Welcome to the Spring issue

Welcome to the Spring issue of the School’s e-newsletter for 2012. The School is in good shape going forward into next year with student application numbers increasing despite the national downturn. I’m very pleased that we will soon be advertising for new members of academic staff, together with some additional administrative support, which will enable us to continue to provide the quality of teaching and support offered to students. Last week we underwent a Periodic Programme Review. The review happens once in every six years and assesses all of our programmes and processes. The panel recommended that all of our programmes should continue, and highlighted some significant areas of good practice, including our student support systems, the valuable experience and skills that students gain from group work at Stage 1, the creativity encouraged by the Stage 3 dissertation module, and the research-led modules at Stage 3. The panel were also impressed by our support for research students and the facilities provided for them. Overall the curriculum was classed as good, and sometimes exceeding the subject benchmark statement. Thank you to the staff and students who helped the panel with their enquiries. The Spring vacation is almost upon us and with the vacation comes exams. I hope you have a restful as well as a hard working break, and wish you every success next term.

The impact of quantitative easing

The Bank for International Settlements’ Quarterly Review featured two articles by one of the School’s PhD students, Jack Meaning, that dealt with unconventional monetary policies. The first, published in December received international press coverage and was discussed on the front page of the Financial Times. Jack, with co-author Feng Zhu (BIS), estimates the financial market impact of the large scale asset purchase programmes carried out by the Federal Reserve and the Bank of England since the crisis, which have become more commonly known as quantitative easing. Using a range of methods the paper finds these programmes significantly lowered financial yields. The second paper, published on 12 March, discusses the potential for further monetary stimulus via a ‘twist’ style operation in which the central bank sells assets at the short end of its portfolio to fund purchases of longer dated assets leaving the overall size of their balance sheet unchanged. By doing this the central bank can withdraw maturity from the privately available supply and twist the yield curve, lowering yields at longer maturities relative to the short end. Using the US as a case study, the article finds significant potential for these initiatives, and more generally finds further support for asset purchases as a tool for monetary policy. However, it does raise issues of fiscal-monetary co-ordination. These two articles form the basis of a forthcoming and more comprehensive paper on the effectiveness of asset purchases as a tool for monetary policy, which Jack will present at the Bank of England next month.

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Jack Meaning
Two new modules for 2012

The School has introduced two new 15-credit Stage 3 optional modules, EC568 Economic Growth and EC569 World Economic and Financial History.

EC568 Economic Growth

Your income will most likely grow over your lifetime (at least until you retire). Why is that? Is it because you’re working harder or is it because you’re getting better at earning income? Why are you richer or poorer compared to your neighbour? What can you do to boost your income? Now imagine that you are a country. That’s what the study of economic growth is all about. Topics include facts and modern theories of economic growth, the role of productivity on economic growth, and the relationship between government policies, income inequality and economic growth.

EC569 World Economic and Financial History: From the 19th Century to the Present

How did the United States become rich? Did the Wall Street crash cause the Great Depression? What can we learn from the turbulent 1970s? Was the 2008 meltdown avoidable?

A new economic history module explores all those questions and more. It tells the story of how the world economy became what it is today, explains the forces behind long-run economic success, and explores the background to the most devastating financial crises in the past century. It aims to explain globalization, quantify long-run economic growth, understand financial crisis, and analyse the role of market integration, government interventions, and exchange rate systems in the events of the past 150 years. It gives students tools to examine the choices made in the past in order to understand mistakes made today.

Coming soon: A new Stage 1 module: The Economics Profession and Economic Institutions.

New Master’s programme in Finance and Econometrics

The School is launching a new MSc programme in Finance and Econometrics, for entry in September 2012. Finance and econometrics are both very strong within the School and staff teaching in the two areas have excellent research records and advise a number of institutions such as the European Central Bank. The programme is designed to provide an education in advanced finance theory and econometric methods, with core modules that build on existing knowledge, understanding and skills. They develop a deeper understanding of econometric and financial theories, quantitative and research methods, and policy applications.

See our website page for further information.
European Monetary Union debate

Professor Jagjit Chadha hosted a three-way debate in February on the future of the Eurozone between William Allen, former Director of the Bank of England and adviser to Brevan Howard Hedge Fund, Luigi Speranza, Head of Inflation Economics at BNP Paribas and Jon Danielsson, Reader in Finance at the London School of Economics.

The speakers emphasised well-understood problems with the construction of EMU. It is a monetary union without the political superstructure to help regions adjust to asymmetric economic developments. The monetary and economic institutions are not only lacking in a sufficient coordinating force but also often move less than decisively. No-one wished that the UK had joined the Eurozone.

William Allen emphasised the key flows under Target 2 which had helped keep the EMU afloat and the role of the LTROs (long-term refinancing operations) in helping banks deal with their holdings of EMU sovereign debt.

Luigi Speranza was very much concerned with the differences in wage and price setting and the scale of the resulting differential trends in real exchange rates.

Jon Danielsson put the politics at centre stage but along with most others present felt that there had been considerable overconfidence in the economic and political institutions that govern the EMU and their ability to construct an acceptable settlement. Liquidity funding, although helpful, could not really be expected to deal with persistent divergences in economic growth and so some reconfiguration of the EMU membership seemed more than likely.

Finance seminars are run jointly with the School of Mathematics, Statistics and Actuarial Science and Kent Business School. A film of the event is available to view on our website.

Staff news

Dr Zaki Wahhaj

Zaki Wahhaj joined the School in January as a Lecturer in Economics.

Zaki obtained a BSc in Economics with Mathematics from Yale University, and a PhD in Economics from MIT. Following his PhD, he spent two years as a postdoctoral fellow at the Centre for Research in Economic Development (CRED) at the University of Namur, Belgium and three years as lecturer in development economics at the Department of International Development (ODID), University of Oxford.

Zaki’s main fields of research are economic development and applied theory. His current research deals, broadly, with the themes of social norms and household decision-making in developing countries, including work on the role of social norms on household decision-making, the impact of microfinance programmes on intra-household bargaining, the impact of formal law on customary practices and issues relating to early marriage and female education.

Carol Wilmshurst

Carol Wilmshurst, one of our longest serving members of staff, is retiring on 6 April. Carol, our Postgraduate Administrator, started her career at the University in October 1973, working in the Keynes General Office. She then worked for a short time in the Department of Philosophy before moving to the School of Economics in 1994.

Carol is a very popular member of staff and we will miss her. We all wish her a long and happy retirement.

For further information on School of Economics staff and their research interests, check out our people pages at www.kent.ac.uk/economics/staff.
Sophia Davidova’s research has contributed to raising the issue of small farmers in Europe high on the EU policy agenda. The impact of Sophia’s research arose during the public debate concerning the Common Agricultural Policy (CAP) post-2013 and a large Europe-wide seminar on the future of small farmers organised by the European Network for Rural Development. Under the label of ‘income payments’, the CAP transfers have mainly benefitted large farms. They have been regressive, increasing the farm income gap between large and small farmers. The research has led to an increased awareness of the benefits of small farmers due to the positive externalities they deliver, which can justify public resource transfers, and of a group of relevant indicators that characterise small farmers which can facilitate the delineation of the policy target group.

Further details on Sophia’s research can be found on her RePEc page.

The Scotland Bill

Professor Chris Heady gave evidence to the committee of the Scottish Parliament that was considering the Scotland Bill, a legislative proposal to increase significantly the devolved powers of the Scottish government and Parliament, including taxing powers. Chris drew heavily on his knowledge of tax systems across OECD countries, which he gained while head of the Tax Policy and Statistics division of OECD. He addressed the following points:

- the effects of giving Scotland the power to set a corporate income tax lower than that in the rest of the UK. These included increased growth of the Scottish economy, revenue losses to the rest of the UK, increased instability of Scottish tax revenue and increased complexity of the tax system that would lead to higher administrative and compliance costs
- the accuracy of predictions of the consequences of tax changes
- difficulties of dividing the corporate tax base of UK companies between Scotland and the rest of the UK
- the risks involved in providing tax advantages for particular sectors or activities
- the effects on revenue growth of the allocation of particular tax revenues to Scotland
- the role of the Office of Budget Responsibility and the accuracy of its forecasts
- the possibilities of perverse incentives when two governments are levying taxes on the same tax base and how to deal with that problem
- the extent to which the Scottish parliament can and should alter the progressivity of the personal income tax.
Professor Roger Vickerman added his expertise on high-speed rail to a panel of academics taking part in a seminar on the subject at the House of Commons.

The panel took part in a parliamentary seminar in February to examine evidence from the social sciences that can contribute to the debate on the future of high-speed rail in the UK.

Chaired by Louise Ellman MP, Chair of the Transport Select Committee of the House of Commons, the seminar was attended by over 70 academics, policy makers and politicians.

Roger, who is Professor of European Economics and Dean of Brussels, said: ‘The main thrust of the seminar was the inadequacy of the research base for taking major investment decisions on projects costing in this case over £30 billion.

I focused on bringing my experience of such projects in other European countries into the discussion. Recent research in France and Spain has shown that high-speed rail can have quite different impacts in different situations, with connectivity to the local and regional rail network and the extent of accompanying land use and planning measures being critical.’

Roger has also twice appeared recently before the Transport Select Committee of the House of Commons contributing to, and being widely quoted in, its Reports on Transport and the Economy and High Speed Rail.

He is also a member of the Analytical Challenge Panel of HS2 Ltd which provides advice on the economic analysis of the HS2 project and has worked with Kent County Council on a European project on the role of high-speed rail stations in regional development.

Media round-up

RES media briefings

A paper by Katerina Karadimitropoulou (PhD student) and Professor Miguel León-Ledesma entitled ‘World, country and sector factors in international business cycles’ was part of a small group of papers presented at the Royal Economic Society conference in Cambridge selected for their Media Briefings because of their potential impact for media news.

For further information, see the RES website.

Balance of payments

Professor Tony Thirlwall’s work on balance of payments was cited by Martin Wolf in his Financial Times blog on 16 February. Click here to read the article.

World Real Interest Rates: A tale of two regimes

DWS Global Financial Institute (DGFI) interviewed Professor Jagjit Chadha about the macroeconomic, microeconomic, and monetary aspects of the financial crisis, and the timeframe for recovery.

Read the interview on the DWS website.

Research grants

Congratulations to Dr Alex Klein who has secured two research grants.

The first is from the Faculty of Social Sciences for his work on Economic History, an area which has gained in importance and is becoming central to understanding macro and micro economic phenomena.

The second grant is from the British Academy to create a long-run dataset of US states, metropolitan areas, cities and countries from the US Census of Manufactures from 1860-2007.

For further details on staff research and publications see our staff web pages at www.kent.ac.uk/economics/staff.

See our website for more news stories: www.kent.ac.uk/economics.
**Where are they now?**

**Gabriele Amorosi**  
Gabriele passed his PhD viva voce examination in February 2012 and has now taken up a lectureship at Hull University Business School in the department of Economics.

**Ambechew Sisay**  
Ambechew completed his PhD in December 2011 and is now working for the Organization for Rehabilitation and Development in Amhara, Ethiopia.

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**Year in industry**

The School would like to congratulate the second year students who have managed to secure an industry placement for next academic year. The placements are in a variety of organisations, including HM Treasury, Department for Work and Pensions, Office for National Statistics and the Bank of England.

The year in industry provides an opportunity to work in real-life, business-critical roles which relate to the programme of study. The placement year forms an integral and assessed part of the degree and gives a chance to put into practice much of the knowledge gained in the first two years of study, as well as completely new skills useful for the future. With more students attending university, competition for graduate employment remains fierce, so by combining your economics degree with relevant employment experience in a full-time salaried placement provides you with a real competitive advantage.

If you are a current Economics student and are interested in the year in industry, please contact Dr John Peirson at J.D.Peirson@kent.ac.uk.

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**Module evaluation**

The online module evaluation questionnaires for spring-term and full-year modules are available on Moodle from 9 am on Monday 26 March and will close at 5 pm on Friday of week 25. The School would like to encourage all students to complete the questionnaires as your comments and views are very important to us.

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**Contributions**

If you have anything you would like to contribute to future newsletters, please send your ideas and news stories to Tracey Girling at tjg@kent.ac.uk.

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**School’s success in all things Green**

The School has been successful in achieving the Bronze Award for the national Green Impact scheme. Well done to all involved, but please keep up the good work with your recycling and double-sided printing! If you have any questions, please contact your School reps, Lisa Jones (lji@kent.ac.uk) and Tracey Girling (tig@kent.ac.uk).

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**School Tweets**

You can now follow the School on Twitter: @EconUniKent