

<p>DEPARTMENT OF ECONOMICS <b>NEWSLETTER NO. 3</b> APRIL 1998</p>
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The Departmental Newsletter is normally published four times a year on or around 1<sup>st</sup> October, 1<sup>st</sup> January, 1<sup>st</sup> April and 1<sup>st</sup> July. It contains news of activities of departmental staff and postgraduates during the three months before publication.

The Newsletter is edited by the Chairman of the department and the Departmental Secretary. Any queries or items for publication can be sent to the Departmental Secretary.

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## EDITORIAL

This is the third Newsletter and again shows an a high level of activity in the department.

During the last month or two there have been discussions with students at departmental level and, less reasonably, in the student newspaper about the alleged difficulty of gaining a good degree in Economics. Whilst this is not as difficult as is generally believed, the department has not been willing to enter into a discussion concerning academic standards relating to the Economics degree in St. Andrews. These standards are in line with those which apply in leading Economics departments in the UK and which are monitored closely by the department's external examiners.

Ted To has now left the department and we are sad to see him go. His contribution to the department, both academic and personal, will be missed.

In the future, the Newsletter will appear three times a year rather than four. The production plans for the next issues are as follows:

<i>Material for period covering</i>	<i>Publication date</i>
1 February – 30 May	1 July
1 June – 30 September	1 November
1 October – 31 January	1 March

Once again, thanks are due to Matthias Beck for another view of Castlecliffe.

Chris Jensen-Butler  
April 1998

## PUBLICATIONS

[1 December 1997 –28 February 1998]

**Beath, J.**, Organization Design and Information-Sharing in a Research Joint Venture with Spillovers, *Bulletin of Economic Research*, Vol. 50, No. 1, 1998, 47-59 (with J. Poyago-Theotoky and D. Ulph).

**Beath, J.**, Strategic R&D Policy, In: D.B. Audretsch (ed.), *Industrial Policy and Competitive Advantage*, Vol. 1, pp 523-533 (Cheltenham: Edward Elgar) (with Y. Katsoulacos and D. Ulph). (Reprint of an article that first appeared in *The Economic Journal*.)

**Beath, J.**, HEFCE's Funding of Research, *Royal Economic Society Newsletter*, No. 100, January 1998, pp 20-22

Woolfson, C., **Beck, M.**, Foster, J., December 1997, Safety and Industrial Relations in Britain's Offshore Oil Industry, *TMV Skriftserie*, No. 25, pp 71-90.

Woolfson, C., **Beck, M.**, January 1998, Oil Multinationals : 'Citizens' or Criminals?, *International Union Rights*, Vol. 5, Issue 1, pp. 22-23.

**Bhaskar, V.**, Informational Constraints and the Overlapping Generations Model: Folk and Anti-Folk Theorems, *Review of Economic Studies*, January 1998, Vol. 65, 139-155.

**Bonetti, S.**, 1997, A test of the public choice theory of economic sanctions, *Applied Economics Letters*, 1997, Vol. 4, 729-732.

**Bonetti, S.**, 1997, The analysis and interpretation of economic sanctions, *Journal of Economic Studies*, Vol. 24, no.5, 324-348.

**FitzRoy, F.** et al., 1998, *Employee Ownership In Privatization*, (International Labour Office, Geneva), 46 pp.

**FitzRoy, F.**, Z. Acs, D. A. Gerlowski, 1998, *Management and Economics of Organisation*, (Prentice Hall Europe), 598 pp.

**Hardman Moore, J.**, Default and Renegotiation, *Quarterly Journal of Economics*, Vol. 113, pp 1-42, February 1998.

Madsen, B., **Jensen-Butler, C.**, *Commodity Balance and Inter-regional Trade: Make and Use Approaches to Inter-regional modelling*, CRIEFF Discussion Paper no. 9804, Department of Economics, University of St. Andrews, February 1998.

**McMillan, D. G.** and Speight, A. E. H., *Modelling the Risk Premium in the Black-Market Zloty-Dollar Exchange Rate*. Discussion Paper No. 9801, Department of Economics, University of St. Andrews, January 1998.

**Smith I.**, Sawkins J.W., Seaman PT, 1998, The Economics of Religious Participation: A Cross Country Study, *Kyklos*, vol. 51, no. 1, 25-43, February 1998.

FitzRoy F.R., **Smith I.**, *Season Tickets and the Demand for Public Transport*, Discussion Paper, No.9802, Department of Economics, University of St Andrews, February 1998.

FitzRoy F.R., **Smith I.**, *Public transport demand in Freiburg. Why did patronage double in a decade?*, Discussion Paper No.9803, Department of Economics, University of St Andrews, February 1998.

## CONFERENCES ATTENDED

[1 December 1997 –28 February 1998]

**Matthias Beck** attended the conference "Deregulation and its Consequences: Institutions, Markets and Economic Performance", organised by the Netherlands School of Economics (CIAV/AWSB) in Utrecht from 11-12 December 1997. Matthias gave a joint paper with Dr Charles Woolfson, University of Glasgow, entitled "The Deregulation of Health and Safety in the UK: From Voluntarism to Stakeholderism".

**V.Bhaskar** presented a paper entitled "Moral Hazard and Private Monitoring" at a seminar held at the University of Southampton, February 1998.

**V.Bhaskar** presented a paper entitled "Moral Hazard and Private Monitoring" at a seminar held at the European University Institute, Florence, February 1998.

**John Hardman Moore** gave a keynote address at the Italian Bankers Association Conference in Rome, February 1998.

**Chris Jensen-Butler** participated in the European Science Foundation's TERM (Tackling Environmental Resources Management) Programme Workshop in London, January 1998.

**Gavin Reid** represented the Department at the Nobel Laureate's talk given by James Mirlees at Glasgow University on 5 December 1997.

**Gavin Reid** attended the European Network on Industrial Policy meeting on 'Practical Proposals for Industrial Policy in Europe', at the University of Warwick, 11-14 December 1997, where he presented a paper on 'Making small firms work: policy dimensions and the Scottish context'.

**Gavin Reid** attended the annual ScotDoc meeting at CRIEFF Hydro in January.

**Gavin Reid** gave a seminar presentation at Liverpool University, where he talked on 'The dynamics of small business finance'.

**Susanna Sällström** attended the ESRC Game Theory Conference at Nuffield College, Oxford on 10th December 1997.

## OTHER ACTIVITIES

[1 December 1997 –28 February 1998]

### John Beath

- was formally appointed in December as external examiner for a second year on Part II of the Economics Tripos, University of Cambridge.
- acted as external assessor for the Programme Review, Economics Department, University of Salford, 29-30 January 1998.
- met with Professor Fender, Chief Executive of HEFCE, on 22 January 1998, to argue for a reconsideration of the Council's funding of research in Economics in England. It was agreed that there was a case for doing this and HEFCE will carry out a study on the costs of research in Economics in the course of this year with a view to being able to decide on whether an adjustment should be made to QR funding from 1999.

- visited the Sorbonne to report on research progress under the CNRS grant, 13-15 February 1998.
- acted as external examiner on a PhD thesis at the University of London (LSE), 5 December 1997.
- acted as external examiner on a PhD thesis at the University of Essex, 20 February 1998.
- was invited to join the Secretary of State for Scotland's Panel of Economic Consultants and wrote a paper on "Issues Facing the Scottish Economy" to be discussed at the Panel's meeting in Edinburgh on 9 March 1998.
- has continued to perform various duties involved with his membership of the ESRC Research Priorities Board (principally on commissioning the Informal Economic Activities Programme and the ESRC/BBRC LINK Programme on Eating, Food and Health) and CHUDE (the principal task has been to write the formal CHUDE response to the RAE consultation document).

#### **Angela Black**

- presented a paper titled "The Stability of Wage Curves and Phillips Curves" (co-author Felix FitzRoy) to the Employment and Education Group (EEEG) at the Department of Employment, London, December 1997

#### **David Cobham**

- acted as external examiner for a PhD thesis at Liverpool John Moores University on the Franc Zone.
- acted as external examiner for a PhD thesis at the University of Derby on Islamic Banking.
- spent two weeks at the Université d'Auvergne teaching a course on the theory of financial intermediation and central banking for the Diplôme d'Etudes Approfondies en Economie Quantitative.

#### **Bishnu Gupta**

- Research trip to India funded by Nuffield Foundation for a project on "Collusive agreements in Indian industry during the inter-war period: the case of tea and jute".

#### **Chris Jensen-Butler**

- has become a member of the Portuguese national evaluation committee for geography, corresponding to the RAE panel. The committee has nine members, six Portuguese and three non-Portuguese.

#### **Gavin Reid**

- Has joined the editorial board of the journal *Venture Capital*.
- Has acted on several occasions as Quality Assessor for Napier University in Edinburgh.

## **Julia Smith**

- has become the list owner for a new mailbase discussion list called *indecon*. The list is aimed primarily at all kinds of industrial economists. It should also appeal to academics with backgrounds in management, business, finance and industrial organisation, and those with specific interests in firm strategy and behaviour, market structure and the economics of regulation. For further information on this list, please see the *indecon* web site, at URL <http://www.mailbase.ac.uk/lists/indecon/>. If anyone would like to become a list member, and be entitled to use the list for discussion and dissemination purposes, please email Julia (*js3*) and she will add your details to the list.

## **Transportation Economics Research Group**

- The Transportation Economics Research Group has met twice during the last three months with politicians and civil servants from Fife Council.

### **NEW RESEARCH ACTIVITIES**

[1 December 1997 –28 February 1998]

## **John Beath has been doing some work on tax yields under imperfect competition.**

**Matthias Beck** has received a contract from Blackwell Publishers to complete a textbook entitled "Law and Economics: For Economists, Lawyers and Managers" (with Andrew Burke)

**Bishnu Gupta** is involved in a new research project, jointly with V. Bhaskar, on: Nutrition, Efficiency Wages and Child Labour in Developing Countries.

**John Hardman Moore** is working on Indexation & Insurance: a Stochastic Model of Credit Cycles, with Nobuhiro Kiyotaki, L.S.E

*Papers in print, awaiting publication:*

- with Oliver Hart, Harvard: Co-operatives v. Outside Ownership
- with Oliver Hart, Harvard: Foundations of Incomplete Contracts
- with Eric Maskin, Harvard: Implementation & Renegotiation

**Chris Jensen-Butler** is involved in the development of a spatial Social Accounting Matrix (SAM) at municipal level for Danish local authorities, together with Research Director Bjarne Madsen, Local Governments' Research Institute, Copenhagen.

**Chris Jensen-Butler** is working on a study of the theory of network externalities and the role of public sector intervention in development of the telematics market in different types of region, together with Eduardo Anselmo de Castro, University of Aveiro, Portugal.

**Chris Jensen-Butler**, Gavin Reid, Julia Smith and Eduardo Anselmo de Castro of the University of Aveiro, used a week in January to draw up and submit a bid for EU funds under the EU's targeted socio-economic research programme. The project proposal is entitled CICERO (Competition and Innovation in a Cohesive Europe) and aims to examine to potential for increasing competitiveness through innovation and technological change in Europe without generating increased social exclusion. There are seven different European partners associated with the bid, which if successful would bring in ECU 141,800 to the university over two years. However, winning this type of bid is very difficult as the competition is very fierce. The result is expected in April.

**Gavin Reid** delivered his book manuscript on *Venture Capital Investment* to the publishers, Routledge, in January 1998. Publication is scheduled later this year.

#### **CRIEFF NEWS**

[1 December 1997 –28 February 1998]

Professor Kalyan Chatterjee of Pennsylvania State University visited CRIEFF for 2 weeks in March 1998, at the invitation of V Bhaskar, to engage in joint work. He is Distinguished Professor of Management Science and Economics, with diverse research interests, including game theory and applications in IO and R&D, and decision theory. He has published in the *Review of Economic Studies*, the *Quarterly Journal of Economic*, *Economic Letters* and leading journals in game theory and decision theory; and he has two articles forthcoming in *Games and Economic Behaviour*. Professor Chatterjee talked to the Staff and Postgraduate seminar on ‘Multi-Person Bargaining and Strategic Complexity’.

#### **POST-GRADUATE NEWS**

[1 December 1997 –28 February 1998]

- **Ben Gully – research trip to Vancouver**

For three months (November ‘97- January ‘98) I lived in Vancouver, Canada, attending the University of British Columbia. The opportunity to study at ‘UBC’ came about as a result of a trip to Canada last summer. This exposed me to the facilities at the University and the potential benefits of overseas study to my own research. My thesis is concerned with the solvency regulation of life insurance in the UK, examining in particular the role of the investment portfolio in the determination of solvency. The difficulties in constructing an analytical model of solvency are such that I use simulation techniques to model the insurer’s asset-liability cash flows. Recently spreadsheets have become a useful means of running simulations. They avoid the need for complex programming language and are therefore far more accessible to the non-computer specialist. The chance to exploit the substantial computer facilities and other university resources at UBC was an invaluable research training opportunity.

Located on the west coast of Canada, Vancouver is set within a region of outstanding beauty. I lived just along from ‘English Bay’ in a downtown apartment overlooking the sea. The location was ideal with only a ten minute walk to the city centre. Living costs were surprisingly cheap being assisted by the favourable exchange rate. The cost of living is approximately half that of the UK making eating out pretty cheap and especially attractive

given the city's diverse range of cuisine. This, together with its 'Starbucks' coffee culture, makes for a very different experience to that back home.

The city of Vancouver has experienced substantial change since the 1960s. In addition to the extensive ex-pat community which now exists, there has been a rapid increase in the number of immigrants from the Far East, especially China. The Hong Kong hand-over added to these trends, though recent legislation has served to control this influx. The impact of immigration has been such that parts of the city now have street and shop signs exclusively in Cantonese. Such changes have not been without their problems. However, that said, the City offers its residents immense opportunities, especially in terms of its outdoor and recreational activities. Indeed last year the OECD voted Vancouver 'the' place to live.

Travelling from downtown to UBC takes about 25 minutes by bus. The University campus site is located on 'Grey Point' a peninsula stretching out from the city towards Vancouver Island. The views from the campus are simply breathtaking. In addition to the ocean, there is a mountain backdrop to the north of the city which extends inland towards the Canadian Rockies.

UBC is one of the largest universities in Canada and the oldest in the Province. Incorporated by the provincial government in 1908, UBC admitted its first students in 1915, moving to its present location in 1925. Currently the University has approximately 34,000 students (including graduate students), with just under 2000 faculty staff. Each faculty has its own library, in addition to the main library, offering access to a vast amount of specialist material.

My status at the University was as a 'visiting scholar' and I was a guest of the Faculty of Commerce. This arrangement was made through 'Jim' Brander, Professor of International Business and Public Policy, at the request of my supervisor Professor Reid. Along with his help on my thesis, Professor Brander also provided much needed advice on where and when to ski. While at UBC I was provided with an office, computer facility and was able to attend lectures and departmental seminars. As a result of these activities, I managed to meet up with a variety of graduate students and faculty staff.

My own work centred around computer training at the Operational Research Department. In particular I gained experience in using spreadsheet simulations. This introduced me to '@RISK', an add-in to Microsoft Excel, designed specifically for simulations with application to Finance. Alongside this training I was able to take advantage of the library resources, extending and updating my literature reviews with direct access to most journals.

My time at UBC was interspersed with a number of travel opportunities around the region. One of the first things you notice is the sheer size of the country. British Columbia extends inland from the Pacific Ocean roughly 500 miles, while it stretches over 1000 miles north to the Yukon Territory from the US border. Last December I spent a couple of weeks travelling round the interior of BC taking advantage of the many ski resorts in the region.

The tour included a stay at ‘Silver Star Mountain’ near Vernon BC (8 hours from Vancouver) and a visit to the world famous ‘Whistler’ resort, a 2 hour drive north of the City. I also made a few trips across the US border meeting up with some old friends in Seattle WA, all of whom graduated with me at St Andrews in 1994.

I have many happy memories of my time in Vancouver. I consider my visit to UBC an invaluable experience providing substantial benefits to my own research. While I miss the place a great deal, I hope to return to the region on a more permanent basis in the near future.

**PERSONNEL**

[1 December 1997 –28 February 1998]

**Ted To** left the department at the end of February for a post as researcher with the Centre for Globalisation at the University of Warwick.

**PERSONAL**

[1 December 1997 –28 February 1998]

**John Beath** has formally accepted appointment as a Visiting Fellow in the Research School of Social Sciences at the Australian National University from September 1998.

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