



"A society promoting the application of economic principles to public policy for over 30 years"

Bulletin

Labor and Human Resources

Brown Bag

Tuesday, January, 20
Noon to 1:30

*What "Extras" Do We Get
with Extracurriculars?
Technical Research Considerations*

Duncan Chaplin
The Urban Institute

National Center for Education Statistics
1990 K Street, NW
8th Floor Conference Center – Room 3

SECURITY INFORMATION: due to security procedures at 1990 K Street, a clearance list must be submitted for this meeting. If you are not an employee of NCES, you should make known your plans to attend no later than 5 PM, January 19 by sending e mail to Stephen.broughman@ed.gov. Photo identification will be required to enter the elevators.

Metro: Farragut West (Blue and Orange Lines).

For more information contact Steve Broughman (202-502-7315), David Brauer (202-226-2777), or Ken Swinerton (202-219-7611, ext. 117).

Views presented by speakers and audience participants are their own and may or may not be consistent with those of SGE.

Renewal Reminder

If you haven't renewed your SGE membership, you can complete the entire renewal process on-line at:
www.sge-econ.org.

Monthly Luncheon

Wednesday, January 21
Noon

Tax Competition: Promoting Good Tax Policy and Constraining Excessive Government?

Dr. Daniel J. Mitchell
The Heritage Foundation

Chinatown Garden Restaurant
618 H St., NW, Washington

Metro: Gallery Place (Red, Green, and Yellow Lines).

Restaurant is 1/2 block east of the Metro station northern (H Street) exit.

Reservations must be made by 12 noon Tuesday January 20 to Ana Aizcorbe (AAizcorbe@Brookings.edu) or 202-797-4364.

\$15 for SGE and NEC members
\$20 for non-members

Tax competition exists when resources can migrate from high-tax jurisdictions to low-tax jurisdictions. The European Union and OECD are trying to hinder tax competition and instead are pushing various forms of tax harmonization. These efforts to create an 'OPEC for politicians' are greatly misguided and should be rejected. Low-tax nations should not be obligated to help enforce the bad tax laws of high-tax nations.

President's Corner

By Warren Htung

Happy New Year! It's time again for resolutions and dietary supplements. Despite the nation being at Code Orange, the eight SGE sessions at the ASSA meetings in San Diego were very well attended, as was the Distinguished Lecture on Economics in Government given by Roger Ferguson, the Vice Chair of the Federal Reserve System. The meetings were a great opportunity to venture out of our spider holes and meet/catch up with colleagues outside of government. Next year's meetings will be in Philadelphia and it's not too soon to start planning sessions. Our deadline is still a few months away and a call for submissions will appear in this Bulletin and on our website.

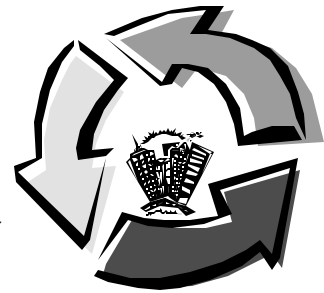
We had a great set of luncheons in 2003 and I'm very excited about the line-up for 2004. Dan Mitchell of the Heritage Foundation will kick off our luncheon series in January, speaking on the topic of international tax competition. And then in February, Greg Mankiw, the Chairman of the Council of Economic Advisers, will be our luncheon speaker and he will discuss the Economic Report of the President.

Our 2003 membership directory was recently sent out and special thanks goes to Nathan Musick and Jason Tripp for their work in putting the directory together. Speaking of membership, we're in the midst of our annual membership renewal drive. If you have any colleagues who are interested in joining SGE, our website (www.sge-econ.org) is a wonderful resource and you can join/renew on-line. And if you have any ideas about ways to get the word out about SGE, please contact our membership chair, Maricruz MaGowan at magowan.maricurz@epa.gov or 703-603-7175.

SGE will soon begin work on our biennial conference, scheduled for this November. If you're interested in organizing a session or helping out in general, feel free to contact the conference co-chairs, Bill Lawhorn (lawhorn_w@bls.gov) and Daniella Markheim (dmarkheim@att.net). The tentative theme is aging and the economy, and conference planning meetings will begin in February.

Around Town

**A Service Column
Listing Professional
Activities of Interest
to Our Membership**



To include your activity, please e-mail the information to ann.dunbar@bea.doc.gov or send it by regular mail to the address on the back of this bulletin.

Pew Hispanic Center Latino Survey

The Pew Hispanic Center is making available the data set of the Pew Hispanic Center/Kaiser Family Foundation 2002 National Survey of Latinos. The data set is available upon written request. Please follow this link <http://www.pewhispanic.org/page.jsp?page=National%20Survey%20Data> for additional details and instructions on how to obtain the data.

NEC Events

January 15, Chinatown Gardens

William Cline, Senior Fellow, Center for Global Development & Institute for Interntl Economics
Trade Policy and Global Poverty

January 29, Chinatown Gardens

Tyler Cowen, Professor of Economics and General Director, Mercatus Center, George Mason University

How is Globalization Changing the World's Cultures?

February 5, Chinatown Gardens

Lael Brainard, New Century Chair and Senior Fellow, The Brookings Institution

Call NEC's reservation line at 703-739-9404 or e-mail to nec@cbc.org. Reservations are due by 11 a.m. on the Tuesday before the lunch, and your message should include name, phone # and event. Those desiring to hear the talk without lunch may attend at no charge but should also reserve. Lunch price is \$15 for SGE and NEC members, including those who join NEC at the door, \$20 for others.

**December 2003 Monthly Luncheon
Review of Remarks by Dr. J. Steven Landefeld
“Overview of the Comprehensive Revision of the
National Income and Product Accounts”**

On December 10th, Dr. J. Steven Landefeld, Director of the Bureau of Economic Analysis, provided an overview of the comprehensive revision of the National Income and Product Accounts (NIPAs) that was released by the Bureau of Economic Analysis (BEA) that morning. After a brief review of the improvements and updates to the concepts, methods and data sources underlying the NIPAs, Dr. Landefeld discussed the numerical magnitude of the revisions and showed that the revisions to top-line aggregates were quite small.

Dr. Landefeld highlighted four substantial improvements that were implemented at this revision. First, the measure of property-casualty insurance were improved in two ways: by taking account of the services that are funded by investment income, and by adopting a treatment of insured losses that is more consistent with the economic behavior of insurers. These methodological changes eliminated the large swings in measured services that were generated when catastrophic events occurred. Second, the measurement of services provided by banks without explicit charge was improved by allocating these services to borrowers as well as depositors. Third, the comprehensive revision also included new price indexes for photocopy equipment and for nonresidential structures. Finally, more reliable and comprehensive source data were incorporated into the NIPAs, including BEA’s benchmark 1997 input-output tables and the 1997 economic census.

While these changes affected a large number of components, Dr. Landefeld noted that the revised measures do not alter the stylized facts that characterize the state of the economy over the past decade: the timing and magnitude of

post-war business cycles, the measured rate of inflation, and measures of the sources of growth.

In addressing why the changes to these aggregates were not larger, Dr. Landefeld pointed to three factors. First, the introduction of chain indexes in 1996 avoids the large revisions that previously arose from base changes. Second, BEA’s current practice of bringing in updates and changes sooner rather than waiting for benchmarks allowed these series to be revised earlier—when it’s most relevant—and lowered the measured revisions introduced with the release of the comprehensive revision. Finally, Dr. Landefeld feels that investments in data made by the Administration and Congress are beginning to pay off.

Dr. Landefeld stated that although the United States has the world’s finest set of economic accounts, incomplete integration and inconsistencies reduce their usefulness. Among the items on BEA’s strategic agenda are:

- Obtain higher-frequency data for the service sector. For example, Census data for finance and insurance, utilities and real estate and a large share of transportation services are available only once every five years.
- Broaden the coverage of payrolls beyond production and non-supervisory workers.
- Expand the coverage of producer prices for services (coverage is currently about 50%).

(Continued from page 5)

fully on the special qualities of border regions, and the roles they play to form a “borderless” economy, in a world of international integration and globalization. Borders cease to function primarily as regions that separate, and become contact areas. Wong-Gonzalez reviews the development project known as the Strategic Economic Development Vision for the Arizona-Sonora Region (SED-VASR), which joins states in the U.S. and Mexico into a joint economic region. The process of formal integration of these states began early—in 1959, led by the governors of Arizona and Sonora—as the result of common economic and socio-geographic interests. In 1993 the project developed into a “strategic vision” for the region, which hopes to enhance the economic advantages of the region and to maintain its competitiveness in a world economy. Wong-Gonzalez cites other “natural economic zones” where boundaries are not defined by politico-administrative criteria, but by global market forces: the Hong Kong Special Administrative Region (SAR) and Guangdong Province in the south of China; S-JORI, the growth triangle of Singapore, Johor (Malaysia), and Riau (Indonesia); and the Tijuana-San Diego region on the U.S.-Mexican border.

Later essays in this collection review strategies in specific countries. These include Wang’s “Redefining Regional Development Strategies in China”; Kaothien and Webster’s “Regional Development in Thailand: New Issues, New Responses”; Edgington’s “Learning Regions in Japan: Any Lessons for Developing Countries?”; Mercado and Gregorio-Manasan’s “Metropolitan Arrangements in the Philippines: Passing Fancy or the Future Megatrend?”; “Leadership in Regional Economic Development Strategic Planning,” by Stough et al.; and Hoshino and Rodriguez, “Decentralization, Globalization, and Regional Development in Latin America—Trends, Challenges, and Opportunities.”

Early writers on the gravity model of trade realized that distance could be cultural as well as physical, and the authors here also carefully note the various spatial and “psychic” (cultural, etc.) divisions that may encourage or inhibit trade and economic activity. Even the book’s vocabulary—some of it borrowed from older regional and development theory, some of it new—gives rich expression to the economic organization of space: “trade corridors”; “region-states”; “special economic zones”; “natural economic zones” (Ohmae); “virtual” regions (Boisier); “growth

“cross-border cluster development”; “regions of the third kind” (Vanneph). The generation of these new phrases and acronyms itself points to experimentation and the exploration of new economic structures.

The book gives examples both of what works for regions, and what does not. In Thailand, for example, providing rural people with land titles to marginal lands—viewed as a way of increasing land security for the poor—resulted in “concretizing” poverty by encouraging people to stay in marginal areas. The volume unfortunately offers no analysis of the African continent, which is thought by many to be the greatest development challenge today. Also, it can be hard here, as in general in regional science, to fit many pieces into an overall framework: “Grand theorizing about regional development has diminished in favor of studies of particular features of the process,” *The New Palgrave* noted in its entry on regional economics in 1987, “with much empirical detail, but hardly lending itself to a generalized framework.” Partly this is because it is hard to study regional development in a general-equilibrium model of the world economy, where adding regional details can quickly make the model “analytically cumbersome”; international trade theory cannot easily manage more than two goods and two factors and two regions. Yet a collection of articles and case studies such as this perhaps stands the best chance of making regional development trends and paradigms plain. (For a discussion of “geographical economics,” focusing on trade, development, and Krugman’s work, interested readers may turn to Martin and Sunley’s fine article “Paul Krugman’s Geographical Economics and Its Implications for Regional Development Theory: A Critical Assessment,” in *Economic Geography*, 72:3 (July 1996). Also, Walter Isard’s *History of Regional Science and the Regional Science Association International: The Beginnings and Early History*, just published in 2003, reviews the evolution of regional science in applied economics.)

Regionalism, certainly, is not going to go away; it is hard to open the major financial newspapers without finding headlines of new alliances and economic agreements between regions. Bhagwati may regret the proliferation of regional trade agreements, creating complicated, spaghetti-like strands of trade around the world, but this book implies that such agreements are desirable in the sense that they function as catalysts in the economic corpus (if we may borrow Coase’s metaphor of the economic system as a human body). And just as the boundaries of a firm are highly permeable, allowing the firm to continually forge new alliances

and partnerships, so too regions are flexible economic units, combining with other regions in new ways, continually generating “a new geography of development with winning and losing regions.” This may be a kind of spontaneous order emerging, a la Hayek. Stay tuned.

The authors in this volume offer a response to critics of globalization who bemoan the loss of local cultural values. In the “paradoxical coexistence of processes of globalization and localization,” Edgington and Fernandez suggest, we find common threads in the restructuring of national and regional economies, but uniqueness in local response:

...At a concrete level, metaphors such as “global village” and “one world” are complicated...by the presence of villages, towns, districts, cities, and regions that continue to tell their own local stories of economic development and cultural or political distinctiveness. ...Globalization does not imply a total sameness of places but a continuum of the significance of territorial diversity and difference. ...The local might represent a cluster of rural villages in Af-

rica, a market town in Latin America, or a port city or dynamic border region in Southeast Asia.

It is unavoidable that the old economic maps, where “the most important cartographic facts had to do with things like the location of raw material deposits, energy sources, navigable rivers, deep-water ports, railroad lines, paved roads,” and national borders, would be superseded by maps where communication and information—“the footprints cast by TV satellites,” or the “geographical reach” of radio signals or newspapers and magazines—play an increasingly important role. In the words of R. Florida, “The new age of capitalism requires a new kind of region. Regions must adopt the principles of knowledge creation and continuous learning; they must in effect be ‘learning regions.’” This collection of essays finds good reason to bring the fields of regional studies and economics closer together.

April Gifford works as a research assistant in the Monetary Affairs Division at the Federal Reserve Board. The views expressed here are her own.

Job Opportunity

The Securities and Exchange Commission is currently accepting applications from accountants, financial analysts, and financial economists for positions with the Office of Risk Assessment in the Division of Market Regulation. Individuals with a desire to join a multidisciplinary team focused on risk management practices in one of the most dynamic and innovative sectors of the U.S. financial services industry are encouraged to apply.

The Office of Risk Assessment in the Division of Market Regulation is responsible for continually assessing the capacity of securities firms to monitor and manage a wide range of financial risks using a variety of sophisticated techniques. Effective risk management, particularly in an era characterized by a proliferation of new financial derivatives, is essential to protecting the customer assets deposited with the firm and, if the firm is large, avoiding potential disruptions to the broader financial system. Specific program components involve the review of consolidated and consolidating financial statements, regular monthly meetings with senior risk managers at firms trading complex products, and comprehensive on-site reviews of the models and related infrastructure developed by these firms to measure and aggregate financial risks.

The Office of Risk Assessment staff currently includes accountants, financial analysts, regulatory specialists, and financial economists. Applications are invited from candidates with undergraduate or graduate training in any of these areas, or in related areas such as business administration, statistics or mathematics. Strong written and oral communications skills are essential, as is a broad familiarity with the capital market institutions and products. Work experience in financial services or public accounting is also highly desirable.

Details regarding the vacancy are available at <http://www.sec.gov/jobs/esha-098-mb.pdf>.

General questions regarding the Office of Risk Assessment may be directed to: Matthew J. Eichner, Assistant Director for Risk Assessment, Division of Market Regulation, U.S. Securities and Exchange Commission, Mail Stop 10-01, 450 Fifth Street NW, Washington, DC 20549, 202-942-0130, eichnerm@sec.gov

SGE

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"A society promoting the application of economic principles to public policy for over 30 years"

SGE Membership Application

Dues through 2004 Student -\$10 Regular -\$30 Supporting -\$40 Household (2 members) -\$50 Institutional (3 members) -\$150
Dues through 2005 Regular -\$55 Supporting -\$75 Household (2 members) -\$90 **NEW!** 10-Year Institutional -\$1,350
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Please send completed application and a check payable to SGE to: SGE, 10371 Painted Cup, Columbia, MD, 21044

SGE Bulletin

Please submit all materials you would like to appear in the bulletin by the 12th of the month to Jason Tripp at sge@sge-econ.org or SGE 10371 Painted Cup Columbia, MD 21044 or call: 410-963-0134.

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