

DAE
FILE COPY
DO NOT REMOVE

UNIVERSITY OF CAMBRIDGE

**DEPARTMENT OF
APPLIED ECONOMICS**

S. SIBSON-TURNBULL (Secretary)

T W E N T I E T H R E P O R T

A C T I V I T I E S I N T H E P E R I O D

O C T O B E R 1 9 7 9 T O S E P T E M B E R 1 9 8 0

University of Cambridge
Committee of Management, January 1980
DEPARTMENT OF APPLIED ECONOMICS

Sidgwick Avenue

R.R. NEILD (Chairman)
Cambridge

CB3 9DE

R.M. BLACKBURN

B.M. DEAKIN (Assistant Director)

W.A.H. GODLEY (Director)

A. HUGHES

A. LAWSON

Director

M.H. PESARAN

W.A.H. Godley

K. PRANDY

A. SINGH

J.R.N. STONE

S.F. WILKINSON

R. SMITH (Assistant Staff Observer)

S. SIBSON-TURNBULL (Secretary)

T W E N T I E T H R E P O R T

ACTIVITIES IN THE PERIOD

OCTOBER 1979 TO SEPTEMBER 1980

University of Cambridge
DEPARTMENT OF APPLIED ECONOMICS
Sidgwick Avenue
Cambridge
CB3 9DE

Director
W.A.H. Godley

TWENTIETH REPORT
ACTIVITIES IN THE PERIOD
OCTOBER 1979 TO SEPTEMBER 1980

page

Committee of Management, January 1980

R.R. NEILD (Chairman)

R.M. BLACKBURN

B.M. DEAKIN (Assistant Director)

W.A.H. GODLEY (Director)

A. HUGHES

A. LAWSON

M.H. PESARAN

K. PRANDY

A. SINGH

J.R.N. STONE

S.F. WILKINSON

R. SMITH (Assistant Staff Observer)

S. SIBSON-TURNBULL (Secretary)

C O N T E N T S		page
<i>I RESEARCH ACTIVITIES</i>		
ECONOMICS		
Growth and fluctuations in the British economy: projections for planning		1
The effects of economic policy		3
The effects of the abolition of wages councils		11
Homeworking in ex-wages council industries		11
The determinants of informal payment structures		12
International working party on labour market segmentation		13
Labour markets in declining inner city areas		16
Pricing, employment and wages in services		16
A study of the effects of the Temporary Employment Subsidy		18
Regional impact of EEC external trade policies		19
Analysis of the causes and effects of mergers		19
Impact of trade with the developing countries on the UK economy		21
Company finance and performance		22
Stagflation: a macroeconomic policy to reconcile full employment and price stability		23
Labour productivity		26
Risk, information and quantity signals in economics		26
Housing markets and labour mobility		30
Economic development and social differentiation in the Andian peasant economy		33

SOCIOLOGY GROUP	
Social and industrial determinants of workers' attitudes	34
Variations in trade union organisation among white-collar workers	34
Reproduction of social inequality	34
Childhood skin diseases	36
Other activities of the sociology group	37
<i>II PUBLICATIONS</i>	
Economic Policy Review	39
DAE Monographs	39
DAE Occasional Papers	40
Cambridge Studies in Applied Econometrics	40
DAE papers in Industrial Relations and Labour	40
Cambridge Studies in Sociology	40
DAE Economics Reprints	41
DAE Sociology Reprints	41
<i>III OTHER ACTIVITIES</i>	
DAE Library	42
Computing Unit	42
University relationships	43
Teaching for the University and for Colleges	43
<i>IV FINANCE</i>	
<i>V STAFF</i>	
Research Staff	45
Visiting Scholars	47
Assistant Staff	48

T W E N T I E T H R E P O R T
O F T H E
D E P A R T M E N T O F A P P L I E D E C O N O M I C S

(covering the year October 1979 to September 1980)

I RESEARCH ACTIVITIES

This section outlines the work done in 1979-80 on the research projects being conducted in the Department.

ECONOMICS

GROWTH AND FLUCTUATIONS IN THE BRITISH ECONOMY:

PROJECTIONS FOR PLANNING

This project is under the direction of Professor Sir Richard Stone and Dr Barker. The main results of the research were previously published in the series A Programme for Growth (London, Chapman and Hall) in which twelve volumes appeared. This series has been replaced by a new series, Cambridge Studies in Applied Econometrics, in which three books have appeared: Models and Projections of Demand in Post-War Britain by Angus Deaton (1975), Economic Structure and Policy by members of the project, edited by Terence Barker (1976) and Public Policy and the Corporation by Mervyn King (1977). The series has been taken over by Cambridge University Press and a further volume, An Econometric Model of the Export Sector by Alan Winters, is to be published in 1981.

The other research staff working on the project during the period covered by this report were as follows: Dr V.K. Borooah, Mr M. Landesmann, Mr A. Lawson, Dr A.W.A. Peterson, Dr L.A. Winters, Mr M. Weale, Mr R. Witcomb and Mr F. van der Ploeg. Mr H. Gibson, Dr D.A. Livesey, Dr G. Meeks, Mr D. Smith and Mr D.A. Vines were associated with the work of the project. Dr Fahrettin Yagci, Bogazici University, Istanbul, Turkey, was a visitor.

S O C I O L O G Y G R O U P T W E N T Y

I RESEARCH ACTIVITIES

ECONOMICS

GROWTH AND FLUCTUATIONS IN THE BRITISH ECONOMY:

PROJECTIONS FOR PLANNING

This project is under the direction of Professor Sir Richard Stone and Dr Barker. The main results of the research were previously published in the series A Programme for Growth (London, Chapman and Hall) in which twelve volumes appeared. This series has been replaced by a new series, Cambridge Studies in Applied Econometrics, in which three books have appeared: Models and Projections of Demand in Post-War Britain by Angus Deaton (1975), Economic Structure and Policy by members of the project, edited by Terence Barker (1976) and Public Policy and the Corporation by Mervyn King (1977). The series has been taken over by Cambridge University Press and a further volume, An Econometric Model of the Export Sector by Alan Winters, is to be published in 1981.

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

THE OTHER RESEARCH STAFF

The main research task of the project is the investigation of the present structure and future prospects of the British economy. The approach of the project has been to construct a computable, disaggregated model of the economy, a Multisectoral Dynamic Model (MDM), and to use it to demonstrate and analyse future growth paths under a variety of assumptions about the development of the world economy and the course of economic policy. The current version of the model (MDM4), which is estimated for 40 industries, with 1970 as the price base year, projects the dynamic time path of the economy over the period 1973-90.

The project has also developed a general International Dynamic Input-Output Model (IDIOM) computer package for solving and estimating large-scale models of the type constructed for the UK. It is intended that the next version of the UK model should be solved with this package.

The project works closely with Cambridge Econometrics, a limited company which has been established to provide a service for users of the project's model. The company is limited by guarantee with any surplus earned being covenanted to the University of Cambridge for the purpose of financing research in applied economics.

Besides the work on the dynamic model, members of the project have undertaken research in the following areas: industrial pricing and tax incidence, the behaviour of building societies, the theory of expectation formation, the modelling and projection of energy demand, the determinants of volumes and prices in foreign trade, and the formation of economic policy.

Publications, papers and conferences

The following books and papers reporting work of the project have been published during the year, or are accepted for future publication:

- Barker, Terry, 1980. Oil-funded investment is the only way to invigorate industry, The Guardian, 18 August
- Barker, Terry, 1980. The economic consequences of monetarism: a Keynesian view of the British economy 1980-1990, Cambridge Journal of Economics, December
- Barker, Terry, Vani Borooah, Rick van der Ploeg and Alan Winters, 1980. The Cambridge Multisectoral Dynamic Model: an instrument for national economic policy analysis. Journal of Policy Modeling, Vol. 2., pp. 319-344
- Barker, Terry, 1981. Depletion policy and the de-industrialisation of the UK economy, Energy Economics, forthcoming
- Barker, Terry, William Peterson, and Alan Winters, forthcoming. The Cambridge multisectoral dynamic model: description and analysis. To be published in a volume edited by D. Fontela, ASEPELT
- Barker, Terry, William Peterson and Alan Winters, forthcoming. An International Dynamic Input-Output Model. To be published in a volume of proceedings by UNIDO, Vienna
- Barker, Terry and Vladimiro Brailovsky (editors), forthcoming. Energy, Industrialisation and Economic Policy: Issues in Canada, Mexico, Netherlands, Norway and the United Kingdom. (Provisional title of a selection of the proceedings of the Oaxaca Conference.)
- Barker, T.S., forthcoming. A priori constraints and the analysis of British imports, Publication des Actes du Illeme Colloque International d'Econometrie Appliquee, Brussels, February 1976, editor R. Courbis, I.N.S.E.E., Paris
- Barker, Terry, forthcoming. De-industrialisation, North Sea oil and an investment strategy for the United Kingdom. To be published in the Proceedings of the Oaxaca Conference on Energy and Economic Policy
- Borooah, V.K. 1979. Starts and completions of private dwellings: four models of distributed lag behaviour, Journal of Economic Studies, Vol. 6, November, 1979, pp. 204-215
- Borooah, V.K. 1980. High interest rates in backward agricultural communities: an examination of the 'default' hypothesis Cambridge Journal of Economics, September, 1980

Borooah, V.K. forthcoming. Financial influences in the housing market: an econometric study for the UK, in R. Courbis (ed.), Volume of proceedings of a Conference on International and Financial models, Rome 1979

Lawson, T. 1980. Adaptive expectations and uncertainty, Review of Economic Studies, Vol. 7, January 1980, pp. 305-320

Lawson, T. and A. Kilpatrick 1980. On the nature of industrial decline in the UK, Cambridge Journal of Economics, Vol. 4, March, pp. 85-102

Peterson, A.W.A. 1980. The Analysis of Production and Technical Change. PhD Dissertation, University of Cambridge

Peterson, A.W.A. forthcoming. Capital goods and technical change: some theoretical problems, in T. Puu and S. Wibe (eds.), Technical Progress, Macmillan

Stone, J.R.N. 1980A. Aspects of Economic and Social Modelling. Lectures delivered at the University of Geneva, 1979, Droz, Geneva

Stone, J.R.N. 1980B. A simple growth process tending to stationarity, The Economic Journal, Vol. 90, No. 359, 1980, pp. 593-97

Stone, J.R.N. 1980C. The relationship of demographic accounts to national income and product accounts. Paper presented to the SSRC Workshop on Social Accounting Systems, Washington, DC, 1980. To be published

Stone, J.R.N. 1980D. Whittling away at the residual: some thoughts on Accounting for Slower Growth: the United States in the 1970's by Edward F. Denison. To be published in the Journal of Economic Literature

Stone, J.R.N. 1980E. Political economy, economics and beyond. Royal Economic Society, Presidential Address, 1980. The Economic Journal, Vol. 90, No. 360

Stone, J.R.N. 1980F. A model of the cyclical growth

Winters, L.A. 1980. Aggregation in logarithmic models: some experiments with UK exports, Oxford Bulletin of Economics and Statistics, Vol. 42, February, pp. 36-50

Winters, L.A. forthcoming. An Econometric Model of the Export Sector, Cambridge Studies in Applied Econometrics Number 4, Cambridge University Press

The following papers have been presented at conferences during the year.

Vith Conference on Problems of Building and Estimating Large Econometric Models, Polanica Zdroj, Poland, December 1979.

V.K. Borooah An application of Kalman filtering to econometric model building.

SSRC Workshop on Social Accounting Systems, Washington DC, March 1980.

Richard Stone The relationship of demographic accounts to national income and product accounts.

Second Economics and Control Conference, Princeton, USA, June 1980.

Rick van der Ploeg The formulation of economic policy from medium-term econometric models: an application to the Cambridge Growth Project model.

CGP/CE Conference on Industry, Energy and the Economy, Christ's College, June 1980.

Terry Barker Model structure and social accounting matrices.

Rick van der Ploeg The condensed form of MDM4.

Neal Parry and Martin Weale Know your print-out.

Terry Barker The economic consequences of monetarism: a Keynesian view of the British economy 1980-90.

Terry Barker Depletion policy and de-industrialisation.

Vani Borooah and Alan Winters Properties of MDM

Michael Landesmann and Tony Lawson Reflation, devaluation and import controls.

Second Meeting of the International Working Party on Labour Market Segmentation, Berlin, July 1980.

Tony Lawson Decentralisation, paternalism and labour market segmentation theory.

Conference on Policy Issues in Energy Self-Sufficient Economies at Different Stages of Industrialisation, Oaxaca, Mexico, September 1980.

Terry Barker De-industrialisation, North Sea oil and an investment strategy for the United Kingdom.

William Peterson International comparison of energy demand elasticities.

The following seminars have been given:

Terry Barker 'UK import functions: a disaggregated approach'
(given to the Cambridge Growth Project May 1980 and The SSRC Economic Model Study Group, December 1980).

'Depletion policy and de-industrialisation in the UK'
(given to Energy Economics Group, University of Surrey and Faculty of Economics seminar at Queens' College, Cambridge, November 1980).

'Planning for industrialisation in Mexico'
(given to the Energy Research Group, Cavendish Laboratory, Cambridge, November 1980).

'De-industrialisation, North Sea oil and an investment strategy for the UK 1980-90'
(given at Cambridge Econometrics meeting, London, November 1980).

Vani Borooah 'An econometric analysis of trends in cigarette smoking in the UK'
(given to the Cambridge Growth Project November 1979).

Tony Lawson

'Why import controls will not "work" '
(presented as part of a debate amongst Faculty Members. Held at Queens' College, Cambridge, October 1979).

'Industrial decline in the UK'
(given to the Cambridge Growth Project October 1979).

'New estimates of the UK consumption function'
(given to the Cambridge Growth Project February and November 1980).

William Peterson

'An international comparison of energy demand equations'
(given to the Cambridge Growth Project December 1979).

'A comparison of two dynamic input-output models: INFORUM and MDM'
(given to the Cambridge Growth Project November 1980).

Rick van der Ploeg

'Properties of MDM4'
(given with Terry Barker, Vani Borooah and Alan Winters to the Cambridge Growth Project, February 1980).

'Balancing SAM's'
(given to the Cambridge Growth Project March 1980).

'A reformulation of economic policy in large scale econometric models'
(given to the Cambridge Growth Project May 1980).

'Optimal planning, bargaining and rational expectations'
(given to the Cambridge Growth Project October 1980).

Martin Weale

'A dynamic structural price equation'
(given to the Cambridge Growth Project May 1980).

'Revisions to the National Accounts'
(given to the Cambridge Growth Project November 1980).

Roger Witcomb

'Consumers' expenditure: a new approach'
(given to the Cambridge Growth Project November 1979).

THE EFFECTS OF ECONOMIC POLICY

This programme has continued in one form or another for nearly ten years, financed mainly by the Social Science Research Council, and is undertaken by the dozen or so members of the Cambridge Economic Policy Group working on the programme and related projects under the direction of Wynne Godley. The programme has led to the development of a computer model of the UK economy and the publication of annual Economic Policy Reviews as well as to a large number of research papers and publications on particular issues.

In 1979/80 the major part of the work was financed under a new four-year programme agreed with the SSRC which envisages extensions of the analysis to incorporate regional and international policy issues more fully and systematically than has previously been possible. The background for these extensions lay in previous research on regional questions (notably by Rhodes, Moore and Gudgin) and on the EEC and the world economy (see, for example, Economic Policy Review No. 5, 1979).

During 1979/80 the group published one Review of UK national policy issues (Vol. 6, No. 1, April 1980) and another on regional policy (Vol. 6, No. 2, July 1980). A third Review on world trade and finance was in preparation.

The Review on national policy considered the strategy of the present Government in detail and took the analysis of an alternative strategy involving import restrictions further than in previous work by examining quantitative aspects of a tariff scheme and considering some of the relevant international law. The Review also provided a new assessment of Britain's position in the EEC.

The Review on regional policy included new provisional regional accounts, based on official sources but attempting to give more comprehensive and consistent coverage of spending, output, income, employment and demography. The accounts provided a basis for an overall assessment of the main processes leading to convergence

or divergence of conditions in different regions. This provided a new context for evaluating specific mechanisms and policy issues.

Apart from the preparation of Reviews, the group continued work on particular issues, ranging from the labour market, pricing, trade and so on to problems of methodology, macro-economic theory, and software for data processing.

Members of the Group:

Paul Atkinson	Graham Gudgin (joined October 1979)
Iain Begg (joined June 1980)	Barry Moore
Kenneth Coutts	John Rhodes
Francis Cripps	Roger Tarling
Martin Fetherston (left April 1980)	Terry Ward
Wynne Godley	Frank Wilkinson

Related Projects:

Effects of the abolition of Wages Councils (R. Tarling and F. Wilkinson, with C. Craig and J. Rubery)

Informal payment structures (R. Tarling and F. Wilkinson, with C. Craig, J. Rubery and E. Garnsey)

Home Workers (F. Wilkinson with J. Rubery)

Pricing, employment and wages in distribution (T. Ward with Professor Neild)

Regional impact of EEC external trade policies (F. Cripps and G. Gudgin)

Structural change in the US Economy (I. Begg)

Employment, unemployment and the labour supply (R. Tarling with M. Pesaran)

The behaviour of profits in the trade cycle (K. Coutts)

Research into labour markets of declining inner cities (B. Moore and J. Rhodes)

Bibliography

Economic Policy Review Vol. 6 No. 1, April 1980 which contained the following:

Post budget policy assessment - Britain's economic crisis and possible remedies - Britain and Europe - Academic criticisms of the CEPG analysis - Statistical appendix

Technical Manual on the CEPG model of UK economy, May 1980

Economic Policy Review. Vol. 6 No. 2, July 1980 (Urban and regional policy) which contained the following:

Introduction - Regional profiles - Employment, population and unemployment - Regional income - Regional policy for the 1980s - The conflict over local government spending - Appendix

'Methodologies for evaluating population decentralisation policies in developed economies', paper for the UN conference on Population Dispersal Policies, Bangkok, (B. Moore and J. Rhodes)

'Official Foreign Borrowing' dissertation submitted and accepted for the Ph.D degree by Cambridge University, P. Atkinson

'Protectionism versus the management of free trade' W. Godley

'Dynamic Simulation Errors for the CEPG Model', mimeo, M. Fetherston

'The economic implications of North Sea Oil', mimeo, W. Godley and F. Cripps

The Job Generation Process in Britain, CES Research Series 32, G. Gudgin with S. Fothergill

'New Manufacturing Firms in Regional Employment Growth', CES Research Series 39, G. Gudgin with S. Fothergill

'Changes in the Structure of the United States Economy 1960-1977', report submitted to EEC Commission, I. Begg

'The steep drop at the end of the Tory tunnel', article for The Guardian, W. Godley

'The case for an import control strategy in the UK', mimeo, T. Ward

Various newspaper articles written by members of the Group

Seminars attended by CEPG members include:

University of Newcastle
Regional Studies Association
Civil Service,
ITEM Associates
German Chamber of Commerce
Bank of England
National Institute
Financial Times

LABOUR STUDIES GROUP

1. The effects of the abolition of wages councils

The final report on this project, carried out by Christine Craig, Jill Rubery, Roger Tarling and Frank Wilkinson, was submitted to the Department of Employment in October 1979 and was accepted. A seminar was given at the Department of Employment in November 1979, attended by the administrators responsible for a review of minimum wage regulation. Three outstanding reports on the individual industry surveys were completed and accepted by February 1980. Three of our individual industry reports have been accepted for publication in the Department of Employment Research Paper Series and the first was published in September 1980. The titles of the research papers are:

Abolition and after: the Paper Box Wages Council
(published September 1980)

Abolition and after: the Cutlery Wages Council.

Abolition and after: the Jute Wages Council.

Work is in progress preparing an extended version of the final report on this project for possible inclusion in the DAE Occasional Papers series. It is hoped to have a draft ready by the end of October 1980.

2. Homeworking in ex-wages council industries

A follow-up survey on the use of homeworking in ex-wages council industries was commissioned by the Department of Employment. Work started in December 1979 by Jill Rubery and Frank Wilkinson and a report was submitted in July 1980. The report was based on information collected in the main ex-wages council study, supplemented with follow-up telephone interviews with selected firms in two industries. The project led to the writing of a paper on 'Outwork and segmented labour markets', presented to the Berlin conference on labour market segmentation.

3. The determinants of informal payment structures

This is a two-year project which started in January 1980, financed by the Department of Employment. The research staff involved are Frank Wilkinson, Christine Craig and Jill Rubery, and Elizabeth Garnsey who is retained as a consultant.

Aim

The aim is to explore the relationship between workforce characteristics, the structural constraints within which firms operate, and the development of payment structures. The emphasis is on the employment of women in small firms which tend not to have formalised payment systems.

Background

The Department of Employment's interest arises from recent research into the implementation of the Equal Pay and Sex Discrimination Acts, which has shown that sex differences are still widespread, and that the overall pay differential between men and women began to widen after an initial narrowing when the Acts first became effective. The Department of Employment wishes to find explanations of these differences in terms of the factors which influence the structure and level of payment systems in firms.

Our recently completed study of manual workers in ex-wages council industries provided a good deal of evidence relevant to labour market analysis. It showed that sex differentiation cannot be explained by prejudice alone, but that industrial structure, product market conditions and technology are all important determinants of the structure and level of payment systems, and that the sex composition of the workforce may of itself influence the skill status of jobs, and systems of work organisation and the type of payment system. In this project we aim to explore these relationships more systematically in order to try and identify the relative importance of the various factors, and to cover white collar jobs

as well as blue collar, in both manufacturing and service industries. We are concentrating the enquiry on small firms and establishments because these are much more likely than large firms to have informal, non-job evaluated payment structures, and it is in this area that information is most lacking.

Scope of the enquiry

The main work involves interviewing employers in firms in four manufacturing and two service industries. The manufacturing industries are footwear, general printing, plastics processing and electronics. These provide a range of technologies from traditional to advanced, and a range of methods of wage determination from highly organised collective bargaining to entirely local rate-fixing by management. All the industries employ a significant proportion of women, and cover a range of different occupations and skills.

The two service industries are Building Societies and retail food distribution. These will provide examples of white collar occupations with different skill requirements and probably tapping different sections of the labour market from each other and from the manufacturing industries.

4. International Working Party on Labour Market Segmentation

Steering Committee Members: Jill Rubery, Roger Tarling, Frank Wilkinson

Following the Cambridge conference on Low Pay and Labour Market Segmentation in September 1979 and the establishment of an International Working Party on Labour Market Segmentation, the following activities have been undertaken during the year:

1. The papers from the Cambridge conference were collected together and made available in two volumes from the Department of Applied Economics to interested individuals and libraries.

2. The steering committee undertook to organise a project funded by the EEC on European comparisons of labour market segmentation based on industry case-study material. Researchers working in Italy, Germany, France, UK and US are preparing reports to be submitted before the end of 1980. The steering committee will consider the reports and draw up a final report comparing segmentation patterns on a cross industry and cross country basis.

3. A second conference was held in Berlin on the subject 'Cross country comparisons of labour market segmentation and their implications for policy'. The conference was organised by Michael Bolle, Ulrike Fischer and Jurgen Gabriel of the Freie Universität and funded by the Volkswagen Foundation. A selection of the conference papers edited by Frank Wilkinson is to be published by Academic Press.

Seminars and conferences

'Low pay and labour market segmentation in the UK': paper presented at

- 1) Conference on labour market segmentation, Freie Universität Berlin, January 1980, by Jill Rubery
- 2) Faculty of Economics seminar, Queens' College, Cambridge, December 1979 by Jill Rubery and Frank Wilkinson
- 3) University of Modena, Italy, by Frank Wilkinson, May 1980.

'Outwork and segmented labour markets': paper presented at

- 1) Italian Metalworkers' Union (FLM), Bologna, May 1980 by Frank Wilkinson
- 2) International Working Party conference on labour market segmentation, Freie Universität, Berlin, July 1980 by Jill Rubery and Frank Wilkinson
- 3) Cambridge Faculty of Economics Labour Studies Seminar, October 1980 by Jill Rubery and Frank Wilkinson
- 4) Warwick University Industrial Relations Research Unit November 1980 by Jill Rubery

'Homeworking in ex-wages council industries': paper presented to Department of Employment, November 1980 by Jill Rubery and Frank Wilkinson.

'Short run employment functions: their evolution, failure and replacement' presented to International Working Party Conference on labour market segmentation, Freie Universität, Berlin, July 1980 by Roger Tarling.

Papers

C. Craig, J. Rubery, R. Tarling, F. Wilkinson:

Abolition and After: the Paper Box Wages Council. Department of Employment Research Paper no. 12, September 1980.

Abolition and After: the Jute Wages Council. Department of Employment Research Paper, December 1980, forthcoming

Abolition and After: the Cutlery Wages Council. Department of Employment Research Paper, 1981, forthcoming.

Abolition and After: the Industrial and Staff Canteens Wages Council. DAE mimeo, February 1980.

J. Rubery, F. Wilkinson:

Homeworking in ex-wages council industries: report to the Department of Employment. DAE mimeo, June 1980.

Outwork and segmented labour markets. DAE mimeo July 1980. and F. Wilkinson ed. Proceedings of the Berlin Conference on labour market segmentation, forthcoming.

R. Tarling:

Short run employment functions: their evolution, failure and replacement - final report to the EEC

and

Short run employment functions: their evolution, failure and replacement in F. Wilkinson ed. Proceedings of the Berlin Conference on labour market segmentation, forthcoming.

LABOUR MARKETS IN DECLINING INNER CITY AREAS

Barry Moore and John Rhodes continued to work on this project which aims to identify the nature and extent of the problem of decline in the inner areas of large conurbations. Labour market balance sheets have been prepared for four types of area:- the inner cities, the outer cities, the smaller free-standing cities, and the towns and rural areas. Unemployment amongst the inner city residents has been rising more rapidly than elsewhere as an increasing proportion of inner city jobs are taken by daily commuters from outside. The rapid decline in manufacturing employment in the conurbations is a major cause of the inner city problems and this decline arises as a consequence of the high costs of building and operating factories in inner areas.

Work on the data and analysis is now complete. Some preliminary results were published in the Cambridge Economic Policy Review, July 1980. Two articles are being prepared for publication in academic journals. During the year advisory work was undertaken for the urban research programme of the OECD. In addition two papers were prepared for the Department of Environment conference on the Inner City. Barry Moore was appointed to the SSRC panel which is coordinating a programme of research in inner city problems.

PRICING, EMPLOYMENT AND WAGES IN SERVICES

Over the past year, research on this project, by Mr T.S. Ward with the aid of Professor R.R. Niell, has been directed towards analysing the behaviour of retail margins, with the help of quarterly retail and monthly wholesale price indices for a sample of product groups (as narrowly defined as the official statistics allow) covering the period 1963 to 1979. The primary object was to examine the proposition that retail prices are determined by applying a constant mark-up to the wholesale cost of goods, and hence that fluctuations in demand have no systematic effect on distributive margins. To this end, an attempt

has been made to construct a series for the cost of goods purchased by retailers, incorporating the effect of purchase tax changes, the introduction of VAT, lags in the distribution process and, so far as possible, movements in the relative price and importance of imports.

It is hoped to complete the study in the near future and to publish the findings in one or possibly two articles, part of the concern of which will be to indicate whether and to what extent pricing behaviour during 1980, when industrial output declined very sharply and stocks were run down at a rapid rate, differed from that of earlier years.

Other activities:

Mr T.S. Ward was appointed as part-time specialist adviser to the Treasury and Civil Service Committee of the House of Commons in January 1980.

Professor Neild and Mr Ward were both members of the Committee on Budgetary Reform set up by the Institute for Fiscal Studies and chaired by the late Lord Armstrong. The Committee produced its report in July 1980.

During the year, Mr Ward gave numerous talks on economic policy to academics, politicians, trade unionists and businessmen.

Publications:

R. Rowthorn and T. Ward 1979. How to run a company and run down an economy: the effects of closing down steel-making in Corby, Cambridge Journal of Economics, December

T. Ward 1980. The Government's Expenditure Plans and Budgetary Policy, in Second Report from the Treasury and Civil Service Committee Series 1979-80, April

A STUDY OF THE EFFECTS OF THE TEMPORARY EMPLOYMENT SUBSIDY

This project is being undertaken by B.M. Deakin and C.F. Pratten.

Work on it continued during the year. The principal aim of the research is to estimate the various effects of the Temporary Employment Subsidy (TES) upon firms, industries and the economy in terms of output, productivity and employment.

The effects of the subsidy upon employment are estimated net; the difference from the gross being various losses and leakages which occurred during the operation of TES. These losses take the form of (1) the 'deadweight' effect of supporting jobs which in the absence of TES would not have been lost; (2) the 'displacement' effect upon unsupported firms where jobs were lost due to the price and other market effects arising from the actions of supported firms; (3) the 'domino' effect, which in some cases followed the 'displacement' effect, and which was due to firms taking the subsidy because of the adverse effects on their sales of the market actions of supported firms. Offsetting such losses in part are effects which generate extra jobs in supported firms, suppliers and elsewhere in the economy via multiplier effects.

Studies have also been made of the macro-economic effects of TES upon the overseas, company, personal and government sectors of the economy. The cost of the subsidy to the government is calculated and the effect of such expenditure upon the economy is estimated so as to satisfy a balanced-budget condition,

This study will be published in the Occasional Paper Series in 1981.

REGIONAL IMPACT OF EEC EXTERNAL TRADE POLICIES

Francis Cripps and Graham Gudgin participated in this study conducted by a group from eight EEC countries, financed and serviced by the Commission of the European Communities. The study was originally planned to be completed in 1979 but in fact was only finished in September 1980. The over-run occurred mainly because of the extent and depth of disagreement within the group about the scope and methods appropriate. The main DAE contribution consisted of data and evaluations of issues raised in respect of the UK, the planning and implementation through a special computer programme of statistical analyses of trade impacts by industry and region in larger EEC countries, and the drafting of two main chapters of the report dealing with EEC trade and trade policy, and with the regional impact of changes in industrial trade between the EEC and the rest of the world. Working papers and drafts for the report were prepared for discussion with other members of the group at meetings held in Brussels. The final version of the report was a joint product subject to editing by the group as a whole.

ANALYSIS OF THE CAUSES AND EFFECTS OF MERGERS

Project members: A. Hughes, M. Kumar and A. Singh,

Associate member: A.D. Cosh

1. Aims and methods of research

This research, sponsored by the SSRC, is concerned with the investigation of certain central issues in the analysis of the causes and effects of mergers. In this area the work being carried out provides, firstly, for an examination of a number of previously ignored empirical questions about the impact of management control upon the frequency and financial implications of merger (including the impact upon corporate profitability), and about the impact of merger upon managerial salaries and remuneration. Secondly, it provides for an analysis of the profitability effects of merger by all quoted companies (whether management controlled or not) which builds upon and extends the authors' previous work in this area.

Finally, it investigates a fresh range of questions about the economic impact of mergers which arise from an entirely new approach to the definition of economic efficiency. This approach emphasises the disequilibrium nature of the UK economic position, and the necessity to define efficiency and assess the impact of mergers within that context. The development of this approach is of central importance in the assessment and evolution of an appropriate competition policy.

2. Publications and working papers

A. Hughes and A. Singh 'Mergers in Advanced Capitalist Economies: An International Perspective', in D.C. Mueller (ed) The Causes and Effects of Mergers: An International Comparative Study of Seven Nations, Oelgeschlager, Gunn and Hain, Cambridge, Mass; 1980

A. Hughes, D. Mueller and A. Singh, 'Hypotheses about Mergers', in The Causes and Effects of Mergers

A. Hughes, D. Mueller and S. Singh, 'Competition policy in the 1980s: the implications of the international merger wave', in The Causes and Effects of Mergers

A.D. Cosh, A. Hughes, and A. Singh 'The Causes and Effects of Takeovers in the United Kingdom: An Empirical Investigation for the Late 1960s at the Microeconomic Level', in Causes and Effects of Mergers.

M. Kumar, 'Investment, Acquisitions and the Theory of the Firm: Evidence from the UK Experience' (to be published)

3. Seminars and Conferences

Mr Hughes and Dr Singh presented a paper on the international merger movement at the International Mergers Conference in Berlin.

Mr Hughes and Dr Singh presented a paper on competition policy in advanced industrial countries at the Annual Conference of the European Association for Research in Industrial Economies in Paris.

Dr Singh gave seminar papers at Birkbeck College, London, and at the University of Newcastle, on mergers, economic efficiency and industrial policy, during the academic year.

Mr Hughes gave papers at Hull and at St Andrews on the recent research about mergers and industrial concentration.

4. Progress on the Project

The main work of the project so far has concentrated on the impact of mergers on corporate investment growth, profitability and export performance of companies. Some work has also been done on mergers, managers and shareholder welfare. The rest of the work on the SSRC project is proceeding according to schedule and two more draft papers are in preparation.

Since the last report, Dr Cosh was appointed to a University Lectureship. He was replaced by Dr Kumar, who joined the project as Junior Research Officer on October 1st 1979.

IMPACT OF TRADE WITH THE DEVELOPING COUNTRIES ON THE UK ECONOMY

1. Aims of the Project

This research, by Dr A. Singh, forms a part of a wider project, sponsored by the United Nations Industrial Development Organisation in Vienna, on the impact of the industrialisation of the third world on the economies of the advanced countries. Research teams from France, the US, the UK, Belgium, the Netherlands, Austria, Switzerland, West Germany, Sweden and Austria are studying problems of structural adjustments in advanced economies as a result of trade and economic growth in developing countries.

2. Papers and Conferences

The work on the UK study started in April 1979. Dr Singh presented a paper, based on preliminary findings, at the International Seminar on Structural Change in Vienna in October 1979. This paper argued that present unemployment in the UK was indeed being caused in large measure by trade; however, it was imbalances in trade in manufactures with the other advanced countries, rather than with the third world, which were leading to unemployment.

In October 1980, Dr Singh presented a more general paper on third world industrialisation and de-industrialisation in advanced countries, at a research seminar organised jointly by UNIDO and the Portuguese Government in Lisbon.

3. Publications

- A. Singh, The UK industry and the less developed countries: a long term structural analysis of trade and its impact on UK economy, (forthcoming in the UNIDO series).

Further research is being carried out at a more disaggregated level both in relation to trade and industrial structure.

2. Publications and working papers

COMPANY FINANCE AND PERFORMANCE

Project members: A.W. Goudie, G. Meeks

The project is a continuation of earlier research on the company sector at Cambridge, Edinburgh and Bristol. It aims to extend and develop a data bank of quoted companies' accounts; to use these accounts in modelling the financial decisions of individual companies; to incorporate these models in the Cambridge Growth Project's disaggregated model of the British Economy; and to use the integrated models for forecasting and policy evaluation.

Progress this year includes:

- Two papers ((1) and (2)) reporting initial results of the modelling.
- Two papers ((3) and (4)) evaluating certain aspects of government policy which impinge on companies' financial decisions.
- A paper (5) on one of the project's traditional areas of research, the assessment of company mergers.

Professor G. Whittington of the University of Bristol, an associate of the project, visited the DAE for the Lent and Easter Terms, 1980. He helped with the general work of the project as well as writing papers and drafting a book on inflation accounting.

Publications, etc.

- Goudie, A.W. and Meeks, G. Medium term Projections of Companies' Financial Flows: a Disaggregated Approach, Accounting and Business Research, 1980 (1)

- Goudie, A.W. and Meeks, G. 'Forecasting the Company Sector', paper presented at the Cambridge Conference on Energy, Industry and the Economy, June 1980 (2)

- Goudie, A.W. Corporation Tax and the Cost of Dividends, paper presented at the SSRC Industrial Economics Study Group, Edinburgh, July 1980 (3)

- Meeks, G. Cash Flow and Investment, forthcoming in W. Martin, ed. The Economics of the Profits Squeeze, HMSO (4)

- Meeks, G. and Meeks, J.G. Profitability Measures as Indicators of Post-Merger Efficiency, forthcoming in Journal of Industrial Economics (5)

STAGFLATION: A MACROECONOMIC POLICY TO RECONCILE FULL EMPLOYMENT AND PRICE STABILITY

Project members: J.E. Meade and David Vines

The purpose of this project is to examine the technical economic-administrative feasibility (but not the political acceptability) of an anti-stagflation policy consisting of two basic elements:

- (1) A finely tuned demand management use of monetary and fiscal policies to keep the level of the total national money demand for goods and services on a steady 5 per cent per annum growth path; and
- (2) A consideration of the various ways in which present wage-fixing arrangements might be recast so as to ensure full employment against the background of a steady growth in the total national money wage bill.

David Vines has been concentrating on the demand management part of the work and has produced a small quarterly simulation model based on equations taken from the Treasury's large econometric model. This will be used for the investigation of feedback control rules for demand management using computer programs designed for this purpose by Dr Jan Maciejowski, lecturer in Mathematical Engineering at Warwick University. An initial exercise along these lines has already been undertaken by Maciejowski and Vines and has been written up in a joint paper by Maciejowski and Vines entitled The Use of Frequency Domain Techniques to investigate Macroeconomic Policy Options. The basic purpose of the analysis is to discover the best rules for use, within given constraints,

of the available demand management weapons of control (e.g. certain tax rates) in such a way as to keep the total money national income or the total of money earnings on a moderate steady growth path. It is intended to supplement this with a series of exercises to discover (1) how much improvement in results could be obtained by a reduction in the assumed administrative and similar delays in making tax changes (2) how far the effects on the volume of employment would be improved by changes in the wage-fixing equation of the model which represented a more flexible response of wage rates to levels of unemployment.

James Meade has prepared a further paper on this general subject: 'Targets and Weapons for domestic stabilization and the Balance of Payments.'

In addition to the basic work on the dynamic problems of macro-economic control there is an important subsidiary problem for demand management - a consideration of the administrative and economic problems involved in the choice of particular taxes or other fiscal instruments for frequent and prompt changes for the regulation of demand. The Institute of Fiscal Studies has convened a small

Committee to Examine the Microeconomic Effects of Tax Changes to examine this question. James Meade and David Vines have both presented papers to this committee; Difficulties in the use of VAT as a Regulator and Difficulties in the use of a Wages tax as a Regulator. These conclude that frequent and small changes for regulator purposes in VAT and National Insurance payments would not be impossible.

James Meade has prepared first drafts of eight chapters on the Wage-Fixing aspects of the project. These cover the following topics:

- (1) An introductory account of the problem of Stagflation and of the ways in which the demand-management aspects and the wage-fixing aspects of the project are related to each other.
- (2) An analysis, together with an appended mathematical model, of the effects of wage-fixing on unemployment and inflation.

(3) A discussion of the way in which other criteria for wage-fixing (such as comparability, productivity, and low-pay) are related to the criterion of promoting employment.

(4) An account of the existing legal powers of labour organisations in the UK.

(5) An analysis of the economic case for wage-fixing institutions other than leaving the determination of wage rates to individual competition.

(6) An analysis of the proper role for competitive forces in the Labour Market.

(7) The role of Labour co-operatives and profit-sharing arrangements in the cure of Stagflation.

He intends to draft three further chapters:

(i) On the role of arbitration for the settlement of wage rates. Certain proposals on this subject have already been formulated and published in an article by J.E. Meade in The Times for 23 June 1980 entitled 'Full Employment without Inflation'; they are also contained in a longer essay contributed by J.E. Meade to a book of essays in memory of Antony Crosland to be published shortly by Jonathan Cape.

(ii) A study of the problems of wage-fixing under a centralised incomes policy.

(iii) A concluding Chapter bringing the threads of the various proposed methods together into a coherent whole.

It is intended that the final report on the whole project should be in the form of manuscripts for two books. Discussions have already taken place about the publication of these.

LABOUR PRODUCTIVITY

The purpose of this study by C. Pratten is to discover more about the reasons for differences in labour productivity and industrial performance between countries. The study will up date comparisons of labour productivity within international companies made about 1972. Also some case studies of firms which have substantially increased productivity will be made.

RISK, INFORMATION AND QUANTITY SIGNALS IN ECONOMICS

This project is mainly theoretical. Broadly speaking, it is an attempt both at a general level and at the level of small models to study some of the important elements which tradition abstracts from. In particular, our main interest has been to examine the effects of imperfect and/or asymmetric information, the problems that arise in risky situations when there is incomplete insurance, and lastly the nature of economies which are not perfectly competitive in which individuals in taking their desired actions need more market information than is given by prices. It is hoped to produce at the end of the Project a volume of essays which will report on the results we have achieved.

The attack on the problems have been from a number of directions which are hard to summarise, but some of the most important are these:-

- 1) The explanation for wage rigidity has been found in the moral hazard arising when employers' information is better than that of workers. (O.D. Hart No. 37)
- 2) The simple macro model implementing implicit contracts, moral hazard and with imperfect competition and involuntary unemployment. (O.D. Hart No. 29)

- 3) Problems of credible inter-temporal contracts with application to world pricing. (D.M.G. Newbery No. 35)
- 4) Characterization of perfect competition (L. Makowski, Journal of Economic Theory, 1980)
- 5) Rational sequence equilibria with money (F.H. Hahn No. 36)
- 6) Risk aversion and distribution and entrepreneurial behaviour (S.M. Kanbur Nos. 24 and 31)

The main aim we have set ourselves is to take careful and rigorously argued steps away from the classical market theory in the hope of an eventual synthesis which can accommodate more features of the world than is at present the case.

Members of the DAE research staff: Dr. M. Machina
Dr. L. Makowski

Teaching Officers who participate in the Project: Dr. O.D. Hart

Professor F.H. Hahn
Dr. S.M. Kanbur
Dr. D.M.G. Newbery

Visitors: Professor K. Binmore
Professor E. Maskin

Individual Reports

Professor F.H. Hahn

1. Articles and Books resulting from the research

Monetarism and Economic Theory, Economica, February 1980

Unemployment from a Theoretical Viewpoint, Economica, August 1980

General Equilibrium Theory, published in The Crisis in Economic Theory by The Public Interest, Special Edition 1980

On Inflation Theory to be published by the Institute for Mathematical Studies in the Social Sciences, Stanford University, July-August 1980

2. Conferences attended

December 1980: Institut de Mathématiques Economiques, Université de Dijon. Lecture given on 'Inflation and Sequence Economies'.

Project Papers delivered at University of Warwick, University of Oxford and Civil Service College.

Dr. O.D. Hart

1. Articles and Books resulting from the research

Take-over Bids, the Managerial Theory of the Firm and the Free Rider Problem, (with S. Grossman), Contemporary Economic Analysis, Vol. 2, Edited by D. Currie and W. Peters, Croom Helm, 1980

Take-over Bids, the Free Rider Problem, and the Theory of the Corporation, (with S. Grossman), Bell Journal of Economics and the Management Science, Spring 1980. (Part of this article will be reprinted in Economic Perspectives on Corporation Law and Securities Regulation, Edited by Posner and Scott.)

Perfect Competition and Optimal Product Differentiation, Symposium on Non-cooperative Approaches to Perfect Competition, Journal of Economic Theory, 1980, April

Disclosure Laws and Take-over Bids (with S. Grossman), Journal of Finance, May 1980

Implicit Contracts, Moral Hazard, and Unemployment (with S. Grossman), American Economic Review, Papers and Proceedings, May 1981

2. Conferences attended

Colloquium on Recent Developments of Macroeconomic Theory, Florence, 13-14 May, 1980. Paper: A Model of Imperfect Competition with Keynesian Features

Econometric Society World Congress 1980, Aix-en-Provence, 28 August - 2 September 1980. Paper: A Model of Imperfect Competition with Keynesian Feature

3. Visits abroad in connection with the Project

1 October - 31 December 1980 spent at the University of Pennsylvania, part of which time was spent on research work connected with the Project.

Dr. L. Makowski

1. Articles and Books resulting from the research

A Characterization of Perfectly Competitive Economies with Production, JET, April 1980

Perfect Competition, the Profit Criterion and the Organization of Economic Activity, JET, April 1980

A General Equilibrium Theory of Organization (revised November 1980), to appear in Markets, Organization and Quality of Life, J.E. Stiglitz and U. Pagano (eds.)

Unpublished articles

No Surplus in Large Economies, January 1980

Characterizing Perfectly Competitive Sequential Equilibria, February 1980

Two Essays on No Surplus Theory, June 1980

Dr. D.M.G. Newbery

1. Articles and Books resulting from the research

(A) The Theory of Commodity Price Stabilization Rules: Welfare Impacts and Supply Responses, with J. Stiglitz, Economic Journal, 89, December 1979 pp. 799-817

(B) 'The Role of Investment in Entry Deterrence: A Comment', April 1980

(C) 'Dominant Firm Models of Oil Depletion: A Comment' presented at AUTE Meeting, Durham, March 1980

(D) 'The Role of the International Market in Developing and Allocating Energy Resources' December 1979. Background paper (74pp) prepared for 1980 World Energy Conference, Munich

(E) The Theory of Commodity Price Stabilization: A Study in the Economics of Risk by D.M.G. Newbery and J.E. Stiglitz, ms (760 pp) delivered to OUP, April 1980

Revision of Earlier Papers

(i) 'The Choice of Techniques: the Optimality of Market Equilibrium with Rational Expectations', by D.M.G. Newbery and J.E. Stiglitz, revised June 1980

(ii) 'Risk Aversion, Supply Responses, and the Optimality of Random Prices: A Geometrical Analysis' by D.M.G. Newbery and J.E. Stiglitz, revised September 1980

(iii) 'Pre-emptive Patenting and the Persistence of a Monopoly' by R.J. Gilbert and D.M.G. Newbery, revised August 1980

2. Main Seminars, Conferences, etc.

1. Seminar at World Bank, Washington DC, December 1979 - presented DP's Nos. 18 and 23
2. Presented at Energy Research Lab, Cambridge, Spring 1980 and at British Petroleum, Spring 1980
3. AUTE, Durham, Easter 1980: presented (C)
4. World Congress, Econometric Society, Aix-en-Provence, September 1980 (i) (presented by O. Hart)
5. Bergen and Oslo visit (supported by British Council) September 1980. Presented (1), DP's No 23, and 'Rational Expectations with Market Power'

HOUSING MARKETS AND LABOUR MOBILITY

This project, which is financed by the Department of the Environment and directed by Dr G.A. Hughes and Dr B. McCormick, was established to examine the hypothesis that the British housing system discourages labour mobility by increasing the cost of moving from one part of the country to another. The work of the project has been both theoretical and empirical, since it is necessary to construct better analytical models of the relationship between housing and migration which can be estimated in order to test various hypotheses.

A major piece of work completed during the year was a paper reporting the results of our econometric investigation of the influence of housing tenure on the migration behaviour of households. These confirm the widespread but untested belief that council tenants are much less likely than owner-occupiers to migrate from one region to another. The magnitude of the difference between these two tenures is very large - in round numbers the migration rate of owner-occupiers is 6 times that of council tenants after standardising for the influence of a wide range of other variables which we show have an influence on migration behaviour such as age, education, region of origin, occupation and employment. Perhaps surprisingly, we found that income and the unemployment rate in the region of origin seem to have little effect on migration behaviour. In contrast to the low migration rates of council tenants we also found that they had substantially higher rates of movement between houses within the same region than owner-occupiers. These findings provide

strong evidence for the view that it is the residential requirements and other characteristics of council housing which have such a dampening effect on the migration behaviour of council tenants. At the same time it is also worth noting that for over 60% of the households who migrated in the period studied the head of household continued to work for the same employer. In other words sponsored migration seems to be much more important than migration induced by job mobility in response to wage and unemployment differential.

In order to carry out the econometric work reported in this paper it was necessary to improve and extend the computer programs available for estimating discrete choice models. In part this was done by G.B.A. Evans who has virtually rewritten a computer program for the maximum likelihood estimation of logit models which came originally from Carnegie-Mellon University. Another set of programs was written by Hughes to carry out a variety of generalised least squares estimation procedures for logit equations using aggregate data. This program was required for a general comparison of alternative methods of specifying and estimating migration equations, the conclusion of which are reported in a separate paper. This shows that much of the empirical work on migration published in recent years has been based on inadequately specified models and has used inappropriate statistical techniques with the result that its conclusions need to be re-examined.

In the United States economists interested in both housing and labour markets have focused on problems of racial discrimination and segregation as a way of gaining a better understanding of the operations of these markets. Relatively little work has been done on this subject in Britain, but our preliminary investigations of the General Household Survey data suggested that an analysis of the experience of black households might contribute to our understanding of the relationship between housing market opportunities and the job and occupational choice made by workers in the labour market. As a result McCormick initially studied racial earnings differentials by occupational group. He found that for manual workers the differential between the earnings of black and white workers seem to be small relative to the disadvantages suffered by black manual workers as a result of housing segregation. For non-manual occupations the pattern is reversed, since the earnings

of black workers are substantially less than for equivalently trained white workers, whereas non-manual black households would appear to be at less of a disadvantage in the housing market relative to white households than is the case for manual workers.

Following up this work McCormick has recently been investigating the comparative journey-to-work times of male black and white workers in London and the West Midlands in order to establish whether the segregation of black households into certain residential areas has significantly changed their expenditures on travelling to work. After correcting for various subsidiary factors which might be expected to influence the observed journey-to-work behaviour of workers - i.e. income, car ownership, housing tenure, etc. - it emerged that black workers have a significantly longer journey to work than do white workers in the West Midlands while in London the difference is similar in sign but is relatively smaller and less significant in statistical terms. In addition, McCormick has found that council tenants in London seem to live significantly closer to their work-place than would have been expected given other variables such as income, etc. The reasons for this findings are discussed in the paper.

Papers:

G.A. Hughes and B. McCormick - 'Do Council Housing Policies reduce Migration between Regions', revised version, August 1980

G.A. Hughes - 'On the Estimation of Migration Equations', July 1980

B. McCormick - 'On the Earnings and Occupational Status of Black Workers in Great Britain', August 1980

B. McCormick - 'Housing Segregation, Employer Discrimination, and the Journey to Work of Black Workers in Great Britain', October 1980

ECONOMIC DEVELOPMENT AND SOCIAL DIFFERENTIATION IN THE ANDEAN PEASANT ECONOMY

This project began in July 1980. It is being carried out by David Lehmann, together with Professor Miguel Murmis of the University of Toronto. It is a joint project with the Centro de Planificación y Estudios Sociales (CEPLAES), an independent research centre in Quito, Ecuador, and is financed by the Overseas Development Administration.

The aim of the research is to discover the opportunities and obstacles encountered by 'rich peasants' in the process of accumulation which might convert them into capitalist farmers, and, as a prior step, to discover whether there exists a qualitative break between the two categories. The research therefore inquires into family organization, migration, the sale and hiring of wage labour, the changing role of mothers, wives and daughters in the process of enrichment, patterns of investment in agricultural and non-agricultural activities, and the life histories of a sample of peasant producers. It is being carried out in the province of Carchi, in the north of the Ecuadorian highlands, on the Colombian border, the most prosperous, as far as peasant economy is concerned, in the highlands of Ecuador.

As of December 1980, three pilots have been carried out, and the final questionnaire and sample have been drawn up. Work is also in progress on the history of land tenure and social classes in the region during this century. The results of the work will be published initially in a series of papers entitled 'Studies in Peasant Economy'. The first of these is a theoretical paper entitled 'Beyond Lenin and Chayanov: two paths of Agrarian Capitalism' by David Lehmann, which will appear early in 1981.

SOCIOLOGY GROUP

SOCIAL AND INDUSTRIAL DETERMINANTS OF WORKERS' ATTITUDES

The aim and methods of this project, which began in October 1968, were described in earlier Reports. The project is being carried out by Dr R.M. Blackburn and Dr J.M. Mann, Reader in Sociology at the London School of Economics.

The main report of the project, R.M. Blackburn and M. Mann The Working Class in the Labour Market (Cambridge Studies in Sociology), Macmillan, 1979, has already been published. However, because of the growing interest in the subject, and in this project, work continues on one or two specific problems.

Dr Blackburn gave a paper on 'The labour market and working class' to the SSRC Industrial Relations Unit, Warwick, and one on 'The Sociology of the labour market' to the Cambridge Seminar on Unemployment.

VARIATIONS IN TRADE UNION ORGANISATION AMONG WHITE-COLLAR WORKERS

The aims and origins of this project, started in October 1967, are described in earlier Reports. It is being undertaken by Dr R.M. Blackburn, Dr K. Prandy and Mr A. Stewart.

Most of the work is completed and a monograph entitled White Collar Work is due to be published in Cambridge Studies in Sociology in the coming year, followed by one on white-collar trade-unionism.

Dr Blackburn presented a paper on 'White-collar workers and social stratification: some recent research findings' at the LSE.

REPRODUCTION OF SOCIAL INEQUALITY

This project commenced in May 1978. It is being carried out by Dr R.M. Blackburn, Dr K. Prandy and Mr A. Stewart, and is designed

to extend the research of earlier projects, drawing on both the intellectual and data resources of the previous work. It has absorbed the earlier projects on Social Inequality and Career Structures, described in the Eighteenth and earlier Reports, so that any publications or papers arising from those projects are now included here.

Mr D. Donald, who has been associated with the research for several years, worked on the project during the year, while a visitor to the Department. Mrs R. Volpato was also part of the team during the earlier part of the year. Towards the end of the year Dr E. Garnsey became an associate of the research team.

The project is concerned with the general area of social inequality and social change, addressing a number of problems of theoretical and practical importance. A basic feature is the attempt to move towards a more dynamic model of social stratification which takes account of processes of reproduction of societies.

During the year the following papers were published:

R.M. Blackburn, 'Social stratification', Proceedings of BSA Conference, 1980

K. Prandy, 'Alienation and interests in the analysis of social cognitions', British Journal of Sociology, December 1979

K. Prandy, 'The recovery and discovery of variables', mimeo, 1980.

A. Stewart & J. Holmwood 'Social action and social reproduction', mimeo 1980

The following papers were given during the year

A. Stewart, K. Prandy & R.M. Blackburn 'Fallacies of the new middle class'

Publication by Macmillan of the book, A. Stewart, K. Prandy and R.M. Blackburn, Social Stratification and Occupations, was delayed even further but advance copies were available by the end of the year.

R.M. Blackburn, 'Social Stratification', British Sociological Association Conference, Lancaster

R.M. Blackburn, 'Workers' orientations and class constraints', B.S.A. Industrial Sociology Group, London

D. Donald, 'The Glasgow Eastern Area Renewal Project: Symbol and Reality', Faculty of Economics and Politics Seminar, Queen's College, Cambridge

A. Stewart, 'Contradictory class consciousness or contradictory theories of class', Sociology Colloquium, University of Tasmania

A. Stewart, 'Occupational Structure, class consciousness and industrial relations', Industrial Relations Seminar, University of New South Wales

A. Stewart, 'Multi-dimensional scaling in social analysis', Sociology Colloquium, University of Tasmania

A. Stewart, 'The role of contradiction in modern theories of social class', Sociology Seminar, Australian National University

A. Stewart & J. Holmwood, 'Social action and social reproduction', Sociology Association of Australia and New Zealand Conference, Canberra

A. Stewart & J. Holmwood, 'The reproduction of the social system in the works of Talcott Parsons and his critics'. Sociology Seminar, University of Wollongong; and also presented to the Sociology Seminar, University of New South Wales

A. Stewart & J. Holmwood, 'Social reproduction in British stratification theory and research', Sociology Seminar, Australian National University

A. Stewart, K. Prandy and R.M. Blackburn, 'Fallacies of the New Middle Class', Sociological Association of Australia & New Zealand Conference, Canberra

CHILDHOOD SKIN DISEASES

This project began in 1976 and is being carried out by Mr R.G. Jobling.

The original field work has been completed, but the research continues in various areas.

Mr Jobling has acted as consultant and joint editor of Slide/Tape Programmes for medical-professional and patient education, produced by the Departments of Medical Illustration and Dermatology (Radcliffe Infirmary), Oxford. He also served as professional advisor to the Disabled Living Foundation on social aspects of dermatology and skin problems.

Mr Jobling has edited and contributed articles to the journal of the Psoriasis Association and provided reports for this organisation. He is a member of the Research Board of the IFPA and has contributed to their Bulletin. Also he continued to edit the journal, Sociology of Health and Illness.

Mr Jobling delivered a paper in Helsinki at the symposium of the Finnish Association for Mental Health on the Psychological and Social Impact of Skin Disease. He also presented a paper to the National Seminar on Chronic Skin Disorder organised in London by the Disabled Living Foundation.

During the year the paper by R. Jobling, 'The problems of the skin patient' appeared in Nursing. Mr Jobling is also preparing the entries on Health, Illness and Medicine for Dictionary of Sociology (ed. M. Mann).

OTHER ACTIVITIES OF THE SOCIOLOGY GROUP

The group has maintained its association with colleagues in other institutions. In particular Dr M. Mann of the London School of Economics, Mr J. Holmwood of the University of Edinburgh, and Mr D. Donald and Mr Al Hutton of the Policy Analysis Research Unit at Glasgow College of Technology have collaborated in our work. Mr Donald was a Visitor to the Department.

As in previous years, the group were hosts to the SSRC Social Stratification Seminar.

Mr A. Stewart was the Drapers Company Visiting Lecturer at the University of Tasmania, and was Visiting Fellow at the Australian National University.

Mr A. Stewart acted as consultant to the 'Open Door' Scheme run by the Management and Industrial Relations Committee of the SSRC.

Dr. R.M. Blackburn continued to act as external examiner for the B.Sc. in Sociology, Hatfield Polytechnic.

The monograph series Cambridge Studies in Sociology is edited by the group.

II PUBLICATIONS

ECONOMIC POLICY REVIEW

Every year since 1975 the Cambridge Economic Policy Group has published an analysis of Britain's economic situation and medium term prospects.

During 1980 the CEPG has produced three separate reviews. The first, published at the beginning of April, analysed problems facing the UK and considered international issues from a predominantly British viewpoint. In conjunction with this a revised version (Sixth edition) of the Technical Manual for the CEPG model of the UK economy was prepared by M.K. Anyadike-Danes, K.J. Coutts, T.F. Cripps and M.J. Fetherston.

The second, published in the summer, presented the first analysis of the economic development of regions within the UK which was based on a consistent series of regional income accounts. These accounts provided a new perspective on the long-standing problem of industrial decline, which has a markedly different incidence in various parts of Britain; they also revealed the differential impact of national expenditure and tax policies as well as specifically regional policies.

The third review will analyse prospects for world development in the 1980s, using trade and GNP accounts for major countries and blocs incorporated in a simulation model designed to assess the impact on the world system of alternative national and international policies.

DAE MONOGRAPHS

This series contains investigations by members of the Department's staff and its associates, and is published by Cambridge University Press. No new titles were added to it this year, but no. 27 in the Series, Wages Policy in the British Coalmining Industry by L.J. Handy, will be published in 1981.

DAE OCCASIONAL PAPERS

No new titles appeared in this series this year, but no. 52, The Political Economy of Nasserism: a study in employment and income distribution policies in Urban Egypt, 1952-72 by Mahmoud Abdel-Fadil, will be published in 1981.

CAMBRIDGE STUDIES IN APPLIED ECONOMETRICS

This series, originally published for the Department by Chapman and Hall and now taken over by the Cambridge University Press, provides an outlet for the results of the research undertaken by the Cambridge Growth Project. No new titles were added to it this year, but An Econometric Model of the Export Sector by Alan Winters will be published in 1981.

DAE PAPERS IN INDUSTRIAL RELATIONS AND LABOUR

This series is published for the Department by Cambridge University Press. It provides a medium for rapid publication of studies on issues in industrial relations and labour policy. No new titles appeared in the series during the year under review, but no. 5 The Last Colony: But Whose? A study of the labour movement, labour market and labour relations in Hong Kong by H.A. Turner et.al. and no. 6 The Active Trade Unionist by Patricia Fosh, will be published in 1981.

CAMBRIDGE STUDIES IN SOCIOLOGY

This series includes works of theoretical and social interest based on the findings of empirical sociological investigations. The books may originate anywhere, but those arising from the sociological work of the Department will normally be included.

The editors are Dr R.M. Blackburn and Dr K. Prandy and the series is published by Macmillan.

During the year no books were published, but the following were being prepared for publication:

A. Stewart, K. Prandy and R.M. Blackburn, Social Stratification and Occupations

K. Prandy, A. Stewart and R.M. Blackburn, White-Collar Work

C. Littler, Control and Conflict

DAE ECONOMICS REPRINTS

This series contains articles published by members and associates of the Department in journals, conference proceedings and elsewhere. It is distributed free of charge to libraries and academic institutions. The following titles were added in the series during the year:

33. The Impact of Regional Policy in the 1970s. Barry Moore, John Rhodes and Peter Tyler

34. Testing Non-Nested Non-linear Regression Models. M.H. Pesaran and A.S. Deaton

35. Simulations with the Cambridge Economic Policy Group Model. T.F. Cripps, M.J. Fetherston and W.A.H. Godley

36. North Sea Oil and the Reconstruction of UK Industry. Ajit Singh

DAE SOCIOLOGY REPRINTS

No new titles were added to the series this year.

III OTHER ACTIVITIES

DAE LIBRARY

During the period October 1979 to September 1980 the Department received 140 periodicals; 16 of these were in exchange for the Department's reprint series and 46 were gifts, the remainder being purchased. The library has acquired 97 books, 766 pamphlets and reprints, and 337 British government publications.

COMPUTING UNIT

The unit, under the direction of Dr L.J. Slater, continued to provide help for almost all the projects in the Department, in their programming and calculating problems. The Economic Policy Group and the Cambridge Growth Project were the heaviest users. There are now six direct links to the main University computer and they are heavily used by all members of the research staff. A small computer, the RAIR 'black box', with 64K high-speed store, a DT/80 VDU for input and output, a Decwriter IV printer and a backing disc store of two drives of 250K bytes each came into service and a Servogor 281 graph plotter was purchased. Advice and help were given to many members of the Faculty of Economics and Politics, to research students and to other institutions and individuals both inside and outside the University.

Activities

Dr Slater attended the British Association for the Advancement of Science conference at Salford in September 1980. Roger Smith attended several exhibitions of computing equipment in London, while preparing a report on the purchase of the new graph plotter.

Dr Slater has written a book, Dynamic Regression, in collaboration with Dr M.H. Pesaran, which was published in May 1980 by Ellis Horwood Ltd.

Dr Slater also gave several lectures for the new students in the M Phil degree course for the Faculty of Economics, and ran some informal seminars on computing problems in economics.

UNIVERSITY RELATIONSHIPS

Members of the Department's research staff served on University committees during the year, including the Department's Committee of Management, the Faculty Board of Economics and Politics and the Social Sciences Committee.

TEACHING FOR THE UNIVERSITY AND FOR COLLEGES

During the year members of the research staff gave lectures for Tripos courses in various fields, including applied economics, international trade economic policy, labour economics and sociology. They gave courses for the M Phil in Economics, and supervised students preparing for that degree. They also acted as supervisors and examiners for the PhD degree in both economics and sociology.

Most members also undertook undergraduate teaching for the colleges, in Social and Political Sciences, Economics and Politics, and Archaeology and Anthropology. Members of the Department also acted as Directors of Studies in Economics and in Social and Political Sciences.

IV FINANCE

During the financial year (1 August 1979 to 31 July 1980), the Department's annual expenditure was £451,437 compared with £371,612 in 1978/79. 87.5% of the expenditure was on stipends and wages.

It is anticipated that the University grant will rise from £139,998 in 1978/79 to £167,311 in 1979/80, an increase of £27,313. Expenditure went up by £79,825.

The following are the principal new or additional payments by outside bodies which have been accepted during the year, for payment over various periods:

	£
Social Science Research Council	183,027
Overseas Development Administration	50,803
Department of Employment	47,538
Department of Industry	12,470
	<u>£293,838</u>

Activities

Dr Slater attended the British Association for the Advancement of Science conference at Salford in September 1980. Roger Smith attended several exhibitions of computing equipment in London, while preparing a report on the purchase of the new graph plotter. Dr Slater has written a book, *Dynamic Regression*, in collaboration with Dr M.H. Pesarin, which was published in May 1980 by Ellis Horwood Ltd.

V STAFF

RESEARCH STAFF

DIRECTOR	W.A.H. Godley, MA (Cantab), MA (Oxon), Fellow of King's College
ASSISTANT DIRECTOR	B.M. Deakin, MA (Cantab), MA (Oxon), Fellow of Magdalene College
SPECIAL APPOINTMENT	Miss L.J. Slater, ScD, PhD (Cantab), D. Litt, PhD (London), Head of Computing

SENIOR RESEARCH OFFICERS

T.S. Barker, MA, PhD (Cantab), MA (Edinburgh), Downing College
R.M. Blackburn, MA (Cantab), PhD (Liverpool), Fellow of Clare College, Head of Sociological Research
T.F. Cripps, BA (Cantab), Churchill College
B.C. Moore, MA (Cantab), MSc (Econ) (London), Fellow of Downing College
K. Prandy, MA (Cantab), PhD (Liverpool), BSc (Econ) (London), BA (Open University), Fellow of Fitzwilliam College
C.F. Pratten, MA (Cantab), BA (Bristol), Fellow of Trinity Hall
J. Rhodes, MA (Cantab), BA (Liverpool), Fellow of Wolfson College
A. Stewart, MA (Cantab), BSc (Econ) (London), Emmanuel College
R.J. Tarling, MA (Cantab), Fellow of St Catharine's College
S.F. Wilkinson, MA (Cantab), Fellow of Girton College
V.H. Woodward, MA (Cantab), BA (Nottingham), St Catharine's College

RESEARCH OFFICERS

P.E. Atkinson, BA (Cantab), Trinity College
V.K. Borooah, MA (Bombay), MA (Southampton), PhD (Southampton), Fellow of Queens' College
K.J. Coutts, MA (Cantab), Fellow of Selwyn College
J.C. Craig, MA (Cantab), BSc (London)
M.J. Fetherston, MA (Cantab), Fellow of Jesus College
G.H. Gudgin, BA (London), BA (Open University), PhD (Leicester)

A. Lawson, BSc (London), MSc (London), King's College
 L. Makowski, MA (UCLA), PhD (UCLA), Emmanuel College
 A.W. A. Peterson, MA (Cantab), MA (Essex), Fellow of Christ's College
 J. Rubery, MA (Cantab), Fellow of New Hall
 D. Vines, BA (Melbourne), MA (Cantab), Fellow of Pembroke College
 T.S. Ward, MA (Cantab), MA (Econ) (Manchester), BA (Wales), Fellow of Fitzwilliam College
 L.A. Winters, MA (Cantab), BSc (Bristol), Fellow of Fitzwilliam College
 R. Witcomb, MA (Cantab), B.Phil (Oxon), Fellow of Gonville & Caius College

JUNIOR RESEARCH OFFICERS

D.R. Basu, MA (Univ. of Calcutta), MA (Essex), PhD (Birmingham)
 I.G. Begg, BA (Strathclyde), Darwin College
 A.W. Goudie, BA (Cantab), Queens' College
 M.S. Kumar, BA (Cantab), Trinity College
 F. van der Ploeg, BSc (Sussex)
 M. Weale, BA (Cantab), Clare College

PUBLICATIONS SECRETARY

Ms S. Bourne

RESEARCH ASSOCIATES

Mr D. Donald
 Dr E.F. Garnsey
 Professor F. Hahn
 Dr O.D. Hart
 Mr A. Hughes
 Dr G. Hughes
 Professor the Lord Kaldor
 Mr M.A. Landesmann
 Dr D. Livesey

Professor J. Meade
 Dr B. McCormick
 Dr G. Meeks
 Professor R. Neild
 Dr D. Newbery
 Mr P.M. Nolan
 Dr H. Pesaran
 Dr N.E. Savin
 Dr A. Singh
 Professor Sir Richard Stone

RESEARCH ASSISTANTS

Mr A. Drobny
 Ms S. Macek
 Ms J. Walker
 Ms J. Naylor
 Mr F. Humble

VISITING SCHOLARS, OCTOBER 1979 - September 1980

Professor S. Alessandrini, University of Trento, Italy
 Mrs V.K. Borooah, University of Southampton
 Dr F. Breuss, Austrian Institute for Economic Affairs, Vienna
 Mr S. Brodersen, Danmarks Statistik, Copenhagen, Denmark
 Professor S. Bruno, Università degli Studi di Roma, Italy
 Dr C.K. Everson, University of Toronto, Canada
 Mrs T.S. Hubenova, Bulgarian Academy of Sciences
 Professor C.L. Jones, McMaster University, Canada
 Dr B. Kinda-Hass, Gdansk University, Poland
 Dr Krishna Kumar, Duncan Bros & Co. Ltd., Bombay, India
 Professor U. Korum, University of Ankara, Turkey
 Mr P. Mihalyi, Hungarian Academy of Sciences
 Professor T. Rabska, Adam Mickiewicz University, Posnan, Poland
 Mr G. Petrovich, Università degli Studi di Venezia, Italy

Ms H.F. Renton, WRAF

Dr R. Vintrova, Czechoslovakian Academy of Sciences

Professor G. Whittington, University of Bristol

Dr F. Yagci, Bogazici University, Istanbul, Turkey

D.K.R. Bayer, Austrian Institute for Economic Affairs,
Vienna (1978-79)

Dr Y.D. Hamurdan, Devlet Planlama Teskilati, Ankara, Turkey
(1978-79)

ASSISTANT STAFF, OCTOBER 1979 - SEPTEMBER 1980

Mrs I. Bailey

Mrs M.J. Barnett

Mr E.D. Bougourd

Ms M.V. Clark

Mrs R. Coe

Miss D.M. Day

Mrs S.L. Douglas

Miss R. France

Ms T.C. Gurner

Miss C.A. Hudson

Mrs J.M. Leverett

Miss A. Mason

Miss S. Metcalfe

Mrs S. Moore

Mrs O.E. Peppercorn

Miss S.D. Seal

Mrs E.L. Scott

Ms S. Sibson-Turnbull

Mr R. Smith

Mrs L. Symonds

Mrs B.P. Watson

Mrs K.M. Wilson