CAGE

Competitive Advantage in the Global Economy

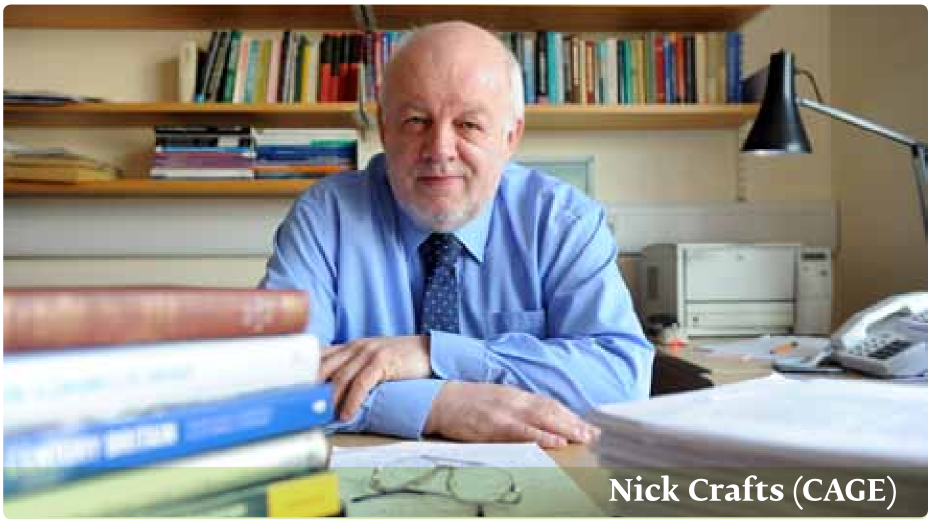
NEWSLETTER | ISSUE FOUR | MARCH 2012

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL

THE UNIVERSITY OF WARWICK

Joint CAGE/CEP/IFS special session

at Royal Economic Society Conference, March 2012



Nick Crafts (CAGE)

These three ESRC-sponsored research centres collaborated on a special session at the RES annual conference in Cambridge. The aim was to showcase some of each of their research findings in an area in which each centre has distinctive expertise.

The theme was "Can We Restore UK Growth?" and the papers considered various policy issues related to attempts to stimulate growth performance as the UK struggles to recover from its worst postwar economic crisis. Presentations were made by John Van Reenen (CEP) on "UK Growth over the Last 30 Years: What Have We Learnt?" who stressed that the underlying pre-crisis productivity growth was strong and that contrary to some views this will resume in the near future, by Helen Miller (IFS) on "Taxation of the Income from Intellectual Property and Government Tax Competition" who put forward a strong case that the patent-box policy proposals were very badly designed and that the main result of tax competition in this area was likely to be higher profits for multinationals, and by Nick Crafts (CAGE) on "Economic Recovery in the UK: Lessons from the 1930s" who emphasized that when nominal interest rates are very low the historical evidence suggests that fiscal stimulus and raising inflationary expectations to drive down real interest rates are policy instruments that are potentially valuable in promoting recovery after a crisis. The session which was chaired by Elhanan Helpman (Harvard) drew a large audience and concluded with a lively Q and A.

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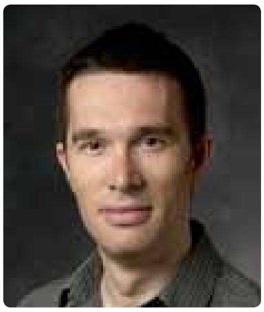


John Van Reenen (CEP)

Helen Miller (IFS)

Chris Woodruff

Christopher Woodruff, professor of economics at the University of Warwick, is a key researcher at CAGE. He is a leading expert on enterprises in developing countries, and a pioneer in the use of field experiments in understanding enterprise dynamics in developing countries.

His recent work includes measurement of rates of return to capital investments in microenterprises, the effect of formal registration on enterprise performance, the use of business plan competitions to identify small enterprises with potential for rapid growth, and the use of temporary wage subsidies to understand the willingness of microenterprises to expand employment. His previous work examined the ability of informal contracting and private institutions such as trade associations to govern trading relations in the absence of functioning state institutions. Geographically, his research spans a broad area of the developing world Mexico, Vietnam, Sri Lanka, Ghana and Eastern Europe.

Chris is a Research Associate at the National Bureau of Economic Research (NBER), a Research Fellow at the Centre for Economic Policy Research (CEPR), and a Senior Fellow of the Bureau of Research on Economic Analysis and Development (BREAD), a Research Fellow at the Centre for Competitive Advantage in the Global Economy (CAGE) and the Institute for the Study of Labour (IZA). He directs the Firm Capabilities group at the International Growth Centre and is the Scientific Coordinator for the DFID – CEPR joint research venture on Private Enterprise Development in Low Income Countries (PEDL)

He is also a member of the editorial board of the Journal of Development Economics, the World Bank Economic Review, the Journal of Comparative Economics, and the Journal of African Economies.

Prior to joining Warwick, Woodruff was Professor of Economics at UC San Diego, where he also served as Director of the Centre for U.S.-Mexican Studies from 2003 to 2008. Woodruff's research has been supported by the U.S. National Science Foundation, the Consortium for Financial Systems and Poverty at the University of Chicago, the Templeton Foundations, 3ie, IGC, and the World Bank.

CAGE Visitors

Erik Hornung

Erik Hornung spent a month at the Warwick Economics Department as CAGE Visiting Fellow. During his stay, Erik worked on a research project on railroads and regional growth in 19th century Prussia. This paper is now a CAGE working paper and is available on our website. He also gave a special CAGE lunchtime seminar on "Immigration and the Diffusion of Technology: The Huguenot Diaspora".

Mark Thomas

We have been pleased to welcome back Professor Mark Thomas. Mark is project director for the Leverhulme Trust funded research programme 'Social Accounting in an Historical Context: Modelling the Atlantic Economy. 1850 – 1940'. This project is a key part of CAGE's research agenda and is expected to produce significant results over the next three years.

Mark will be giving 2 lectures on Social Accounting during the Summer Term – 17th May & 24th May.

CAGE Researchers visiting other institutions

Sanchari Roy

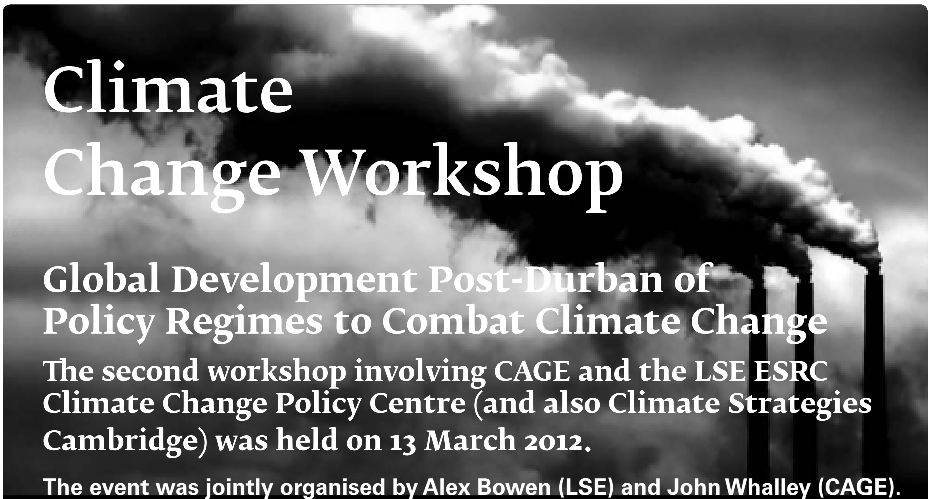
CAGE Research Associate Dr Sanchari Roy will be visiting Durbar in Kolkata from March 26 – April 17. Sanchari is involved in a research project focused on Poverty and Aspirations and during her time in Kolkata she will be working with Durbar Mahila Samanwaya Committee, an NGO and partner organisation on this project.

Fabian Waldinger

Dr Fabian Waldinger will be visiting MIT Sloan business school at the Massachusetts Institute of Technology (MIT) in Cambridge, Massachusetts until autumn 2012. He will also be affiliated with the National Bureau of Economic Research. During his visit he will continue his research o the determinants of scientific productivity.

Nick Zammit

Nick Zammit, CAGE Phd Student, visited Hitotsubashi University, Institute of Economic Research in December 2011. Nick was successful in his application for the position of visiting Young Researcher on the Global Centres of Excellence Programme at Hitotsubashi University. During his time at Hitotsubashi Nick workedwith Prof. Kyoji Fukao on a joint paper (K Fukao, S Broadberry, B Gupta, N Zammit) on a Japanese/UK comparison of real output, real wages & unit labour costs for the 19th and 20th centuries.



Climate Change Workshop

Global Development Post-Durban of Policy Regimes to Combat Climate Change

The second workshop involving CAGE and the LSE ESRC Climate Change Policy Centre (and also Climate Strategies Cambridge) was held on 13 March 2012.

The event was jointly organised by Alex Bowen (LSE) and John Whalley (CAGE). Sayantan Ghosal presented the paper "Unilateral Initiatives and Emissions Mitigation". A number of prominent academics working in the area of climate change including Nick Stern (LSE), Scott Barret (Columbia), Robert Stavins (Harvard) attended as did a number of participants from the policy community.

CAGE

Vacation School 2012

Methodological Advances in the Study of Political Economy

Supported by the Warwick Institute for Advanced Study
Convened by Professor Vera Troeger

Summer Schools have been an important activity for young economists and CAGE is happy to be able to continue this tradition for the third time, with generous support from the Warwick Institute for Advanced Study.

We will welcome 22 young researchers to Warwick for a series of lectures focussing on Political Science and Economics. Political Science is an emerging field and this school aims to bring scholarship from both the Economics and Political Science disciplines closer together in order to enhance and facilitate multidisciplinary discussion and cooperation.

The students will have the opportunity to meet prominent scholars in Economics and Politics who work on topics in formal Political economy and Quantitative Comparative Political Economics. The school will include both lectures and research talks, but also the opportunity for students to present their own research for feedback and review from peers and faculty.

Professor Nicholas Crafts announced as member of Foresight project Lead Expert Group

At the 2012 Manufacturing Summit on 23 February, Business Secretary Vince Cable announced that Nick Crafts will be a member of the Lead Expert Group of the Foresight Project on the Future of Manufacturing.

The project calls on industry and academic expertise from the UK and abroad to explore how the UK can maximise key opportunities and mitigate risks. In doing so, it will provide a robust evidence base to help ensure that policy decisions taken today are resilient in an uncertain future.

The Lead Expert Group (LEG) of eminent academic and private sector experts from a range of disciplines works alongside the Foresight team. The project's fresh thinking, innovative evidence base and futures analysis will help inform policy makers.

Prof. Crafts brings more than 40 years' of research expertise to the task. His appointment to the panel reflects his extensive knowledge of the lessons that can be learned from a close examination of Britain's economic past.

Professor Chris Woodruff to lead £15 million research project

CAGE Research Associate, Chris Woodruff, is to oversee a new initiative that plans to invest £15 million into research on private enterprise development in low-income countries. The initiative is a joint venture co-ordinated by the Centre for Economic Policy Research in partnership with the Department for International Development.

The research programme aims to enhance understanding of how market forces in developing countries interact to impede private-sector efficiency, a critical component of sustained economic growth. The research initiative seeks to improve both academic understanding and to influence relevant public policies. The agenda is focused on low-income countries, and, in particular, those that are emerging from violent conflict.

Prof. Woodruff's expertise is in the arena of economic development, with a focus on microenterprise issues. In his new role as Scientific Co-ordinator of the programme, Prof. Woodruff will oversee more than 30 major research projects and around 80 smaller exploratory projects targeted toward young scholars in an effort to expand the network of researchers focused on these topics.

Research on firms by development economists has been surprisingly scarce, Woodruff said.

> "This innovative partnership provides the opportunity to shape research in an area which is critical to lifting people out of poverty permanently."

The research agenda will include a variety of issues involved in private enterprise in low-income countries. Among the targets are the knock-on effects and constraints one industry may have on another; the dynamics of informal enterprises and entrepreneurship; and the role of export-oriented industries in driving growth.

For more detail on the project, visit: www.PEDL.CEPR.org

Working Papers

CAGE publishes a series of working papers which are available online at **go.warwick.ac.uk/cage**

Recent papers include:

The Power of Political Voice: Women's Political Representation and Crime in India

Authors: Lakshmi Iyer, Anandi Mani, Prachi Mishra and Petia Topalova
No. 63/2011

Using state-level variation in the timing of political reforms, this study finds that an increase in female representation in local government induces a large and significant rise in documented crimes against women in India. The evidence suggests that this increase is good news, as it is driven primarily by greater reporting rather than greater incidence of such crimes. In contrast, the study finds no increase in crimes against men or gender-neutral crimes. The researchers also examine the effectiveness of alternative forms of political representation: large scale membership of women in local councils affects crime against women more than the presence of women in higher level leadership positions.

When bigger isn't better: bailouts and bank behaviour

Authors: Marcus Miller, Lei Zhang, and Han Hao Li
No. 66/2011

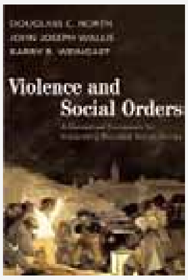
Lending retail deposits to SMEs and household borrowers may be the traditional role of commercial banks: but banking in Britain has been transformed by increasing consolidation and by the lure of high returns available from wholesale Investment activities. This study shows how market power enables banks to collect "seigniorage" and how "tail risk" investment allows losses to be shifted onto the taxpayer. In principle, the high franchise values associated with market power assist regulatory capital requirements to check risk-taking. But when big banks act strategically, bailout expectations can undermine these disciplining devices and the taxpayer ends up "on the hook" - as in the recent crisis. That structural change is needed to prevent a repeat seems clear from the Vickers report, which proposes to protect the taxpayer by a "ring fence" separating commercial and investment banking.

Violence and Social Orders:

A Conceptual Framework for Interpreting Recorded Human History

Professor John Wallis visited CAGE in December and gave a lecture based on his new book 'Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History' (John Wallis, Douglass North and Barry Weingast).

In his lecture Wallis discussed a conceptual framework that integrates a theory of economics and politics with the realisation that all human societies have to solve the problem of violence and how we can use the framework to analyse the transition from limited to open access societies in the west and to draw lessons for present-day societies that are still struggling with how to create a social order that supports economic growth and civil rights.



A video of this lecture is available on our website.

CAGE Seminar Series

CAGE holds a weekly Tuesday CAGE Seminar in the Department of Economics at the University of Warwick. External speakers are invited to give a seminar focusing on an applied microeconomics topic.

Seminar speakers for the Summer Term are:

Week 1
24th April 2012.
Lena Edlund, Associate Professor, Department of Economics, Columbia

Week 2
1st May 2012.
Oleg Itskhoki, Assistant Professor of Economics and International Affairs, Princeton

Week 3
8th May 2012.
Rob Jensen, Associate Professor of Public Policy, UCLA

Week 5
22nd May 2012.
David Atkin, Assistant Professor, Economic Growth Centre, Yale

Week 6
29th May 2012.
Stelios Michailopoulos, Assistant Professor, Department of Economics, Brown

Week 10
26th June 2012.
Mark Duggan, Professor of Economics, University of Maryland

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