Shaping the Common Agricultural Policy

In our Spring 2013 newsletter, we reported that Sophia Davidova, Professor of European Agricultural Policy, was to lead an international team of researchers, including Dr Alastair Bailey from the School of Economics, looking at proposals for a new Common Agricultural Policy (CAP). This research considered the future of semi-subsistence farmers within the context of the CAP for the period 2014-20.

Sophia presented a study ‘Semi-subsistence Farming: Value and Directions of Development’ to the European Parliament’s Committee on Agriculture and Rural Development in May 2013 that evaluated the effectiveness of the current and proposed CAP measures for the period after 2013.

Since then, Sophia has been working on an in-depth analysis, together with her co-author, Kenneth Thomson from the University of Aberdeen. Sophia presented the paper, titled ‘Family Farming in Europe: Challenges and Prospects’, to the European Parliament’s Committee on Agriculture and Rural Development in March 2014. Her analysis explores how family farming dominates EU agriculture and focuses on its importance to rural communities and the environment. It discusses the specific challenges faced by EU family farmers: their small size, succession planning and their relative powerlessness in the food chain. It also talks about the limitations in the ability of the CAP to support the smaller family farms, and the scope for action through national policies.

A special issue of EuroChoices, a policy outreach journal on agri-food and rural resource issues, is expected in April, dedicated to the UN Year of Family Farming. It will focus on small farms in Europe and the foreword introducing the issue will be written by the EU Commissioner on Agriculture and Rural Development. Sophia Davidova, Kenneth Thomson and Janet Dwyer are guest editors.

How I became an academic economist
by Professor Alan Carruth

Alan Carruth is stepping down as Head of the School of Economics at the end of this academic year after more than 20 years of being involved in the management of the School...

As I head towards retirement, I have been reflecting on how I came to be an academic economist, and how I have spent my career at Kent. To a large extent, this is more a story of serendipity than missionary zeal, no Eric Liddell me! It is also a story of an important decade in my life, and in contemporary economic history.

I went to the University of Stirling in 1971 to study computer science and mathematics for four years. As Stirling was designed on the American liberal arts model, I also studied economics as a subsidiary in my first three semesters. But it was economics which captured my interest, embracing formal ‘scientific’ analysis in trying to understand how market economies functioned and prospered, or, on occasions, not. Having struggled with pure maths, while enjoying computing, I was encouraged by the maths department’s exit strategy to take the plunge and make economics my major. So in my second semester of second year I threw myself into the full economics programme, and started to make friends among my peers, notably Andrew Oswald, who is one of the UK’s leading economists with considerable public engagement on how economics can contribute broadly to our understanding of behaviour and economic change.

Looking back I now appreciate how engaged students like Andrew and I were with the study of economics, the fascination of trying to work out how economic models worked, what they could tell us, what they could not tell us, how they might be improved?

There was also much debate on the growing challenge to what had become known as Keynesian macro-economic orthodoxy in the wake of Milton Friedman’s presidential address to the American Economic Association in 1968. In the first half of the 1970s, the Bretton Woods arrangements for the international monetary system had collapsed and much of the world economy moved to a system of managed floating exchange rates. As is often the case in economics, many economists believed that flexible exchange rates would create fewer distortions and would improve the operation of the world economy, while other economists were less convinced, worrying that this important price may not reflect economic fundamentals and could be the subject of speculative attack and uncertainty.

The post-Bretton Woods decade was one of stagflation in much of the industrial world, so not exactly an auspicious start; and simultaneously high unemployment and inflation was instrumental in my choosing to study labour economics, which developed into a research agenda early in my academic career, working with Andrew Oswald, among others.

Another topical area of economic analysis at this time was general equilibrium, engaged with how decision making could be co-ordinated in a way that would allow economies to function efficiently and so avoid the mass unemployment that blighted the inter-war generation. In some ways general equilibrium did not fly in the way that was hoped, but the ideas behind this area of analysis were important in understanding market economies, for example that partial equilibrium comparative statics could be very wide of the mark in analysing the impact of economic change.

There was also at this time much ongoing debate about the pros and cons of market economies versus centrally-planned economies in co-ordinating decision making, though this was a no brainer; market economies are much superior, despite all the flagellation of economics over the current financial crisis, the whole point of financial crises is that they are to all intents and purposes unpredictable. Put it this way, if I sit down in Keynes Bar and order a beer, think of all the decisions that have been taken seamlessly, so that at that instant when I asked for a beer it would be placed in front of me so long as I possess the means of exchange. This goes all the way back to the farmer who planted the grain, who sold it to the merchant who sold it to the beer maker, who bought the hops, and the equipment, and so on. No planners were behind these decisions – it is very much Adam Smith’s invisible hand at work, and is a force for good in market economies. This is
not to deny that market failures exist, but we do need to appreciate how helpful the invisible hand can be in resolving many co-ordination problems, among heterogeneous agents.

So the 1970s was a hugely significant decade for the world economy and one that economic historians will analyse in great depth in the decades ahead. And it was an exciting time to be a student, and to be taught by many young, enthusiastic academics; David Ulph, Alistair Ulph, Mark Brownrigg, Andrew Bain and Peter Jackson stood out for me, but there were many committed and interesting teachers of economics at Stirling in those days. I was also blessed to have a supportive peer group, including Andrew Oswald, Howard Tyndall, Christine Robertson, Charles Normand, Elaine Hynde, to name a few.

I then moved on to the University of Warwick in Autumn 1977, after a skirmish with the North of Scotland College of Agriculture, and 18 months at the University of Strathclyde, too long a story for this epistle.

My arrival at Warwick was also one of serendipity. I visited Andrew Oswald in Oxford in early 1977 and he took me to a Nuffield research seminar given by Avinash Dixit who had just taken up a Professorship at Warwick. I was blown away by the quality of this seminar (optimum tax and temporary equilibria), life changing for me as it turned out. I made enquiries immediately on my return to Glasgow, and was offered ESRC support to go to Warwick for a Masters’ degree followed by a PhD. Once again I was privileged to be taught by inspirational academics (including Avinash, but also Nick Stern, now Lord Stern, Mark Stewart, Norman Ireland, Keith Cowling, Marcus Miller, Ken Wallis, Paul Stoneman, Jesus Seade, inter alia) and to have many excellent peers (Phil Morgan, Eric Pentecost, Jenny Ellis, Ian Kitchener) who made the hard work studying for an MA much more of a pleasure than a chore.

I was then fortunate to have Avinash and Nick as my thesis advisers. Daunting though my supervision meetings with them were at times, their brilliance, enthusiasm and kindness were infectious. And it was at Warwick I realised that I liked teaching and enjoyed the challenges of economic research, so that an academic career seemed a good place to start. I was also fortunate that Norman Ireland advised me in early 1979 to look for a job as he feared the academic job market would be in for a squeeze after the winter of discontent and the likelihood that there would be a new conservative government under Margaret Thatcher. His advice was spot on; who said economists could not forecast! So I managed to secure a position at Kent from October 1979, having to complete my PhD the hard way, namely part-time, and have been here ever since, a reflection of my farming background: once you put down roots it is hard to dig them up again.

In these days Kent was a small university, founded on a college basis, with an interdisciplinary focus, facilitated through a Boards of Study structure. The demands of subject specialisms and professional accreditation meant that the interdisciplinary ethos was beginning to come under threat by 1979. The Research Assessment Exercise introduced in the 1980s also encouraged single subject specialism, and so by the 1990s Kent introduced academic departments with a stronger focus on single disciplines. That said, many UK Economics departments have over the years been merged into Business Schools, so I take considerable pride that Kent Economics has retained its autonomy, and has grown considerably in the past 10 years, as has the University.

I have been involved in the management of Economics for over 20 years and it has been a great privilege to be part of what has become a successful department in teaching and research. I am confident that the collegiality and success of Kent Economics will continue for a long time to come, and I will be very pleased to witness this, though in future I will be cheering from the stands.
Honorary appointment

We are delighted that Dr Ulrike Hotopp has accepted an honorary professorship within the School. Ulrike is the Director for Analysis and Chief Economist at Defra (the Department for Environment, Food and Rural Affairs).

Kent Economics has links with Defra through Professor Rob Fraser, who sits on a Defra advisory panel, and Dr Hotopp’s research interests will link with the School’s agri-environmental group, further strengthening policy impact in this area of research activity.

Dr Hotopp joined Defra in January 2012 and is responsible for Defra’s evaluation of policy. Prior to this she was a Senior Economist in the Department for Business, Innovation and Skills (BIS). She worked with the Chief Economist on appraisal and evaluation methodologies, socio-economic research and risk and performance measurement.

Previously, Ulrike was the Chief Economist at the Health and Safety Executive (HSE) and a Deputy Director at the Department of Energy and Climate Change (DECC). She has also worked in the Cabinet Office on Better Regulation and has been an Economic Adviser on Labour Market regulation in the Department of Trade and Industry (DTI).

Ulrike holds a PhD in International Economics from the University of Sussex, an MA in European Studies from the Central European University in Prague, and an MA in Economics from the University of Sussex.

New modules

The School has introduced two new 15-credit modules to the Economics Stage 3 options list. The first module ran this term – EC570 Microeconomics of Development, convened by Dr Zaki Wahhaj, and the second will be a Spring Term module for 2014/15 – EC571 Agricultural, Food and Natural Resource Economics, convened by Professor Iain Fraser.

Microeconomics of Development (EC570)

In the last 30 to 35 years, the study of economic development has increasingly focused on the behaviour of individuals – their opportunities, constraints, and choices – to understand the causes and nature of poverty, and for formulating strategies for improving their economic well-being. This trend includes the increased application of microeconomic theories to understand phenomena related to under-development, the collection and analysis of data at the individual level (as opposed to the regional or national level) and, most recently, the use of lab and field experiments to better understand individual behaviour.

The module introduces students to these trends and shows how related microeconomic tools have contributed to a better understanding of the process of economic development. Some of these methods are now widely used by international development agencies – such as the World Bank and DFID – as well as academic researchers to critically assess development strategies and evaluate programmes aimed at improving the economic well-being of the poor in developing countries.

Agricultural, Food and Natural Resource Economics (EC571)

This module is an introduction to the study of agriculture, food and resource economics using microeconomics, and provides an overview of microeconomic theories that have been developed and used to understand important resource management issues. It draws on current debates and topics in agricultural and food production, organisation of supply chains, public policy issues and resource pricing.
The student-run Kent Invest Society has grown exponentially since its conception and has become one of the largest and most diverse societies on the Canterbury campus. In addition to managing its virtual investment portfolio, following a long, primarily risk-averse equity investment strategy, the society acts as a springboard for students looking towards a career in finance.

March 2014 saw Kent Invest unveil the biggest event in its four-year history by hosting the first ‘Investment Banking and Hedge Fund Trading Challenge’. The event was run by Dynamic Simulations who are also contracted by top investment banks, such as Bank of America, JP Morgan and Barclays, to train their new graduate intakes. The University of Kent joined Warwick and UCL in hosting the event, which offers a fully incorporated trading floor simulation.

The day started at 9am with intensive tutoring on the functioning of the trading floor and trading platform from the Dynamic Simulations professional, before the room and students were divided into two areas of the market – hedge funds and investment banks. Within these two sub-sections, students were split into teams of three and assigned their roles to reflect the structure of institutions in the real world.

Once everyone had got to grips with the technical jargon, they were let loose as markets opened for trading – short selling, negotiating, hedging, predicting future movements in stock prices and indexes from incoming news stories.

The atmosphere in the room was electric as traders thrashed out deals – hedge funds taking a more relaxed approach to decision-making, whilst the investment banks were hard-selling their strategies. The students put full effort and commitment into the day, and truly experienced the highs and lows, the successes and failures of the trading day. For the participating members, the day was more than just for enjoyment; it acted as a prime opportunity to develop the skills required to be successful both at university and in their future career, whether it be in the financial industry or otherwise.

The day was a roaring success and, on behalf of the committee, I hope that such an event is the first of many, acting to propel both Kent Invest and the University of Kent onto the radars of the world’s top financial institutions.

Special thanks to Alan Carruth and the School of Economics for their generous contribution towards the event.

Blake Larsen
Treasurer, Kent Invest

For further information on Kent Invest, see their website at http://kentinvest.com/
New staff
Welcome to Dr Manuel Toledo who has joined us since the last newsletter.

Dr Manuel Toledo
Dr Manuel Toledo joined the School in January as a Lecturer in Economics.

He obtained an MA in Economics in 2003 and a PhD in Economics in 2007 from the University of Rochester, USA.

Manuel has held various visiting scholarships and professorships at Rochester, the International Monetary Fund, U Carlos II de Madrid, ITAM and Instituto Tecnologico Autonomo de Mexico.

Manuel’s main field of research is in macroeconomics, and next academic year he will be teaching EC302 Introduction to Economics (Stage 1) and EC548 International Finance (Stage 3).

Funding success
Dr Keisuke Otsu has received a private research grant for 800,000 Japanese Yen (c £5,000) from the Japan Center for Economic Research. The title is ‘An analysis of economic growth and business cycle fluctuation among Japanese prefectures’ and is joint research with Dr Masaru Inaba of Kansai University.

Great Thinkers in Economics Series
Two new volumes have recently appeared in the Great Thinkers in Economics Series, edited by Professor Tony Thirlwall and published by Palgrave-Macmillan: David Ricardo by John E King and Sir Arthur Lewis by Barbara Ingram and Paul Mosley. There are now 14 volumes published in the series.

Forthcoming titles include George Shackle; James Buchanan; Arthur Pigou; Kenneth Boulding; Milton Friedman; Friedrich von Hayek and James Tobin.

For further information, see Palgrave-Macmillan: http://tinyurl.com/o8kplbf

Developments in Macro-Finance Yield Curve Modelling
Edited by Jagjit S Chadha, Alain C J Durré, Michael A S Joyce and Cucio Sarno.

Changes in the shape of the yield curve have traditionally been one of the key macroeconomic indicators of a likely change in economic outlook. However, the recent financial crises have created a challenge to the management of monetary policy, demanding a revision in the way that policymakers model expected changes in the economy. This volume brings together central bank economists and leading academic monetary economists to propose new methods for modelling the behaviour of interest rates. Topics covered include: the analysis and extraction of expectations of future monetary policy and inflation; the analysis of the short-term dynamics of money market interest rates; the reliability of existing models in periods of extreme market volatility and how to adjust them accordingly; and the role of government debt and deficits in affecting sovereign bond yields and spreads. This book will interest financial researchers and practitioners as well as academic and central bank economists.

Copies are available to purchase from Cambridge University Press: http://tinyurl.com/nu7wufj

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

This year the School of Economics is to hold two events for our final-year students.

Economics Finalists’ Ball

First, and in response to student requests, there will be our inaugural Finalists’ Ball on Thursday 12 June at the Ballroom in Canterbury. This event will be a celebrate the end of exams and the completion of undergraduate degrees, prior to Graduation in Canterbury Cathedral. Tickets are available to purchase at £10.00 from the Economics Student Office, Keynes Mg.14.

Graduation Reception

The second event will be a reception to be held in the Marlowe Theatre, Canterbury, after the Graduation on Monday 14 July. The event will be open to all our graduating students, both undergraduate and postgraduate. More information to come on this soon…!

Student experience surveys

Postgraduate

The Higher Education Academy’s Postgraduate Taught Experience Survey (PTES) and the Postgraduate Research Experience Survey (PRES) for Kent will open on 22 April until 19 June.

The survey takes about 15 minutes to complete, and all postgraduate students will receive an email with an invitation to take part.

Anyone completing the surveys will be able to claim a £10 Amazon voucher.

Undergraduate

The National Student Survey (NSS) is open until the end of April. If you’re a final year student and haven’t completed it, click on this link to take part: www.thestudentsurvey.com

Student feedback is extremely important to the School, and so we would like to encourage our students to complete the surveys.
For further information on our staff and their research interests, see: www.kent.ac.uk/economics/staff

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