Public Lecture by Professor Ng Yew Kwang, Goh Keng Swee Professor in the Department of Economics, gave a public lecture on “Some Policy Implications of Behavioural Economics and Happiness Studies, with some reference to Singapore (the issue of casinos in particular)”. The event was organized by Singapore Centre for Applied and Policy Economics (SCAPE), Department of Economics, NUS.

Recent studies in behavioural economics show that people often do not behave as assumed in the traditional simple economic models. Happiness studies also show that income is relatively unimportant in explaining the variation in reported levels of happiness. What are the policy implications of these findings? The public lecture made policy references to Singapore, particularly on the issues of public spending and the desirability of permitting casinos.

Professor Ng is from the Faculty of Business and Economics at Monash University in Australia, and his research interests are in welfare economics, mesoeconomics, new classical economics, Chinese economic reform and public policy.

The event was very successful as the lecture theatre was packed with students, faculty members and invited donors, among whom were Mr Ngiam Tong Dow (Chairman, Surbana Corporation Pte Ltd), Mr Teo Tong Lim (Managing Director, Tong Eng Brothers Pte Ltd), Mr David Lim (Group President & CEO, Neptune Orient Lines Ltd) and Mr Vijay Mehta (Chief Executive, Bank of India).
EC3385 FIELD TRIP TO ALEXANDRA ROAD

The field trip to Alexandra Road on the morning of 12th November 2005, organized by representatives from the Maritime and Port Authority of Singapore (MPA), Neptune Orient Lines (NOL) and PSA Corporation Ltd (PSA), was to be a repeat of the successfully planned event the year before. But for the fifty undergraduate students from NUS and SMU under the aegis of Professor Hercules Haralambides, it would be their first exposure to the maritime industry, through a visit to the container terminal and attendance at the follow-up sessions in the NOL Building.

The programme for the day began with an informative briefing of PSA’s container terminals by Mr Eugene Tay, using the miniature model of the terminals at the entrance of the PSA Building. Then, the students headed to one of the four container terminals, Keppel Terminal, on a bus tour and had a closer look at the innovative applications of technology such as the ‘Flow-Through Gate System’ as well as typical activities like the loading and unloading of containers at a busy container terminal.

After that, the students were brought back to the NOL Building for light refreshments which were followed by the first session – talks on ‘An Overview of the Role and Functions of MPA’ and ‘Singapore Registry of Ships’, given by Ms. Felicia Woo and Mr. S R Chandru, respectively. The second and third sessions, ‘Terminal Management’ by Mr. Ong Seow Leong and ‘Liner Shipping and Logistics Operations’ by Ms. Suriyana Md. Shah, respectively, continued to help the students integrate the knowledge they had gained in their Shipping Economics courses during the semester and expose them to the importance of the maritime industry and employment perspectives in the area.

The programme ended with an exciting question-and-answer session with panelists Mr Cedric Foo (Group Deputy President/President, Asia Middle East, NOL), Ms Grace Fu (CEO, South East Asia & Japan, PSA International Pte Ltd) and Mr Chua Lian Ho (Director (Training), MPA).

*continued on page 3*
This provided the students a rare opportunity to ask questions and tap the expertise of the panelists on the challenges and operations of the three organizations and the general shipping industry, which they did not let pass.

Overall, the field study fulfilled the purpose of exposing the students to the thriving maritime sector of Singapore and highlighting employment opportunities for promising young graduates of economics and business.

The Q&A session was highly interactive with students posing some challenging questions to the distinguished panel of speakers.

FROM MONEYLENDEERS TO MICROFINANCE: SOUTHEAST ASIA’S CREDIT REVOLUTION IN INSTITUTIONAL, ECONOMIC AND CULTURAL PERSPECTIVE

National University of Singapore
7–8 October 2005

The last twenty years have seen a transformation in the availability and use of credit among the less prosperous strata worldwide. The growth of microfinance has led the United Nations to declare 2005 the UN International Year of Microcredit 2005. South East Asian countries have been pioneers in microfinance and their experience merited further study. This interdisciplinary workshop organized by Assoc Prof Aditya Goenka (Department of Economics) and Dr David Henley (ARI) on 7-8 October 2005 examined the various facets of traditional small scale credit as well as modern microfinance in the region from an economic, historical, and institutional perspective. The workshop was supported by the Asia Research Institute, Department of Economics, Department of Sociology, Faculty of Arts and Social Sciences, and the International Development Research Centre (Canada). The workshop consisted of 15 papers delivered over two days.

The workshop was very successful as it brought together a wealth of information and ideas for future research. New facts, new data and new hypotheses emerged in the workshop. The discussions were very lively and added to the content of the papers presented. It is hoped that the workshop papers will be published in a volume edited by Aditya Goenka and David Henley.
The following students of the Department were conferred postgraduate degrees by research in December 2005.

**PHD**

<table>
<thead>
<tr>
<th>Name</th>
<th>Topic</th>
<th>Supervisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hong Junjie</td>
<td>Location Determinants of Foreign Logistics Firms in China: A Discrete Choice Approach</td>
<td>Assoc Prof Anthony Chin</td>
</tr>
<tr>
<td>2. Lee Chee Tong</td>
<td>Essays in Financial Liberalisation</td>
<td>Prof Tse Yiu Kuen</td>
</tr>
<tr>
<td>3. Luckraz Shravan</td>
<td>Essays in Technology Gap and Process Spillovers at the Firm Level</td>
<td>Assoc Prof Julian Wright Dr Ho Kong Weng</td>
</tr>
</tbody>
</table>

**M.SOC.SCI. BY RESEARCH**

<table>
<thead>
<tr>
<th>Name</th>
<th>Topic</th>
<th>Supervisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chen Wei</td>
<td>Rise of China’s Manufacturing Industry: Impact on Neighbouring Economies</td>
<td>Assoc Prof Lu Ding</td>
</tr>
<tr>
<td>2. Choa Yuh Yang, Edward</td>
<td>Environmental Damage Schedules: The Response to Public Allocation Decisions</td>
<td>Assoc Prof Euston Quah</td>
</tr>
<tr>
<td>3. Ye Tingting</td>
<td>Empirical Study of China’s Economic Growth And Convergence Across Regions</td>
<td>Assoc Prof Lu Ding</td>
</tr>
<tr>
<td>4. Yu Shujie</td>
<td>Empirical Investigations on Determinants of China’s Export Performance</td>
<td>Dr Chang Wayne Prof Tan Kong Yam</td>
</tr>
<tr>
<td>5. Zhang Juan</td>
<td>The Determinants of Equity Market Correlation – A Gravity Model Analysis</td>
<td>Assoc Prof Wong Wing Keung</td>
</tr>
</tbody>
</table>
MACROECONOMICS & MONETARY ECONOMICS
BROWN BAG WORKSHOPS

Coordinator : Assoc Prof Aditya Goenka
Location : Silcock Journal Room, AS2/06-23
Department of Economics
National University of Singapore
Time : 1.00 p.m. - 2.00 p.m. on Wednesdays
Objective : The workshop is a forum for people working in macro and money - broadly defined - to discuss their work-in-progress and bounce around ideas.
Website : http://nt2.fas.nus.edu.sg/ecs/res/bb.asp

Semester I, Academic Year 2005/2006

<table>
<thead>
<tr>
<th>Date</th>
<th>Speaker</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 September 2005</td>
<td>Assoc Prof Aditya Goenka</td>
<td>Is Investment Too Volatile?</td>
</tr>
<tr>
<td>27 September 2005</td>
<td>Assoc Prof Zhang Jie</td>
<td>Inflation Taxation and Welfare with Externalities and Leisure</td>
</tr>
<tr>
<td>12 October 2005</td>
<td>Professor Partha Sen</td>
<td>Perfect Competition and the Keynesian Cross</td>
</tr>
<tr>
<td>26 October 2005</td>
<td>Dr Lin Mau-Ting</td>
<td>Match Quality and the Cyclical Behaviour of Equilibrium Unemployment and Vacancies</td>
</tr>
<tr>
<td>9 November 2005</td>
<td>Dr Wong Wei Kang</td>
<td>Is There Money Illusion?</td>
</tr>
<tr>
<td>16 November 2005</td>
<td>Assoc Prof Zeng Jinli</td>
<td>Long-Run Unemployment</td>
</tr>
</tbody>
</table>

INDUSTRIAL ORGANIZATION WORKSHOPS

Coordinator : Assoc Prof Julian Wright
Location : Staff Lounge Meeting Room, BIZ 1, Level 2
NUS Business School
National University of Singapore
Time : 12.00 noon
Website : http://nt2.fas.nus.edu.sg/ecs/res/io.asp
Date | Speaker | Title
---|---|---
2 September 2005 | Professor Ivan Png  
School of Computing and  
Department of Business Policy  
NUS | Copyright Duration and the Supply of Creative Work
5 October 2005 | Ms Soma Dey  
Department of Business Policy  
NUS | Are Patents Discouraging Innovation? A Model of Patenting and Innovation
9 November 2005 | Dr Fu Qiang  
Department of Business Policy  
NUS | The Economics of “American Idol” (joint with Department of Business Policy)

THE SINGAPORE ECONOMIC REVIEW (SER)

The *Singapore Economic Review* is a biannual journal devoted to the publication of high-quality theoretical and empirical papers on all aspects of economics with a special emphasis on the economic problems related to Asian countries. Contents of the latest issue, Volume 50, Number 2 (October 2005), are appended below. For more information on submission of manuscripts and subscription to the journal, please visit the website at [http://www.worldscinet.com/ser/ser.shtml](http://www.worldscinet.com/ser/ser.shtml).

Contents of Volume 50, Number 2 (October 2005)

*Invited Eminent Paper Series – Why Panel Data?*
Cheng Hsiao

Subject Matching: A Case Study on Two-Sided Matching
*Xiaolin Xing and Yunhua Liu*

Fractional Integration at Zero and the Cyclical Frequencies in the Specification of US Prices
*L. A. Gil-Alana*

Assessing Pre-Crisis Fundamentals in Selected Asian Stock Markets
*Ee Leng Lau, G. K. Randolph Tan and Shahidur Rahman*

The Determinants of Aggregate Import Demand in Brunei Darussalam: An Empirical Assessment Using a Cointegration and Error Correction Approach
*Paresh Kumar Narayan and Russell Smyth*

The Budget Deficit and Economic Performance: A Survey
*Ali Salman Saleh and Charles Harvie*

Foreign Direct Investment and Economic Growth in Malaysia: The Role of Domestic Financial Sector
*Chee-Keong Choong, Zulkornain Yusop and Siew-Choo Soo*

A Note on the Future Population of Singapore Residents
*Yoke Wai Wong, Uditha Balasooriya and Khye Chong Tan*

Book Reviews

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The *Singapore Economic Review* is a biannual journal devoted to the publication of high-quality theoretical and empirical papers on all aspects of economics with a special emphasis on the economic problems related to Asian countries. Contents of the latest issue, Volume 50, Number 2 (October 2005), are appended below. For more information on submission of manuscripts and subscription to the journal, please visit the website at [http://www.worldscinet.com/ser/ser.shtml](http://www.worldscinet.com/ser/ser.shtml).

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*Yoke Wai Wong, Uditha Balasooriya and Khye Chong Tan*

Book Reviews
The Faculty Teaching Awards are given in recognition of the work and success of our most dedicated teachers. Our congratulations to the following Excellent Teachers:

Assoc Prof Chia Ngee Choon
Dr Ho Kong Weng
Dr Wong Wei Kang

CONGRATULATIONS

Our warmest congratulations and good wishes to Assoc Prof Albert Hu Guangzhou on his promotion to Associate Professor with effect from 1 January 2006.

THANK YOU AND BEST WISHES TO THE FOLLOWING STAFF WHO HAVE LEFT THE DEPARTMENT

- Mr Michele Acciaro (Erasmus University Rotterdam) Visiting Fellow from 19 September 2005 - 15 October 2005
- Dr Swapnendu Banerjee (Jawaharlal Nehru University) SMF Post Doctoral Fellow from 1 September 2004 - 25 July 2005
- Professor Hercules Haralambides (Erasmus University Rotterdam) MPA Professor of Shipping Economics from 2 August - 31 December 2005
- Professor Long Ngo Van (McGill University) Goh Keng Swee Professor from 1 August 2004 - 31 July 2005
- Dr Ng Seok Hean (Monash University) Visiting Senior Fellow from 20 June 2005 - 6 December 2005
- Professor Ng Yew Kwang (Monash University) Goh Keng Swee Professor from 20 June 2005 - 6 December 2005
- Dr Gulasekaran Rajaguru (Bond University) Visiting Fellow from 1 September 2005 - 31 December 2005
- Professor Karl Shell (Cornell University) Tan Chin Tuan Professor from 29 July 2005 - 19 August 2005
- Professor Wang Ruqu (University of Colorado at Boulder) Visiting Professor from 2 August 2004 - 1 August 2005
- Dr Choy Keen Meng who was with the Department since 25 June 2001 and left the Department on 31 December 2005
- Dr Ho Kong Weng who was with the Department since 17 August 1992 and left the Department on 31 December 2005
- Assoc Prof Lu Ding who was with the Department since 1 June 1992 and left the Department on 30 November 2005
- Assoc Prof Jason Matthew Shachat who was with the Department since 30 June 2003 and joined the NUS Business Policy Department on 1 January 2006
- Dr Change Wayne who was with the Department since 15 August 1998 and left the Department on 31 December 2005

- Dr Serene Tan Sze Ching who returned from study leave and joined the Department on 1 June 2005 as an Assistant Professor
- Dr Ting Gao who joined the Department on 25 July 2005 as an Assistant Professor
- Mr Lee Chee Tong joined SCAPE as Research Fellow on 18 August 2005
- Mdm Chee Lee Kuen who joined the Department on 16 November 2005 as a Management Support Officer
Professor Parkash Chander
Professor Chander has been appointed as Associate Editor of the *Journal of Public Economic Theory*. He has also been appointed as a member of the Faculty Research Committee of the Faculty of Arts and Social Sciences.

Professor Chander co-organised an eight-week international workshop on “Uncertainty and Information Economics” which was conducted at the Institute of Mathematical Sciences, National University of Singapore in May and June 2005.

Assoc Prof Aditya Goenka
Assoc Prof Aditya Goenka gave a presentation on "Manipulation via Endowments and Sunspot Equilibrium" at the Research Institute for Economic and Business Administration, Kobe University on 1 July 2005.

Assoc Prof Aditya Goenka and Dr David Henley (ARI) organised the interdisciplinary workshop “From Moneylenders to Microfinance: Southeast Asia’s Credit Revolution in Institutional, Economic and Cultural Perspective” which was held at NUS on 7 and 8 October 2005.

Dr Hur Jung
Dr Hur Jung has been appointed a member of the editorial board of ‘International Economics and Finance Journal’, a quarterly peer-reviewed international journal managed by American University of Sharjah.

Dr Hur Jung’s radio interview on “South Korea Seals First Asian FTA with Singapore” was broadcast on 5 August 2005 at Radio Singapore International, MediaCorp FM 93.8.

Professor Ng Yew Kwang
Professor Ng Yew Kwang (Monash University, Australia) presented a keynote speech “Increasing Returns and Economic Efficiency” at the Singapore Economic Review Conference SERC 2005 held at the Singapore Pan Pacific Hotel on 4 - 6 August 2005.

Dr Vijayakala Seevaratnam
Dr Seevaratnam was appointed Fellow of the Salzburg Seminar (Salzburg, Austria) on 4 July 2005, with a specialisation in ‘European Integration and Expansion’.

Professor Sun Yeneng
Professor Sun Yeneng was invited to participate and give a talk entitled “Perfect Competition in Differential Information Economies” at a Mathematical Economics Conference in Honor of Roko Aliprantis at Purdue University, 17-18 October 2005. He was also invited to visit the Department of Economics at the University of Notre Dame on 10-13 October 2005 and the University of Illinois at Urbana-Champaign on 19-22 October 2005 respectively. He gave a talk at the Midwest Economic Theory Meeting, Lawrence, Kansas on 15 October 2005.

Professor Sun Yeneng was invited by the Institute of Economics, Academia Sinica in Taipei to visit the Institute from 23 November to 23 December 2005. He gave a talk on “The Dvoretzky-Wald-Wolfowitz Theorem and Purification in Atomless Finite-Action Games” at the 2nd Pan-Pacific Conference on Game Theory, held in Academia Sinica on 24-26 November 2005; he was also on the programme committee of that conference. While at the Institute, Prof Sun also gave three lectures on “Large Markets and Games with Uncertainty”.

Assoc Prof Peter Wilson
Prof Wilson served as Chairman of the Session on “Exchange Rate Economics” and the Session on “International Finance and Macroeconomics” at the Singapore Economic Review Conference 2005 held at the Pan Pacific Hotel, Singapore, 4-6 August 2005. He was invited to chair a roundtable discussion of ‘Singapore’s BBC Exchange Rate Mechanism’ and ‘The State of Macroeconomics’ with 2004 Nobel Laureate Professor Edward Prescott at the Monetary Authority of Singapore on 4 August 2005.
Prof Wilson was invited to give a presentation on “Singapore’s Economic Growth Experience: An Overview” at the IMF-Singapore Regional Training Institute, Singapore on 17 August 2005.

**Assoc Prof Wong Wing Keung**
Assoc Prof Wong Wing Keung was invited to present a paper titled ‘The Theory of the Cost of Capital’ in a seminar organised by the School of Mathematics and Statistics, North-East Normal University, China on 28 July 2005.

## CONFERENCES

Conferences attended by our staff members from July to December 2005 are given below:

<table>
<thead>
<tr>
<th>Staff Name</th>
<th>Title of Conference</th>
<th>Title of Paper</th>
<th>Venue</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assoc Prof Wong Wing Keung</td>
<td>Twelfth Annual Conference of the Multinational Finance Society</td>
<td>Stochastic Dominance and Behaviour towards Risk: The Market for Internet Stocks</td>
<td>Athens, Greece</td>
<td>2-7 July 2005</td>
</tr>
<tr>
<td>Dr Wong Wei Kang</td>
<td>Western Economic Association International (WEAI) 80th Annual Conference</td>
<td>Does Money Illusion Still Matter After Some Economics Education?</td>
<td>San Francisco, USA</td>
<td>5 July 2005</td>
</tr>
<tr>
<td>Assoc Prof Wong Wing Keung</td>
<td>AFA 2005 Conference</td>
<td>The Impact of Option Strategies in Financial Portfolios Performance: Mean-Variance and Stochastic Dominance Approaches</td>
<td>Hotel Istana, Kuala Lumpur, Malaysia</td>
<td>11-13 July 2005</td>
</tr>
<tr>
<td>Professor Parkash Chander</td>
<td>The Design of Climate Policy</td>
<td>Limits to Climate Change</td>
<td>Venice International University</td>
<td>22-23 July 2005</td>
</tr>
<tr>
<td>Professor Parkash Chander</td>
<td>The Design of Climate Policy</td>
<td>Keynote Lecture: Cooperation, Stability, Self-Enforcement: A Conceptual Discussion</td>
<td>Venice International University</td>
<td>22-23 July 2005</td>
</tr>
<tr>
<td>Dr Sougata Poddar</td>
<td>Singapore Economic Review Conference 2005</td>
<td>On Movie Piracy</td>
<td>Pan Pacific Hotel, Singapore</td>
<td>4-6 August 2005</td>
</tr>
<tr>
<td>Assoc Prof Wong Wing Keung</td>
<td>Annual Meeting of the Academy of Management: A New Vision of Management in the 21st Century</td>
<td>A Large-Scale SmartCard-Based Electronic Payment System and Service Operations Management</td>
<td>Honolulu, Hawaii, USA</td>
<td>6-10 August 2005</td>
</tr>
<tr>
<td>Dr Lee Soo Ann</td>
<td>Seek the Welfare of the City</td>
<td>Christian Contribution to the Socio-Economic Development of S.E. Asia</td>
<td>Trinity Theological College, Singapore</td>
<td>10-12 August 2005</td>
</tr>
<tr>
<td>Assoc Prof Aditya Goenka</td>
<td>2005 Econometric Society World Congress</td>
<td>Mental Accounting and Sunspot Equilibria</td>
<td>London, UK</td>
<td>23 August 2005</td>
</tr>
</tbody>
</table>
The Singapore Centre for Applied and Policy Economics (SCAPE) was successfully launched by Mr Tharman Shanmugaratnam (Minister of Education & Deputy Chairman of the Monetary Authority of Singapore) during the opening session of the Singapore Economic Review Conference (SERC 2005) at Pan Pacific Hotel on 4 August 2005. The Minister emphasized that “high standards in research and development of infrastructure conducive to the creation of knowledge are vital” as a source of economic growth with links between academic research and commercial applications.

The event was attended by over 300 distinguished academics from leading universities in the world, civil servants and private sector economists. There was also very positive feedback on SCAPE's working papers during the conference. The SERC 2005 and the launching of SCAPE was part of the NUS Centennial Celebrations.

Research Highlights

World Bank - Study on the Management of Appropriate Skills in a Fast Growing Economy with Rapid Technological Change (Lead Researcher: Assoc Prof Shandre Thangavelu)
Aimed at the preparation of an analytical study on the management of appropriate skills in a fast-growing economy with rapid technological change, the study focuses on the Singaporean experience and presents a comparative perspective from Korea, Taiwan (China), Hong Kong (China), Japan and Australia. The study is being commissioned as part of the background papers for the upcoming Regional Workshop on Investment Climate and Competitiveness in East Asia.

SSTA - Study of the Open School Bus Market
(Lead Researcher: Assoc Prof Anthony Chin)
The Singapore School Transport Association (SSTA), an industry body that represents 90 per cent of school-bus operators, commissioned SCAPE to come up with a cost structure formula based on the buses’ operational costs. The findings of the study recommended a fare increase of between $5 and $10. Over 53 bus operators participated in the survey. It was found that a third of bus operators’ annual expenditure was spent on diesel, the price of which has nearly doubled in the last four years. Insurance premiums have also risen.

As of December 2005, there are 19 working papers; details are available at http://nt2.fas.nus.edu.sg/ecs/pub/wp-scape/index.asp. The series facilitates the dissemination of research results with the least possible delay and makes inroads into publishing them in applied international journals.

SCAPE hosted the following visitors:

1. **Professor Colin H. Kirkpatrick**, Hallsworth Professor of Development Economics, the University of Manchester (7 - 13 August 2005)

2. **Professor Jack L. Knetsch**, Simon Fraser University (6 - 20 August 2005)

3. **Professor Henry Tulkens**, Center for Operations Research and Econometrics (22 November - 5 December 2005)

The distinguished visitors were invited to give seminar presentations and meet up with faculty members and students over research discussions and collaborations.

SINGAPORE ECONOMIC REVIEW CONFERENCE (SERC)

The Singapore Economic Review Conference (SERC) was held at the Pan Pacific Hotel from 4 to 6 August 2005.

The conference was a huge success. About 200 participants from more than 33 countries attended. The conference included twenty distinguished speakers with the keynote address given by Professor Edward Prescott, the 2004 Nobel Laureate in Economics. We also had the honour of having Mr Tharman Shanmugaratnam, the Minister for Education and the Deputy Chairman of the Monetary Authority of Singapore, for opening the conference and delivering a very insightful speech.

Distinguished academics from leading universities in the world, civil servants and private-sector economists at the opening ceremony.
### CONFERENCES (cont’d)

<table>
<thead>
<tr>
<th>Staff Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Mr Aamir Rafique Hashmi</td>
<td>20th Annual Congress of the European Economics Association</td>
<td>Competition and Innovation: The Inverted-U Relationship Revisited</td>
<td>Amsterdam, Netherlands</td>
<td>24-27 August 2005</td>
</tr>
<tr>
<td>Assoc Prof Lu Ding</td>
<td>A Fraser Institute Policy Briefing</td>
<td>China’s Dragon: Why All Provinces Are Not Breathing Fire</td>
<td>The Fraser Institute, Vancouver, BC</td>
<td>13 September 2005</td>
</tr>
<tr>
<td>Assoc Prof Aditya Goenka</td>
<td>From Moneylenders to Microfinance: Southeast Asia’s Credit Revolution in Institutional, Economic and Cultural Perspective</td>
<td>Rural Credit Market Imperfections and the Role of Microfinance</td>
<td>National University of Singapore</td>
<td>7-8 October 2005</td>
</tr>
<tr>
<td>Assoc Prof Wong Wing Keung</td>
<td>6th Frontier Science Symposium</td>
<td>Making Markowitz’s Portfolio Principle Practically Useful</td>
<td>National University of Singapore</td>
<td>7-11 November 2005</td>
</tr>
<tr>
<td>Assoc Prof Wong Wing Keung</td>
<td>Decision Sciences Institute 2005 Meeting</td>
<td>Improved Stochastic Dominance and Mean-Variance Approaches for Business and Management</td>
<td>San Francisco, USA</td>
<td>19-22 November 2005</td>
</tr>
<tr>
<td>Assoc Prof Wong Wing Keung</td>
<td>Decision Sciences Institute 2005 Meeting</td>
<td>An Exploratory Study of Internet Banking and Customer Interactions</td>
<td>San Francisco, USA</td>
<td>19-22 November 2005</td>
</tr>
<tr>
<td>Dr Lee Jin</td>
<td>The 2nd International Business Research Conference</td>
<td>Fractionally Integrated Long Horizon Regressions</td>
<td>University of Technology, Sydney, Australia</td>
<td>7 December 2005</td>
</tr>
<tr>
<td>Dr Hur Jung</td>
<td>Asia’s Regional Economic Integration and Cooperation</td>
<td>A Free Trade Area, a Customs Union and the Sustainability of World Free Trade</td>
<td>Aoyama Gakuin University, Tokyo, Japan</td>
<td>12 December 2005</td>
</tr>
</tbody>
</table>

### STAFF SEMINARS

**Co-ordinators:** Dr Souresh Saha and Dr Gamini Premaratne

The Department of Economics Seminars Series is usually held on Tuesdays and Thursdays, from 4 - 5.30 pm.

**Semester I, Academic Year 2005/2006**

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<tr>
<th>Presenter</th>
<th>Topic</th>
<th>Date/Time</th>
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<tbody>
<tr>
<td>Professor Ruqu Wang, Queen’s University</td>
<td>Signalling by Jump Bidding in Private Value Auctions*</td>
<td>8 August 2005</td>
</tr>
<tr>
<td>Professor Ruqu Wang, Queen’s University</td>
<td>Managing Economics Departments</td>
<td>10 August 2005</td>
</tr>
<tr>
<td>Professor Colin Kirkpatrick, Hallsworth Professor of Development Economics, The University of Manchester</td>
<td>Electricity Sector Reform in Developing Countries: An Econometric Assessment of the Effects of Privatisation, Competition and Regulation</td>
<td>11 August 2005</td>
</tr>
<tr>
<td>Speaker/Mentor</td>
<td>Topic</td>
<td>Date</td>
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</tr>
<tr>
<td>Professor Huntley Schaller, Carleton University</td>
<td>The Long-Run Effect of Taxes, Prices, and the Interest Rate on the Capital Stock*</td>
<td>15 August 2005</td>
</tr>
<tr>
<td>Professor Huntley Schaller, Carleton University</td>
<td>Managing Economics Departments</td>
<td>16 August 2005</td>
</tr>
<tr>
<td>Professor Karl Shell, Thorne</td>
<td>Sunspot Equilibrium</td>
<td>16 August 2005</td>
</tr>
<tr>
<td>Professor of Economics, Cornell University and Tan Chin Tuan Visiting Professor, NUS</td>
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<tr>
<td>Professor Jack Knetsch, Simon Fraser University</td>
<td>Behavioural Economics Research: Some Personal Views on Getting Started and Doing It</td>
<td>17 August 2005</td>
</tr>
<tr>
<td>Dr Serene Tan</td>
<td>Directed Search and Firm Size*</td>
<td>18 August 2005</td>
</tr>
<tr>
<td>Dr Changhui Kang</td>
<td>Effects of Small Classes on Academic Achievement: Evidence from New Entrants to Project STAR</td>
<td>23 August 2005</td>
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STAFF PUBLICATIONS

REPETITIVE RISK AVERSION
by Parkash Chander
Economic Theory (forthcoming)
This paper introduces a new concept of risk aversion that we call repetitive risk aversion. The risk aversion of an increasing and concave utility function is repetitive if the fear of ruin (Aumann and Kurz (1977)) is also increasing and concave. It is shown that repetitive risk aversion is stronger than decreasing absolute risk aversion, but not comparable to decreasing (or increasing) relative risk aversion. Several applications are discussed which show that repetitive risk aversion delivers better comparative static results.

PUBLIC GOODS, ENVIRONMENTAL EXTERNALITIES AND FISCAL COMPETITION
by Parkash Chander, Jacques Dreze, Lovell Knox and Jack Mintz (eds.)
This is a collection of essays by Henry Tulkens in the field of public economics some of which are written jointly with the editors of this volume. It covers three subject matters: environmental externalities, productive efficiency and fiscal federalism divided into separate parts each of which comes with an introduction written by one of the editors. An introduction to the volume provides an overview of the developments in the field of public economics during the last forty years.

FORECASTING THE GLOBAL ELECTRONICS CYCLE WITH LEADING INDICATORS: A BAYESIAN VAR APPROACH
by Choy Keen Meng and Chow Hwee Kwan
International Journal of Forecasting (forthcoming)
Developments in the global electronics industry are typically monitored by tracking indicators that span a whole spectrum of activities in the sector. However, these indicators invariably give mixed signals at each point in time, thereby hampering efforts at prediction. In this paper, we propose a unified framework for forecasting the global electronics cycle by constructing a VAR model that captures the economic interactions between putative leading indicators representing expectations, orders, inventories and prices. The ability of the indicators to presage world semiconductor sales is first examined by Granger causality tests. Subsequently, an impulse response analysis confirms the leading qualities of the selected indicators. Finally, out-of-sample forecasts of global chip sales are generated from two parsimonious variants of the VAR model viz., the Bayesian VAR (BVAR) and Bayesian ECM (BECM), and compared with predictions from a bivariate model which uses a composite index of the leading indicators and a univariate autoregressive model. An evaluation of their relative accuracy suggests that the BVAR's forecasting performance is superior to the other models. The BVAR is also able to predict the turning points of the recent IT boom-and-bust cycle.

PREFERENTIAL TARIFF POLICY, PRODUCT QUALITY AND WELFARE
by Hur Jung
Hitotsubashi Journal of Economics (forthcoming)
This paper shows that when firms consider quality as a long run choice variable, a preferential free trade arrangement can create a quality gap in favour of its member countries, as long as R&D spillovers are not perfect, and increases welfare of member countries. This result implies that a preferential free trade arrangement such as a free trade area or a customs union can bring an exclusive long run benefit to the member countries.

TARIFF POLICY AND THE EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS IN THE PRESENCE OF PARALLEL IMPORTS
by Hur Jung and Yohanes E. Riyanto
Oxford Economic Papers (forthcoming)
This paper examines an interplay between tariff policy and parallel-import policy. From a welfare point of view, a host government would prefer allowing parallel imports to prohibiting them. However, if a tariff is not at the government’s disposal, there will be no parallel imports in equilibrium because a foreign manufacturer would prefer adopting a uniform pricing policy to a discriminatory pricing policy, which will prevent parallel imports from occurring. If a tariff is at the government’s disposal, it can be set optimally to induce the foreign manufacturer to impose a price discrimination policy. Such a policy will facilitate entry by a parallel importer provided that parallel imports are feasible.

A NOTE ON MULTI-ISSUE BARGAINING WITH A FINITE SET OF ALTERNATIVES
by Younghwan In
International Journal of Game Theory (forthcoming)
We extend the results of van Damme et al. (1990) and Muthoo (1991) to two bilateral multi-issue bargaining procedures with complete information and endogenous agenda, where each issue is associated with a finite set of alternatives. We show that in the first procedure (issue-by-issue bargaining), the stationary subgame perfect equilibria alone may support a large multiplicity of inefficient agreements.
Confronting a recent study, the results for the second procedure imply that it is not necessary to appeal to “strictly controversial” issues in a bargaining problem in order to find multiplicity and delay in agreements.

**FINANCIAL LIBERALIZATION AND SHORT-RUN HOUSING PRICE DYNAMICS**
by Basant K. Kapur
*Economic Theory* (forthcoming)

We develop a continuous time, rational expectations, multi-cohort model of an exchange economy with housing, the purchase of which is subject to a down payment constraint. The timing of the house purchase decision is a crucial endogenous variable, and four determinants of it are identified – the housing services effect, the interest discounting effect, the consumption smoothing effect, and the rate of price increase effect. Cohort effects, and supply constraints, play crucial roles at the aggregative level. We explore in detail the effects of a discrete financial liberalization, and show that if the liberalization is not announced sufficiently far in advance, housing prices will initially overshoot the new stationary equilibrium, and vice versa. Particular attention is paid to the possibility that for a subset of cohorts along the transition path the down payment constraint will not bind. An interesting ‘Prisoners’ Dilemma’ is also identified, and policy implications discussed.

**LONG HORIZON REGRESSIONS WITH MODERATE DEVIATIONS FROM A UNIT ROOT**
by Jin Lee

We consider long horizon regressions where the predictor with unknown degree of persistence follows a process of moderate deviation from a unit root. Some asymptotic properties of OLS estimator and of the t statistic are discussed.

**RESPONSES TO GLOBALIZATION FROM A BIG TRANSITION ECONOMY: THE CASE OF CHINA**
by Lu Ding

Five years after its accession to the World Trade Organization, China has to carry out full commitments of market opening in many fronts, in particular the local currency banking services. Meanwhile, as China gradually rises to the rank of the middle-income countries, it faces the possible conflicts between ensuring a smooth integration of its economy into the global market and sustaining a full-employment growth of the domestic economy. This paper discusses several intermediate and long-term challenges to China in the era of globalization.

**RATIONAL BELIEFS OR DISTORTED BELIEFS: THE EQUITY PREMIUM PUZZLE AND MICRO SURVEY DATA**
by Cheolbeom Park
*Southern Economic Journal* (forthcoming)

This paper examines whether the expected equity premium constructed from survey forecasts is consistent with the implications of the rational belief approach or the distorted belief approach to explaining the equity premium puzzle. To address this question, a panel data model with a fixed individual effect and a business cycle effect is analyzed. The results appear more favourable to the distorted belief approach. The average expected equity premium is lower than the average realized equity premium during the sample period. The average bias across economists is significant and varies over the business cycle, which is consistent with distorted beliefs that are excessively pessimistic over expansions and excessively optimistic over contractions.

**THE CHOICE OF CAPACITY IN MIXED DUOPOLY UNDER DEMAND UNCERTAINTY**
by Sougata Poddar and Yuanzhu Lu
*The Manchester School* (forthcoming)

We analyze the capacity choice of firms under demand uncertainty in a mixed duopoly market consisting of one private firm and one public firm. We define a two-stage game where firms choose capacity in the first stage without knowing which state of nature is going to realize, and output in the second stage, knowing which state is realized. We address the question of maintaining over and under capacity in the equilibrium as a strategic device; and show that both symmetric as well as asymmetric outcome can realize.

**THE DVORETZKY-WALD-WOLFOWITZ THEOREM AND PURIFICATION IN ATOMLESS FINITE-ACTION GAMES**
by Ali Khan, Kali Rath and Sun Yeneng
*International Journal of Game Theory* (forthcoming)

We apply a consequence of a theorem of Dvoretzky, Wald and Wolfowitz to a finite-action setting of finite games with incomplete and private information, as well as to that of large games. In addition to simplified proofs and conceptual clarifications, the unification of results offered here re-emphasizes the close connection between statistical decision theory and the theory of games.

**THE EXACT LAW OF LARGE NUMBERS VIA FUBINI EXTENSION AND CHARACTERIZATION OF INSURABLE RISKS**
by Sun Yeneng
*Journal of Economic Theory* (forthcoming)

We introduce the concept of a Fubini extension. This framework is used to prove the exact law of large numbers for a continuum of independent random
variables or stochastic processes, which had been widely used in the economic literature without a proper foundation. A model for a large economy with individual risks is developed; and insurable risks are characterized by essential pairwise independence.

**PURIFICATION OF MEASURE-VALUED MAPS**  
by Peter Loeb and Sun Yeneng  
We generalize the classical result of Dvoretzky-Wald-Wolfowitz on purification of measure-valued maps to general target spaces. As an application, we obtain a strong purification for every mixed strategy profile in finite-player games with compact action spaces and diffuse and conditionally independent information.

**MARTINGALE PROPERTY OF EMPIRICAL PROCESSES**  
by Sergio Albeverio, Sun Yeneng and Jiang-Lun Wu  
*Transactions of the American Mathematical Society* (forthcoming)  
It is shown that for a large collection of independent martingales, the martingale property is preserved on the empirical processes. This result has implications on the testability of the martingale property in financial modeling.

**CHINA’S DEMOGRAPHIC WINDOW: THE BOOM AND BUST IN PRIME-AGE WORKERS**  
by Judith Banister and Calla Wiemer  
*EAI Background Brief No. 249, Singapore: East Asian Institute, National University of Singapore, 18 July 2005.*  
Massive reallocation of labour from low to higher productivity jobs has been the driving force behind China’s economic growth. This force has been aided by a favourable demographic profile: China’s population, with a median age of 32, is now concentrated in prime working-age cohorts. This creates a window of opportunity for rapid economic growth provided the pool of available labour can be put to work productively.

**ASSESSING SINGAPORE’S EXPORT COMPETITIVENESS THROUGH DYNAMIC SHIFT-SHARE ANALYSIS**  
by Peter Wilson, Ting Su Chern, Tu Su Ping and Edward Robinson  
This paper uses dynamic shift-share analysis to examine Singapore’s export performance in electronics and chemicals in the export markets of the USA, European Union and Japan over the period 1988-2001. It compares Singapore’s export competitive position against a group of reference economies: China, Hong Kong, Korea, Malaysia and Taiwan, which are close competitors in these markets. Previous studies on Singapore using shift-share methods have tended to focus on the one or two-digit export classification. By contrast, the present paper looks at specific three-digit electronics categories and chemicals which are particularly important for analysing Singapore’s current and future export strengths and weaknesses. Our findings identify 1996 as a turning point, in which Singapore’s net positive gains in electronics exports compared to the reference economies shifted towards losses, but this need not be a problem if Singapore can continue to evolve from
exporting final electronics products to the developed markets, to supplying higher-end intermediate electronics components to support assembly-type operations in the other East Asian economies. Chemicals have also emerged as a possible new source of growth within the manufacturing sector.

**ELASTICITY OF RISK AVERSION AND INTERNATIONAL TRADE**
by Udo Broll, Jack E. Wahl and Wong Wing Keung
Economics Letters (forthcoming)
This note analyzes export production in the presence of exchange rate uncertainty under mean-variance preferences. We present the elasticity of risk aversion, since this elasticity concept permits a distinct investigation of risk and expectation effects on exports. Counterintuitive results are possible, e.g., though the home currency is revaluing (devaluating) exports of the firm increase (decrease). This fact may contribute to the explanation of disturbing empirical results.

**NEW VARIANCE RATIO TESTS TO IDENTIFY RANDOM WALK FROM THE GENERAL MEAN REVERSION MODEL**
by Kin Lam, May Chun Mei Wong and Wong Wing Keung
Journal of Applied Mathematics and Decision Sciences (forthcoming)
We develop some properties on the autocorrelation of the k-period returns for the general mean reversion (GMR) process in which the stationary component is not restricted to the AR(l) process but takes the form of a general ARMA process. We then derive some properties of the GMR process and three new non-parametric tests comparing the relative variability of returns over different horizons to validate the GMR process as an alternative to random walk. We further examine the asymptotic properties of these tests which can then be applied to identify random walk models from the GMR processes.

**PRICING ACCESS: FORWARD VERSUS BACKWARD LOOKING COST RULES**
by Julian Wright and Graeme Guthrie and John Small
European Economic Review (forthcoming)
Regulators across many diﬀerent jurisdictions and industries have recently adopted the practice of setting access prices based on the current costs of providing the relevant facilities. Though widely regarded as being eﬃcient, the eﬃciency implications of using current costs instead of historical costs have not been formally analyzed. Our analysis shows that given stochastic costs, forward-looking access prices retard investment and are generally dominated by access prices determined by historical cost whenever investment is desired.

**PRICE STRUCTURE IN TWO-SIDED MARKETS: EVIDENCE FROM THE MAGAZINE INDUSTRY**
by Julian Wright and Ulrich Kaiser
International Journal of Industrial Organization (forthcoming)
We present and estimate a model of competition in a two-sided market: the market for magazine readership and advertising. Using data on magazines in Germany, we find evidence that magazines have properties of two-sided markets. The results are consistent with the perception that prices for readers are ‘subsidized’ and that magazines make all their money from advertisers. Consistent with advertisers valuing readers more than readers value advertisements, our results imply that higher demand on the reader side increases ad rates, but that higher demand on the advertising side decreases cover prices.

**MULTIHOMING AND COMPATIBILITY**
by Julian Wright and Toker Doganoglu
International Journal of Industrial Organization (forthcoming)
When competing firms make their services compatible, consumers enjoy greater network benefits. These benefits can also be realized if ﬁrms remain incompatible and consumers multihome by purchasing from each of the ﬁrms. We ﬁnd such multihoming may be a poor substitute for compatibility. Multihoming weakens competition and introduces costs that ﬁrms do not internalize. As a result, multihoming can increase the social desirability of compatibility, while making compatibility less attractive for ﬁrms. Surprisingly, policymakers should generally be more concerned about a lack of compatibility when multihoming is present. Our results extend to two-sided markets.

**TWO-SIDED MARKETS**
by Julian Wright and Mark Armstrong
There are many examples of markets where two or more groups of participants interact via intermediaries or “platforms”. Surplus is created – or perhaps destroyed in the case of negative externalities – when the groups interact. Of course, there are countless examples where ﬁrms compete to deal with two or more groups. However, in a set of interesting cases, cross-group network effects are important, and the beneﬁt enjoyed by a member of one group on a platform depends upon how well that platform does in attracting custom from the other group. For instance, a general purpose credit card scheme cannot offer a valuable service to either side unless it attracts both a large number of consumers carrying its cards and a large number of retailers that accept these cards. Negative cross-group externalities are also relevant.

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sometimes; for instance, viewers and listeners generally dislike advertisements on TV and radio. The study of two-sided markets is the study of such markets. In this New Palgrave entry, we provide an explanation of two-sided markets, discuss the central questions of interest, and survey some of the early results thus far.

**CREDIT CARD INDUSTRY**  
*by Julian Wright and Victor Stango*


The concept of a general purpose credit card originated in 1949 when Frank McNamara dined in a New York restaurant and discovered that he could not pay for his meal (Evans and Schmalensee, 1999). By the 1980s credit cards had become ubiquitous, and they remain a popular form of payment in most economies. Banks offer cards, setting terms such as interest rates and annual fees. Transactions are handled by networks such as Visa and MasterCard, which emerged in the 1970s as joint member associations. Early research examining the market typically focused on the retail level, while more recent work has tended to focus on the network level, mirroring a shift in policy concerns in the 1980s. This New Palgrave entry surveys research on the credit card industry that is of interest to economists more generally. We focus on two topics that have been the subject of long-standing debate - claims that credit card interest rates are sticky and that interchange fees in credit card networks are set too high.

**MOBILE TERMINATION**  
*by Julian Wright, Olivier Renard and Harley Thompson*


Regulators in Australia, Japan, United Kingdom and many countries in Europe have regulated mobile termination rates reflecting concerns about the high level of these charges and the resulting high fixed-to-mobile retail prices. In Latin American countries, despite success in expanding mobile telephony, the relatively high charges imposed by mobile phone operators on fixed line networks to accept calls have led to recent calls for regulatory intervention. This chapter builds on the recent theoretical literature that analyzes welfare-maximizing termination charges by calculating the welfare effects of regulating lower termination charges in a selected Latin American country. It does this by calibrating a theoretical model to market conditions in Colombia. Countries such as Colombia are of interest since they involve markets where (a) mobile penetration is still quite low and (b) policymakers are considering regulating lower termination charges. Surprisingly, we find fixed to mobile traffic is actually maximized at around 6 cents above the current termination charge, consistent with strong positive spillovers from greater mobile penetration on fixed-line users. In contrast, regulating mobile termination down to cost would result in a 5 per cent reduction in consumer surplus, and a 12 per cent reduction in welfare.

**INTERCHANGE FEES IN VARIOUS COUNTRIES: DEVELOPMENTS AND DETERMINANTS**  
*by Julian Wright and Stuart Weiner*

*Federal Reserve Bank of Kansas City Working Paper 05-01*

Interchange fees and related issues in credit and debit card markets have been the focus of considerable attention in recent years. The academic community has begun to address the economics of these markets. Public officials have begun to address the policy implications of developments in these markets. Meanwhile, these markets continue to experience dynamic change as credit, and especially debit, transactions account for an ever-growing share of overall payments. This paper provides an overview of interchange fee developments and issues in a number of countries. It also presents a preliminary analysis of some possible contributing factors. The principal conclusion of the paper is that interchange arrangements vary considerably across countries, and while existing economic theory provides some insight into fee levels and movements, much remains to be explained. A number of complex and interrelated factors, many country-specific, play a role in interchange developments.

**INFLATION TAXATION AND WELFARE WITH EXTERNALITIES AND LEISURE**  
*by Ho Wai-Ming, Zeng Jinli and Zhang Jie*

*Journal of Money, Credit and Banking (forthcoming)*

This paper examines how inflation taxation affects resource allocation and welfare in a neoclassical growth model with leisure, a production externality and money in the utility function. Switching from consumption taxation to inflation taxation to finance government spending reduces real money balances relative to income, but increases consumption, labor, capital and output. The net welfare effect of this switch depends crucially on the strength of the externality and on the elasticity of intertemporal substitution: While it is always negative without the externality, it is likely to be positive with a strong externality and elastic intertemporal substitution.
The presentation round called for a different set of skills of the finalists, as they analysed the surge in oil prices and how that affects the global economy, providing insightful analyses and interesting facts to the audience, captivating the audience with their masterful application of textbook economic theories onto a real life problem. Hwa Chong Institution impressed the judges with their answers to questions from the Head of Department of Economics, NUS, Professor Åke Blomqvist. National Junior College built their case on an unconventional analogy, while Victoria Junior College presented their answers in the form of a skit. Raffles Junior College gave a no-nonsense presentation that was simple yet to-the-point.

It was a close fight where all the finalists were at their best, and the judges had a difficult time deciding on the best. After much deliberation, Raffles Junior College was crowned the champions of the 15th National Economic and Fund Management Quiz. On top of the individual trophies and the prize money of S$1000 for the champions, Raffles Junior College also received the statuesque Economics Society Challenge Trophy. Victoria Junior College, Hwa Chong Institution and National Junior College were 1st, 2nd and 3rd runner-ups respectively. Each finalist school received cash prizes of S$800, S$600 and S$400 respectively and each contestant also received a trophy.

For the past five years of competition, the coveted top spot has been dominated the duopoly of Hwa Chong Institution and Raffles Junior College. Will NEFMQ 2006 be an event that will see a new institution challenging their dominance, or will Hwa Chong Institution and Raffles Junior continue their supremacy in the quiz? We shall wait and see.
The 15th National Economic and Fund Management Quiz (NEFMQ) 2005 was organised by the NUS Economics Society with the help and support of the Economics Department of NUS and the Office of Student Affairs and was proudly sponsored by Government of Singapore Investment Corporation (GIC). It had two rounds of competition before crowning a winner, namely the preliminary round and the finals.

The preliminary round, which was held on 21st May 2005, attracted more than 700 students from 17 institutions. The students completed a one-and-a-half hour paper consisting fifty challenging and thought-provoking multiple choice questions on economics and fund management. Hwa Chong Institution, National Junior College, Raffles Junior College and Victoria Junior College emerged as the top four institutions with the highest test score, in a quiz that had a mean score of only 20 out of 50.

The finals for the NEFMQ 2005 were held at the University Cultural Centre Theatre, National University of Singapore on 30th July 2005 with Mr. Raymond Lim, Minister, Prime Minister’s Office, Second Minister for Finance and Foreign Affairs as our invited guest-of-honour. The esteemed judges for the competition were Associate Professor Shandre Thangavelu, Dr. Albert Hu and Dr. Chang Youngho whose research interests in energy and macro aspect of economics were valuable in the judging and grading of the finalists.

The 15th NEFMQ finals proved to be a fascinating, intellectually stimulating and exciting affair, as the finalists battled their knowledge of economics and lightning mental reflexes against one another in the team and speed rounds. The challenging questions called for the finalists’ wit and quick reflexes, and it was highly exciting as the finalists were also penalised for wrong answers. The audience was kept on the edge of their seats as the scores were very close, and the guest-of-honour was “very impressed with the way the teams were able to think on their feet”.

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