

ECONOMICS



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AT NORTHWESTERN

Editor: Gayl A. Liebman

This edition covers events and publications involving economists at Northwestern for the period of June 1 through December 31, 1988. Additional copies are available from the editor G-178, Andersen.

APPOINTMENTS, HONORS, AND GRANTS

RONALD BRAEUTIGAM has recently been appointed to a three-year term as a member of the Board of Editors for *The Journal of Economic Literature*.

ROBERT COEN has been invited to be a resident scholar at the Rockefeller Foundation's Bellagio Study and Conference Center in Bellagio, Italy, for the month of July 1989. He has also been appointed to a three-year term as the American Economic Association's representative on the Board of the Social Science Research Council.

STUART I. GREENBAUM was made managing editor of the new *Journal of Financial Intermediation*. The first issue is scheduled for publication in December, 1989.

BO HONORÉ received a grant from the NSF to study "Semi-and Non-Parametric Estimation of Econometric Duration Models."

MICHAEL MARRESE has been appointed to the editorial board of the journal *Jahrbuch der Wirtschaft Osteuropas*.

DALE MORTENSEN was appointed to the Board of Editors of the *American Economic Review*, effective April 1, 1989, for a term of three years. He continues to serve on the American Economic Association advisory committee to the U.S. census.

ROBERT PORTER began a four-year term in July as one of the co-editors of *Econometrica*.

DANIEL SULLIVAN received a grant from the Upjohn Institute to produce "Estimates of the Costs of Worker Dislocation".

TRAVELS

DEBRA ARON presented "Corporate Spinoffs in an Agency Framework" at the North American Summer meetings of the Econometric Society held in Minneapolis in June.

LAWRENCE AUSUBEL visited the Institute for Mathematical Studies in the Social Sciences at Stanford University for a week in August. During this visit, he

presented "Stationary Sequential Equilibria in Bargaining with Two-Sided Incomplete Information" (jointly with Raymond Deneckere). Ausubel presented both this paper and "Insider Trading in a Rational Expectations Economy" at the winter meetings of the Econometric Society in New York in December.

KYLE BAGWELL presented seminars this fall at Boston University, University of California at Davis, the Econometric Society meetings, Texas A and M. He also attended a conference on International Trade in a separate trip to Davis.

RONALD BRAEUTIGAM presented "Regulatory Reform for Interstate Natural Gas Pipelines" at the Western Economic Association meetings in Los Angeles in July; "Diversification of Natural Monopolies into Competitive Markets" at the annual meeting of the European Association for Research in Industrial Economics in Rotterdam, the Netherlands, in August; presented material from his book (coauthored with J. Hillman) *Price Level Regulation for Diversified Public Utilities* at the Northwestern Law School Conference on Social Contracts and Diverse Public Utility Markets in November, and presented "The Role of Technological and Market Structure in Regulatory Reform," at the Conference on Perspectives in Banking Regulation at The Federal Reserve Bank of Cleveland in November. In November he also attended the National Academy of Sciences Workshop on regulatory reform in the 1990s, and presented his paper (coauthored with John Panzar) entitled "Diversification Incentives Under Priced-Based and Cost-Based Regulation" at the annual Telecommunications Policy Research Conference at Airlie House, Virginia.

ROBERT COEN attended a Conference on International Productivity and Competitiveness at Stanford University, in October. He was the discussant of a paper by John F. Helliwell on "Aggregate Productivity and Growth in an International Comparative Setting" and presented a paper entitled "Real Wages, Aggregate Demand, and Unemployment in Canada" at the Economic Council of Canada in November. He also presented talks on "The Economy and the Presidential Election" to Northwestern Alumni Clubs in Albuquerque, Portland, and Seattle in October and November.

ROBERT EISNER participated in a conference honoring James Tobin at Yale University in May. In June he presented "Fiscal Policy" (with Nancy Barrett) to a conference on Blueprints for America, Transition '89 and spoke to a steering committee of the Center for National Policy in Washington, to the Séminaire International of the Institut de Sciences Mathématiques et Economiques Appliquées in Paris, and to a conference of policy-makers arranged by the Société Marseillaise de Crédit. In July he delivered a featured lecture on macroeconomic policy at the Western Economic Association meetings in Los Angeles and addressed a conference on macroeconomic policy at Wingspread in Racine, Wisconsin. In August he participated in the annual Federal Reserve Bank of Kansas City conference in Jackson, Wyoming. In September he participated in a conference of the Institute for East-West Security in Geneva, Switzerland and presented "Social Security, Saving and the Future" to the Public Policy Symposium on the Social Security Trust Fund Buildup in Washington. During October,

he presented "Budget Deficits: Rhetoric and Reality," at Concordia University in Montreal and Carleton University in Ottawa and participated in the SSRC Conference on International Productivity and Competitiveness at Palo Alto. He also visited at Marietta College in Ohio and spoke to the Economic Round Table of Ohio Valley on "The Real Issues for the Next President." In November he presented a lecture on "The Real Significance of the Federal Budget Deficit" in the 1988 Milton S. Eisenhower Symposium at Johns Hopkins University, spoke on the "Federal Role in Assuring Manufacturing's Future" at the Washington University Center for the Study of American Business Conference on American Manufacturing in the 1990s and gave a seminar to their economics department. He also spoke to the Syracuse University Donald S. MacNaughton Symposium, held at The Brookings Institution in Washington, on "The Federal Debt: Where Do We Go From Here?" and gave a seminar at the Department of Economics, University of Wisconsin, Milwaukee. In December he participated in a seminar on macroeconomic policy sponsored by the Economic Policy Institute in Washington. With Paul J. Pieper, he presented "The World's Greatest Debtor Nation?" at an NAEFA-AEA session and delivered the presidential address, "Divergence of Measurement and Theory and Some Implications for Economic Policy," at the New York meetings of the AEA.

ROBERT J. GORDON coorganized the International Seminar on Macroeconomics in Tokyo in June and there served as a discussant of a paper by N. Roubini and J. Sachs on the "Economic Determinants of Fiscal Deficits." He presented "Back to the Future: European Unemployment Today Viewed from America in 1939" at the International Monetary Fund in Washington during July, and also during the summer participated in the Econometric Society meetings in Minneapolis and a NBER research meeting in Cambridge. He traveled to Canberra, Australia, in August to participate in a symposium on the state of macroeconomics at the 1988 Australian Economics Congress. In September he presented "Measurement Issues, the Productivity Slowdown, and the Explosion of Computer Power" at the Brookings Panel on Economic Activity in Washington, and during the fall presented the same paper at the Board of Governors of the Federal Reserve Board in Washington, at the University of California in Berkeley, and before the NBER Productivity research group in Cambridge. At the ASSA meetings in December he presented "Hysteresis in History: Was There Ever a Phillips Curve?" at one AEA session and at another discussed a paper on a new index of service output.

STUART I. GREENBAUM presented "Is Fairly Priced Deposit Insurance Possible?" (with Y.S. Chan and A. V. Thakor), at the ASSD meeting held in New York in December, 1988, and at the Garn Institute Symposium, University of Utah, in August 1988.

BO HONORÉ presented "Simple Estimation of a Duration Model with Unobserved Heterogeneity" at the European Meetings of the Econometric Society and "Identification of Duration Models with Unobserved Heterogeneity" (co-authored with Riccardo Barros) at the Winter Meetings of the Econometric Society in New York.

JONATHAN HUGHES presented "American Economic History - The European Connection," at the History of Economics meeting in Toronto in June and again in Minneapolis and at the Engine of History Conference at Texas A&M in October; and "Entrepreneurship as the Engine of History" at the Conference on Regulation at the Federal Reserve Board of Cleveland in November.

MATTHEW JACKSON attended the Bonn Workshop of 1988 at the Universität Bonn, where he presented "Full Bayesian Implementation." In October he presented "Equilibrium, Price Formation, and the Value of Information," at the Graduate School of Industrial Administration, at Carnegie Mellon University.

MICHAEL MARRESE presented "Soviet Perestroika in Light of the Economics Experience of the GDR and Hungary" at Columbia University; spoke on "Perestroika and the Soviet Economy: What Chance for Success?" at the conference "Citizen Action to Bridge the Gap"; completed a five-day course on using Soviet Interview Project Data at the University of Illinois, Urbana-Champaign; gave a talk on "The CMEA's Dilemma: More Intra-CMEA Trade or More Trade with the West" at the conference "Prospects for and Implications of Greater East-West Economic Cooperation," Middleburg College; lectured on "Entrepreneurship in Socialist Countries" at a conference in Poland; participated in the Second Meeting of the Working Group on International Change, Restructuring, and East-West Security held at Northwestern; participated in the Chicago USA/USSR Emerging Leadership Commission's discussion on "Labor and Management," and gave the paper "CMEA Price Formation: Theory, Practice and Implications for Soviet Perestroika" at the University of Pittsburg and at Duke University.

KIMINORI MATSUYAMA presented "A Theory of Sectoral Adjustment" at the Bank of Japan, Kyoto Institute of Economic Research, NBER Summer Institute, the Universities of Wisconsin-Madison, Tokyo, Princeton, Chicago, Illinois-Champaign, and Purdue; and "Perfect Equilibria in a Trade Liberalization Game" at the conference on "Designing Policies to Open Trade" at the University of California at Davis.

DALE MORTENSEN presented "The Persistence and Indeterminacy of Unemployment in Search Equilibrium" at "Whither Macroeconomics?" *The Scandinavian Journal of Economics* 90th Anniversary Symposium, in Helsinki, Finland in June, and "Equilibrium Wage Distribution: A Synthesis" at the Symposium on Panel Data and Labour Market Studies, in Amsterdam, the Netherlands in December.

ROBERT PORTER gave seminars at the Summer North American Econometric Society meetings in Minneapolis, the Federal Trade Commission conference on Empirical Approaches to Market Power, the U.S. Department of Justice, the Carleton University (Canada) conference on Industrial Organization, the University of Texas at Austin, Texas A&M, Universidad Autonoma de Barcelona, the University of Paris conference on Market Dynamics and Industrial Structure, and the Industrial Organization Society meetings in New York.

DANIEL SULLIVAN attended the following: in July the NBER Summer Institute on Labor Studies and presented "An Exploratory Investigation of the Extent of Hospital Monopsony Power in the Market for Nurses" at the FTC conference on Empirical Approaches to Market Power, and in August he traveled to Rotterdam to present "Dynamic Oligopoly and the Time Series Properties of Sales, Advertising, and Stock Market Rates of Return in the Cigarette Industry" at the meetings of European Association for Research in Industrial Economics.

PAPERS AND PUBLICATIONS

Center for Mathematical Studies in Economics and Management Sciences (CMSEMS) discussion papers may be obtained by writing to the Math Center, 3-014 Leverone Hall, Northwestern University, Evanston, IL 60208. Banking Research Center (BRC) discussion papers are available from the Banking Research Center, 5-209 Leverone Hall. National Bureau of Economic Research (NBER) working papers and reprints may be obtained by writing to Publications Department, NBER, 1050 Massachusetts Avenue, Cambridge, MA 02138. For working papers not in these series contact the author directly.

LAWRENCE AUSUBEL has written two more bargaining papers: "Stationary Sequential Equilibria in Bargaining with Two-Sided Incomplete Information" (CMSEMS #784) and "Efficient Sequential Bargaining" (CMSEMS #804), both jointly with Raymond Deneckere. He has also completed an empirical paper, "The Failure of Competition in the Credit Card Market" (BRC Working Paper No. 153).

KYLE BAGWELL's new papers are "Advertising, Coordination, and Signaling" (jointly with Garey Raney), available as CMSEMS Discussion Paper No. 787; "A Theory of Managed Trade" (jointly with Robert Staiger), available as CMSEMS Discussion Paper No. 801; and "High and Declining Prices Signal Product Quality" (jointly with Michael Riordan) available as CMSEMS Discussion Paper No. 808.

RAYMOND J. DENECKERE completed two working papers: "Stationary Sequential Equilibria in Bargaining with Two-Sided Incomplete Information" and "Efficient Sequential Bargaining" (both with Lawrence Ausubel). Both papers are available as CMSEMS DPs 784 and 804, respectively.

ROBERT EISNER published: "Extended Accounts for National Income and Product," *Journal of Economic Literature*, December 1988, pp. 1-78; "Rejoinder" (with Paul J. Pieper) to comment on budget deficits, *Journal of Post-Keynesian Economics*, Fall 1988, vol. 11, No. 1, pp. 161-8; "Not So Good, but Not So Bad," *The World and I*, July 1988, pp. 20-26; "To Raise the Saving Rate, Try Spending," *The New York Times*, August 29, 1988. (French translation, "Les Etats-Unis doivent dépenser pour sortir de la crise de l'épargne," appeared in *Libération*, September 8, 1988.); "La demande crée l'offre," *Le*

Monde, Paris, France, September 27, 1988; "Don't Privatize Social Security," *The New York Times*, October 1, 1988; "The Dollar: Rhetoric and Reality," *WorldLink*, published by CITICORP/Global Payment Products, November 1988; "About That Deficit: Hold on a Minute," *Business Month*, December 1988; "Real Budget Deficit Is in Human Capital," *Los Angeles Times*, December 26, 1988.

ROBERT J. GORDON's "Back to the Future: European Unemployment Today Viewed from America in 1939" was published in *Brookings Papers on Economic Activity*, vol. 19, no. 1, pp. 271-304. "The Postwar Development of Business-Cycle Theory: An Unabashedly New-Keynesian Perspective," appeared in K. H. Oppenlander and Gunter Poser, eds., *Contributions of Business Cycle Surveys to Empirical Economics* (Aldershot, U.K.: Gower Publishing Co., 1988), pp. 21-50. "Wage Gaps vs. Output Gaps: Is There a Common Story for All of Europe?" appeared in H. Giersch, ed. *Macro and Micro Policies for More Growth and Employment, Kiel Symposium 1987*, Tubingen, J.C.B. Mohr, 1988, pp. 97-151. Comments on papers by A. Blinder and B. McCallum appeared in the same volume, pp. 64-71.

STUART I. GREENBAUM's paper, "Bank Capital Regulation," (with L. Benveniste and J. Boyd), is now BRC Working Paper #161.

BO HONORÉ completed his paper "Using Modes to Identify and Estimate Truncated Regression Models." Copies are available from the author.

JONATHAN HUGHES has written the following: "American Economic History - The European Connection;" "Entrepreneurship as The Engine of History;" "Variations on a Theme: Long-term Growth of Government," as well as a revision of his textbook *American Economic History* - third edition.

MATTHEW JACKSON's "Maximum, Leximum, and the Protective Criterion: Characteristizations and Comparisons," (co-authored with Salvador Barbera), appeared in the October 1988 issue of the *Journal of Economic Theory*. His papers "Equilibrium, Price Formation, and the Value of Information in Economics with Privately Informed Agents," and "Full Bayesian Implementation," are available as CMSEMS DP #790 and 791, respectively.

MICHAEL MARRESE completed three working papers: "Hungarian Foreign Trade: Failure to Reform;" "The CMEA's Dilemma: More Intra-CMEA Trade or More Trade with the West;" and "CMEA Price Formation: Theory, Practice, and Implications for Soviet Perestroika."

KIMINORI MATSUYAMA's "Exchange Rate Stabilization," "Residential Investment and the Current Account, and Complicated Topological Structure of the Set of Equilibrium Prices" are available from the author; "A Theory of Sectoral Adjustment" is available as CMSEMS DP No. 812; and "Endogenous Price Fluctuations in an Optimizing Model of a Monetary Economy" is available as CMSEMS DP No. 813.

DALE MORTENSEN's recently published papers include "Estimating Structural Models of Unemployment and Job Duration" in *Dynamic Econometric Modeling*, Proceedings of the Third International Symposia in Economic Theory and Econometrics edited by W.A. Barnett, E. Berndt, and H. White, Cambridge University Press, 1988; "Matching: Finding a Partner for Life or Otherwise," was published in the *American Journal of Sociology* 94, Supplement 1988; "Wages, Separations, and Job Tenure: On the Job Specific Training or Matching?" was published in the *Journal of Labor Economics*, Oct., 1988. Two new working papers are also available: "The Persistence and Indeterminacy of Unemployment in Search Equilibrium," CMSEMS Discussion Paper No. 810, and "Equilibrium Wage Distributions: A Synthesis," CMSEMS Discussion Paper No. 811.

ROBERT PORTER, together with Ken Hendricks of UBC, wrote "A Study of an Auction with Asymmetric Information," which appeared in the December 1988 issue of *American Economic Review*, and "Collusion in Auctions." They also wrote, with Richard Spady of Bellcore, "Random Reservation Prices and Bidding Behavior in OCS Drainage Auctions," CMSEMS DP #807.

DANIEL SULLIVAN has completed three working papers: "An Exploratory Investigation of the Extent of Hospital Monopsony Power in the Market for Nurses," "Propensity Score Adjusted Estimates of the Effect of the CETA Program and Participant's Employment and Earnings," and "Dynamic Oligopoly and the Time Series Properties of Sales, Advertising, and Stock Market Rates of Return in the Cigarette Industry." Each is available from the author.

VISITING SPEAKERS

LEE ALSTON, University of Illinois, Urbana, "Short-Term Bias of Security Markets"

DONALD K. ANDREWS, Cowles Foundation for Research, Yale University,
"Interference in Semiparametric Models -- Time Series and Cross-Section
Deficits and Government Debt"

ALAN AUERBACH, University of Pennsylvania, "Retrospective Capital Gains Taxation"

STEVE BERRY, Yale University

KEN BINMORE, University of Michigan, "Game Theory and the Social Contract"

SEVERIN BORENSTEIN, University of Michigan, "Hubs and High Fares: Airport
Dominance and Market Power in the U.S. Airline Industry"

PETER CHENG, Graduate School of Business, University of Chicago, "Optimal
Contracts with Multiple Agents and Pre-Decision Information"

GREGORY CLARK, Stanford University, "Productivity during the Industrial Revolution"

RUSSELL COOPER, University of Iowa, "Multiplicity of Equilibria and Fluctuations in an Imperfectly Competitive Economy with Entry and Exit"

PETER DEMARZO, Stanford University

DAVID DRANOVE, University of Chicago, "Monopolistic Competition When Price and Quality Are Not Perfectly Observable"

DENNIS EPPLE, Carnegie-Mellon University, "Policy Intervention in a Dynamic Model of Resource Depletion"

FREDERICK FLOUD, London Polytechnic, "Living Standards and Nutritional Status"

M. GOODFRIEND, University of Chicago, "Money, Credit Banking and Payments System Policy"

JERRY R. GREEN, Harvard University, "Contract Renegotiation and the Underinvestment Effect"

JOSEPH E. HARRINGTON, Johns Hopkins University, "The Revelation of Information Entry Deterrence and Trade Union Wage Policy"

TIM HATTON, Harvard University, "Female Labor Force Participation During the Depression"

NICK KIEFER, Cornell University, "Economic Methods for Group Duration Data"

JEAN JACQUES LAFFONT, Harvard University, "Contract Renegotiation and the Underinvestment Effect"

ROBERT LALONDE, University of Chicago, "Labor Market Adjustments to Increased Immigration"

RONALD W. MASULIS, Southern Methodist University, Dallas, "Correlations in Price Changes and Volatility Across International Stock Markets"

PAUL MILGROM, Stanford University, "Short-Term Bias of Security Markets"

FREDERICK S. MISHKIN, Columbia University, "What Does the Term Structure Tell Us About Future Inflation?"

DAVID MODEST, University of California, Berkeley, "Empirical Issues in the Measurement of Market Timing Ability"

DILIP MOOKHERJEE, Stanford University, "On the Competitive Pressure Created by the Diffusion of Innovations"

GEORGE NEUMANN, University of Texas, "Imperfect Factor Markets, Entry Deterrence and Trade Union Wage Policy"

HIROSHI OSANO, Shiga University, "Involuntary Unemployment and the Threat to Striking Workers"

MARTIN K. PERRY, Bellcore, Morristown, New Jersey, "Exclusive Dealing in a Spatial Model of Retail Competition"

MOTTY PERRY, Tel-Aviv University, "Joint Projects Without Commitment"

ROBERT PINDYCK, M.I.T., "The Excess Co-Movement of Commodity Prices"

DANNY QUAH, M.I.T., "The Dynamic Effects of Nominal Disturbances in Wages, Price, and Unemployment Fluctuations"

GARY RAMEY, University of California, San Diego, "Intuitive Signaling Equilibria with Multiple Signals and a Continuum of Types"

ELLEN RISSMAN, Federal Reserve Bank of Chicago, "Imports, Trade Policy, and Union Wage Dynamics"

RICHARD ROGERSON, Stanford University, "On Testing the Intertemporal Substitution Theory of Labor Supply"

MARK ROSENZWEIG, University of Minnesota, "Consumption Smoothing, Transfers and the Family in Rural India"

ARIEL RUBENSTEIN, London School of Economics, "Similarity and Decision-Making Under Risk (Is There A Utility Theory Resolution to Allais Paradox?)"

MIKE SALINGER, Columbia University, "Tests of Successive Monopoly and Foreclosure Effects: Vertical Integration Between Cable and Pay Services"

DAVID SCHARFSTEIN, Stanford University, "Productivity During the Industrial Revolution"

NAKAMURA SHINSUKE, University of Minnesota, "Feasible Nash Implementation and the Threat to Striking Workers"

ROBERT TOPEL, University of Chicago, "Labor Market Adjustments to Increased Immigration"

GABRIEL TORTELLA, University of Chicago and Universidad de Alcalá, Madrid, "Spanish Oil Monopoly: The State Oil Monopoly in Spain 1927-1947"

DONALD WAGNER, Purdue University, "Disjoint S-T Cuts in a Network"

ANDREW WIECZOREK, Institute of Computer Science, Polish Academy of Sciences,
"A Theory of Duality in Mathematical Programming"

TOM WEISS, University of Kansas, "Economic Growth in the U.S. Before 1840"

K.D. WHITE, London, England, "Did Taxes Destory the Roman Empire?"

CHUCK WHITEMAN, University of Iowa, "Trends and Random Walks in
Macroeconomic Time Series: A Reconsideration Based on the Likelihood
Principle"

STEPHEN P. ZELDES, University of Pennsylvania, "Production, Sales, and the Change
in Inventories: An Identity that Doesn't Add Up"