



THE LONDON SCHOOL
OF ECONOMICS AND
POLITICAL SCIENCE ■

Economics Review

2015/16

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Welcome to the Department of Economics at LSE

from the Head of Department



Welcome to the *Economics Annual Review* of 2015-16. This has been another successful and rewarding year for the Economics Department, across the whole spectrum of our activities.

We were joined by two new members of staff: Nava Ashraf (Professor of Economics and Research Director of the Marshall Institute for Philanthropy and

Social Entrepreneurship), Steve Machin (Professor of Economics and Director of the Centre for Economic Performance), and Deborah Adams (Department Administrator).

I would like to take this opportunity to thank wholeheartedly Professor Tim Besley and Professor Gilat Levy, who recently completed their terms as Deputy Heads of Department for Research and for Teaching, respectively. Their help has been invaluable to me in my first year as Head of Department. They were succeeded by Professor Maitreesh Ghatak (Deputy Head of Department for Research) and Professor Erik Eyster (Deputy Head of Department for Teaching).

Of course, it has also been a challenging year. The most significant challenge we have faced – and will continue to face for the foreseeable future – can be summed up in one word: Brexit. However, I am certain that thanks to the generous efforts of my colleagues, for which I am extremely grateful, we will continue to fulfil our ambition to be one of the leading economics departments.



Faculty Profile: John Sutton



John Sutton is the Sir John Hicks Professor of Economics at the LSE, and the Director of the Economics of Industry programme at STICERD.

A graduate of University College

Dublin and Trinity College Dublin, he taught at the University of Sheffield before joining LSE in 1977.

He has been a Visiting Associate Professor at Tokyo University, a Marvin Bower Fellow at the Harvard Business School, and a Visiting Professor of Economics at Harvard University, and at the Graduate School of Business, University of Chicago.

John has written widely in the areas of microeconomic theory and industrial organisation. His books include *Sunk Costs and Market Structure* (MIT Press, 1981), *Technology and Market Structure* (MIT Press, 1998), *Marshall's Tendencies: What Can Economists Know?* (MIT and Leuven University Press, 2000), and *Competing in Capabilities: The Globalization Process*, (Oxford University Press, 2012).

He has been a consultant for the World Bank, and served on the Advisory Committee on Access to the Japanese Market (Tokyo) from 1995 to 2002. He served as a member of the Group of Economic Advisors to the President of the European Union from 2001-2004, and of the Enterprise Strategy Group (Ireland), which reported in 2004.

He is a Fellow of the Econometric Society, and of the British Academy, and was President of the Royal Economic Society from 2004 to 2007.

What was the Department of Economics like when you joined it?

I joined the LSE in 1977 at a time when it was buzzing with intellectual activity. The Economics Department had gone through ten great years, driven to an important degree by the arrival in 1967 of Terence Gorman and Frank Hahn, whom the Department had been very smart to recruit by taking advantage of the fact that they had been close friends at the University of Birmingham many years earlier. Somebody got the bright idea that Terence might be persuaded to leave Oxford, and Frank to leave Cambridge, if it gave them a chance to work together again. That was one of those inspired moves in terms of imaginative recruitment strategies that have served the Department so well.

Frank and Terence really shook up the Department. Appointments, promotions, and the mentoring of young staff were overhauled. The department was ranked fourth in the world in economics in 1984 in the *American Economic Review*, so when I arrived, I wasn't surprised to find it was a lively place.

How did you come to join the Economics Department at LSE?

I had been working for a few years after graduating, and in 1972 I went home to Dublin to study for a one year master's in Economics at Trinity College. As my first degree wasn't in economics, I was admitted to do the degree over two years, but a couple of months later, I was told I could go ahead and take my final exams at the end of that academic year...which was very nice, but left me with a problem: I needed a job, fast. So I walked over to the careers office, and asked if they had any information about academic jobs, and they gave me a very thick folder in which I found an advertisement by the University of Sheffield, for three lecturers in economics. So I dashed off a five line handwritten letter and found myself invited for interview.

I was at something of a disadvantage at the interview, as I had no way of knowing what role they thought I might be suited for. I learned only later that the Economics Department wanted to establish the teaching of mathematics courses within the department, and the Mathematics Department had agreed on condition that they appointed someone who could get through an interview that included one of their members on the board. After I left the room, the Chair turned round and looked at the mathematician, who was a very eminent combinatorist, and asked, "Will he do?" "Well", he said, "He talks an awful lot about statistics, but I expect he'll do!" So I spent four happy years among wonderful colleagues. I wrote a few papers, and completed a PhD. Once you had an academic job, in those days, you could just sit down and write a thesis, and hand it in ...no supervisor required: a system that is not entirely without merit, I still think.



Protest against Government policy on overseas student fees, prior to march to Parliament, 27th November 1979.

Then, one lazy autumn afternoon, I was reading the *Sunday Times*, when I saw an advertisement for lectureships in economics at the LSE. I thought, of all departments, that's where I'd most like to be, so I sent off an application, attaching a couple of papers I had written, as requested. I was invited for a 20-minute interview, late one afternoon. Steve Nickell and Denis Sargan asked me questions about the papers I'd submitted, and then Peter Bauer asked me what I thought about the UK savings rate. There had been some comment in the newspapers about the fact that the savings rate had been rising over the preceding few years, and as it happened, I had thought about this, and had some candidate explanations, and some ideas about how to test them, so we had a nice discussion about this. Peter told me years later that the reason he had asked me that question was that he had been arguing about it with colleagues in the Senior Common Room at lunchtime and it had just happened to be on his mind. So that was a stroke of luck, and I got a phone call early the next morning offering me a job. That was the way people were appointed in those days.

How did your research interests develop once you arrived?

It was wonderful because I got a chance to work with Avner Shaked and Ken Binmore at a time when game theory was the latest thing in economics. For my first ten years in the department I worked on applied game theory in Industrial Organisation.

In the end, though, I became concerned, as some other people were to do, by the fact that these game theoretic models were so flexible that you could pretty much rationalize anything with them. From a scientific point of view, that's terrible, because if you can explain everything, then you've explained nothing. You have something that can't be rejected by the data.

The real problem lay in the unobservables: there were too many things that affected outcomes in these models which you couldn't measure, proxy or control for. So that brought me into a search for results that were robust across classes of models between which you could not discriminate on the basis of observables. That led to my work on market structure, which kept me busy for the next ten years.

In around 1990, I started working on globalisation, which became my main area of interest for a decade, and then in 2000, I finally got a chance to work on the subject that had made me interested in economics in the first place, which was the challenge of Industrial Development in Africa.

What have been the most significant changes in the School over your time here?

The Department in 1977 was brilliant but there was a storm cloud hanging over it. By the start of the 1980s, it was horribly apparent that the UK university system was going to come under unprecedented financial pressure over the next decade.

Dorothy Williams, our much loved Departmental Administrator in my first years at the School, came back to visit ten years ago and I had the chance to show her around, and in particular to bring her to the Lionel Robbins building. I asked her what her impressions were, and she said what most struck her was the apparent affluence of the School...which brought me up short, and then I remembered a departmental meeting that we'd both been at, in the early 1980s, at which Peter Bauer lamented our financial straits, and suggested the best way out would be for all academic staff to volunteer to take a 10% pay cut. The suggestion sank like a lead balloon, but that was the atmosphere that Dorothy was remembering...



*Ceremony in Founders Room July 1984 for an additional donation from Suntory Toyota. ICERD was renamed STICERD to include the company name.
Left to right: Sir Huw Wheldon, Mr Keizo Saji (President of Suntory), Professor Dahrendorf, Professor Morishima (Founding Chairman, STICERD).*

But the then governors of the School, to their eternal credit, realised that if we were not to be at the mercy of circumstances, they would need to be proactive in reorganising the School's finances. There were only about 3,000 students in the School in 1977, and now we have more than three times that number. The big jump in student numbers came about initially as part of an overall plan to change the School's financial model, not only in terms of home and overseas student revenue, but also in terms of outside funding. The happy result of this was that by the mid-1990s, the School had got through fifteen difficult years in far better shape than most UK universities, and was in a position to move forward in new directions.

So the mid-nineties were a turning point. When Ralph Dahrendorf published his history of the LSE in 1995, he made much of the fact that we had just lost two of our most eminent mid-career professorial colleagues to Oxford and Cambridge. The arrival of Tony Giddens as Director of LSE changed all that. He understood that salary flexibility was becoming a fact of life in UK universities, and he acted quietly and effectively to stop us losing key colleagues. From the day of his arrival, we moved to a regime under which losing faculty to any other European department became a very rare event.

The other big change was on recruitment. It's hard to believe at this remove, but under the system we had until the mid-1990s, academic departments had to wait until April every year before they knew their final financial settlement for the coming academic year. We would have some job slots that we could fill at an early stage in the academic year, but when our final settlement came through in April, we might find ourselves scrambling to make some more, usually temporary, lecturer appointments, just to cover our teaching obligations for the coming academic year.

I was so concerned about this that I spent five years working with colleagues on a committee of the Academic Board to establish a new system. The aim was to give each department some guaranteed resources so that they could do their recruitment and planning over a four-year horizon. The politics of getting the School to agree to this system were, to say the least, interesting. It was anathema within the School that departments should have their own budgets, because it was felt that this would distort the fairness of the promotions procedure: a department might hesitate to promote a worthy candidate because it would eat up more of their budget. That was the dominant concern in all discussions of devolving financial control to departments.

The brilliant wheeze that we drew up was that resources would not be denominated in pounds sterling but in imaginary points which

would be called MSLs (so called because they defined a 'Minimum Staffing Level'). If a colleague was promoted, he or she would continue to cost the department an unchanged number of MSL points, until the next 4-yearly review at which the department's overall needs could be assessed. And so we got it through...

All this took up so much of my time and energy that I withdrew gracefully from School-level affairs for a little while afterwards.

And what were the big changes within the Department?

The biggest change relates to the Research Centres, which provide such a strong framework of support for our activities. When I arrived, we had only the Centre for Labour Economics, the forerunner of today's Centre for Economic Performance. Then, in 1978, Michio Morishima founded the Suntory-Toyota centre (now STICERD), and I remember his virtuoso performance at the Academic Board as he persuaded the School to allow a centre funded by private sector sponsors...a sensitive issue at that time, on which colleagues needed a lot of reassurance about independence and academic freedom. But of course Michio's reassurances were fully justified by all that followed, and STICERD remains his great memorial at the School. Other centres followed, and today almost every colleague in the department has an affiliation to a centre.

We also have more degree programmes. For me, setting up the joint masters programme in Economics and Management with Luis Garicano as a bridge between our two departments was one of the most rewarding things I've done here. We get great students every year, and it's a joy to teach them.

The other big change was on recruitment. When I became Head of the Economics Department, one of the tasks I set myself was to get a grip on our junior recruitment process, and to move towards to what we now take for granted: all applications are scrutinised by a committee representative of all fields, which shortlists people for 'fly-outs', and then each invited candidate has a full day to meet faculty and give a seminar. Job offers are then made on the basis of an open discussion by the whole department. The key feature of the process, for me, is that no appointment can be made except through this annual event... in contrast to earlier times, when ad hoc arrangements might need to be put in place from time to time, and the procedure, though fully compliant with School rules, might not be so transparent to all colleagues.

I find it a bit ironic that I worked very hard to establish this degree of formality, given that the old informality had served me very well all those years ago.

And what do you think of the Department now?

I feel that we've had two decades of steady progress since the mid-nineties. We can never afford to be complacent, and even today we have continuing worries about recruitment and retention. But for all that, the Department is as strong intellectually now as it was at its peak in the late seventies, while the working environment it offers, both to staff and to students, is immensely improved. When I first came here in 1977, I thought I was seriously lucky to be in such a department. But it's better now.

How to Reform an Investment Agency: stories from Africa

John Sutton's work over the past five years has been concerned with the prospects for industrial development in sub-Saharan Africa, an area in which he has become involved in some very practical ways. Here, he tells us about some of his experiences.

The very rapid growth of a small group of countries in sub-Saharan Africa over the last ten years has been one of the most talked-about stories in global economics. It has been estimated that if these countries are able to maintain their current growth rate, they will become middle-income countries within the next

ten years. Such a development would transform the economic prospects of the continent.

But if this is to be achieved, it will require a huge increase in industrial output, and a broadening of the range of manufacturing activities. This cannot be achieved without a major inflow of Foreign Direct Investment, so the spotlight has come to focus on the activities of the government agencies charged with attracting and retaining investment from multinational companies, whose activities can contribute to the development of the industrial sector.

Following the publication of his Enterprise Map of Ethiopia volume, John Sutton was asked to assist Mr. Fitsum Arega, the newly-appointed Director General of the Ethiopian Investment Agency (now reconstituted and renamed the Ethiopian Investment Commission) in reforming the agency. The success of that reform led to an invitation from the Executive Director of the Tanzania Investment Centre to assist her in carrying out similar reforms. More recently, he has been working with Tanzania's Local Content Unit, whose mission is to integrate local firms into the supply chains of the newly arriving Offshore Gas multinationals.

We asked Professor Sutton to describe his work to readers of the Economics Annual Review, and started by asking him to identify the biggest challenges to reform.

"Well, to put it bluntly, most investment agencies in sub-Saharan Africa don't work very well. More than 10 years ago the World Bank did a study which was both simple and informative: they picked up the phone and made a series of calls to the investment agency of each country. 70% of calls went unanswered. If there's one thing an investment agency really needs to have, it's accessibility.

How can investment agencies be improved?

The usual answer to this question is that agencies need to establish a "One Stop Shop" operation. This means that the most basic activity of the agency – to issue the licences and permits enabling foreign companies to operate in a country – should be an easy and efficient process. Ideally, it should be one in which all form-filling requirements are carried out at a single location, usually the agency's main office. This is a worthy goal, and certainly making the process easy and efficient is important, but it still leaves the agency focused on the idea that its job is to "grant permission" to companies to operate in the country.

The real challenge is to move away from that mind-set to one in which the agency's central goal is to increase the number of jobs created in the country. So its mission should lie in removing all inappropriate and unnecessary obstacles that stand in the way of that achievement. Attracting new firms is hard; ensuring that the existing FDI projects are not hampered in their operations raises the chances that they will succeed and expand, creating further jobs.

How would this change in mind-set alter the way investment agencies work?

It would ensure that they spend much less time "putting out fires". I have walked into investment agencies which appear to be a hive of activity, full of business people coming with problems that have become critical. Agency staff are usually professional, dedicated

and hard-working, and are doing their level best to deal with an impossible range of crises. You don't need to have an environment like that. It's much easier to do things right from the beginning.

So is there a proven "right way" of handling the relationship between foreign companies and investment agencies?

Absolutely. There is a best practice international model, pioneered by Finland, Ireland and Singapore, which rests on the concept of "Relationship Building" with companies. Each company which has been identified as a potentially significant employment creator is assigned a single contact person at the investment agency, whose job it is to remain up-to-date on the events at the company which are relevant to the agency. While the details vary across agencies, the spirit of the system is the same: to avoid crises by being aware of problems from the outset, so that the agency can become involved before the issue turns into a crisis.

Is this what's been done in Ethiopia?

Yes. At the newly-reformed Ethiopian Investment Commission, each sectoral group is led by an individual who compiles weekly updating reports on companies and issues in his or her sector. The heart of the system is a fortnightly meeting at which all group (sector) leaders sit down with the Deputy Commissioner to review the state of play. The agenda paper for that meeting sets out all of the "live issues" pertaining to the firms in the system, and Group leaders report on all actions taken since the last meeting. Decisions are made by the team as to what next actions are needed, and the agreed action points are minuted. In this way, no problem is ever lost sight of.

Seems straightforward?

It is! Yet it's the hardest and most important thing to accomplish. You need to see it from the perspective of professionals working within the system. They are dedicated, hard-working and responsive to the requests which keep pouring in. It's very tempting to "put out fires". The discipline of systematically checking how things are going at those firms that haven't yet called on you, is tough to embed in any organization. This is really about 'Organizational Change'. Knowing what to do isn't difficult: the hard thing is making it happen.

So how long did it take in Ethiopia?

Two years. First the new system needed to be bedded down, with 100 or so firms in the program. Then we ramped up the number of firms participating. The real breakthrough came a year into the process, when the Commissioner and his team leaders revamped

the reporting procedures, tidied up the organization of the meeting, and devised a new way of going through the agenda which was based on an issue-by-issue discussion rather than trying to go through all firms one by one.

Why do you see the revamp as the breakthrough moment, rather than the introduction of the new system?

Because it showed that the Commissioner and his team had taken ownership of the system. From that point, it was theirs.

How big is the program now? And how is it developing?

The programme now covers over 400 firms. What we're learning is that there is a manageable small number of issues that can trip up a firm and stop it becoming operational, and that the best way of handling them varies according to circumstances. Some are best handled by individual "contact persons", some by the relevant group or group leader, and some by the head of the agency, liaising with Government Ministers or heads of Civil Service departments. But when every issue is discussed at the monthly meeting with everyone pooling their experience, standard ways of dealing with each type of problem emerge. And this leads to a smooth, well-functioning process. It's a whole world away from "putting out fires".

What does it take for a project like this to succeed?

I was extremely fortunate to find myself working with Fitsum Arega, who is one of the most dedicated, committed and effective people I have ever worked with. The view I have come to is that a reform of this kind will work if, and only if, the Government puts into post a head of the agency who is an excellent manager, but who is also unusually effective in dealing with Government Ministers and heads of Civil Service departments. Once that is done, everything else can be delivered.

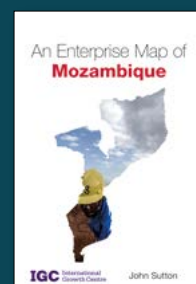
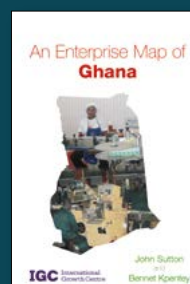
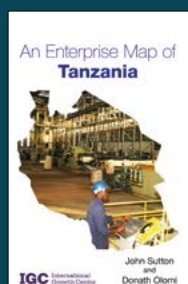
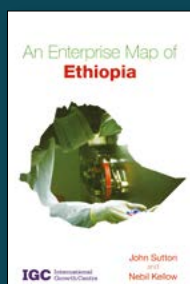
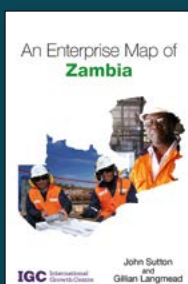


The Port of Dar-es-Salaam, Tanzania.

The Enterprise Map Series

John Sutton's Enterprise Map series, published by the International Growth Centre at LSE, offers the first systematic and comprehensive account of the industrial sectors of Ethiopia, Ghana, Mozambique, Tanzania and Zambia. Each volume in the series begins with a general overview, and then devotes a chapter to each major industry in the country, spanning agribusiness, manufacturing and construction. Detailed profiles are provided of leading companies in each market and submarket, thus providing a comprehensive view

of the current frontier of industrial capabilities in the country. In particular, the history of each of these profiled companies is presented, so that the reader can trace the origins of current industrial capabilities. These volumes are of potential interest to companies considering investments in sub-Saharan Africa, as well as to policymakers within these countries who are concerned with fostering industrial development. They can be downloaded free at <http://personal.lse.ac.uk/sutton/>



Public Events 2015–16



VIDEO



AUDIO



STORIFY



TRANSCRIPT



IMAGE

Wednesday 7 October 2015

Department of Economics and Centre for Macroeconomics
Public Lecture: "Economics Rules: the rights and wrongs of the dismal science"

Speaker: Professor Dani Rodrik, Harvard University



Tuesday 20 October 2015

Department of Economics and Centre for Macroeconomics
Public Lecture: "Other People's Money"

Speaker: Professor John Kay, Financial Times



Wednesday 28 October 2015

Department of Economics and LSE US Centre Public
Conversation: "A Conversation with Ben Bernanke"

Speaker: Dr Ben Bernanke, Brookings Institute



Wednesday 11 November 2015

Department of Economics and Centre for Macroeconomics
Public Lecture: "Phising for Phools: the economics of manipulation and deception"

Speaker: Professor Robert J. Shiller, Yale University



Monday 16 November 2015

Department of Economics and Centre for Macroeconomics
Public Lecture: "GDP: a brief but affectionate history"

Speaker: Professor Diane Coyle, Manchester University



Tuesday 17 November 2015

Department of Economics and Centre for Macroeconomics
Public Lecture: "Debt and Austerity: post-crisis lessons from Ireland"

Speaker: Patrick Honohan, Governor, Central Bank of Ireland



Ben Bernanke (Brookings Institute, ex-US Federal Reserve Bank) in conversation with Prof Erik Berglof, 28 October 2015.

Tuesday 12 January 2016

Department of Economics and Centre for Macroeconomics
Public Lecture: "Economics of Migration"

Speaker: Professor Alan Manning, Department of Economics, LSE



Tuesday 12 January 2016

Department of Economics and Centre for Macroeconomics
Public Lecture: "Debt, Demographics and the Distribution of Income: New Challenges for Monetary Policy"

Speaker: Dr Gertjan Vlieghe, Monetary Policy Committee, Bank of England



Wednesday 10 February 2016

Department of Economics Sir William Arthur Lewis Chair
Inaugural Lecture: "Political Economy and Development: a Progress Report"

Speaker: Professor Tim Besley, Department of Economics, LSE



Tuesday 1 March 2016

Department of Economics and Centre for Macroeconomics
Public Lecture: "The End of Alchemy"

Speaker: Professor Lord King, Department of Economics, LSE



Wednesday 9 March 2016

Department of Economics and Centre for Macroeconomics
Public Lecture: "Clear and Present Challenges to the Chinese Economy"

Speaker: Dr Keyu Jin, Department of Economics, LSE



Thursday 28 April 2016

2016 Economica-Phillips Lecture: "Understanding the Stagnation of Modern Economies"

Speaker: Professor Robert Hall, Stanford University



Wednesday 11 May 2016

Department of Economics and Centre for Macroeconomics
Public Lecture: "The Rise and Fall of American Growth"

Speaker: Professor Robert J Gordon, Northwestern University



Thursday 12 May 2016

2016 Economica-Coase Lecture: "Taxes, Targets, and the Social Cost of Carbon"

Speaker: Professor Robert Pindyck, MIT



Thursday 30 June 2016

Department of Economics and Centre for Macroeconomics
Public Lecture: "The Hidden Wealth of Nations"

Speaker: Dr Gabriel Zucman, Department of Economics, LSE



All of the Department of Economics' public events are free and open to all, and most do not require a ticket or pre-registration. Entry is on a first come, first served basis. Full details of our public events programme – including those co-hosted with other departments or the LSE's research centres – are available at lse.ac.uk/economics/newsEventsSeminars/



VIDEO



AUDIO



STORIFY



TRANSCRIPT



IMAGE

International Growth Centre

Research Centre Briefing

The IGC achieved a step change in engagement and impact this year, building on 248 active projects across our partner countries. Our research influenced policymaking in areas such as infrastructure delivery (Ghana), electricity supply (India – Bihar), special economic zones (Myanmar), affordable housing (Rwanda), elections and accountability (Sierra Leone), monetary policy (South Sudan), and women's economic empowerment (Zambia).

Our research also caught the attention of global media. We received over 300 media mentions last year, including four articles based on IGC research in *The Economist*, and pieces in the *Financial Times* and the *Huffington Post*.

The IGC organized a number of high-impact events through the year, ranging from in-country policy and capacity building workshops, to international research and policy conferences to facilitate high-level matchmaking between policymakers and researchers.

In May 2015, we hosted the IGC-CEPR Public Economics Symposium, which brought researchers working on the interface between public finance, public organization and development to the LSE. This has been a fast expanding area of global research where IGC Research Affiliates working in the state effectiveness area have been taking a lead.

In November 2015, we held our first annual Coase Energy and Growth Conference. The conference convened top researchers and policy practitioners working on a range of emerging ideas on how to expand access to modern energy, which is a key constraint on economic growth in developing countries. One presentation focused on collaborative research between IGC researchers and the Government of the Indian State of Bihar on how to incentivise firms and households to pay for electricity, research that was then featured in the *Economist*.

In December 2015, the IGC and the Bangladeshi NGO BRAC co-hosted a conference on Tackling Extreme Poverty at the LSE. The conference marked the release of four and seven year results from a randomised evaluation of BRAC's ultra-poor program, which provides assets and skills to the poorest women in Bangladeshi villages. Results from pilots of the same program in six other countries in Asia, Africa, and Latin America were also presented. The results suggested that providing large transfers of assets and skills over a two-year period can put the poorest on a sustainable path out of extreme poverty by allowing them

IGC International Growth Centre

to engage in labour activities that were not available to them pre-program. The fact that effects can be felt long after the initial transfers is attracting considerable attention from both governments and NGOs and the findings from the conference were covered in an *Economist* article.

The second IGC Cities Conference was held at the LSE in January 2016. It brought together researchers working on urban economics, economic geography and development with policy makers confronting problems of urban development in Africa and Asia. At the conference IGC signed a Memorandum of Understanding (MOU) with the Kampala Capital City Authority (KCCA) which has resulted in several high impact projects related to municipal finance and land registry reforms to improve urban policy and design in Kampala. This collaboration culminated in the Kampala Declaration, recently launched at a meeting of Mayors from Eastern, Central and Southern Africa, which aims to guide urban policy in the region.

Most recently, we hosted our annual Growth Week Conference in June 2016, bringing together researchers and policymakers from 37 countries to the LSE for three days of discussions. Delegates shared new insights into growth and focusing on the most pressing barriers to growth facing the IGC's partner countries today. Conference discussions were structured around a series of high-profile framework talks to outline the core challenges to state capacity, firm productivity, urban density, energy access, and fragility facing developing countries today.

As the IGC approaches its 10th year, its work remains tightly focussed on economic growth viewed through the lens of the state, firms, cities and energy. It is also, however, confronting new challenges, most notably growing fragility in Africa and Asia. To this end it will be launching a Commission on Growth in Fragile States, led by Professor Tim Besley and Professor Sir Paul Collier (Director, IGC and Oxford University). We expect to commence work on this in early 2017. As eight of the IGC's partner countries are considered fragile, the IGC is well positioned to consolidate understanding of what works and to stimulate new thinking and research in this area.

Robin Burgess, Director of the International Growth Centre

Jonathan Leape, Executive Director of the International Growth Centre.

New Appointments



Professor Nava Ashraf

In 2016, Professor Nava Ashraf joined the Economics Department as Professor of Economics. She will also be the Research Director of the Marshall Institute for Philanthropy and Social Entrepreneurship. As the Research Director she will lead the Institute's effort to imbue private action for the

public good with the science that illuminates how to maximize its impact.

Nava Ashraf received her PhD in Economics from Harvard University, where she was an Assistant and Later Associate Professor from 2005 to 2016. She is also Lead Academic for Zambia at International Growth Centre (IGC), a Fellow at BREAD and NBER as well as Affiliated Professor at MIT Jameel Poverty Action Lab. Her research is published in leading journals including the *American Economic Review*, the *Quarterly Journal of Economics* and the *Journal of Economic Perspectives*.

Professor Ashraf's research combines psychology and economics, using both lab and field experiments to test insights from behavioural economics in the context of global development in Africa, Latin America, and Southeast Asia. She has pioneered the concept of altruistic capital, a way of harnessing every individual's intrinsic desire to make a positive social impact. Her recent field experiments on health services delivery and educational investment have been carried out jointly with the Ministries of Health and Education in Zambia, using a model of co-generation of knowledge.



Deborah Adams

Deborah Adams joined the Department as Department Administrator, supporting the Department Manager (Operations) with day to day finance expenses and the Job Market Recruitment, as well as assisting with the administration of the journal *Economica*.

Before coming to LSE, she was the Undergraduate Administrator at both the Faculty of Mathematics at the University of Southampton, and the Maritime and Technology Faculty at Southampton Solent University.



Professor Stephen Machin

Professor Stephen Machin joined the Economics Department as Professor of Economics, and Director of the Centre for Economic Performance (CEP) at the LSE.

Steve Machin has been Research Director at the CEP since 2003, and is

one of the world's leading economists in fields as diverse as education, labour, inequality, crime and firm performance. He is a Fellow of the British Academy and of the Society for Labour Economics. CEP's current Director, John Van Reenen will be leaving to take up a tenured joint professorship in the Massachusetts Institute of Technology's (MIT) Department of Economics and Sloan Business School.

Stephen Machin said of his appointment, "I look forward to leading the CEP, which is Europe's leading research centre for applied economic research. Our mission has always been to conduct world quality and policy relevant research."

John Van Reenen added, "I have had 13 great years at CEP and am sorry to move on. I have absolute confidence that Steve is the perfect leader to take the Centre forward in the years to come."



LSE honours its volunteers in record-breaking year for RAG Society

Economics student Chris Fairley has been named LSE's 2016 Volunteer of the Year for his "enormous contribution" to human and animal rights, as well as his work to help create an AIDS-free world.

Chris was chosen from 30 nominees for the award, announced at the LSE Volunteers annual celebratory ceremony on 28 April 2016.

His voluntary work in the past year has included active roles in all four of LSESU Amnesty International's campaign weeks, running the LSE Student Union's Animal Rights Society, founding LSE's Youth Stop AIDS contingent, and helping to organise events during LSE Student Volunteering Week.

Accepting the award, Chris said: "LSE's volunteering community is both incredible and inspiring. It's amazing to see so many talented and dedicated people working to improve the world around them. It's been a privilege to work on causes that mean a lot to me with some of the most creative and passionate people I've ever met."

Fellow BSc Economics student Dumisani Gwakuba won the inaugural Outstanding Contribution to the LSE Community Award for his work as an LSE peer supporter at Bankside House.

Described as an "unsung hero" of student support, Dumisani was singled out for providing welfare and advice to students in halls of residence and on campus.

"...so far as understanding of relations between different races and countries at different stages of development are concerned, [Lewis'] writings, and still more his personal contacts, have done more in my judgement to bring about a sane appraisal of the problems involved than similar activities on the part of anyone else I have known." Lord Robbins

Dumisani hopes his award will encourage other students at LSE to pursue altruistic endeavours. "My advice for students is that volunteering is not only an enriching experience but also one of the first steps to making the world a better place for all."



The event was hosted by the LSE Volunteer Centre and LSESU RAG Society, which has celebrated a record-breaking year in terms of fund raising, surpassing the £140,000 mark, and organising the largest RAG Week in the country.

LSE Volunteer Co-ordinator David Coles said the School's volunteers had achieved an "incredible amount" over the past year, with the Volunteer Centre promoting opportunities from almost 400 charities.

"The feedback we receive from charities about the impact that LSE volunteers have is excellent," David said. "The School should be very proud of the work that LSE students undertake in our communities."



Chris Fairley at the LSE Volunteers award ceremony on 28 April 2016.

YES BANK to fund I G Patel Chair in Economics and Government

Mumbai-based YES BANK, India's fifth largest private sector bank, has pledged one million pounds to the LSE to support the IG Patel Chair in Economics and Government, named in honour of the former Governor of the Reserve Bank of India and former Director of LSE.

Mr Rana Kapoor, Founder and Managing Director of YES BANK, signed an agreement with LSE Deputy Director and Provost Professor Robin Mansell, pledging ten years of funding for the Chair, which will initially be held by Professor Lord Nicholas Stern.

A former Chief Economist of the World Bank, with four decades of experience working with India, Lord Stern has been the IG Patel Chair of Economics and Government since its creation in 2007.

The funding from YES BANK will also support the work of the LSE India Observatory, which had been set up in 2007 to continue to develop and enhance research and programmes related to India's economy, politics and society.

Lord Stern thanked Mr Rana Kapoor and YES BANK for their generosity, saying "Support from YES BANK will ensure that the India Observatory continues both its research and its work to

build public understanding on the Indian economy and society. Our two institutions share a common commitment to analysing and tackling societal challenges, with a strong focus on climate change and sustainability."

The I.G. Patel Chair in Economics and Government,

based at the India Observatory within LSE's Asia Research Centre and funded by gifts from the Reserve Bank of India and the State Bank of India, was founded in 2006 in honour of Indraprasad Gordhanbhai (I.G.) Patel, the eminent economist and former Governor of the Reserve Bank of India. Dr Patel, was appointed the ninth Director of LSE in 1984, and served until 1990. Professor Lord Stern is the inaugural holder of the I. G. Patel Chair. The I. G. Patel Chair's duties include the directorship of both the LSE India Observatory, a dedicated research unit based at LSE's Asia Research Centre, and the Asia Research Centre itself.

Professor Robin Burgess elected Fellow of the British Academy



In July 2016, the British Academy announced that Robin Burgess of the LSE Department of Economics had been elected Fellow of the British Academy.

The British Academy is the UK's most prestigious national institution for the humanities and social sciences. Each year, its members elect into its Fellowship around 40 UK-based

scholars who have attained distinction in any branch of the humanities and social sciences. The rigorous electoral process means that only a very small number of scholars in any field are elected.

Professor Robin Burgess, Professor of Economics and Director of the International Growth Centre, has been elected as British Academy Fellow in recognition of his research on

applied economics. His work spans development economics, environmental and energy economics, microeconomics of growth, political economy, public economics and labour economics.

Robin Burgess said of his election: "Never has the process of linking economic research with public policy been more necessary in the interconnected world we inhabit. I look forward to working with the British Academy in this exciting endeavour."

Other current members of the LSE's Economics Department who are Fellows of the British Academy include Professors Philippe Aghion, Tony Atkinson, Oriana Bandiera, Tim Besley, Francesco Caselli, Richard Layard, John Hardman Moore, Chris Pissarides, Peter Robinson, Nick Stern, John Sutton, and John Van Reenen.

Professor Lord Nicholas Stern, IG Patel Professor of Economics at LSE, who has been President of the British Academy for the last four years, announced that he will step down in June 2017. His successor will be Professor Sir David Cannadine.

Tales from Houghton Street: the LSE Oral History Project



Was life as an LSE student so different in 1955 to 2015? What changes have our long-serving staff seen over the years? Where was there a Paternoster lift on campus? Who was Wright of Wright's Bar? Find the answers to these questions and more in *Tales from Houghton Street*, an oral history project celebrating LSE's 120th anniversary in 2015, available from the LSE Digital Library at digital.library.lse.ac.uk/collections/talesfromhoughtonstreet

The collection contains one introductory podcast and 30 audio recordings of interviews with alumni and staff who were studying or working at LSE between the 1950s and 2015.

Participants discussed themes including their experiences as students, teachers and researchers at LSE, developments in higher education and the future of LSE. They also shared memories about the changes on LSE's campus: the buildings, halls of residence, the social life, and about life in London through the years.

Each recording is accompanied by a summary of the interview to help researchers identify key points. Three Economics Department faculty members – Jim Thomas, Richard Jackman and Richard Layard – and six former Economics students gave interviews to the project's interview team (Hayley Reed, Sue Donnelly, Clara Cook and Tom Sturdy).

The podcasts are a unique glimpse into the workings of the Economics Department, and the history of the School over the last fifty years.



Student in Main Entrance to Old Building, 1964.



Main Building Third Floor Coffee Bar, 1964.

Jim Thomas

digital.library.lse.ac.uk/objects/lse:loc652non

1960 BSc Econ

Emeritus Reader in Economics, Department of Economics, LSE

Jim Thomas graduated with a BSc Economics in 1960, and taught in the Department from 1960 to 2002. His fascinating talk spans an impressive 50 years of LSE life, from the perspective of someone who was first a student, then a member of the faculty.

Richard Jackman

digital.library.lse.ac.uk/objects/lse:kos352fol

Professor of Economics, Department of Economics, LSE

Richard Jackman joined the Department of Economics in 1968, having taken his PhD at Cambridge. He talks about the cultural changes at the LSE over the last 50 years, student unrest in the 1960s, and the impact of technology on student teaching, and recalls highlights of his career including becoming a professor, his activities as Head of Department, and his research activities.

Richard Layard

digital.library.lse.ac.uk/objects/lse:huk618ber

1967 MSc Econ

Emeritus Professor of Economics, Department of Economics, LSE

Richard Layard talks about his long and distinguished career at the LSE, including his work on the Robbins Committee, the foundation of the Centre for Economic Performance, his collaboration with Steve Nickell, the Wellbeing Programme, the Global Apollo Programme, Action for Happiness, and the other high-profile research projects he has worked on. He also reflects upon the future of research education at LSE.

Alumni:

Mary Evans

digital.library.lse.ac.uk/objects/lse:hug896lux

1967 BSc Econ

LSE Centennial Professor, Gender Institute, LSE.

Mary Evans recalls the challenges of studying at LSE after coming from a provincial girls' school with a limited curriculum, and considers the differences between girls' and boys' education in the '60s. She describes her activities in the women's movement, the foundation and growth of the Gender Institute, and considers the changing place of women in higher education, particularly the LSE.

Dorothy Mellor

digital.library.lse.ac.uk/objects/lse:ler828sub

1954 BSc Econ

Dorothy Mellor's account of her time as an undergraduate at the LSE in the early 1950s is packed with incident. She talks about life in post-war London, her mother's concern that the LSE would turn her into a communist, and her social life as an LSE student. She also mentions meeting Bill Phillips and seeing his "Phillips machine" in action, and describes the early computers used by the LSE's statisticians. Dorothy Mellor went on to work for IBM from 1963 until her retirement.

Robert Weinberg

digital.library.lse.ac.uk/objects/lse:yak899mur

1955 BSc Econ, 1960 PhD Econ

New Yorker Robert Weinberg joined the LSE as a Fullbright Scholar in the early 1950s. He gives his perspective on LSE life as an overseas student in post-war London, and comments on his active role in LSE Students' Union. He also describes his hopes for the future of LSE, and his feelings about his association with the School over the years.

Wendy Weinberg (Yates)

digital.library.lse.ac.uk/objects/lse:hos604bop

1956 BSc Econ

Wendy Weinberg, who was an economics undergraduate in the mid-1950s, enthuses about the teaching arrangements for BSc Economics, and describes the classes she took, including Karl Popper's lectures on logic and scientific method, as well as the relatively low expectations her careers advisor had for her as a woman.

John Thornton

digital.library.lse.ac.uk/objects/lse:yap702pap

1985 Graduate diploma, 1986 MSc Economics

John Thornton, a student at the LSE in the mid-1980s, recalls his favourite place on campus (the Paternoster lift), which he characterises as a metaphor for the atmosphere of intellectual risk-taking at LSE. He talks about the LSE's emphasis on rational thought and facts, and his expectation that the School will continue to shape the decisions of policymakers all over the world.

Brian van Arkadie

digital.library.lse.ac.uk/objects/lse:ger279yek

1955 BSc Econ

Brian van Arkadie, a development economist, academic and teacher, studied at LSE in the early 1950s. He reminisces about student social life in London, including the rise of Italian coffee bars and jazz clubs, and gives an account of the LSE's 60th anniversary celebrations, which he helped to organise, and which was attended by Lord and Lady Beveridge, Richard Tawney and Bertrand Russell, amongst others.



The LSE switchboard operators in 1979.



Economics Reading Room (Haldane Room) in the old library, c1950.



An audience in the Old Theatre gallery 1st April 1964.

STICERD

Research Centre Briefing



For the past four decades, the LSE Suntory and Toyota International Centres for Economics and Related Disciplines has been home to world-class academics, all focused on putting economics and its related disciplines at the forefront of research and policy development. Founded in 1978 by Professor Michio Morishima using funds donated by Suntory

Limited and the (then) Toyota Motor Company Limited of Japan, STICERD currently hosts researchers and visitors from across the globe in the heart of academic London.

Each year, we organise open seminars covering such diverse topics as Development and Growth (in collaboration with UCL), Public Economics, Theoretical Economics, Econometrics, Japanese Studies, Economics of Industry, Political Economy, Psychology & Economics and Industrial Economics (with NERA). This year over 100 seminars were held at STICERD. Speakers from institutions as diverse as Duke University, Ecole Polytechnique and Bonn University spoke on topics ranging from the risks of machine learning, to alcohol and self-control.

We are very proud of our three public lectures series; the Amartya Sen lectures, the Tony Atkinson lectures and the Michio Morishima memorial lectures.

Although there was no formal Sen Lecture this year, Professor Lord Nicholas Stern hosted an In Conversation event for a crowd of 540 people with Professor Sen (pictured above) this November. The topic of discussion was Professor Sen's publication *In the Country of First Boys*, in which he addresses the most pressing issues we face today, including disparity and inequality.

This year's Atkinson lecture was delivered by Philippe Aghion (Harvard) on the topic of income inequality, and was well-attended both in person and by those streaming online and downloading the event podcast.

In June, Joe Henrich (Harvard) delivered this year's Morishima Public Lecture, based on his book *The Secrets of Our Success*, which discusses the benefits of cultural collaboration and how isolated societies can backslide into technological and cultural irrelevance. His lecture attracted a large crowd to the Old Theatre

STICERD

Suntory and Toyota International Centres for Economics and Related Disciplines

STICERD continues to provide significant financial support to LSE scholars. During 2015-16, we awarded 15 research grants to members of 10 LSE departments. We also provided funding for the inaugural STICERD Alumni conference and supported the Applied Industrial Economics conference in May. We also support a large and thriving community of 40 PhD students, two of whom (Florian Blum and Guo Xu) have recently been awarded RES Junior Fellowships.

Michio Morishima's vision was of an academically rigorous institution, engaged with and committed to the wider world. In the spirit of this vision, we are delighted to welcome Nava Ashraf to STICERD. Nava is launching the Marshall Institute and will co-direct the well-established Economics & Psychology programme with Erik Eyster.

We are pleased to have secured funding from YES Bank, India's fifth largest private bank, to support the IG Patel Chair. The Chair, which is named in honour of our former Director and former Governor of the Bank of India, Indraprasad Gordhanbhai Patel is currently held by Professor Stern. The generous support from YES Bank secures the future of the Chair, of the LSE India Observatory, for ten years.

Finally, we congratulate Robin Burgess on his appointment as a Fellow of the British Academy, and Camille Landais on his award of the Prix du meilleur jeune économiste (best young economist prize).

We are pleased with the progress we have made as a unit this year and are looking forward to a successful 2016/2017. We believe, as Robin said on his recent election to the British Academy, that "[n]ever has the process of linking economic research with public policy been more necessary in the interconnected world we inhabit."

*Professor Oriana Bandiera,
Director of STICERD*

New Research Funding

Migration in the UK: the “north/south” divide



Professor Alan Manning has received funding under the Economic and Social Research Council's Secondary Data Analysis Initiative to develop a better understanding of the impact of economic opportunity on migration. The study aims to understand the persistence of regional inequalities in the UK (often summarized as the “north/south” divide), and to develop policies that might help to alleviate the problems.

Labour market dynamics and optimal policies

Dr Camille Landais has been awarded a European Research Council Starting Grant for his DYNAMICSS project.

The key idea of DYNAMICSS is to extend the sufficient statistics approach to dynamic settings, and characterize the full time profile, rather than the average generosity, of social insurance and transfer policies. By expressing optimal policy as a function of a limited set of statistics, the “sufficient statistics” approach has the advantage of making clear the trade-offs implied in optimal tax or benefit formulae, and of tightly integrating the theory and the empirics of optimal policy analysis, to offer robust policy guidance.



Systemically Important Markets and Industries

Dr David Baqaee has been awarded a British Academy/Leverhulme Small Research Grant to empirically identify which industries are systemically important to the economy. The project combines the theoretical model of Baqaee (2015) with a rich panel dataset of Japanese firms, and will develop new econometric methods for estimating a measure of systemic importance that depends on how many important upstream and downstream connections are severed by the loss of a firm.



European Research Council Consolidator Grants



To **Professor Ricardo Reis** (left) for the *New Perspectives on to Inflation* project, which pursues an alternative approach which examines the causes and effects of inflation from the perspective of the value of financial assets.



To **Professor Henrik Kleven** (right) for the *Designing Effective Public Policies* project, which aims to achieve a comprehensive understanding of how government interventions affect two key markets: the housing market and the labour market.

To **Professor Silvana Tenreyro** for the *Research on Macroeconomic Fluctuations and Trade* project, which will study macroeconomic fluctuations, identify the mechanisms that drive and propagate these fluctuations, and use the empirical findings to formulate models used for quantitative policy and positive analysis.



To **Professor Gilat Levy** for the *Bayesian Peer Influence: Group Beliefs, Polarisation and Segregation* project, which aims to provide a new framework to model and analyse dynamics of group beliefs, in order to study phenomena such as group polarisation, segregation and inter-group discrimination. It will introduce and study a new heuristic for the diffusion of beliefs in groups, the Bayesian Peer Influence heuristic (BPI), based on the idea that individuals learn their peers' beliefs and update their own beliefs using a simple formula. The project will study the properties of the BPI and its applications to the dynamics of group behaviour.



Research Funding

Simultaneous First-Price Auctions with Preferences over Combinations



Dr Pasquale Schiraldi has been awarded an ESRC research grant for his project "Simultaneous First-Price Auctions with Preferences over Combinations". The research aims to establish a new set of methods for theoretical and empirical analysis of simultaneous multi-object auctions; to contribute to the debate about the desirability of different auction designs in procurement auctions; and to evaluate the costs and benefits of different auction designs. **Dr Tatiana Komarova** and **Dr Matthew Gentry** are co-investigators on the project.

Getting back to Growth through Technological and Managerial Innovation

Professor John Van

Reenen has been awarded a European Research Council Advanced Grant for the *Getting back to Growth through Technological and Managerial Innovation* project. This will look for ways to increase European growth by examining the lifecycle of innovators and entrepreneurs across several advanced countries, and the impact of financial constraints, tax and schooling policies on stimulating greater innovation. The project will also examine how far managerial practices can account for differences in the wealth of nations and how management quality can be improved, focusing on randomized control trials of business support policies.



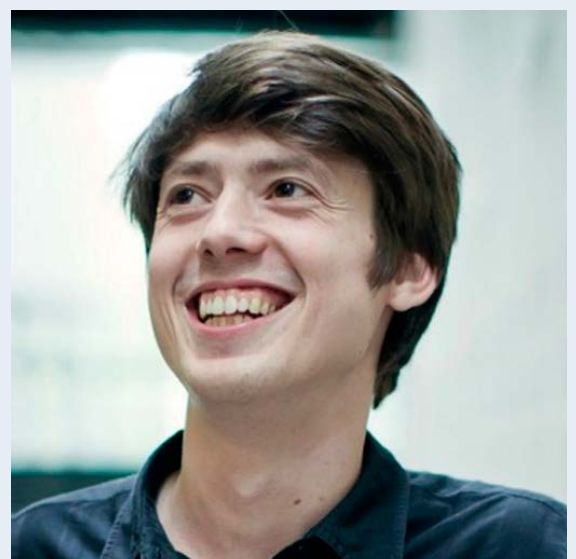
Dr Johannes Spinnewijn awarded the Wiley Prize in Economics

On 29 September 2015, the British Academy announced that the annual Wiley Prize in Economics had been awarded to Dr Johannes Spinnewijn of the LSE Department of Economics.

The award, made in partnership with Wiley-Blackwell, rewards achievement in research for an outstanding early career economist. Dr Spinnewijn received the award for his academic excellence in the field of economics, in particular his research in current and topical public policy.

Professor Leonardo Felli, Head of the LSE Department of Economics, said: "On behalf of the entire Department of Economics, it is a real pleasure to congratulate our colleague Johannes Spinnewijn, whose outstanding work in public policy has today been recognised by the British Academy, in their decision to award him the 2015 Wiley Prize in Economics."

Dr Spinnewijn said he was honoured and "very happy" to have had his work in public economics recognised by the Academy, adding, "It is an exciting field to be in today and a joy trying to contribute to it at LSE."



Dr Johannes Spinnewijn

Teaching in the Department of Economics

In the Department of Economics, we are proud of our distinctive, research-led teaching, and we always strive to develop new ways of interacting with students.

Feedback received during the annual LSE Teaching Surveys reveals that the restructured first-year Economic Principles courses and second-year Econometrics courses have been very successful.

Teaching on some of our largest courses can be challenging (for example, there are almost 1000 students enrolled on EC102

Economics), especially when lectures are held in a darkened West-End theatre.

Nevertheless, our colleagues have managed to increase student engagement, making their lectures more engaging by thinking aloud, Skypeing onstage, and even counting chickens!

Here is some of the feedback our faculty has received in this year's survey.

“ Professor Pischke would sit on the stage and think aloud about the intuition behind an econometric problem. Soon, we found ourselves thinking aloud with him. ”

(EC220 Introduction to Econometrics)

“ Professor Pischke always supported the theory presented with interesting real life examples of different fields. He would invite us to speak our mind, and most lectures became debates about the econometrics behind hurricane prediction, wine pricing, school acceptance or football! ”

(EC221 Principles of Econometrics)



“ Dr Ngai's teaching has always been extremely interesting and dynamic. She makes effective use of the IT available to her to help describe and further our understanding, whether from PowerPoint illustrations or Skypeing a finance minister friend who can give a better insight. She is very receptive

to recognising if the audience is struggling to understand a topic and then adapting to help us. Questions are allowed to be asked, and are always well answered. ”

(EC100 Economics A)



“ Through his lively teaching style, questions during lectures and encouragement of active participation, Professor Caselli made it seem like he was teaching you individually rather than in a group of hundreds. ”

(EC102 Economics B)

“ (Professor Caselli) structured the course in a way that kept up with current affairs, and that helped keep things very interesting! He introduces examples and case studies in his lectures, in order to reinforce the key concepts for EC102. I believe this has certainly aided us in our understanding and has allowed us to relate the theories we have learnt to the real world we face today. ”

(EC102 Economics B)



“ From his use of chickens to explain monetary policy to his numerous attempts to invite us to ask questions, (Professor) Ricardo Reis's lectures were a

perfect blend of well explained theories, interesting facts and funny anecdotes. ”

(EC424 Monetary Economics)



Our teaching assistants were also recognised in the annual Student Led Teaching Excellence Awards.

Francesco Ruggieri (MSc Economics), a Graduate Teaching Assistant, won the LSE Teaching Excellence Award sponsored by the Student Union for giving the best feedback to students.

“Francesco is the definition of a teacher who goes the extra mile to explain course content, using intuition and extra diagrammatic analysis, so that everyone in the class feels totally comfortable. He's repeatedly provided detailed follow ups to topics that have been discussed in class and created extensive study notes on challenging topics. He leaves feedback that is so in-depth and supportive that there's no residual ambiguity.”

(EC201 Microeconomic Principles)

Another Graduate Teaching Assistant, Aleksander Kloda (BSc EME and MSc Economics alumnus), in EC210, was the runner-up for Best Innovation for his teaching on EC210 Macroeconomic Principles.

The LSE Class Teacher Awards recognise the special contribution made by graduate teaching assistants, teaching fellows and guest teachers to their work.

This year, Shan Aman-Rana, Clement Minaudier, Kilian Russ, Thomas Drechsel, and Frank Pisch received class teacher awards. Honourable mentions were made to Tiloka De Silva, Giulia Giupponi, Aleksander Kloda, Luis Martinez, William Matcham, Maria Molina-Domene, Revi Panidha, Alessano Stozza, Ken Starling, and Luke Taylor.



Student Awards and Prizes

We would like to extend our warmest congratulations to all economics students graduating in 2015-16, and to acknowledge the achievements of the following students, who were awarded departmental prizes, scholarships and external awards for outstanding performance in their exams or written work.

BSc Prizes and Awards

Allyn Young Prize

Ankit Parasrampur, MSc in Economics (2 year Programme)
Aniket Baksy, MSc in Economics (2 year Programme)

Economics Examiners Prize

First year – Sam Behrens, BSc in Economics
Second year – Kai Ling Neo, BSc in Economics

Gonner Prize

William Daniel Parry, BSc in Economics

J R (Bob) Gould Prize

Yash Salunkhe, BSc in Economics

Premchand Prize

Nikola Dacic, BSc in Economics

Rishi Madlani Award

Jeremy Yun Loong Wang, BSc in Economics
Junzhang Lu, General Course
Amelia Shaye Jin Lim, BSc in Economics
Miles Preston, BSc in Philosophy and Economics
Ruoqi Zhou, MSc in Economics (2 year Programme)

Departmental Introduction to Econometrics Prize

Yi Xian Low, BSc in Economics

Departmental Principles of Econometrics Prize

Jaume Vives, BSc in Economics

Outstanding overall merit in a BSc programme in the Department of Economics

Yong Cai, BSc in Econometrics and Mathematical Economics

MSc Prizes and Awards

Ely Devons Prize for Outstanding Performance in the MSc Econometrics and Mathematical Economics Programme

Roger Wiederkehr, MSc Econometrics and Mathematical Economics
Xinzyu Ji, MSc Econometrics and Mathematical Economics

Sir John Hicks Prize for Outstanding Performance in the MSc Economics Programme

Thomas Brzustowski, MSc Economics

MRes/PhD Prizes and Awards

Sir John Hicks Prize for Outstanding Performance in MRes Examinations

Luca Citino, MRes/PhD in Economics

Sir John Hicks Prize for an Outstanding Doctoral Dissertation

Reka Juhasz, PhD in Economics
Claudia Steinwender, PhD in Economics

Teaching Prizes

LSE Class Teacher Awards

Shan Aman Rana
Tiloka De Silva
Thomas Drechsel
Giulia Giupponi
Aleksander Kloda
Luis Martinez
William Matcham
Clement Minaudier
Dr Maria Molina Domene
Revi Panidha
Frank Pisch
Kilian Russ
Alessandro Sforza
Ken Starling
Luke Taylor



Relaunch of *Economica*

Economica is an international peer-reviewed academic journal, covering research in all branches of economics, published quarterly on behalf of the Department of Economics at LSE by Wiley-Blackwell. It is widely read, being available in nearly 10,000 institutions worldwide.

Established in 1921, it was formerly edited by Frank Cowell (Managing Editor), Lena Edlund, Gianluca Benigno, Peter Norman Sørensen, and Amos Witztum (Book Reviews). In January 2016, the journal was re-branded and re-launched with a new team of editors, including Professors Oriana Bandiera, Tim Besley, Francesco Caselli, Maitreesh Ghatak, Stephen Machin, Ian Martin and Gianmarco Ottaviano, with Nava Ashraf joining the team from September 2016.

The new editorial team has been working hard to secure submissions from a range of high-profile economists. Papers by Orazio Attanasio, Robert Barro, Richard Blundell, Wouter Den Haan, Pete Klenow and Andrea Prat appeared in the first three issues; in October 2016 the editors are looking forward to publishing papers by Tim Besley and John Pencavel, amongst others.

Early in 2017 we will publish the *Economica* Coase and Phillips lecture papers by Robert Hall and Robert Pindyck. Please check the website for the audio and video recordings of these lectures, and for the details of speakers for next year's lectures.

Submissions

Economica welcomes high-quality contributions from all parts of the international research community which are of interest to general readers. For general enquiries, please contact economica@lse.ac.uk



Professor Tim Besley elected Second Vice President of the Econometric Society



We are delighted to announce that Professor Tim Besley has been elected Second Vice-President of the Econometric Society, replacing Drew Fudenberg of Harvard. His election means that he is expected to serve as President of the Econometric Society in 2018.

Founded in 1930, the Econometric Society is the

foremost international society fostering the study and application of quantitative economics. It publishes three leading econometrics journals, as well as a research monograph series, conducts numerous congresses, conferences and seminars, and promotes

the diffusion of knowledge about recent developments in quantitative economics around the world via its regional groups.

Tim Besley, who holds the Sir William Arthur Lewis Chair, has been a member of the Economics Department for 20 years. An external member of the Bank of England Monetary Policy Committee from September 2006 to August 2009, he is a Fellow of the Econometric Society, the British Academy, and the European Economic Association, as well as a foreign honorary member of the American Economic Association and of the American Academy of Arts and Sciences.

Speaking of his election, Tim said, "It is a great honour to have been elected to serve as President of the Econometric Society in 2018. The Society has played a key role in transforming our discipline and has global reach. By being elected to this role, I will also continue LSE's strong links to the Econometric Society."

Centre for Economic Performance: Review of the Year

CENTRE *for* ECONOMIC
P E R F O R M A N C E

The Centre for Economic Performance (CEP), based in the Economics Department, is home to much of the applied microeconomic research that is carried out at LSE. The Centre's mission since it was founded by Lord Richard Layard (Emeritus Professor) in 1990 has been to promote world class research that can change the world. The Centre studies the determinants of economic performance at the level of the company, the nation and the global economy. To do this it focuses on the links between globalisation, technology and institutions (in particular those in the education and the labour market) and their respective impacts on productivity, inequality and wellbeing.

This year Professor John Van Reenen, director of the CEP for 13 years stepped down to take up a chair at MIT. Professor Stephen Machin, CEP's Research Director of 13 years, was appointed to the Directorship, and moved from UCL to take a Chair in the LSE Economics Department. The Centre won another five years of core funding from the ESRC, for the sixth time running, and remains with Institute for Fiscal Studies the longest running ESRC Centre in the country.

A major role of a research centre is to make an impact and influence policy, to get its work off the library shelf into the public arena. In 2015 the media referred to CEP work almost 5 times a day and our papers were downloaded from the CEP website 4.78 million times.

Members of the centre contributed evidence to several select committees, wrote the World Happiness Report, produced a range of Economist-style policy briefings. They also played a leading part in providing research evidence in the Brexit debate, during which they held several events, and produced seven major reports (cep.lse.ac.uk/BREXIT/), numerous blogs (cep.lse.ac.uk/BREXIT/blogs.asp) and newspaper articles.

CEP efforts formed part of the broad economic consensus that spelled out the economic damage Brexit will do to the UK, and we were regularly cited by everyone from George Osborne to John Oliver of the US Daily Show ([youtube.com/watch?v=iAgKHSNqxa8](https://www.youtube.com/watch?v=iAgKHSNqxa8)). In the febrile political times we now live in, when emotion often trumps rational thought, the importance of CEP continuing to provide independent rigorously evidenced analyses of what is going on to policymakers and to the public has never been greater.

Research Highlights

Over the last year, we have been active in running projects and international conferences on a wide range of issues, including:

- the impact of management practices on the wealth of nations;
- tax incentives and firm innovation;
- the impact of robots on productivity and jobs;
- the impact of China on trade and incomes;
- entrepreneurship;
- the economics of crime;
- Britain's low social mobility;
- unprecedented falls in UK real wages since the start of the Great Recession;
- minimum wages and their effects on workers and firms;
- the economics of migration;
- wellbeing over the life course;
- urbanisation in developing countries;
- city flooding;
- evaluations of teaching methods for literacy and phonics;
- the impact the introduction of academy school to England's education;
- returns to university education.

We also received government funding (BIS) to study vocational education, enabling us to establish the first centre devoted to undertaking large scale empirical research on this topic (cver.lse.ac.uk/).

A summary of the Centre's research highlights can be found in Centrepiece Magazine, a thrice yearly Economist-style magazine produced by CEP (cep.lse.ac.uk/centrepiece/).

Centre for Macroeconomics

Research Centre Briefing

The Centre for Macroeconomics (CFM, centreformacro.economics.ac.uk/) brings together a group of world class experts to carry out pioneering research on the global economic crisis and help design policies to alleviate it. Chaired by LSE's Nobel Prize-winning economics professor, Christopher Pissarides, the new centre brings together a diverse, but interconnected, set of institutions, which range from the policy making (Bank of England) through applied policy research (National Institute of Economic and Social Research) to academia (University of Cambridge, LSE, and University College London). This set of institutions creates a unique environment for imaginative, policy relevant, and intellectually robust research.

Staff

Martin Weale, former member of the Monetary Policy Committee of the Bank of England, has joined the CFM as a part-time visitor.

Research

An important aspect of the CFM mission is to explore approaches that go beyond Dynamic Stochastic General Equilibrium (DSGE) modelling, which is currently the main paradigm of modern macroeconomics.

The work of Dr David Baqaee (a recent Economics Department hire) and Vasco Carvalho (Cambridge) deserve special mention. In most macroeconomic models, market participants who want to supply or demand a particular good meet simultaneously in one market. The same setup is used for workers looking for a job and firms with vacancies.

That is, models make the simplifying assumption that market participants are all in the same location when trading with each other and face at most a "search friction" that captures the idea that you may not find the right counterparty.

By contrast, David Baqaee and Vasco Carvalho explicitly incorporate networks into macroeconomic models. Their models capture the idea that market participants are linked to only a particular set of other market participants and that the impact of shocks to the aggregate economy depends on which part of the network is affected first and with what other market participants this first and subsequent groups of affected agents are connected.

CFM Survey

A key activity with which the CFM reaches out to the public at large is the CFMSurvey, which solicits the views of a group of prominent UK-based economists on the important macroeconomic and policy issues of the day. Special attention was given to the Brexit referendum, and the role of monetary policy in the new post-crisis environment. Results of the survey and commentary of the panel members can be viewed at cfmsurvey.org.



Backstage at Brexit Referendum night at the LSE, 24 June 2016.

Public Lectures

Together with the department of economics, the CFM has organized numerous public lectures. Very popular were again the lectures in which academics presented available scientific evidence on key topical questions such the economic impacts of migration or the challenges of the Chinese economy. Details of all the CFM's activities can be found on the website at centreformacro.economics.ac.uk/Home.aspx. For the latest news, follow us on [Twitter @CFMUK](https://twitter.com/CFMUK)

Professor Wouter Den Haan
Co-Director, Centre for Macroeconomics

Economics PhD student awarded IOEA 2016 Best Research Paper Award

Every year, the Institutional and Organizational Economics Academy (IOEA) (ex-ESNIE) awards prizes to the best projects in the field. The prize aims to recognize promising young scholars and outstanding projects. This year, the winner of the IOEA 2016 Best Research Paper Award was Miguel Espinosa, PhD Student and Teaching Fellow at the Department and affiliate of STICERD.

The IOEA has become one of the most prominent events in research on institutional and organizational economics in the world. The Academy aims to promote advanced and original research on institutional and organizational economics.

It combines theoretical and empirical analyses of the diversity of mechanisms, formal and informal, allowing coordination between agents, interaction between these different mechanisms and their consequences on economic performances and dynamics.

Beyond the will to promote IOE research, another major target of the academy is to foster its development among young researchers, to identify promising talents, and to spread their work within the community. PhD candidates, both post-doctoral and young professors, benefit from both a high-level training and a chance to fit into the international network of the IOE.

Recognition for Economics alumni in the New Year Honours list

Two former members of the Department of Economics were recognised in the New Year Honours list, which was announced on 30 December 2015.

Philip S Mason OBE (BSc Economics 1980), Senior Anti-Corruption Adviser at the Department for International Development, was awarded the Order of the British Empire for services to International Anti-Corruption Policy.

Sir David R Norgrove (MSc Economics 1972). Chair of the Low Pay Commission, and Chair of the Family Justice Board, was knighted for services to the Low Paid and the Family Justice System.



Economics PhD Student awarded RES 2015 Junior Fellowship Award

Nicola Limodio, PhD student at the Department of Economics and an affiliate of STICERD, has received a Junior Fellowship research award for the academic year 2015-2016 for his research: The Economics of Development Lending: Evidence from Manager-Country Assignment in World Bank Projects.

The 2015 Junior Fellowship award scheme received 40 applications from universities across the UK (including Birkbeck, Birmingham, Bristol, Cambridge, Cardiff, Essex, Glasgow, Imperial, Leicester, LSE, Manchester, Oxford, Portsmouth, St Andrews, UCL, York and Warwick).

5 elected Council members assessed and graded the applications and the RES Secretary General made the final awards. This year 16 candidates were selected for awards with 12 offers made.

Professor Tim Besley appointed as a commissioner on the National Infrastructure Commission

Professor Tim Besley of the Department of Economics has been invited to serve as one of seven members of the government's new National Infrastructure Commission (NIC), which has been created to oversee £100bn of spending on infrastructure projects, such as road, rail flood defences, and other vital projects. Led by former Cabinet minister Lord Adonis, the Commission will produce a report at the start of each five-year Parliament, offering recommendations for priority infrastructure projects.

The Commission's initial focus will be in three key areas:

- Northern connectivity, particularly identifying priorities for future investment in the North's strategic transport infrastructure to improve connectivity between cities, especially east-west across the Pennines

- London's transport system, particularly reviewing strategic options and identifying priorities for future investment in large scale transport improvements – on road, rail and underground – including Crossrail 2
- Energy, particularly exploring how the UK can better balance supply and demand, aiming for an energy market where prices are reflective of costs to the overall system.

Tim Besley, who holds the Sir William Arthur Lewis Chair, has been a member of the Economics Department for 20 years. An external member of the Bank of England Monetary Policy Committee from September 2006 to August 2009, he is a Fellow of the Econometric Society, the British Academy, and the European Economic Association, as well as a foreign honorary member of the American Economic Association and of the American Academy of Arts and Sciences.



New Prize for an Outstanding Doctoral Dissertation

The inaugural Sir John Hicks Prize for an Outstanding Doctoral Dissertation was awarded jointly to Reka Juhasz and Claudia Steinwender.

Both use original historical datasets to look at important questions. Reka studies the impact of temporary trade protection from a technological leader on the long-term development of follower nations using evidence from 19th century Europe. Claudia studies the impact of the first successful transatlantic telegraph cable in 1866 on the cotton trade.

Their work showed ambition and skill to deliver memorable results with persuasive research designs and, in the opinion of the committee, were fully deserving of the inaugural Hicks prize.



Economics PhD student awarded funding from MIT

Congratulations to Florian Blum, PhD Student at the Department and affiliate of STICERD, who has been awarded funding from the Massachusetts Institute of Technology (MIT) to investigate the effect of central price-cap regulation on the quantity and price of service provision within the public services.

The project will also estimate the optimal price-cap that maximises consumer welfare.

Job Market Placements 2015–16

Mr Shiyu BO: Assistant Professor, Institute for Economic and Social Research, Jinan University

Mr Jonathan COLMER: Assistant Professor, Department of Economics, University of Virginia

Mr Pedro FRANCO DE CAMPOS PINTO: Visiting Assistant Professor, Musashi University

Mr Sergio DE FERRA: Assistant Professor, Department of Economics, Stockholm University

Mr Anders JENSEN: Assistant Professor, Harvard Kennedy School; Postdoctoral Researcher, NBER 2016/7

Mr Yu-Hsiang LEI: Assistant Professor, Yale-NUS College

Mr Luis MARTINEZ: Assistant Professor, Harris School, University of Chicago

Mr Munir SQUIRES: Assistant Professor, Vancouver School of Economics, University of British Columbia

Ms Giulia ZANE: Postdoctoral Researcher (3 years), Harvard University

Lord Nicholas Stern To Chair National Review Of University Research

On 16 December 2015, Universities and Science Minister Jo Johnson announced that Lord Nicholas Stern, Professor of Economics and Chair of LSE's Grantham Research Institute, would lead a UK-wide review to ensure future university research funding is allocated more efficiently and linked to widespread public impact.

The announcement follows the Government's decision in November 2015 to protect the £4.7 billion science and research budget in real terms during this Parliament.

It will take forward the Research Excellence Framework (REF), the new system introduced in 2014 for assessing the quality of research carried out in 154 UK universities. International benchmarking has shown that past research assessment exercises have improved the quality of UK research.

Responding to the announcement, Lord Stern said: "Research assessment is a vital element in promoting the excellence of UK universities' research, which we must continue to nurture. It is one of our country's greatest assets and it is essential our research remains fit for purpose, is efficient, and carries the confidence of the UK research community. Research excellence must remain the central basis for allocating support and funding to universities and we will explore ways in which a simpler system for the REF might be developed."



Jo Johnson said described Lord Stern as "a renowned academic with experience of working at the highest levels of government" and said he was delighted that he had agreed to lead the review.

Lord Stern will deliver his review of the REF to the government in the summer of 2016.

Professor Martin Pesendorfer elected Fellow of the Econometric Society



We are delighted to announce that Professor Martin Pesendorfer has been elected Fellow of the Econometric Society.

Founded in 1930, the Econometric Society is the foremost international society fostering the study and application of quantitative economics. It publishes three leading econometrics journals,

as well as a research monograph series, conducts numerous congresses, conferences and seminars, and promotes the diffusion of knowledge about recent developments in quantitative economics around the world via its regional groups.

Professor Martin Pesendorfer has been at the Department of Economics for more than 10 years. He is the MRes/PhD Programme Director and the Coordinator of the European Doctoral Programme at LSE. He is associate of the Economics of Industry Programme at STICERD, LSE and a research affiliate at the CEPR, a research fellow at the NBER, and member of the editorial board of the Review of Economic Studies.

Selected Publications

Professor Philippe Aghion

Carbon taxes, path dependency and directed technical change: evidence from the auto industry (with A Dechezlepretre, D Hemous, R Martin and J Van Reenen). *Journal of Political Economy* Volume 124 No 1 (2015).

Professor Nava Ashraf

Infrastructure, Incentives, and Institutions (with E L Glaeser and G A M Ponzetto). *American Economic Review: Papers & Proceedings* Volume 106 No 5 (2016).

Dr Esteban Aucejo

University Differences in the Graduation of Minorities in STEM Fields: Evidence from California (with P Arcidiacono and J Hotz). *American Economic Review* Volume 106 No 3 (2016).

Dr Gharad Bryan

Referrals: peer screening and enforcement in a consumer credit field experiment (with D Karlan and J Zinman). *American Economic Journal: Microeconomics* Volume 7 No 3 (2015).

Professor Robin Burgess

The value of democracy: evidence from road building in Kenya (with R Jedwab, E Miguel, A Morjaria and G Padró i Miquel). *American Economic Review* Volume 105 No 6 (2015).

Professor Luis Garicano

The Sovereign-Bank Diabolic Loop and ESBies (with M K Brunnermeier, P R Lane, M Pagano, R Reis, T Santos, D Thesmar, S Van Nieuwerburgh and D Vayanos). *American Economic Review* Volume 106 No 5 (2016).

Dr Keyu Jin

Credit Constraints and Growth in a Global Economy (with N Coeurdacier and S Guibaud). *American Economic Review* Volume 105 No 9 (2015).

Professor Henrik Kleven

Extrinsic and Intrinsic Motivations for Tax Compliance: Evidence from a Field Experiment in Germany (with N Dwenger, I Rasul and J Rincke). *American Economic Journal: Economic Policy* Volume 8 No 3 (2016).

Production versus revenue efficiency with limited tax capacity: theory and evidence from Pakistan (with M C Best, A Brockmeyer, J Spinnewijn and M Waseem). *Journal of Political Economy* Volume 123 No 6 (2015).

Dr Camille Landais

Market externalities of large unemployment insurance extension programs (with R Lalive and J Zweimüller). *American Economic Review* Volume 105 No 12 (2015).

Assessing the welfare effects of unemployment benefits using the regression kink design. *American Economic Journal: Economic Policy* Volume 7 No 4 (2015).

Dr Matthew Levy

Exponential-Growth Bias and Lifecycle Consumption (with J Tasoff). *Journal of the European Economic Association*. Volume 14 No 3 (2016).

Professor Alan Manning

The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment (with D H Autor and C L Smith). *American Economic Journal: Applied Economics* Volume 8 (2016).

Dr Pascal Michailat

Aggregate demand, idle time, and unemployment (with E Saez). *Quarterly Journal of Economics* Volume 130 No 2 (2015).

Professor Gerard Padró i Miquel

The value of democracy: evidence from road building in Kenya (with R Burgess, R Jedwab, E Miguel and A Morjaria). *American Economic Review* Volume 105 No 6 (2015).

Professor Ricardo Reis

The Sovereign-Bank Diabolic Loop and ESBies (with M K Brunnermeier, L Garicano, P R Lane, M Pagano, T Santos, D Thesmar, S Van Nieuwerburgh and D Vayanos). *American Economic Review* Volume 106 No 5 (2016).

The Role of Automatic Stabilizers in the U.S. Business Cycle (with A McKay). *Econometrica* Volume 84 No 1 (2016).

Dr Thomas Sampson

Dynamic Selection: An Idea Flows Theory of Entry, Trade and Growth. *Quarterly Journal of Economics* Volume 131 No 1 (2016).

Professor Mark Schankerman

Patents and the global diffusion of new drugs (with I Cockburn and J O Lanjouw). *American Economic Review* Volume 106 No 1 (2016).

Dr Johannes Spinnewijn

Production versus revenue efficiency with limited tax capacity: theory and evidence from Pakistan (with M C Best, A Brockmeyer, H Kleven and M Waseem). *Journal of Political Economy* Volume 123 No 6 (2015).

Professor Daniel Sturm

The Economics of Density: Evidence from the Berlin Wall (with G Ahlfeldt, S Redding and N Wolf). *Econometrica* Volume 83 No 6 (2015).

Professor John Sutton

Capabilities, Wealth and Trade (with D Trefler). *Journal of Political Economy* Volume 124 No 3 (2016).

Professor John Van Reenen

Carbon taxes, path dependency and directed technical change: evidence from the auto industry (with P Aghion, A Dechezlepretre, D Hemous and R Martin). *Journal of Political Economy* Volume 124 No 1 (2015).

Trade induced technical change? The impact of Chinese imports on innovation and Information Technology (with N Bloom and M Draca). *Review of Economic Studies* Volume 83 No 1 (2016).

International Data on Measuring Management Practices (with N Bloom, R Lemos, R Sadun and D Scur). *American Economic Review* Volume 106 No 5 (2016).

Dr Gabriel Zucman

Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data (with E Saez). *Quarterly Journal of Economics* Volume 131 No 2 (2016).

Economics Research Students

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Mr Karun ADUSUMILLI	Mr Charles DENNERY	Miss Eui Jung LEE	Mr Francesco SANNINO
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