



Scottish Institute for Research in Economics

Report to the
Scottish Funding Council

Period July 2007 to January 2008

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Part 1: General introduction

SIRE is making its mark internationally. This is its great achievement: to accelerate the re-establishment of Scottish economics on the world stage.

It is strange how much kudos we continue to enjoy from the fact that the study of modern economics began here in Scotland, with Adam Smith and David Hume. Our Board of International Advisors highlighted this when they wrote in support of our initial bid to the Scottish Government, through the Scottish Funding Council. The key question, raised by the Board at the time, was: Would SIRE be able to capitalise on the illustrious past?

The answer is yes, to judge from these early days of SIRE. There is a palpable level of excitement, at home and abroad. This matters – really matters – because we have to compete in a global market to recruit the best people. It will be abundantly clear from this document that we are attracting great economists.

Everything we do has to serve the one goal: to be bold and bring in the brightest talent from around the world. And we are succeeding!

A handwritten signature in black ink, appearing to read 'John Moore', written in a cursive style.

John Moore
Director

Part 2: SIRE Executive and International Advisory Board

- 2.1 The SIRE Executive Committee comprises:
- John Moore (SIRE Director, and Director of BIC)
 - Stuart Sayer (SIRE Executive Director)
 - Ronald MacDonald (Director of MFLR)
 - Martin Chalkley (Director of WW)
 - Mark Schaffer (SGPE PhD Director)
- 2.2 The membership of the Executive is as set out in the SIRE proposal, with the modification that Professor Mark Schaffer replaces Professor Robert Wright as the SGPE representative. This change reflects a change in the executive structure of the SGPE, with the creation of the new post of SGPE PhD Director to replace the post of SGPE Director, previously held by Professor Wright. The new post of PhD Director signals the importance given to strengthening the PhD stage of the collaborative SGPE programme, which is discussed in section 3.5.
- 2.3 The key relevant members of the Executive Committee communicate frequently. Initially by means of face-to-face meetings then, having developed a working familiarity, by means of teleconferences, with more occasional face-to-face meetings. Frequency varies somewhat, depending on the volume of business. For example, in the run up to the SIRE launch event, when the volume of business was high, there were regular weekly teleconferences as well as frequent exchanges of emails.
- 2.4 As discussed in section 3 below, the three SIRE programmes have each established Programme Steering Committees to assist the respective Programme Director in designing, developing and implementing the programme strategy.
- 2.5 The core executive team draws on the experience and expertise of other senior SIRE researchers as and where relevant. In particular, to assist in the important task of developing efficient and effective knowledge exchange with government and corporate sectors, the Executive has recently agreed to harness the leadership and experience of Professors Richard Harris and David Ulph. Richard Harris, the Director of the Centre for Public Policy for Regions (CPPR), has been External Advisor to the Asia Task Force set up by the Chancellor of the Exchequer as well as External Advisor to UKTI. David Ulph, before his recent move to St Andrews, was the Director of Analysis at HM Revenue and Customs and former head of the RAE 5* UCL Department of Economics.
- 2.6 SIRE has become a regular standing item at the, roughly, bimonthly meetings of the SGPE Heads of Departments of Economics, where SIRE is represented by the Executive Director. These meetings provide a valuable opportunity to discuss and obtain feedback on SIRE developments and help to promote effective integration and coordination of developments.

2.7 As set out in the SIRE proposal, the International Advisory Board (IAB) of SIRE comprises:

- Manuel Arrellano (CEMFI, Madrid)
- Richard Blundell (UCL)
- Naryana Kocherlakota (Minnesota)
- Tom McGuire (Harvard)
- George Mailath (Pennsylvania)
- Andrew Rose (Berkeley)
- Larry Samuelson (Yale)
- David Canning (Harvard)
- Harald Uhlig (Berlin)

2.8 Relevant members of the IAB provided advice and guidance on short-listed candidates for SIRE Chair appointments. This additional and insightful input from outstanding international researchers, alongside the normal role of external assessors, was an extremely valuable contribution to the appointment process. SIRE owes a considerably debt of gratitude to IAB members for their guidance and advice along with their more general support and enthusiasm for SIRE reflected in the comments quoted in Box 2.

Box 2
Comments on SIRE by the IAB

<p>“SIRE is an imaginative and exciting development aimed at placing Scotland in the premiere league of economic research worldwide. It is a tribute to the historic position Scotland holds in the foundation of economic science and to the calibre and energy of the new generation of economic researchers in Scottish universities.”</p>	<p><i>Professor Richard Blundell, CBE FBA, Ricardo Professor of Economics University College London and Research Director Institute for Fiscal Studies.</i></p>
<p><i>Professor Manuel Arellano, Professor of Econometrics and Labour Economics, Centro de Estudios Monetarios y Financieros, Madrid.</i></p>	<p>“It’s a very rare occasion for the international research community to witness a sudden expansion of this calibre, and a fantastic opportunity for Scotland to climb to prominence in economics at a time when the academic European map is being redesigned.”</p>
<p>“Excellent economic policy is key for the prosperity of a nation and its citizens. Isn’t it obvious that excellent economists and excellent research in economics are an essential foundation to achieve this? The Scottish Institute for Research in Economics bears the exciting promise of providing exactly that for Scotland. This initiative is therefore of crucial importance.”</p>	<p><i>Professor Harald Uhlig, Professor of Economic Policy (Macroeconomics) Humboldt University, Berlin.</i></p>
<p><i>Professor Larry Samuelson Professor of Economics, Yale University.</i></p>	<p>“Scotland was the birthplace of modern economics. Building on a recent resurgence of Scottish economics, SIRE will once again put Scotland at the forefront of the discipline.”</p>
<p>“It’s great to see that economics is about to be reborn in its original birthplace!”</p>	<p><i>Professor Narayana Kocherlakota, Chairperson Department of Economics, University of Minnesota</i></p>

Part 3: Executive & Programme Directors' overviews and future plans:

3.1 SIRE Centre

- 3.1.1 Following the announcement of the SIRE award in October 2006, the initial focus of activity at the SIRE Centre was to publicise SIRE and create generic information resources to boost SIRE's immediate priority task of recruiting to the substantial number of new senior and junior posts created by the SIRE investment.
- 3.1.2 Broad press coverage of SIRE was achieved, ranging from articles in the Times Higher Education Supplement and the Royal Economic Society Newsletter, through the Scotsman and Glasgow Herald, to the Daily Record. A full listing of all 36 new SIRE posts was also placed in the November and December issues of Job Openings for Economists, published by the American Economic Association.
- 3.1.3 A preliminary SIRE website was speedily put together, and released in early November, so that information about SIRE was readily available and could be referenced in recruiting adverts and literature.
- 3.1.4 Following this brief and intensive flurry of activity at the SIRE Centre, there was a lull in the early part of 2007, during which the prime focus of SIRE was on recruiting to the programme-related posts. The lull was broken in May 2007, with the first major SIRE Centre event, a public lecture by Professor Paul Krugman (Princeton).
- 3.1.5 The next main step in the development of the SIRE Centre was the appointment in July 2007 of the SIRE Administrator, Gina Reddie. With administrative support in place, the focus at the Centre turned to the development of a data base and mailing list to assist in coordinating and promoting SIRE events, including the main SIRE launch scheduled for November 2007.
- 3.1.6 Work also began on developing and strengthening effective communication channels across the universities participating in SIRE and collating information on the new SIRE appointees as well as the wide range of SIRE and other events and activities, taking place throughout Scotland.
- 3.1.7 The preliminary SIRE website, which had been speedily put together to assist recruiting, was professionally redesigned and developed. As well as providing general information about SIRE, its mission and research programmes, the site provides profiles of all new appointees, a diary of SIRE and other events and activities throughout Scotland, reports and archive material on major SIRE events, and news items about major SIRE achievements. The site is located at: www.sire.ac.uk
- 3.1.8 The Centre emails a regular monthly newsletter to the SIRE mailing list, highlighting major items of news and key events, with links to relevant pages on the SIRE website. Alongside the development of the new website, the Centre also worked on the development of other promotional materials, such as a flyer and sets of posters outlining SIRE and its achievements, for use at the SIRE launch and other events.
- 3.1.9 The SIRE launch on November 19th 2007 provided a focus for these developments, with promotion of the launch event linked to promotion of the newly designed

website. The launch, which took the form of a day-long conference culminating in a keynote lecture by Professor Tim Besley, is reported on in section 5.1 below. As noted there, it was a stimulating and highly successful event, and a clear indication of both the achievements of SIRE to date and its potential for further successes.

- 3.1.10 In addition to the launch the SIRE Centre has supported a number of other cross-programme events, including a SIRE-SCEME mini-conference on ‘Knowledge, Information and the Economy’ (with keynote speaker Deirdre McCloskey), and the ongoing SIRE Forum for Young Researchers. Forthcoming events in the pipeline include visits by 2006 Nobel Laureate Edmund Phelps (Princeton), Daron Acemoglu (MIT) and Philippe Aghion (Harvard). SIRE will also have a presence at the April 2008 Scottish Economic Society Conference in Perth.
- 3.1.11 As the web-based diary indicates, there is a wealth of high quality events and activities taking place throughout Scotland. These include regular seminar series at all the participating universities. Seminar presenters include an impressive array of leading international researchers, as well as SIRE-based researchers. It is particularly pleasing to note the frequency with which new SIRE appointees, junior as well as senior, appear on seminar or workshop schedules at universities around Scotland, as well as the SIRE Forum for Young Researchers, which launched in February 2008.
- 3.1.12 While it is, in many respects, a positive feature, the wealth of events and activities also presents a substantial challenge. There is a recognised need to improve the coordination and targeting of events and activities, so as to maximise their effectiveness and reap the gains of research pooling. To facilitate this, the SIRE Centre is developing a searchable database of SIRE researchers, which will, inter alia, facilitate the identification of key clusters of researchers and the more effective targeting and matching of events to these research clusters. A preliminary version of this database is now available, and the target is for it to be refined and developed as a web-based database by Summer 2008, in time for it to facilitate event planning for 2008-09. Coordination through the SIRE Centre will also aim to avoid, where possible, timing clashes between major events aimed at similar clusters of researchers.
- 3.1.13 The SIRE Centre, along with the Edinburgh department of Economics, will be moving to a different building in June 2008. The new location will provide a significant increase in available office and meeting space, which will enable the SIRE Centre to accommodate more readily visitors from within SIRE or from elsewhere.

3.2 Behaviour, Incentives and Contracts

- 3.2.1 Much of the activity and effort of the Behaviour, Incentives and Contracts (BIC) programme members since the announcement of the SIRE award has been devoted to recruitment. Section 4.2 below reports on the fruits of this activity and effort in terms of the new SIRE appointments made at senior and junior level.
- 3.2.2 As with recruitment to the other SIRE programmes, a notable and very positive feature has been the impact and excitement that SIRE has generated in North America and Europe, as well as within the UK. This had a clear impact on the quality and quantity of the fields we were able to attract for the advertised posts, as well as the appointments made. At junior level we held interviews with a number of highly ranked candidates from top US and European graduate schools. While at senior level, in addition to the excellent appointments we have actually made, we have been

engaged in serious discussions with, and come close to hiring, a number of other exciting and high reputation researchers from North America (including a full Professor from Yale).

- 3.2.3 Although in some respects it is disappointing that we still have two SIRE senior appointments to fill, this reflects the very high quality standards we have applied when making offers. Lowering these high standards to meet a deadline would have been to the detriment of SIRE and economics research within Scotland.
- 3.2.4 While the recruiting process has been effort-intensive, it has also had some valuable side effects by enhancing the international profile of SIRE and BIC, and by building and strengthening international research networks. Some of those who we were unable to lure to permanent posts intend to be regular visitors to SIRE and BIC.
- 3.2.5 A noteworthy and valuable feature of the recruiting process was the cooperation between Heriot-Watt and Edinburgh, the two HEI's making BIC hires. Staff from both departments attended seminar presentations given by key prospective hires, and the Principal of Heriot-Watt was one of the External Assessors for the Edinburgh Chair hires. The insights provided by the comments on short-listed senior candidates from members of the SIRE International Advisory Board were also a very valuable addition to the normal hiring process.
- 3.2.6 In line with the SIRE proposal and discussions at the SIRE Review Panel meeting, a number of the BIC hires build bridges between BIC and the other SIRE thematic programmes. In particular the interests of Professors Mai Guell and John Earle and Dr Philippe LeMay-Boucher link closely to WW, as does the exciting joint work being undertaken by Professors Maia Güell and Sevi Rodríguez Mora on intergenerational mobility. Professor Mora and Dr Olga Gorbachev also have research interests which tie in closely with MFLR.
- 3.2.7 A number of the SIRE and other recent appointments made elsewhere also build bridges with BIC. For example, Professors Costa-Gomes, Feltovich and Hvide at Aberdeen, Professors Ulph and Evans and Dr Faravelli at St Andrews, Dr Michael Finus at Stirling, and Professor Zhu at Glasgow all have interests that tie closely with BIC research themes.
- 3.2.8 A key challenge ahead for the BIC programme is to exploit the enhanced potential for collaborative research activities engendered by these bridge-building appointments. As a first step towards this, many of the new appointees mentioned above have already presented at the regular weekly Edinburgh-based workshop series and others will do so shortly. As with other SIRE programmes, the development of the SIRE researcher database and plans for greater coordination of seminars and other events across participating HEIs will help to foster increased and more regular cross-institution attendance. The enhanced quality of seminar presenters enabled by supplementary funding from the BIC activities programme (see section 5.2) provides a further incentive for cross-institution attendance. SIRE funding has also enabled a number of eminent seminar speakers to remain for longer and interact more extensively with BIC researchers.
- 3.2.9 One such visit of particular note is that of Professor Eric Maskin (Princeton), co-winner of the 2007 Nobel Prize for Economics. Professor Maskin's day-long November visit, in which he presented both a seminar and a public lecture, was his first visit to Europe following the announcement of his Nobel award in October. (see section 5.2).

- 3.2.10 In addition to the regular weekly seminar and workshop series, the BIC programme held a highly successful mini-conference on “Behavioural and Social Economics” in June 2007, involving a balanced mix of international and BIC presenters. Further mini-conferences, taking place in 2008, are: “The Emergence of Institutions” (May) and “Intergenerational Mobility” (June). See section 5.2 below for further details. These targeted mini-conferences provide an excellent vehicle for developing focused international research networks and show-casing the research taking place in SIRE.
- 3.2.11 To maximise the benefits from the BIC activities budget, SIRE funding has been used to underwrite the financing of these events to allow planning and organisation to proceed. Event organisers have, however, been encouraged to apply for other sources of funding, such as the ESRC and Leverhulme, to defray the costs. All three mini-conferences referred to above obtained some external funding. For example, the primary funding source for the mini-conference on “Behavioural and Social Economics” came from the Thomson Prize awarded to the conference organiser, Professor Ed Hopkins, for his recent paper (jointly authored with Dr Tatiana Kornienko) in the *American Economic Review*.
- 3.2.12 The core researchers within BIC are more geographically concentrated (in Edinburgh and Heriot Watt) than is the case with the other SIRE programmes. In some respects, this makes geography less of a challenge than it is for WW and MFLR. At the same time, it is important that BIC does not become excessively inward-looking. Engaging effectively with researchers based at other Scottish HEIs, whose work relates to BIC, is important if the benefits from research pooling are to be fully realised. This engagement applies both to work that falls clearly within the BIC remit as well as work that bridges between the SIRE research programmes. For example, in the former category there is the exciting new grouping in experimental economics, based in Aberdeen, which is also the home of the new Scottish Experimental Economics Laboratory (see section 5.2). In the latter category, there is considerable potential, for example, for collaboration with WW in research on: contracts and incentives in health service provision; intergenerational mobility; and labour market contracts. In this regard, it is pleasing to note the involvement of BIC researchers in the recent mini-conference on “The Family and the State” and the CDMA conference (see sections 5.3 and 5.4). To further foster these more outward-looking developments BIC is in the process of expanding its programme steering group to encompass a broader base in terms of both geography and research interests.
- 3.2.13 The Edinburgh department of economics will be moving to a different building in June 2008. The new location will add considerably to the space available to accommodate visitors from other SIRE HEIs and from elsewhere. The creation of SIRE has already had a significant positive impact on requests from international researchers, particularly from North America, for extended visits during periods of sabbatical. A regular flow of such visitors will add further to the research impetus created by the arrival of the new SIRE appointments.
- 3.2.14 In common with the other SIRE programmes, we are also considering ways of enhancing the dissemination of BIC research outputs and activities through the creation of a BIC discussion paper series and through more effective use of websites and press releases.

3.3 Work and Well-being

- 3.3.1 The Work and Wellbeing (WW) Programme held its first formal event in February 2007 when Professor David Blanchflower gave a public lecture in Stirling. We held a WW meeting prior to his lecture. It reaffirmed both the opportunities and challenges that WW faces: during the last 10 months we have begun to address these.
- 3.3.2 There is a growing sense within our community that Scotland has real strengths in applied analysis in health, work and well-being and in related micro-econometric data analysis. In addition, current and future SIRE appointments will continue to have a major impact on economic research in this area. The challenge is to ensure that the whole is greater than the sum of the parts. The twin concerns to 'grow capacity' and 'realise potential' serve as useful headings to report the last year of activities.
- 3.3.3 The details of the appointment that have made are contained in Section 4.3. Professors Hvide, Gerdtham and Costa-Gomes (all Aberdeen) will individually and collectively increase the capacity of the WW programme to generate research of international standing. It is anticipated that Dundee will appoint a further Professor to WW in 2008. Taking advantage of an opportunity to attract a highly regarded young researcher, Stirling has recently appointed Dr Sascha Becker to a Readership. These senior appointments were only made possible by the existence of SIRE.
- 3.3.4 SIRE has also served as an important catalyst for attracting exciting young talent into WW. Our junior appointees – Love, Petrie and Lange – were all attracted to apply for their posts because of the SIRE branding and they bring a welcome influx of fresh, young talent to economics in Scotland.
- 3.3.5 Moreover, SIRE funded appointments in WW do not tell the whole story. The impetus that has been given by SIRE to the research underpinning WW has generated synergies across institutions that were not fully anticipated in the SIRE proposal.
- 3.3.6 There is a significant programme of theoretical and empirical research in Household Economics under way at St Andrews and elsewhere, which links closely to WW themes. The research examines how households allocate resources to education & training, to work and to caring for both young and elderly – issues which integrate with the health and labour market foci of WW. This is exemplified in a piece of research about to appear in *Economica* (Helmut Rainer and Thomas Siedler, "O Brother, Where Art Thou? The Effects of Having a Sibling on Geographic Mobility and Labor Market Outcomes.", 2008) The recent appointments of Professor David Ulph and Dr Marco Faravelli have strengthened the St Andrews contribution in this area, and further senior appointments are planned.
- 3.3.7 Further, non-WW funded but SIRE related appointments that are worthy of mention are: the aforementioned part-time post taken up by Professor David (Danny) Blanchflower at Stirling (Professor Blanchflower is acknowledged as a leading international research in WW themes) and the BIC appointees Professors Earle, Güell and Mora whose research aligns very closely with WW themes.
- 3.3.8 WW is now a larger research community spreading across more institutions than was originally envisaged. Delimiting the key tasks and developing an appropriate strategy to marshal these increased resources have been the main concerns of the WW planning process over the last year.

- 3.3.9 One key development was the formation of a programme steering group. This group is currently comprised of Professors Barmby (Aberdeen), Bell (Stirling), Chalkley (WW Director, Dundee) and Ulph (St Andrews). The steering group met for the first time in October 2007 and has met monthly since. It provides the vehicle for strategic development of the WW programme aimed at realising the potential research synergies.
- 3.3.10 The current activities and discussions of the steering group are focussed on the following:
- The development of overarching themes for WW so that otherwise disparate programmes of research can be linked. One such theme that has been identified is “intergenerational transfers”.
 - The identification of Knowledge Exchange as a key area for the WW programme to develop.
 - The identification of WW researchers across Scotland and the need to develop information and collaboration tools for linking those researchers.
 - Consideration of the format of specific events that would be most conducive to research collaboration and that will offer most value added out of WW funding.
- 3.3.11 These are still early days for the development of the programme but important elements of the structure are now in place. The steering group is one such important element. A web-based collaboration site based on the Virtual Learning Environment (VLE) model will shortly be rolled out (February 2008).
- 3.3.12 Targeted and specific invitations for the organisation of future WW events will be one element of the WW VLE. Looking ahead, in the immediate future we are considering along with other SIRE programmes the possibilities of a programme Working Paper series and how this can be produced and disseminated so as to maximise impact. The steering group will also be concerned with more fully articulating a research collaboration strategy for WW. Our challenge is clear: with SFC’s help we have gathered and will continue to augment an impressive collection of WW ‘parts’ we must now assemble these so as to ensure the whole is greater than their sum.

3.4 *Macroeconomics, Financial Linkages and the Regions*

- 3.4.1 Much of the input into the MFLR programme in the first year was devoted to recruitment. With an allocation of eight Professorships and eight Lectureships to this programme, we feel that filling all of the junior positions and six full time professorial positions with high quality appointments is an excellent achievement. Additionally, we have made five part-time appointments, which equate to one full-time equivalent professorial appointment.
- 3.4.2 All of the junior appointments have been filled in the MFLR programme and both Glasgow and Strathclyde have filled their quotas of Professorial appointments with high quality candidates, while St Andrews has two full time professorial appointments outstanding. All of the Glasgow professorial appointments are in the area of macroeconomics, while the junior appointments straddle the areas of macroeconomics and finance. Specifically, Professors Cozzi, Talmain, and Wälde have been appointed to full professorial positions, while, Professors Boucekkine, Philippopoulos, Woitek and Zhu have been appointed to part time professorial positions. The three lectureship appointments at Glasgow were made to Dr Luis

Angeles, Dr Céline Azémar and Dr Konstantinos Angelopoulos. At St Andrews, one full-time professorial appointment – Professor Rod McCrorie – is in the area of econometrics, with applications in both macroeconomics and finance, and the part-time professorial appointment – Professor George Evans – is in the area of macroeconomics. The three junior SIRE appointments at St Andrews are in the area of macroeconomics and have been filled by Dr Fabio Aricò, Dr Marco Faravelli and Dr Alex Trew. Strathclyde have appointed a regional economist, Bernard Fingleton, and an econometrician, Gary Koop, at the professorial level, which is consistent with the MFLR business plan, and two junior appointments in the areas of globalisation and environmental economics: Dr Rodolphe Desbordes and Lise Tole.

- 3.4.3 In June 2007, a MFLR Macroeconomics and Finance launch conference took place at the University of Glasgow with Professor Andy Rose, University of California at Berkeley, and Professor Carl Walsh, University of California at Santa Cruz, as the keynote speakers. The event was well attended and junior faculty members from both Glasgow and St Andrews made presentations around the keynote talks.
- 3.4.4 The University of St Andrews ran its annual CDMA conference, co-funded by SIRE, in September 2007 and this attracted a good turn out of macroeconomists from all over the UK. The keynote speaker at the conference was Professor Nobu Kyotaki, University of Princeton.
- 3.4.5 Dr Rodney Strachan, ANU, Canberra was a visiting scholar in the Economics Department at Strathclyde for a week in December 2007 and his visit was co-funded by SIRE.
- 3.4.6 In 2008 we continue with a full conference series, spanning the participating universities of MFLR. In February, we have a prestigious SIRE-funded conference with a strong econometric/ macroeconomic flavour. The confirmed keynote speakers for this conference are: Katarina Juselius, Soren Johansen, David Hendry, Valerie Ramey, and Karim Abadir. SIRE is also part-funding the European Workshop in Macroeconomics, taking place in summer 2008, at Glasgow University, an Economic Geography conference hosted at Strathclyde University and the CDMA conference at St Andrews in September.
- 3.4.7 Additionally, all three of the main MFLR departments have very full seminar series. The calibre of presenters at these seminars has increased significantly with the advent of SIRE. All Glasgow-based seminars are available to view live via a video-conferencing link. This means that colleagues can fully participate in any seminar delivered at Glasgow from other locations in Scotland, or elsewhere.
- 3.4.8 In common with the other two SIRE programmes, MFLR has established a programme steering group. Current members of the steering group are drawn from Glasgow, Strathclyde, St Andrews and Dundee. The steering group provides a forum for the further strategic development of MFLR.
- 3.4.9 Discussions in the steering group have led to the identification of economic growth as a key unifying theme, which links the various MFLR researchers. Since economic growth is the central plank in the economic policy of the Scottish Government, the focus on growth creates the potential for valuable knowledge exchange with the government sector. To this end Ronald MacDonald, the MFLR Director, is one of the participants on the National Economic Forum.
- 3.4.10 One of the key challenges faced by the MFLR programme is the geographical dispersion of many of its researchers. The use of modern communication technology

including, as noted above, the facility to video-conference seminars and other events, provides a partial way of addressing this challenge.

- 3.4.11 The broader goal is to provide a dynamic research environment which fosters something more than a virtual interaction. One key to achieving this goal is to apply for at least one major collaborative ESRC (or similar) grant, and a number of smaller collaborative grants. This would not only directly engender cross-campus collaboration, but could also be used to provide funding for a number of research fellows in the different campus locations and supplement SIRE activities funding for a joint workshop series.

3.5 Scottish Graduate Programme in Economics (SGPE) PhD programme

- 3.5.1 The Scottish Graduate Programme (SGPE) is a collaboration between the eight pre-1992 Scottish universities. The first year of the SGPE is a taught MSc in Economics (or Economics (Finance)), which is currently based in Edinburgh. Teaching on the programme is delivered by academic staff from all eight participating universities, with staff travelling to Edinburgh to deliver their lectures. There are currently approximately 70 students registered on the one year MSc.
- 3.5.2 For the PhD stage of the SGPE students move to the university where their primary supervisor is based. There are currently approximately 90 students in the PhD stage of the SGPE. This group is distributed fairly evenly over the eight participating universities.
- 3.5.3 A common goal of both the SGPE programme and SIRE is to generate healthy growth in the quantity and quality of PhD students on the programme. The creation of SIRE and the increased profile this has already given to economics in Scotland will itself help to achieve this goal. The further development of SIRE and its programmes, outlined in sections 3.1 through 3.4 above, will supplement this effect.
- 3.5.4 There is, however, very strong global competition to attract economics PhD students. To enhance our ability to compete effectively at the upper end of this market there is a growing recognition that we need to enhance the advanced research training, post MSc, provided for PhD students. In effect, we need to move towards a 2 + 2 model for a PhD, closer to the structure of a North American PhD and the model more recently adopted by the top graduate programmes in England and continental Europe. The extant collaborative frameworks provided by the SGPE and SIRE mean that we are exceptionally well placed to provide such advanced research training.
- 3.5.5 Some aspects of this advanced training are already in place. Since its inception the SGPE has held a highly successful annual conference of PhD students and academic staff (along with MSc students), at which PhD students make a presentation of their research. There is scope to add further more focussed collaborative PhD workshops at other stages in the year, within the context of the SIRE research programmes. One such workshop, organised by the Work and Well-being programme has already been held in May 2007.
- 3.5.6 A further major step in the provision of advanced research training was the award in 2006 of £107, 914 from the ESRC Research Development Initiative for the SGPE PhD Training Sequence. Although this award pre-dated the final agreement on the

creation of SIRE, the research collaboration envisaged by SIRE played a key role in the bid for ESRC funding.

- 3.5.7 The ESRC-funded PhD Training Sequence, directed by Professor Robert Wright, provides three workshops per year for a period of three years. One three day workshop each year is devoted to advanced topics in quantitative methods. The two further workshops per year are in specialised topics that are deemed to be Scottish research strengths.
- 3.5.8 To date there have been five workshops:
- *Workshop 1* Behavioural Economics (Edinburgh) March 2007, with presentations from Professors Paul Heidhues (Bonn), Ed Hopkins (Edinburgh), Nick Hanley (Stirling) and Tatiana Kornienko (Edinburgh)
 - *Workshop 2* Panel Data Methods (Stirling) June 2007, with presentations from Professors Badi Baltagi (Syracuse), Robert Wright (Strathclyde), David Bell (Stirling), and Drs John Haisken De New (Essex), Graeme Roy (Strathclyde), David Vazquez-Guzman (Stirling) and Vernon Gayle (Stirling).
 - *Workshop 3* Monetary Policy Credibility and Learning (Heriot Watt) September 2007, with presentations from: Professors Kaushik Mitra (St Andrews), David Cobham (Heriot Watt) and Drs Eva Carceles-Poveda (SUNY Stony Brook) and Atanas Christev (Heriot Watt)
 - *Workshop 4* Experimental Economics (Aberdeen) November 2007, with presentations from: Professors Miguel Costa-Gomes, Nick Feltovich and Joseph Swierzbinski.
 - *Workshop 5* International Trade (Strathclyde) February 2008, with presentations from: Professors James Markusen (Colorado), Ian Wootton (Strathclyde) and Dr Catia Montagna (Dundee).
- 3.5.9 Discussion between the participating universities are ongoing about the best approach to sustaining and expanding this advanced research training programme in the context of both SIRE and the SGPE collaborative frameworks. As part of these discussions we are also exploring the use of and enhancement to video-conferencing facilities, to facilitate the development of more extensive collaborative training courses. The development of such facilities would also have considerable potential for other SIRE-related activities and events.

PART 4: SIRE Appointments

4.1 The recruitment process

- 4.1.1 The scale of the investment in SIRE, from both the SFC and the participating universities, the large number of new senior and junior appointments, and the potential synergies arising from research collaboration and pooling, generated considerable excitement in the economics profession, not just in the UK but also in continental Europe and North America.
- 4.1.2 Although the scale of the recruitment task has meant that a considerable amount of time and effort throughout 2006-07 was taken up by recruitment activities, this scale, along with the excitement generated by SIRE, also had a strongly positive impact on the quality of applications at both senior and junior levels. This positive impact of SIRE on the recruitment process is clearly indicated by the quotations from a cross section of the new SIRE appointees reproduced in Box 4.1.
- 4.1.3 One more specific benefit of the scale of new appointments was that it made it easier to cope with the fact that potential recruits, particularly at senior level, can come in pairs. There are three such pairs among the new SIRE appointees: Ed Hopkins and Tatiana Kornienko, Maia Güell and Sevi Rodríguez Mora, Gary Koop and Lise Tole.
- 4.1.4 A further positive feature of the recruitment process was the healthy inter-university collaboration and cooperation which took place. To maximise the international impact of the SIRE investment, collective adverts for all the SIRE posts were placed in *Job Openings for Economists*, the main global economics job market listing run by the American Economic Association. These and other adverts were followed up by SIRE representation at the main North American job market held at the ASSA meetings in Chicago in early January 2007 and the main European job market held in London in late January 2007. At these events and throughout the recruiting process, it was particularly pleasing to note the inter-university pooling of information about likely prospects with the aim of matching potential recruits to SIRE research programmes and universities.
- 4.1.5 This positive impact of SIRE on the recruiting process extended well beyond the SFC-co-funded appointments that were a direct part of the SIRE investment. As is outlined in section 4.5 below, there have been a substantial number of other new appointments throughout Scotland, all of which have benefited from the SIRE effect.
- 4.1.6 Further details of the SIRE appointments that have been made, organised within their respective programmes, are outlined in sections 4.2 through 4.4. As is brought out in these outlines, the appointments not only add substantially to the strength and depth at the core of each programme, but also, in a number of cases build bridges between programmes, enhancing the potential for creative and exciting cross-programme synergies.
- 4.1.7 The full range of appointments, including those summarised in section 4.5, have also deepened and strengthened a number of other core areas of research activity and created strong research groupings in key areas such as: econometrics, environmental economics, household economics, and development economics. These newly emerging research clusters add to the potential gains from research pooling and inter-university collaboration through SIRE.

Box 4.1
Feedback from a cross section of SIRE appointees

<p>“Before SIRE, there was a sense in which Scotland seemed far from the centre of where Economics is done, and this was so even on a UK basis. There is now an impetus to create an environment that should allow our departments to play a leading role in the discipline, both now and in the future. As a Scot, I wanted to be part of that.”</p>	<p><i>Professor Rod McCrorie</i></p>
<p><i>Dr Kohei Kawamura</i></p>	<p>As I am at the beginning of my academic career, it is particularly important for me to be in an environment where I can interact with good (both junior and senior) researchers. Before I started my job search seriously, I vaguely thought I should look for academic positions in South England, where many good economics departments are located and interactions take place regularly through seminars, workshops, conferences and so on. As a PhD student at Oxford, it seemed very natural and beneficial to stay in the "scene".</p> <p>However, the emergence of SIRE, which coincided with my job search in 2006/2007, changed the way I look at economics in the UK. The level of funding and the number of new appointments were such that I felt something very exciting might happen to economics in Scotland. When I received an offer from Edinburgh I already had an option to stay in South England, but I immediately decided to come to Edinburgh not only because it has a very good economics group, but also because SIRE seemed to have a great potential for creating an active research environment.</p> <p>Having spent six months as a new lecturer, I am confident that my expectation about SIRE was correct. We regularly invite workshop speakers from Scottish universities and discuss with them (I have already been invited by two SIRE universities). Many international conferences have already been organized by new and old members of SIRE. Given that we are at the very early stage of the SIRE initiative, the achievements are remarkable.</p> <p>To me what makes SIRE so special is the scale of new lectureship appointments. It is very encouraging and inspiring for me to see many young people in a similar situation to mine, and I am sure this creates a lively research "ethos" throughout SIRE universities. I am thrilled by and keen to contribute to the future development of SIRE.</p>
<p>“The success and excitement of the SIRE launch is a sign of a promising future for Economics in Scotland.”</p>	<p><i>Professors Sevi Rodríguez Mora Rodríguez Mora and Maia Güell</i></p>

<i>Professor Klaus Wälde</i>	<p>“SIRE gave me the impression that research is important. I was promised a lot of time for my own personal research and supervising PhD students (something I really enjoy) is rewarded with extra time. In addition, the University of Glasgow and SIRE provide an excellent environment with many outstanding colleagues with whom I can discuss frontier topics in economics.”</p>
<p>“For example: For me, the key factor about SIRE is that it created an environment where research and communication of research get first priority. To be able to contribute at this exciting stage of Scotland's development is a privilege.”</p>	<i>Professor Hans Hvide</i>
<i>Dr Dennis Petrie</i>	<p>“SIRE represented the passion for economics research in Scotland and along with the expertise gathered was a major incentive in moving to Scotland.”</p>

4.2 BIC appointments

- 4.2.1 The agreed SIRE business plan allocated 6 Chairs and 5 Lectureships to BIC, with 5 Chairs and 4 Lectureships based at the University of Edinburgh, and 1 Chair and 1 Lectureship based at Heriot Watt University.
- 4.2.2 We have succeeded in filling all 5 Lectureships with very high quality appointees. As with the appointments to other programmes, the enhanced profile generated by SIRE had a strongly positive impact on the recruitment process. We attracted exceptionally strong and large fields of applicants and, what is more, our first choice candidates all accepted the offered posts despite, in many cases, having other highly competitive offers.
- 4.2.3 The brief profiles of the new Lectureship appointees (see Box 4.2) attest to their quality. Further indicators of their quality include:
- Olga Gorbachev was invited to present her paper “Why did Household Consumption Volatility Increase?” at the prestigious NBER Summer Institute on Aggregate Implications of Microeconomic Consumption Behaviour in Cambridge, MA, in July 2007.
 - Kohei Kawamura was selected as one of the top European PhD students to present at the Econometric Society European Winter Meeting in Turin 2006, where his paper was very well received.
 - Tatiana Kornienko gave a paper, “Does Competition Affect Giving?” at the January 2008 Allied Social Science Association Meetings in New Orleans.
 - Jakub Steiner, who only completed his PhD as recently as June 2006, already has publications in *Journal of Economic Theory* (forthcoming) and *Games and Economic Behaviour* (one in 2007 and a further paper forthcoming). He has presented papers at the Econometric Society European Meetings in both 2006 and 2007, and the Stony Brook Global Game Theory Workshop 2007, as well as given recent seminars at Cambridge, Paris (PEA), Bonn, UCL and LSE.
- 4.2.4 At senior level BIC has filled 4 of the 6 Chair appointments. Two senior vacancies remain at the University of Edinburgh. Recruiting to date has been successful in attracting strong applications. We have, however, been highly selective when making offers, with the aim of ensuring that those appointed are exceptionally high potential researchers with a strong track record, who fit well within BIC and the broader research activities of SIRE. Lowering these high standards to meet a deadline, such as the RAE census date, would have been to the detriment of the long run interests of SIRE and economics research within Scotland. We have come very close to filling the two remaining vacancies with high calibre candidates from North America (including a current full Professor from Yale) and continue to recruit actively with no lowering of our high standards and aspirations.
- 4.2.5 The research interests of the new appointees build on and around the core strengths of the BIC programme.
- Professor Hopkins and Drs Steiner and Kawamura build on BIC’s established strengths in game theory and the prominent work in this field of Professors Moore, Thomas and Sákovics.
 - Hopkins, together with Kornienko, add strength in the comparatively new and rapidly growing fields of behavioural and social economics, as well as having an interest in experimental economics, which links them to the experimentalists recently appointed to the University of Aberdeen.

- Professor Earle and Dr LeMay-Boucher add weight to the strength in the economics of emerging markets and developing countries, linked to CERT as well as dispersed in a number of Scottish HEIs. LeMay-Boucher's interest in intra-household and family economics also fits well with work being undertaken within the BIC and W&W programmes.
- Professors Güell and Earle build around BIC's established interests in labour contracts and governance (e.g. Brown, Schaffer, Thomas, Hare and Moore) and importantly add significantly to the applied microeconometrics strength in these areas. Their work provides a natural bridge between the more theoretical focus of many of BIC's more established researchers and the more applied focus of the leading researchers in the *Work and Well-being* programme (as well as CERT).
- Professor Rodríguez Mora's and Dr Gorbachev's interests build on the rigorous microfoundations, at the core of the BIC programme, to explore aspects of applied macroeconomics. Within the BIC programme their work links naturally with the interests of Thomas, Snell and Moore (in the latter's ongoing joint work with Kiyotaki). Looking outward, their interests again provide a natural bridge with *Work and Well-being* as well as an important bridge with the *Macroeconomics, Financial Linkages and the Regions* programme.

Box 4.2
SIRE appointees in BIC

Professor José V. (Sevi) Rodríguez Mora	<i>Previously:</i> PhD MIT; UPF (Barcelona), Stockholm, and Southampton <i>Currently:</i> Edinburgh (from Feb 2008)	<i>General interests:</i> ▪ Macroeconomics <i>Specific interests:</i> ▪ Intergenerational mobility; ▪ Factor accumulation and economic efficiency; ▪ Time inconsistency issues; ▪ Rationality of voters & irrationality of institutions.
Professor John Earle	<i>Previously:</i> PhD Stanford; Senior Economist, Upjohn Institute (MI, USA); policy experience includes spells at the US President's Council of Economic Advisers and the Congressional Budget Office <i>Currently:</i> Heriot-Watt (from Oct 2007)	<i>General interests:</i> ▪ Labor economics and applied microeconomics <i>Specific interests:</i> ▪ Unemployment duration of displaced workers; ▪ Effects of privatization; ▪ Labour reallocation and mobility.

Professor Maia Güell	<p><i>Previously:</i> PhD LSE; Princeton, UPF (Barcelona)</p> <p><i>Currently:</i> Edinburgh (from Oct 2007)</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Labour economics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Effects of labour market regulations; ▪ Firms' personnel policies; ▪ Gender differences in labour market; ▪ Intergenerational mobility and inheritance.
Professor Ed Hopkins	<p><i>Previously:</i> PhD EUI; Edinburgh¹</p> <p><i>Currently:</i> Edinburgh</p>	<p><i>General interests:</i> Game theory & behavioural economics</p> <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Learning in games ▪ Social economics – rank, status and relative position
Dr Tatiana Kornienko	<p><i>Previously:</i> PhD Pittsburgh; Manitoba and Stirling¹</p> <p><i>Currently:</i> Edinburgh</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Psychology and economics; social economics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ The human tendency to make evaluations and judgements relative to their physical, social, or economic environment. ▪ The effects of interpersonal competition on economic growth and on charitable behavior. ▪ Bidders' behavior in auctions and firms' behavior in pollution permit markets.
Dr Jakub Steiner	<p><i>Previously:</i> PhD CERGE Prague</p> <p><i>Currently:</i> Edinburgh</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Microeconomics and game theory <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Coordination when there are strategic complementarities (e.g. currency attacks, bank runs, revolutions); ▪ Discrimination and the Romany community.
Dr Olga Gorbachev	<p><i>Previously:</i> PhD Columbia University</p> <p><i>Currently:</i> Edinburgh</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Applied macroeconomics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Economic volatility & welfare; ▪ Household level consumption volatility; ▪ Industry level volatility of production & employment; ▪ Financial innovation, idiosyncratic shocks & volatility.

¹ SIRE funding enabled us to retain Professor Hopkins and Dr Kornienko in Scotland and fight off a very attractive offer from a 5* English University. Their departure would have been a major loss to economics in Scotland.

Dr Kohei Kawamura	<i>Previously:</i> DPhil Oxford <i>Currently:</i> Edinburgh	<i>General interests:</i> ▪ Game theory and theory of the firm <i>Specific interests:</i> ▪ Game theoretic analysis of communication; ▪ Corporate governance.
Dr Philippe LeMay-Boucher	<i>Previously:</i> PhD Namur (Belgium) <i>Currently:</i> Heriot-Watt	<i>General interests:</i> ▪ Development economics <i>Specific interests:</i> Data collection & econometric analysis of: ▪ Intra-household consumption allocation; ▪ Informal institutions (e.g. saving & insurance groups).

4.3 W&W appointments

- 4.3.1 The agreed SIRE Business Plan allocated 4 Chairs and 5 Lectureships to the W&W programme: 2 Chairs and 2 Lectureships based at Aberdeen, 1 Chair and 1 Lectureship based at Stirling, and 1 Chair and 2 Lectureships based at Dundee.
- 4.3.2 To date 3 Chair appointments (all at Aberdeen), 1 Readership (Stirling) 3 Lectureship appointments (two at Dundee and one at Stirling) have been made.
- 4.3.3 Aberdeen have converted their 4 SFC co-funded posts to 4 Chair appointments to provide additional research leadership and strengthened profile at senior level. The funding for these posts, set out in the agreed SIRE Business Plan, has been supplemented by conversion of the funding stream originally targeted by the University of Aberdeen for additional postgraduate studentships². Three of the Chair appointments at Aberdeen have been made to date and it is anticipated that the remaining post will be advertised in the Spring of 2008.
- 4.3.2 Dundee have filled both of their Lectureship posts (Love and Petrie) but, to date, have not been successful in recruitment to the Chair. The first round of advertising attracted one extremely high quality applicant but pursuing this would have meant engaging in competition with another SIRE Institution. It was therefore decided to postpone the appointment. A new recruitment round will commence early in 2008. Recruitment activities are already ongoing.
- 4.3.3 Stirling has recruited to its Lectureship post, with the appointee (Dr Ian Lange) taken up his appointment in August 2008. The difficulties of attracting sufficiently strong applicants to meet the demanding SIRE quality threshold for Chair appointments led to Stirling re-advertising this senior post at Readership level. This Readership has recently been filled by Dr Sascha Becker.
- 4.3.4 The research interests of these new appointees builds on, and greatly enhances, the existing strength of the WW programme in respect of micro-econometric analysis of health and labour market data in the ways articulated in the SIRE proposal. These new appointees also exhibit important synergies across programmes.
- Professor Gerdtham's research on health inequalities (which has involved working with a variety of micro-econometric data sets) complements that undertaken by the Health Economics Research Unit (Aberdeen) and by Chalkley and Tilley (Dundee).
 - Dr Becker applies micro-econometric analysis to research questions involving work and education that complement the work of a large number of researchers in Aberdeen, Dundee, Stirling and throughout Scotland.
 - Professor Hvide's focus on Entrepreneurship and Personnel Economics similarly complements a wide range of researchers under WW where Personnel issues are assuming increasing importance in studies of the link between labour markets and economic well-being. In addition his research in Corporate Finance and Behavioural Economics links with MFLR.

² In the current climate it has proved difficult to attract suitably well qualified applicants for postgraduate studentships.

- Professor Gomes's work on the experimental economics provides foundations for much of the WW themes and complements approaches adopted under the BIC programme.

Box 4.3
SIRE appointees in W&W

Professor Hans Hvide	<p><i>Previously:</i> Assoc Professor Norwegian School of Economics & Business; Visiting Assoc. Prof. MIT (2005).</p> <p><i>Currently:</i> University of Aberdeen (from Sept 06)</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> • Incentives in Organizations, Entrepreneurship, Corporate Governance, Behavioral Economics. <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> • Factors explaining the transition from being a paid worker to being an entrepreneur & performance of entrepreneurial venture; • Household finance and the stock market investment decisions of individual investors; • Delegated job design; • Incentive contracts for workers motivated by status.
Professor Ulf Gerdtham	<p><i>Previously:</i> Professor of Health Economics Lund; Assoc Professor Stockholm School of Economics. Consultancy experience includes: The World Health Organization; OECD; Swedish National Board of Health and Welfare</p> <p><i>Currently:</i> University of Aberdeen (from Aug 07)</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> • Health Economics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> • Effects of economic factors on health & health care; • Inequalities in health; • Economic consequences of health-related behaviour; • Economic evaluations of health interventions; • Health system effects on health care costs and productivity.
Professor Miguel Costa Gomes	<p><i>Previously:</i> Professor York</p> <p><i>Currently:</i> University of Aberdeen (from Jan 08)</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> • Microeconomics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> • Game theory as part of empirical economics; • Experimental economics
Dr Sascha Becker	<p><i>Previously:</i> Assistant Professor Ludwig-Maximilians-University, Munich</p> <p><i>Currently:</i> University of Stirling</p>	<p><i>General Interests:</i></p> <ul style="list-style-type: none"> • Labour economics, • Economics of Education, • International economics <p><i>Specific Interests:</i></p> <ul style="list-style-type: none"> • Analysis of panel data applied to labour economics and education

Dr Ian Lange	<i>Previously:</i> Economist – Environmental Protection Agency, Washington DC <i>Currently:</i> University of Stirling	<i>General Interests:</i> • Environmental Economics • Applied Microeconomics • Quantitative Ecology <i>Specific Interests:</i> • Environmental policy impact assessment
Mr Dennis Petrie	<i>Previously:</i> PhD Student Queensland Australia <i>Currently:</i> University of Dundee (from September 2007)	<i>General Interests:</i> • Health Economics <i>Specific Interests:</i> • Health Inequality • Economics of Alcohol • The productions and efficiency of health care systems.
Mr Tom Love	<i>Previously:</i> Lecturer, Wellington School of Medicine (NZ) <i>Currently:</i> University of Dundee (from February 2008)	<i>General interests:</i> Health Economics <i>Specific interests:</i> Medical practice variation; Aspects of demand for medical services.

4.4 MFLR Appointments

- 4.4.1 The agreed SIRE Business Plan allocated 8 Chairs and 8 Lectureships to the MFLR programme: 3 Chairs and 3 Lectureships based at Glasgow, 3 Chairs and 3 Lectureships based at St Andrews, and 2 Chairs and 2 Lectureships based at Strathclyde.
- 4.4.2 Six full-time Chair appointments have, to date, been made: 3 at Glasgow, 1 at St Andrews, and 2 at Strathclyde. In addition Glasgow has made a further four appointments and St Andrews one appointment to part-time (20%) Chairs (amounting to one FTE Professorship for the MFLR programme). St Andrews plan to make one further full-time appointment and one further part-time appointment, both at Chair level, in the coming year.
- 4.4.3 At Lectureship level all 8 posts allocated in the agreed SIRE Business Plan have been filled.
- 4.4.4 The research strengths of these new appointees build on and around established strengths in the MFLR programme as well as providing exciting potential for synergies with the other SIRE programmes.
- Professor Gabriel Talmain, Rod McCrorie and George Evans provide a substantial strengthening in time series econometrics. Together with Professor Gary Koop's strong international reputation as a leading Bayesian econometrician, and Professor Bernard Fingleton's research in spatial econometrics, this group provides a valuable core of expertise in the econometric techniques used in MFLR research. They also neatly complement the strength in panel data microeconometrics, which is a primary focus of the WW programme, and has itself been boosted substantially by recent SIRE appointments.
 - Professors Guido Cozzi, Raouf Boucekkine, and Apostolis Philippopoulos, along with Drs Alex Trew, Konstantinos Angelopoulos and Fabio Aricò add considerable strength to the research base in economic growth which, as noted in section 3.4 above, has been identified as a key unifying theme within the MFLR programme as well as a natural link with the economic policy of the Scottish Government.
 - A further cluster of the new SIRE appointees (notably Drs Luis Angeles, Céline Azémar) add further weight to this research focus on growth in the context of development issues.
 - Professors Klaus Wälde, Ulrich Woitek, George Evans, and Gabriel Talmain add depth and quality to MFLR work on business cycles.
 - Professor Bernard Fingleton links the work on growth to the regional theme of MFLR, while Professor Ulrich Woitek's interests in regional business cycles also ties into this regional theme.
 - A further clustering (including Professors Apostolis Philippopoulos and Ulrich Woitek, and Dr Rodolphe Desbordes) is based on common interests in political economy issues related to growth, cycles and development.
 - Other common themes linking a number of the new appointees together, as well as to established researchers, include: international trade, finance, and technical skills in computational and dynamic stochastic general equilibrium (DSGE) modelling.
 - There are also strong links to the WW programme through, for example, work on (un)employment, demography and productivity, as well as links with BIC, through, for example, Professor Tao Zhu and Dr Marco Faravelli.

Box 4.4
SIRE appointees in MFLR

Professor Guido Cozzi	<p><i>Previously:</i> Professor Macerata; PhD NYU</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Macroeconomics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Endogenous growth; ▪ Indeterminacy and sunspot equilibria; ▪ Technological change; ▪ Intellectual property rights; ▪ Government procurement & growth; ▪ Culture & development; ▪ Pharmaceutical industry; ▪ Banking economics.
Professor Gabriel Talmain	<p><i>Previously:</i> Professor University of York; PhD Columbia; Visiting Posts at European Central Bank and Banco de Portugal</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Macroeconomics, Finance <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Real business cycles; ▪ Non-linear dynamic processes; ▪ Persistence of monetary policy, inflation & unemployment; ▪ Asset price dynamics.
Professor Klaus Wälde	<p><i>Previously:</i> Professor Würzburg, Professor Dresden. Economic adviser World Bank & European Commission.</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Economic theory, business cycles & international trade <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Unemployment & inequality; ▪ Endogenous business cycles; ▪ Applied intertemporal optimization; ▪ International competition, growth & welfare.
Professor Rod McCrorie	<p><i>Previously:</i> Reader Leicester</p> <p><i>Currently:</i> University of St Andrews</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Econometric theory, applied macroeconometrics & time series analysis <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Identification, estimation and inference in continuous time models; ▪ Temporal aggregation in macroeconomics & finance; ▪ Statistical distribution theory for time series.

Professor Gary Koop	<p><i>Previously:</i> Professor Leicester</p> <p><i>Currently:</i> University of Strathclyde</p>	<p><i>General interests:</i> Bayesian econometrics</p> <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Applications of Bayesian econometrics; ▪ Bayesian econometric theory
Professor Bernard Fingleton	<p><i>Previously:</i> Reader, Cambridge</p> <p><i>Currently:</i> University of Strathclyde</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Spatial economics, economic geography, spatial econometrics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ The causes of differential economic development within & between countries; ▪ Spatial panel models with spatial independence.
Professor Raouf Boucekine	<p>(part-time 20%)</p> <p><i>Concurrently:</i> Professor CORE (Université catholique de Louvain)</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Growth theory; mathematical and computational methods <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Vintage capital models; ▪ Optimal control theory & applications; ▪ Differential systems; ▪ Dynamic systems with forward expectations; ▪ Mathematical demography; ▪ Demographic determinants of development.
Professor Apostolis Philippopoulos	<p>(part-time 20%)</p> <p><i>Concurrently:</i> Professor Athens University of Economics & Business</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Macroeconomics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Growth, cycles & policy in DSGE models; ▪ Natural resources, human capital & growth; ▪ Second-best dynamic policy; ▪ Political economics & institutions; ▪ Fiscal federalism; ▪ Rent-seeking and property rights.
Professor Ulrich Woitek	<p>(part-time 20%)</p> <p><i>Concurrently:</i> Professor Zürich and Ifo (Munich)</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Macroeconomics – business cycles <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Synchronization of business cycles; ▪ Elections and fluctuations; ▪ Regional business cycles; ▪ Height and business cycles; ▪ Business cycle asymmetries.

Professor Tao Zhu	(part-time 20%) <i>Concurrently:</i> Ass. Prof Cornell <i>Currently:</i> University of Glasgow	<i>General interests:</i> • Macroeconomics & monetary economics <i>Specific interests:</i> • Matching models of money.
Professor George Evans	(part-time 20%) <i>Concurrently:</i> John B Hamacher Professor Oregon Previous posts include: LSE, Stanford, Edinburgh & Stirling. <i>Currently:</i> University of St Andrews	<i>General interests:</i> • Macroeconomics <i>Specific interests:</i> • Tests for speculative bubbles; • Effect of sectoral balance on unemployment; • Trend cycle decomposition; • Endogenous fluctuations; • Expectational stability & learning; • Complementarities & growth cycles; • Expectations, learning & optimal monetary policy design; • Heterogeneous expectations.
Dr Lise Tole	<i>Previously:</i> Lecturer Leicester <i>Currently:</i> Senior Lecturer University of Strathclyde	<i>General interests:</i> Applied environmental economics <i>Specific interests:</i> The impact of environmental regulations on firm location and activity; Air pollution health impacts; Trade liberalization and corporate takeovers
Dr Rodolphe Desbordes	<i>Previously:</i> PhD Sorbonne; Postdoc U catholique de Louvain <i>Currently:</i> Lecturer Strathclyde	<i>General interests:</i> Political Economy <i>Specific interests:</i> • Political determinants of FDI • Growth implications of epidemics • Tax-sparing & FDI
Dr Alex Trew	<i>Previously:</i> PhD St Andrews <i>Currently:</i> University of St. Andrews.	<i>General interests:</i> • Growth theory <i>Specific interests:</i> • Microfoundations of finance & growth; • Finance through the industrial revolution; • Financial contracts.

Dr Fabio Aricò	<p><i>Previously:</i> PhD Warwick</p> <p><i>Currently:</i> University of St Andrews</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Economic growth, technological change and unemployment <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Matching models with two-sided heterogeneity and skill-biased technological change. ▪ Investment decisions in skill-acquisition & technology adoption; ▪ Technological diffusion, economic expansion & unemployment.
Dr. Marco Faravelli	<p><i>Previously:</i> PhD Edinburgh</p> <p><i>Currently:</i> University of St Andrews</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Game theory, behavioural and experimental economics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Ethics and social norms; ▪ Conventions and morality in an evolutionary framework
Dr Luis Angeles	<p><i>Previously:</i> PhD Lausanne</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i> Economic development</p> <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Effects of foreign aid; ▪ Determinants of economic inequality; ▪ Intellectual property rights in developing countries; ▪ Colonialism and evolution of pre-industrial economies.
Dr. Céline Azémar	<p><i>Previously:</i> PhD student Sorbonne</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Development and international economics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ The impact of taxation on location decisions of multinationals; ▪ International tax competition; ▪ Economic effects of bad governance & infectious diseases in sub-Saharan Africa.
Dr Konstantinos Angelopoulos	<p><i>Previously:</i> Lecturer Stirling; PhD Athens</p> <p><i>Currently:</i> Glasgow</p>	<p><i>General interests:</i> Economic growth</p> <p><i>Specific interests:</i> Fiscal policy, incentives, government efficiency and economic growth</p>

4.5 Other appointments

- 4.5.1 In addition to the formal SIRE appointments, co-funded by SFC, the participating HEIs have made a substantial number of further new appointments in economics in the period since the SIRE proposal was approved. These appointments add further strength to the economics research base in Scotland.
- 4.5.2 As with the formal SIRE appointments, the creation of SIRE and the enhanced profile it generated played a substantial part in attracting strong fields for these posts. Thus SIRE has had a significant and positive impact on recruitment, which goes well beyond the formal SIRE appointments.
- 4.5.3 In many cases, these further appointments link closely with SIRE's thematic programmes. In particular:
- Professor Danny Blanchflower adds to the strength in empirical labour economics within W&W, as well as bringing a wealth of policy-related and consultancy experience, which includes his current membership of the Bank of England's Monetary Policy Committee.
 - Professor Nick Feltovich combines with SIRE appointee Professor Miguel Costa Gomes to add substantial strength in the rapidly growing research field of experimental economics, with links to research themes within both BIC and WW. These new appointments are further enhanced by the creation of the new Scottish Experimental Economics Laboratory at Aberdeen (see section 5.2).
 - Drs Ioana Moldovan and Ozge Senay add to the established strength in core macroeconomics, within the MFLR programme, and Drs Gonzalo Forgues-Puccio and Yin Zhang combine with the formal SIRE appointments to further strengthen the research base in growth and development.
- 4.5.4 These further appointments also add strength in important and topical fields, which do not fall neatly within the SIRE thematic programmes. In particular, Professor David Ulph, Drs Frans de Vries and Michael Finus, along with SIRE appointee Lise Tole, add substantially to the research base within Scotland in environmental economics. The strengthening of the research base in this field is particularly timely and valuable for Scotland, in the context of climate change.
- 4.5.5 The senior appointments also make a valuable addition to research leadership and experience. Of particular note is Professor David Ulph, who brings his experience as a Head of the 5* Department of Economics at UCL, Executive Director of the ESRC Centre for Economic Learning & Social Evolution, and Director of Analysis at HM Revenue & Customs.

Box 4.5
Other appointments

<p>Prof. David (Danny) Blanchflower</p>	<p>(Part-time) <i>Concurrently:</i> Bruce V. Rauner Professor Dartmouth College; External Member of the Bank of England's Monetary Policy Committee. Consultancy experience includes: ILO, OECD and membership of Commission on the Swedish labour market. <i>Currently:</i> University of Stirling</p>	<p><i>General interests:</i> • Labour economics <i>Specific interests:</i> • Wage determination; • Youth labour markets; • Entrepreneurship; • Trade unions; • Happiness.</p>
<p>Dr. Giuseppe De Feo</p>	<p><i>Previously:</i> PhD Università di Napoli Federico II; completing PhD at Université catholique de Louvain <i>Currently:</i> University of Strathclyde</p>	<p><i>General interests:</i> • Applied microeconomics & Industrial Organization <i>Specific Interests:</i> • Strategic interactions; • Imperfect information and efficiency; • Scope for government intervention.</p>
<p>Dr. Frans de Vries</p>	<p><i>Previously:</i> PhD Groningen; Postdoc CentER (Tilburg); Ass. Prof Groningen <i>Currently:</i> University of Stirling</p>	<p><i>General interests:</i> Applied microeconomics <i>General interests:</i> • Environmental economics; • Economics of technological change.</p>
<p>Prof. Nick Feltovich</p>	<p><i>Previously:</i> Assoc. Prof Houston; PhD Pittsburgh <i>Currently:</i> University of Aberdeen</p>	<p><i>General interests:</i> • Game theory; • Computational economics; • Experimental economics; • Industrial organization.</p>
<p>Dr. Michael Finus</p>	<p><i>Previously:</i> PhD Hagen; Ass. Prof Hagen <i>Currently:</i> University of Stirling</p>	<p><i>General interests:</i> • Applied economics <i>Specific interests:</i> • Environmental & resource economics; • Public economics • Game theory.</p>

Dr. Gonzalo Forgues-Puccio	<p><i>Previously:</i> PhD Manchester; Lect. Manchester; various posts at Central Bank of Bolivia.</p> <p><i>Currently:</i> University of St Andrews</p>	<p><i>General Interests:</i> Economic growth & development</p> <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Corruption, governance & growth ▪ Impact of corruption on public policy; ▪ Role of foreign aid in escape from poverty traps.
Dr. Colin Jennings	<p><i>Previously:</i> PhD Southampton; Lecturer, Queen's College Oxford</p> <p><i>Currently:</i> University of Strathclyde</p>	<p><i>General interests:</i> Political economics</p> <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Conflict; ▪ Political competition & voting behaviour; ▪ The nature of political motivation.
Dr. Ioana Moldovan	<p><i>Previously:</i> PhD Bloomington, USA</p> <p><i>Currently:</i> University of Glasgow</p>	<p><i>General interests:</i> Macroeconomics</p> <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Fiscal policy stabilization of cycles; ▪ Fiscal policy interactions; ▪ Government debt and the intertemporal government budget constraint.
Dr. Ozge Senay	<p><i>Previously:</i> Lecturer Middle East Technical University (Ankara); PhD York</p> <p><i>Currently:</i> University of St Andrews.</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Open economy macroeconomics and monetary economics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Applications of DGE models with imperfect competition & nominal rigidities to open economy macro policy.
Prof. David Ulph	<p><i>Previously:</i> Professor and Head of Department at Bristol, then UCL & Exec. Director of ESRC Centre for Economic Learning & Social Evolution; Director of Analysis at HM Revenue & Customs</p> <p><i>Currently:</i> University of St Andrews.</p>	<p><i>General interests:</i></p> <ul style="list-style-type: none"> ▪ Applied microeconomics <p><i>Specific interests:</i></p> <ul style="list-style-type: none"> ▪ Economics of innovation; ▪ Tax avoidance and tax policy; ▪ Climate change; ▪ Economics of third sector/civil society.

Dr. Yin Zhang	<i>Previously:</i> PhD Sydney; Post-doc WIDER, UN University, Helsinki. <i>Currently:</i> University of Dundee	<i>General interests:</i> Economic development and inequality <i>Specific interests:</i> ▪ Poverty ▪ Inequality and health ▪ Asian economies
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Part 5: SIRE events, activities and achievements:

5.1 SIRE Centre

Major events during reporting period:



May 8th 2007 Public Lecture: Paul Krugman

Professor Paul Krugman (Princeton) delivered a Public Lecture on “Trade and Inequality, Revisited” on May 8th 2007 in the University of Edinburgh. The event was co-organised by SIRE and Palgrave Macmillan. In his insightful lecture Professor Krugman re-examined the link between globalization and inequality, focusing particularly on the consequences for wage inequality in the US of the sharp rise in manufactured imports from developing countries since the mid 1990s. Professor Krugman is an eminent academic economist: he worked at Yale, Stanford and MIT before his

recent move to Princeton; won the John Bates Clark Medal; and co-founded ‘new trade theory’, which examines the consequences of increasing returns and imperfect competition for international trade. He is also well known to the wider public for his more popular writings as a columnist for, inter alia, the New York Times and in highly readable books, notably “The Age of Diminished Expectations”. Not surprisingly the event proved to be a major draw, attracting a capacity audience of academic economists from across Scotland, a substantial number of Scottish Government economists, as well as representatives from the business and finance sectors, and other academic disciplines. The lecture and reception which followed provided a valuable opportunity not only to hear and speak with Professor Krugman but also to show-case SIRE to this wide-ranging group of attendees.



October 13th 2007 SIRE-SCEME Mini-conference

The 9th SCEME Mini-conference on 'Knowledge, Information and the Economy' was held in the University of Stirling on October 13th 2007. The keynote speakers were Kurt Dopfer (St Gallen) and Deirdre McCloskey (Illinois). The event was co-sponsored by SIRE and SCEME (Stirling Centre for Economic Methodology). The involvement of SIRE added value in two key respects: (i) It enabled the event organisers to take advantage of the opportunity of Deirdre McCloskey (a leading US methodologist) being in Ireland to invite her as a second keynote speaker; (ii) SIRE

sponsorship of attendance by Scottish-based economists led to 19 of the 26 attendees being Scottish-based economists, with 8 of these being first time attendees.



November 19th 2007 SIRE Launch Conference

The SIRE Launch Conference was held in the elegant surrounding of the University of Edinburgh's Playfair Library on November 19th 2007. The all-day event provided an opportunity to meet with new and established SIRE researchers, and see them in action. In the morning and afternoon sessions, three research seminars were given by leading researchers from each of SIRE's thematic research programmes:



Seminar 1: Professor Guido Cozzi (Glasgow)

Privatization of knowledge: did the US get it right?

Brilliant ideas, about new products and processes, are key to economic growth and international competitiveness. Such ideas often emerge from scientific discoveries which themselves have no immediate commercial value – so rewards may not be aligned to effort. Should basic research be publicly or privately funded? And, to foster innovation and growth, what kinds of discovery should be protected by intellectual property rights? Post 1980, the US intellectual protection regime has parted substantially from the European. Has the US chosen the better path?

Seminar 2: Professors Maia Güell and José V. Rodríguez Mora (Edinburgh)

The names in Spain are mainly not in vain: inter-generational mobility and the information content of surnames.

Economic mobility, between generations, is notoriously difficult to measure. Although there are many cross-sectional data sets, there are few long panels. We propose an innovative solution, based on the idea that surnames act as a longitudinal marker. We measure the information content of surnames in a census of the Spanish population (of more than 40 million). We find that not only does family background matter, but it is mattering more – economic mobility, between generations, is *decreasing*. This trend is explained by an increase in assortative mating: like is pairing more with like. The hope is that our new method will be of use to non-economists too; e.g. in determining the importance of heredity for a medical condition.



Seminar 3: Professor Martin Chalkley (Dundee)

Economics in tooth and jaw: extracting performance from dentists.

The performance of the NHS dental service has been a source of much public debate, and some discomfort for policy makers (not to mention patients). Changes to dentists' pay structures have been tried across the UK. Such policy shifts enable us to test our models of economic incentives, given that there is a huge and seldom-exploited data bank recording dentists' activity in minute detail. We have a number of findings. (1) Remuneration matters – dentists paid differently perform





differently. (2) It matters whether patients have to co-pay – dentists do more for patients who co-pay less. What can this tell us about how health care should be delivered?

Keynote address: The evening keynote address was given by Professor Tim Besley (LSE and member of the Bank of England Monetary Policy Committee) entitled: *Economics for Public Service Reform*

Reform of public services is a pressing issue in the UK and elsewhere. The lecture reviewed what the economics of incentives and organizations offers to the debate. In trying to understand what makes public services different, it developed a framework focusing on 3 Ms: missions, motivation and matching. It argued that these offer a novel take on how competition and incentives work in public service provision. It also discussed some issues surrounding public versus private provision of public services and governance of service provision.



Power point slides from the seminars and an audio recording of Professor Besley's keynote lecture are available on the SIRE website at:

<http://www.sire.ac.uk/archive/event-launch.html>



A key feature of the Launch Conference's success was the widespread attendance from all the universities participating in SIRE, with approximately 120 delegates attending for the full day. A further 68 attended for the evening session comprising the keynote address and reception, including representatives from the Scottish Government, the Scottish Funding Council, university senior management and the business and finance sectors. The day provided a valuable opportunity to network with old colleagues as well as new SIRE appointees. Indeed, the potential for research pooling was much in evidence in the inter-university conversations that took place during breaks for coffee, lunch and the post-keynote reception. SIRE's achievements were show-cased in the conference pack and poster displays, which outlined recent and forthcoming events and provided brief profiles of the impressive group of new SIRE appointees. The feedback on the Launch Conference has been strongly positive, which bodes well for the future of SIRE.



SIRE Forum for Young Researchers (St Andrews)

The SIRE Forum for Young Researchers (SFYR) brings together young researchers from across Economics Departments in Scotland and across all of the research areas encompassed by SIRE to meet and discuss research. The aim is to develop a shared understanding of what research they are each doing, and foster the development of joint research. SFYR will meet 4 times each semester and its location will rotate around the participating universities, with St Andrews being the initial hosts. Topics are chosen such that, in each semester, the talks will span the full range of SIRE themes. While the presentations will always be by a young researcher, both senior and junior academics are welcome to attend. The core of each meeting will be a presentation by a young

researcher, with plenty of time before and after the presentation for general discussion and interchange of ideas among all participants. Refreshments will be available before each presentation, and, following the presentation, discussions will continue in a local pub. The inaugural Forum meeting took place on the 22nd February 2008, and was well attended by young researchers from around Scotland. Presenters for the current semester's four sessions are drawn from Edinburgh, Glasgow, Stirling and Aberdeen. For further information on SFYR see:

<http://www.st-andrews.ac.uk/economics/SFYR/index.html>

Forthcoming events include:

Scottish Economic Society Conference

The annual Scottish Economic Society Conference will be taking place on 21st to 23rd April at the Ramada Jarvis Hotel Perth. This year's President's Lecture will be given by Professor Martin Browning (Oxford) and the SES Policy Forum will focus on "the future of the housing market". Andy Ross, the Deputy Director of the Government Economic Service, will give the after-dinner talk on "Economists in Government". Information about SIRE will be distributed in the conference packs and be displayed on poster boards at the Conference.

Visit by Professor Edmund Phelps:

Professor Phelps's visit is provisionally planned for April 2008 (precise dates to be confirmed). During his visit Professor Phelps will give a keynote address and participate in a SCEME mini-conference and give a more general talk under the auspices of the SIRE Centre.

Professor Phelps is the McVickar Professor of Political Economy at Columbia University and the 2006 winner of the Nobel Prize in Economics. Phelps's work is best known for introducing in the late 1960s an expectations-based microeconomics into the theory of employment determination and price-wage dynamics. More recently his work has focused on assessing the effects of the institutions of capitalism, with special attention to productivity and job satisfaction, as well as research on the causes and cures of joblessness and low wages among disadvantaged workers.

SIRE is proving to be an attractor for recent Nobel Laureates. Phelps's planned visit to SIRE closely follows that of the 2007 Nobel Laureate, Eric Maskin, who visited in November 2007 (see below).

Visit by Professor Daron Acemoglu:

Professor Acemoglu's visit is provisionally planned for 2008 (date to be confirmed).

Professor Acemoglu is the Charles P. Kindleberger Professor of Applied Economics at MIT, 2005 winner of the John Bates Clark Medal from the American Economic Association and current co-editor of both *Econometrica* and *Review of Economics and Statistics*. He has published widely, particularly on institutions, growth & development, and in labour economics.

Visit by Professor Philippe Aghion:

Professor Aghion's visit is provisionally planned for 2008 (date to be confirmed).

Professor Aghion is the Robert C. Waggoner Professor of Economics at Harvard University. He has published extensively, particularly on growth and innovation.

5.2 Behaviour, Incentives and Contracts (BIC)

Major events during reporting period:



June 8th-10th 2007: Workshop on Behavioural and Experimental Economics

This workshop brought together researchers from Scotland and from around the world for a weekend's discussion of current and future directions in the high growth area of behavioural and experimental economics.

International presenters, drawn from Berkeley (two), Michigan, Bonn, UPF (Barcelona), Tilburg, Pittsburgh, Yale and Toronto, were intermixed with five presentations from BIC researchers (including two new SIRE appointees). The event was co-funded by the University of Edinburgh Thomson Prize awarded to the workshop organiser Professor Ed Hopkins.

Topics considered at the workshop included:

- social comparisons and social preferences
- theoretical and experimental studies of consumer behaviour
- global games
- learning behaviour
- bounded rationality in macroeconomics
- the new field of neuroeconomics



November 30th 2007: Professor Eric Maskin visit

Professor Maskin is the Albert O. Hirschman Professor of Social Science at the Institute for Advanced Study, Princeton, and co-winner of the 2007 Nobel Prize for Economics for his work on mechanism design. We were particularly honoured to be visited by a Nobel Laureate in between the announcement of his award on the 15th October and the award ceremony in December. Professor Maskin is a co-author of SIRE Director and BIC Programme Director John Moore, and their joint paper "Implementation and Renegotiation" (*Review of Economic Studies*, 1999), along with two further papers by John

Moore, are cited in the Prize Committee's scientific background paper.

In the morning of his day-long visit Professor Maskin presented a BIC seminar on "Evolution and Repeated Games" drawing a capacity audience of around 70. Then in the late afternoon he gave a Public Lecture entitled "How Should Members of Parliament be Elected". In this lecture, he used insights from mechanism design to address a practical question that is of importance to economists and political scientists but also to all citizens with an interest in the political process: which voting method should be used to elect members of Parliament? Professor Maskin's lecture provided an excellent demonstration of his enviable ability to convey deep, rigorous and technical research insights in a way that is compelling and easily accessible to a lay person. As with the morning seminar, the lecture drew an impressive audience of around 200, many of whom stayed to talk more informally with Professor Maskin at the close of his lecture. The day's activities drew to a close with an enjoyable dinner and concert visit.

For further information on Professor Maskin's visit, including slides of his lecture and a pdf of a related paper, see:

<http://www.sire.ac.uk/archive/event-maskin.html>

Seminar highlights include:

Jörgen Weibull (Stockholm) Oct 1st 2007 "Language, meaning and games: A model of coordination, communication and evolution" - Edinburgh

Fabien Postel-Vinay (Bristol) Oct 22nd 2007 "The timing of aggregate employment expansions: New facts and a new hypothesis" – Edinburgh

Paola Manzini (QM, London) "Two-stage boundedly rational choice procedures: Theory and experimental evidence" – St Andrews

Martin Perry (Rutgers) Nov 5th 2007 "Preferred suppliers in auction markets" - Edinburgh

Leonardo Felli (LSE) Nov 26th 2007 "Statute Law or Case Law" – Edinburgh

Eric Maskin (Princeton) Nov 30th 2007 "Evolution and repeated games" - Edinburgh

Orazio Attanasio (UCL) Dec 3rd 2007 "Education choices, subjective expectations and credit constraints" – Edinburgh

Victor Lavy (Hebrew, RHUL) Dec 4th 2007 "Inside the black box of peer ability effects" - Edinburgh

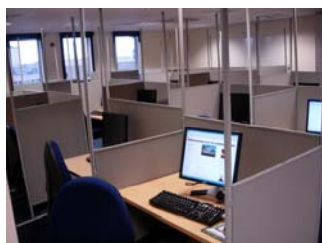
Simon Board (UCLA) Dec 12th 2007 "Relational contracts with on-the-job search" - Edinburgh

Thomas Jeitschko (Michigan State) Feb 4th 2008 "Endogenous entry in markets with adverse selection" – Edinburgh

Martin Cripps (UCL) Feb 18th 2008 "Common learning" – Edinburgh

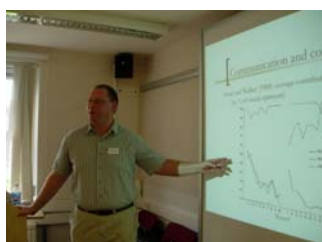
Mario Macis (Michigan) March 3rd 2008 "Wage dynamics and insurance" – Edinburgh

Elu von Thadden (Mannheim) March 3rd 2008 "Incentives for unaware agents" – Edinburgh



Scottish Experimental Economics Laboratory – Aberdeen

The Scottish Experimental Laboratory (SEEL) is a brand new centre for experimental economics research, equipped with 28 networked PCs and two servers. SEEL is located on the King's College campus of the University of Aberdeen and Directed by the newly appointed Professor Nick Feltovich. The lab's experimental facilities will be available to researchers from all SIRE universities.



On 22nd-23rd November 2007 the new experimental lab hosted a workshop in experimental economics as part of the PhD training sequence for the Scottish Graduate Programme in Economics. About 25 students attended, with featured speakers: Miguel Costa-Gomes (new SIRE Chair), and Professor Joe Swierzbinski and Nick Feltovich.

Major forthcoming events include:

Mini-Conference on ‘*The Emergence of Institutions*’ 16th -17th May 2008. Organised by Stéphane Straub and Santi Sánchez-Pagés – Edinburgh.

Mini-Conference on “*Recent Developments in Research on Intergenerational Mobility*” June 27th -30th 2008. Participants include: Raquel Fernandez (NYU), Massimo Morelli (Columbia), Glenn Loury (Brown), Gary Solon (Michigan State), Roland Benabou (Princeton). Organisers: Sevi Rodríguez Mora and Maia Güell – Edinburgh.

Recent major achievements include:

Professor John Moore FBA, the Director of SIRE and Programme Director of BIC, has recently been elected to the *Presidency of The Econometric Society*. He is currently a Vice President of the Society and will become President in 2010. As President, he will make the keynote address to the World Congress of the Society in Shanghai. The Congress, which is held only every five years, represents one of the world’s largest international gatherings of economists. The Econometric Society is the most prestigious learned society in the field of economics, with a world-wide membership. Its remit is to recognise and encourage path-breaking research in economic theory and econometrics. Past presidents of the Society include John Maynard Keynes, Irving Fisher and many Nobel prize winners in economics, such as Amartya Sen and James Mirrlees. Being elected President indicates recognition by one’s international peers of true leadership within the profession.

At the same time Economics Professor Jonathan Thomas FBA (Edinburgh) has been elected a *Fellow of the Econometric Society*. This is an exclusive honour with only about 400 active Fellows world-wide.

Professor John Moore FBA, the Director of SIRE and Programme Director of BIC gave the annual *Keynes Lecture to the British Academy* in October 2007 on “From shells and gold to plastic and silicon: a theory of the evolution of money in the spirit of Keynes”. The Keynes Lecture is an annual series, proposed by the economists within the Academy and inaugurated in 1971. The lectures are devoted to an up-to-date survey of theoretical research and trends of thought in the field of economics.

Dr Stéphane Straub is giving *two keynote addresses to the Sustainable Development Network of the World Bank* on Infrastructure and Growth in Developing Countries in February 2008. These addresses build on the work Dr Straub has carried out as author of a report surveying recent research and suggesting future research directions in the field of infrastructure economics for the Research Committee of the World Bank.

Professor Jonathan Thomas, along with co-investigators Professor Andy Snell and Dr Ric Holt, have been awarded an *ESRC grant* of £342,976 for a 3 year research project on “Cohort effects within firms, and their implications for labour market outcomes and the business cycle”.

Professor David Ulph was invited to present and discuss at an international workshop hosted by RMNO (Dutch Research Centre for Environmental Issues), the Dutch Ministry of the Environment and the European Environmental Agency on the Use of Social Cost Benefit Analysis in Environmental Decision-Making. RMNO had produced a report on this for the Ministry and had asked a number of international experts to comment on it, and then attend this meeting to both make presentations and engage in a series of discussions with academics and policy-makers.

Professor David Ulph (St Andrews) is presenting to the OFT a new framework that he has devised, jointly with Yannis Katsoulacos, for competition policy procedures. David Ulph (along with collaborators) will be hosting an international workshop on this topic in July, with policy-makers from all main European competition authorities in attendance.

5.3 Work and Well-being

Major events during reporting period:

Feb 2007 Planning meeting

The meeting, held in Stirling, provided a valuable opportunity for Work and Well-being researchers from many of the 10 universities participating in SIRE to discuss participation, research opportunities, research networks and collaboration, and programme activities.

Feb 2007 Lecture by Professor Danny Blanchflower

The planning meeting was followed by the Inaugural Lecture of Professor Danny Blanchflower (Stirling part-time) on “UK Labour Markets”. Professor Blanchflower also holds the post of and Bruce V Rauner Professor at Dartmouth College and is an External Member of the Bank of England’s Monetary Policy Committee.

May 2007 PhD Workshop

A day and a half long workshop held at Dundee (with overnight accommodation) comprising presentations by PhD students working within the themes of the Work and Well-being programme. The presentations covered an overview of the student’s research along with a more detailed presentation of work in progress or a presentation of a key paper from the literature. The workshop provided a valuable and focused opportunity for students, based at various universities across Scotland, to get together and discuss their work.



June 2007 Health and Well-being at Work conference

The conference, held in Aberdeen, drew together researchers in health and well-being from 7 Scottish universities, with keynote presentations from leading international researchers: Richard Freeman (NBER, LSE) M Harvey Brenner (University of N Texas Health Science Centre) and Bernard van Praag (University of Amsterdam).

Also on offer were strong contributions from Scottish-based researchers, including David Bell (Stirling), Ioannis Theodossiu (Aberdeen), Ada Ma (Aberdeen), Georgios Panos (Aberdeen), John Beath & Felix Fitzroy (St. Andrews).



Among the topics covered were:

- Free personal care
- The impact of unemployment on health
- Your job: Love it or hate it.
- NHS recruitment
- Status, happiness and relative income

September 2007 Workshop on “The Family and the State: Economic Perspectives”

The School of Economics and Finance at St. Andrews, in collaboration with SIRE, has launched an annual Workshop in Applied Microeconomics.

The aim of each workshop will be to bring together a selected group of top researchers in a particular area of applied microeconomics. Each workshop will offer a forum for leading scholars to reflect on the most interesting and challenging questions in their research area. The inaugural workshop, held in St Andrews in September 2007, drew together economists engaged in key research at the frontier of theoretical and empirical household economics. Among the issues explored were:

- Taxation of the household;
- Family networks and school enrolment;
- Assisted reproductive technologies and fertility;
- Unemployment and family values.

Speakers included: Imran Rasul (UCL), Olivier Bargain (UCD), John Ermisch (ISER, Essex), Saku Aura (Missouri), Lena Edlund (Columbia), Patrick Nolen (Essex), Kjell Erik Lommerud (Bergen), Tarja Vitonen (Sheffield), Yu Zhu (Kent) and David Ulph (St. Andrews). Other workshop participants came from a similarly wide range of institutions – IFS, Linz, LSE, Berlin, Stirling, Heriot-Watt, Dundee, Edinburgh, the Department for Work and Pensions, and the Scottish Government.

Seminar highlights include:

Hugh Gravelle (York) Oct 24th 2007 “Doctor responses to pay for performance: GPs and the Quality and Outcomes Framework” – Dundee

Steve Machin (UCL) Nov 14th 2007 “Panic on the streets of London: Police, crime and the July 2005 terror attacks.” – Aberdeen.

Richard Disney (Nottingham) Nov 22nd 2007 “Housing wealth, liquidity constraints and self-employment” – St Andrews

Robert Sauer (Southampton) Oct 31st 2007 “Life cycle employment and fertility across institutional environments” - Aberdeen

Marteen Lindeboom (IZA) Nov 21st 2007 “Health shock, disability and work” – Aberdeen

Simon Board (UCLA) Dec 12th 2007 “Relational contracts with on-the-job search” – Edinburgh

Gaute Torsvik (Bergen) Dec 5th 2007 “Pay and performance in a call centre: Principals and agents or principally angels” – Aberdeen

Marcelle Merette (Ottawa) Feb 27th 2008 “Population ageing, time allocation and human capital: A general equilibrium analysis for Canada” – Strathclyde

Major forthcoming events include:

A Health Inequality Workshop at the University of Dundee, 19 March 2008
With presentations from Ulf Gerdtham (University of Aberdeen), Paul Allanson (University of Dundee) and Dennis Petrie (University of Dundee).

Seminar: *Tackling Poverty in Scotland: Principles, Absences and Opportunities*.
Organised by Carlo Morelli (Dundee). 25 April 2008. (to be held at the premises of The

Open University in Scotland). The seminar aims to develop new approaches to welfare in the devolved Scotland through the interaction between policy focussed applied researchers, non-governmental institutions and the Scottish Government.

Recent major achievements include:

Catia Montagna, based at the University of Dundee, received two knowledge transfer partnership (KTP) grants (with Carlo Morelli and Sushil Mohan) for an approximate value of 125K and 127K respectively. Both grants are on export market penetration.

The Employment Research Institute at Napier University has received £38,000 from the Joseph Rowntree Foundation to research "How Can Disadvantaged Parents Escape From Recurrent Poverty".

EU Framework 7 Grant on "Enquiry into Health and Safety at Work: an EU perspective" approx €1,000,000, 19 partners directed by Prof Ioannis Theodossiou, University of Aberdeen. The project aims to review current knowledge and issues related to the economic impact of health at work in the European Union in an era of ageing populations. It focuses in developing common datasets regarding indicators of health and safety at work in the participant countries (including the incidence of accidents and illnesses at work as well as the incidence of absenteeism and early retirement due to illness/accident). In addition the research will evaluate the cost and benefit of investing in health and safety at work, its repercussions for the quality of work will be examined and a comparative EU-wide assessment of the structure and dynamics of health and safety at work will be carried out. Finally, policy recommendations aiming at improving health and safety in the European labour markets in the context of the changing labour market environment will be developed.

The Environmental Economics group at Stirling University, led by Nick Hanley, have recently won a major grant worth €3.7 million from the European Commission 7th Framework Programme. Working with collaborators in eight European and African countries (including the Macaulay Research Institute in Scotland, and Imperial College London), "HUNTING for Sustainability" will assess the social, cultural, economic and ecological functions and impacts of hunting across a range of contexts in Europe and Africa.

5.4 Macroeconomics, Financial Linkages and the Regions

Major events during reporting period:



June 2007 MFLR launch conference

This event, held in Glasgow, featured lectures by two distinguished keynote speakers: Professor Andrew K Rose (Berkeley, a member of the SIRE International Advisory Board) and Professor Carl Walsh (Santa Cruz). The keynote speakers presented general talks on inflation targeting. Built around these two keynote addresses were presentations by new recruits to the Macroeconomics and Finance group in Scotland: Dr Arnab Bhattacharjee (St. Andrews), Norbert Fiess (Glasgow), Ioana Moldovan (Glasgow) and Dr Kannika Thampanishvong (St. Andrews).



Sept 2007 CDMA conference

The fourth annual Centre for Dynamic Macroeconomic Analysis workshop, co-sponsored by SIRE, took place at the University of St. Andrews on 6-7 September 2007. This year's workshop included participation from researchers contributing to the ESRC's World Economy and Finance Programme. Presenters included: Nobuhiro Kiyotaki (Princeton), Patrick Minford (Cardiff), Neil Rankin (Warwick), Hamid Sabourian (Cambridge), Alex Michaelides (LSE), Max Gillman (Cardiff), Liam Graham (UCL), Parantap Basu (Durham), Joe Pearlman

(London Metropolitan), Peter Sinclair (Birmingham), Jonathan Thomas (Edinburgh), David Cobham (Heriot-Watt), Alan Sutherland (St. Andrews) and Alex Trew (St. Andrews).

Papers covered a wide range of macroeconomic and financial topics, including:

- Real and nominal rigidity;
- Inflation persistence;
- Winners and losers in housing markets;
- Taylor rules and fiscal policy ineffectiveness;
- Herding in financial markets;
- Country portfolio dynamics;
- Capital flows and asset prices.

Macro & Finance mini-conferences – 21-22 February 2008

Two conferences on Economic and Financial Linkages were held in the Kelvin Conference Centre in Glasgow. The first conference took place on Feb 21st 2008. The keynote speakers were Professors Søren Johansen and Katarina Juselius from the University of Copenhagen. The second conference, on Feb 22nd 2008, was organised jointly with the Centre for Economic and Financial Studies. The event was led by Professor Gabriel Talmain and the keynote speakers were Professor Karim Abadir (Imperial College London), Professor David Hendry (University of Oxford) and Professor Valerie Ramey (University of California, San Diego)

Seminar highlights include

- Fabien Postel-Vinay (Bristol) Oct 2nd 2007 “The timing of aggregate employment expansions: New facts and a new hypothesis” – Edinburgh
- Nigar Hashimzade (Exeter) Oct 25th 2007 “Country characteristics and preferences over tax principles” – Glasgow
- Bruce McGough (Oregon State) Nov 9th 2007 “Stable finite-state Markov sunspots” – Heriot-Watt
- Alan Gelb (World Bank) Nov 14th 2007 – St Andrews
- Rick van der Ploeg (EUI) Nov 22nd 2007 “Political economy of the natural resource curse” – Glasgow
- Luc Bauwens (CORE) Nov 29th 2007 “A component GARCH model with time-varying weights” – St Andrews
- Fabrice Collard (Toulouse) Dec 6th 2007 “Gold rush fever in business cycles” – Glasgow
- Yves Balasko (York) Jan 31st 2008 “Default without stigma” – Glasgow
- Aleksander Berentsen (Basle) Feb 22nd 2008 “Inflation and unemployment in the long run” – Edinburgh
- Jim Markusen (Colorado) March 3rd 2008 - Strathclyde
- Fabrizio Zilibotti (Zurich) March 6th 2008 “Rotten parents and disciplined children: A politico economic theory of public expenditure and debt” – Glasgow
- Antonella Trigari (Bocconi) March 13th 2008 “An Estimated Monetary DSGE Model with Unemployment and Staggered Nominal Wage Bargaining” – Glasgow
- Justin O'Brien (ANU) March 27th 2008 “When the Music Stops: The Role of Sovereign Wealth Funds in Bailing Out Wall Street” – Glasgow
- Peter Neary (Oxford) April 10th 2008 “Multi-Product Firms and Trade Liberalization” – Glasgow

Major forthcoming events include

Centre for Public Policy for the Regions – 18th of March 2008

A mini-symposium featuring four members of the Faculty of Economics at Hiroshima University will be held at the CPPR in Glasgow. Presentations will cover a broad range of topics: higher education reform in Japan; natural rates in Japan; labour market duopsony; and professional baseball.

Mini-conference on Economic Geography: Past, Present and Future Prospects – June 2008

The conference, based in Strathclyde, will bring together leading contributors to the "New Economic Geography" with a view to examining its past contribution, the state of the art and future direction of research.

CDMA conference Sept 2008

The next conference in this successful annual series, co-sponsored by SIRE, will take place in St Andrews on Sept 3rd-5th 2008

Recent major achievements include:

Professor Peter McGregor (Strathclyde) has been awarded an ESRC grant of £599,500 for a joint project with Kim Swales, Robert Wright (Strathclyde) and Richard Harris (Glasgow) on "The Overall Impact of HEIs on Regional Economies". Peter McGregor has also been appointed as joint co-ordinator of the overall HEI project with Ursula Kelly (Information Resources Directorate, Strathclyde), with a further £131,000 of funding.

Peter McGregor, Grant Allan, Kim Swales and Karen Turner (all Strathclyde) have received a grant of approx £150,000 for a project on "Cross-technology innovation dynamics and scenarios" from the EPSRC Supergen 2 Hydrogen Consortium.

Professor Richard Harris (Glasgow) has been an External Advisor to the Asia Task Force set up by the Chancellor of the Exchequer. He has also served as an external advisor to UKTI on several projects it has commissioned and an internal evaluation of the trade development activities of UKTI's Sector Groups.

Professor Ronald MacDonald (Glasgow) has been appointed as an advisor to the Central Bank of Poland and gave an invited talk at a major international meeting at the Austrian Central Bank in November 2007 on currency issues for the EU accession countries.

Professor George Evans (St Andrews) gave an invited talk to the Economic Summit, Central Bank of Chile, in November 2007.

Professor Andrew Hughes-Hallett (St Andrews) is a Member of the Council of Economic Advisors to the First Minister and Scottish Government.