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Message from

OUR NEW HEAD OF DEPARTMENT PROFESSOR PARKASH CHANDER

In my six months as the Head of the Department, I have been frequently asked whether I find the job difficult. I think running the Department is easy, but building it is indeed a difficult task. How do we *build* a Department? Perhaps my predecessors have asked the same question and thought about it more deeply than I have. So some of the things I have to say are likely to sound clichéd. However, my objective is to start a conversation on a topic that concerns all of us, and put forward my own point of view, rather than to speak differently for the sake of it.



As many other departments in the University, the Economics Department has traditionally focused on its undergraduate program and has produced many outstanding graduates. It has imparted high quality training and acquired a reputation for teaching excellence at the undergraduate level. This has been possible largely due to the contributions of its faculty members as inspiring and innovative teachers. Such a reputation can be maintained and consolidated only by continuing to encourage and reward such teachers.

The Department has recently introduced double degrees in economics-and-engineering and economics-and-law, and a double/joint degree in economics-and-mathematics may be forthcoming, too. Developing and "selling" these new programs should be an important objective of the Department during the next few years. Especially since these programs can help the Department to attract the brightest undergraduates in the face of an increasing competition from other institutions.

In the last few years, the Department has also put increasing emphasis on teaching at the graduate level. The implications of the relatively new graduate programs need to be fully factored into the undergraduate program for an overall efficiency. This reorganization and consolidation will reduce the total number of modules to be taught. The resources freed up in the process could be used to strengthen all our programs.

EDITORIAL TEAM OF

Dr Vijayakala Seevaratnam

Ms Sabrina Tan

Ms Salinah Zuber

THIS
ISSUE

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It is not a coincidence that the most leading departments in economics also have the most successful graduate programs. Beside other benefits, such a program offers the Department's faculty an opportunity to teach advanced students and supervise thesis work at the highest level. Since such activities complement rather than substitute the faculty members' own research, it can greatly help the Department in retaining and attracting active and well-published researchers. A successful graduate program is, therefore, a must for strengthening the Department's national and international reputation. This can be achieved by attracting talented students, imparting good graduate training, and by spending time with the graduate students to guide them to produce high quality Ph.D. theses. This requires a great deal of effort by the faculty members in the initial years of the program. But it would become easier in subsequent years with a growing reputation for the Department as a good place for receiving graduate training. This is a process that feeds into itself for the better.

With some recent successes in hiring at the senior level, the Department is now close to achieving a critical mass of well-established researchers who can build an international reputation for the Department. By a rough count, the Department's name should appear this year on almost ten papers in the top fifteen journals in economics. This is not a small achievement. But, given our size and potential resources, more needs to be done both in terms of publication and attracting senior faculty. Simply going out and hiring senior faculty is difficult, if not impossible. Not many people would be willing to go to a place which does not have a record of publishing regularly in leading international journals. This requires the Department members to further raise the frequency with which they publish in these journals. The Department can facilitate this by creating an environment where the existing faculty can do high quality research and by encouraging them to interact and collaborate with one another.

That Singapore is fairly remote from most centers of academic excellence is a disadvantage we face which makes it difficult to publicize the Department members' research in the international community, and to keep abreast with the latest developments. This weakness can to a large extent be overcome if we undertake certain activities. First, the Department needs to strengthen its seminar series. It should be able to invite the best researchers from anywhere in

the world to present their current work. This is crucial as seminars are a primary way of disseminating knowledge in economics, well in advance of the papers being published in journals where the average lag is 3-4 years. Such a seminar series can enable the faculty and the graduate students to keep in touch with the latest developments in economics, help them to find new research topics, build networks, and increase the awareness of the Department's research activities in the international community.

Second, the Department should have a very active visitors program. Such a program should be able to invite active researchers from anywhere in the world to come and spend a month or more at the Department. These visitors will be expected to do their research, interact with the faculty and graduate students with a view of doing collaborative work, and provide research externalities. They can also become potential people to attract and hire in the Department. This is different from the seminar program as the visitors will be expected to stay for a longer period. These visitors may be invited mainly for research purposes, without teaching obligations. The program can enable the Department, in a relatively short time, to become a major player in the economic research community. Examples of such successful visitors programs in economics include the Centre for Operations Research and Economics (Belgium), and the Institute for International Economic Studies (Stockholm) among others.

Third, like many other emerging economics departments, the Department should have an annual workshop to increase the awareness about the work being done by its faculty. Such a workshop would generate publicity and visibility, showcase the research environment in the Department, and energize the faculty's research. Many economics departments, including the SITE (Stanford), Indian Statistical Institute (Delhi), University of Auckland, and SUNY (Stony Brook), have successfully followed this strategy to become natural destination for economists worldwide at a particular time of the year.

I look forward to working with the Department's faculty and staff to undertake these programs. If conducted properly, the programs will create a stimulating teaching and research environment, and significantly raise the international profile of the Department. This will *build* the Department into one with an international reputation for serious research, as well as, undergraduate and graduate programs.

NEW PROGRAMME FROM ACADEMIC YEAR 2006/2007

DOUBLE HONOURS DEGREE IN ENGINEERING AND ECONOMICS

The Double Honours Degree in Engineering and Economics is a programme offered jointly by the Faculty of Arts and Social Sciences and the Faculty of Engineering, leading to both the degrees of BEng(Hons) and BSocSci(Hons).

Economics and Engineering are considered complementary both in their intellectual tools and in their objects of study. Both disciplines are about problem solving. Engineering is about the innovative and creative application of mathematical and scientific principles to the creation of products,

technology and services for the good of humanity, while Economics is about the optimal choice and combinations of such systems for the achievement of maximum wealth given the society's limited resources. The programme will provide the student with an advanced understanding of the close connections between engineering and the economy. Employers will value our graduates' combined working knowledge of Engineering and Economics. Students who complete the course successfully will be awarded both BEng(Hons) and BSocSci(Hons).

THE SINGAPORE ECONOMIC REVIEW (SER)

The *Singapore Economic Review* is a triennial 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 current issue, Volume 51, Number 1 (April 2006), 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>.

VOLUME 51, NUMBER 1 (APRIL 2006)

Some Policy Implications of Behavioural Economics and Happiness Studies for Singapore with Special Reference to Casinos

Yew-Kwang Ng

Government Spending on Public Goods, Specialization-Based External Economies and Pattern of Trade

Sajid Anwar

Money, Interest Rate and Stock Prices: New Evidence from Singapore and the United States

Wing-Keung Wong, Habibullah Khan and Jun Du

Vector Autoregression Evidence on Monetarism: A Focus on Some Developing Economies in South Asia

Mudabber Ahmed and U. L. G. Rao

A Critical Assessment of Past Investigations into Singapore's Saving Behaviour

Gregor Hopf

Book Reviews

DEPARTMENT SEMINARS

The Department of Economics Seminars Series is usually held on Tuesdays and Thursdays, from 4.00pm - 5.30pm.

Semester II, Academic Year 2005/2006

Presenter	Topic	Date
Professor Parimal Kanti Bag, University of Surrey	Sequential Elimination vs. Instantaneous Voting*	13 January 2006
Professor Huw D. Dixon, University of York	Persistence and Nominal Inertia in a Generalized Taylor Economy - How Longer Contracts Dominate Shorter Contracts*	17 January 2006
Dr Cheolsung Park, Department of Economics, NUS	What Determines the Gradient among Children in Developing Countries? Evidence from Indonesia	19 January 2006
Dr Changhui Kang, Department of Economics, NUS	Does Money Matter? The Effect of Private Educational Expenditures on Academic Performance	9 February 2006
Professor Jack Knetsch, Simon Fraser University; <i>and</i> Assoc Prof Anthony Chin, Department of Economics, NUS	Some Behavioural Economics Findings and Some to be Found – Works of SCAPE and Others**	14 February 2006
Joon Song, University of California, Los Angeles	Contractual Matching: Limits of Decentralization*	16 February 2006
Syngjoo Choi, New York University	A Cognitive Hierarchy Model of Learning in Networks*	21 February 2006
Gunjan Sharma, University of Maryland, College Park	Competing or Collaborating Siblings: Industrial and Trade Policies in India*	22 February 2006
Yoon-Jin Lee, Cornell University	Specification Testing for Functional Forms in Dynamic Panel Data Models*	23 February 2006
Heejoon Han, Rice University	ARCH Models with Persistent Covariates*	24 February 2006
Stella Xiuhua Huangfu, University of Toronto	The Effect of Inflation on Market Participation and Search Intensity*	28 February 2006
Dr Aggey Semenov, Center for Operations Research and Econometrics (CORE)	Lobbying Competition under Ideological Uncertainty: A Common Agency Perspective*	2 March 2006
Professor Jean-Charles Rochet, University of Toulouse I	The Pricing of Academic Journals: A Two Sided Market Perspective	9 March 2006
Professor Nicholas Yannelis, University of Illinois at Urbana-Champaign	General Equilibrium with Asymmetric Information (Lecture 1)	14 March 2006

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Presenter	Topic	Date
Professor Winand Emons, University of Bern	The Optimal Amount of Falsified Testimony	16 March 2006
Assoc Prof Ramkishen S. Rajan, School of Public Policy, George Mason University	Exchange Rate Pass-Through in Asia: What Does the Literature Tell Us?***	17 March 2006
Professor Nicholas Yannelis, University of Illinois at Urbana-Champaign	General Equilibrium with Asymmetric Information (Lecture 2)	21 March 2006
Professor Peter C. B. Phillips, Sterling Professor of Economics, Yale University	Heteroskedasticity - Autocorrelation Robust Testing	22 March 2006
Professor Anne P. Villamil, University of Illinois at Urbana-Champaign	The Effect of Financial Repression and Enforcement on Entrepreneurship and Economic Development**	22 March 2006
Professor Peter Jackson Hammond, Stanford University	The Elusive Gains from Trade, Migration and Other Forms of Liberalization	23 March 2006
Professor Tatsuyoshi Saijo, Institute of Social and Economic Research, Osaka University	Design Science: A Prelude	24 March 2006
Professor N. S. S. Narayana, Indian Statistical Institute	Macroeconomic Simulation Results for the Indian Economy, Based on Vector Error Correction Models**	24 March 2006
Professor Nicholas Yannelis, University of Illinois at Urbana-Champaign	General Equilibrium with Asymmetric Information (Lecture 3)	28 March 2006
Professor Nicholas Yannelis, University of Illinois at Urbana-Champaign	General Equilibrium with Asymmetric Information (Lecture 4)	30 March 2006
Professor Henry Tulkens, Center for Operations Research and Econometrics (CORE)	On Coalition Formation in the Standard Economic Model of International Environmental Agreements**	31 March 2006
Professor D. S. Prasada Rao, Director, Centre for Efficiency and Productivity Analysis, School of Economics, University of Queensland	Estimating Income Inequality in China Using Grouped Data and the Generalized Beta Distribution**	5 April 2006
Dr Soma Dey, Department of Business Policy, NUS	Are Patents Discouraging Innovation?*	6 April 2006

Presenter	Topic	Date
Dr Fabio Castiglionesi, Universitat Autònoma de Barcelona	Liquidity Coinsurance, Moral Hazard and Financial Contagion	11 April 2006
Dr Zhenglian Wang, Duke University	A New Method of Family Households and Consumption Forecasting and Its Applications**	3 May 2006
Professor Chong-En Bai, Department of Economics, Tsinghua University and Associate Professor, School of Economics and Finance, University of Hong Kong	How Does Privatization Work in China?***	4 May 2006
Professor Zeng Yi, Duke University and Peking University	1) A Brief Introduction to the Chinese Longitudinal Healthy Longevity Study 2) Estimating the Impacts of Demographic and Policy Changes on Pension Deficit: A Simple Method and Application to China (<i>SCAPE Public Lecture</i>)	5 May 2006
Dr Photis M. Panayides, Cyprus International Institute of Management	Container Ports and Global Supply Chains: Supply Chain Orientation and Competitive Performance*	15 June 2006
Dr John Fernald, Macroeconomic Research, Federal Reserve Bank of San Francisco	Measuring the Miracle: Market Imperfections and Asia's Growth Experience**	16 June 2006
Dr Guillaume Rocheteau, Federal Reserve Bank of Cleveland	General Equilibrium with Nonconvexities, Sunspots and Money	22 June 2006

* Job Market Seminar ** SCAPE Seminar

INDUSTRIAL ORGANIZATION WORKSHOPS

Co-ordinator : Assoc Prof Julian Wright

Website : <http://nt2.fas.nus.edu.sg/ecs/res/io.asp>

Semester II, Academic Year 2005/2006

Date	Speaker(s)	Title
10 March 2006	Mr Jose Miguel M. Abito and Ms Lim Cher Maine	A Discussion on Two-Sided Markets: Stock Markets and Cable TV
28 April 2006	Professor Ivan Png, Dr Qian (Candy) Tang and Ms Qiuhong Wang	Information Security: User Precautions and Hacker Targeting

MACROECONOMICS & MONETARY ECONOMICS BROWN BAG WORKSHOPS

Co-ordinator : Assoc Prof Aditya Goenka

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 II, Academic Year 2005/2006

Date	Speaker	Title
15 March 2006	Dr Partha Chatterjee NUS Business School	Convergence in a Stochastic Dynamic Heckscher-Ohlin Model
29 March 2006	Dr Hassan Naqvi NUS Business School	Banking Crises and the Lender of Last Resort: How Crucial is the Role of Information?
19 April 2006	Dr Nicolas Jacquet SMU	Inefficient Worker Turnover

MICRO-GROUP MEETINGS

Co-ordinator : Assoc Prof Indranil Chakraborty

Website : <http://nt2.fas.nus.edu.sg/ecs/res/micro.asp>

Semester II, Academic Year 2005/2006

Date	Speaker	Title
3 February 2006	Dr Lu Jingfeng	Auction Design with Entry
17 February 2006	Dr Sougata Poddar	Why Software Piracy Rates Differ – A Theoretical Analysis
3 March 2006	Dr Michael Finus	An Almost Ideal Sharing Scheme for Coalition Games with Externalities
17 March 2006	Professor Parkash Chander	Cores and Coalition Formation
24 March 2006	Professor Sun Yeneng	Large Markets with Uncertainty
28 March 2006	Professor Chew Soo Hong	Decision-Making under Uncertainty in Small Worlds: Probabilistic Sophistication through Event Exchangeability
7 April 2006	Dr Yohanes Eko Riyanto	Corporate Social Responsibility in a Corporate Governance Framework: A Theoretical Analysis

STAFF ACTIVITIES

Professor Åke G. Blomqvist

Professor Blomqvist has been appointed as a Member of the Faculty Research Committee with effect from 1 June 2006 to 31 May 2007.

Assoc Prof Aditya Goenka

Assoc Prof Goenka served as a discussant for the paper by Dr Hassan Naqvi at the 2nd Saw Centre Conference on Finance, NUS Business School on 18 April 2006.

Professor Basant Kapur

Professor Basant Kapur was interviewed by the Economic Society of Singapore on his two years as President of the Society during 1996-98 and his views on the role that the Society can usefully play. A video presentation of the views and recollections of past and current presidents of the Society was shown at the Annual Dinner of the Society on 24 May 2006, this year being the 50-year anniversary of the founding of the Society.

Dr Lim Boon Tiong

Dr Lim has been appointed as an Assistant Dean, Faculty of Arts and Social Sciences with effect from 1 July 2006 to 31 December 2006. He is also a Member of the Faculty Selection Committee for Undergraduate Scholarships, Bursaries and Financial Aid 2006 -2007.

Dr Sougata Poddar

Dr Poddar was a Distinguished Speaker at the Annual Congress of the Society of Economic Research on Copyright Issues (SERCI) in Singapore in June 2006.

Dr Vijayakala Seevaratnam

Dr Seevaratnam, a Fellow of the Salzburg Seminar, was invited to attend the 9th Freeman Foundation Symposium, "East Asia – The United States: A Search for Common Values", in Salzburg, Austria from 9-14 June 2006. She gave a presentation on 'Digital Bridge-Building: Ongoing Connections'.

Professor Sun Yeneng

Professor Sun was invited to give talks titled "Modeling Large Societies" at the Nanyang Technological University, Singapore on 19 April 2006, at the University of Wales, Swansea on 5 June 2006, at the 2nd IMT-GT 2006 Regional Conference on Mathematics, Statistics and Applications, Penang, Malaysia on 14 June 2006, and at the International Conference on Analysis and Applications, Hefei, China on 28 June 2006. He was also invited to give a two-and-a-half hour mini-workshop on "Mathematical Economics" at the IMT-GT conference in Penang on 13 June 2006. He participated in the International Congress of Nonstandard Methods in Mathematics, which was held in Pisa, Italy from 25 to 31 May 2006, both as a member of the Scientific Committee and as an invited speaker of the Congress. In addition, Professor Sun was invited in February 2006 to be a programme committee member and organiser of a session on mathematical economics at the Eighth SAET Conference on Current Trends in Economics, to be held in Kos, Greece from 18 to 24 June 2007.

Assoc Prof Wong Wing Keung

Assoc Prof Wong was invited to be an Associate Editor of the journal, Emerging Markets Letters, in 2006. The Applied Mathematics Department of The Hong Kong Polytechnic University invited him to give a lecture on 2 June 2006. The title of the lecture was 'Markowitz and Prospect Stochastic Dominances'.

Assoc Prof Julian Wright

Assoc Prof Wright has been appointed as a Member of the Faculty Graduate Scholarship Selection Committee and Post-Doctoral Fellows/Isaac Manasseh Meyer Fellows/FASS Visiting Scholars Selection Committee with effect from 1 June 2006 to 31 May 2007.

ALUMNI ACTIVITIES

Reunion Dinner Announcement

There is a class reunion dinner organised by those who were in the honours year in 1966 on Tuesday, 15 August 2006. Other alumni of the department are also invited, as well as lecturers in the Department. Further details can be obtained from Dr. Lee Soo Ann at ecsleesa@nus.edu.sg.

GRADUATE THESIS TOPICS

The following students of the Department were conferred postgraduate degrees by research between January and June 2006.

PHD

Name of Student	Topic	Supervisor (s)
Li Ning	An Investigation of the Information Content of the Financial Policies of China's Listed Companies	Assoc Prof Lu Ding
O. G. Dayaratna Banda	Foreign Investment Inflows, Government Institutions, External Openness and Economic Growth in Developing Countries: A Theoretical and Empirical Investigation	Assoc Prof Shandre Thangavelu and Assoc Prof Tilak Abeyasinghe
Toh Gek See, Ruby	Competition with Horizontal and Vertical Differentiation: Location Theory and Experiments	Dr Sougata Poddar

M.SOC.SCI. BY RESEARCH

Name of Student	Topic	Supervisor (s)
Fong Shirley	Altruism and Climate Change – Does Altruism Have A Role to Play in Mitigating Climate Change?	Professor Parkash Chander
Soh Tat Yong, Daniel	The Dynamic of the Spot Index and Futures Contract for Singapore Exchange	Assoc Prof Wong Wing Keung
Tan Chih Wei, Randy	Essays on Outsourcing, Technology Adoption and Unemployment	Dr Ho Kong Weng
Enrico Tanuwidjaja	A Small Scale Macroeconomic Model of Indonesia	Assoc Prof Jose Tongzon and Dr Choy Keen Meng
Yong Li Ann, Grace	Intergenerational Transmission of Religion: Does Mother's Working Behaviour Make a Difference?	Dr Ho Kong Weng

NOTABLE ACHIEVEMENTS OF STUDENTS

ECONOMICS SOCIETY OF SINGAPORE GOLD MEDAL, 2005-2006

Mr. Jose Miguel M. Abito

LIM CHONG YAH GOLD MEDAL, 2005-2006

Mr. Cheang Kok Chew

LIM TAY BOH MEMORIAL MEDAL (GOLD), 2005-2006

Mr. William Tan Chi Yen

MONETARY AUTHORITY OF SINGAPORE BOOK PRIZE, 2005-2006

Mr. Jose Miguel M. Abito

RACHEL MEYER BOOK PRIZE, 2005-2006

Miss Guo Shanyi

SINCPEC PRIZE, 2005-2006

Miss Xu Jia

TSAO NG YU SHUN AWARD OF EXCELLENCE IN AGEING STUDY, 2005-2006

Miss Lim Shi'en Shawna

YOU POH SENG PRIZE IN ECONOMETRICS, 2005-2006

Mr. Jose Miguel M. Abito



JOSE MIGUEL M. ABITO

~ WINNER OF ~

ECONOMICS SOCIETY OF SINGAPORE GOLD MEDAL
MONETARY AUTHORITY OF SINGAPORE BOOK PRIZE
YOU POH SENG PRIZE IN ECONOMETRICS

Economics is not exclusively about money. Economics is a kind of paradigm – a type of looking-glass which allows us to gain a certain unique understanding of the world around us. Economics is about how agents (usually humans) react to incentives and how they decide on the most “appropriate” actions. Economics is about how we decide what to eat, where to go, what movie to watch, or more succinctly, how to live.

I was pursuing a double degree in Management Engineering and Economics in the Philippines when I decided to transfer to NUS and take up Economics as a single major. My prime motivation for choosing Economics was a slight distaste for accounting and other more business-related subjects. More importantly, I initially thought that Economics subjects were grade-boosters. That was until I got a C+ in an Economics GEM in NUS!

My Year 1 performance in NUS was terribly disappointing. Because of this, I was contemplating whether to change majors and even began to regret foregoing my *magna cum laude* status in the Philippines to study in NUS. Nonetheless, I decided to stick with Economics instead of undertaking the more troublesome process of changing majors.

To make up for my disappointing Year 1, I ironically decided to take up the challenge and register for two level 4000 modules in my Year 2 (Macroeconomics and the dreaded Financial Econ II). I still remember Assoc Prof Albert Tsui trying to scare the Year 3's from taking his module. Imagine what I felt back then as the sole Year 2! Fortunately, I performed extremely well and gained a reputation amongst my peers. Furthermore, these two modules introduced me to the more serious and rigorous study of Economics

GUO SHANYI

~ WINNER OF ~

RACHEL MEYER BOOK PRIZE, 2005-2006

My days in the National University of Singapore have been the best among all the other stages of my academic life. The flexibility of my timetable and the freedom I had in choosing modules that interest me have enabled me to enjoy the process of learning like never before.

Back in my Junior College days, I thought Economics was a subject that one could do fairly well in if one had a basic understanding of the theories and could regurgitate them in one's essays. While spoon-feeding as a method of instruction might be useful in laying the foundation for new learners of a subject, the Economics Department's approach to teaching Economics allowed me to see the subject in a very different light. Professors impressed upon us the concept that the essence of theories could not be understood without deep analytical thinking. They made special efforts to show us the applicability of economic theories to the working world to prepare us when we commence our journey into society. We were not only encouraged to develop a critical view on issues, we were also trained to be independent learners. I learnt this important lesson while I was an honours student and had to derive my own thesis topic, carry out research based on my own parameters and write a paper by myself.

which eventually convinced me that Economics research was what I wanted to do as a career.

My final two years in NUS have so far been the most enriching and productive years in my life as a young researcher. I presented a paper on a theoretical model of fathering in New Orleans, earned a research grant from the Singapore Children's Society for an empirical study of intergenerational transmission of family-formation attitudes, presented another paper in a conference on child abuse and family issues in Singapore, and produced two “serious” papers on Industrial Organization topics with Assoc Prof Julian Wright. Most importantly, I was able to establish a professional relationship with Assoc Prof Wright in these two years which led me to discover my desired research focus.

I would like to thank Assoc Prof Julian Wright – my Honours Thesis supervisor, IO lecturer, research “boss”, co-author, referee, and career advisor! As the cliché goes, without him, I could have achieved nothing. Secondly, I would like to thank Dr Ho Kong Weng for introducing me to Economics research and guiding me along the way. Thirdly, I would like to express my gratitude to Dr Kim Jong Hoon for allowing me to take his PhD-level Econometrics class, for mesmerizing me with the elegance of “Yale-style” Econometric Theory, and for being one of my referees. I would also like to thank both the former and current Heads of the Department, Professor Blomqvist and Professor Chander, and my past lecturers that have made a lasting impact: Dr Kang Changhui, Dr Lin Mau-Ting, Dr Sougata Poddar, Dr Eko Riyanto, Dr Souresh Saha, Assoc Prof Albert Tsui, Dr Gamini Premaratne, Prof Ngo Van Long and Prof Hercules Haralambides. Last but not the least, I would like to express my sincere gratitude to Dr Lim Boon Tiong and Ms Sabrina Tan for always being there to assist students in the Department!

As an Economics student who has been taught to rationalize and value things in terms of efficiency or opportunity costs, I do constantly remind myself that EQ is as important as IQ in everyday life. The lessons I have learnt in the university have prepared me well for my career ahead and I look forward to making contributions back to society with the knowledge I have gained.

I am extremely honoured to be awarded the Rachel Meyer Book Prize for being the top female student in the FASS honours examinations. This achievement is definitely not my own. I would like to thank my father for imparting the value of perseverance to me which has helped me overcome the many obstacles I have faced in life. At the same time, I would like to express my gratitude to my mother for her understanding all through these years. I would also like to extend my heartfelt appreciation to my thesis supervisor, Assoc Prof Shandre Thangavelu, for his patient guidance. Last but not least, I would like to thank all others who have helped me in one way or another.

My four years in NUS have been memorable. This is the place where I found my interest, decided on the path for my career and was equipped with the skills to move on, with confidence and enthusiasm, to the next stage of my life.





WILLIAM TAN CHI YEN

~ WINNER OF ~

LIM TAY BOH MEMORIAL MEDAL (GOLD), 2005-2006

It was a total surprise for me to be conferred the Lim Tay Boh Memorial Award as I feel that there are more outstanding students among my friends in the Economics Department. I owe this honour to my two good friends, Ming Hui and Robby, who have constantly challenged and

sharpened my reasoning during our sometimes fiery debates. Studying Economics in NUS has certainly been much more interesting with the two of you! It would be wrong of me to forget my senior Khee Yong (2005 MAS Book Prize and ESS Medal Winner), who humbled me with his prowess in economics and mentored me along the way. I am who I am today not by my effort alone.

I first fell in love with Economics during my Hwa Chong days. Even though I was in the Science stream, I took up Economics as I wanted to learn something new. I have been hooked since then. Economics stirred something in me. Placing Economics as my first choice in NUS was done without hesitation.

I still remember my first module in NUS. It was taught by Dr Lim Boon Tiong. His passion for Economics rubbed off onto me during the consultations. It is certainly a joy to find someone who shares the same enthusiasm and love for Economics. I am sure some of you can identify with me. The NUS Economics Department has many excellent teachers who have impacted me in their own unique ways. Among the many are Professor Basant Kapur who stretched me (and my friends) to our limits with his rigorous coursework, increasing our intellect by several notches along the way; Assoc Prof Shandre M. Thangavelu who impressed upon me that the

cornerstone of Economics is improving the welfare of mankind; Assoc Prof Albert Tsui who made Financial Economics II come alive for us through his straight-faced jokes; Assoc Prof Xing Xiaolin who made Microeconomics III so fun to learn; Dr Wong Wei Kang who was ever so approachable and helpful even when we were not his students that semester; Dr Cheolsung Park who made Labour Economics such an unforgettable module; Assoc Prof Julian Wright for his green apples; Dr Younghwan In who taught Game Theory in a crystal-clear manner and was very patient to all who sought him during consultations. Certainly, not to forget Dr Gamini Premaratne and Dr Yohanes Eko Riyanto who provided invaluable thesis guidance and most importantly, assurance and personal advice during a time when Murphy's Law prevailed in my life. To quote Sir Isaac Newton, "If I have seen a little farther than others, it's because I stood on the shoulders of giants."

I owe a lifelong debt to my family. To my brother who could always empathise with my struggles. To my dad who constantly pushed me to become better. To my mum who is the epitome of sacrificial love.

I thank God for the countless blessings and challenges in my life – from the numerous part-time jobs, precious friends to sharpen each other, excellent teachers who imparted both knowledge and attitudes, to the trials that were never pleasant when I was going through them, but always moulded me in the process.

I wish the brilliant people in the Economics Department all the best. May the great minds of today continue to cultivate the young minds of tomorrow.

LIM SHI'EN SHAWNA

~ WINNER OF ~

TSAO NG YU SHUN AWARD OF EXCELLENCE IN AGEING STUDY

It is indeed my honour to be a recipient of the Tsao Ng Yu Shun Award of Excellence in Ageing Study. Words cannot adequately express my appreciation to Associate Professor Chia Ngee Choon who patiently guided me in my research and writing of my honours thesis. She was most generous in sharing her resources and ideas with me and played a pivotal role in developing my interest in health economics. This led me to study the feminization of ageing in Singapore and its implications on financing long-term care for women. Her constant encouragement and personal concern for me played a huge role in the successful completion of my thesis. I am thankful because my final year in NUS would not have been as fulfilling without such an inspiring and dedicated supervisor.

My choice to major in Economics has proven to be the right decision as it made my four years in NUS one of the most enjoyable seasons of my life. Although there were challenging times when I struggled to comprehend and solve economic puzzles, these experiences were also certainly made most rewarding with helpful tutors and loving friends from the Economics classes who struggled alongside me. There were many interesting electives offered by the Economics Department and some of my favourites were Game Theory (taught

by Dr Younghwan In), Urban Economics (taught by Assoc Prof Tay Boon Nga), Health Economics (taught by Dr Wankyo Chung) and Organization, Markets and Governance (taught by Dr Yohanes Riyanto). Certainly, one of the most memorable experiences I had was in the Student Exchange Programme which brought me to Queens University in Kingston, Canada. Whilst there, I had the opportunity to study other interesting Economics modules in a different environment and interact with professors and fellow students of different nationalities. I am grateful to the NUS Department of Economics for making this possible.

Although not every economics model learnt throughout my undergraduate years will be remembered perfectly, the research and analytical skills and tools I developed through the Economics programme at NUS will definitely be put to good use for the rest of my life. As I graduate and look forward to a new chapter of my life, Economics will remain a major part of my life as I make teaching Economics my career.



CONFERENCES

Conferences attended by our staff members from January to June 2006 are given below:

Name	Title of Conference	Title of Paper	Venue	Date
Assoc Prof Peter R D Wilson	Leeds East Asian International Relations Conference 2006	Singapore's Development Strategy since 1965: Supply-Side Socialism That Works – Or Does It?	University of Leeds, UK	25 March 2006
Assoc Prof Aditya Goenka	University of Chicago-UTCC Workshop	Habit Formation and the Transmission of Financial Crises	Bangkok, Thailand	5 April 2006
Dr Sanja Samirana Pattnayak	4th Annual International Industrial Organization Conference	Backward Linkages and Technology Spillovers in the Presence of Foreign Firms: Evidence from the Indian Pharmaceutical Industry	Boston, USA	8 - 9 April 2006
Assoc Prof Aditya Goenka	15th European General Equilibrium Theory Workshop	Manipulation via Endowments and Sunspot Equilibria	Lisbon, Portugal	20 – 21 May 2006
Mr Aamir Rafique Hashmi	40th Annual Meeting of the Canadian Economics Association	Competition and Innovation: A Dynamic Analysis of the US Automobile Industry (Authors: Aamir Rafique Hashmi jointly with Johannes Van Biesebroeck)	Concordia University, Montreal, Canada	25 - 28 May 2006
Assoc Prof Aditya Goenka	North American Summer Econometric Society Meetings	Manipulation via Endowments and Sunspot Equilibria	Minneapolis, USA	22 – 25 June 2006

THANK YOU AND OUR BEST WISHES FOR THE FUTURE

* **Dr Michael Finus** (University of Hagen, Germany)
Visiting Fellow from 3 January 2006 to 30 June 2006

* **Professor Partha Sen** (Delhi School of Economics, Delhi University)
Visiting Professor from 8 July 2005 to 30 June 2006

* **Assoc Prof Jose Lelis Tongzon**
Prof Tongzon was with the Department since 29 May 1992 and his last day of service was on 30 June 2006

* **Professor Tse Yiu Kuen**
Prof Tse was with the Department since 26 April 1982 and was appointed as an Adjunct Professor from 1 September 2001 to 30 June 2006

* **Dr Calla Jae Wiemer**
Visiting Fellow from 1 July 2005 to 30 June 2006

SINGAPORE CENTRE FOR APPLIED AND POLICY ECONOMICS (SCAPE)

Research Highlights

MOM-WDA Project on Returns to Training

(Lead Researcher: Assoc Prof Shandre Thangavelu)

The Ministry of Manpower has commissioned SCAPE to study the returns to training for the Singapore labour force. The findings from the study are expected to be released as part of the SCAPE working paper series with permission from the Ministry of Manpower.

MOM-WDA Project on Premium of Education

(Lead Researcher: Assoc Prof Shandre Thangavelu)

The Ministry of Manpower has commissioned SCAPE to study the returns to different fields of education for the Singapore labour force. The study uses the Labour Force Survey data to study the returns from different fields of education at the university and polytechnic level. This is the first comprehensive study to be undertaken for the Singapore economy using micro-level data. The findings from the study are expected to be released as part of the SCAPE working paper series with permission from the Ministry of Manpower.

SCAPE Policy Research Working Paper Series

As of 31 March 2006, there are 28 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.

The Singapore Centre for Applied and Policy Economics (SCAPE), Department of Economics, National University of Singapore, has hosted the following visitors to the Department from January to June 2006.

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

Professor Chong-En Bai, Tsinghua University and University of Hong Kong

Visit: 4 - 5 May 2006

Seminar on "**How Does Privatization Work in China?**"

Date: 4 May 2006

Professor Jack L. Knetsch, Simon Fraser University

Visit: 1 - 18 February 2006 and 27 February - 2 March 2006

Seminar on "**Some Behavioural Economics Findings and Some to be Found - Works of SCAPE and Others**"

Date: 14 February

Professor N. S. S. Narayana, Indian Statistical Institute

Visit: 19 - 25 March 2006

Seminar on "**Macroeconomic Simulation Results for the Indian Economy, Based on Vector Error Correction Models**"

Date: 24 March 2006

Assoc Prof Ramkishen S. Rajan, George Mason University

Visit: 11 - 21 March 2006

Seminar on "**Exchange Rate Pass-Through in Asia: What Does the Literature Tell Us?**"

Date: 17 March 2006

Professor D. S. Prasada Rao, Director, Centre for Efficiency and Productivity Analysis, School of Economics, University of Queensland

Visit: 3 - 7 April 2006

Seminar on "**Estimating Income Inequality in China Using Grouped Data and the Generalized Beta Distribution**"

Date: 5 April 2006

Professor Henry Tulkens, Center for Operations Research and Econometrics (CORE)

Visit: 13 March - 7 April 2006

Seminar on "**On Coalition Formation in the Standard Economic Model of International Environmental Agreements**"

Date: 31 March 2006

Professor Anne P. Villamil, University of Illinois at Urbana-Champaign

Visit: 13 - 24 March 06

Seminar on "**The Effect of Financial Repression and Enforcement on Entrepreneurship and Economic Development**"

Date: 22 March 2006

Professor Zeng Yi, Duke University and Peking University

Visit: 1 - 7 May 2006

Public Lecture on "**Ageing and Pension Reform in China**"

Date: 5 May 2006

Dr Zhenglian Wang, Duke University

Visit: 1 - 7 May 2006

Seminar on "**A New Method of Family Households and Consumption Forecasting and Its Applications**"

Date: 3 May 2006

STAFF PUBLICATIONS

BUNDLE AND SEPARATE SALES IN AUCTIONS WITH ENTRY

by Indranil Chakraborty

Games and Economic Behavior, Vol. 54, Issue 1, January 2006, pp. 31-46.

A seller sells dissimilar objects while taking the auction rule as given. Should the seller sell the objects separately or as a bundle? Generally, when the number of bidders is small, bundling helps to stimulate the competition and raise revenue. In this paper, we show that if entry is costly enough, the process of endogenous participation generates sufficient competition to make bundling unnecessary in auctions. Thus, whether a bundle auction generates a higher or a lower revenue ultimately depends first on the level of the entry costs and then, possibly, on the number of potential bidders.

CHARACTERIZATION OF EQUILIBRIUM IN DISCRIMINATORY-PRICE AUCTIONS FOR MULTIPLE UNITS

by Indranil Chakraborty

Economic Theory (forthcoming)

Equilibrium bidding strategies under most multi-unit auction rules cannot be obtained as closed form expressions. Research in multi-unit auctions has, therefore, depended on implicit characterization of equilibrium strategies using the first-order conditions of the bidders' expected payoff maximization problem. In this paper, we consider the pay-as-bid auction with diminishing marginal values for two units and show that any symmetric equilibrium in continuous strategies has the necessary properties to allow such a characterization. Moreover, any increasing solution to the system of differential equations that is used to characterize the equilibrium strategies describes an equilibrium strategy.

REPETITIVE RISK AVERSION

by Parkash Chander

Economic Theory (forthcoming)

We propose a reasonable condition, which we call repetitive risk aversion, to be imposed on any utility function to account for the observed data on the relationship between the degree of absolute risk aversion and wealth. This condition is shown to be equivalent to the behaviourally meaningful condition that the risk premium is increasing at a non-increasing rate with the size of the bet. We drive mixed risk aversion, which is known to be stronger than standard and thus proper risk aversion, from repetitive risk aversion. We present several economic applications of repetitive risk aversion to demonstrate that it delivers better comparative static results.

COOPERATION, STABILITY, SELF-ENFORCEMENT: A CONCEPTUAL DISCUSSION

by Parkash Chander jointly with Henry Tulkens

*Keynote lecture at the conference on The Design of Climate Policy, held at the Venice International University, 22 - 23 July 2005.**To appear in the conference volume to be published by MIT Press.*

In essence, any international environmental agreement (IEA) implies cooperation of one form or another. The paper seeks for logical foundations of this. It first deals with how the need for cooperation derives from the public good aspect of the externalities involved, as well as with where the source of cooperation lies in cooperative game theory. In either case, the quest for efficiency is claimed to be at the root of cooperation.

Next, cooperation is considered from the point of view of stability. After recalling the two competing concepts of stability in use in the IEA literature, new insights on the nature of the gamma core in general are given as well as of the Chander-Tulkens solution within the gamma core. Free riding is also evaluated in relation with the alternative forms of stability under scrutiny.

Finally, it is asked whether with the often-mentioned virtue of "self enforcement" any conceptual gain is achieved, different from what is meant by efficiency and stability. A skeptical answer is offered, as a reply to Barrett's (2003) attempt at giving the notion a specific content.

INCOME TAX EVASION AND THE FEAR OF RUIN

by Parkash Chander

Economica (forthcoming)

This paper characterizes the optimal income tax function when the agent is risk averse and the objective of the principal is to maximize a social welfare function. We show that the optimal tax function is generally non-decreasing and concave if the principal's objective is maximin and the agent's utility function satisfies a reasonable condition that we call repetitive risk aversion. It is shown further that in many cases, the optimal tax function is similarly concave when the social welfare function is utilitarian.

THE GAMMA-CORE AND COALITION FORMATION

by Parkash Chander

International Journal of Game Theory (forthcoming)

This paper reinterprets the γ -core [Chander and Tulkens (1995, 1997)] and justifies it as well as its prediction that the efficient coalition structure is stable in terms of the coalition formation theory. We consider an infinitely repeated game in which players must choose whether to cooperate or not and show that a certain equilibrium of this game corresponds to the γ -core assumption that when a coalition forms the remaining players form singletons. We then use this result to show that the grand coalition is a stable coalition structure.

STABILIZING SUNSPOTS

by Aditya Goenka jointly with Christophe Prechac

Journal of Mathematical Economics (forthcoming)

This paper analyzes stabilization of sunspot equilibria in an incomplete financial market framework. Indexation of nominal bonds or introduction of real securities can eliminate the sunspot equilibria. However, we show that the utility of one type of consumer may be minimized at a Walrasian allocation relative to other sunspot equilibrium allocations. Thus, if considering stabilization policies from the status quo of incomplete financial markets, there may be no consensus on implementing them.

ECONOMY GEOGRAPHY IN THE PRESENCE OF PREFERENTIAL TRADE AGREEMENTS: AN EMPIRICAL ANALYSIS OF OECD DATA

by Jung Hur, Donghyun Park and Joseph Dennis Alba

Applied Economics (forthcoming)

In the presence of preferential trade agreements (PTAs), there are two distinct levels of economic geography – global economic geography between a PTA bloc and the world, and local economic geography between a PTA member and its PTA bloc. Using OECD data, we empirically examine whether both types of economic geography can help to explain the international production structure. Our findings provide some

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support for the importance of distinguishing between local and global economic geography when testing for the presence of economic geography.

FINANCE AND TRADE: A CROSS-COUNTRY EMPIRICAL ANALYSIS ON THE IMPACT OF FINANCIAL DEVELOPMENT AND ASSET TANGIBILITY ON INTERNATIONAL TRADE

by Jung Hur, Yohanes Eko Riyanto and Manoj Raj
World Development (forthcoming)

This paper investigates the interplay between financial development, asset tangibility and international trade. Using industry-level data on firms' dependence on external finance and firms' asset tangibility for 27 industries in 42 countries, we find that economies with higher levels of financial development have higher export shares and trade balance in industries with more intangible assets. Using the same dataset, we also show that the interplay between property-rights protection and asset tangibility influences the pattern of trade. Higher levels of property-rights protection lead to higher export shares and trade balance in industries with more intangible assets.

A NOTE ON THE INFANT INDUSTRY ARGUMENT

by Jung Hur and Donghyun Park

International Economics and Finance Journal (forthcoming)

In this note, we point out a weakness in the infant industry argument for protectionism by showing that a protected infant industry's ability to export is not necessarily evidence of its international competitiveness. Economies of scale may render exporting profitable for a protected infant industry even if it fails to achieve international competitiveness.

EFFECTS OF ABILITY MIXING IN HIGH SCHOOL ON ADULTHOOD EARNINGS: QUASI-EXPERIMENTAL EVIDENCE FROM SOUTH KOREA

by Kang Changhui, Cheolsung Park and Myoung-Jae Lee
Journal of Population Economics (forthcoming)

We estimate impacts of ability mixing compared to ability grouping in high school education on students' adulthood earnings. To overcome endogeneity and selection problems that plague the previous studies, we exploit a policy experiment in South Korea in the 1970s, which changed the education regime of general high schools from grouping to mixing in major cities. We find that the mixing treatment has a positive but statistically insignificant effect on average adulthood earnings. We also find that while mixing has positive effects on low-ability students' adulthood earnings, it has smaller positive or even negative effects on higher-ability students.

ACADEMIC INTERACTIONS AMONG CLASSROOM PEERS: A CROSS-COUNTRY COMPARISON USING TIMSS

by Kang Changhui
Applied Economics (forthcoming)

Using an international data set from the Third International Mathematics and Science Study (TIMSS), we examine academic interactions among classroom peers for each country, and compare them across different countries. To minimize the bias that usually plagues peer effects studies, we take within-student differences between mathematics and science test scores. The results show a significantly positive association between peers' performance and own achievement for most of the TIMSS countries. Moreover, the degree of mutual peer interactions within classroom is found to be surprisingly close across different countries, even if there exists a wide range of institutional differences in middle-school education (e.g. degree of ability mixing).

IDENTIFICATION FOR DIFFERENCE IN DIFFERENCES WITH CROSS-SECTION AND PANEL DATA

by Myoung-Jae Lee and Kang Changhui
Economics Letters (forthcoming)

For difference-in-differences (DD), the identification question in using three types of progressively more informative data is addressed: independent cross-sections, 'mover' panels, and 'no-mover' panels. Although DD identifies 'the average effect on the treated', its meaning and the identification conditions differ across the data types.

REGIONAL TIES AND DISCRIMINATION: POLITICAL CHANGE, ECONOMIC CRISIS, AND JOB DISPLACEMENTS IN KOREA, 1997-1999

by Kang Changhui and Seungjoo Lee
The Developing Economies (forthcoming)

Probing into the incidence of job displacements during the 1997-1999 recession period, this study offers theoretically grounded micro-causal explanations for regional ties and regional discrimination in South Korea. Our statistical analysis reveals the significant impact of a worker's birth region (the basis of regional ties and discrimination) on the layoff process. Native Kyongsang workers are found to have faced higher rates of layoff in Seoul-Kyongki regional firms than native Jolla workers during the recession period. The Kyongsang-Jolla layoff rate gap is mainly due to differential treatment rather than difference in observable characteristics. The findings suggest that the problem of regional ties and regional discrimination is more deep-rooted and widespread in South Korea than previously reported.

FRACTIONALLY INTEGRATED LONG HORIZON REGRESSIONS

by Lee Jin

Studies in Nonlinear Dynamics and Econometrics (forthcoming)

We consider long horizon regression models where the disturbance and the predictor are possibly fractionally integrated. Asymptotic distributions of the OLS estimator and of the test statistic are given. It is found that the t statistic diverges at the rate of square root of T, where T is the sample size. Thus, it is desirable to use the scaled test statistic, as it converges to a well-defined limit, which depends on the memory parameters through the functionals on the fractional Wiener processes. Simulation studies present some empirical distributions of the scaled test statistic according to different values of the memory parameters.

MEASURING THE DEGREE OF ASSORTATIVE MATING

by Liu Haoming and Lu Jingfeng
Economics Letters (Forthcoming)

This paper develops a measure of assortative mating on a dichotomous trait that takes into account changes in the trait distribution. Our empirical analysis shows that controlling for these changes is vital in examining the evolution of assortative mating.

ON THE STRATEGIC USE OF CORPORATE VENTURE FINANCING FOR SECURING DEMAND

by Yohanes Eko Riyanto and Armin Schwienbacher
Journal of Banking and Finance (forthcoming)

This paper focuses on the strategic role of corporate venture-financing carried out by a corporation (a headquarter). When the headquarter finances a venture through its corporate venture-financing arm, it can increase the complementarity between products of the venture and the headquarter. The effect of having an increase in complementarity is a softening of ex-post product-market competition with rival products. Hence, in deciding whether to finance the venture, the

continued on page 16

headquarter faces a trade-off between, on the one hand, being more aggressive ex-post in the product market, and, on the other hand, using venture financing to soften ex-post competition with substitute products.

RIDING ALONG A BUMPY ROAD: INDONESIAN ECONOMY IN AN EMERGING DEMOCRATIC ERA

by Aris Ananta and Yohanes Eko Riyanto
ASEAN Economic Bulletin, Volume 23, Number 1, April 2006, pp. 1-10.

It is debatable whether the crisis hitting Indonesia in 1997 was a curse or a blessing to the Indonesian people. A clear fact is that President Soeharto, the symbol of an authoritarian government, had been forced to step down in 1998. The euphoria of reformasi, following the ousting of Soeharto, had been seen everywhere in Indonesia. Indonesians who learned and experienced little, if any, of the joy of democracy, suddenly "found" the euphoria of democracy almost overnight. Nevertheless, the lack of experience of living in a democratic society may have caused many Indonesians to be confused on how to behave democratically. Some even became anarchic, perceiving that democracy means freedom to do anything they want regardless of the impact to other people. The situation may have contributed to political chaos and uncertainty in the post-Soeharto period. Within this context of potential political instability, as part of a learning process toward a democratic society, the Indonesian economy is challenged to survive and prosper. This article presents a background analysis and an overview of papers published in the special edition of ASEAN Economic Bulletin (AEB) on Indonesia that we edited.

JOINT MEASURABILITY AND THE ONE-WAY FUBINI PROPERTY FOR A CONTINUUM OF INDEPENDENT RANDOM VARIABLES

by Peter Hammond and Sun Yeneng
Proceedings of the American Mathematical Society, Volume 134, Number 3, 2006, pp. 737-747

A continuous parameter process with independent random variables is widely used in the economics literature for modeling idiosyncratic risks. However, it is well known that such a process is not jointly measurable in the usual sense. This paper proposes an extension of the usual product measure-theoretic framework, using a natural "one-way Fubini" property that guarantees joint measurability. On the other hand, a further extension to satisfy the usual (two-way) Fubini property may not be possible in general.

THE ESSENTIAL EQUIVALENCE OF PAIRWISE AND MUTUAL CONDITIONAL INDEPENDENCE

by Peter Hammond and Sun Yeneng
Probability Theory and Related Fields 135, 2006, pp. 415-427.

In studying the stochastic structure for large random economies with heterogeneous agents, we need to develop a new mathematical technique, called "an iterative completion of product measures". We find an interesting application of this new technique to probability theory. In particular, we show that for a large collection of random variables, pairwise conditional independence and mutual conditional independence are essentially equivalent. Unlike in the finite setting, a large collection of random variables remains essentially conditionally independent under further conditioning.

PERFECT COMPETITION IN ASYMMETRIC INFORMATION ECONOMIES: COMPATIBILITY OF EFFICIENCY AND INCENTIVES

by Sun Yeneng and Nicholas Yannelis
Journal of Economic Theory (forthcoming)

The idea of perfect competition for an economy with asymmetric information is formalized. The existence of

incentive-compatible, ex-post Walrasian allocations is shown for such a perfectly competitive asymmetric information economy with or without "common values". Consequently, the conflict between incentive compatibility and Pareto efficiency is resolved exactly, and its asymptotic version is derived for a sequence of large, but finite private information economies.

PURE-STRATEGY EQUILIBRIA IN GAMES WITH PRIVATE AND PUBLIC INFORMATION

by Haifeng Fu, Sun Yeneng, Nicholas Yannelis and Zhixiang Zhang

Journal of Mathematical Economics (forthcoming)

We introduce a new game form which allows the players' strategies to depend on their strategy-relevant private information as well as on some publicly-announced information. The players' payoffs depend on their own payoff-relevant private information and some payoff-relevant common information. Under the assumption that the players' strategy-relevant private information is diffuse and their private information is conditionally independent given the public and payoff-relevant common information, we prove the existence of pure strategy equilibrium for such a game by developing a distribution theory of correspondences via vector measures.

EXISTENCE OF INDEPENDENT RANDOM MATCHING

by Darrell Duffie and Sun Yeneng
Annals of Applied Probability (Forthcoming)

This paper shows the existence of independent random matching of a large (continuum) population in both static and dynamic systems, which has been popular in the economics and genetics literatures. We construct a joint agent-probability space, and randomized mutation, partial matching, and match-induced type-changing functions that satisfy appropriate independence conditions.

CENTRAL BANK CREDIBILITY AND MONETARY POLICY: EVIDENCE FROM A SMALL SCALE MACROECONOMIC MODEL OF INDONESIA

by Enrico Tanuwidjaja and Choy Keen Meng
Journal of Policy Modelling (forthcoming)

This paper examines the role of central bank credibility in achieving an inflation target and proposes monetary policy rules for Indonesia. Towards that end, we construct and estimate a forward-looking small scale macroeconomic model (SSMM) of the Indonesian economy by adapting the theoretical underpinnings of the well-known Batini-Haldane model, along with the Taylor policy rule. Our results indicate that it is crucial for the Indonesian central bank to bolster its credibility in order to achieve a lower inflation rate. The inflation-output volatility tradeoff frontier we derived from the SSMM shows that a monetary policy rule that targets both inflation and output gaps will result in less macroeconomic volatility. We also found that the inclusion of the exchange rate into the rule as an additional feedback variable warrants consideration in the future course of monetary policy management.

MULTI FACTOR SUR IN EVENT STUDY ANALYSIS: EVIDENCE FROM M&A IN SINGAPORE'S FINANCIAL INDUSTRY

by Enrico Tanuwidjaja
Applied Financial Economics Letters (forthcoming)

This paper proposes a use of multi-factor seemingly unrelated regression (SUR) in event study analysis to study mergers and acquisitions in Singapore's financial industry. We also study the cross-sector (banking and insurance) domestic acquisition

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in Singapore's financial industry. By contrasting to the use of ordinary least squares (OLS) method, it is found that OLS method seems to underestimate the value of the sample cumulative abnormal returns as compared to SUR. The study also found that post mergers and takeovers in the banking and insurance industries tend to have high possibility of negative returns.

PROSPECTS FOR ASIAN EXCHANGE RATE COOPERATION: WHY AN ERM SOLUTION MIGHT BE THE MOST PALATABLE

by Peter Wilson

Journal of the Asia Pacific Economy, Volume 11, Number 1, February 2006, pp. 1-34.

This paper re-assesses the prospects for greater exchange rate cooperation in East Asia in the wake of the Asian financial crisis of 1997-8. The crisis highlighted the inability of unilateral exchange rate mechanisms to deal adequately with the inflow of foreign capital and the absence of a common defensive mechanism to deal with speculative movements in exchange rates. Since 1997 there have been a number of initiatives to enhance monetary cooperation in the region including options for a common exchange rate system. We find that whilst a common monetary and exchange rate policy in East Asia is unlikely in the foreseeable future, until the net economic benefits of giving up unilateral exchange rate regimes are more apparent, a good case can be made for continuing to talk about such arrangements. In the early stages the prerequisites for exchange rate cooperation are not as demanding as for full monetary union, provided sufficient flexibility is built in. Of the available options a solution along the lines of the former European Exchange Rate mechanism might be politically the most appealing if the arrangements are flexible enough to leave countries initially with sufficient independence in macroeconomic policy, and it can build on European experience.

OECD CONVERGENCE: A SECTORAL DECOMPOSITION EXERCISE

by Wong Wei Kang

Economics Letters (forthcoming)

This paper decomposes OECD convergence into contributions from sectoral productivity growth and contributions from employment shift across sectors. While productivity growth in services and agriculture contributed significantly to convergence, the contributions from employment shift and productivity growth in manufacturing are statistically insignificant.

THE MODIFIED MIXTURE OF DISTRIBUTIONS MODEL: A REVISIT

by Fong Wai Mun and Wing-Keung Wong

Annals of Finance, Volume 2, Issue 2, March 2006, pp. 167-178.

Andersen (J Finance 51, 169-204 (1996)) introduced a modification of the mixture of distributions model based on microstructure arguments. Based on a small sample of five stocks, he infers that this modified mixture of distributions (MMD) model adequately captures the joint behaviour of trading volume and volatility. We re-examine this claim using a larger sample of twenty-two stocks and two sample periods. Our tests show that 59% of the sample rejects the MMD model in the period 1973-1991, the same period studied by Andersen. Results for the second period (1993-1999) are more supportive of the MMD, especially for number of trades, although nearly one-third of the sample still rejects the MMD. We conclude that further tests are needed before the general validity of the MMD can be established.

TWO-SIDED MARKETS, COMPETITIVE BOTTLENECKS AND EXCLUSIVE CONTRACTS

by Julian Wright and Mark Armstrong

Economic Theory (forthcoming)

We provide a framework for analyzing two-sided markets that allows for different degrees of product differentiation on each side of the market. When platforms are viewed as homogenous by sellers but heterogeneous by buyers, we show that "competitive bottlenecks" arise endogenously. In equilibrium, platforms do not compete directly for sellers, instead choosing to compete indirectly by subsidizing buyers to join. Sellers are left with none of the gains from trade. Despite this, it is sellers that choose to purchase from multiple platforms (multihoming). Finally, the role of exclusive contracts to prevent multihoming is explored.

COMPETING PAYMENT SCHEMES

by Julian Wright and Graeme Guthrie

Journal of Industrial Economics (forthcoming)

This paper presents a model of competing payment schemes. Unlike previous work on generic two-sided markets, the model allows for the fact that in a payment system users on one side of the market (merchants) compete to attract users on the other side (consumers who may use cards for purchases). It analyzes how competition between card associations and between merchants affects the choice of interchange fees, and thus the structure of fees charged to cardholders and merchants. Implications for other two-sided markets are discussed.

A WARM WELCOME TO THE DEPARTMENT

- * Ms Connie Chung Wee Wee who joined the Department as a Teaching Assistant on 3 January 2006
- * Ms Yong Yik Wei who joined the Singapore Centre for Applied and Policy Economics (SCAPE) as a Research Fellow on 17 February 2006
- * Mr. Ng Kwan Kee who joined the Singapore Centre for Applied and Policy Economics (SCAPE) as a Research Fellow on 6 April 2006
- * Dr Binod Khadria who joined the Department as a Visiting Senior Research Fellow on 13 May 2006 (jointly with Asia Research Institute).
- * Visiting Assoc Prof Aditya Goenka who joined the department as an Associate Professor with effect from 1 July 2006.
- * Professor Sun Yeneng on his appointment at the Department of Economics being his primary department with effect from 1 August 2006.

VISITORS TO THE DEPARTMENT

Delegation from Keio University - Professor Hideyuki Tokuda, Chair, Graduate School of Media and Governance (Dean of the Graduate School); Mr. Kentaro Matsuda, Manager, Academic Affairs and Ms. Natsuko Kambayashi, Assistant Manager, Academic Affairs

Professor Hideyuki Tokuda, Mr. Kentaro Matsuda and Ms. Natsuko Kambayashi visited the Department on 20 January 2006 to discuss the possibility of offering a double degree programme with the Graduate School of Media and Governance of Keio University for the Master of Social Sciences (Economics) Programme. The staff members who met the delegation were Professor Åke Blomqvist, Professor Parkash Chander and Associate Professor Tilak Abeyasinghe.



Prof. Dr. Heinz Hauser, Head of the International Economics Section, Swiss Institute for International Economics and Applied Economic Research (SIAW-HSG), University of St. Gallen, Switzerland

Prof. Dr. Hauser met Economics faculty members, Dr Sougata Poddar and Dr Vijayakala Seevaratnam, on 16 February 2006 to discuss the possibility of future collaborations with his institute.

Dr Nguyen Duc Nghia, Vice President, Vietnam National University (Ho Chih Minh City) and delegation members

On 21 April 2006, Dr Nguyen Duc Nghia accompanied by 10 officials from the Vietnam National University visited the Department. The delegation was met by Economics faculty members including Associate Professor Anthony Chin, Associate Professor Shandre Thangavelu, Associate Professor Zeng Jinli and Dr Lim Boon Tiong.



Congratulations



Dr and Mrs Sougata Poddar
on the arrival of their baby boy,
Sinjeet Poddar,
on 23 June 2006.

NUS ECONOMICS SOCIETY

ENS BAZAAR 2006

The Economics Society organized the Annual ENS Bazaar, which was held from the 17th to the 21st of January 2006 at the Central Forum. Prior to the bazaar, members of the NUS Economics Society went on a hunt to find suppliers who sold rather interesting items. Indeed, some members hit the bull's eye with profits from this year's Bazaar surpassing that of 2005. A wide range of items were sold, ranging from car accessories to women's apparel and even jigsaw puzzles. The bazaar was organized by The Exco.

The hours flew by as different members took turns to tend the stalls. It was a fruitful experience for the members as we bonded together with one another, as we worked towards raising funds for the society. Most of us picked up a thing or two about customer service too!



STAY IN TOUCH

We would like to express our sincere appreciation to all those who have contributed to this issue of ECONews.

We welcome your contributions on teaching, research and learning topics, as well as feedback on this issue. Please write to: ecsnews@nus.edu.sg.

Do we have your correct name and address? Would you like us to send a copy of ECONews to your friends/colleagues? Please fill in the form below and fax to:

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With Warm Appreciation

OUR FORMER HEAD OF DEPARTMENT PROFESSOR ÅKE G. BLOMQVIST

The last 3+ years ...

Serving as Head of the NUS Economics Department for the past three and a half years has for me been a very rewarding experience in many ways, and I had very mixed feelings on leaving the position on the 1st of February, 2006. It is a Department with a long and distinguished tradition. I have tried to learn from the experiences of several of my predecessors, particularly Lim Chong Yah and Basant Kapur, in seeking to preserve the Department's reputation as a producer of highly competent Honors students and applied economic analysis of relevance to Singapore's policy makers. I am happy to say that we continue to have a good Honors program, and with the establishment of SCAPE, our local and applied work has a firmer institutional base than before.

In terms of continuing to move the Department forward, the two issues that have preoccupied me the most have been, on the one hand, our international reputation as producers of high-level economic research, and, on the other hand, the quality and reputation of our post-graduate programs. With respect to research, one might wish that we had a more flexible way of measuring the quality of research output than by referring to a list of tiered journals, but given the importance of a clarity and consistency in establishing targets for ourselves and convincing others that we are doing high-level research, it may be the best we can do. As for the graduate program, I believe we are making progress in terms of helping our students improve the quality of the research work they do in their theses, and in terms of recognizing the hard work that many of the staff do in supervising the students' work.

In comparison with many other fields, Economics is one with a high staff turnover, so



even though the Department has become smaller in the past three and a half years, we have had to devote a great deal of energy to recruiting, and most likely will have to continue to do so. On the senior side, finding established economists who not only are good researchers themselves but who also can interact well with junior colleagues and graduate students (and who are interested in coming here!) has not proved easy, but we can keep trying. On the junior side, the aim is to make the Department a welcoming place for young scholars, and one that is conducive to doing the kind of work that they have to produce in order to earn their tenure.

I would finally like to note that while the administrative component of the Headship may not be the most interesting one, it is made more pleasant by the fact that we have a competent and loyal set of people as our "non-acad" staff. I will miss working closely with them. However, I also very much look forward to being able to devote myself full-time to teaching, supervision and, above all, to the work on health policy in China and the rest of Asia that will be the main focus of my work over the next couple of years.