



ESOP is a research centre funded by the Research Council of Norway as a Norwegian Centre of Excellence. ESOP aims at exploring the links between equality, social organization, and economic performance, both in rich and poor countries.

Annual Report 2007

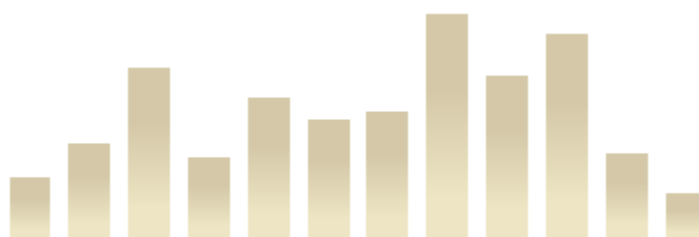


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PREFACE

In 2007 our main objective has been to get ESOP started. We have succeeded, and our centre is now up and running with a group of ambitious researchers and an efficient administration. We have established good working conditions on the 10th floor of the SV-building at Blindern. The location also allows us to incorporate international guests. Our basic mission from day one has of course been to get on with our research. We are happy to report that the start has been productive. We follow the main lines of our research plan and have initiated several concrete research projects. Papers from these projects are submitted to international journals and some of them have already been accepted for publication. We are also pleased to report that our main projects have caught a lot of media attention. One challenge has in fact been how to cope with excess demand. We have had more invitations to seminar presentations, workshop participations and general talks than we have been able to cover. Another challenge is to get the message through that ESOP is not only a centre for the study of the Nordic model. Clearly, ESOP is mainly focused on the Nordic experiences both as a research area, a bench-mark and as a source of inspiration, yet it is important to stress that ESOP has wider and more general perspectives on equality, social organization and performance, both in rich and poor countries.

Prof. Kalle Moene
Centre leader

Prof. Halvor Mehlum
Deputy leader

RESEARCH AREAS

We have structured our research around five main categories:

- The Welfare State
- Social Organization
- Development and Globalization
- Income and Social Mobility
- Institutions and Society Models

With a flexible interpretation these categories cover most of the research at ESOP.

The Welfare State

It is ESOP's ambition to explore the sustainability of generous welfare states. What determine their performance and their economic and political feasibility?

Welfare states provide valuable safety nets, insurance, and redistribution, but these policies also affect people's incentive to work, save, and invest. The political support for the welfare state depends, among other things, on the distribution of income. Gender also plays an important role as women are strong supporters of the welfare state. The willingness to pay taxes may in turn depend on what the welfare state provides and whom it provides for. These mutual interdependencies must be accounted for.

Social Organization

It is ESOP's ambition to explore the interaction between markets, social equality and worker security. Do market forces erode social reforms? Do social reforms erode market efficiency?

There is a strong interdependence between how the economy is organized, how the workplace is organized, and what culture of trust and cooperation that prevails in a society. Egalitarian societies usually have less hierarchical firms. This work organization in return reinforces the mechanisms that sustain egalitarian features. Small social differences in the society and at the workplace may also produce less social conflict, more cohesion, and hence more smoothly functioning societies with more cooperation. Economics emphasizes the importance of feed-back mechanisms and consistency, but the framework is usually limited to the market mechanism. The interconnections between the economic, social, and political forces should be captured within similar frameworks.

Development and Globalization

It is ESOP's ambition to understand the viability of egalitarian market economies. What are the impacts of global competition for the distribution of income and prosperity?

Questions about the viability of egalitarian societies are relevant for all countries, rich or poor, egalitarian or inequalitarian. In all countries there are linkages between equality, social organization, and economic performance. These linkages are as important for the survival of the European welfare states as for the feasibility of an equitable society in general. Can Nordic-style welfare arrangements be introduced in all types of societies? Or are they only feasible in consensual, homogeneous and affluent societies with an extraordinary commitment to equality? Do the Nordic lessons have any relevance for countries that are conflict-ridden, heterogeneous, and poor? We study the feasibility of

implementing welfare state arrangements in poor countries and to what extent the Scandinavian model can be understood as a development strategy. Can there be a welfare state for the poor? Welfare state arrangements are most needed where they are least developed. Welfare state arrangements in extremely poor countries could perhaps play an essential role for economic growth, social fairness and gender equality.

Income and Social Mobility

It is ESOP's ambition to understand the linkages between economic performance, distribution, and social disparities. What are the costs and benefits of more equality?

Over the last 30 years, social equality and worker security have persisted in the Nordic countries and economic growth has been at par with the US. In the US, rising inequality has gone hand in hand with social cleavages and lower welfare. In contrast, most of Europe has experienced only a modest rise in inequality, but a sharp rise in unemployment. The Nordic countries, however, have in the same period combined social equality with good macroeconomic performance and full employment. To study the role of inequality, we must first derive what economic theory predicts for these societies. We can then confront the theoretical hypotheses with the observed patterns and draw valid conclusions.

Institutions and Society Models

It is ESOP's ambition to understand the interaction between policies, institutions and long term development. What set of policies and institutions may generate an egalitarian development path within a consistent arrangement?

Institutional complementarities and social spillovers are important to understand modern societies and the Nordic experience. Certain policies, institutions and behaviors fit together and strengthen each other. In the long run, the outcomes may look as if societal arrangements come in certain social and economic organization packages. What are the mechanisms behind this clustering around certain institutional equilibria? Is there a universal relationship between equality and economic performance, or do equality and prosperity go together only under some institutional arrangements?

A quick tour of some projects:

Below we introduce some of ESOPs projects related to each category.

The Welfare State

Physicians as gatekeepers: It is often claimed that to reduce the numbers of sick leaves paid by the social security system, physicians must become more stringent in their practice of issuing sickness certificates. Physicians, however, often claim that the gatekeeper role conflicts with their role as healers. Under plausible assumptions, the physician can only become a better gatekeeper by becoming a poorer healer. Thus, every patient, regardless of whether she seeks healing or unjustified sick leave, will strictly prefer a physician who gives priority to healing. Effective gatekeepers will be poorer healers, experience lower patient satisfaction, and face a lower demand from patients, which could imply strongly negative consequences for the physician's income. (Nyborg)

Public policies and private power: The rapid entry of married women into the labor force, starting from the 1960s, has been extensively studied in literature. However, little is understood about the widely differing levels of entry persisting in OECD countries. During the same period, divorce rates

have surged, and theories that describe these congruent events are scarce. In the Scandinavian countries, women are particularly likely to participate in the labor market, and we aim to identify the role played by the especially wide reaching policies on child care in these countries that lowered prices and extended access in the period. (Havnes)

The quality of public schools: Many scholars argue that providing good incentives for participants in the education process may be more important than simply increasing resource use. In line with such reasoning, many OECD countries have recently introduced strategies of "testing and telling". These strategies are based on some form of school performance assessment accompanied with publication of the results. The key objective is to put pressure on schools to increase quality. This policy is most likely to succeed if parents have strong preferences for school quality. We investigate whether this is likely to be the case by investigating the Oslo housing market response to first time publication of school quality indicators that isolated the schools contribution from other factors (e.g. family background). If parents have incomplete information on variation in school quality prior to publication, and parents care about school quality, we will observe that new information on school quality affect housing prices. This is exactly what we find, suggesting that publication of school performance indicators may contribute to increase school performance. (Fiva)

Social Organization

Rich meets poor: How is the way people think about fairness affected by a move from a national to an international context. We study the results from an economic experiment that simultaneously involved participants from two of the richest countries in the world, Germany and Norway, and two of the poorest countries in the world, Tanzania and Uganda. Our design allowed us to study the extent to which people feel they have a special moral obligation towards their compatriots and the extent to which they feel they have a special moral obligation towards poor people. We study this in a context where equity considerations may pull in opposite direction of needs considerations, and we estimate the relative importance people assign to these considerations when they make distributive choices. We also estimate the prevalence of different equity ideals in the poor and in the rich country. There are three main results from our study. First, we find that needs considerations do not override equity considerations, even when very rich and very poor individuals meet. A poor person who determines the distribution of income between himself and a rich person does in general not feel he can justify taking all the income even if he is extremely poor compared to the rich person. Similarly, a rich person who determines the distribution of income between himself and a poor person does in general feel that equity considerations are relevant even if he is extremely rich compared to the poor person. Second, we find that fairness is not a luxury good. The participants from the poor countries care equally much about fairness as the participants from the rich countries. There are, however, systematic differences in the prevalence of different equity ideals. The egalitarian equity ideal is more prevalent in the poor countries, while equity ideals that reward individual effort or contribution are more prevalent in the rich countries. Finally, we do not find that the participants feel they have a stronger moral obligation toward their compatriots, which we interpret as clear evidence of moral cosmopolitanism. (Cappelen, Moene, Sørensen, Tungodden)

Self control: Individual self-control problems are the *raison d'être* for many features of public policies in the Nordic countries. Examples range from a comprehensive and compulsory pension and health insurance system, via excise taxes on alcohol and other addictive substances, to peculiarities like smaller tax payments before Summer vacation and Christmas. In order to evaluate such policies it is

necessary to understand how self-control problems work, in particular in order to analyze what the welfare implication are of an attempt made by the authorities to help people lead better lives. (Asheim)

Work motivation: Work contributes to people's self-image in important ways. We propose a model in which individuals have a preference for being important to others. This leads to the following predictions: In fully competitive markets with performance pay, behavior coincides with the standard model (bakers). In jobs where effort is not rewarded according to its social marginal value, behavior is more socially beneficial than predicted by the standard model (nurses). Even if unemployment benefits provide full income compensation, many workers' utility strictly decreases when losing their job. To keep shirkers out of the public sector, nurses' wages must be strictly lower than private sector income. At this wage level, however, the public sector will be too small. (Brekke, Nyborg)

Development and Globalization

Misperceptions and conflicts: In a large number of poor countries, poverty problems are caused and aggravated by violent conflicts. Misperceptions is an oft-cited explanation for the outbreak of violent conflicts, yet little research has been done to understand how sufficient misperceptions may arise. In this project, the aim is to formalize and clarify the formation of misperceptions, by considering the role of learning. The framework serves well to explain why conflicts are more likely to break out right after regime change or establishment.

In the work "King of the hill" we analyze a never ending competition between two parties. They may be political parties or business rivals, they may be war lords or religious groups. We discuss how the stakes involved are affected when victory in one period is a benefit in the next period. One striking result is that configuration with little turnover may produce very intense competition. This may explain the intensity of many conflicts in Africa. It may also explain how competition may bring progress even when the market is controlled by stable monopolies. (Havnes, Mehlum, Moene)

Policy making and institutions in poor countries: This research focuses on the role of institutions in shaping out economic policy. How do institutional constraints strategically affect political and economic agents' actions at a micro level. In particular: What is the role of political institutions on policymaking when an economy is undergoing a transition? If an economic transition results in asymmetric distribution of surplus between generations, can political parties commit to an efficient intergenerational redistribution policy in an electoral process? (Kundu)

International index rankings: International index rankings are popular. They allow for instant comparison between countries on areas like business environment, level of development and quality of education. Policy-makers make decisions on these indexes. We demonstrate that the methodology behind these indexes ignores inherent uncertainty. When these indexes are re-estimated with a method that allows for uncertainty, it becomes apparent that the practice of inferring from the rank to real differences is a rather courageous activity. Policy-makers might have concluded differently if they were aware of uncertainty in the indexes. (Lind, Moene, Willumsen)

Opium for the Masses. Afghanistan as a Drug State: According to official UN figures one of the poorest countries in the world produces more than 90% of the world's opium on 3% of its arable land. How can such a profitable crop create nothing but poverty, conflict and underdevelopment? In an attempt to resolve the puzzle, we investigate five questions: Are the figures simply wrong? Are more people involved? Is exploitive credit based on the salaam system to blame? Does opium create a resource curse? Does Afghan warlordism constitute a development trap? (Lind, Moene, Willumsen)

Income and Social Mobility

Job search: What are the impacts of job search conditions – in terms of unemployment insurance (UI) and active labor market programs (ALMP) – on the duration and outcome of job search and on the quality of a subsequent job? A key finding is that job search is a productive endeavor, implying that policies raising the expected duration of job search also improve the quality of the accepted job in terms of earnings and employment stability. However, after around half a year, there is no additional earnings gain associated with a further lengthening of the job search period. In the run-up to UI exhaustion, we find that job choosiness declines significantly; the transition rate to employment increases and the accepted level of earnings decreases. Participation in active labor market programs has little effect on the overall duration of the job search period, but it raises the level of realized earnings slightly. (Gaure, Røed, Westlie)

Inequality, growth, and schooling: Countries that had high levels of human capital in the nineteenth century, for example measured by literacy, are rich today. That is not surprising. An interesting observation is that it appears that countries that had high human capital *relative to income* more than a hundred years ago are more likely to be countries with "Scandinavian welfare systems" today. Using economic growth theory complemented with data we try to understand the long run interaction between education and growth. (Modalsli)

Discrimination in the labor market: Can discrimination of a group of workers persist when employers are profit maximising? We argue that in a labour market with Employment Protection Legislation, such discrimination may persist. The basic mechanism is that there is uncertainty at the time of hiring as to the quality of a match between a specific employee and employer. If the quality of the match is bad, both parties would prefer that the employee quits for another job. However, if the employee comes from a group that is discriminated against, it will be difficult to find another job. Then the employee remains in the bad match. This makes the employee less attractive to hire in the first place, explaining why the group is discriminated against. (Holden, Rosen)

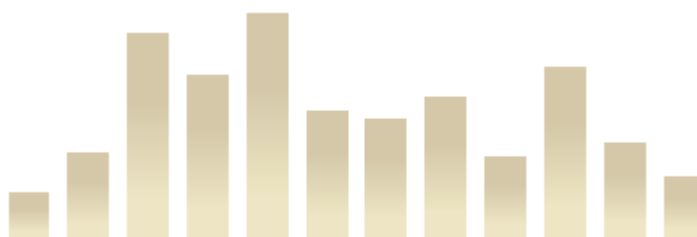
Marriage and earnings mobility: In a joint Nordic/British/US project, we have examined intergenerational economic mobility across countries. In an article published in 2007, we present comparable evidence on intergenerational earnings mobility, with a focus on the role of gender and marital status. The study confirms that earnings mobility in the Nordic countries is typically greater than in the US and in the UK, but we find that, in contrast to all other groups, for married women mobility is approximately uniform across countries when estimates are based on women's own earnings. Unlike in the Nordic countries, we find that married women with children and with husbands from affluent backgrounds tend to exhibit reduced labor supply in the US and the UK. In these countries, it is the combination of assortative mating and labor supply responses which weakens the association between married women's own earnings and their parents' earnings. (Bratsberg, Røed, Raaum)

Institutions and Society Models

Industrial Policy in Economic Development: What is the relationship between distance to technology frontiers, competition policy and growth? Efficiency would require that the firm with better technology enters without delay, while the other firms stays out. However, if information is lacking inefficient equilibria can arise. In some case, the equilibrium entails inefficient duplication (excessive entry), while in other cases there is inefficient delay. What is the effect of industrial policy, whereby the government coordinates investments in few sectors through selective licensing? Industrial policy risks to concentrate investments in the "wrong" sectors. The solution of the trade-off determines whether industrial policy fosters or harms growth. (Zilibotti)

Rotten Parents and Disciplined Children: How is fiscal policy determined in a world with subsequent generations of voters? When there are both inter- and intragenerational conflicts where public good provision entails a redistributive component, i.e., the poor want more government expenditure than the rich, alliances may be formed across generations. A prediction is that left-wing governments choose higher government expenditure, lower debt growth and (in the short run) higher taxes than right-wing governments. (Storesletten, Zilibotti)

Equality multiplier: Welfare spending and wage coordination are complementary institutions that generate equality. Considering the welfare state as a social insurance device, we show how coordinated wage compression generates support for higher generosity. Considering wage coordination as a structured negotiation framework, we show how welfare generosity fuels wage compression. Together the two mechanisms enforce each other generating an equality multiplier. Using data on OECD countries over the period 1976-2003 we identify a sizeable magnitude of this multiplier. This complementarity of institutions may help explain the diversity across otherwise similar countries in the OECD area. It may also explain why countries cluster around different worlds of welfare capitalism - the Scandinavian model, the Anglo-Saxon model and the Continental model. (Barth, Moene)



PUBLICATIONS

Marital Sorting, Household Labor Supply, and Intergenerational Earnings Mobility across Countries

Authors: Oddbjørn Raaum, Bernt Bratsberg, Knut Røed Eva Österbacka, Tor Erikson, Markus Jäntti, Robin A. Naylor

Published in: The B.E. Journal of Economic Analysis & Policy

Abstract: We present comparable evidence on intergenerational earnings mobility for Denmark, Finland, Norway, the UK and the US, with a focus on the role of gender and marital status. We confirm that earnings mobility in the Nordic countries is typically greater than in the US and in the UK, but find that, in contrast to all other groups, for married women mobility is approximately uniform across countries when estimates are based on women's own earnings. Defining offspring outcomes in terms of family earnings, on the other hand, leads to estimates of intergenerational mobility in the Nordic countries which exceed those for the US and the UK for both men and women, single and married. Unlike in the Nordic countries, we find that married women with children and with husbands from affluent backgrounds tend to exhibit reduced labor supply in the US and the UK. In these countries, it is the combination of assortative mating and labor supply responses which weakens the association between married women's own earnings and their parents' earnings.

Opsjoner til bedriftsledere - har vi noe valg?

Author: Tore Nilssen

Published in: Søkelys på arbeidslivet 3/2007

Abstract: (In Norwegian) Regjeringen skriver i eierskapsmeldingen at den ikke ønsker bruk av aksjeopsjoner som lønn til bedriftsledere. Denne skepsisen til opsjoner er det all mulig grunn til å slutte seg til. En bedriftseier er avhengig av en dyktig leder som gjør en innsats. Men den beste måten å gå fram på er ikke å etablere et opsjonsprogram.

Local Choice of Property Taxation: Evidence from Norway

Authors: Jon Fiva, Jørn Rattsø

Published in: Public Choice 2007;132(3-4), pp. 457-470

Abstract: Fiscal competition may influence the design of tax systems. The tax competition literature has concentrated on the mobility of tax base and tax levels while we turn the attention to the political decision-making system and the determination of tax structure. In the Norwegian setting local governments make a discrete choice whether to have property tax. The local choice is investigated in an econometric model allowing for yardstick competition. Our results indicate that yardstick competition explains the distinct geographic pattern in local property taxation observed. Grants have no effect on the propensity to have property taxation, consistent with the flypaper effect. The main methodological challenge handled concerns spatial interaction with discrete choice.

Does permanent income determine the vote?

Author: Jo Thori Lind

Published in: B.E. Journals of Macroeconomics 7 (1), Article 19 (2007)

Abstract: The relationship between income and voting is usually studied using current income. Instead, I estimate how permanent income affects voting and to what extent voters are forward looking. A proxy for permanent income is constructed from stated expectations about one's future economic situation. Using panel data from the Norwegian Election Study I estimate the effect of stated expectations on realized future income to compute the effect of expectations. This is then linked to voting behaviour. Contrasting permanent and transitory income, the former has a large impact and the latter has little explanatory power on voting. This supports the hypothesis of forward looking voting. A high expected permanent income increases the propensity to vote Conservative.

Sentral finansiering av lokal offentlig tjenesteproduksjon: Bailout-problemet

Author: Jon Fiva

Published in: Økonomisk forum 2/2007

Abstract: (In Norwegian) Viktige velferdstjenester er i de fleste land desentralisert til et lokalt styringsnivå og delvis finansiert gjennom overføringer fra sentrale myndigheter. Sterk avhengighet av overføringer fra sentrale myndigheter kan imidlertid være uheldig siden insentivene til fiskal disiplin på det lokale nivå svekkes. Konsekvensen kan bli strategisk underskuddsbudsjettering fra lokale myndigheter i håp om at de på et senere tidspunkt vil bli reddet fra finansielle vanskeligheter av sentrale myndigheter i form av en bailout. I valg av institusjoner blir utfordringen å finne løsninger som i minst mulig grad gir insentiver til opportunistisk atferd fra lokale myndigheter. I denne artikkelen beskriver jeg bailout-spillet og med utgangspunkt i litteraturen om tidsinkonsistens i økonomisk politikk diskuterer jeg mekanismer som kan redusere sannsynligheten for at et slikt spill oppstår.

Økonomisk sykefraværsforskning: Hva vet vi, og hvor bør vi gå?

Author: Simen Markussen

Published in: Søkelys på arbeidslivet, nr. 1 2007, årgang 24, s. 63-81.

Abstract: (In Norwegian) Høsten 2006 ble sykefraværet debattert mer enn noen gang. Men hva vet vi egentlig om sykefravær? I denne artikkelen vil jeg presentere relevant litteratur, forsøke å avkle to myter samt skissere noen spørsmål for videre forskning på feltet.

Fractionalization and the size of government

Author: Jo Thori Lind

Published in: Journal of Public Economics 91/2007, pp. 15-76

Abstract: I study the effect of voters with a group-based social conscience. Voters care more about the well-being of those belonging to their own group than the rest of the population. Within a model of

political tax determination, both fractionalization and group antagonism reduce the support for redistribution. Whereas within group inequality increases support for redistribution, inequality between groups has the opposite effect. These results hold even if a poor group forms a majority. Using a panel constructed from US micro data, I find support for the hypothesis that within race inequality increases redistribution while between race inequality decreases redistribution.

Religion, welfare politics, and church-state separation

Author: Jo Thori Lind

Published in: Journal of Ecumenical Studies 42 (1) 2007, pp. 42-52

Abstract: How moral and religious beliefs interact with market forces is a subject of much debate. Can economic incentives explain why people believe what they believe? Some of our other work has looked at the impact of economic forces on religious intensity and at how incentives influence the impact of certain moral beliefs on gender-based violence. This essay uses market forces to explain why fiscal and social conservatism and fiscal and social liberalism go hand in hand. Religious intensity as social insurance provides a simple explanation. The religious right may be against welfare because it competes against their constituency.

Fractionalization and inter-group differences

Author: Jo Thori Lind

Published in: Kyklos 60/2007, pp. 123-139

Abstract: Fractionalization is usually defined as the probability that two randomly chosen persons belong to different groups, be it ethnic, religious, linguistic, or other groups. High fractionalization leads to more corruption (Mauro 1995), low growth rates and bad policies in general (Easterly and Levine 1997), low provision of public goods (Alesina et al. 1999), less redistribution (Alesina et al. 2001, Lind 2006), less social mixing and activity (Alesina and LaFerrara 2000), lower voluntary contributions to schools (Miguel 2004, Miguel and Gugerty 2005), and higher prevalence of civil war (Elbadawi and Sambanis 2002, Montalvo and Reynal-Querol 2005, Reynal-Querol 2002)1.

There are two major problems with the measure of fractionalization used in virtually all studies on the effects of fractionalization. First, the choice of which groups to consider is often done in a more pragmatic than rigorous way. Second, the measure implies that two persons are either identical (belong to the same group) or totally different (belong to different groups). This misses the important point that some groups may be closer to each other than others. The objective of this paper is to develop a method to construct correct measures of fractionalization that takes these two objections into account.

What should (public) health insurance cover?

Author: Michael Hoel

Published in: Journal of Health Economics 26 (2007) 251–262

Abstract: In any system of health insurance, a decision must be made about what treatments the insurance should cover. One way to make this decision is to rank treatments by their ratios of health

benefits to treatment costs. If treatments that are not offered by the health insurance can be purchased out of pocket, the socially optimal ranking of treatments to be included in the health insurance is different from this standard cost-effectiveness rule. It is no longer necessarily true that treatments should be ranked higher the lower are treatment costs (for given health benefits). Moreover, the larger are the costs per treatment for a given benefit–cost ratio, the higher priority should the treatment be given. If the health budget in a public health system does not exceed the socially optimal size, treatments with sufficiently low costs should not be performed by the public health system if treatment may be purchased privately out of pocket.

The Fear of Exclusion: Individual Effort when Group Formation is Endogenous

Authors: Kjell Arne Brekke, Karine Nyborg, Mari Rege

Published in: Scandinavian Journal of Economics 109 (3),531-550

Abstract: To secure their membership in a popular group, individuals may contribute more to the group's local public good than they would if group formation were exogenous. Those in the most unpopular group do not have this incentive to contribute to their group. Substantial differences in individual effort levels between groups may be the result. A principal may prefer either exogenous or endogenous group formation, depending on whether an increase in contributions to the local public good coincides with the principal's interests. We analyze two examples: Social interaction in schools, and multiple-task teamwork.

Påvirker vi hverandres miljøadferd?

Author: Karine Nyborg

Published in: RØST 2007-01, 47-55

Abstract: (In Norwegian) Plutselig snakker alle om klima – og samtidig kjennes det, for mange av oss, viktigere enn før å gjøre noe selv. Hvorfor det? Skyldes det bare nye opplysninger om hvor alvorlige klimaproblemene er? Eller har det noe med sosial interaksjon å gjøre – blir vi rett og slett mer miljøvennlige når vi tror andre er miljøvennlige?

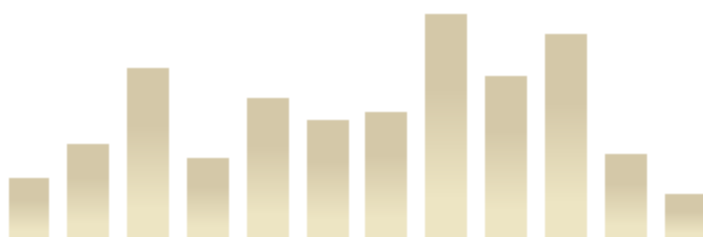
MASTER THESIS

Re-examined: “Wage Dispersion and Productive Efficiency: Evidence for Sweden.”

Author: Vegard Hole

Published in: Master thesis, Dept. of Economics, Nov. 2007

Abstract: The Nordic countries score high on most measures of economic and social performance. Centralised bargaining giving a compressed wage structure across firms has been proposed as a key source to this success. A paper by Douglas Hibbs and Håkan Locking from 2000 seems to be the only empirical investigation of this link and it provides results which support the theory. However, those results do not pass some key robustness checks. First, a test for weak instruments cannot reject that the instrumentation in one specification is too weak. Second, a test for a stable long term relationship cannot reject that the variables do not cointegrate. These findings point to caution when using the conclusions of Hibbs and Locking as empirical support of a link between inter-firm wage compression and positive economic outcomes. It is not in any way, however, evidence against the validity of such a theory.



WORKING PAPERS

Income, Information and the Extent of Redistribution

Authors: Jo Thori Lind, Dominic Rohner

Abstract: Levels of redistribution are lower and occur in other places than those predicted by standard models of Downsian electoral competition. We introduce a new mechanism that can account for this “redistribution puzzle”, based on an unequal distribution of political knowledge. The level of general education affects both the voters’ income and their incentives to acquire political information. Poorer voters have on average lower levels of political knowledge and hence of electoral platforms. The resulting voting mistakes lower the political weight of poor voters and lead to parties converging to lower levels of redistribution than under complete information. The predictions of the formal model are tested empirically using US election survey data. We find that income and stated political viewpoints are more important in forming voting behavior for more informed voters than for less informed voters, hence confirming the theoretical model.

Miserly Developments

Authors: Jo Thori Lind and Kalle Moene

Abstract: In many countries extreme poverty is unnecessary. Yet it persists. We propose a new index to measure social attitudes that allow poverty in the midst of affluence. We label it the miser index, and we characterize it axiomatically. The index builds on generalized Lorenz curves, and attaches a weight to the relative number of poor people - measuring the extent to which poverty is unnecessary. We calculate the index for a number of developing and emerging economies in order to rank them according to their miser tendencies. We also study the correlates of miser tendencies: Miserly countries tend to be socially fractionalized, bureaucratically inefficient and politically corrupt. They provide their citizens with a low level of health care and education. Democracy and high growth rates do not moderate miserliness. Finally, considering the world as a single entity, we find a dramatic rise in global miserliness over the last 30 years.

King of the Hill, Positional Dynamics in Contests

Authors: Halvor Mehlum and Karl Moene

Published in: Department of Economics, University of Oslo

Abstract: In the work "King of the hill" we analyze a never ending competition between two parties. They may be political parties or business rivals, they may be war lords or religious groups. We discuss how the stakes involved are affected when victory in one period is a benefit in the next period. One striking result is that configuration with little turnover may produce very intense competition. This may explain the intensity of many conflicts in Africa. It may also explain how competition may bring progress even when the market is controlled by stable monopolies.

Limits to tax evasion

Authors: Erling Barth and Tone Ognedal

Abstract: People appear to evade less tax than what is optimal for them - the evasion puzzle. To explain the puzzle we focus on how gains from scale and specialization increase output, but make evasion easier to detect. This evasion-efficiency trade-off is captured within an equilibrium model where individuals with different entrepreneurial talent choose between employment and ownership. The entrepreneur-owners limit tax evasion in their firms to lower the joint risk of detection. Employees may be better off doing reported work in firms rather than doing unreported work on their own, since the work in firms is more efficient. This explains why there appears to be a gap between the individuals' optimal and actual evasion. Since high talented entrepreneurs lose relatively more from trading off efficiency against evasion, tax evasion per worker is lower in larger and more productive firms. Thus well-paid jobs offer more limited opportunities for tax evasion than lower paid jobs in smaller firms with lower productivity. We test these two results on survey data from the high tax country Norway. The evasion-efficiency trade-off induces a higher profitability of small, low productivity firms relatively to large, high productivity firms, creating an inefficient firm structure with too many and small firms. Hence, seemingly non-distortive taxes can be socially costly because the tax evasion they induce creates inefficiency.

Unemployment Insurance in Welfare States: Soft Constraints and Mild Sanctions

Authors: Knut Røed and Lars Westlie

Published in: Strategic Institute Program, Frisch Centre for Economic Research

Abstract: Based on a sequence of reforms in the Norwegian unemployment insurance (UI) system, we show that soft duration constraints and mild sanction practices significantly increase UI claimants' job hazard rates. Soft duration constraints appear to have almost the same behavioral impacts as hard constraints. In particular, the spikes at benefit exhaustion are of similar magnitude, irrespective of the kind of services and benefits that are offered after exhaustion, e.g., in terms of follow-on benefits and access to paid labor market programs. We find that extensive use of activity requirements backed up by mild sanctions effectively speed up the job search process and cut unemployment duration.

Testing Guilt Aversion

Authors: Tore Ellingsen, Magnus Johannesson, Sigve Tjøtte, Gaute Torsvik

Published in: SSE/EFI Working Paper Series in Economics and Finance No. 683

Abstract: Guilt averse individuals experience a utility loss if they believe they let someone down. In particular, generosity depends on what the donor believes that the recipient expects to receive. In experimental work, several authors have identified a positive correlation between such second-order donor beliefs and generous behavior, as predicted by the guilt aversion hypothesis. However, the correlation could alternatively be due to a "false consensus effect," i.e., the tendency of people to believe others to think like themselves. In order to test the guilt aversion hypothesis more rigorously, we conduct three separate experiments: a dictator game experiment, a complete information trust game experiment, and a hidden action trust game experiment. In the experiments we inform donors about the beliefs of their respective recipients, while eliciting these beliefs so as to maximize recipient

honesty. The correlation between generous behavior and donors' second-order beliefs is close to zero in all three experiments.

Dynamics of Incumbent Behavior and Policy Uncertainty

Author: Tapas Kundu

Abstract: I study a model of electoral competition where both economic policy and politicians' effort affect voters' payoff. If voters cannot distinguish the effect of policy and effort, politicians acquire an implicit incentive to exert effort. This incentive can last through every period in an infinitely repeated game as long as there is uncertainty in every period regarding the policy's effectiveness. However, as uncertainty decreases, the set of effort-exerting equilibria shrinks. Even if the electorate manages to hold the politician accountable on the effort dimension, it cannot eliminate politicians' inefficient persistence in policy choice. This situation occurs even when changing the existing policy would come at a small cost.

Monopoly Pricing under a Medicaid-Style Most-Favored-Customer Clause and Its Welfare Implication

Authors: Peter Klibano, Tapas Kundu

Abstract: To control Medicaid's increasing expenditure on reimbursement of outpatient prescription drugs, the Omnibus Budget Reconciliation Act of 1990 included a rebate program that featured a most favored customer (MFC) clause. This clause guarantees that Medicaid pays the minimum price offered in the market (minimum price provisioning or MPP) or a proportion of the average manufacturer price (average price provisioning or APP). We characterize the optimal pricing strategy of a third-degree price discriminating monopolist in response to the imposition of MPP or APP rules. Among our findings are conditions under which these rules result in higher prices charged in all markets. We also examine the effects of these rules on aggregate demand for the drug and on social welfare. In general, these rules may change aggregate demand and social welfare in either direction. We are able to provide some useful sufficient conditions. For example, imposing MPP increases social welfare if it results in higher aggregate demand.

On the Optimal Timing of Capital Taxes

Authors: John Hassler, Per Krusell, Kjetil Storesletten, Fabrizio Zilibotti

Abstract: For many kinds of capital, depreciation rates change systematically with the age of the capital. Consider an example that captures essential aspects of human capital, both regarding its accumulation and its depreciation: a worker obtains knowledge in period 0, then uses this knowledge in production in periods 1 and 2, and thereafter retires. Here, depreciation accelerates: it occurs at a 100% rate after period 2, and at a lower (perhaps zero) rate before that. The present paper analyzes the implications of non-constant depreciation rates for the optimal timing of taxes on capital income. The main finding is that under natural assumptions, the path of tax rates over time must be oscillatory. Oscillatory tax rates are optimal when depreciation rates accelerate with the age of the capital (as in the above example), and provided that the government can commit to the path of future tax rates but cannot apply different tax rates in a given year to different vintages of capital.

Alleviating poverty: A proposal to mitigate the economic cost of disease

Authors: Tapas Kundu, Eva Reitschuler, Linda Emanuel

Abstract: We develop an overlapping generations model to examine how illness affects a household's long-term economic condition through its immediate implication on the household's decision to invest in their child's education. A prolonged period of illness or premature death of an earning member reduces household income, which in turn adversely affects a household's ability to invest in child education. Low investment in child education contributes to low household income in the future. Thus illness can generate a low-income low-education trap. We show how a policy of providing alternate education in skilled care-giving to those who were forced to forgo their formal education to take care of ill family members, could help economically devastated families to escape the trap.

With or Without U? The appropriate test for a U shaped relationship

Authors: Jo Thori Lind and Halvor Mehlum

Published in: Dept. of Economics - Memorandum No. 21/2007

Abstract: Non-linear relationships are common in economic theory, and such relationships are also frequently tested empirically. We argue that the usual test of non-linear relationships is flawed, and derive the appropriate test for a U shaped relationship. Our test gives the exact necessary and sufficient conditions for the test of a U shape in both finite samples and for a large class of models.

Rotten Parents and Disciplined Children: A Politico-Economic Theory of Public Expenditure and Debt

Authors: Zheng Song, Kjetil Storsletten, Fabrizio Zilibotti

Abstract: This paper proposes a dynamic politico-economic theory of debt, government finance and expenditure. Agents have preferences over a private and a government-provided public good, financed through labor taxation. Subsequent generations of voters choose taxation, government expenditure and debt accumulation through repeated elections. Debt introduces a conflict of interest between young and old voters: the young want more fiscal discipline as they are concerned with the ability of future governments to provide public goods. We characterize the Markov Perfect Equilibrium of the dynamic voting game. If taxes do not distort labor supply, the economy progressively depletes its resources through debt accumulation, leaving future generations "enslaved". However, if tax distortions are sufficiently large, the economy converges to a stationary debt level which is bounded away from the endogenous debt limit. We extend the analysis to redistributive policies and political shocks. Consistent with the empirical evidence, our theory predicts government debt to be mean reverting and debt growth to be larger under right-wing than under left-wing governments.

Selfish Bakers, Caring Nurses? A Model of Work Motivation

Authors: Karine Nyborg and Kjell Arne Brekke

Published in: HERO working paper series

Abstract: Work contributes to people's self-image in important ways. We propose a model in which individuals have a preference for being important to others. This leads to the following predictions:

- 1) In fully competitive markets with performance pay, behavior coincides with the standard model (bakers).
- 2) In jobs where effort is not rewarded according to its social marginal value, behavior is more socially beneficial than predicted by the standard model (nurses).
- 3) Even if unemployment benefits provide full income compensation, many workers' utility strictly decreases when losing their job.
- 4) Similarly, many workers will prefer to work rather than to live off welfare, even with full income compensation.
- 5) To keep shirkers out of the public sector, nurses' wages must be strictly lower than private sector income. At this wage level, however, the public sector will be too small.
- 6) It is possible to attract motivated workers to the public sector, without simultaneously attracting shirkers, through capital input improving nurses' opportunity to do a good job.

Marital Sorting, Household Labor Supply, and Intergenerational Earnings Mobility across Countries

Authors: Oddbjørn Raaum, Bernt Bratsberg, Knut Røed, Eva Österbacka, Tor Eriksson, Markus Jäntti, Robin Naylor

Published in: Department of Economics: Memorandum No. 17/2007

Abstract: We present comparable evidence on intergenerational earnings mobility for Denmark, Finland, Norway, the UK and the US, with a focus on the role of gender and marital status. We confirm that earnings mobility in the Nordic countries is typically greater than in the US and in the UK, but find that, in contrast to all other groups, for married women mobility is approximately uniform across countries when estimates are based on women's own earnings. Defining offspring outcomes in terms of family earnings, on the other hand, leads to estimates of intergenerational mobility in the Nordic countries which exceed those for the US and the UK for both men and women, single and married. Unlike in the Nordic countries, we find that married women with children and with husbands from affluent backgrounds tend to exhibit reduced labor supply in the US and the UK. In these countries, it is the combination of assortative mating and labor supply responses which weakens the association between married women's own earnings and their parents' earnings.

Den nordiske modellen

Author: Kalle Moene

Abstract: (In Norwegian) Svenskene har lenge snakket om den svenske modellen, dansker og nordmenn om den skandinaviske, EU og Per Kleppe om den nordiske. Men de mener alle det samme. Norden og den samfunnsmodellen som preger de nordiske landene, er på moten. Populariteten gjelder ikke bare i Europa, der flere statsledere ifølge International Herald Tribune «ønsker å vite hvordan Sverige og de nordiske naboene, så sterkt nedtyngget av velferdssystemer fra krybbe til grav, flyter langt over de kjempende økonomiene på resten av Kontinentet» (17/9 2005). Også i Kina har regjeringen ambisjoner om å bygge et harmonisk samfunn med vekt på omfordeling av velferd og sosial trygghet – og vil gjerne lære av Norden. Både i Sør-Amerika og i det sørlige Afrika snakker politiske ledere eksplisitt om den skandinaviske eller nordiske modellen som et forbilde. De undrer seg på om også andre land kan få til stor økonomisk vekst uten store sosiale og økonomiske forskjeller.

Nå er det nok ingen som har tenkt å kopiere Norden. Å lære fra andre land er selvsagt noe annet enn å imitere dem. Men skal en lære, må en forstå. Den nordiske modellen har produsert de minste lønnsforskjellene og de mest sjenerøse velferdsstatene i verden. Likevel har de nordiske landene hatt

like høy økonomisk vekst som USA. Utlendinger kan fort bli imponert av dette, men de stiller seg likevel undrende til en rekke forhold.

Labor and the Nordic Model of Social Democracy

Author: Kalle Moene

Abstract: Michael Wallerstein had a long-term research interest in social democracy in the Nordic countries, a theme that we worked on together for many years. Our first paper on the topic praised the Nordic achievements, but claimed that social democracy was in retreat. As we saw it, “both the egalitarian distribution of income and the security of income that distinguished social democratic societies from other capitalist democracies are declining” (Moene and Wallerstein 1993a: 231–232). As time went on and we continued our work, we became less certain that the era of social democracy was actually over, and more certain that whatever the future of the social democracy in Europe, the Nordic lessons were highly relevant for social reformers in other parts of the world, including developing countries.

Why more generosity may reduce absenteeism

Author: Simen Markussen

Abstract: Workers' absenteeism due to illness represents a major concern in several countries. Absenteeism is however not very well understood in economics. This paper presents a model where absenteeism is understood in relation to health. Its main predictions are (i) intermediate welfare state generosity leads to the lowest absence rates as (ii) generous regimes result in excess long-term absenteeism and (iii) strict regimes lead to excess short-term absenteeism. (iv) Maximizing health is not the same as minimizing absenteeism. Finally, these predictions are supported by aggregate data for 12 OECD countries.

Can Democracy always lead to Efficient Economic Transitions?

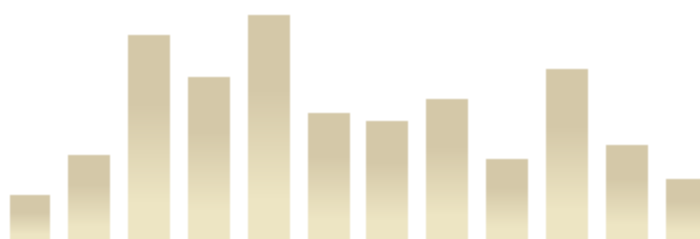
Author: Tapas Kundu

Abstract: I examine the role of political institutions in facilitating the adoption of a long-term surplus-maximizing policy when the economy is in transition. In the model I consider, a transition process gradually restructures economic institutions so that the population's long-term preference may differ from its short-term preference. A democracy may fail to implement the optimal policy if the electorate does not take into account the increased benefit from transition in later periods. A dictatorship will implement the optimal policy if the dictator has complete information about the population's preference and if the increase in surplus due to transition is high. If there is incomplete information about the population's preference, a democratic system's ability to aggregate private information increases when the economy is in transition. A dictatorship is constrained by its ineffectiveness in aggregating private information. Under incomplete information, the effectiveness of a political institution critically depends on the level of uncertainty about the population's preference and the population's ability to adapt to economic policies.

Insurance and Opportunities: A Welfare Analysis of Labor Market Risk

Authors: Jonathan Heathcote, Kjetil Storesletten, Giovanni L. Violante

Abstract: Using a model with constant relative risk-aversion preferences, endogenous labor supply and partial insurance against idiosyncratic wage risk, the paper provides an analytical characterization of three welfare effects: (a) the welfare effect of a rise in wage dispersion, (b) the welfare gain from competing markets, and (c) the welfare effect from eliminating risk. Our analysis reveals an important trade-off for these welfare calculations. On the one hand, higher wage uncertainty increases the cost associated with missing insurance markets. On the other hand, greater wage dispersion presents opportunities to raise aggregate productivity by concentrating market work among more productive workers. Our welfare effects can be expressed in terms of the underlying parameters defining preferences and wage risk or, alternatively, in terms of changes in observable second moments of the joint distribution over individual wages, consumption and hours.



LECTURES, PRESENTATIONS, ETC.

(The list does not include internal presentations and seminars.)

Asheim, Geir Bjarne, *Procrastination, Partial Naivete and Behavioral Welfare Analysis*, European Econometric Society

Barth, Erling, *En bærekraftig velferdsstat?*, AID, Skjærhalden

Barth, Erling, *Hva skjer med den Nordiske modellen? Betyr flexicurity mer fleksibilitet enn sikkerhet?*, YS-Conference, Oslo Plaza

Barth, Erling, *Sjenerøsitet og effektivitet, motstridende hensyn i den Nordiske modellen?*, European Institute of Social Security, ISF

Cappelen, Alexander, *Fairness and Poverty? An International Experiment*, Harvard University, Program for Ethics and Health

Christiansen, Vidar, *Public Provision of Private Goods and Nondistortionary Marginal Tax Rates*, 63rd Congress of International Institute of Public Finance

Fernandez, Raquel, *Invited Session*, LACEA, Bogota

Fernandez, Raquel, *Culture and Economics*, University of Oslo, Department of Economics, 75th Anniversary

Fernandez, Raquel, *Invited lecturer*, Netherlands Network of Economics (NAKE)

Fernandez, Raquel, *Symposium on Culture and Economics*, Festival of Economics, Trento, Italy

Fiva, Jon, *Does the Housing Market React to New Information on School Quality?*, New Perspectives on Fiscal Federalism: Intergovern

Fiva, Jon, *Does Welfare Policy Affect Residential Choices? An Empirical Investigation Accounting for Policy End*, Annual Conference EALE.

Fiva, Jon, *Does Welfare Policy Affect Residential Choices? An Empirical Investigation Accounting for Policy End*, 2nd Workshop on Fiscal Federalism

Fiva, Jon, *Does Welfare Policy Affect Residential Choices? An Empirical Investigation Accounting for Policy End*, First World Meeting of the Public Choice Society

Holden, Steinar, *Om topplederlønninger*, Arbeids- og inkluderingsdepartementet

Kundu, Tapas, *Alleviating Poverty: A Proposal to Mitigate the Economic Cost of Disease*, Institute for Financial Management and Research

Lind, Jo Thori, *The optimal number of organizations*, First World Meeting of the Public Choice Society

Lind, Jo Thori, *The political economy of beliefs: Why do fiscal and social conservatives/liberals come hand-in-hand?*, TU Dresden

Lind, Jo Thori, *The political economy of beliefs: Why do fiscal and social conservatives/liberals come hand-in-hand?*, CES Munchen

Lind, Jo Thori, *The political economy of beliefs: Why do fiscal and social conservatives/liberals come hand-in-hand?*, University of York

Lind, Jo Thori, *The optimal number of organizations*, EEA, Budapest

Lind, Jo Thori, *Kommentarer til Nasjonalbudsjettet*, Samfunnsøkonomenes Høstkonferanse

Mehlum, Halvor, *Resources and Conflict*, WG3 CSCW PRIO

Mehlum, Halvor, *King of the Hill*, Kellog North Western

Mehlum, Halvor, *King of the Hill*, EUDN Paris

Moen, Espen, *Industry dynamics and search in the labor market*, University of Århus

Moen, Espen, *Industry dynamics and search in the labor market*, University of Helsinki

Moen, Espen, *Industry dynamics and search in the labor market*, University of Torino/Collegio Carlos Alberto

Moen, Espen, *Industry dynamics and search in the labor market*, University of Southampton

Moen, Espen, *Labor market dynamics and growth*, Conference

Moene, Kalle, *Milton Friedman*, Civita, Oslo

Moene, Kalle, *Kunnskapsutvikling og den skandinaviske modellen*, Kunnskapsdepartementets internkonferanse

Moene, Kalle, *Sosial Bærekraft*, Finansdepartementet

Moene, Kalle, *The Scandinavian Model as a Development Strategy*, NIBRs konf. For delegasjoner fra Sør Afrika, Kina

Moene, Kalle, *Mikrofinans*, BI, Oslo

Moene, Kalle, *Foredrag for Brasils delegasjon om likhet, utvikling og nordiske erfaringer*, UD, Oslo

Moene, Kalle, *Conflicts*, IIES

Moene, Kalle, *Development and Inequality*, Namur, Belgia

Moene, Kalle, *Rettferdighet, likhet og utvikling*, To foredrag, PhD kurs i Bergen

Moene, Kalle, *Den nordiske modellen*, BI, Oslo

Moene, Kalle, *The Scandinavian Model*, Frischsenteret

Moene, Kalle, *Keynote-speaker*, EALE konferansen i Oslo

Moene, Kalle, *Lønn, belønning og innovasjon*, LO, Gardermoen

Moene, Kalle, *What are the fables of ESOP*, Statsvitenskap, Gøteborgs Universitet

Moene, Kalle, *Perspektiver på den nordiske modellen*, Polyteknisk forening

Moene, Kalle, *Making Institutions*, Work NUFU, Bergen

Moene, Kalle, *Diskusjon av Kleins bok*, Litteratur huset

Moene, Kalle, *Om sosialpolitikk. Social Politics in Poor Countries*, NORADs konferanse

Moene, Kalle, *Miserly Developments*, Det norske forskermøte

Moene, Kalle, *Statssekretærutvalget: Utfordringer for den nordiske modellen*, Finansdepartementet

Moene, Kalle, *ESOP presentasjon for Kristin Halvorsen og kompani*, Finansdepartementet

Moene, Kalle, *Sosialkapital*, NHOs konferanse

Moene, Kalle, *Afghanistan som narkostat*, NHHs Geiloseminar

Moene, Kalle, *NHHs forskning sett utenfra*, NHHs Geiloseminar

Moene, Kalle, *Hankøkonferansen*, Finansdepartementet

Moene, Kalle, *Sosialt Demokrati*, Arbeids og Administrasjonsdepartementet

Nilssen, Tore, *Opsjoner til bedriftsledere: har vi noe valg?*, SPA-seminar

Nyborg, Karine, *Penger er ikke alt: Samfunnsansvar som motivasjonsfaktor*, HR Norge, Belønningsdagene

Nyborg, Karine, *Legen som portvakt: Hvorfor en god portvakt er en dårlig helbreder*, Ragnar Frisch Centre of Economic Research

Nyborg, Karine, *I Don't Want to Hear About it: Rational Ignorance among Duty-Oriented Consumers*, Nordic workshop, Gøteborg

Raaum, Oddbjørn, *Marital Sorting, Household Labor Supply, and Intergenerational Earnings Mobility across Countries*, IZA Workshop, Bonn

Rosén, Åsa, *Discrimination and Employment Protection*, International Conference 2007 of the German Association of Political Economy in Nuremberg

Storesletten, Kjetil, *Kalibrering*, The Frisch Centre Annual Conference (Klækken)

Storesletten, Kjetil, *Arbeidsmarked og ulikhet i Norge*, Mandagmorgen, Oslo

Storesletten, Kjetil, *Arbeidsmarked og ulikhet i Norge*, Civita, Oslo

Storesletten, Kjetil, *Styringsutfordringer i en oljeøkonomi*, NHO, Oslo

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, Queen Mary University (London)

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, BI, Oslo

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, Conference: The International Workshop on Consumption

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, Bank of Japan, Tokyo

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, IIES Stockholms universitet

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, IEW University of Zurich

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, Conference: Minnesota Workshop in Macroeconomic Theory (Minneapolis)

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, Conference: IFS/UCL Workshop on Consumption Inequality and Income Dynamics: Micro-Macro Links and Measurement (Institute for Fiscal Studies, London)

Storesletten, Kjetil, *Consumption and Labor Supply with Partial Insurance: An Analytical Framework*, IGER (Bocconi University, Milano)

Storesletten, Kjetil, *Keynote speaker at the conference "Conference on Macroeconomics and Finance"*, University of Zurich

Storesletten, Kjetil, *The Macroeconomic Implications of Rising Wage Inequality in the United States*, Conference: Heterogeneity in Macroeconomics (Paris School of Economics, Paris)

Storesletten, Kjetil, *The Macroeconomic Implications of Rising Wage Inequality in the United States*, Department of Economics, University of Pennsylvania (Philadelphia)

Storesletten, Kjetil, *Rotten Parents and Disciplined Children: A Politico-Economic Theory of Public Expenditure and Debt*, Federal Reserve Board of Governors (Washington DC)

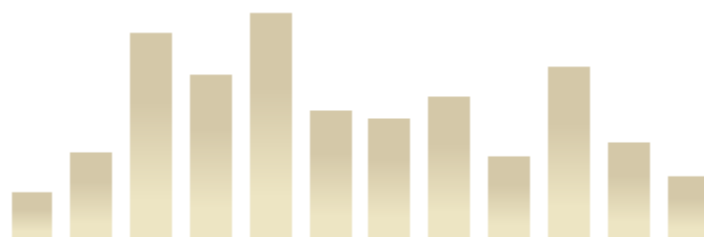
Sørensen, Erik Ø., *Fairness and Poverty? An International Experiment*, Development Studies Association, Brighton

Sørensen, Erik Ø. , *Fairness and Poverty? An International Experiment*, 5th RTN Microdata Meeting, Amsterdam

Tungodden, Bertil, *Fairness and Poverty ? An International Experiment*, University of Aberdeen

Tungodden, Bertil, *Fairness and Poverty? An International Experiment*, University of St. Andrews

Tungodden, Bertil, *Fairness and Poverty ? An International Experiment*, CMI, Bergen



MEDIA CONTRIBUTIONS

Lind, Jo Thori; Moene, Kalle, *Økt skatt kan fjerne fattigdom.* Bistandsaktuelt, 15 September

Mehlum, Halvor: *Kommentar til statsbudsjettet,* NRK radio, 4 October

Moene, Kalle, *Global tvil og tro,* Dagens Næringsliv, 13 January

Moene, Kalle, *Å forklare mye med lite,* Dagens Næringsliv, 17 February

Moene, Kalle, *Virkemiddelradikalerne,* Dagens Næringsliv, 24 March

Moene, Kalle, *Nok en streik i SAS ,* Dagens Næringsliv, 28 April

Moene, Kalle, *Under ulike kår,* Dagens Næringsliv, 3 June

Moene, Kalle, *Konkurrerende motiver,* Dagens Næringsliv, 8 July

Moene, Kalle, *Profittdeling,* Dagens Næringsliv, 11 August

Moene, Kalle, *Likhet i nord og sør,* Dagens Næringsliv, 15 September

Moene, Kalle, *For hver meget rike mann...* Dagens Næringsliv, 30 September

Storesletten, Kjetil, *"Videointervju med Kjetil Storesletten".* UiO (interview by Eivind Balsvik and Per Sira)

Storesletten, Kjetil. *Uførhet truer velferdsstaten,* Aftenposten Morgen, 5 January

Storesletten, Kjetil. *Kun for hvite,* Aftenposten Morgen. (Einar Hanseid), 16 February

Storesletten, Kjetil. *Bruk de frivillige,* Aftenposten Morgen, 13 April

Storesletten, Kjetil. *Bistand uten nordmenn,* Aftenposten Morgen, 3 May

Storesletten, Kjetil. *Lavere pensjon: Ja takk!,* Aftenposten Morgen, 1 June

Storesletten, Kjetil. *Øk eiendomsskatten!,* Aftenposten Morgen, 24 August

Storesletten, Kjetil. *Boligskatt,* Aftenposten Morgen, 31 August

Storesletten, Kjetil. *Er alle økonomer festbremser,* Aftenposten Morgen, 5 October

Storesletten, Kjetil. *Byrden av omstilling,* Aftenposten Morgen, 23 November

Zilibotti, Fabrizio, *Die Tugenden des Kapitalismus: Arbeit, Sparsamkeit und Fleiss,* Allgemeine Zeitung, 23 December

PHD COURSE

Equality: Theory, Political Economy, and Prospects

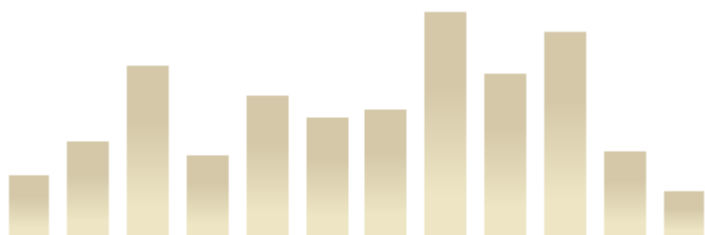
Time and place: May 28 - Jun 1, 2007, NHH

A PhD course jointly organized by The Centre for Ethics and Economics at NHH and ESOP at UiO.

This course provides an introduction to the economic and philosophical literature on egalitarian theory. The lectures provide an overview of normative theories of egalitarianism, the political economy of redistribution and the role of governmental and market institutions in ensuring equal opportunities. The course also provides an introduction to the Scandinavian model of egalitarianism, and discusses to what extent the lessons from this political experiment is relevant for the rest of the world.

Lecturers: John E. Roemer (Yale), Marc Fleurbaey (University Paris 5), Karl Ove Moene (University of Oslo)

More information can be found at: <http://euribor.rente.nhh.no/doctor/eti503/Index.html>



WORKSHOP

Perspectives on Equality and Welfare Spending

Time and place: Oct 26 - Oct 27, 2007, Rådssalen, 10th floor in the Administration building, University of Oslo

Programme

(Presentations available at http://www.esop.uio.no/events/2007/workshop_perspectives.xml)

Friday 26.10.2007

10:00-11:00 Erling Barth and Kalle Moene*:

The equality multiplier in three worlds of welfare spending

11:15-12:15 Sanghamitra Bandyopadhyay and Joan Esteban*:

Redistributive Taxation and Public Expenditures

13:30-14:30 Roland Iwan Luttens and Marie-Anne Valfort*:

Voting for redistribution under desert-sensitive altruism

14:45-15:45 Alexander Cappelen, Kalle Moene, Erik Sørensen*, and Bertil Tungodden:

Fairness and poverty: an international experiment

16:00-17:00 Torben Andersen:

Unemployment insurance and taxation: Incentives vs. insurance

17:15-18:15 Bertil Holmlund:

Income responses to tax changes: A dynamic panel data approach

Saturday 27.10.2007

10:00-11:00 Philippe Aghion, Yann Algan, and Pierre Cahuc*:

Can Policy Influence Culture? The Interplay Between Minimum Wage Legislation and Unionization Behavior

11:15-12:15 Steinar Holden and Åsa Rosen*:

Discrimination and employment protection

13:30-14:30 Mari Rege*, Kjetil Telle, and Mark Votruba

Parental Job Loss and Children's School Performance: What Can We Learn From Plant Closures?

14:45-15:45 Erling Barth*, Bernt Bratsberg, Torbjørn Hægeland, and Oddbjørn Raaum:

Performance pay and within-firm wage inequality

* Presenter

DELEGATIONS RECEIVED

Deputy minister of finance, Ecuador

Date: 15 october, 14:30-16:00

Location: Frisch room

Participants:

Pedro Francisco Páez Pérez, deputy minster of finance and delegation

From ESOP: Kalle Moene, Halvor Mehlum, Alfonso Irarrazabal, Jo Thori Lind

The deputy minister of finance, Ecuador, who is responsible for Ecuadors position on a new **development** bank in Latin America, Banco Sur visited ESOP and the department of Economics in October. He wanted to meet economists here to present and discuss the idea of a less US-dependent development bank.

Norwegian Confederation of Trade Unions (LO)

Date: 22 November, 2007, 14:30-15:30

Location: Frisch room

Participants:

Geir Mosti, deputy leader LO (responsibility: Health, hospitals, etc.)

Tor Arne Solbakken, CEO, education

Nina Tangnes Grønvold, education and research

Ellen Dalen, NTL

Helge Kjøllesdal, Department of Information, UiO

Inger Stray Lien, Department of Information, UiO

From ESOP: Kalle Moene, Halvor Mehlum, Dag Olav Høgvold

Kalle Moene gave a presentation of ESOP and there was a general discussion about ESOP's relevance to the work of LO.

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ESOP Network

Eliana La Ferrara	Bocconi University
George Loewenstein	Carnegie Mellon
Ellen McGrattan	Research Dept., Federal Reserve Bank of Minneapolis
Ted Miguel	UC Berkeley
Eva Nagypal	Northwestern
Trond Petersen	UC Berkeley
James A. Robinson	Harvard University
Dominic Rohner	University of York
Maria Saez-Marti	Zurich University
Virginia Sanchez Marcos	Universidad de Cantabria
Andres Solimano	CEPAL, Chile
Erik Ø. Sørensen	VU University Amsterdam
Giovanni Violante	New York University
Elisabeth Wood	Yale University
Amir Yaron	Wharton

RECRUITMENT/RESEARCH TRAINING

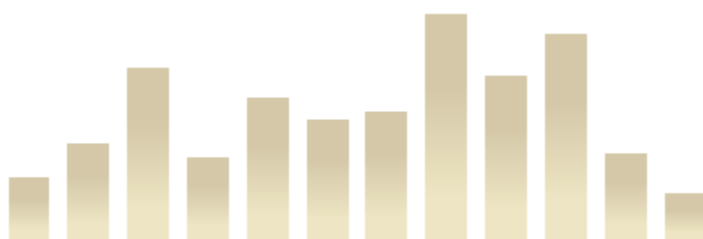
Four research fellows and two postdocs started at ESOP in 2007, funded by the centre:

Research fellows:	Sara Cools, started 13 August
	Jørgen Heibø Modalsli, started 25 June
	Eva Kløve, started 1 December
	Fredrik Willumsen, started 19 February
Postdocs:	Jon Fiva, started 5 August
	Tapas Kundu, started 16 August

The following research fellows and postdocs also carry out research at ESOP, funded by the University of Oslo:

Research fellows:	Berhe Mekonnen Beyene
	Øystein Børsum
	Karen E. Hauge
	Tarjei Havnes
	Øystein Jørgensen
	Simen Markussen
	Marte Strøm
Postdocs:	Bjørn Høyland
	Jo Thori Lind

In addition, 1-2 postdoc positions and 1-2 research fellowships at ESOP were advertised during the autumn 2007, with application deadlines 10 January 2008 and 1 March 2008. (By 1 April 2008 Michelle Rendall, University of Texas at Austin, and Silje Aslaksen, NTNU, had accepted offers for postdoc positions. ESOP looks forward to welcoming them as a part of the research staff, and is pleased to see that we have been successful on the international market and that this also represents an improved gender balance at ESOP and at the Department of Economics.)



Oslo, 31 March 2008



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