

Economics Cambridge



Cambridge Faculty of Economics
Alumni Newsletter

Welcome

FROM ANDREW HARVEY

The fifth Alumni newsletter contains pieces on the Marshall and Stone lectures, new arrivals, conferences, distinguished alumni and visiting professors. The Marshall lectures were given by Peter Diamond, a distinguished economic theorist who was awarded the Nobel Prize 2010. The Stone lecturer was Susan Athey of Harvard University and Microsoft.

Richard Smith, our Professor of Econometric Theory and Economic Statistics, took over as Chair of the Faculty last September. He is still surviving! (Indeed he sometimes admits that he enjoys certain aspects of the job, despite the attendant frustrations).

The annual garden party for staff and graduate students took place in the grounds of Newnham College and was blessed with sunshine, a somewhat unusual occurrence for this rain-soaked year. The occasion provided the opportunity to say farewell to Hashem Pesaran and Willy Brown, at least as full-time members of the Faculty. Hashem will continue to work at the University of Southern California. Willy is retiring not only from the Faculty but also from the Mastership of Darwin and from his spell as Chair of the School of Humanities and the Social Sciences. However, he will doubtless continue to be involved in the University.

Finally a reminder that the Alumni Weekend will, as usual, take place in September, 21-23rd to be precise. The Phillips machine will again be coaxed into action.

Royal Economic Society Conference



It's over twenty years since the Royal Economic Society annual conference was last held in Cambridge. This year it returned and local organisers Pramila Krishnan and Solomos Solomou (pictured above in a planning session) worked hard to make it a success. Another of our Faculty, Chryssi Giannitsarou, played an important role on the programme committee. The conference featured a distinguished line up of invited speakers, including: Elhanan Helpman, *Harvard*; Nancy Stokey, *Chicago*; Ariel Pakes, *Harvard*; Ken Rogoff, *Harvard*; Guillermo Calvo, *Columbia*; and Lorenzo Bini Smaghi, currently a Visiting Scholar at Harvard's Weatherhead Center for International Affairs. Topics covered in the conference sessions ranged from the crisis in the euro to modelling drug related crime in London boroughs.

Applied Economics

A number of exciting initiatives in Applied Economics are under development in the Faculty.

Newly launched following a generous benefaction, the Keynes Fund for Applied Economics will provide grants for research, fellowships and teaching at the intersection of financial markets with the real economy.

The Faculty is also engaged in discussions with the New York-based Institute for New Economic Thinking to undertake a fundamental research programme in economics at Cambridge. The initial focus will involve the themes: Networks, Crowds and Markets; Transmission Mechanisms and Economic Policy; Information, Uncertainty and Incentives and Empirical Analysis of Financial Markets.

The Faculty also wishes to establish a Chair in Applied Economics to replace Professor David Newbery FBA CBE who retired in 2010.

For more information on these initiatives, please get in touch or visit our website, www.econ.cam.ac.uk

Staff Comings and Goings

Guilherme Carmona has left the Faculty to take up a Chair at The University of Surrey. We thank him for his contributions to the Faculty's teaching and research.

The Faculty would like to welcome **Edoardo Gallo** who joined us early this year from The University of Oxford. Dr Gallo's research focuses on Networks, Microeconomics and Experimental Economics. He is currently contributing to the faculty's teaching in Political Economy.

Earlier this year, amid fears of a double-dip recession, stuttering tax receipts, and policy disarray in the euro area, Robert Chote, Chairman of the Office for Budget Responsibility (OBR), the coalition government's fiscal watchdog, was unperturbed. OBR reckoned at the time that, in spite of everything, the government had a better than evens chance of meeting its self-imposed targets, when looking five years ahead, of bringing the cyclically-adjusted current budget into balance and of having public sector net debt falling as a share of GDP by 2015-16.

the sustainability of the public finances. It also scrutinises the Treasury's costing of Budget measures. In addition it publishes briefing and working papers on these and allied topics.

For its analyses and forecasts, the OBR uses the large macroeconomic model that was used for many years by the Treasury and which the two organisations now maintain jointly. This model is relatively 'old fashioned' (for example compared to those used by the Bank of England), with its structure determined less by the dictates of

has been charged to assess whether the government is on course to hit the budget balance and public debt targets that it has set itself. It also uses sensitivity tests and scenario analyses to judge how wrong the central forecast would have to be – and in what ways – for the government no longer to be on course to hits its targets. For example, what difference would it make if the recovery was faster or slower, or if more banking and financial problems spilled over from the eurozone?

But while the OBR looks at lots of different potential forecast outcomes, Parliament has instructed it not to speculate about possible future policy initiatives (such as any Plan B). The OBR's assessments have to be made in the context of the coalition's current measures and policies. This leaves hanging the question of whether public debate and the quality of policy would be improved if the OBR were able to look at alternatives.

So far the main criticism of the OBR's forecasts has focused not on their predictions for the public finances but on their inability to foresee how weak the recovery would be from late 2010 onwards. Acknowledging the inevitability of error and of criticism, Robert wryly comments that economic forecasting 'is God's way of making you look foolish'.

Robert's team of around twenty people is small by any standards and certainly by comparison with the human and technical resources available to OBR's American counterpart, the Congressional Budget Office. Inevitably, this raises the question of whether OBR is still, in effect, the creature of the Treasury. In spite of the government nominating him and some of his colleagues, Robert answers robustly, on three main grounds. First, the OBR has statutory direct access to the outturns and projections it needs from other government departments, in particular HM Revenue and Customs and the Department for Work and Pensions. Second, the OBR staff combines outsiders with analysts who have previously been Treasury officials and enjoy challenging their former employer. And third, the Chancellor



Chote (Economics, Queens', 1986-9) was appointed Chairman of the OBR in October 2010, following eight years as Director of the highly-regarded Institute for Fiscal Studies (IFS), the independent research institute that has long been a thorn in the side of successive governments through its rigorous analyses of the public finances and of micro-economic policy measures. He firmly rejects the suggestion that one motive behind his selection and appointment as OBR Director was to muzzle the IFS. He points out that IFS, led by Paul Johnson, his successor, is more than able to look after itself in robust policy debates.

OBR reports at regular intervals on the economic and fiscal outlook, and on

microeconomic foundations than by what seems to fit the data. The model also generates a more detailed medium-term breakdown of national income and expenditure than most forecasters need, as the OBR requires a large number of economic determinants to forecast the various tax and spending streams that make up the public finances. These disaggregated revenue and spending forecasts are prepared using a variety of tailor-made models, usually with the help of analysts at HM Revenue & Customs and the Department for Work and Pensions. As with all forecasts, judgement plays a key role alongside the models and the OBR has to take full responsibility for the ultimate outputs. Based on its 'best guess' forecast, the OBR

cannot hire or fire the OBR's key officials without the approval of the formidable Treasury select committee. Robert has long experience of commenting effectively on economic and financial matters. Before his time with IFS he worked at the International Monetary Fund in Washington D.C. with first, Stanley Fischer and then Anne Krueger, both Deputy Managing Directors, writing and advising on a wide range of issues including reform of the international financial system and globalization. This was after his earlier career in journalism, at first with *The Independent* and later as economics editor of the *Financial Times*.

Robert says that although he has spent many years looking at the public finances and microeconomic issues, being responsible for macroeconomic forecasting has taken some adjusting to. This leads him, with some hint of inevitability, to look back on his time as an undergraduate in Cambridge in the 1980s. Then, reflecting the Economics Faculty's appetite for particular paradigms and the tensions of the time, the first year of the Tripos was entirely devoid of microeconomics. How things have changed! Macroeconomics teaching was shared between Frank Hahn and Geoff Harcourt, two excellent lecturers teaching the same syllabus and reaching entirely different conclusions. Mathematics teaching, he recalls, was uniformly bad. Later in the Tripos, under the eagle eyes of Ajit Singh and Andy Cosh at Queens', Robert chose optional papers in Industry and in Labour, largely eschewing – perhaps oddly given his subsequent career – monetary, international and public economics.

Robert will have to call on all his accumulated skills in economics and politics in testing and monitoring the evolution of the coalition's fiscal strategy over the period to 2015 and perhaps beyond. But, with his determination and tenacity, there can be little doubt that if deviations from the chosen fiscal path start to appear, the watchdog will bark.

Tony Cockerill

* Interview took place on 30 May 2012.

Econometrics seminars in Cambridge will never be the same again – Hashem Pesaran retired from his post in the Faculty this summer. This news may come as a relief to speakers scheduled to appear this year, since very few people have given a talk here without Hashem pointing out the error of their ways. Not that his interventions are necessarily unwelcome. He is usually right (correction from Hashem – always right) and the scope and depth of his knowledge of econometrics means that his comments are invariably constructive and to the point. Everybody learns something – even other Cambridge professors of econometrics.

Part of the reason for Hashem's amazing knowledge of econometrics comes from his editorial handling of papers for the *Journal of Applied Econometrics*. He founded the Journal in 1986 because he felt, quite correctly, that there was no real outlet for first-rate applied work that employed state of the art econometric techniques. Furthermore he instituted the idea of contributors providing their data to enable replication of results, thereby enhancing scientific credibility. The Journal now enjoys an excellent reputation and all those in the profession appreciate the debt they owe to Hashem for having the foresight and drive to establish it.

Hashem came to England in the 1960s on a scholarship from the Central Bank of Iran. He took his first degree at Salford and then moved on to Cambridge where he was awarded his PhD in 1972. He was a Junior Research Officer at the DAE and a Lector at Trinity College before returning to Iran in 1973. By 1978 he was Under-Secretary of the Ministry of Education, but then had to leave Iran because of the regime change. He was welcomed back by Trinity College and the Faculty of Economics and the rest, as they say, is history.

Hashem has produced a wide range of publications and many students and research officers here have benefited from working with him. Of his works, my personal favourite is *The Limits to Rational Expectations*, which appeared



in the 1980s and challenged the current orthodoxy. This was a brave move: he was actually warned that it might stop him ever getting a job in America. But of course he was right: although rational expectations provides important insights into economic behaviour, it can, when taken to extremes, become intellectually indefensible if not plain silly. Unfortunately, despite Hashem's efforts, far too much of modern macroeconomics still takes rational expectations too seriously and the folly of assuming that financial markets are efficient and self-regulating has been exposed by the events of recent years. Hashem is planning to spend most of his time in Southern California. This seems like a good move given this year's awful English summer. However, he won't be spending his time lounging by the swimming pool as he has been appointed to a Chair at the University of Southern California, where he will be directing a new Centre in Financial Economics. But hopefully he will be back in Cambridge from time to time. He may even attend the odd seminar.....

Andrew Harvey



Willy Brown

Willy Brown retires from the Montague Burton Chair of Industrial Relations in the Economics Faculty and from the Mastership of Darwin College in September this year. He came to Cambridge from Warwick in 1985. He was Chair of the Economics Faculty from 1992 to 1996 and has twice been Chair of the School of Humanities and Social Sciences, most recently from 2008 to 2012.

Willy's research in Industrial Relations has been during a period of profound change in the way in which the labour

market works, not only in Britain but also internationally. Against this background, his work has followed three main themes. One theme is the decline of bilateral collective bargaining over pay and conditions of employment between groups of employers and workers' representatives, and with it the role and influence of trades unions. Employment contracts have become individualised, fragmented and differentiated. This raises important questions about labour market efficiency and equity. Willy's work has examined how closely wage differentials reflect productivity differences, the role

of incomes policy, and the extent and consequences of low pay.

This work has led onto a second labour market theme – how to protect the weak and disadvantaged? Willy was a member of the Low Pay Commission between 1997 and 2007 and played an important part in the introduction of the National Minimum Wage in 1999. He is pleased with the success of this measure, noting that, in its present form, it has so far prevented the exploitation of workers whose bargaining power is low without significantly reducing the number of jobs or setting up barriers to entry into employment.

Willy's third research theme has an international dimension – industrial conflict resolution in China and the relevance to it, if any, of the types of process in use in western-style economies. He notes the issues and challenges that are now associated with the fast pace of economic and social change in China, particularly increasing inequalities in income and wealth. As Chair of the School of Humanities and Social Sciences, Willy has encouraged growth, development and co-ordination among the diverse set of faculties, departments and institutes that make it up. Expanding graduate education, taught Masters' programmes in particular, has been an important part of this. He welcomes the internationalisation of the student body that this is making possible, as well as the benefits for the University's income, but he recognises also the increasing financial difficulties that UK-based students are facing.

Being Master of Darwin College has given Willy the most pleasure and satisfaction since coming to Cambridge. He has presided over a constantly changing complement of about 600 graduate students from around the world, many of whom are working on cutting-edge research.

Looking ahead, he is planning to write a book on the introduction of the national minimum wage, and also to do more work on industrial relations in China. He also intends to keep up his practical involvement with industrial dispute resolution through his work with the Advisory, Conciliation and Arbitration Service (ACAS).

Tony Cockerill

Peter Diamond, best known for his work with James Mirrlees on optimal taxation and the theory of the second best, started the first of his two Marshall Lectures with the overall title 'Time Matters', on familiar ground for his audience – the problem of market failure. He focused on the limitations of microeconomic models that assume that markets clear, based on the Arrow-Debreu General Equilibrium Model (GEM) which shows how Adam Smith's freely-functioning markets can lead to a socially optimal allocation of resources. The GEM was the starting point of Diamond's odyssey in Economics. Trying to make the GEM 'dynamic' – that is, attempting to model systematically the processes of adjustment to macroeconomic shocks – carries with it all the concerns and criticisms that he has about methodology. Empirically it is clear that patterns of adjustment, and their attendant problems, are different between boom and slump. Economic crises come in different forms. No single model will suffice. At this point, he reached appropriately towards Marshall, citing his insights into those impairments that 'spoil the market'.

Diamond notes here that search theory, which helps to explain how certain market forms adjust and which has formed a large part of his research interests and output, has contributed only a limited amount to this analysis. It works best for labour markets and, to a lesser extent, for housing markets. But it has contributed very little to understanding adjustment through consumer markets in the economy as a whole.

Reflecting on the current global recession and the slow adaptation of the US economy, Diamond stresses that the failure to reduce structural and secular unemployment imposes a high price on society through the harm done to building human capital, particularly among those hoping to enter the labour market: experience is lost and lifetime earnings' expectations are damaged.

He looks to government to ease this problem, emphasising the importance of first stabilising and then maintaining

the flow of aggregate spending in the economy in the short-to-medium term, whilst at the same time putting measures in place for the longer term to deal with budget imbalances. Seeking fiscal balance ahead of reducing unemployment is, he argues, to get things precisely the wrong way round. But can the problem of total Federal Government debt, which presently represents more than 100% of US annual GDP, be ignored? Diamond claims that concern is overdone. Federal Government debt held by the public is around 70% of GDP. This is the proportion which needs to be rolled over, and so is most relevant for the continuing ability to borrow without a significant sovereign risk premium. Evidence shows this to be a manageable burden that does not impair the growth rate of the economy.

The problem with this part of the debt is not in the short term, as the funds are being raised easily and at low cost at present thanks to the low yield on government bonds as a result of the Federal Reserve's monetary measures and international investors' perceptions of \$-denominated assets as a safe haven. Rather it is in the long run that the problem exists, since pension entitlements in particular are incompletely funded and health care costs are projected to rise greatly. The pension crisis, which an ageing population will bring about, will not be until after 2035 when on present policies there will be an exhaustion of the trust fund. But recognising and dealing with this challenge should be done in a way that does not get in the way of tackling the economic and social problems arising from the present chronic lack of aggregate demand.

These current issues of fiscal and monetary policy form the bridge to the second lecture – a review of the global financial crisis. Diamond's starting point in the first lecture was to ask: What has been learnt, if anything, from previous crises? He gave two examples: the stagflation of the 1970s and the end of communism in some countries.

Regarding changes in bank regulatory policy, he points out that, prior to the crisis, central banks typically made sure that banks were sound financially. Macroprudential concerns were not part of the regulatory framework. In dealing with the aftermath of the crisis, Diamond stresses the importance of



achieving financial stability within the framework of the effective regulation of banks. But comprehensive measures to gauge the risks of failure, to offset the impact on the wider economy, and to allow orderly liquidation of banks must be in place.

Skilfully taking the argument back to his starting point, Diamond stresses that however good monetary and fiscal policies and the associated regulation may be, markets will still be incomplete. So for levels of economic and social welfare to be improved and sustained, externalities (spillovers from economic activity that can have both positive and negative effects on welfare) will still have to be addressed by policymakers. He sees the challenges ahead for economic analysis and for fiscal and monetary policy as intense, unremitting – and fascinating.

Peter Diamond was awarded the Nobel Prize for Economics in 2010 for his work on search theory. He is Emeritus Professor of Economics at the Massachusetts Institute of Technology (MIT) where he has been since 1966. A Yale mathematician, he moved to MIT for doctoral work in Economics. Afterwards he spent three years in California at Berkeley before returning to MIT for a series of Faculty positions. He has held a number of visiting appointments, in the US and abroad, including at Churchill College in 1965-66.

Reminiscing during his visit to give the Marshall Lectures about the first time he came to Cambridge, rather surprisingly Peter recalls it to have been a relatively unproductive and frustrating period in his career. He goes on to explain that he was finishing papers on uncertainty and the role of the stock market in a General Equilibrium Model. At the time, he was given no teaching other than a lecture series on uncertainty, and supervisions – but the

upside of this was that he had Tony Atkinson and Geoff Heal as students.

Like so many, his main experience of the Economics Faculty was in the Coffee Room. There he saw the giants of the time, Nicholas Kaldor and Joan Robinson in particular. He did try to engage with Mrs Robinson. After an exchange of notes about the marginal productivity of capital, he stopped responding. When challenged about that at coffee, he explained that 'there was nothing to respond to', which led to a face-to-face discussion. But his evolving work on public debt did win him an invitation to give a paper at the 'secret seminar'.

It was his work on public finance that led to his collaboration with James Mirrlees, starting the following year during a summertime return visit, in which they demonstrated that taxes should fall on final prices and not on production or intermediate costs if maximum economic efficiency is to be achieved.

What has followed includes work on social benefits and on the optimal way in which they can be adjusted to the age at which they start for any individual. Peter has been in demand to give advice on this to the Federal government as it tries to address the persistent and accelerating rise in spending on benefits.

As the Marshall Lectures made clear, the global financial crisis has led Peter to examine the importance of externalities in the operation of financial markets and in their correction or compensation. To get operational insights into all this, he has become a Visiting Scholar at the Boston Fed.

The wide span of Peter's research and publication shows that he is driven by what is interesting. For those who would follow in his path, he stresses the importance of teaching as a prime stimulus to research. And he emphasises rigorous analysis. He used to say: 'Methodology is for old guys who have nothing better to do'. Now, as an Emeritus Professor, he extols its virtues.

Tony Cockerill

* Videos of the 2011-12 Marshall Lectures are at:

www.econ.cam.ac.uk/news/notices/marshlec11-12.htm

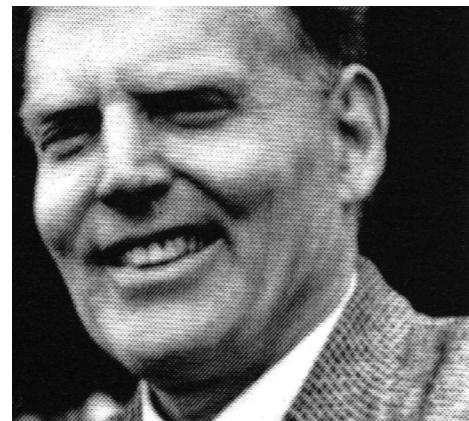
Richard Stone Lecture

Cliff Pratten (1934–2011)

The fourth in the series of the Centre for Research in Microeconomics (CReMic) Sir Richard Stone Annual Lectures at the University of Cambridge was held on 10 May 2012 in the Bateman Auditorium at Gonville and Caius College. The Lecture provides an opportunity for a leading scholar to present and discuss issues of particular current research interest. The Lecture also honours Sir Richard Stone, the founding Director of the Department of Applied Economics in the University of Cambridge.

The Lecture, entitled "Online Markets Using Theory, Structural Models, and Field Experiments", was delivered by Susan Athey, Professor of Economics at Harvard University and Chief Economist at Microsoft. The central concern addressed by Susan was the appropriate design of auction-based marketplaces. Her Lecture emphasised the essential and necessary complementarity of theory, structural modelling and experimentation for efficient market design. The economic theoretic literature on auctions to which Susan has made a number of significant contributions provides a conceptual framework for the analysis of empirical research and practice. Consequent structural models incorporating theory are essential to enable market design and associated algorithms to be evaluated in terms of welfare, efficiency and revenue trade-offs and also enable other possible designs not currently in use to be considered. Field experiments play a critical rôle permitting the comparison of rival market designs, structural model estimation and empirical model validation. Susan discussed how online implementation of structural models and field experiments can avoid many of the problems associated with offline approaches. She also emphasised how these various different strands yield and are necessary for useful and practical insights for market design. An extensive discussion of timber auctions and auction-based platforms for internet search advertising based both on her theoretical and empirical research and rôle as Chief Economist at Microsoft provided empirically-based illustrations of current practice.

Further details may be found at www.econ.cam.ac.uk/cremic/news/stone.html



In the late 1960s, Cliff Pratten and I were working simultaneously but separately on empirical estimates of the sources and extent of economies of scale in British manufacturing industry. At the time, the idea that firms in Britain suffered a lack of international competitiveness because they were too small was driving both corporate strategy and industrial policy.

Once we had met one another, I had the opportunity to come to Cambridge to work alongside him on the industrial structure and scale project that Aubrey Silberston was leading. From the start, I benefited from Cliff's technical and empirical knowledge, his wisdom, and his constructive support and advice. During my job interview, he raised his eyebrows discreetly when, under (gentle) interrogation by Brian Reddaway, I gave the wrong answer to a question.

This anecdote about Cliff's selfless ability and thoughtfulness says it all. His technical skills in Economics drew on his initial training as a Chartered Accountant, which he followed by studying for an Economics degree at Bristol. After National Service – he was a Flt. Lieutenant in the RAF, being posted for a period to Libya – he joined the Economics Faculty in Cambridge in 1960 as a Research Assistant in the former Department of Applied Economics (DAE). He spent more than forty years in the DAE, progressing to Senior Research Officer, but always living on the precarious edge of having to find external research funding to keep his post.

Many of Cliff's publications were as DAE monographs and occasional papers.

The wide range of his work mirrors the policy issues of the time – most of which are still relevant. The economies of scale enquiries found that, for the same industries, manufacturing plant and firm sizes were generally below those in the United States and that these differences could be expected to impede both efficiency and output growth. Yet Cliff's study of the competitiveness of small firms found that they were increasing their share of output in many industries. This led on to cross-country comparisons of productivity, which brought out the complexity of the factors that affect efficiency and competitiveness. Later his interests turned to assessing the quality of industrial skills training in the UK and the implications for youth employment.

The one area of his work that now seems somewhat remote in policy terms is the question of the impact of balance of payments current account deficits on the UK's holding of foreign assets. Conventionally, a current account deficit was thought to require a liquidation of foreign investments, so as to give a symmetrical surplus on the balance of payments' capital account. But building on Reddaway's earlier work, Cliff's contribution was to show that if the stock of assets is calculated at market, rather than book values, capital gains (assuming a rising market) can in part offset the current account deficit and so reduce the need for deflationary measures to be applied to the home economy.

Cliff's talents as an educator came through his Fellowship at Trinity Hall, where he was Director of Studies in Economics, and through his well-received textbook. *Applied Macroeconomics* (OUP 2nd edition 1990) brought Keynesian and monetarist analysis together at a time of intense dispute and debate about the nature of economic systems and the appropriate policy prescriptions.

His academic work and insights reinforced his active, and successful, stock market investments and also his business interests. These include residential property investments and management, and a commercial orchard in the fens, activities that two of his sons are continuing. A third son is following in his father's footsteps as a successful applied economist.

Tony Cockerill

Phyllis Dean (1918-2012)



I was very sad to learn today (7th August 2012) that my dear friend and long-time colleague, Phyllis Deane, had died. She and I were colleagues in the Cambridge Faculty in the 1960s. She supervised my Part I Trinity Hall pupils in economic history and I supervised her Part II Newnham pupils for the principles and applications papers in Part II. When I returned permanently to Cambridge in 1982 (I had been there on leave in 1972-73 and in 1980), Phyllis had just retired from her Personal Chair. We shared a room together in the Faculty. Shamefully, I cumulatively overflowed, as is my wont, onto her desk and she tactfully withdrew after a few years. I read a number of her later books in draft – I especially remember *The State and the Economic System: An Introduction to the History of Political Economy* (1989). Peter Kriesler commented to me that the book "was excellent in showing how economists' views on the role of the state and economic policy are strongly tied to their overall economic outlook, to their underlying economic theory. [It emphasised] the fundamental nature of the relationship between theory and policy". I went in the 1970s to the lectures that became *The Evolution of Economic Ideas* (1975). For many years, Maurice Dobb had lectured on the history of economic thought and Phyllis's lectures continued this tradition. I loved Phyllis's last major book, her biography of J.N. Keynes, *The Life and Times of J. Neville Keynes: A Beacon in the Tempest* (2001), one of the finest jewels in the crown of our profession. Phyllis much admired Neville Keynes for his integrity, hard work and good sense, like calling to like, I think.

Phyllis was both respected and liked by everyone in Cambridge's deeply divided Faculty. Her own views were explicit and clear and her fair mindedness

and balanced approach were a much needed Godsend. As a result she did far more than her fair share of committee work in the Faculty.

As a scholar her contributions were highly original, pioneering, and extremely wide ranging – regional development in Africa, using social accounting structures, United Kingdom economic history, the history of economic ideas and institutions. Phyllis was unassuming, never one to blow her own trumpet or fight for a place in the sun. When I told her that Bob Fogel and Doug North had won the Nobel Prize for their contributions to economic history, she was over the moon because, she said, it was at last proper recognition of their and her subject; to which, I add, she had made such major pioneering contributions. For example, part of the citation on Phyllis's election as the 2010 Distinguished Fellow of the History of Economics Society (USA) states: "It is difficult to over-estimate the significance of [her best known work, *British Economic Growth, 1688-1959: Trends and Structure* (1962, written with Max Cole)] in twentieth-century economic history. It represented the foundation of British quantitative economic history and guided and inspired a generation of economic historians." So, in my and the view of many others, she should have received the prize herself.

When Nick Crafts' celebrated volume with Oxford, *British Economic Growth during the Industrial Revolution*, Crafts (1985), came out, she told me that she was delighted that her much earlier estimates had now been superseded.

In what was to prove to be my last conversation with her, I phoned to tell her she had been elected the 2010 Distinguished Fellow. Her comment: "How ridiculous!"

Phyllis came to Cambridge in the late 1940s, invited by Dick Stone in the early years of his Directorship of the Department of Applied Economics (1945-55). She worked on regional social accounts. She became a University Lecturer in 1961. She did sterling work as an editor of the *Economic Journal* (1967-75), working with her great friend and mentor, Austin Robinson, and also with David Champernowne and Brian Reddaway. In my view these were some of the greatest years of the *Journal*. That the *Journal* no longer contains either reviews (other than the excellent review articles of outstanding books in the

Continued overleaf



Features issues) or book notes, or even obituaries, is a sad reflection on it not being what it used to be.

Phyllis was beloved by her pupils and her colleagues in Newnham. She followed her pupils' subsequent careers with pride and enjoyment. She was an outgoing and caring person, combining an admirable moral outlook with quiet anger at injustice and/or stupidity, and informed, down-to-earth criticism of economic and social happenings.

Phyllis and Joan Porter, her inseparable companion of over 50 years who was noted for her down-to-earth wisdom, set up a combined home for their aging widowed fathers in Cambridge and they continued to live there after their fathers died. Jane Humphries reminded me of the beloved Norwich terriers who guarded the home and who grew "even more plump on the doggie chocolate drops they earned for shutting the door". Whenever our mutual friend Mark Perlman visited Cambridge, Joan (Harcourt) and I could be asked to this comfortable home in Stukeley Close for wonderful lunches – old-fashioned British fare served with excellent wines. The conversation would be lively and wide-ranging, with much good natured gossip and anecdotes thrown in, usually from Mark's encyclopaedic knowledge of what was happening or had happened to whom in our trade, but with plenty of room for others to chip in.

Joan Porter's death following years of ill health was a great blow to Phyllis – she told me that until it happened she reckoned she had led a charmed life. I don't think she ever fully recovered from it and she gradually withdrew as increasing lameness and age made it more difficult for her to get out. A few years ago Philomena

Guillebaud drove me out to visit Phyllis in her last home, Cottenham Court in Cottenham village. We had a pleasant time but it was clear that she was withdrawing. That she died peacefully in her sleep was an appropriate last blessing.

It was one of the greatest privileges of my life to have known Phyllis. I have often been thinking about her in recent days and I wonder now whether this was a premonition of her coming death. Her legacy of fine scholarship and the fond memories of her many friends remain.

G.C. Harcourt

I am much indebted for comments on a draft of the memoir to Robert Cord, Jane Humphries, Prue Kerr, Peter Kriesler, John Nevile, David Newbery, and Vela Velupillai.

Time Series Econometrics: a conference in honour of Andrew Harvey

At the end of June a conference was held at the Oxford-Man Institute of Quantitative Finance to celebrate Andrew Harvey's 65th year. The conference was organised by two of Andrew's best-known doctoral students, Siem-Jan Koopman, now Professor of Econometrics at the Free University of Amsterdam and Neil Shephard, an Oxford Economics professor and former director of the Man Institute (hence the location).

A distinguished line-up of speakers included many of Andrew's former students and collaborators. Andrew has played a prominent role in the development of unobserved components in economic and financial time series modelling and many of the talks were on this topic.

Staff Successes

2012 has been a great year for the Faculty of Economics. Faculty Chair **Richard Smith** was invited to speak at the Delhi School of Economics' Winter School. Richard also delivered the plenary lecture at the 7th Annual Conference on Economic Growth and Development at the Indian Statistical Institute.

Professor Sir Partha Dasgupta delivered the Humanitas Lecture in Economic Ideas as the Inaugural Humanitas Visiting Professor in Economic Ideas at the University of Oxford. Partha was also invited to deliver the annual Kenneth Arrow Lecture at the Hebrew University of Jerusalem. Partha's work was also recently covered by *The Economist* ('The real wealth of nations', 30 Jun 2012).

Sriya Iyer was invited to participate in the Keynote Address Panel of the Association for the Study of Religion, Economics and Culture 2012 Annual Conference. Other speakers included Nobel Laureate Vernon Smith, Larry Lannaccone and Roger Finke.

As concern about industrial unrest grows in China, **Willy Brown** co-organised an international symposium on Collective Labour Dispute Resolution and Regulation at Beijing's Renmin University. Opened by the Head of the Labour Ministry, the event brought together experts from across China and the world.

Emeritus Professor **David Newbery** was awarded a CBE in the Queen's 2012 Birthday Honours for services to economics. David was also elected President-elect of the International Association for Energy Economics. Finally David has been appointed as a half-time Research Fellow in the Control and Power Research Group at the Department of Electrical and Electronic Engineering, Imperial College London.

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