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*Autumn 2003...*

### **Conflicts of Interest in the Financial Services Industry: What Should We Do About Them ?**

*Geneva Reports on the World Economy No. 5*

**Andrew Crockett, Trevor Harris, Frederic S Mishkin and Eugene N White**

In the recent stock market collapse, confidence in the financial industry was shaken by numerous scandals, beginning with Enron in 2001. Central to this crisis was the exploitation of conflicts of interest. This fifth title in the ICMB/CEPR series of the Geneva Reports on the World Economy examines the problem of conflicts of interest in the financial system. Conflicts of interest lead to a decrease in information that makes it harder for the system to provide savers with the accurate, essential information that induces them to provide credit to borrowers. This study focuses on conflicts of interest that arise when a firm combines multiple lines of business, creating multiple interests. Conflicts between research and underwriting in investment banking and between auditing and consulting in accounting firms are investigated, as are the problems that arise from rating agencies providing consulting services and from universal banks combining commercial and investment banking.

See Page 13 for details

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### **Transparency, Risk Management and International Financial Fragility**

*Geneva Reports on the World Economy No. 4*

**Robert Merton, Francesco Giavazzi and Mario Draghi**

Well functioning financial markets carry out many tasks: the transfer of value over time (borrowing/lending), across borders and industries, the facilitation of payments, the fragmentation of large-size investment projects, and so on. But perhaps the foremost function financial markets carry out is the transfer or allocation of risk among different actors. Financial markets, however, especially in emerging markets, are often 'incomplete', in the sense that they provide only limited possibilities to shift risk across individuals. In such situations diversification through international capital mobility is the obvious alternative. This report discusses how risk management can be used to reduce financial fragility, and provides examples of situations in which risks are either disguised or unintendedly accumulated, with transparent policy implications.

See Page 13 for details

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*Late 2003...*

### **Banking in Europe**

*Monitoring European Deregulation No. 3*

**Pedro Barros, Paolo Fulghieri, Jordi Gual, Colin Mayer and Xavier Vives**

Financial deregulation, financial innovation and the liberalization of capital flows expose financial institutions to new types of risks, and new regulation is being introduced to tackle these phenomena. How does this affect the structure of banking markets, particularly within the EU, but also relative to other major economic areas? The report will also dwell on the issue of regulation and supervision within the EU. Two dimensions will be considered: the geographical dimension and the functional dimension.

See Page 9 for details

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*Late 2003...*

### **Pensions Policy Review: Evidence on Aspects of Savings Behaviour and Capital Markets**

*A Centre for Comparative European Policy Evaluation Report*

**David McCarthy and Anthony Neuberger**

Pensions policy has become a hot political issue across the world. With the large increase in the proportion of pensioners in the population over the next fifty years, and the down turn in the equity market affecting private sector schemes, pensions systems in many countries are under severe pressure. Diagnoses abound and diverse solutions are put forward. Much of the analysis makes implicit assumptions about the economic behaviour of individuals, employers and financial markets, assumptions that may well not hold in practice. This report identifies four key areas that are central to the debate. It reviews the extensive academic literature in these areas, setting out what we know and what we do not know, and identifying where further research may help advance our knowledge.

# Monitoring European Integration

*Monitoring European Integration* was established in 1990 as an annual series of reports on the progress of economic integration in Europe. The objective is to raise the level of public discussion on European policy issues. The conclusions and analytical frameworks developed so far have greatly influenced both policy discussions and subsequent writing on the issues covered.

## **Stability and Growth in Europe - Towards a Better Pact (forthcoming)**

*Monitoring European Integration* No. 13

**Antonio Fatás, Andrew Hughes Hallett, Anne Sibert, Rolf Strauch and Jürgen von Hagen**

Monitoring European Integration was established in 1990 as an annual series of reports on the progress of economic integration in Europe. The objective of the Reports is to raise the level of public discussion on European policy issues. Monitoring European Integration combines intellectual rigour with attention to key policy issues and is the only analysis of European integration which is specifically aimed at both European and non-European audiences.

ISBN: 1 898128 77 4      **P164**      2003.      approx 100pp.      £25

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## **Built to Last: A Political Architecture for Europe**

*Monitoring European Integration* No. 12



**David Begg, Erik Berglof, Barry Eichengreen, Torsten Persson and Charles Wyplosz**

The EU has been a success economically and politically. It has delivered the goods in achieving economic integration (single market), macroeconomic stabilization (including solving the exchange rate problem), political modernization (democratization in Greece, Spain and Portugal), and peace (which was after all the original motivation). The *methode communautaire* and bureaucratic delegation have been efficient ways of achieving these goals. But they face hurdles going forward. Unanimity is problematic in an EU of 25 members. Bureaucratic delegation (giving the Commission the exclusive right to continuously initiate legislative proposals) creates problems of political accountability and therefore social legitimacy.

These problems will become less tractable as Europe contemplates a single foreign policy, since the need for unanimous consent will prevent quick action from taking place (where speed can be essential in this domain), and legitimacy becomes key when the lives of Europe's sons and daughters are being placed at risk.

ISBN: 1 898128 64 2      **P151**      2003.      100pp.      £25

## **Nice Try: Should the Treaty of Nice be Ratified?**

*Monitoring European Integration* No. 11

**Richard Baldwin, Erik Bergl f, Francesco Giavazzi and Mika Widgr n**

EU Member nations must decide whether to ratify the Nice Treaty. This Report, written by a team of distinguished academics to inform these decisions, is highly critical of the Treaty but argues that it should be passed since it is 'repairable' and rejecting it would delay Eastern enlargement. The Report proposes two 'emergency repairs' to the Treaty that could be implemented at or before the next Intergovernmental Conference in 2004.

The authors marshal the best available empirical evidence and analytic techniques to show that the Treaty fails to meet its goal of adjusting EU decision-making to the realities of a Union with 27+ members. The Report argues that unless the Treaty is mended to restore efficiency, future integration will be guided by intergovernmental initiatives in which large members play a large role due to their economic dominance.

ISBN Paperback: 1 898128 56 1      **P140**      2001.      xxii + 137.      £25

## **Integration and the Regions of Europe: How the Right Policies Can Prevent Polarization**

*Monitoring European Integration* No. 10

**Pontus Braunerhjelm, Riccardo Faini, Victor Norman, Frances Ruane and Paul Seabright**

Further European integration will increase the incentives for regional specialisation of economic activity. People and firms will increasingly cluster together with those that share their particular know-how and skills. Will this lead to a polarized Europe, in which some regions buzz with activity while others decline? Not necessarily - but the danger is there. The central message of the tenth *Monitoring European Integration* report is that polarization is not inevitable: growth and cohesion are not necessarily enemies. Unless misguided policies determine otherwise, they are allies.

ISBN Paperback: 1 898128 46 4      **P118**      2000.      xv + 115.      £25

## **The Future of European Banking**

*Monitoring European Integration* No. 9

**Jean-Pierre Danthine, Francesco Giavazzi, Ernst-Ludwig von Thadden and Xavier Vives**

The European banking industry is in turmoil. The pace of mergers and acquisitions has accelerated and banks that have long been in trouble are disappearing more rapidly. Members of the European Monetary Union have entered EMU from very different starting positions, as far as the structure and stability of their banking systems are concerned. Europe confronts these changes without a clear and explicit strategy in the areas of regulation and prudential supervision – these remain the responsibility of national governments and national central banks. The report argues that this exposes Europe to unnecessary risks and that the way to reduce this risk is to create a single regulatory authority for all European financial markets.

ISBN Paperback: 1 898128 38 3      **P115**      1999.      xxii + 118.      £25

## **Social Europe: One for All?**

*Monitoring European Integration* No. 8

**Charles Bean, Samuel Bentolila, Giuseppe Bertola and Juan J Dolado**

The eighth *Monitoring European Integration* report provides a detailed analysis of European labour markets, and sets out specific recommendations for the design and implementation of social policies within the EU. The report addresses many of the issues raised in the debate surrounding the Social Chapter of the Maastricht Treaty. With the onset of monetary union, it is vital to understand how labour market institutions will interact with other structural changes taking place in the EU economies. Efficiency (both absolute and relative) is likely to become more important within the monetary union, since increased specialization and more intense competition should lead to increased opportunities for labour reallocation, and free mobility of capital will penalize more harshly those countries and regions which are relatively inefficient. On the other hand, if labour demand becomes more turbulent, there may be calls within the EU for measures to protect employment, especially since there will be little scope for the use of monetary and fiscal policies to offset asymmetric shocks.

ISBN Paperback: 1 898128 33 2      **P110**      1998.      xvi + 110.      £25

## EMU: Getting the Endgame Right

*Monitoring European Integration No. 7*

**David Begg, Francesco Giavazzi, Jürgen von Hagen and Charles Wyplosz**

This Report argues that the final stage of transition to EMU remains poorly understood, that many extant proposals have fatal flaws and that finding a safer transition strategy is a matter of urgent priority. Amazingly, decisions already made at Maastricht and Madrid preclude any certainty about conversion rates between the Euro and national currencies until EMU begins. Nevertheless, it would be possible to preannounce bilateral conversion rates between the 'Ins'. The authors recommend doing so immediately and on the basis of existing central parities in the ERM. They argue that it would then be possible credibly to adopt very wide bands during the transition. This proposal also offers a natural solution to the problem of the 'pre-ins'.

ISBN Paperback: 1 898128 26 X      **P104**      1997.      xiv + 76.      £25

## Flexible Integration: Towards a More Effective and Democratic Europe

*Monitoring European Integration No. 6*

**Mathias Dewatripont, Francesco Giavazzi, Jürgen von Hagen, Ian Harden, Torsten Persson, Gérard Roland, André Sapir and Guido Tabellini**

The report discusses a number of specific reforms, including: how to introduce a hierarchy of European Law, making the Union's legal structure more flexible and transparent; how to improve enforcement of the Single Market, realising the vision underlying the four freedoms; how to achieve macroeconomic co-ordination without the tarnished exchange rate mechanism, while accommodating the different views on the single currency; and how to make political decision-making more efficient and legitimate, representing and balancing different European interests.

ISBN Paperback: 1 898128 22 7      **P076**      1995      xviii +190      £25

## Unemployment: Choices for Europe

*Monitoring European Integration No. 5*

**George Alogoskoufis, Charles Bean, Giuseppe Bertola, Daniel Cohen, Juan J Dolado and Gilles Saint-Paul**

High unemployment is widely regarded as the most important challenge facing European policy-makers today. With unemployment rates of between 8% and 25%, Europe's performance compares particularly unfavourably with that of the United States. But does this result from an inability to understand the fundamental causes of the problem and a failure to find the economic policies that will solve it? Or is there simply a lack of political will? This report analyses unemployment and reviews the many policy choices that have been proposed.

ISBN Paperback: 1 898128 14 6      **P056**      1995.      xii + 148.      £25

## Making Sense of Subsidiarity: How Much Centralization for Europe?

*Monitoring European Integration No. 4*

**David Begg, Jacques Crémer, Jean-Pierre Danthine, Jeremy Edwards, Damien Neven, Paul Seabright, Hans-Werner Sinn, Anthony Venables and Charles Wyplosz**

This report argues that until detailed arguments for and against centralization are made, the principle remains an incomplete guide to decisions as to where power should reside. Sections in the report cover the following issues: labour mobility and its implications for the centralization of income tax and social security; fiscal policy, macroeconomic stabilization and the Maastricht rules; environmental policy; merger policy; and European agriculture.

ISBN Paperback: 1 898128 03 0      **P055**      1993.      xviii + 166.      £25

## Is Bigger Better? The Economics of EC Enlargement

*Monitoring European Integration* No. 3

**Richard Baldwin, David Begg, Jean-Pierre Danthine, Vittorio Grilli, Jan I Haaland, Manfred J M Neumann, Victor Norman, Anthony Venables and L Alan Winters**

This report examines the enlargement of the European Community to include the EFTA members and the Central and East European Countries (CEECs). It considers the significant economic benefits to the EFTA countries of concluding the EEA Agreement and their political and economic motivations for applying for full EC membership. The report then assesses the CEECs' accession to the EC and the implications of enlargement for the Community's institutions.

ISBN Paperback: 1 898128 06 5      **P054**      1992.      xvi + 116.      £25

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## The Making of Monetary Union

*Monitoring European Integration* No. 2

**David Begg, Pierre-André Chiappori, Francesco Giavazzi, Colin Mayer, Damien Neven, Luigi Spaventa, Xavier Vives and Charles Wyplosz**

This report examines the monetary unification of Europe and the creation of a European Central Bank (ECB). It highlights four issues: What monetary constitution is required to deliver price stability and do the draft statutes of the ECB meet these conditions? Are fiscal rules a necessary adjunct to such a constitution? Is convergence of inflation rates a precondition for embarking on monetary union? How should the transition be managed? It then analyses the question of the supervision and stability of the financial system and the possible conflicts between the ECB's responsibility for financial stability and its commitment to stable prices.

ISBN Paperback: 1 898128 05 7      **P053**      1991.      xvi + 120.      £25

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## The Impact of Eastern Europe

*Monitoring European Integration* No.1

**David Begg, Jean-Pierre Danthine, Francesco Giavazzi, Carl B Hamilton, Damien Neven, Victor Norman, André Sapir, Alasdair Smith, L Alan Winters and Charles Wyplosz**

This was the first major study of how developments in Eastern Europe would affect the economies of Western Europe and the process of economic integration among them. It focuses on the medium- and long-term implications of change in Eastern Europe for EC trade and industrial policies and the likely magnitude of East European trade with the West.

ISBN Paperback: 1 898128 04 9      **P052**      1990.      viii + 76.      £25

# Monitoring the European Central Bank

Monitoring the European Central Bank (MECB) brings together a distinguished team of CEPR researchers, internationally known for their work on macroeconomics and monetary policy. MECB aims to provide a coherent framework for discussions of European monetary policy, to ensure that the ECB's actions receive detailed scrutiny, informed by the most up-to-date economic research, and to help ensure the ECB's accountability to the European Parliament and the public at large. MECB is published twice each year. The main Report provides a detailed assessment of the ECB's actions during the last year. The second Report, published six months later, provides a timely update, as well as a commentary on the ECB's own report to the European Parliament.

Subscribing to the Monitoring the European Central Bank series:

A full report is published each year, complemented by an Update that draws on recent ECB publications. You can subscribe to the series on an annual basis for £30 (concessionary rate: £20). To subscribe to the series, or to take advantage of this offer, please contact the Centre.

## \* Special Offer \*

New subscribers to the MECB series may purchase MECB1 and 2, plus Updates for half price (£15 each).

## Surviving the Slowdown

*Monitoring the European Central Bank No. 4*

**David Begg, Fabio Canova, Paul De Grauwe, Antonio Fatás and Philip Lane**

In 2001 the ECB faced a sharp deterioration in the economic outlook, both globally and in the euro area. *MECB 4* describes the challenge for monetary policy and assesses the ECB response. Interest rates fell much less in the euro area than in the US. It is often argued that the ECB cut interest rates both too little and too late. Does this stand up to serious scrutiny? Or should we infer instead that the Fed responded too vigorously, or that the extent of the problem was simply larger in the US? The principal conclusion of *MECB 4* is that the problem was larger in the US. There is some evidence that the ECB was slow to cut interest rates, but that by late 2001 it had made up lost ground. A Fed-in-Frankfurt would not have cut interest rates more, but might have cut them earlier.

The *MECB* Update 2002 is included as a part of this order.

ISBN: 1 898128 65 0 ISSN: 1465-5586 **P150** 2002. xvi + 49  
Annual Subscription Rate: £30

## Defining a Macroeconomic Framework for the Euro Area.

*Monitoring the European Central Bank No. 3*

**Alberto Alesina, Olivier Blanchard, Jordi Galí, Francesco Giavazzi and Harald Uhlig**

The third report in this series reviews the operation of the ECB and its track record so far: the failure to meet the inflation target, the weakening euro, and the rationale for interest rate decisions. It highlights elements of ECB policy which remain opaque, including the role and significance of the published inflation projections. The authors explain why 'inflation targeting' is an employment-friendly way of running monetary policy, and make the case for abandoning the 'two-pillars' strategy and moving to inflation targeting. They also discuss the challenges facing the euro area in the years ahead: what attitude should the ECB take *vis-à-vis* the EMU fiscal authorities? and how can EMU cope with the inflation differentials among some of its members?

*MECB* Update: September 2001

This update discusses recent developments in monetary policy in the United States and in Europe, comparing the behaviour of the Federal Reserve Bank (Fed) and of the ECB in the first months of 2001, when the prolonged US expansion came to an end. It also discusses whether one should worry about current account imbalances within the euro area. In the earlier report, the authors emphasized how different inflation rates across the countries of the euro area are not necessarily a cause for concern. Here they make a similar argument regarding current account deficits.

ISBN: 1 898128 59 6 ISSN: 1465-5586 **P146** 2001. xvi + 50  
Annual Subscription Rate: £30

## One Money, Many Countries

*Monitoring the European Central Bank* No. 2

**Carlo Favero, Xavier Freixas, Torsten Persson and Charles Wyplosz**

This report focuses on two main issues: transparency and accountability, and the supervision of financial institutions. The report argues that the ECB is not fully transparent - despite its efforts its deeds do not always match its words. The absence of a centralized institution means that the ECB cannot supervise financial institutions in the way it needs. Both these shortcomings reflect Europe's ambivalence towards its own integration process. Integration requires more transfer of power to the centre but most governments balk at giving up parts of their sovereignty. This report advances a number of proposals.

*MECB* Update: June 2000

The weakening euro has been much discussed and many have argued that it is a serious embarrassment to Europe. In line with the markets, and most observers, the ECB has repeatedly stated its view that the euro is abnormally weak and 'has a potential for appreciation'. It has raised interest rates on three occasions since the fall and yet the euro has moved steadily downwards. Explanations for this descent are certainly not lacking. The *MECB* Update: June 2000 discusses some of these explanations analysing both the 'implausible' ideas and those better grounded in observable facts.

ISBN: 1 898128 43 X ISSN: 1465-5586      **P131**      1999.      xiv + 74.  
Annual Subscription Rate: £30

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## The ECB: Safe at any Speed?

*Monitoring the European Central Bank* No. 1

**David Begg, Paul De Grauwe, Francesco Giavazzi, Harald Uhlig and Charles Wyplosz**

The remarkable stability of the exchange rates of the EMU entrants during 1997 and 1998 may have encouraged European policy-makers to become complacent during the months leading up to the launch of the single currency. The authors of the first *MECB* report warn against such complacency. Even under normal economic conditions the ECB would face complex and daunting challenges arising from the rigidity of Europe's labour markets and the existence of 11 independent fiscal authorities. The volatility of international financial markets and the prospect of recurrent financial crises increase the risks for Europe, by exposing the weaknesses in the design of European monetary institutions. The report draws attention to the absence of any clear lender of last resort within EMU, which makes it more difficult to guard against systemic risk.

*MECB* Update: May 1999

In this first Update, the *MECB* team conclude that that in its first months of operation, the ECB has managed the euro area's monetary affairs in a remarkably pragmatic way, confounding critics who predicted that it would adopt excessively rigid and conservative monetary policies. The team again draws attention to problems likely to arise from continued national supervision of banking systems in Europe. National supervision of banks will make it more difficult for the ECB to implement a common European monetary policy and delay the convergence of banking systems across Europe. While these differences persist, the ECB's monetary policy will have significantly different effects across the euro area.

ISBN: 1 898128 39 1 ISSN: 1465-5586      **P116**      1998.      xii + 46.  
Annual Subscription Rate: £30

# Monitoring European Deregulation

The *Monitoring European Deregulation (MED)* series was launched by CEPR and SNS in 1997. *MED* Reports are published annually each autumn and feature new, policy-oriented research on the liberalization of the European markets of the major 'network industries': telecommunications, electricity, transportation, rail, and water.

## Banking in Europe (forthcoming)

*Monitoring European Deregulation* No. 3

**Pedro Barros, Paolo Fulghieri, Jordi Gual, Colin Mayer and Xavier Vives**

Financial deregulation, financial innovation and the liberalization of capital flows expose financial institutions to new types of risks, and new regulation is being introduced to tackle these phenomena. How does this affect the structure of banking markets, particularly within the EU, but also relative to other major economic areas? The report will also dwell on the issue of regulation and supervision within the EU. Two dimensions will be considered: the geographical dimension and the functional dimension.

ISBN Paperback: 1 898128 70 7      **P134**      2003.      Approx 250pp      £30

## A European Market for Electricity?

*Monitoring European Deregulation* No. 2

**Lars Bergman, Gert Brunekreeft, Chris Doyle, Nils-Hendrik von der Fehr, David M G Newbery, Michael Pollitt and Pierre Régibeau**

*'Monitoring European Deregulation 2 has just the right timing and formula to make it an exciting and highly recommended report for all those in the public service that struggle with the difficult task of developing a new regulatory environment for their electricity sector.'*

Cees van Gent, Dutch Electricity Regulator

The second *Monitoring European Deregulation* report explores the obstacles to a single European market for electricity, examining the policy choices facing the regulators at both national and EU levels. The report combines analyses of key issues in electricity market integration and liberalization with evaluations of practical experiences in the UK, Nordic countries, Germany, Spain, France and Hungary. These experiences suggest one important lesson, according to the report: liberalised electricity systems work. The technical breakdowns predicted by the sceptics just have not happened in the EU. At the national level, the report calls for reducing concentration in generation and regulated third party access to networks. If the single European market for electricity is to become reality it must be as easy to trade electrical power between countries as between different parts of the same country. Access charges are the key to an integrated electricity market, the report argues.

ISBN Paperback: 1 898128 42 1      **P127**      1999.      xxv + 294.      £30

## Europe's Network Industries: Conflicting Priorities (Telecommunications)

*Monitoring European Deregulation* No.1

**Lars Bergman, Chris Doyle, Jordi Gual, Lars Hultkrantz, Damien Neven, Lars-Hendrik Röller and Leonard Waverman**

The first part of this report explores ten conflicting priorities that European policy-makers face in defining an appropriate competition and regulatory policy framework for the network industries. The second part focuses specifically on the telecommunications industry, a sector where shifting patterns of ownership and market structure in combination with extraordinary technological change are creating enormous challenges for regulators at both the EU and national level.

ISBN Paperback: 1 898128 37 5      **P106**      1998.      xxiv + 258.      £30

## Policy Papers

The *Policy Paper* series was launched by CEPR in 1999 to provide a forum for the analysis of important policy issues by leading researchers. The series aims to identify key policy issues; apply the best and most up-to-date research to help understand these issues; and to explore the implications of this research for the design and conduct of policy.

### **Sustainable Regimes of Capital Accession Countries**

*CEPR Policy Paper No. 10*

**David Begg, Barry Eichengreen, Lázsló Halpern, Jürgen von Hagen and Charles Wyplosz**

The European Union can now look forward to the entry of ten new members, following the negotiations for entry completed under the Danish presidency. As the accession countries embark on the next phase of the path toward formal entry into the EU, most are expected to join the Exchange Rate Mechanism (ERM-II) in short order, prior to ultimate adoption of the euro. This period could be a time of heightened vulnerability to financial instability, requiring extremely adept economic management. Building on the lessons learned from past financial crises and comparable transitional periods prior to monetary union by other EU countries, this Policy Paper makes recommendations for how the accession countries might establish sustainable capital mobility regimes, as they negotiate the tricky path to full global financial integration and monetary union.

ISBN: 1 898128 75 8      **PP10**      2003.      x + 79.      £10

### **Lessons from the Russian Meltdown: The Economics of Soft Legal Constraints**

*CEPR Policy Paper No. 9*

**Enrico C Perotti**

On 17 August 1998 Russia abandoned its exchange rate regime, defaulted on its domestic public debt and declared a moratorium on all private foreign liabilities. This was equivalent to an outright default. The depth and speed of the Russian meltdown shocked the international markets and precipitated a period of serious financial instability. There are important lessons to be learned from this episode on issues of bank supervision and international stability. The authors locate the underlying cause of the crisis in the structure of individual incentives in a context of capture of state decisions by special interests. They conclude with a radical policy proposal for a stable banking system for Russia, based on a segmented, narrow banking sector, concentration on commercial banking and a cautious extension of deposit insurance.

ISBN: 1 898128 71 5      **PP9**      2002.      viii + 33.      £10

### **Making Sense of Globalization**

*CEPR Policy Paper No. 8*

**François Bourguignon, Diane Coyle, Raquel Fernández, Francesco Giavazzi, Dalia Marin, Kevin H O'Rourke, Richard Portes, Paul Seabright, Anthony J. Venables, Thierry Verdier and L Alan Winters**

Globalization is, in some respects, a centuries-old phenomenon. Only now, however, are we examining which aspects of the current wave are old and which are new and the effects of these on poverty and inequality in the world. Furthermore, it is difficult to be sure whether the poor economic performance of some countries is due to their having been insufficiently open to the world economy, or whether they lacked the institutions and capacities (such as in human capital) that would have enabled them to benefit from such opportunities and embrace globalization successfully. The authors analyse how various institutions, including corporations, national governments and the many institutions of civil society, have responded or potentially could respond to these developments.

ISBN: 1 898128 67 7      **PP8**      2002.      viii + 124.      £10



For details of concessionary rates see front inside cover

## Who's Afraid of the Big Enlargement?

CEPR *Policy Paper* No. 7

**Tito Boeri, Giuseppe Bertola, Herbert Brücker, Fabrizio Coricelli, Angel de la Fuente, Juan José Dolado, John Fitzgerald, Pietro Garibaldi, Gordon Hanson, Juan Francisco Jimeno-Serrano, Richard Portes, Gilles Saint-Paul and Antonio Spilimbergo**

The initial enthusiasm of many EU citizens at the 'return to Europe' of former members of the Soviet bloc has turned to anxiety at the realization of the possible adverse consequences of enlargement. Potential undesirable effects of enlargement, in particular for labour markets and social conditions, can be met by appropriately designed policies which are so far not in place or planned. Rather than legitimizing such fears, politicians and policy-makers must dispel them by leading the EU and its members to adopt these measures. Enlargement also offers the EU a window of opportunity to accelerate unavoidable reforms of structural policies, agricultural policies and their financing. The authors outline the key economic and social implications of the prospective accession of the Central and East European countries into the European Union and propose policy recommendations for EU enlargement.

ISBN: 1 898128 66 9      **PP7**      2002.      vii + 64.      £10

## Preparing the ECB for Enlargement

CEPR *Policy Paper* No. 6

**Richard Baldwin, Erik Bergl6f, Francesco Giavazzi and Mika Widgr6n**

Enlargement of EMU will soon be a reality. Central bank governors of each new EMU member will get a vote on the European Central Bank's (ECB) key decision-making body, the Governing Council. Euroland's interest-setting body will thus expand from its current 18 members to 30 or more members – clearly too many for efficient decision-making. This Paper argues that, as a matter of urgent concern, the ECB and/or the European Commission should formulate a response to this challenge, since even medium-term challenges may have immediate effect when they are predictable. The European Central Bank (ECB) has been under siege for some time; is the ECB ready for the challenge of enlargement?

ISBN: 1 898128 63 4      **PP6**      2001.      viii + 65.      £10

## EMU and Portfolio Adjustment

CEPR *Policy Paper* No. 5

**Kpate Adjaoute, Laura Bottazzi, Jean-Pierre Danthine, Andreas Fischer, Rony Hamoui, Richard Portes and Mike Wickens**

The euro will affect portfolio decisions through a variety of channels and the emergence of a single currency marks the disappearance of explicit and psychological barriers to international investing. The set of investment opportunities qualifying as 'domestic' is expanding, while the need for diversification across currencies must now be met by an increased demand for assets which are not denominated in euros. This paper examines the principal factors influencing the portfolio reallocation process following the introduction of the euro. Three broad categories of possible portfolio allocation are considered: domestic versus non-domestic investment, debt versus equity investment, and public debt versus private debt investment.

ISBN: 1 898128 58 8      **PP5**      2000.      viii + 65.      £10

## Putting 'Humpty' Together Again: Including Developing Countries in a Consensus for the WTO

CEPR *Policy Paper* No. 4

**Zhen Kun Wang and L Alan Winters,**

The fourth CEPR *Policy Paper* discusses the failure of the WTO Ministerial meeting to initiate a new round of world trade talks in Seattle in December 1999. The authors argue that this reflects several negative forces: the parties' widely disparate positions; the lukewarm attitude of governments towards further trade liberalization; and a failure of the WTO as an institution. They contend that an effective coalition in favour of the trading system must be put together before starting another serious round of talks and that this requires both paying greater attention to the substantive needs of developing countries and procedural reform of the WTO. The authors propose an eight-point plan to balance the needs of the developing and developed worlds and conclude that the best strategy for developing countries is not to resist a Round and liberalization, but to embrace them, and focus them on their development needs.

ISBN: 1 898128 54 5      **PP4**      2000.      viii + 26.      £10

**EMU and Public Debt Management: One Money, One Debt?**CEPR *Policy Paper* No. 3**Carlo Favero, Alessandro Missale, Gustavo Piga**

This Paper discusses changes in public debt management under Economic and Monetary Union (EMU) and its implications for monetary policy. With the advent of EMU, government securities have been redenominated in euros. The speculative demand and the demand for portfolio diversification related to exchange rate variation have disappeared. Common euro denomination has made liquidity and default-risk the distinguishing dimensions of government securities issued by EMU member states.

ISBN: 1 898128 50 2      **PP3**      2000.      xv + 52.      £10**The Eurosystem: Transparent and Accountable or Willem in Euroland**CEPR *Policy Paper* No. 2**Otmar Issing**

This Paper responds to some of the questions raised by Willem Buiter in his article 'Alice in Euroland' (CEPR Policy Paper No. 1). In his Paper Professor Buiter makes a number of specific proposals designed to enhance the ECB's transparency and accountability. In his reply, Issing states that monetary policy-makers, like anybody else, have to filter, process and structure relevant information and interpret it on the basis of a coherent frame of reasoning. He argues that transparency and accountability need to be discussed against the background of the stability-oriented monetary policy strategy that the ECB has actually adopted and not as if it were pursuing some other strategy such as direct inflation targeting.

ISBN: 1 898128 49 9      **PP2**      1999.      xii + 22.      £10**Alice in Euroland**CEPR *Policy Paper* No. 1**Willem H Buiter**

The legal framework, institutional arrangements and emerging operating practices of the ECB/ESCB are flawed and in urgent need of modification. A threat to the common currency is a threat to the entire EMU edifice and to the continued success of the post Second World War European integration process. Change will have to come quickly to the ECB, but some of the necessary changes are constitutional in nature and require amendments to the Maastricht Treaty. This is a difficult, cumbersome and slow process.

In the first title in CEPR's *Policy Paper* series, Willem H Buiter discusses these issues in depth and makes his own recommendations for change within the ECB/ESCB.

ISBN: 1 8981 28 48 0      **PP1**      1999.      viii + 32.      £10

# Geneva Reports on the World Economy

The *Geneva Reports on the World Economy* series was launched by the International Center for Monetary and Banking Studies (ICMB) and CEPR in 1999. Each title focuses on an aspect of the reform of the international financial and economic systems and is written by a team of internationally known macroeconomists. The series consists of an annual report and occasional 'Special Reports'.

## **Conflicts of Interest in the Financial Services Industry: What Should We Do About Them ? (forthcoming)**

*Geneva Reports on the World Economy* No. 5

**Andrew Crockett, Trevor Harris, Frederic S Mishkin and Eugene N White**

In the recent stock market collapse, confidence in the financial industry was shaken by numerous scandals, beginning with Enron in 2001. Central to this crisis was the exploitation of conflicts of interest. This fifth title in the ICMB/CEPR series of the Geneva Reports on the World Economy examines the problem of conflicts of interest in the financial system. Conflicts of interest lead to a decrease in information that makes it harder for the system to provide savers with the accurate, essential information that induces them to provide credit to borrowers. This study focuses on conflicts of interest that arise when a firm combines multiple lines of business, creating multiple interests. Conflicts between research and underwriting in investment banking and between auditing and consulting in accounting firms are investigated, as are the problems that arise from rating agencies providing consulting services and from universal banks combining commercial and investment banking.

ISBN Paperback: 1 898128 79 0      **P163**      2003.      100pp approx.      £25

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## **Transparency, Risk Management and International Financial Fragility (forthcoming)**

*Geneva Reports on the World Economy* No. 4

**Robert Merton, Francesco Giavazzi and Mario Draghi**

Well functioning financial markets carry out many tasks: the transfer of value over time (borrowing/lending), across borders and industries, the facilitation of payments, the fragmentation of large-size investment projects, and so on. But perhaps the foremost function financial markets carry out is the transfer or allocation of risk among different actors. Financial markets, however, especially in emerging markets, are often 'incomplete', in the sense that they provide only limited possibilities to shift risk across individuals. In such situations diversification through international capital mobility is the obvious alternative. This report discusses how risk management can be used to reduce financial fragility, and provides examples of situations in which risks are either disguised or unintendedly accumulated, with transparent policy implications.

ISBN Paperback: 1 898128 68 5      **P153**      2003.      xx+70.      £25

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## **How do Central Banks Write? An Evaluation of Inflation Reports by Inflation Targeting Central Banks**

*Geneva Reports on the World Economy Special Report* No. 2

**Andrea Fracasso, Hans Genberg and Charles Wyplosz**

An increasing number of central banks have adopted the inflation targeting strategy, and the trend does not seem to be ending. If inflation targeting offers a precise framework, its policy implications are surprisingly imprecise. For the strategy to be understood and generally supported, inflation targeting central banks need to communicate clearly and precisely. This is undoubtedly why they have also adopted the practice of producing a new publication often referred to as inflation reports. This study, the second 'Special Report' in the ICMB/CEPR series of Geneva Reports on the World Economy, offers the first in-depth analysis and evaluation of 20 inflation reports.

ISBN Paperback: 1 898128 76 6      **P161**      2003.      xviii+43.      £10

## How Do Central Banks Talk?

*Geneva Reports on the World Economy* No. 3

**Alan Blinder, Charles Goodhart, Philipp Hildebrand, David Lipton and Charles Wyplosz**

Much has changed over the last decade in the world of central banking. Most central banks now see low and stable inflation as their main, if not only, target and many have been granted unprecedented independence. Financial markets around the world have become considerably more integrated and, some say, prone to irrational exuberance. With more independence has come the need for more accountability and transparency. With the increased size and volatility of markets has come the need to carefully manage communication. Central bankers have delivered a high degree of price stability, but now communication is high on their list of concerns, while private bankers and the media devote ever more energy to outguessing the monetary authorities' next moves. This report is published with ICMB, originally presented to a closed meeting of distinguished central and private-sector bankers, academics and representatives of major media, and revised in the light of their discussion.

ISBN Paperback: 1 898128 60 X      **P147**      2001.      xxi + 121.      £25

## Can the Moral Hazard Caused by IMF Bailouts be Reduced?

*Geneva Reports on the World Economy* Special Report No. 1

**Barry Eichengreen**

The need to limit IMF financial rescues is a theme of the literature on how to make the world a safer financial place. Those who propose to simply prohibit IMF rescues assume that it is politically feasible for the Fund to stand aside when a crisis erupts. The reality is that the costs of inaction (a severe economic contraction, an extended interruption to capital-market access, and a lengthy and difficult restructuring) are too painful for the official community to bear. In this first 'Special Report' in the ICMB/CEPR series of *Geneva Reports on the World Economy*, Professor Eichengreen argues that institutional reforms that address these dilemmas are needed if the international policy community is to succeed in containing moral hazard.

ISBN Paperback: 1 898128 57 X      **P139**      2000.      xv + 53      £10

## Asset Prices and Central Bank Policy

*Geneva Reports on the World Economy* No. 2

**Stephen G Cecchetti, Hans Genberg, John Lipsky and Sushil Wadhvani**

How should central banks view movements in equity, housing and foreign exchange markets? Can policy-makers improve economic performance by paying attention to asset prices, as well as inflation and output forecasts? Is it possible to identify asset price misalignments and bubbles? Is it possible to use non-conventional policies to address asset price misalignments? Should asset prices be included directly in measures of inflation? Do asset prices contain information about future consumer price inflation? The second title in the ICMB/CEPR series of *Geneva Reports on the World Economy* addresses these questions.

ISBN Paperback: 1 898128 53 7      **P135**      2000.      xviii + 140.      £25

## An Independent and Accountable IMF

*Geneva Reports on the World Economy* No. 1

**José de Gregorio, Barry Eichengreen, Takatoshi Ito and Charles Wyplosz**

The liberalization of capital movements has deeply affected the IMF's business. Crises occur with more violence and leave deeper scars. The Fund has mobilized ever larger rescue packages and yet it has often failed to achieve its stated aims. The new world economy still needs a Fund, but many of its practices have to be rethought and its role redefined. Its mode of intervention needs to recognize that '21st century crises' fundamentally differ from those that dominated during its first fifty years of existence. The continuous blurring of roles between the IMF and the World Bank is fraught with dangers; both institutions must redefine their functions. This Report presents a detailed proposal for a new IMF, insisting on accountability and governance.

ISBN Paperback: 1 898128 45 6      **P130**      1999.      xxi + 134.      £25



# Economic Policy Initiative

The *Economic Policy Initiative* was launched by CEPR and the EastWest Institute (formerly the Institute for EastWest Studies) in 1995. It comprises a programme of inter-related activities designed to strengthen and multilateralize the public policy process in the Associated Countries, and assist in their preparation for accession to the EU. The Initiative operates in seven EU associated countries. Funding is provided by the Ford Foundation, the Pew Charitable Trusts, and the EU's Phare Programme.

## Monetary and Exchange Rate Policies, EMU and Central and Eastern Europe

*Economic Policy Initiative* Forum Report No. 5

**David Begg, Lázló Halpern and Charles Wyplosz**

*'This report ... is an important enrichment which gives decision-makers practical significance ... and ... offers lessons of pragmatism and modesty to policy makers in transition economies.'*

Jan Bielecki, ERBD

Europe's transition economies need a sound and robust strategy to guide their macroeconomic policy in the period leading up to accession and in preparation for joining EMU. This Report examines three of the issues that such a strategy should assess: How should policy-makers think about the evolution of the real exchange rate in transition economies? What nominal anchor should be adopted? To what extent must any credible monetary policy be underpinned by sound fiscal policy? The authors argue that priorities for transition economies should be structural adjustment and fiscal responsibility. Unless both exist, designers of monetary policy will always be making the best of a bad situation. Incentives for responsible fiscal policy should be given at least as much weight as formal exchange rate agreements and nominal convergence criteria, the Report concludes.

ISBN Paperback: 1 898128 41 3      **P122**      1999.      xiv + 108.      £25

## Mediating the Transition: Labour Markets in Central and Eastern Europe

*Economic Policy Initiative* Forum Report No. 4

**Tito Boeri, Michael Burda and Janos Köllö**

This Report looks at the nature of unemployment in the CEE countries. It then analyses the determinants of labour supply and demand to predict where market equilibrium should be in these economies. The authors conclude by looking at the role of policy, arriving at a set of proposals for enhancing labour supply in the region. This is a concise yet comprehensive account of the labour market issues facing the CEE countries as the transformation proceeds and they negotiate their entry into the EU.

ISBN Paperback: 1 898128 32 4      **P099**      1998.      xvi + 135.      £25

## Fiscal Policy in Transition

*Economic Policy Initiative* Forum Report No. 3

**Fabrizio Coricelli, Marek Dabrowski and Urszula Kosterna**

Fiscal policy has turned out to be one of the most difficult components of transition policy, reflecting problems that arise in other areas of post-Communist stabilization. During transition, moreover, the state of public finances usually serves as an excellent litmus test of the progress achieved in stabilization and the degree of internal consistency and far-sightedness of transition policy. This issue of the *EPI* Forum Report presents an assessment by several leading experts from both West and East of the fiscal policy challenges now facing the Central and East European (CEE) countries as they attempt to negotiate their accession to the European Union (EU). The Report begins with a dynamic (historical) analysis of the evolution of fiscal policy problems during transition. It then examines how in particular the task of restructuring the economy affects the state of the budget. And then compares the fiscal policy patterns and problems currently experienced by the individual CEE countries and examines long-term considerations in fiscal policy, and finally offers a comparison of the fiscal policy patterns in the CEE and EU countries. The report ends with a discussion

of recommendations for fiscal policy reform and how to link fiscal reforms in the CEE countries to accession to the European Union. This is a succinct yet comprehensive account of the fiscal situation in Central and Eastern Europe, of interest to anyone concerned with the economics and politics of the region.

ISBN Paperback: 1 898128 30 8      **P096**      1997.      xv + 83.      £25

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## **Coming to Terms with Accession**

*Economic Policy Initiative* Forum Report 2

**Elzbieta Kawecka-Wyrzykowska, Andrej Kumar and Jürgen von Hagen**

This issue of the EPI Forum Report presents three different perspectives on the contentious issue of how the EU and the Central and East European (CEE) countries, should come to terms with accession. The problem of how to distribute the costs and benefits of the enlargement has received much attention, but, argues Jürgen von Hagen, the problem inherent in the uncertainty of how effectively, and how enthusiastically, the CEE countries can implement EU legislation has been neglected. Von Hagen suggests enlargement should be a gradual process, while CEE countries build the credibility of their commitments to establishing market economies and reduce this uncertainty. Regional cooperation within CEE is one way in which the credibility of the CEE countries can be enhanced and the accession process facilitated. Andrej Kumar argues that the key question for the CEE countries is how the enlargement of the EU would contribute to their ultimate goal of catching up with the most developed economies in the world. The EU faces a similar challenge –it cannot afford to enter into the next phase of global competition without integrating the CEE countries. Finally, Elzbieta Kawecka-Wyrzykowska presents the view that the enlargement of the EU, by creating a larger common market, is clearly beneficial both for the current members of the EU and for the CEE countries. At the same time, there are overwhelming political and security reasons for the incorporation of the Eastern countries as well; only this can assure a stable and safe European Union in the future.

ISBN Paperback: 1 898128 27 8      **P092**      1996.      xv + 90.      £25

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## **Banking Sector Development in Central and Eastern Europe**

*Economic Policy Initiative* Forum Report No. 1

**Ronald W Anderson, Erik Berglöf and Kálmán Mizsei**

The countries of Central and Eastern Europe abandoned the socialist system and began the transition to capitalism in order to promote rapid growth and the ultimate convergence with the West. Nowhere has the need for institutional reform been as great as in the financial sector. This first Forum Report of the *Economic Policy Initiative* provides an assessment of banking sector developments in this region and identifies the critical policy choices that will determine whether or not a country is to follow a high growth path leading to convergence with the mainstream of Western Europe. The Report identifies entry of new, foreign banks as a powerful force pushing in the direction of a competitive banking sector while state-orchestrated bank restructuring is a force undermining competition. It argues that the new bad debts will continue to emerge in the course of transition and that the challenge for the coming years will be to leave the solution of this to the routine operation of market-based institutions such as bankruptcy and work-outs involving creditors and private shareholders. The Report discusses in detail bank privatization, banking supervision, bank licensing and other issues that will be important as these countries attempt to negotiate their entry in the European Union.

ISBN Paperback: 1 898128 24 3      **P087**      1996.      xiv + 108.      £25



## Books and Reports

### Old Age, New Economy and Central Banking

Sylvester Eijffinger and Kees Koedijk

Papers from an International Conference held in Helsinki, 14-15 September 2001, organized by CEPR/European Summer Institute Amsterdam, discussing economic, monetary and financial policy in Europe.

ISBN Paperback: 1 898128 72 3      **P158**      2002.      vi + 48.      £5

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### Vivent les Différences? Heterogeneous Europe

Sylvester Eijffinger, Kees Koedijk and Stephen Yeo

Papers from an International Conference organized by CEPR/European Summer Institute Amsterdam, 15-16 September 2000, discussing economic, monetary and financial policy in Europe.

ISBN Paperback: 1 898128 61 8      **P148**      2001.      vi + 84.      £5

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### Trade Liberalization and Poverty: A Handbook

Xavier Cirera, Neil McCulloch and L Alan Winters

Published with the Department for International Development (DFID), this handbook examines how openness to trade is a key element of economic policy; continuing extreme poverty in developing countries is a disgrace. It also examines how our concerns about the world's poor should affect our attitude towards and implementation of trade liberalization.

ISBN Paperback: 1 898128 62 6      **P144**      2001.      xxvi + 405.      £25 (£15 developing world)

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### Stuck in Transit: Rethinking Russian Economic Reform

Editors: Erik Bergl f and Romesh Vaitilingam

Russia's financial crisis in August 1998 made clear the enormous problems facing the Russian economy. This Report discusses the implications, for long-term economic reform, of new research conducted by a range of top international scholars in association with the Russian European Centre for Economic Policy (RECEP), the leading independent research institute in Moscow and publisher of Russian Economic Trends. The Report explores the long-term policy challenges in key areas of the Russian economy, including fiscal and monetary policy, the labour market, trade, industrial restructuring and the financial sector.

ISBN Paperback: 1 898128 44 8      **P107**      2000.      xiv + 120.      £15

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### Asset Prices and Monetary Policy

BIS/CEPR Conference Report

Mark Gertler, Marvin Goodfriend, Otmar Issing and Luigi Spaventa

The widespread liberalization of financial markets in the 1980s has increased the interest of central banks in asset market developments in two ways. First, as the use of intermediate targets has become unreliable in many countries, central banks have sought other indicators to guide policy actions. A natural place to look has been various asset markets.

Second, the greater role of asset prices in the monetary transmission mechanism, combined with their sustained volatility, has led to an increased concern that large changes in asset prices might disrupt economic activity and price stability as well as lead to financial fragility.

ISBN Paperback: 1 898128 40 5      **P121**      1998.      xii + 27.      £15

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## Financial Crises and Asia

CEPR Conference Report No. 6

**Robert Chote** (*rapporteur*) *et al.*

Asset price volatility on world financial markets and foreign exchange markets has increased significantly since the Mexican peso crisis of December 1994. The Asian financial crisis is still underway and there are clear signs that it too will leave significant costs in its wake. Though crisis avoidance is desirable, future financial crises are inevitable and policy-makers cannot afford to adopt a *laissez-faire* attitude to this issue. The traditional IMF response is containment, designed to promote world financial and economic stability, but whether this is the best solution is debatable.

ISBN Paperback: 1 898128 36 7      **P113**      1998.      xv + 62.      £15

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## Trawling for Minnows: European Competition Policy and Agreements Between Firms

**Damien Neven, Pénélope Papandropoulos and Paul Seabright**

This book examines the policy of the European Union towards agreements between firms from three perspectives. First, it considers what the literature in industrial economics has to say about the effects of such agreements on competition and about the consequent rationale for public intervention. Second, it examines the decisions of the European Commission and the European Court, asking to what extent these are consistent with the recommendations that emerge from the scientific literature. Third, it looks at the procedures of the Commission and the way it undertakes investigations and reaches decisions, in order to see to what extent these procedures represent an appropriate means of implementing a defensible policy.

ISBN Paperback: 1 898128 34 0      **P089**      1998.      xvii + 227.      £40

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## Sustainability of Public Finances

**Roberto Perotti, Rolf Strauch and Jürgen von Hagen**

In this report, the authors develop a concept of sustainability focusing on the controllability of public finances. After reviewing the theoretical and empirical arguments for a disaggregate and institutions-oriented approach to correcting non-sustainable deficits, the authors propose a practical procedure to assess the sustainability of a country's public finances.

ISBN Paperback: 1 898128 35 9      **P094**      1998.      xiii + 67.      £25

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## The Ostrich and The EMU

**Chair: Rupert Pennant-Rea      Rapporteur: David Miles**

There has been intense debate in the UK over the European single currency, but the ratio of light to heat has been disappointingly low. Discussion has centred on whether the UK should join monetary union or not; barely any attention has been paid to the crucial issues of how economic policy must change if the UK is to participate, or how policy must adapt if the UK stays outside, or how the date of entry would be affected by the time it takes for policy changes to be implemented and take effect. This is the first thorough assessment of the practical implications, rather than the desirability of EMU. In or out, the UK will be greatly affected by EMU and its policy machine must react, as decisions made will have a long-term impact on the country's economic interests. This report is a vital tool for those concerned with, or participating in, the economic and political debate; policy-makers, practitioners and academics alike.

ISBN Paperback: 1 898128 31 6      **P102**      1997.      xvi + 96.      £25



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## Regional Partners in Global Markets: Limits and Possibilities of the Euro-Med Agreements

Ahmed Galal and Bernard Hoekman

**'An indispensable volume .... various contributions contain a wealth of information and offer guidelines on ensuring that preferential trade agreements serve as instruments of liberalization rather than protection.'**

Arvind Panagariya, University of Maryland

After emphasizing new developments in thinking on regional integration, this book provides evidence of actual and possible effects of trade agreements: NAFTA, AFTA and the agreements that the EU negotiated with Tunisia and with Morocco. It also discusses the potential impact of a similar agreement between Egypt and the EU, at both the national and the sectoral levels and offers policy options for Egypt in negotiating and adjusting to its agreement with the EU. Although much of the book concentrates on Mediterranean countries, particularly Egypt, the analyses and approaches can be generalized and applied to other nations contemplating or engaged in preferential trade agreement negotiations. Published with ECES, Cairo.

ISBN Paperback: 1 898128 28 6      **P105**      1997.      xviii + 318.      £40

## Competition Policy and the Transformation of Central and Eastern Europe

John Fingleton, Eleanor Fox, Damien Neven and Paul Seabright

This book examines the implementation of competition policy during the 1990s in Hungary, Poland and the Czech and Slovak Republics. It looks at the economic predicament of countries in transition, considering how far this has required the state actively to police the competitive process. The authors also examine the extent to which initial economic and political conditions have constrained the involvement of the state in such activity. A comprehensive discussion of the case law and the experience of policy in practice is used to suggest lessons for the task of competition policy, in those countries undergoing the transition from central planning.

ISBN Paperback: 1 898128 25 1      **P084**      1996.      xvi + 254.      £40

## European Union Trade with Eastern Europe: Adjustment and Opportunities

Riccardo Faini and Richard Portes

The 'Europe Agreements' nominally provide the countries of Central and Eastern Europe (CEECs) with free access to European Union markets. However, resistance to fully open policies reflects the concerns in some EU member states that free trade with the rest of the continent will economically damage their domestic industries. Others fear not just this direct competition in domestic markets but also the effect of increased competition in third markets and the possibility of investment diversion from their own countries to the CEECs. This book explores those concerns from three approaches and breaks new ground in analysing the actual impact of the changes in Central and Eastern Europe on trade and investment flows in Europe.

ISBN Paperback: 1 898128 17 0      **P067**      1995.      xiii + 278.      £40

## Crisis? What Crisis? Orderly Workouts for Sovereign Debtors

Barry Eichengreen *et al.*

The Mexican Crisis of 1994/5 came as a rude surprise to the international policy-making community. It revealed serious confusion over how markets, governments and multilateral institutions should deal with such crises and laid bare a remarkable lack of planning in today's world of globalized bond and equity markets. The authors provide a detailed critique of each of the proposed schemes for institutional reform. Although they identify problems with each approach, they also conclude that the status quo is not tenable. They therefore offer an agenda for reform that draws elements from each of the alternative approaches. It includes organizing a bondholders' representative council; specific changes to bond covenants and having the IMF take a more active role in sanctioning temporary payments standstills and providing information to all parties negotiating workouts for a sovereign debtor.

ISBN Paperback: 1 898128 23 5      **P075**      1995.      xviii + 134.      £25

## Foundations of an Open Economy: Trade Laws and Institutions for Eastern Europe

L Alan Winters

Give a country a sound international trade policy and you have affected behaviour for a year, but give it the institutions to make sound policy and you affect it for a decade. More than any other countries, the new emerging economies have scope to heed this advice and this book is designed to help a sub-set of them to do so. It looks directly at the way international trade policy in the CEECs has evolved under the Europe Agreements (EAs) and at how trade policy institutions may be designed. The book focuses closely on the European experience both in terms of the EAs and in terms of the discussions of the actual institutions that have emerged so far. Its relevance is not restricted to the CEECs, however, for the other emerging market economies face the same challenges.

ISBN Paperback: 1 898128 16 2      **P068**      1995.      xiv + 224.      £40

## Inflation Targets

Leonard Leiderman and Lars E O Svensson

Since 1989, a number of countries have adopted explicit quantitative inflation targets to reduce and control inflation. This book examines the explicit regimes of Canada, Finland, New Zealand, Sweden and the UK, comparing them with the less explicit regimes of Germany, Israel, Italy and the US. The wide-ranging theoretical and empirical analysis of the role, announcement and achievement of targets, and of the institutional reforms that might be necessary to support price stability, provides the first comprehensive evaluation of the impact of inflation targets on monetary policy and inflation performance.

ISBN Paperback: 1 898128 21 9      **P073**      1995.      xvii + 214.      £40

## Spanish Unemployment: Is There a Solution?

Charles Bean, Olivier Blanchard, Edmond Malinvaud *et al.*

Is there a solution to Spanish unemployment? In 1995, an extraordinary 25% of the workforce was unemployed, its planned reduction to 5% within 10 years requires the annual creation of 400,000 jobs and economic growth of at least 5% a year. This report contends that such a goal is not only possible, but that it should be the primary focus of Spain's economic policy. It consists of a straightforward policy statement of the proposed strategy plus a series of more technical papers covering the basic facts of Spanish unemployment; the evidence on aggregate wages and unemployment; demand constraints and the stance of fiscal and monetary policies; and microeconomic aspects of the country's labour market.

ISBN Paperback: 1 898128 18 9      **P069**      1995.      xvi + 146.      £25

## Tax and Benefit Reform in Central and Eastern Europe

David M G Newbery

Fiscal reform is central to the transformation process. Systems where most taxes came from state-owned enterprises must be replaced by legally-based, incentive-oriented and stable systems of raising revenue. This book takes stock of the first five years of fiscal reform in the Central and Eastern European countries, comparing taxation and expenditure between countries, with the EU and over time. It examines the impact of tax and benefit reforms on households, the taxation of enterprises and labour market policy. It reveals important lessons about the design, sequencing and impact of tax and benefit reforms for further reforms in the Visegrád nations and also for countries further east.

ISBN Paperback: 1 898128 19 7      **P071**      1995.      xviii + 218.      £40

## Exchange Rate Policies in the Nordic Countries

Johnny Åkerholm and Alberto Giovannini

The papers in this volume were originally presented at a conference in Helsinki. Now revised in many cases to reflect the events of 1992–93, they contribute to our understanding of the motivations behind the drive to peg currencies in the Nordic countries to the Deutsche mark and of the problems these countries encountered in that process. An

improved understanding of these problems is vital in assessing the prospects for monetary policy and exchange rate regimes for the remainder of the decade.

ISBN Hardback: 1 898 128 11 1      **P036**      1994.      xviii + 286.      £40

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## **The Future of the European Economy**

**Leon Brittan**

At a CEPR meeting on 24 September 1993, held to mark both the tenth anniversary of CEPR's establishment and its launch as the second 'Resource Centre' funded by the UK Economic and Social Research Council, Sir Leon Brittan set out the main problems facing the European economy and the principal causes of Europe's current economic malaise. This is a report of Sir Leon's speech, in which he lists three main tasks for European policy-makers: the preservation and extension of the open world economy, the reconstruction of Europe's industry and the creation of a stable long-run macroeconomic policy framework.

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## **Towards an Integrated Europe**

**Richard Baldwin**

Powerful political and economic forces are driving a rapid integration of post-communist Europe, yet short-term political considerations have produced piecemeal trade arrangements instead of a coherent structure. Individual agreements have been signed linking the EU to several CEECs, EFTA to several CEECs, a few CEECs to each other and EU to EFTA. Although the agreements have many similar features, most have been negotiated separately; their coverage differs significantly; and there are no links among them. This book aims to establish a framework for organizing our thinking on why the structure and pattern of trade arrangements matters. Aspects of this proposal will be controversial, but this book offers a deeply considered basis for further discussion and ultimately for action.

ISBN Paperback: 1 898128 13 8      **P049**      1994.      xxvi + 234.

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CEPR Conference Report No.5

**Robert Chote (*rapporteur*) et al.**

It seems self-evident that the behaviour of the stock market should be linked to the behaviour of the economy, but real world experience shows that the links between the two are far from straightforward. This is a report of a conference held in June 1994, organized by CEPR and the Weiss Center for International Financial Research at the Wharton School, University of Pennsylvania, convened to promote interaction between these two groups of research, to stimulate the cross-fertilization of ideas and tease out some possible explanations for the puzzling behaviour of stock markets and real economies.

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## **New Trade Theories: A Look at the Empirical Evidence**

CEPR Conference Report No. 4

**Rapporteur: David Dodwell**

This is a report of a conference on new trade theories, held in May 1993 and organized by CEPR and the CESPRI. It constitutes an overview of the most recent empirical research containing a review essay by David Dodwell, World Trade Editor of the *Financial Times*.

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**David Begg *et al.***

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**Ronald Fagerfjäll (ed.), Peter Frankental and Frances House**

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2001. 144. 403 SEK.

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## **Competition without boundaries - Sweden in an integrated Europe: conclusions and summary**

**Pontus Braunerhjelm (ed.), Mattias Ganslandt, Sten Nyberg, Johan Stennek and Nils Wahl**

The EU's internal market was inaugurated on 1 January 1993. Expectations were high, with a number of studies predicting that the creation of the single market would be associated with extensive, sustained welfare effects. The internal market would launch Europa out of the stagnation and 'eurosclerosis' that had marked it since the end of the 1960s. What became of these proud hopes in the 1990s? Can we now - nearly ten years after the implementation of the internal market - declare that more intense competition and deeper integration have led to a higher growth rate, increasing trade flows and more rapid restructuring? This year's Economic Policy Group focuses on competition, which has increasingly come to the fore in social debate, analysing the issues from the economic perspective.

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**Bo Sandelin (ed), Hans-Michael Trautwein and Richard Wundrak**

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