

Growing the Globalisation Research Initiative

With a £3.5 million award from the Economic and Social Research Council, CAGE expands its agenda to take on a wider array of issues on the world's economic and political stages.

We created CAGE to undertake research that would lead to better insights about how and why different countries achieve economic success in a world that is more and more globally connected.

In the five years since our founding amid the worst economic downturn the world has experienced since the Great Depression, the world continues to face economic challenges that signal a need for CAGE's signature approach. Fear of 'secular stagnation' haunts the Eurozone. Wage growth has been mediocre, and the gap between high- and low-wage earners is expanding. Real risks and uncertainties loom over matters as varied as monetary policy, unsustainable public finance practices and emerging geopolitical tensions. In short, the globalised economy remains a puzzle that economists have yet to solve, and CAGE can help to illuminate.

Thus, our research will continue to take on issues about how countries can succeed in achieving objectives

to improve living standards, raise productivity, maintain international competitiveness, and facilitate the economic well-being of their citizens. We will continue to hone our distinctive approach, in using historical perspectives to understand current events.

Our new funding allows us to tackle a new research theme with particular resonance for our times: assessing the implications of globalisation for policymaking and for economic and political outcomes in Western democracies. And, a new partnership allows us to expand our outreach. The Social Market Foundation, the independent public policy think tank, provides us with a research partner and a conduit to the worlds of media, politics and policy.

With these resources and this partnership, our researchers are poised to take on the demanding questions of our challenging economic times.

INSIDE

- | CAGE announces new advisory board
- | Analysing the public health challenges of antimicrobial resistance
- | Assessing whether 'secular stagnation' is Europe's future



Nicholas Crafts, a professor in Economics Department at the University of Warwick, is the director of CAGE. Prof. Crafts is widely recognised for his scholarly work in economic history, which provides insights that inform current policy debates. The 2014 Queen's Birthday Honours List named Prof. Crafts a Commander of the Order of the British Empire (CBE) for his services to economic policy. He is also a Fellow of the British Academy, an honour recognising scholarly distinction.

A new CAGE Research Theme

Over the past few decades, governments and citizens have had to adapt to the new rules of a globalised world. Against this backdrop, CAGE's new Theme Four focuses on the effects of market integration and internationalisation on Western democracies.

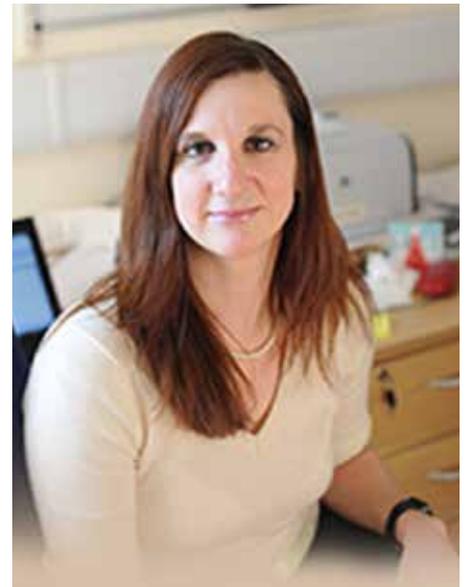
Methodologically this theme offers a political economy view on theoretical questions and uses the empirical apparatus of quantitative comparative and international political economy. From this perspective Theme Four will strengthen the interdisciplinary approach within CAGE by integrating scholarly work from political economy and quantitative political science.

More generally, Theme Four contributes to and builds on the existing CAGE research programme surrounding the unifying focal theme of 'managing change'. Particularly, Theme Four focuses on the changes and challenges of globalisation and international market integration

which governments and citizens in developed countries face. Theme Four will also contribute to the key research challenge of 'Succeeding in the Global Economy'. By shedding light from different scholarly perspectives on the question how policymakers in Western democracies can adapt to challenges posed by international market integration, Theme Four will generate policy-relevant evidence able to inform economic policymaking.

New research will address the following questions:

- *Will globalisation produce a race to the bottom that undermines European Economies?*
- *Which variety of capitalism will cope best with the challenges of globalisation?*
- *How are preferences about market integration, redistribution and the welfare state affected by globalisation?*



Vera Troeger, professor of quantitative political economy, is the Theme Four Leader at CAGE. She also serves as editor in chief of 'Political Science Research and Methods (PSRM)', the Journal of the European Political Science Association (EPSA).

Frances Cairncross leads new CAGE advisory board

Twelve individuals with academic and policy expertise comprise the new CAGE Advisory Board. The group chair is economist, journalist and academic Frances Cairncross. She chairs the executive committee of the Institute for Fiscal Studies, and is a Senior Fellow at the School of Public Policy at the University of California Los Angeles, and Chair of Court at Heriot-Watt University, Edinburgh.

She will be leading an Advisory Board whose members are:



- Nicholas Crafts, CAGE Director, Professor, Economics Department, The University of Warwick
- Sascha Becker, CAGE Research Director, Professor, Economics Department, The University of Warwick
- Mark Harrison, CAGE Impact Director, Professor, Economics Department, The University of Warwick
- Peter Elias, Professor, Institute for Employment Research, The University of Warwick
- Simon Swain, Pro Vice-Chancellor (Arts and Social Sciences), The University of Warwick
- Stephen Roper, Director, Enterprise Research Centre, Warwick Business School, The University of Warwick
- Sheilagh Ogilvie, Professor of Economic History, Faculty of Economics, University of Cambridge
- Liam Halligan, The Sunday Telegraph Columnist, Broadcaster, and formerly the Chief Economist at Prosperity Capital Management.
- Stevan Lee, Senior Economist and Team Leader, Growth Research at the Department for International Development
- Nigel Miller, Senior Economist, Economic Growth Analysis, Department for Business, Innovation and Skills
- Jim Reid, Managing Director, Head of Global Fundamental Credit Strategy Deutsche Bank

Global Perspectives

Cormac Ó Gráda



The Global Perspectives series is a new collaboration between the Social Market Foundation and CAGE. Cormac Ó Gráda from the University College Dublin delivered his public lecture, 'Cast Back into the Dark Ages of Medicine? The Challenge of Antimicrobial Resistance' on 28th April. It is the second in the Global Perspectives series.

Professor Cormac Ó Gráda,

economics professor at the University of College Dublin, presented a briefing paper, 'Cast Back into the Dark Ages of Medicine? The Challenge of Antimicrobial Resistance', analysing the challenges to global public health in controlling infectious diseases as the effectiveness of long-used antibiotics wanes. The paper is the second in the Global Perspectives series, the collaboration between the Social Market Foundation and CAGE.

Prof. Ó Gráda said that the challenge of antimicrobial resistance needs to be set in historical context: though real, it is unlikely to mean a return to 'the dark ages of medicine'.

Highlights from his briefing:

The 'pipeline' of new drugs is not as dry as is usually claimed in the media, showing that, as of December 2014, 37 new antibiotics were listed as being 'under development' in the United States alone.

With the virtual eradication of most infectious diseases, life expectancy in the UK and other high-income countries has doubled in the last century. The gains in poor countries have been smaller, but are still significant. Most of the increase in life expectancy preceded the antibiotics revolution.

Public health measures have been essential to controlling infectious diseases. Even if AMR increases, the effect of existing and new public health measures will limit the negative consequences.

The challenge of tackling antimicrobial resistance requires a focus on both the supply of antimicrobials (the 'pipeline') and the demand for them (consumption).

There is considerable scope for reducing consumption and thereby the spread of resistance. Public health initiatives and health education can usefully reinforce measures to restrain consumption.

ESRC FESTIVAL OF SOCIAL SCIENCE



**Looking ahead:
7 - 14 November 2015**

This celebration of the social sciences takes place across the UK - via public debates, conferences, workshops, interactive seminars, film screenings, virtual exhibitions and much more. 2015 is the 30th year that the ESRC has held the Festival of Social Science and each year the Festival grows from strength to strength. This year is particularly special as it will mark the ESRC's 50th Anniversary. See the ESRC website for details.

We will be supporting this year's Festival by organising two events at the University of Warwick. On 10 November CAGE researchers will present a showcase of their work to sixth formers who are interested in studying economics at university. And on 12 November CAGE researcher Dr Anandi Mani will give a public lecture on her research into poverty, development and wellbeing.

Welcome...

CAGE extends a warm welcome to its new visitors, including post-doctoral students and visiting researchers.

Natasha Postel-Vinay is a visiting post-doctoral economic history fellow at CAGE. She received her PhD from the London School of Economics and Political Science. Her research has analysed the causes of bank failures during the Great Depression in Chicago, which had the highest urban rate of bank failures. She also researches the role of deposit insurance in credit and leverage growth in developing economies.

John Wallis, an economics professor from the University of Maryland, is a visiting researcher at CAGE. Prof. Wallis has been a Research Associate at the National Bureau of Economic Research since 1989. He is an economic historian who specialises in the public finance of American governments, constitutional development and, more generally, on the institutional development of governments and economies

Nicholas Zammit, a faculty member in the Economics Department at Cambridge University and a former CAGE PhD student, returns in the autumn as a senior teaching fellow in the Economics Department at the University of Warwick and research associate on CAGE. His research looks at the economic growth of 'Settler Economies' (Canada, Australia, New Zealand, Argentina & South Africa) in a comparative context. Areas of interest include the rise of manufacturing, changes in trade policy and international relations, the influence of foreign technology and capital flows, the significance of 'staple' resource exports and their linkages into industry and services.

Ali Moghaddasi Kelishomi, who joined the Economics Department at The University of Warwick as a teaching fellow, will take up the position of CAGE post-doctoral research fellow from August. He received his PhD from the University of Essex. His work has examined new business start-ups and the business cycle, labour market dynamics, self-employment in developing countries, and the housing market. He will be working with Daniel Sgroi, associate professor in the Economics Department at The University of Warwick and CAGE theme leader.

Congratulations...

Frances Cairncross, the chair of the CAGE Advisory Board, was named as a Dame of the British Empire (DBE) in the 2015 Queen's Birthday Honours list. She was awarded the honour for services to education and in recognition of a very successful career as a leading British economist, journalist and academic.

Mariela Dal Borgo

CAGE PhD student has completed her PhD and accepted a position as economic/financial researcher for the Bank of Mexico in the Directorate of Financial Stability in Mexico City. Her research interests lie in applied microeconomics and labour economics, with an emphasis on household finance. Her dissertation focuses on household savings and portfolio choice. In it, she examines the effect of bankruptcy protection on households' investments in risky assets. Another recent research project examines the differences in saving behaviour across ethnic and racial groups in the United States.

Jordi Vidal-Robert, post-doctoral economic history fellow at CAGE, has accepted a position as Lecturer of Economics, Department of Economics, University of Sydney. His work focuses on historical institutions and their long-run effects and legacy on economic growth, current economic, cultural and political outcomes.

Roland Rathelot

CAGE research associate and an assistant professor in the Economics Department at The University of Warwick, has been appointed as an external expert on the Cross-Government Trial Advice Panel for the What Works Team of the Cabinet Office. His research expertise includes the evaluation of labour market policy, unemployment insurance, ethnic differentials on the labour market, and residential segregation.

Daniel Sgroi

CAGE theme leader and associate professor in the Economics Department at The University of Warwick, has received a commendation in the Warwick Awards for Teaching Excellence (WATE) 2015. The awards recognise and celebrate excellence in teaching and support for learning at The University of Warwick.

CAGE co-hosts vacation school in Venice

Competitive Advantage in the Digital Economy (CADE) is an exclusive three-day Vacation School that brings together academics and practitioners to discuss the current and future challenges surrounding the issues of New Business Models in the Digital Economy, Big Data and Personalisation. It was held from 28th to 30th May in Venice.

For the second year, CAGE and two partners served as co-hosts of Competitive Advantage in the Digital Economy (CADE), a three-day vacation school. The topic of this year's school was: 'Personal Data Economy and New Business Models'. Thought leaders from a variety of sciences including marketing, service systems, computer science, economics, and business administration shared their opinions about the impact of technology on the way businesses operate, with particular reference to personal data economy and connected data at the Palazzo Pesaro-Papafava in Venice.

CADE brought together academics and practitioners from a wide variety of destinations, including Austria, Denmark, England, France, Germany, Northern Ireland, Spain and Switzerland. Thought leaders from a variety of sciences including Marketing, Service Systems, Computer Science, Economics, and Business Administration shared their opinions about the impact of technology on the way businesses operate, with particular reference to personal data economy and connected data.

The event was organised by CAGE research associates Ganna Pogrebna, associate professor in the Warwick Manufacturing Group; and Kimberley Scharf, professor in the Economics Department at The University of Warwick.

CADE was co-sponsored by CAGE; the Warwick Manufacturing Group (WMG); and New Economic Models in the Digital Economy (NEMODE) Research Councils UK (RCUK)-funded 'Network-Plus' Initiative coordinated by the University of Surrey.

Speakers included: Rafael Cepeda (InterDigital); Phil Godsiff (Surrey); James Goulding (Nottingham); Weisi Guo (Warwick Engineering); Roger Maull (Surrey); Irene Ng (WMG); Glenn Parry (UWE); Ganna Pogrebna (WMG); Andi Smart (Exeter); Susan Wakeshaw (WMG); Peter Ward (WMG); and Thomas Weber (École Polytechnique Fédérale de Lausanne).

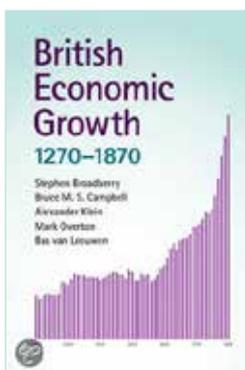
The school included a challenge for early career researchers. This year's challenge was to deliver a (digital) solution with the relevant business model for a specific city. The city of Venice (Italy) wanted to increase tourist mobility, the city of Murcia (Spain) looked for ways to make use of its newly built but troubled airport, and the town of Catia La Mar (Venezuela) looked for way to establish a new art museum. Three teams competed in this year's challenge with each team working on solutions for Venice, Murcia, and Catia, respectively. The competition proved stiff, but the professional committee judged the winners to be the team composed of: Ramona Statache (University of Nottingham), Tatiana Styliari (University of Nottingham), David Reynolds (WMG), and Viktor Avlonitis (Copenhagen Business School). The victors all received books as rewards.



Winners of the Early Researchers challenge

CAGE workshops and seminars offer insight into the research frontier on a wide variety of topics. Recent presentations from the Work in Progress workshops and Applied Micro Early Stage (AMES) seminars can be found on the CAGE website. Recent events include:

- 'Reducing High Public Debt Ratios: Lessons from the UK Experience' presented by Nicholas Crafts.
- 'The Political Fallout of the Chernobyl Disaster - Evidence from German Elections and the GSOEP' presented by Christoph Koenig.
- 'Why Are There Too Few Female Engineers? The Role of Teachers' Stereotypes' presented by Rigissa Megalokonomou (joint paper with Victor Lavy).
- 'Payment Methods in Peruvian Export Transactions' by Jorge Chavez.
- 'Estimating Individual Choice Model and Identifying Herding in Auctions' presented by Olga Wojciechowska.
- 'Local Export Spillovers in an Emerging Economy' presented by Jorge Chavez.
- 'Misallocation and the Bamboo Network: How Chinese Firms Benefit from Their Network in the United States' presented by Anna Baiardi and Christina Ammon.
- 'Local Export Spillovers in an Emerging Economy' presented by Jorge Chavez.
- 'Can Land Redistribution Reduce Inequality in the Long-Run? The Case of Land-Reform in Chile' presented by Nicolás Lillo.
- 'Social Ties between Co-workers and Learning on the Job: Evidence from Bangladeshi Garment Factories' presented by Andreas Menzel.
- 'Business Practices in Small Firms in Developing Countries' presented by Christopher Woodruff.



New book on British Economic Growth



Stephen Broadberry, a theme leader for CAGE and economics professor at the London School of Economics and Political Science, launched his book, 'British Economic Growth 1270-1870', at the British Academy on 15th May.

'British Economic Growth' provides a definitive new account of Britain's economic evolution from a backwater of Europe in 1270 to the hub of the global economy in 1870. Broadberry leads a group of researchers who are the first to reconstruct Britain's national accounts back to the 13th century. Thus, they are able to demonstrate the path to the Industrial Revolution from a quantitative perspective. Contrary to traditional views of the earlier period as one of Malthusian stagnation, they reveal

how the transition to modern economic growth built on the earlier foundations. Their work finds evidence of a persistent upward trend in GDP per capita, which doubled between 1270 and 1700. Featuring comprehensive estimates of population, land use, agricultural production, industrial and service-sector production and GDP per capita, as well as analysis of their implications, the book is an essential reference for anyone interested in British economic history and the origins of modern economic growth.



Published by Cambridge University Press, the book is co-authored with Bruce Campbell of Queen's University Belfast; Alexander Klein, of the University of Kent, Canterbury; Mark Overton, of the University of Exeter; and Bas van Leeuwen, of the University of Warwick

CAGE hosts International Trade Research Day

Researchers in the forefront of the field attended the event, held on 22nd May in the new Warwick Business School facilities on the 17th floor of The Shard in London.

Researchers from the UK, China and Canada discussed their latest work on trade, and related fields, in seminars at the CAGE International Trade Research Day at The Shard in London. More than 40 researchers from the UK and other European countries, and also from China's University of International Business and Economics, attended the event.

Top scholars presented six research papers.

Speakers included:

Swati Dhingra (LSE)

Keith Head
(University of British Columbia)

Gianmarco Ottaviano (LSE)

Henry Overman (LSE)

Davide Suverato (Munich)

Holger Breinlich (Essex)

Topics included:

Product Mix and Firm Productivity Responses to Trade Competition

Skill Scarcity, Wages, and Export Performance

Brands in Motion:

Estimating Multinational Frictions in the Car Industry

The Effects of Spatially Targeted Enterprise Initiatives: Evidence from UK LEGI

Swimming Upstream: Inputs and Product Adoption in India.

The event was organised by CAGE research associates and Warwick faculty Natalie Chen, Guillermo Noguera and Dennis Novy.

Policy Debate, Brussels

Secular Stagnation



The CAGE Policy Debate was held on 25th March in Brussels.

CAGE Director Nicholas Crafts presented a keynote speech, 'Is Secular Stagnation the future of the Eurozone?'. The briefing was followed by a lively debate and a networking cocktail reception. The event included senior figures from the European Commission, the European Parliament and the European Investment Bank.

Prof. Crafts presented information about two distinct but related concepts of 'secular stagnation' and their potential effects on Europe's economy. The first concept concerns the possible long-run trend growth failure, and the other concerns a permanent liquidity trap.

A future of 'secular stagnation' where economic growth is always painfully slow is widely perceived to be a plausible nightmare scenario for Europe, but it is not an inevitable one, Prof. Crafts said. Economic history shows how to prevent secular stagnation but these lessons are not being heeded or perhaps cannot be applied in Europe today

Additional analysis of the issue is available through Prof. Crafts' working paper, 'Is Secular Stagnation the Future for Europe?' (CAGE working paper no. 225), available via the CAGE website.

Highlights from his keynote speech:

- Short-term secular stagnation involves the need to employ negative real interest rates to raise demand. The policy antidote when nominal interest rates cannot be further reduced is to raise inflationary expectations. Though the ways to do this are well known, the design of the Eurozone precludes their use. The Euro Area is almost uniquely ill-equipped to use policy stimulus to escape from a liquidity trap, and so the region finds it difficult to escape from the doldrums.
- In long-term secular stagnation, growth is suppressed by a failure to create or use technological innovations. Technological progress is likely to be quite rapid over the next 20 years - especially through the computerisation of employment which will provide investment opportunities as well as productivity growth if its diffusion is not impeded. The real challenge for Europe will be to adjust to the job losses that this will entail.
- European countries still have considerable scope to grow through reducing productivity gaps and catching up the United States. For many European economies, supply side reforms could significantly improve growth performance if they were politically acceptable.
- Secular stagnation is not foreordained. If either variety prevails in the Eurozone, it will be a result of policy failures.

From the CAGE Blog

The CAGE blog carries news and discussion of CAGE research on long-run growth and development, the influence of beliefs and cultures, political economy, and economic policy.

Recent features, available at: blogs.warwick.ac.uk/cage/ include:

Does Market Size Matter Also for Charities?

Authors: Kimberley Scharf, professor in the Economics Department at The University of Warwick and CAGE research associate, and her co-author Janne Tukiainen of the Vatt Institute for Economic Research. No. 226

When economists look at profit-making firms, a common expectation is that, as market size increases, the number of firms in the market can be expected to increase, but less than in proportion so that firm size increases too.

This matters to the consumer because size is double-edged. Larger firms can economise on overhead costs and so sell to the consumer at a lower price, so the consumer gains. But larger firms also have more market power. This creates the risk for society that larger firms will raise prices and make more profits at the consumer's expense.

How do things change when we turn to the not-for-profit sector? The authors look at the effects of market size on market structure in the not-for-profit sector. They

show that when organisations such as charities pursue other goals than profit, there is no reason to expect their size to grow as the market size increases.

The paper confirms this insight by looking at five charitable markets for local public goods in Canada. They find that the main effect of increasing market size is an increasing number of charities, with no increase in average size. Rather, the market grows by the formation of new charities, keeping their average size small.

But larger charities, like larger firms, have the potential to be more efficient by economising on overheads. The risk for society is not that non-profit organisations will become too large, but that they will tend to remain too small, with most or all revenues eaten up by overhead costs.

Do Classroom Computers Enhance Student Achievement?

Authors: Oliver Falck and Constantin Mange, with the Ifo Center for Industrial Organisation and New Technologies, and Ludger Woessmann, a CAGE associate, professor of Economics at the University of Munich, and director of the Ifo Center for the Economics of Education at the Ifo Institute. No. 223

Most studies find little or no effect of classroom computers on student achievement. However, Woessman and co-authors suggest, this lack of effect might arise because of two underlying effects, one positive and one negative, that offset each other. Computers should have a positive effect on learning if they enable students to do some things better than before, such as search for knowledge. They should negatively affect learning if they are introduced into activities that are already done with high efficiency without computers, such as teaching basic skills and procedures; in

that case, adding computers would distract from the task and reduce achievements.

Woessman and his co-authors investigate the maths and science achievements in 2011 of over 150,000 eighth-grade students in 30 countries and nearly 250,000 fourth-grade students in 53 countries. They find that classroom computers have a positive effect when they are used to look up information and a negative effect when they are used to practise skills. These effects are larger for developed countries and for students of higher social and economic status.

Why Are You Picking on Me? The Problem of Fairness in Divided Societies

Authors: David Hugh-Jones, of the University of East Anglia, and Carlo Perroni, a professor in the Economics Department at The University of Warwick and a CAGE internal associate. No.244

The provision of public goods is essential to a well-functioning community. Public goods begin with basic things like security, justice, and roads. Everyone benefits from these, but sometimes it is hard to make sure that everyone contributes fairly. In a well-established conventional view, the state can force people to contribute. Self-governing communities, which lack an external state, must find other ways to sanction free-riders, and this is hard because individuals will also shirk the hassle of punishing others' bad behaviour. So, these communities face a 'second-order, free-riding problem'.

The authors argue that this may be a misdiagnosis. The coercive power to prevent bad behaviour can also be abused for personal gain; real problems of self-governance are about reining in powerful majorities, as much as sanctioning wayward individuals.

In reaching their conclusions, the authors examine case studies from the Gold Rush, US schools, and Indian society. They also report results of an experiment in which participants were assigned to a dominant group or an outgroup; when required to pay for public goods, the outgroup members were disproportionately likely to be punished, and in some cases, they refused to increase their contributions in response to punishment.

A pessimistic interpretation of the results is that as our society becomes more varied by national and ethnic origin, it will be harder to solve political problems of government spending and taxation. An optimistic lesson is that these problems can be eased by the transparent administration of justice, so that everyone pays taxes or fines according to clear, consistently applied rules.

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