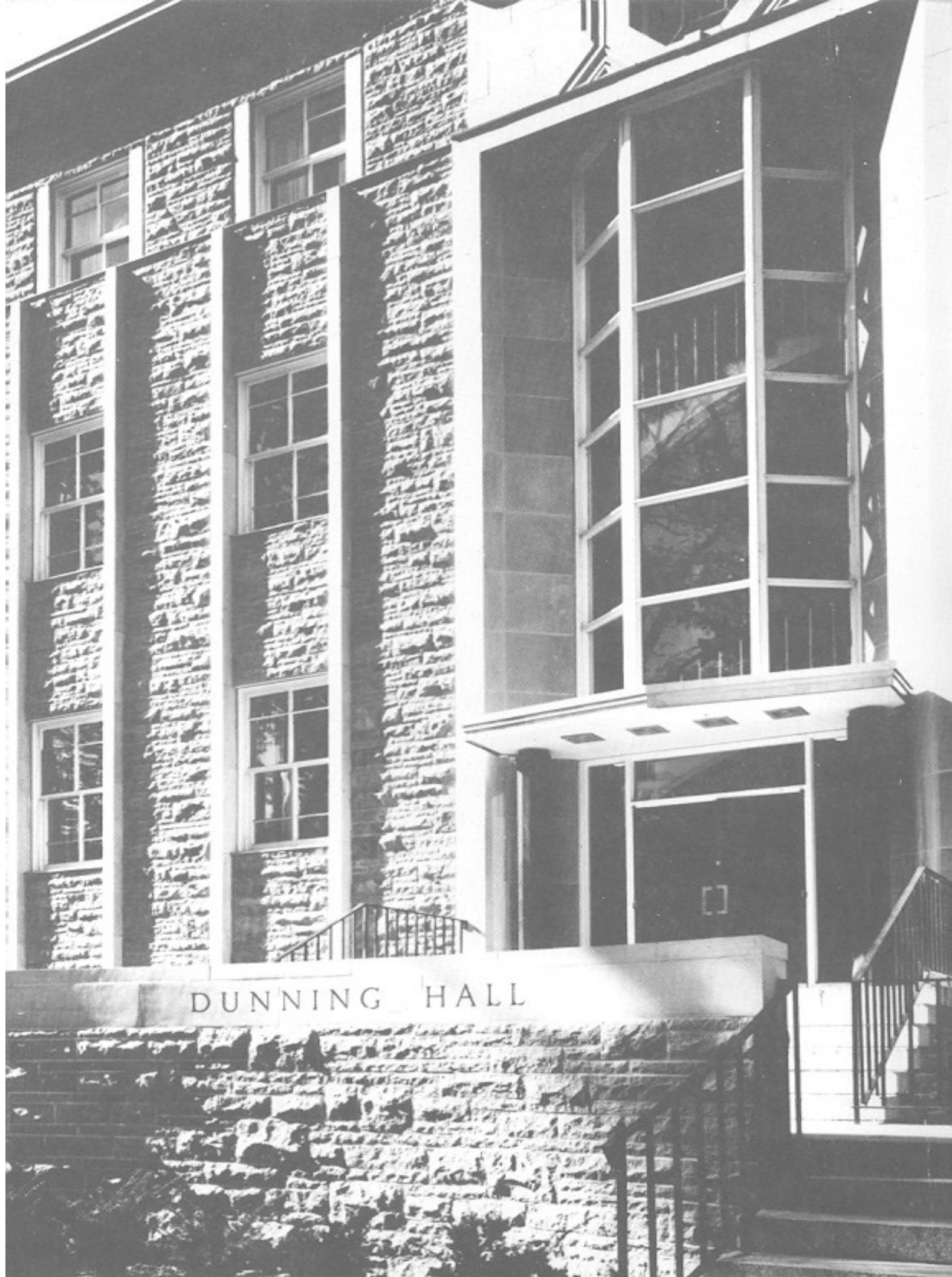


QED

1995 and 1996

NEWSLETTER

Queen's University Economics Department



DUNNING HALL

Once again it is time to recount some of the highlights and events of the past two years at the QED.

Foremost on everyone's mind is the impact of provincial funding cuts. These cutbacks have been going on for sometime, and the latest round was not unanticipated. (One would hope for this in a department of economics!) Thus we have had some time to prepare. Nonetheless the Department has had to shrink in size. Professors Bart Lipman, who left in 1995, and Tom McCurdy, who left this year, will not be replaced, and replacements for future retirements are also in doubt. In the end, the Department will likely have about 29 faculty members, down from a high of 38 in 1989. On the staff side, Marie Corriveau has retired and also will not be replaced.

It seems clear that in the future students will be paying more for their education, and will be demanding more from their universities. The Department will respond by focusing its teaching energies on programs that offer real value to students. To this end we are launching several new programs. At the graduate level, we are offering in 1996/97 a new MA area of concentration in Finance. Students will be able to choose from courses in the Economics Department and the School of Business. Private sector employment prospects are excellent.

At the undergraduate level, we will be introducing in 1997/98 a new Honours B.A. program of study called Applied Economics. Currently the Honours B.A. is designed mainly for students who intend to go on to graduate school.

This alternate stream will place less emphasis on theory in the third and fourth years, and more on skills such as accounting and applied econometrics and on the many applications of economics. The intent is to serve better those students who intend to find work without cutting off their prospects for graduate study.

We are also forming a partnership with the School of Environmental Studies, along with the Departments of Geography, Biology, Geology, and Chemistry. This is aided by a large grant from the Richard Ivey Foundation to help in hiring an environmental economist who will teach part-time in the School. This is a truly multi-disciplinary program that offers students the chance to learn the scientific aspects of environmental issues as well as the social and regulatory side.

As discussed elsewhere in this newsletter, the department is putting all of its donations this year into the Ontario Student Opportunity Trust Fund. This is a fund that will provide fellowships to needy students long into the future. (See page 11)

We were pleased to welcome Patrick Francois to the Department in July of 1995. Patrick is an Australian with a Ph.D. from UBC and interests in development, growth, and applied microeconomics. For 1996/97 we welcome Gordon Green from Northwestern to a two-year appointment. Gordon's interests are in microeconomic theory. As well, Ian Cromb will be staying on as an Adjunct Assistant Professor and will continue to coordinate the first year program. Visitors this

year include Emanuela Cardia from the Université de Montréal, Axel Lindner from Munich, Neil Swan from Ottawa and Simon van Norden from the Bank of Canada.

Professor Charles Beach continues his duties as Editor of *Canadian Public Policy*. Under Charlie's direction the business office of the Canadian Economics Association moved to Queen's in 1996. Robin Boadway organized the Canadian Economics Association Meetings at Brock University this year as part of his duties as the incoming President of the Association. One way or another, the QED continues its long association with the CEA.

The Ph.D. program continues to attract and graduate some of the best students in the country. Last

year the halls were buzzing when Christine Parlour was offered a job in the Finance group of the Business School at Carnegie-Mellon University in Pittsburgh. Her starting salary was roughly twice that of her thesis supervisor!

Finally, the Department was proud and honoured to learn that James MacKinnon won the Queen's University Excellence in Research Prize for 1995/96. James joined the QED in 1974. Since then his work has brought credit to the Department, the University, and to the study of econometrics in Canada. It is a great honour and richly deserved.

by Lorne Carmichael

Undergraduate Program

by Jennine Ball

In this age of expanding information technology, our progression to utilizing the world wide web for course notes, program descriptions and other information is a natural step for the Department. We invite you to check out our undergraduate web page at <http://qed.econ.queensu.ca/undergrad>

In the academic year 1994-95, a total of 551 students were registered with a program concentration in Economics; in 1995-96, the number of Economics concentrators declined to 513. The Department of Economics granted a B.A. Honours Degree to 70 students in 1995, and to 69 students in 1996. We are pleased to report that graduating Economics students were recipients of Prince of Wales Prizes for top academic performance in the entire Faculty of Arts and Science in both 1995 and 1996. In 1995 **Gregory Matthews** (Medal in Economics) received second-place standing, honorable mention Prince of Wales Prize. In 1996, **Michael Koen** (Medal in Economics) was awarded first-place standing Prince of Wales Prize, and **Jeremy Busch** (best B.A. thesis in Economics) received second-place standing, honorable mention Prince of Wales Prize. In addition, many of our students were named to the Dean's Honour List (top 3% of all Arts and Science students).

Our congratulations to all those who were awarded departmental prizes and scholarships.

Departmental Prizes and Scholarships

*George and Mary Louise Patton
Mem. Scholarship*

(highest standing after second year; Economics Major entering third year)

1995 Akiko Fujimoto

1996 Mandy Ayles

*Edith Whyte Memorial Scholarship
in Economics*

(highest standing after third year; Economics Major admitted to fourth year)

1995 Michael Koen

1996 Avi Goldfarb

Gowan Fdn. No. 1 Award

(best essay in a 300-level Economics course)

1995 Stephanie Donaher

"Gender & Occupational Segregation: Female Labour at the Turn of the Century"
Written for ECON 332.

1996 Scott Segal

"The Northern Railway of Canada: Private and Social Profitability Examined"
Written for ECON 332.

Chancellor C.A. Dunning Prize
(best B.A. thesis in Economics)
1995 Joshua Slive
"Pirated for Profit"
Supervisor: D. Bernhardt
1996 Jeremy Busch
"A New Approach to the
Bargaining Problem"
Supervisor: Debra Holt

Chancellor C.A. Dunning Prize
(Departmental Medal; graduat-
ing B.A. Honours student with
the highest average in a Major
concentration in Economics)
1995 Gregory Matthews
1996 Michael Koen

Combined Medal
(graduating B.A. Honours
Medial student with the
highest concentration average
in both fields)
1995 Andrew C. Dick
(Economics; Politics)
1996 L. Ramchandar
(Economics; History)

W.M.O. Lohead Prize in Economics
(highest standing in a second-
year Economic History course:
Economics 231 or 232)
1995 Jefferi Hashim
1996 C.Miyagishima

Prof. F.A. Knox Prize
(highest standing in a third-
year Economic History course:
Economics 331 or 332)
1995 Harry Krashinsky
1996 Peter Zakarow

*Palmer Hoar Mem. Book Prize in
Intermediate Micro Theory*
(outstanding performance in
Economics 212)
1995 Gregory Moore
1996 Gavin Magrath

*Edith Whyte Mem. Book Prizes in
Intermediate Macro Theory*
(outstanding performance in
Economics 222)
1995 Brigid Barnett
Sean May
Pui Shum
Margaret Evans
1996 Mandy Aylen
Hillar Lilles
Gavin Magrath
David Mulvenna
Damir Tanovic
Jo-Yen Tsang

*M.C. Urquhart Book Prize in
Economics 110*
(outstanding performance in
Economics 110)
1995 Sarah Tam
Gavin Magrath
Sheldon Singh
A. Schumann
1996 Ritesh Banerjee
Erik Jensen
K.H. F. Lee
Thomas Leung
Kyle Puhl
Eric Tsang

**CONGRATULATIONS
TO ALL OUR WINNERS!**

QED List of Lists

PhD Recipients

1995 MAY CONVOCATION

Farazli, Jeannine

Three Essays on Sovereign Debt

Supervisor: B.Lapham

St. Amour, Pascal

State-Dependent Risk Aversion

Supervisor: T.McCurdy

Vencatachellum, Desiré

Dynamic Research and Development

Games: Applications to Endogenous

Growth Theory

Supervisors: B.Lapham and

T.McCurdy

1995 OCTOBER CONVOCATION

Powell, Lisa

Labour Supply and Child-Care

Choice Decisions of Married

Mothers: Evidence from Canada

Supervisors: C.Beach,

T. Courchene and C.Ferrall

1996 MAY CONVOCATION

Corak, Miles

Traps and Vicious Circles:

A Longitudinal Analysis of

Participation in the Canadian

Unemployment Insurance Program

Supervisor: C.Beach

"NEXT 10" Queen's Economics PhD's

188 Jeannine FARAZLI 1995
University of Calgary

189 Pascal ST. AMOUR 1995
École des Hautes Études
Commerciales

190 Desiré
VENCATACHELLUM 1995
École des Hautes Études
Commerciales

191 Lisa POWELL 1995
School of Policy Studies
Queen's University

192 Miles CORAK 1996
Statistics Canada

193 Urvashi DHAWAN 1996
Memorial University

194 Christine PARLOUR 1996
Carnegie Mellon

195 Dieynaba TANDIAN 1996
C.R.D.E.,
Université de Montréal

196 Kelly BEDARD 1996
McMaster University

197 Michael BENNETT 1996
School of Business

Dhawan, Urvashi
Female Labor Supply, Family and Immigration: An Empirical Case Study of Canada
Supervisors: M.Abbott and C.Beach

Parlour, Christine
Price Dynamics in Limit Order Markets
Supervisor: F.Milne

Tandian, Dieynaba
Macroeconomics of the Trade Balance and Exchange Rate in the CFA Zone
Supervisor: G.Smith

1996 NOVEMBER CONVOCATION

Bedard, Kelly
School Structure and the Distribution of Wages
Supervisor: C.Ferrall

Bennett, Michael
Ownership Structure and the Market Assessment of Interfirm Asset Sales: An Empirical Analysis
Supervisors: D.Usher and F.Milne

Graduate Program

The Queen's graduate program in Economics is one of the top two or three such programs in Canada. Each year we admit about forty M.A. students, and five to ten Ph.D. students, from Canada, U.S.A., U.K., Australia, New Zealand, India, China and many other countries. The high degree of competition for entry into the program is continuing to raise the quality of our students each year. As a result, the prestige of Queen's M.A. and Ph.D. degrees is continuing to increase, and our graduates are

much in demand on the job market.

A further benefit is that the quality of our graduate education is improved by the interaction between some of the brightest Economics students in Canada. We recognize that some of the most important discoveries and discussions take place between graduate students outside the class-room.

Graduates from our Ph.D. program have continued to be successful in the job market, and to reinforce the Queen's reputation by their subsequent performance. In November 1996 we graduated our 197th Ph.D. in Economics: **Michael Bennett** was awarded his Ph.D. for his thesis on "Ownership Structure and the Market Assessment of Interfirm Asset Sales: An Empirical Analysis". Michael is now teaching for the School of Business here at Queen's University. Other successful graduates recently have been **Christine Parlour**, who has a full time position at Carnegie Mellon University, **Lisa Powell**, who is on the faculty of the School of Policy Studies at Queen's, and **Kelly Bedard** who is a Postdoctoral Fellow at McMaster University. An interesting observation from this list is that more than 50% of recent graduates are women.

The M.A. program has provided multiple opportunities for career enhancement. It is a recognized route for entry into the best Ph.D. programs in Canada and U.S.. Each year a select group continue on in our own Ph.D. program. For those who do not wish to pursue further graduate study, the M.A. is an excellent qualification for employment in the public or private sector. Our M.A. is highly regarded



*left to right: Theresa Brennan,
Roger Ware and Juanita Dennie*

in the public sector: many of our students can be found in Provincial and Federal departments and agencies.

More recently our graduates have been penetrating the private sector, particularly the financial sector, where skills in Econometrics and Financial Economics are in growing demand. In 1996-97, Financial Economics will be offered as a field of specialization for the first time. As a way of nurturing the new network of Queen's graduates in the private sector, a group of faculty members hosted a dinner in Toronto in May 1996 for graduates of our program. About 40 Queen's MAs working in Toronto attended, going back as far as the class of '78! We hope to repeat this successful experiment in subsequent years.

The 1995 C.A.Curtis Prize was awarded to **Desiré Vencatachellum** for his thesis on "Dynamic Research and Development Games: Applications to Endogenous Growth Theory", supervised by Bev Lapham and Tom McCurdy.

ADDENDUM

Just before press time we had 5 more Ph.D. students defend their thesis in the Department. Three of these students have submitted their final copies and will be awarded their degree's at Spring Convocation. They are: Douglas Tattrie, Frank Strobel and Dennis Lu.

We became aware of an interesting phenomenon regarding Dennis Lu. Dennis will be our 200th Ph.D. when he convokes this Spring! And... coincidentally, it just so happens that Dennis' external examiner was Ed Nosal – the Department's 100th Ph.D. student!!!

The Department is very excited about this and hopefully a celebration will be in the works after the Spring 1997 Convocation!

QED/ Japan Connection

by Masayoshi Hayashi

To many Japanese, Queen's, despite its domestic reputation, is not so well known as University of Toronto or University of British Columbia, however, this is not the case in the field of economics, especially local public finance.

A recent Japanese survey article by Sakashita 1994 on theoretical local public finance, introduces the studies by Queen's scholars, namely Professors Robin Boadway, Frank Flatters and John Hartwick as the major seminal forces in the development of the studies of fiscal federalism. Since one of the serious policy issues in Japan is the decentralization of the highly centralized local government system, the studies by the QED's scholars are getting more attention by serious Japanese researchers. This is substantiated by the fact that QED has been hosting Japanese visiting scholars Isao Horiba (92/93), Harutaka Takahashi (94/95) and Kiyoshi Mitsui (95-97), and all share research interest in local public economics. In addition, the current two Japanese in the Ph.D program are now conducting research

on local public finance under the supervision of Robin Boadway.

In addition to this academic aspect, hospitality offered by the department was/is also well-appreciated by the Japanese visitors. Noritsugu Nakanishi, visitor for 94/95 then finalizing his destination for his sabbatical, once told the author that, in addition to its academic excellence, the considerate and well-organized response from QED was one of the reasons he chose Queen's over the other Canadian academic institutions. Other visitors, including Toru Nagahashi (93/94), would express the same sentiment and agree their expectations were met.

The majority of the visitors and the two Ph.D. students from the universities of Aoyama Gakuin, Meiji Gakuin and Hitotsubashi, chose Queen's because of the good stories and encounters their predecessors experienced here at QED and Kingston.

Masayoshi is currently enrolled in the PhD program.

In Memorium

Long-time faculty member of the Department of Economics, **Clarence (Connie) Curtis** died peacefully at Rideaucrest Home for the Aged in Kingston on August 9, 1996. He was 90 years old. Curtis served on the faculty of Queen's, in the School of Business, Industrial Relations and the Department of Economics as head (1956-64) from 1941-1972. A fine teacher and eminent labor arbitrator, he will be fondly remembered by generations of students, and many friends at Queen's.



Alison Morgan Appointed University Secretary

(reprinted from the Queen's Gazette 1995)

Principal William C. Leggett, on the unanimous recommendation of the advisory committee, is pleased to announce the appointment of Alison Morgan as Secretary of the University for a five-year term beginning April, 1995.

Morgan holds a BComm Degree from Queen's and an MA from the University of Western Ontario. She did further graduate work at the University of Chicago and is the author of a number of papers on topics related to econometrics and income distribution. Aside from her current position as the University Registrar, she is an Adjunct Instructor. Previously Alison served as Secretary of the Board of Trustees and as Senior Administrative Assistant in the Department of Economics.



Students Need Your Help

(The Ontario Student Opportunity Trust Fund)

At the time of this writing, the provincial government has yet to announce its funding plans for postsecondary education, and David Smith (department head 1968-1981) has yet to deliver as chair, his report on the University Restructuring to Queen's Park. However, it is clear to all of us that governments will not be increasing their support for universities in the near future and that students and their families will be asked to bear a larger portion of the costs. It seems inevitable that access to a Queen's education will become increasingly limited.

For this reason, I would like to encourage you to consider a donation to the Queen's Economics Department that is designated for the Ontario Student Opportunity Trust Fund. All of the undirected donations and pledges the department receives before **31 March 1997** will also be designated towards this end. If received by this time, these monies will be matched by the pro-

vincial government and placed into a capital fund. The earnings of this fund will be used to create several *Special Alumni Fellowships*, to be awarded to students in Economics who would otherwise find it difficult to meet the expense of a Queen's Education.

I hope you will agree that this is a rare opportunity to double the effect of your contributions to a very worthy cause. If you are able to make a larger donation, it will also be possible to name a fellowship that will have an impact on the lives of economics students at Queen's long into the future.

Please do not hesitate to contact me directly if you have any questions about this initiative, or if I can be of assistance in any other way.

Lorne Carmichael
Telephone (613) 545-2253
Fax (613) 545-2257
Email
CARMYKLE@qed.econ.queensu.ca

Faculty Activities 1995 and 1996

Mike Abbott began his third term as Chair of Undergraduate Studies in July 1995, and is continuing in that capacity for 1996-97. He co-organized, with Charlie Beach and Rick Chaykowski, a labour economics conference in honour of Stephan Kaliski entitled "Transition and Structural Change in the North American Labour Market"; the conference, sponsored by the John Deutsch Institute and the Industrial Relations Centre took place at Queen's in May, 1995. Mike, Charlie and Rick are currently editing a volume of papers from that conference. A paper co-authored with Charlie Beach and Steve Kaliski entitled "Wage Changes and Job Changes of Canadian Men: Empirical Evidence" was published in *Aspects of Canadian Labour Markets: Essays in Honour of John Vanderkamp* (1995) by the U. of T. Press. In addition to his continuing work on immigrant earnings in Canada, Mike is currently engaged in a project with Charlie Beach and two collaborators from Statistics Canada, which is investigating empirically the employment and wage effects of payroll taxes in Canada. During the 1995-96 academic year, he and Charlie presented early findings from the payroll tax project to seminars at the Conference Board of Canada and Statistics Canada, and the 1996 Canadian Economics Association meetings.

In 1994-95 **Charles Beach** while on sabbatical, spent his time at Queen's working principally on two census research monographs on changes in income distribution in Canada for Statistics Canada. In July, 1995, he became Managing Editor of *Canadian Public Policy/Analyse de Politiques* with the journal office being set up in the School of Policy Studies at Queen's. He was actively involved in the planning of Canadian Employment Research Forum (CERF) conferences in Ottawa and elsewhere, and in the research evaluation of the Self-Sufficiency Project, a labour market test experiment helping single parents on welfare being run by HRDC in New Brunswick and Vancouver. He also chaired the so-called Data Liberation Initiative (DLI) in Ottawa making Stats Canada data much more accessible to university students and researchers.

Charles has published two recent books, *Labour Market Polarization and Social Policy Reform*, edited with Keith Banting and *Are we Becoming Two Societies?: Income Polarization and The Myth of the Declining Middle Class in Canada*, written with George Slotsve. The latter study was published by the C.D. Howe Institute. He also published papers in *Empirical Economics* and the *Canadian Economic Observer* and has forthcoming papers in *International Economic Review* and the *Canadian Tax Journal*.

James Bergin in the last year has published papers in *Economic Theory*, *Social Choice and Welfare*, and *Econometrica*. His current research is in the fields of Anonymous Games, Implementation, Non-cooperative Foundations and Endogenous Game Forms. Jim is currently on leave at the University of Barcelona.

Dan Bernhardt is busy trying to finish all of the projects that have been on his cluttered desk. Research that he hopes to complete include: theoretical work dating back to 1989 with Jim Bergin on entry and exit of firms over the business cycle; work with Sangita Dubey and Eric Hughson on term limits and pork barrel politics; theoretical and numerical work with Burton Hollifield dating back to 1988 on learning and asset pricing; empirical work dating back almost to the 19th century with Eric Hughson on takeovers...

Dan's publications in 1995-1996 are "Splitting Orders", with E. Hughson, *Review of Financial Studies*; "Discrete Pricing and the Design of Dealership Markets", with E. Hughson, *Journal of Economic Theory*; "Strategic Promotion and Compensation" *Review of Economic Studies*; "Investment and Insider Trading" with E. Hughson and B. Hollifield, *Review of Financial Studies*; "Anonymous Sequential Games: Existence and Characterization", with J. Bergin, *Economic Theory*; "Direct Relations versus Signalling in Finance", with G. LeBlanc, *Canadian Journal of Economics*.

In brief giddy moments Dan believes that he will soon be able to

begin research on competition among financiers, entry and exit of financiers; mutual fund manager incentives; money and banking and various topics in theoretical and empirical market microstructure.

Dan honeymooned at the Olympics in Atlanta watching various athletes with whom he trained and coached. Congratulations to both Margaret and Dan on the birth of Robert Drew, born 7 November 1996.

Robin Boadway had articles published in *Oxford Economic Papers*, *European Economic Review*, and *Policy Options*, in addition to writing some forthcoming papers and chapters for several books. His current research interests include fiscal federalism, design of grants under asymmetric information, and endogenous growth and unemployment insurance. Robin has also been busy presenting papers across Canada and abroad, in Sweden, Britain, Portugal, and Tunisia. He keeps out of mischief as the President of the Canadian Economics Association, on the executive for the International Seminar on Public Economics, and on the editorial board for *International Taxation and Public Finance*.

Lorne Carmichael's research is continuing, albeit at a slower pace as he continues as Head of the Department. He is currently most interested in evolutionary models of preferences, with applications to the study of bargaining. The theory is applied and tested each time he meets the Dean. Last year this

work was presented to conferences at Wilfrid Laurier University and in Japan. While in Japan Lorne also participated in a panel discussion on the productivity of white collar workers for the benefit of a large group of business executives. He has also been considering the productivity of academics, and presented his paper "Restructuring Ontario Universities" at a conference at Laurentian University in 1996.

Tom Courchene continues his role as editor of the *Bell Canada Papers on Economic and Public Policy* and as Director of the John Deutsch Institute. On the publication side, his recent books include *Social Canada in the Millennium, Redistributing Money and Power: A Guide to the CHST and Celebrating Flexibility* (1995 Howe Benefactors Lecture). Courchene has also published numerous articles on social policy, globalization and federal-provincial relations. His recent series of research trips to Australia have resulted in several analyses of comparative Australia/Canada federalism. He is currently completing a book on political economy of Ontario.

Russell Davidson having managed to get sabbatical leave at the same time from Queen's and Aix-Marseille II, spent the whole of the 95-96 year based in Marseille, where he was able to do a good deal of joint research with James MacKinnon. Russell was invited to be a discussant for the invited session on the bootstrap at the Econometric Society World Congress in Tokyo in 1995 and this stimulated

him to embark on a program of research on bootstrap tests. So far, the resulting paper has been presented in Paris (CREST) and the English Econometricians' Study Group in Bristol. It was also rehashed, in a newer version, for the CESG in Waterloo in September, 1996. Other topics of current interest include statistical inference on measures of income inequality, poverty, and such like, applications of wavelets to econometrics, and applications of different geometry. Russell Published a paper on inequality measures, joint with Jean-Yves Duclos of Laval. The wavelets work gave rise to a presentation in Brussels in December, 1995 and to a paper presented at the conference on Computing in Economics and Finance in Geneva in June, 1996.

John Duggan is currently finishing up papers in several theoretical areas: implementation theory (co-authored with QED's Joanne Roberts), game theory (presented at the Canadian Economic Theory meetings in Vancouver), strategy-proofness, and formal political theory. John recently completed articles on non-cooperative foundations (with the eminent Jim Bergin) and extensive form implementation. The latter paper was presented at New Directions in the Theory of Markets and Games, a conference in honour of Robert Aumann, and at the winter meetings of the Econometric Society. The 1995-96 academic year saw two papers published – one in *Journal of Economic Theory* and one in *Economic Theory* – with articles in *Journal of Economic Theory* and *Social Choice and Welfare* forthcoming.

John received a SSHRCC research grant for 1996-99 and is visiting the Wallis Institute of Political Economy at the University of Rochester for the 1996-97 academic year.

Chris Ferrall has published two papers on the distribution of earnings among engineers, one in the *Industrial and Labour Relations Review* and the other forthcoming in the *Journal of Human Resources*. Chris is currently working on a paper that compares the transition from school to work in the U.S. and Canada. The paper will appear in a special issue of the *Journal of Business and Economics Statistics*. The issue will be devoted to empirical applications of dynamic programming. Chris is also researching with PhD candidates on a number of subjects ranging from the Canadian unemployment insurance system, the Canadian welfare system, the economics of AIDS, and a study of incentives and compensation. Chris is also working on a study of physician behaviour with Allan Gregory. Chris has travelled extensively this year presenting papers at the Stanford Institute for Theoretical Economics, the International Health Economics meetings in Vancouver, and the Econometric Society meetings in San Francisco. He attended the summer workshop at the Institute for Research into Poverty at the University of Wisconsin, presented seminars at Wilfred Laurier, Guelph, UQAM, Laval, McMaster, Lakehead, Western Ontario and at Human Resources and Development in Ottawa. Chris' current teaching involves writing a set of

interactive statistics tutorials for undergraduate econometrics and publishing a paper describing the tutorials in the electronic *Journal of Statistics Education*.

Frank Flatters is continuing to direct the department's CIDA-funded collaboration and assistance programs with the Malaysian Institute of Economic Research (MIER) and the Thailand Development Research Institute (TDRI). He has recently completed and published studies on conflicts over water use and water management policies in Thailand (with Ted Horbulyk and colleagues at TDRI), administrative corruption and taxation in developing countries (with Bentley MacLeod), and the relationship between import substitution and export promotion policies in rapidly developing East Asian economies (with Rick Harris). He is currently working on reviews of development policies and issues in Indonesia (with Frank Barry, Glenn Jenkins and Joanna Nader) and Thailand (with Ammar Siamwalla). His general interests remain in the area of applied microeconomics, with particular emphasis on policy implementation issues, public sector and resource economics, and international trade.

Patrick Francois' principal research interests relate to both development economics and gender discrimination in competitive labour markets. The work undertaken in development economics has been principally concerned with the role of Coordination Problems in explaining underdevelop-

ment. In a dynamic context these have been explored in a joint paper with Jean-Marie Baland published in the *Journal of Development Economics*. Jean-Marie and Patrick have extended the analysis to examine the role of asset trade in solving coordination problems, as well as the importance of demand complementarities in giving rise to these problems. The aim of Patrick's Gender Discrimination project is to explain equilibrium outcomes in which productively identical women and men are rewarded differently in competitive labour markets. Much of the work here is joint with Siwan Anderson and draws on male/female interaction within the household to provide explanations. In addition to these projects, Patrick is engaged in joint work with Shouyong Shi aimed at providing an endogenous explanation for aggregate cycles by explicitly modelling the effects of innovation on market structure.

Devon Garvie has been very heavily involved as Chair of the Arts Curriculum Review Committee for the School of Environmental Studies. This committee has been very committed to developing an Arts stream in the School and they are enthusiastic with the progress that has been made. Devon is continuing her work with Bart Lipman regarding the optimal design of environmental regulations when firms can legally challenge the regulations in an environment with legal uncertainty. A paper with Vicki Barham studies environmental technology transfers between rich and poor countries. A second paper with Dominique

Demougin examines the incentives provided by alternative tort laws. A new project that Devon is involved in this year deals with assessing the efficiency, distributional and environmental consequences of voluntary codes in pollution-generating industries. From this work, she hopes to generate some new insights on mandatory compliance versus voluntary compliance schemes.

Alan Green, in addition to his SSHRC grant with Mary MacKinnon of McGill, is part of a federally funded research project on immigration entitled "Research on Immigration and Integration in the Metropolis". This is essentially a Center of Excellence project centered at Simon Fraser University that will take approximately five years to complete.

Allan W. Gregory continues as Associate Head for the Department. The following papers were published over the year: "Testing for Cointegration in Models with Regime and Trend Shifts" (with Bruce Hansen), *Oxford Bulletin of Economics and Statistics*, "Business-Cycle Theory and Econometrics" (with Gregor Smith), *Economic Journal* and "Measuring Business Cycles with Business-Cycles Models" (with Gregor Smith), *Journal of Economic Dynamics and Control*. Other research papers include: "Measuring World Business Cycles" (with Allen Head), "Practice Setting and Labour Supply of Physicians in Canada" (with Chris Ferrall and William Tholl), and "Common and Country-Specific Fluctuations in Productivity,

Investment and the Current Account" (with Allen Head). Also Allan and Mick Devereux organized a special issue of the *Canadian Journal of Economics* (November, 1995) in honour of Doug Purvis. Allan is an Associate Editor of the *Journal of Business and Economic Statistics* and a member of the Editorial board of the *Journal of Applied Econometrics*.

John Hartwick scratched an itch to understand banking by leading a seminar for fourth year undergrads during the winter of 1995-96. Each student worked on an empirical research paper and John ended up with his "take" on the subject in "The financial capital constraint and the valuation of commercial banking activity". He also revised a paper presented at the 1995 Canadian Economics Association, entitled "The capitalization of wage increments in urban land value". He lectured for the second time at the summer program of the Harvard Institute for International Development on the economics of sustainability. A survey paper on this topic will appear in a Handbook edited by Tietenberg and Folmer. A related paper will appear in a special issue of *Land Economics*. In October he presented a seminar at University College, London, and the notes for it are in a CIRANO discussion paper, "Constant Consumption and the Economic Depreciation of Natural Capital: the Non-autonomous Case", co-authored with N.V. Long. Long, Larry Karp, and John also worked up a paper "True Economic Depreciation and Valuation Invariance with Optimizing

Firms" on the neutral corporate income tax. "Constant Consumption in Open Economies with Exhaustible Resources" appeared in the *Review of International Economics*. "Constant Consumption as Interest on National Wealth" will appear in the *Scandinavian Journal of Economics*.

Allen Head has been working in the areas of open economy macroeconomics and economic fluctuations. This year he published a paper in the *Canadian Journal of Economics* and two papers jointly with Mick Devereux and Bev Lapham, one in the *Journal of Economic Dynamics and Control* and one in the *Journal of Money, Credit, and Banking*. Allen is also working with Allan Gregory on a series of papers dealing with the measurement of common and country specific components in business cycles for the G7 countries. The two of them also collaborated on a study of leading and coincident indicators of the Malaysian economy for the Malaysian Institute of Economic Research. Allen is studying international interest rate differentials in a project with Gregor Smith; the determination of prices and exchange rates in search theoretic monetary models with Shouyong Shi; and the cyclical behaviour of price-cost markups in collusive market structures with Bev Lapham. Allen was one of the organizers of the Macroeconomics workshop held November, 1996 at Queen's.

Debra Holt is proceeding with research in the areas of game theory and experiments with particular

emphasis on bargaining and public goods provision. Her most recent papers are "Fairness and Learning in Bargaining", "Bargaining Games: Estimation with Simulated Data for Design of New Experiments", and "Equilibrium in Games with Primitive Belief Structures".

Beverly Lapham continues to work on the dynamics of imperfect competition in the fields of international economics, growth, and aggregate fluctuations. Some of her recent work has appeared in the *Journal of Economics, Dynamics, and Control* and the *Journal of Money, Credit, and Banking*. Her current projects include joint work with Roger Ware in which they examine intertemporal interactions among lobbying interest groups to highlight endogenous links between current and future trade policies and better explain the observed persistence of such policies. Also in the area of international economics, she is currently working on a project with Marianne Vigneault (Bishops University) which studies the behaviour of international relative prices in the presence of time-varying deviations from the Laws of One Price. She continues her work with Allen Head in exploring the theoretical and empirical cyclical properties of mark-ups of price over marginal cost in environments with collusive market structures. Bev is chair of the Appointments Committee and recently joined the Editorial Advisory Board for the *Canadian Journal of Economics*.

Frank Lewis continues his work with Ann Carlos on the fur trade

and on the role of information in the composition of foreign capital flows during the late-nineteenth and early-twentieth centuries. Their more recent papers appeared in a conference volume on Anglo-American finance and in *Explorations in Economic History*. Frank also published a paper in *Explorations* he began writing while on sabbatical in Israel in 95-96, in which he valued the property lost by Palestinian refugees during the 1948 war. In fact, he recently returned to Israel where he presented seminars on this politically-sensitive research, escaping with minimal damage. Frank also wrote a paper with Mac Urquhart on the economy of Upper Canada, which they presented in Pasadena at a conference on The Economy of Early British America. It is soon to appear in a volume of the same title.

James MacKinnon has been working on bootstrap testing, bias correction by simulation, graphical methods for Monte Carlo experiments, and the computation of distribution functions for unit root and cointegration tests. James spent the 1995-96 academic year on sabbatical at GREQAM in Marseille, France, where he experienced better weather than in Kingston but also a great many public sector strikes. In 1995, he was elected a Fellow of the Royal Society of Canada, and he was awarded the Queen's Prize for Excellence in Research. James is an Associate Editor of the *Journal of Econometrics*, Software Review Editor of the *Journal of Applied Econometrics* and coordinator of its electronic data archive, which is

located at Queen's. During 1995 and 1996, James presented papers at Princeton University, INSEE-CREST (Paris), the University of Toulouse, Carlos III University and Complutense University in Madrid, Cambridge University, the Catholic University of Louvain in Belgium, the Tinbergen Institute in Amsterdam, the University of Geneva, the European University Institute in Florence, and University College of the University of London, as well as at several conferences.

Tom McCurdy spent 1995-96 on sabbatical at the University of Toronto. Tom continues his work on semi-Markov econometric models. Tom was invited to present various aspects of this project at Laval, Montreal, Toronto, UQAM, Windsor and York. Another research interest is the development of econometric models of the volatility of asset returns for use in pricing derivative securities. One project in this area focuses on the long-memory component. His paper with Paul Michaud, "Capturing Long Memory in the Volatility of Equity Returns: a Fractionally Integrated Asymmetric Power ARCH Model", has been presented at Queen's, University of Toronto and York as well as at CIRANO and the French Finance Association Meetings. Another related project deals with sources of intraday volatility of asset returns. Tom's paper with Dirk Eddelbuettel, "The Impact of News on Foreign Exchange Rates: Evidence from Very High Frequency Data", was presented at the 1996 CEA meetings. Tom has two other recent pa-

pers: "Hedging Foreign Currency Portfolios" (with L. Gagnon and G. Lypny) which was presented at the Northern Finance Meetings and is under revision for the *Journal of Empirical Finance*; and "An International Economy with Country-Specific Money and Productivity Growth Processes", jointly with N. Ricketts, which appeared in the special issue of the *Canadian Journal of Economics* in honour of Doug Purvis. Beginning July 1, 1996, Tom moved on to the Finance Group at the Faculty of Management, University of Toronto where he is also associated with the Institute for Policy Analysis. He hopes to come back to Queen's in the summer months as often as possible.

Marvin McInnis' main pre-occupation these days is writing two chapters dealing with nineteenth and twentieth century Canada for a forthcoming *Cambridge Population History of America*. These will provide an opportunity to synthesize some of the research he has been doing over the past couple of decades. Last spring Marvin was on the road to several schools in the US presenting a paper entitled "Walking Distinctively or Just Going with the Flow: Canadian Immigration to the US in the Late Nineteenth Century." More recently he addressed the economic history workshop at Queen's on the topic of reinterpreting Canadian economic growth in the Wheat Boom era, and is about to take this message on to universities in Alberta. This coming winter Marvin will be teaching at the university's "east campus" at Herstmonceux.

Frank Milne must be relieved, he is no longer the Coordinator of Graduate Studies. In his new found free time Frank published a book *Finance Theory and Asset Pricing*. He has also published two papers with David Kelsey, one in *The Journal of Economic Theory* and the other in the *Journal of Mathematical Economics*. Frank and David also have two forthcoming papers one in *Economic and Environmental Risk and Uncertainty: New Models and Methods* and the other in *Econometrica*. He has published papers with Dilip Madan in *Mathematical Finance* and E. Neave in *Management Science*. E Neave and Frank continue to work together on a number of unpublished papers. Frank attended a derivatives conference at Queens, an NBER decentralization conference at the University Of Alabama and a mathematical finance conference at the University of Montreal. Frank's research interests remain asset pricing, general equilibrium and finance theory.

Martin Prachowny spent 1995-96 completing his book, soon to be published, entitled *Working in the Macroeconomy*.

Shouyong Shi was awarded a three year (1996-1999) research grant from the Social Sciences and Humanities Research Council of Canada. For the last two years Shouyong has been teaching one of the graduate courses in the field of Money, Banking and Stabilization policy. He has also published "Money and Prices: A Model of Search and Bargaining," in the *Journal of Economic Theory* and has

forthcoming papers in *Review of Economic Studies*, *Econometrica*, and the *Canadian Journal of Economics*.

Gregor Smith's research is on consensus forecasting (with Allan Gregory), international interest-rate differentials (with Allen Head), and solving dynamic programmes by GMM (with Marc Andre Letendre). His work on macroeconometrics and international macroeconomics was published in the *Journal of Economic Dynamics and Control* and the *Economic Journal* among others. He also wrote the Canadian edition of the intermediate macroeconomics textbook titled *Macroeconomics* by Andrew Abel and Ben Bernanke. In 1995 he was promoted to full professor. He also served on the university senate task force on student aid and was a co-editor of the *Journal of International Economics*.

Gordon Sparks is teaching economics at the International Study Centre, Herstmonceux Castle, U.K. Since the opening of the ISC in September, 1994, the Economics Department has been an active contributor to the academic program. Gordon has been in residence at the Castle teaching Economics of the European Union. He is currently on sabbatical leave for the 96-97 academic year and spending some of his time at Herstmonceux.

Klaus Stegemann in 1995-96 had his fourth and final sabbatical. He used it to shift the focus of his research towards the new World Trade Organization (WTO) and multilateral agreements for "new issues". Prominent among these is

the Agreement on Trade-Related Intellectual Property Rights (TRIPS). During the Fall Term, Klaus enjoyed the hospitality of the Law and Economics Programme at the University of Toronto's Faculty of Law, participating weekly in the famous Trebilcock/Howse seminar on international trade regulation and numerous workshops organized by this lively institution. In March and April, he was guest of the Max-Planck-Institute for Research into Economic Systems, which was established in 1993 at Jena in former East Germany. He enjoyed working there with high caliber graduate students and being exposed to large doses of the "new institutional economics". Klaus presented his paper on Agenda Setting for New Issues in the Uruguay Round at the meetings of the Canadian Law and Economics Society in Toronto and the European Public Choice Society at Tiberias, Israel, as well as at the Jena Institute. He also presented a paper on "Trade Law Reform in the Context of Rigorous Competition Policy" at the Asia-Pacific Workshop in Singapore. The purpose of the workshop was to prepare part of the potential agenda for the first WTO Ministerial meeting to be held at Singapore in December 1996.

Dan Usher has published a book this year titled *The Uneasy Case for Equalization Payments*. He also has two forthcoming papers: *Education as a Deterrent to Crime* in the Canadian Journal of Economics and *Rawls and Objectives: a critique of the two principles of justice*, in Constitutional Political Economy. Dan

attended a conference sponsored by Canadian Public Policy in March 1995 on the Interests of English Canada. Dan's research interests are public finance, fiscal federalism and political economy.

Marianne Vigneault was visiting Queen's from Bishop's University for the 1995/96 academic year. While here, she worked with Robin Boadway and Maurice Marchand (CORE) on tax policy within a federation and with Beverly Lapham on relative price movements. She has begun a new research project with Robin Boadway and Maurice Marchand examining entrepreneurship and unemployment, and is dusting off a project begun last fall with Chiara Bronchi (Keele University) examining corporate income tax competition. She is also, in association with Robin Boadway, involved in a research project for the Department of Finance's Technical Committee on Business Taxation. Marianne published in *International Tax and Public Finance* and *Economic Letters*, the latter co-authored with Robert Sproule from Bishop's University.

Ruqu Wang's interests are in multiple-object auctions, bargaining, consumer switching cost models, and the theory of coalition formation. One paper comparing bargaining and posted-price selling was published in *European Economic Review*. Two papers on labour market theory, one of Ruqu's earlier interests, are forthcoming in *Journal of Labour Economics* and *Labour Economics: An International Journal*. Various working papers were presented at University of

British Columbia, the Summer Institute of Game Theory at SUNY Stony Brook, the Canadian Economic Theory Conference at Simon Fraser University, and the Industrial Organization Conference at Carleton University.

Roger Ware completed a six month sabbatical at Berkeley in the first

half of 1995, then returned to take up the position of Graduate Coordinator. He has been pursuing his research interests in Competition Policy, completing a new paper on network industries, and another paper surveying Abuse of Dominance cases. His ongoing research projects include the economics of electronic banking.

Honouring David Smith Upon His Retirement

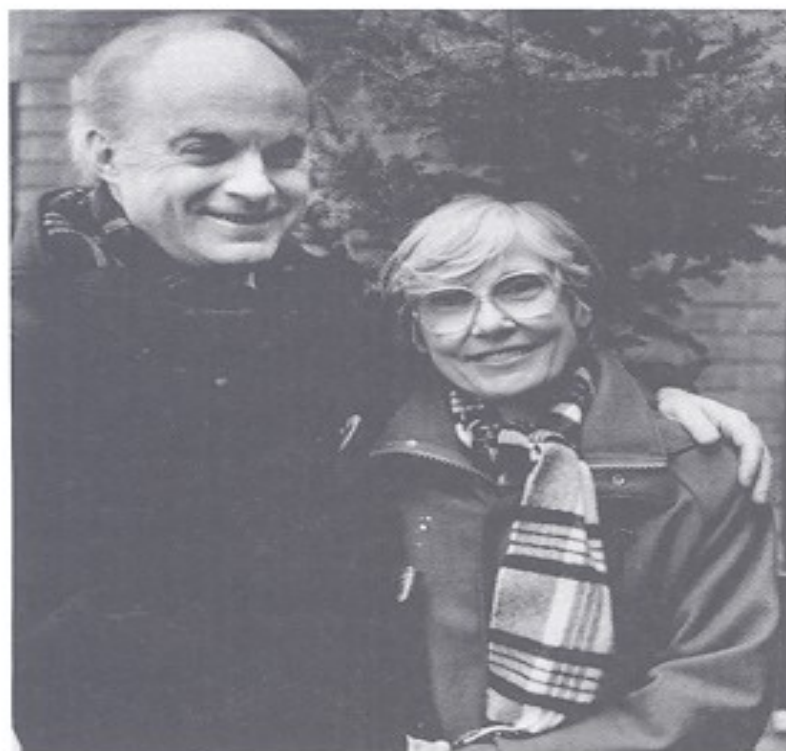
by Alan Green

On the evening October 25th, 1996 about 80 former and current members and their guests gathered at the Donald Gordon Center to honour David and Mary on the accession of David's retirement from the Department. It was a great evening, at least measured by the level of laughter and the partying that went on after the official festivities had come to an end.

We could not let David off without a few "kind" words from his colleagues, so Peter Mieszkowski, now of Rice University in Houston, Steve Kaliski and James MacKinnon recounted their reflections on David as Department Head. David was given time to respond and he

provided, as usual, a thoughtful reflection on his years as chair, along with a few well chosen lines, especially on James' interaction with the administration, not always an easy association.

To help David and Mary remember the evening several gifts were presented to them by Lorne Carmichael. Although David had held the ultimate chair in the University we thought it might help if he received a "real" chair from the Department for his office at home and to make life even more comfortable, a stereo and gift certificate for C.D.'s were added for general measure.



David and Mary Smith

David is currently chair of a review committee which is investigating the future of postsecondary education in the province. As part of the event, a symposium was held the next morning (Saturday) entitled "Financing Postsecondary Education". Papers were presented by Michael Abbott and Charles Beach, Alan Green and Mac Urquhart, Peter Hasen (Department of Finance), Frank Milne, Robin Boadway and Lorne Carmichael. The topics covered were earnings, profiles, income growth of the graduate programme of Queen's, income con-

tingent loans, lessons from the Australian academic experience, federal, provincial financing and restructuring postsecondary education. Lively discussions followed the presentation of each paper.

The enthusiasm and warmth shown towards David and Mary by those present plus the letters from former colleagues who could not attend, provided ample proof if any was needed, as to how much everyone appreciates the effort both gave to make this Department so highly respected and a place we all (past and present) are happy to call "our Department" – THE QED!

Research Grants and Contracts

by Marcia Jones

C.M.Beach, Department of Finance, 1996, \$3500, *Statement of Work with Mike Abbott*.

C.M.Beach, Human Resources Development Canada, 1996, \$10000, *Modeling Earnings Mobility and Earnings Dynamics in Canada*.

J.Bergin, SSHRC, 1995-98, \$36000, *Implementation of Cooperative Solution Concepts, Evolution of Equilibrium Behaviour*.

R.Davidson, SSHRC, 1995-98, \$44000, *Inference in Finite Samples by Nonparametric Methods, with Emphasis on Graphical and Geometrical Methods*.

J.R.Duggan, SSHRC, 1995-98, \$43600, *Institutional Design*.

C.N.Ferrall, SSHRC, 1995-98, \$94626, *School Quality, Educational Attainment, and Success in the Labour Market*.

P.Francois, SSHRC, 1996-99, \$30000, *Research in Labour Economics, Development and Growth*.

D.Garvie, School of Policy Studies Environmental Policy Unit Eco-Research Chair Program, 1995-96, \$6000, and 1996-97, \$10000 *Environmental Policy*.

A.G.Green, SSHRC, 1996-99, \$55000, *Household Labour Supply, Migration and Earnings: The*

Canadian Manuscript Census of 1901. With **Mary MacKinnon**, McGill.

A.Gregory, SSHRC, 1995-98, \$48000, *Dynamic Factor Analysis in Economics*.

B.J.Lapham, SSHRC, 1995-98, \$46000, *The Macroeconomic Effects of Cyclical and Permanent Changes in Market Structure and Market Power*.

F.Lewis, SSHRC, 1996-99, \$34000, *The Role of Information in Foreign Capital Flows in 1850-1920; An Economic Analysis of the Fur Trade of the Hudson's Bay Company*.

J.MacKinnon, SSHRC, 1995-1998, \$59000, *Econometric Applications of Computer Simulation*.

F.Milne, SSHRC, 1996-99, \$30780, *Finance Theory; Consumer Preference Theory; Game Theory; Market Microstructure*

M. Prachowny, C.I.A., 1996-95, \$10.6 million (US), *The Training of Toy Soldiers*.

G.Smith, SSHRC, 1995-98, \$26753, *International Macroeconomics*.

S.Shi, SSHRC, 1996-99, \$29690, *Model Transactions Cost in Monetary Economics*.

R.Wang, SSHRC, 1996-99, \$43420, *Contingent Procurement Auctions*.

Staff Notes

by Marcia Jones

This is the issue for congratulations! **Elvira Postumus** was married September '95, **Angie Dunphy** welcomed in a baby boy, Matthew, August 30, 1996 and **Jennine Ball** made the Dean's Honour Roll for the third straight year including this year's Special Dean's Award.

Patricia Murphy left this nest to build another in Burlington with her new husband so we hired **Jill Hodgson** formerly of RMC Physics Department. Jill joins **Holly Hill** in the main office. Holly has been with us a year and a half and about to soon go off on maternity leave. Good luck!

The University is becoming more and more technologically advanced; this November QED went on a Automated Voice Menu Sys-

tem hoping to give our callers better service. Please let us know how helpful it is to you.

Juanita Dennie has started a part-time Placement Office for our graduate students with the help of Robin Boadway and Charlie Beach. She is so busy now we need to have her cloned. Has technology reached that far yet! A perfect solution to all this downsizing!

Charlie Beach has been busy this past year, and as Editor of Canadian Public Policy journal he has moved the administration office for the journal from the University of Guelph to Queen's and one of our staff, **Elaine Constant**, formerly an Editorial Assistant with the CJE has changed hats and is now with the CPP.

John Deutsch Institute Conferences

by Sharon Sullivan

Policy Forum Series

Policy Forum on The 1995 Federal Budget: Retrospect and Prospect, held March 30-31, 1995, joint with the Institute for Policy Analysis, University of Toronto, organized by Thomas J. Courchene and Thomas A. Wilson.

Policy Forum on Reforming the Canadian Financial Sector: Canada in Global Perspective, held June 20-21, 1996, joint with Research Program in Risk Management, School of Business, organized by Thomas J. Courchene and Edwin H. Neave.

Roundtable Series

Transition and Structural Change in the North American Labour Market, held May 25-27, 1995, joint with the Industrial Relations Centre, Queen's University.

Bell Canada Paper Series

Policy Frameworks for a Knowledge Economy, fourth Conference for the Bell Canada Papers on Economic and Public Policy, held November 16-17, 1995, organized by Thomas J. Courchene.

The Nation State in a Global/Information Era: Policy Challenges, fifth Conference for the Bell Canada Papers on Economic and Public Policy, held November 14-15, 1996, organized by Thomas J. Courchene.

JOHN DEUTSCH INSTITUTE PUBLICATIONS

Policy Forum Series (\$15.00 a copy)

F32. Who Pays the Piper?: Canada's Social Policy, Roy D. Hogg and Jack Mintz (eds.), 1995.

F33. The 1995 Federal Budget: Retrospect and Prospect, Thomas J. Courchene and Thomas A. Wilson (eds.), 1995 (co-published with the Institute for Policy Analysis, University of Toronto).

F34. Reforming the Canadian Financial Sector: Canada in Global Perspective, Thomas J. Courchene and Edwin H. Neave (eds.), forthcoming January 1997.

Roundtable Series

R11. Transition and Structural Change in the North American Labour Market, Michael Abbott, Charles Beach and Richard Chaykowski (eds.), forthcoming 1997 (joint with Industrial Relations Centre, Queen's University), distribution by the IRC Press, Queen's University.

Bell Canada Paper Series (\$25.00 a copy)

B3. Technology, Information and Public Policy, Thomas J. Courchene (ed.), 1995.

B4. Policy Frameworks for a Knowledge Economy, Thomas J. Courchene (ed.), 1996.

Courchene Receives Purvis Memorial Award

Reprinted in part from the Queen's Gazette 10 July 1995

Dr. Tom Courchene, professor of economics and director of the John Deutsch Institute for the Study of Economic Policy, has received the prestigious Doug Purvis Memorial Award in Canadian Public Policy for 1994.

The \$10,000 award, which was presented at the recent annual meeting of the Canadian Economics Association (CEA) in Montreal, honours the best piece of writing each year on Canadian economic policy. Funded by a number of corporations, it was initiated in 1993 in memory of Dr. Doug Purvis, former head of the Department of Economics.

Courchene's award-winning

book, *Social Canada in the Millenium: Reform Imperatives and Restructuring Principles*, was published by the C.D. Howe Institute and presents a thorough examination of the Canadian social policy network and offers a blueprint for the future.

In his acceptance remarks, Courchene referred to the "enormously rich legacy" left by Purvis, and said he was particularly pleased to receive the award, which included a stone carving, from Purvis' son Josh.

"To be honoured by one's peers is, of course, very special," he noted. "But it is more special when the honour carries the name of Doug Purvis."



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