been demonstrated, applied economists are content to postulate a simple one: that bargainers split the difference in actual disputes. This paper begins with examples of imposed bargaining solutions in politics and corporation finance. There follows a critical examination of the principal bargaining theories -- based on notions of fairness or of imposed bargaining procedures -- with emphasis on the fragility of their assumptions and on their susceptibility to threats and blackmail. The paper closes with a brief discussion of the role of bargaining in theories of rent-seeking and conflict.

Vagnoni, Richard J.

TI Option Market Microstructure and Stochastic Volatility. **AU** Steigerwald, Douglas G.; Vagnoni, Richard J.

Vailakis, Yiannis

TI Recursive Utility and Optimal Growth With Bounded or Unbounded Returns. **AU** Le Van, Cuong; Vailakis, Yiannis.

Valdes, Rodrigo

TI Lending Booms: Latin America and the World. **AU** Gourinchas, Pierre-Olivier; Landerretche, Oscar; Valdes, Rodrigo.

Valente, Giorgio

TI The Out-of-Sample Success of Term Structure Models as Exchange Rate Predictors: A Step Beyond. **AU** Clarida, Richard H.; Sarno, Lucio; Taylor, Mark; Valente, Giorgio.

Valpy, FitzGerald

PD May 2001. **TI** The Winner's Curse: Premature Monetary Integration in the NAFTA. **AA** University of Oxford. **SR** Centro Studi Luca d'Agliano Development Studies Working Paper: 149; Centro Studi Luca d'Agliano, Palazzo d'Azeglio, Via Principe Amedeo 34, 10123 Torino, Italy. Website: www.dagliano.uni-bocconi.it. **PG** 18. **PR** no charge. **JE** E50, F10, F20. **KW** NAFTA. Financial Integration. Monetary Policy.

AB During the 1990s the NAFTA has stimulated a process of financial integration, which was not properly anticipated at the beginning of the decade or regulated under the treaty arrangement. The secular process of private sector currency substitution ("dollarization") stimulated by successive financial shocks now poses serious challenges for the conduct of North American monetary policy. Although the monetary calculus for a potential dollar area yields a positive outcome for peripheral members, historical experience suggests that the asymmetric impact of external shocks will require specific arrangements to contain the economic and social results. Further, the consequences of currency unification for capital markets under the gold standard, the sterling area, currency boards and the euro-zone have all meant that inter-governmental agreements for liquidity provision and prudential regulation have become necessary. This is the "winner's curse": the success of North American market integration is necessarily leading to a degree of institutional co-operation that US legislators have desired to avoid.

van den Berg, Gerard J.

TI An Econometric Analysis of the Mental-Health Effects of Major Events in the Life of Elderly Individuals. **AU** Lindeboom, Maarten; Portrait, France; van den Berg, Gerard J.

van Dijk, Mathijs A.

TI The Cost of Capital in International Financial Markets: Local or Global. **AU** Koedijk, Kees; Kool, Clemens J. M.; Schotman, Peter; van Dijk, Mathijs A.

van Ours, Jan C.

TI Optimal Unemployment Insurance with Monitoring and Sanctions. **AU** Boone, Jan; Fredriksson, Peter; Holmlund, Bertil; van Ours, Jan C.

TI Expert Opinion and Compensation: Evidence from a Musical Competition. **AU** Ginsburgh, Victor A.; van Ours, Jan C.

van Ypersele, Tanguy

TI Traders, Courts and the Home Bias Puzzle. **AU** Turrini, Alessandro; van Ypersele, Tanguy.

TI Taking the Bite Out of Fiscal Competition. **AU** Justman, Moshe; Thisse, Jacques-Francois; van Ypersele, Tanguy.

TI Capital Tax Competition Among an Arbitrary Number of Asymmetric Countries. **AU** Peralta, Susana; van Ypersele, Tanguy.

TI Coordination of Capital Taxation Among Asymmetric Countries. **AU** Peralta, Susana; van Ypersele, Tanguy.

Vassalou, Maria

TI Do We Need Multi-Country Models to Explain Exchange Rate, Interest Rate and Bond Return Dynamics? **AU** Hodrick, Robert J.; Vassalou, Maria.

PD November 2001. **TI** News Related to Future GDP Growth as a Risk Factor in Equity Returns. **AA** Columbia University and CEPR. **SR** CEPR Discussion Paper: 3057; 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, O41. **KW** Asset Pricing. Gross Domestic Product. Growth. GMM. News. Fama-French Factors.

AB This paper presents a model that includes a factor that captures news related to future Gross Domestic Product (GDP) growth along with the market factor can explain the cross-section of equity returns about as well as the Fama-French model can. Furthermore, the Fama-French factors high minus low (HML) and small minus big (SMB) appear to contain mainly news related to future gross domestic product (GDP) growth. When news related to future GDP growth is present in the asset-pricing model, HML and SMB lose their ability to explain the cross-section.

TI An Investment-Growth Asset Pricing Model. **AU** Li, Qing; Vassalou, Maria; Xing, Yuhang.

Vasudevan, Deepa

TI Financial Exuberance: Savings Deposits, Fiscal Deficits and Interest Rates in India. **AU** Lal, Deepak; Bhide,

Shashanka; Vasudevan, Deepa.

Vayanos, Dimitri

TI Equilibrium and Welfare in Markets with Financially Constrained Arbitrageurs. **AU** Gromb, Denis; Vayanos, Dimitri.

Velilla, Pilar

TI Hedonic House Prices Without Characteristics: The Case of New Multiunit Housing. **AU** Bover, Olympia; Velilla, Pilar.

Venables, Anthony J.

TI Globalization in History: A Geographical Perspective. **AU** Crafts, Nicholas; Venables, Anthony J.

Venti, Steven F.

PD November 2001. **TI** Aging and Housing Equity: Another Look. **AU** Venti, Steven F.; Wise, David A. **AA** Venti: Dartmouth College and NBER. Wise: NBER. **SR** National Bureau of Economic Research Working Paper: 8608; 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** E21, J14, J26, R21, R31. **KW** Housing Equity. Retirement. Consumption.

AB Aside from Social Security and, for some, employer-provided pensions, housing equity is the principle asset of a large fraction of older Americans. Many retired persons have essentially no financial assets to support retirement consumption. In this paper, we try to understand the extent to which families use housing equity to support general consumption in retirement. The initial analysis is based on self-assessed home values. Much of the subsequent analysis is based on the selling price of recently sold homes, together with the reported equity in recently purchased homes. Homeowners can change home equity by either discontinuing ownership or by purchasing another home of lesser or greater value. We find that in the absence of a precipitating shock, families are unlikely to discontinue home ownership. And even when there is a precipitating shock, discontinuing ownership is the exception rather than the rule. On average, families that move and purchase a new home tend to increase home equity. Overall, housing equity increases with age and then declines slightly as households grow older. We conclude that, on average, home equity is not liquidated to support general non-housing consumption needs as households age.

TI The Transition to Personal Accounts and Increasing Retirement Wealth: Macro and Micro Evidence. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A.

Verdier, Thierry

TI The Political Economy of Education and Development in an Open Economy. **AU** Bourguignon, Francois; Verdier, Thierry.

Veredas, David

TI Macro Surprises and Short-Term Behaviour in Bond Futures. **AU** Durenard, Eugene; Veredas, David.

Veronese, Giovanni

TI A Core Inflation Index for the Euro Area.

AU Cristadoro, Riccardo; Forni, Mario; Reichlin, Lucrezia; Veronese, Giovanni.

Verouden, Vincent

TI Antitrust Enforcement Policy and Markets Interaction: Targeted or Concerted Interventions? **AU** Pouyet, Jerome; Verouden, Vincent.

Viceira, Luis M.

TI A Multivariate Model of Strategic Asset Allocation. **AU** Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M.

TI A Multivariate Model of Strategic Asset Allocation. **AU** Campbell, John Y.; Chan, Yeung Lewis; Viceira, Luis M.

Vieille, Nicolas

TI On the MaxMin Value of Stochastic Games with Imperfect Monitoring. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas.

TI Stochastic Games with Imperfect Monitoring. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas.

TI Perturbed Markov Chains. **AU** Solan, Eilon; Vieille, Nicolas.

TI Approximating a Sequence of Observation by a Simple Process. **AU** Rosenberg, Dinah; Solan, Eilon; Vieille, Nicolas.

Vilhuber, Lars

TI Displaced Workers, Early Leavers, and Re-Employment Wages. **AU** Bowlus, Audra J.; Vilhuber, Lars.

Vitale, Paolo

TI A Transaction Level Study of the Effects of Central Bank Intervention of Exchange Rates. **AU** Payne, Richard; Vitale, Paolo.

Vives, Xavier

TI Informational Externalities, Herding and Incentives. **AU** Bru, Luis; Vives, Xavier.

Vogt, William B.

TI Could We Tell if Health Insurance Mandates Cause Unemployment? A Note on the Literature. **AU** Bhattacharya, Jayanta; Vogt, William B.

TI A Simple Model of Pharmaceutical Price Dynamics. **AU** Bhattacharya, Jayanta; Vogt, William B.

TI It's What You Know, Not How You Learned to Teach It: Evidence from a Study of the Effects of Knowledge and Pedagogy on Student Achievement. **AU** Strauss, Robert P.; Vogt, William B.

Wagner, Wolf

TI Taxation if Capital is Not Perfectly Mobile: Tax Competition versus Tax Exportation. **AU** Eijffinger, Sylvester C. W.; Wagner, Wolf.

Waldman, Michael

TI Competition, Monopoly, and Aftermarkets. **AU** Carlton, Dennis W.; Waldman, Michael.

Walker, David I.

TI Executive Compensation in America: Optimal Contracting or Extraction of Rents. **AU** Bebchuk, Lucian Arye; Fried, Jesse; Walker, David I.

Wallis, Kenneth F.

TI The Properties of Some Goodness-of-Fit Tests. **AU** Boero, Gianna; Smith, Jeremy; Wallis, Kenneth F.

Wambach, Achim

TI Breakdown of Will and the Value of Information. **AU** Kuehn, Astrid; Wambach, Achim.

Wang, You Qiang

TI Migration Dynamics. **AU** Stark, Oded; Wang, You Qiang.

Ward, Melanie

TI Improving Nurse Retention in the National Health Service in England: The Impact of Job Satisfaction on Intentions to Quit. **AU** Shields, Michael; Ward, Melanie.

Wasmer, Etienne

TI Labor Market Efficiency, Wages and Employment when Search Frictions Interact with Intrafirm Bargaining. **AU** Cahuc, Pierre; Wasmer, Etienne.

Waterson, Michael

TI Fast Food -- the Early Years: Geography and the Growth of a Chain- Store in the UK. **AU** Sault, Joanne; Toivanen, Otto; Waterson, Michael.

Watson, Nadine

TI Are there Economies of Scale in the Demand for Money by Firms? Some Panel Data Estimates. **AU** Bover, Olympia; Watson, Nadine.

Weber, Andrea

TI Wage Mobility in Austria 1986-1996. **AU** Hofer, Helmut; Weber, Andrea.

PD April 2002. **TI** State Dependence and Wage Dynamics: A Heterogeneous Markov Chain Model for Wage Mobility in Austria. **AA** Institute for Advanced Studies. **SR** Institute for Advanced Studies (IHS), Economics Series: 114; Institute for Advanced Studies, Library, Stumpergasse 56, A-1060 Vienna, Austria. **Website:** www.ihs.ac.at/publications/eco/publications.htm. **PG** 23. **PR** EUR 6,00 individuals; EUR 20,00 institutions; prices subject to change without notice. **JE** C23, C25, J31, J60. **KW** Wage Mobility. Markov Process. Fixed Effects Panel Estimation. Austria.

AB The behavior of individual movements in the wage distribution over time can be described by a Markov process. To investigate wage mobility in terms of transitions between quintiles in the wage distribution we apply a fixed effects panel estimation method suggested by Honore and Kyriazidou (2000). This method of mobility measurement is robust to data contamination like all methods that treat fractiles. Moreover it allows for the inclusion of exogenous variables that change over time. We apply the estimator to a set of individual data from the Austrian social security records and find that disregarding unobserved heterogeneity greatly underestimates

wage mobility. Simulated earnings profiles show that women are less mobile than men and have a tendency to be stuck in the lower part of the wage distribution.

Weber, Guglielmo

TI Consumer Credit: Evidence from Italian Micro Data.
AU Alessie, Rob; Hochquertel, Stefan; Weber, Guglielmo.

Weder, Mark

PD November 2001. **TI** The Great Demand Depression.
AA Humboldt Universität zu Berlin and CEPR. **SR** CEPR Discussion Paper: 3067; 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, N12. **KW** Demand Shocks. Dynamic General Equilibrium. Great Depression.

AB This paper entertains the notion that disturbances on the demand side play a central role in our understanding of the Great Depression. In fact, from Euler equation residuals we are able to identify a series of unusually large negative demand shocks that appeared to have hit the US economy during the 1930s. We apply these measured demand shocks to a dynamic general equilibrium model and find that size and sequence of shocks can generate a pattern of the model economy that is not unlike the data. The model is able to account for the lion's share of the decline in economic activity and is able to exaggerate realistic persistence.

Wei, Shang-Jin

PD November 2001. **TI** Globalization and Inequality: Evidence from Within China. **AU** Wei, Shang-Jin; Wu, Yi.
AA Wei: IMF and NBER. Wu: Georgetown University.
SR National Bureau of Economic Research Working Paper: 8611; 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** D30, F10, F14, F15, O10. **KW** Income Inequality. Globalization. China.

AB In this paper, we provide a case study of the impact of globalization on income inequality using data across Chinese regions. The literature on cross-country studies has been criticized because differences in legal systems and other institutions across countries are difficult to control for, and the inequality data across countries may not be compatible. An in-depth case study of a particular country's experience can provide a useful complement to cross-country regressions. We construct a measure of urban-rural income ratio for 100 or so Chinese cities (urban areas and adjacent rural counties) over the period 1988-1993. The central finding is that cities that experience a greater degree of openness in trade also tend to demonstrate a greater decline in urban-rural income inequality. Thus, globalization has helped to reduce, rather than increase, the urban-rural income inequality. This pattern in the data suggests that inferences based solely on China's national aggregate figures (overall openness and overall inequality) can be misleading. The negative association between openness and inequality holds up when we apply a geography-based instrumental variable approach to correct for possible endogeneity of a region's trade openness.

PD December 2001. **TI** Globalization and Inequality: Evidence from within China. **AU** Wei, Shang-Jin; Wu, Yi.
AA Wei: The Brookings Institution and CEPR. Wu:

Georgetown University. **SR** CEPR Discussion Paper: 3088; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** F14, O18. **KW** China. Globalization. Income Inequality. Trade.

AB See the abstract for Wei, Shang-Jin; Wu, Yi.; November 2001, "Globalization and Inequality: Evidence from Within China". National Bureau of Economic Research Working Paper: 8611; Working Papers, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org.

TI Tax Rates and Tax Evasion: Evidence from "Missing Imports" in China. **AU** Fisman, Raymond; Wei, Shang-Jin.

Weinberger, Catherine

TI Leadership Skills and Wages. **AU** Kuhn, Peter; Weinberger, Catherine.

Weinstein, David E.

TI The Factor Content of Trade. **AU** Davis, Donald R.; Weinstein, David E.

Weiss, Avi

TI A Theory of Immigration Amnesties. **AU** Epstein, Gil S.; Weiss, Avi.

Weisse, Bruce

TI Corporate Governance. Competition, the New International Financial Architecture and Large Corporations in Emerging Markets. **AU** Singh, Ajit; Singh, Alaka; Weisse, Bruce.

Welch, Ivo

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

Weller, Paul

TI Moral Hazard and the US Stock Market: The Idea of a "Greenspan Put." **AU** Miller, Marcus; Weller, Paul; Lei, Zhang.

Whalley, John

TI How Often are Propositions on the Effects of Customs Unions Theoretical Curiosa and When Should They Guide Policy? **AU** Abrego, Lisandro; Riezman, Raymond; Whalley, John.

PD December 2001. **TI** Puzzles Over International Taxation of Cross Border Flows of Capital Income. **AA** University of Warwick and NBER. **SR** National Bureau of Economic Research Working Paper: 8662; Working Papers. NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. Website: www.nber.org. **PG** 21. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** F21, H22. **KW** International Taxation. Capital Income. National Welfare. Taxation Puzzles.

AB This paper discusses the tax treatment of transborder capital income. These comprise unilateral reliefs from double taxation under credit or exemption systems, and treaty reliefs which jointly lower withholding tax rates on interest, dividends, and royalties in both host and source countries. The paper suggests that these arrangements involve both seemingly

non-strategic unilateral actions and cooperative arrangements which are difficult to reconcile both with tax competition literature and with national interest. The paper also poses four puzzles in this regard: (1) the unilateral reliefs in use seem inferior to no relief since competitive markets investors equate the private return on investments at home and abroad, while tax revenues largely accrue to the foreign government; (2) tax treaties only have lump sum effects between national governments if the more common credit arrangements of unilateral reliefs apply and if tax rates are similar in host and source countries; (3) the sharp contrast to international treaty arrangements for goods flows under the World Trade Organization; and (4) the absence of side payments in tax treaties. The picture emerging is that making sense of present arrangements from a national welfare point of view and in terms of efficient instrument design seems difficult.

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.

White, Halbert

TI Forecast Evaluation with Shared Data Sets. **AU** Sullivan, Ryan; Timmermann, Allan G.; White, Halbert.

Whitley, Richard

TI Managing Competences in Entrepreneurial Technology Firms: A Comparative Institutional Analysis of Germany, Sweden and the UK. **AU** Casper, Steven; Whitley, Richard.

Whittaker, Hugh

TI High Tech Businesses in the UK: Performance and Niche Markets. **AU** Quince, Thelma; Whittaker, Hugh.

TI Close Encounters: Evidence of the Potential Benefits of Proximity to Local Industrial Clusters. **AU** Quince, Thelma; Whittaker, Hugh.

Widgren, Mika

PD November 2001. **TI** Optimal Majority Rules and Enhanced Cooperation. **AA** Research Institute of the Finnish Economy, Turku School of Economics, and CEPR. **SR** CEPR Discussion Paper: 3042; Centre for Economic Policy Research, Discussion Paper Orders, 90-98 Goswell Road, London EC1V 7RR, United Kingdom. Website: www.cepr.org. **PG** not available. **PR** 5 pounds, \$8 or 8 euros. **JE** C72, D71, D72. **KW** European Integration. Spatial Voting. Voting Rules.

AB The decision-making rules of the European Union (EU) are defined in an incomplete contract signed by 15 national governments. The design of the contract defines the set of policy issues where it applies -- in decision-making rules, i.e., the majority rules and the division of powers among the actors involved. The treaty also gives competence to the Commission in terms of making legislative proposals. In this paper, our objective is to study how decision-making rules affect expected outcomes in the above-described hierarchy. Our aim is to derive ex ante optimal voting rules in the setting where decision-making can be modeled as a spatial voting game. We thus assume that the players have spatial preferences but the rules are designed behind veil of ignorance. We also analyze two types of designers, benevolent and self-interested. The

paper shows that when the probability of "no gains from integration" is positive it is, in general, impossible to design majority rules efficiently. If these rules are a result of self-interested or average loss minimizing design and the general design is a result of small likelihood of "no gains from integration" this is what the results of this paper suggest to be a plausible solution.

Wilkinson, Frank

PD March 2002. **TI** Productive Systems and the Structuring Role of Economic and Social Theories. **AA** University of Cambridge. **SR** University of Cambridge, ESRC Centre for Business Research Working Paper: WP225; CBR, Judge Institute of Management Building, University of Cambridge, Trumpington Street, Cambridge CB2 1AG, United Kingdom. Website: www.cbr.cam.ac.uk. **PG** 42. **PR** \$10.00/5 pounds/EUROS 8; checks payable to University of Cambridge. **JE** G34, J51, J53, L22, L23. **KW** Productive Systems. Cooperation. Liberal Economics. Industrial Psychology. Industrial Sociology.

AB The institutions of productive systems are structured by mutual interests and relative power. Securing mutually beneficial cooperation in production requires resolving distributional differences. These objectives are secured in liberal economic theory by the working of markets, which mediate the power of individuals and reward individual success. The centrality of individuals and hierarchies in market theory contrasts with developments in labor management theory, which identifies group activity and decentralized responsibility as productive factors and organizations as unitary. This neglects the separate interest that productive partners have and the role of institutions in resolving conflicts in productive systems to secure productive co-operation.

TI Partnership in Practice. **AU** Hudson, Maria; Konzelmann, Suzanne; Wilkinson, Frank.

TI Capabilities, Social Rights and European Market Integration. **AU** Browne, Jude; Deakin, Simon; Wilkinson, Frank.

Williamson, Jeffrey G.

TI After Columbus: Explaining the Global Trade Boom 1500-1800. **AU** O'Rourke, Kevin H.; Williamson, Jeffrey G.

Winter-Ebmer, Rudolf

TI The Wage Expectations of European College Students. **AU** Brunello, Giorgio; Lucifora, Claudio; Winter-Ebmer, Rudolf.

Wise, David A.

TI Aging and Housing Equity: Another Look. **AU** Venti, Steven F.; Wise, David A.

TI The Transition to Personal Accounts and Increasing Retirement Wealth: Macro and Micro Evidence. **AU** Poterba, James M.; Venti, Steven F.; Wise, David A.

Wolf, Charles, Jr.

PD 1999. **TI** Economic Openness: Many Facets, Many Metrics. **AU** Wolf, Charles, Jr.; Levaux, Hugh P.; Tong, Daochi. **AA** RAND Corporation. **SR** RAND Corporation Report: MR/1072/SRF; Distribution Services, RAND Corporation, 1700 Main Street, PO Box 2138, Santa Monica,

CA 90407-2138. Website: www.rand.org. PG 136. PR \$13.00. JE F10, F13, F14, F41. KW International Economic Relations. Commercial Policy. International Trade. Econometrics.

AB The aim of this study is to develop and apply new and improved ways of analyzing and measuring economic "openness" in various countries and regional entities, with particular emphasis on non-tariff rather than tariff barriers to openness. The study assesses economic openness employing three different methods: 1) A microeconomic; 2) A micropolitical; 3) A macroeconomic method. Because of the character of the data, the study's statistical analysis focuses on means and medians, and nonparametric testing of their significance.

Wollmershaeuser, Timo

TI Managed Floating: Understanding the New International Monetary Order. AU Bofinger, Peter; Wollmershaeuser, Timo.

Woo, David

TI Reconsidering External Financing of Domestic Budget Deficits: Debunking Some Received Wisdom. AU Gray, Simon; Woo, David.

Wooders, Myrna

TI Approximate Cores of Games and Economies with Clubs. AU Kovalenkov, Alexander; Wooders, Myrna.

TI Competitive Pricing in Socially Networked Economies. AU Allouch, Nizar; Wooders, Myrna.

TI Dynamic Club Formation with Coordination. AU Arnold, Tone; Wooders, Myrna.

TI Advances in the Theory of Large Cooperative Games and Applications to Club Theory: the Side Payments Case. AU Kovalenkov, Alexander; Wooders, Myrna.

Woodruff, Christopher

TI Courts and Relational Contracts. AU Johnson, Simon; McMillan, John; Woodruff, Christopher.

Wooton, Ian

TI Regional Tax Coordination and Foreign Direct Investment. AU Haufler, Andreas; Wooton, Ian.

Wu, Yi

TI Globalization and Inequality: Evidence from Within China. AU Wei, Shang-Jin; Wu, Yi.

TI Globalization and Inequality: Evidence from within China. AU Wei, Shang-Jin; Wu, Yi.

Wymbs, Cliff

TI Firm-Specific Attributes and MNE Location Choices: Financial and Professional Service FDI to New York and London. AU Nachum, Lilach; Wymbs, Cliff.

Xing, Yuhang

TI An Investment-Growth Asset Pricing Model. AU Li, Qing; Vassalou, Maria; Xing, Yuhang.

TI Downside Risk and the Momentum Effect. AU Ang, Andrew; Chen, Joseph; Xing, Yuhang.

Xue, Licun

TI Coalitions, Agreements and Efficiency. AU Diamantoudi, Effrosyni; Xue, Licun.

Yang, Fan

TI The Mysterious Growing Value of S&P 500 Membership. AU Morck, Randall; Yang, Fan.

Yanikkaya, Halit

TI An Assessment of the Effectiveness of International Financial Intervention. AU Butkiewicz, James L.; Yanikkaya, Halit.

Yariv, Leeat

TI Putting Your Ballot Where Your Mouth Is: An Analysis of Collective Choice. AU Gerardi, Dino; Yariv, Leeat.

Yaron, Amir

TI Asset Pricing with Idiosyncratic Risk and Overlapping Generations. AU Storesletten, Kjetil; Telmer, Chris; Yaron, Amir.

Yavas, Cemile

TI Lumpy Consumer Durables, Market Power, and Endogenous Business Cycles. AU Krishna, Kala; Yavas, Cemile.

Yeltekin, Sevin

TI Optimal Rules for Patent Races. AU Judd, Kenneth L.; Schmedders, Karl; Yeltekin, Sevin.

Yildirim, Huseyin

TI On the Endogeneity and Robustness of Cournot-Nash and Stackelberg Equilibria: Games of Accumulation. AU Romano, Richard; Yildirim, Huseyin.

PD October 2001. TI Getting the Ball Rolling: Voluntary Contributions to a Long-Term Public Project. AA Duke University. SR Duke University Department of Economics Working Paper: 02/04; available only on website. Website: www.econ.duke.edu/Papers/wpindex.html. PG 40. PR no charge. JE C73, H41. KW Voluntary Contributions. Encouragement Effect. Free-Riding Incentive. Long-Term Projects.

AB This paper considers an incomplete information model of voluntary contributions to a long-term public project. While agents can observe the progress of the project and their own costs of contribution, they have incomplete information about the contribution costs of others. The paper shows that the equilibrium pattern of contributions is influenced by the interplay of two opposing incentives: First, agents prefer to free ride on others for contributions. However, second, agents also wish to encourage each other to contribute by increasing their own contributions. Main findings of the paper include: (1) Agents make concessions toward the completion of the project by increasing their contributions as the project moves forward. (2) As additional agents join the group, existing agents increase their contributions in some states and reduce them in others. (3) Despite this non-monotonicity, agents do strictly benefit from the presence of additional agents. (4) The project progresses too slowly from the social standpoint.

Yilmaz, Kuzey

TI Redistribution Through Education and Other Transfer Mechanisms. **AU** Hanushek, Eric A.; Leung, Charles Ka Yui; Yilmaz, Kuzey.

Ying, John S.

TI On Measuring Competitive Viability and Monopoly Power in Cable: An Empirical Cost Approach. **AU** Kelly, Mary T.; Ying, John S.

Yuen, Chi-Wa

TI The "New Keynesian" Phillips Curve: Closed Economy versus Open Economy. **AU** Razin, Assaf; Yuen, Chi-Wa.

TI Why International Equity Inflows to Emerging in Markets are Inefficient and Small Relative to International Debt Inflows. **AU** Razin, Assaf; Yuen, Chi-Wa; Sadka, Efraim.

Zaheer, Srilata

TI MNEs in the Digital Economy? **AU** Nachum, Lilach; Zaheer, Srilata.

Zang, Israel

TI The Museum Pass Game and Its Value. **AU** Ginsburgh, Victor A.; Zang, Israel.

Zazzaro, Alberto

TI Banks' Inefficiency and Economic Growth: A Micro-Macro Approach. **AU** Lucchetti, Riccardo; Papi, Luca; Zazzaro, Alberto.

Zebregs, Harm H.

TI Foreign Direct Investment in China: Some Lessons for Other Countries. **AU** Tseng, Wanda S.; Zebregs, Harm H.

Zelmer, Mark D.

PD December 2001. **TI** Monetary Operations and Central Bank Balance Sheets in a World of Limited Government Securities. **AA** IMF. **SR** International Monetary Fund Policy Discussion Paper: PDP/01/07; IMF, Publication Services, Catalog Orders, 700 19th Street, N.W. Room 12- 607, Washington, DC 20431. **Website:** www.imf.org. **PG** 23. **PR** \$10; prepayment required for individual copies; make checks payable to IMF. **JE** E52, E58. **KW** Central Bank. Monetary Policy. Balance Sheets. Operating Techniques. Financial Institutions.

AB The limited supply of government securities in some industrial countries has important ramifications for the operating techniques used by central banks to implement monetary policy, provide credit to the financial sector, and also for the assets they hold on their balance sheets. The paper reviews the salient facts regarding the balance sheets and operating techniques of central banks in industrial countries, and outlines different options for dealing with a limited supply of government securities. The main conclusion is that central banks may wish to extend credit using a broad range of assets as collateral, and engage in outright transactions of securities guaranteed by financial institutions.

Zenou, Yves

TI A Discrete-Time Stochastic Model of Job Matching. **AU** Smith, Tony E.; Zenou, Yves.

Zettelmeyer, Florian

PD December 2001. **TI** Cowboys or Cowards: Why are Internet Car Prices Lower? **AU** Zettelmeyer, Florian; Morton, Fiona Scott; Silva-Risso, Jorge. **AA** Zettelmeyer: UC Berkeley. Morton: Yale University and NBER. Silva-Risso: J.D. Power and Associates. **SR** National Bureau of Economic Research Working Paper: 8667; Working Papers. NBER. 1050 Massachusetts Avenue, Cambridge, MA 02138-5398. **Website:** www.nber.org. **PG** 23. **PR** \$10.00 per copy (plus \$10.00 per order for shipping outside the U.S.). **JE** L11, L62, L86. **KW** Internet. Retail Car Prices. Auto Industry. Bargaining.

AB This paper addresses the question of how much the Internet lowers prices for new cars and why. Using transaction data from J.D. Power and Associates and referral data from Autobyte.com, we find that online consumers pay on average 1.2% less than do offline consumers. After controlling for selection, we find that using Autobyte.com reduces the price a consumer pays by approximately 2.2%. This suggests that consumers who use an Internet referral service are not those who would have obtained a low price even in the absence of the Internet. Instead, our finding is consistent with consumers choosing to use Autobyte.com because they know that they would do poorly in the traditional channel, perhaps because they have a high personal cost to collecting information and bargaining. This group disproportionately uses Autobyte.com because its members are the ones with the most to gain. We estimate that savings to consumers alone are at least \$240 million per year. Since there is other referral and informational sites that may also help consumers bargain more effectively with dealers, we conclude that the Internet is facilitating a large transfer of surplus to Internet consumers in the retail auto industry.

TI Consumer Information and Price Discrimination: Does the Internet Affect the Pricing of New Cars to Women and Minorities? **AU** Morton, Fiona Scott; Zettelmeyer, Florian; Silva-Risso, Jorge.

Ziedonis, Arvids A.

TI The Geographic Reach of Market and Non-Market Channels of Technology Transfer: Comparing Citations and Licenses of University Patents. **AU** Mowery, David C.; Ziedonis, Arvids A.

Zilibotti, Fabrizio

TI Voting With Your Children: A Positive Analysis of Child Labor Laws. **AU** Doepke, Matthias; Zilibotti, Fabrizio.

Zingales, Luigi

TI Private Benefits of Control: An International Comparison. **AU** Dyck, Alexander; Zingales, Luigi.

TI Does Local Financial Development Matter? **AU** Guiso, Luigi; Sapienza, Paola; Zingales, Luigi.

Zissimos, Ben

PD October 2002. **TI** Why Are Trade Agreements Regional? A Theory Based on Noncooperative Networks. **AA** University of Birmingham. **SR** The Warwick Economic Research Paper: 652; Department of Economics, University of Warwick, Coventry CV4 7AL, United Kingdom. **Website:** www.warwick.ac.uk/fac/soc/Economics/. **PG** 26. **PR** no charge. **JE** C73, F13, F15. **KW** Free Trade. Globalization.

Protection. Regionalization. Trade Agreement. Trade Block. Trade Liberalization.

AB This paper argues that free trade agreements (FTAs) are regional because, in their absence, optimal tariffs are higher against (close) regional partners than (distant) countries outside the region. Optimal tariffs shift rents from foreign firms to domestic citizens. Lower transport costs imply higher rents and therefore higher tariffs. Thus, regional FTAs have a higher payoff than non-regional FTAs. Therefore, only regional FTAs may yield positive gains when sponsoring a FTA is costly. To analyze equilibrium, standard theory of non-cooperative networks is extended to allow for asymmetric players. Naive best response dynamics show that "trade blocks can be stepping blocks" for free trade.

Zoega, Gylfi

TI Obsolescence. **AU** Gylfason, Thorvaldur; Zoega, Gylfi.