Economics & Finance 2015

The MIT Press
NEW
THE KNOWLEDGE CAPITAL
OF NATIONS
Education and the Economics of Growth
Eric A. Hanushek and
Ludger Woessmann

In this book Eric Hanushek and Ludger Woessmann make a simple, central claim, developed with rigorous theoretical and empirical support: knowledge is the key to a country’s development. Of course, every country acknowledges the importance of developing human capital, but Hanushek and Woessmann argue that message has become distorted, with politicians and researchers concentrating not on valued skills but on proxies for them. The common focus is on school attainment, although time in school provides a very misleading picture of how skills enter into development. Hanushek and Woessmann contend that the cognitive skills of the population — which they term the “knowledge capital” of a nation — are essential to long-run prosperity.

Hanushek and Woessmann subject their hypotheses about the relationship between cognitive skills (as consistently measured by international student assessments) and economic growth to a series of tests, including alternate specifications, different subsets of countries, and econometric analysis of causal interpretations. They find that their main results are remarkably robust, and equally applicable to developing and developed countries. They demonstrate, for example, that the “Latin American growth puzzle” and the “East Asian miracle” could be explained by these regions’ knowledge capital.

Turning to the policy implications of their argument, they call for an education system that develops effective accountability, promotes choice and competition, and provides direct rewards for good performance.

March 2015 — 256 pp. — 37 illus. — $28.00/£19.95
978-0-262-02917-9

CESifo Book series

NEW
WHY ARE WE WAITING?
The Logic, Urgency, and Promise of Tackling Climate Change
Nicholas Stern

The risks of climate change are potentially immense. The benefits of taking action are also clear: we can see that economic development, reduced emissions, and creative adaptation go hand in hand. A committed and strong low-carbon transition could trigger a new wave of economic and technological transformation and investment, a new era of global and sustainable prosperity. Why, then, are we waiting? In this book, Nicholas Stern explains why, notwithstanding the great attractions of a new path, it has been so difficult to tackle climate change effectively. He makes a compelling case for climate action now and sets out the forms that action should take.

Stern argues that the risks and costs of climate change are worse than estimated in the landmark Stern Review in 2006 — and far worse than implied by standard economic models. He reminds us that we have a choice. We can rely on past technologies, methods, and institutions — or we can embrace change, innovation, and international collaboration. The first might bring us some short-term growth but would lead eventually to chaos, conflict, and destruction. The second could bring about better lives for all and growth that is sustainable over the long term, and help win the battle against worldwide poverty. The science warns of the dangers of neglect; the economics and technology show what we can do and the great benefits that will follow; an examination of the ethics points strongly to a moral imperative for action. Why are we waiting?

May 2015 — 376 pp. — 21 illus. — $27.95/£19.95
978-0-262-02918-6

The Lionel Robbins Lectures series

MIT PRESS E-BOOKS

MIT Press books are available as e-books through a variety of vendors. Please visit our Web Site for a complete list of e-books programs in which we participate:
mitpress.mit.edu/mitpress/digital
Financial crises have some common storylines, among them bursting asset bubbles, bank failures, sharp tightening of credit, and downturn in trade. They are also different from one another. Some start with sudden reversal of international capital flows, others with domestic credit implosions. A challenge to economic research is to integrate common as well as disparate threads into a coherent analytical framework that is at the same time empirically testable. In Understanding Global Crises, Assaf Razin offers a review of an emerging paradigm that is consistent with the key features of recent global financial crises. This paradigm presents in a transparent way basic analytical elements of the theories of financial and monetary crises and how these elements fit together in macroeconomic analysis of global crises.

Razin surveys the credit implosion that led to a severe banking crisis in Japan in the 1990s, the Asian financial crisis that began in 1997, the global meltdown of 2008, and the Euro-zone crisis. He reviews the analytics of financial fragilities, credit frictions, currency crises, and balance of payments crises, and addresses international capital flows with information frictions. He then presents key developments in the New Keynesian analytical framework by examining the surge of re-modeling efforts aimed at the development of an analytical framework to underpin monetary and fiscal policy in the post-2008 economic era.

January 2015 — 256 pp. — 23 illus. — $35.00/£24.95
978-0-262-02859-2

WHAT HAVE WE LEARNED?
Macroeconomic Policy after the Crisis

Since 2008, economic policymakers and researchers have occupied a brave new economic world. Previous consensuses have been upended, former assumptions have been cast into doubt, and new approaches have yet to stand the test of time. Policymakers have been forced to improvise and researchers to rethink basic theory. George Akerlof compares the crisis to a cat stuck in a tree, afraid to move. In April 2013, the International Monetary Fund brought together leading economists and economic policymakers to discuss the slowly emerging contours of the macroeconomic future. This book offers their combined insights.

The editors and contributors consider the lessons learned from the crisis and its aftermath. They discuss, among other things, post-crisis questions about the traditional policy focus on inflation; macroprudential tools (which focus on the stability of the entire financial system rather than of individual firms) and their effectiveness; fiscal stimulus, public debt, and fiscal consolidation; and exchange rate arrangements.


“An important road map for new thinking in the field of economics and policy that will affect all of us for years to come.” — Booklist

2014 — 376 pp. — 96 illus. — paper — $12.95/£8.95
978-0-262-52682-1
(Cloth 2012)
NEW

**ECONOMIC DYNAMICS IN DISCRETE TIME**

Jianjun Miao

This book offers a unified, comprehensive, and up-to-date treatment of analytical and numerical tools for solving dynamic economic problems. The focus is on introducing recursive methods — an important part of every economist's set of tools — and readers will learn to apply recursive methods to a variety of dynamic economic problems. The book is notable for its combination of theoretical foundations and numerical methods. Each topic is first described in theoretical terms, with explicit definitions and rigorous proofs; numerical methods and computer codes to implement these methods follow. Drawing on the latest research, the book covers such cutting-edge topics as asset price bubbles, recursive utility, robust control, policy analysis in dynamic New Keynesian models with the zero lower bound on interest rates, and Bayesian estimation of dynamic stochastic general equilibrium (DSGE) models. The book first introduces the theory of dynamical systems and numerical methods for solving dynamical systems, and then discusses the theory and applications of dynamic optimization. The book goes on to treat equilibrium analysis, covering a variety of core macroeconomic models, and such additional topics as recursive utility (increasingly used in finance and macroeconomics), dynamic games, and recursive contracts. The book introduces Dynare, a widely used software platform for handling a range of economic models; readers will learn to use Dynare for numerically solving DSGE models and performing Bayesian estimation of DSGE models. Mathematical appendices present all the necessary mathematical concepts and results. Matlab codes used to solve examples are indexed and downloadable from the book's website. A solutions manual for students is available for sale from the MIT Press; a downloadable instructor's manual is available to qualified instructors.

2014 — 720 pp. — 68 illus. — $70.00/£48.95
978-0-262-02761-8

STUDENT SOLUTIONS MANUAL TO ACCOMPANY ECONOMIC DYNAMICS IN DISCRETE TIME

Yue Jiang, Jianjun Miao, and Fan Zhuo

2014 — 136 pp. — 9 illus. Paper — $28.00/£19.95
978-0-262-52690-6

OPEN ECONOMY MACROECONOMICS IN DEVELOPING COUNTRIES

Carlos A. Végh

This rigorous and comprehensive textbook develops a basic small open economy model and shows how it can be extended to answer many important macroeconomic questions that arise in emerging markets and developing economies, particularly those regarding monetary, fiscal, and exchange rate issues. Eschewing the complex calibrated models on which the field of international finance increasingly relies, the book teaches the reader how to think in terms of simple models and grasp the fundamentals of open economy macroeconomics. After analyzing the standard intertemporal small open economy model, the book introduces frictions such as imperfect capital markets, intertemporal distortions, and nontradable goods, into the basic model in order to shed light on the economy's response to different shocks. The book then introduces money into the model to analyze the real effects of monetary and exchange rate policy. It then applies these theoretical tools to a variety of important macroeconomic issues relevant to developing countries (and, in a world of continuing financial crisis, to industrial countries as well), including the use of a nominal interest rate as a main policy instrument, the relative merits of flexible and predetermined exchange rate regimes, and the targeting of “real anchors.” Finally, the book analyzes in detail specific topics such as inflation stabilization, “dollarization,” balance of payments crises, and, inspired by recent events, financial crises. Each chapter includes boxes with relevant empirical evidence and ends with exercises. The book is suitable for use in graduate courses in development economics, international finance, and macroeconomics.

2013 — 896 pp. — 172 illus. — $90.00/£62.95
978-0-262-01890-6

**THE ECONOMICS OF GROWTH**

Philippe Aghion and Peter Howitt

2009 — 512 pp. — 58 illus. — $75.00/£51.95
978-0-262-01263-8

**ECONOMIC GROWTH**

Second Edition

Robert J. Barro and Xavier Sala-i-Martin

2003 — 608 pp. — $95.00/£51.95
978-0-262-02553-9

**LECTURES ON MACROECONOMICS**

Olivier Jean Blanchard and Stanley Fischer

1989 — 664 pp. — $88.00/£51.95
978-0-262-02283-5
Macroeconomics

NEW

KEYNES

Useful Economics for the World Economy
Peter Temin and David Vines

As the global economic crisis continues to cause damage, some policy makers have called for a more Keynesian approach to current economic problems. In this book, the economists Peter Temin and David Vines provide an accessible introduction to Keynesian ideas that connects Keynes’s insights to today’s global economy and offers readers a way to understand current policy debates.

John Maynard Keynes (1883–1946) created the branch of economics now known as macroeconomics. He played a major role in the reconstruction of Europe and the world economy after the Second World War. Keynesian economics came to be identified with efforts to mitigate the Great Depression and with postwar economic policies that helped power a golden age of economic growth. Temin and Vines argue that Keynes also provided a way to understand the interactions among nations, and therein lies his relevance for today’s global crisis.

Temin and Vines survey economic thinking before Keynes and explain how difficult it was for Keynes to escape from conventional wisdom. They set out the Keynesian analysis of a closed economy and expand the analysis to the international economy, using a few simple graphs to present Keynes’s formal analyses in an accessible way. They discuss problems of today’s world economy, showcasing the usefulness of a simple Keynesian approach to current economic policy choices. Keynesian ideas, they argue, can lay the basis for a return to economic growth.

2014 — 134 pp. — 15 illus. — $24.95/£17.95
978-0-262-02831-8

CONTENDING ECONOMIC THEORIES

Neoclassical, Keynesian, and Marxian
Richard D. Wolff and Stephen A. Resnick

Contending Economic Theories offers a unique comparative treatment of the three main theories in economics as it is taught today: neoclassical, Keynesian, and Marxian. The authors identify each theory’s starting point, its goals and foci, and its internal logic. They connect their comparative theory analysis to the larger policy issues that divide the rival camps of theorists around such central issues as the role government should play in the economy and the class structure of production, stressing the different analytical, policy, and social decisions that flow from each theory’s conceptualization of economics.

The authors, building on their earlier book Economics: Marxian versus Neoclassical, offer an expanded treatment of Keynesian economics and a comprehensive introduction to Marxian economics, including its class analysis of society. Beyond providing a systematic explanation of the logic and structure of standard neoclassical theory, they analyze recent extensions and developments of that theory around such topics as market imperfections and behavioral economics. They also explain why economic reasoning has varied among these three approaches throughout the twentieth century, and why this variation continues today — as neoclassical views give way to new Keynesian approaches in the wake of the economic collapse of 2008.

2012 — 480 pp. — 27 illus. — paper
$37.00/£25.95
978-0-262-51783-6

RECURSIVE MACROECONOMIC THEORY

Third Edition
Lars Ljungqvist and Thomas J. Sargent

2012 — 1360 pp. — 122 illus. — $95.00/£56.95
978-0-262-01874-6

MACROECONOMIC ESSENTIALS

Understanding Economics in the News
Third Edition
Peter Kennedy

2010 — 472 pp. — 50 illus. — paper
$50.00/£34.95
978-0-262-51480-4

UNEMPLOYMENT FLUCTUATIONS AND STABILIZATION POLICIES

A New Keynesian Perspective
Jordi Galí

2011 — 120 pp. — 25 illus. — $37.00/£25.95
978-0-262-01597-4
Zeuthen Lectures series

THE CRAFT OF ECONOMICS

Lessons from the Heckscher–Ohlin Framework
Edward E. Leamer

2012 — 208 pp. — 44 illus. — $28.00/£19.95
978-0-262-01687-2
Ohlin Lectures series
THE BUBBLE ECONOMY
Is Sustainable Growth Possible?

Robert U. Ayres

The global economy has become increasingly, perhaps chronically, unstable. Since 2008, we have heard about the housing bubble, subprime mortgages, banks “too big to fail,” financial regulation (or the lack of it), and the European debt crisis. Wall Street has discovered that it is more profitable to make money from other people’s money than by investing in the real economy, which has limited access to capital — resulting in slow growth and rising inequality. What we haven’t heard much about is the role of natural resources — energy in particular — as drivers of economic growth, or the connection of “global warming” to the economic crisis. In The Bubble Economy, Robert Ayres — an economist and physicist — connects economic instability to the economics of energy.

Ayres describes, among other things, the roots of our bubble economy (including the divergent influences of Senator Carter Glass — of the Glass-Steagall Law — and Ayn Rand); the role of energy in the economy, from the “oil shocks” of 1971 and 1981 through the Iraq wars; the early history of bubbles and busts; the end of Glass-Steagall; climate change; and the failures of austerity.

Finally, Ayres offers a new approach to trigger economic growth. The rising price of fossil fuels (notwithstanding “fracking”) suggests that renewable energy will become increasingly profitable. Ayres argues that government should redirect private savings and global finance away from home ownership and toward “de-carbonization” — investment in renewables and efficiency. Large-scale investment in sustainability will achieve a trifecta: lowering greenhouse gas emissions, stimulating innovation-based economic growth and employment, and offering long-term investment opportunities that do not depend on risky gambling strategies with derivatives.

“In an era of monistic specialization, Robert U. Ayres brings us this integrative command of the variables, evidence, and remedies in one grounded and optimistic volume. Written in a personal style, interspersed with instructive stories and academic rigor, The Bubble Economy shows the pathways to equitable, sustainable economies. A book for everyone who wants to help shape that stable future.”

— Ralph Nader, author of The Seventeen Solutions

2014 — 386 pp. — 37 illus. — $29.95/£20.95
978-0-262-02743-4

Macroéconomics

BIG IDEAS IN MACROECONOMICS
A Nontechnical View

Kartik B. Athreya

Macroeconomists have been caricatured either as credulous savants in love with the beauty of their mathematical models or as free-market fundamentalists who admit no doubt as to the market’s wisdom. In this book, Kartik Athreya draws a truer picture, offering a nontechnical description of prominent ideas and models in macroeconomics, arguing for their value as interpretive tools as well as their policy relevance. Athreya deliberately leaves out the technical machinery, providing students new to modern macroeconomics as well as readers with no formal training in economics or mathematics — including economic writers and policymakers — with an essential guide to the sometimes abstract ideas that drive macroeconomists’ research and practical policy advice.

Athreya describes the main approach to macroeconomic model construction, the foundational Walrasian general equilibrium framework, and its modern version, the Arrow-Debreu-McKenzie (ADM) model. He then explains the reasons for the relevance of this model for interpreting real-world outcomes, and lays out the so-called Fundamental Theorems of Welfare Economics. In the heart of the book, Athreya shows how the Walrasian approach shapes and unifies much of modern macroeconomics. He details models central to ongoing macroeconomic analyses: the neoclassical and stochastic growth models, the standard incomplete-markets model, the overlapping-generations model, and the standard search model. Athreya’s accessible primer traces the links between the views and policy advice of modern macroeconomists and their shared theoretical approach.

“Using only the English language, Kartik Athreya conveys to a nonspecialist audience what modern macroeconomists do, why we do it using specific rules of engagement, and why we end up thinking what we think. Big Ideas in Macroeconomics is to my knowledge the only book of its kind.”

— Mark Huggett, Professor of Economics, Georgetown University

2014 — 432 pp. — 3 illus. — $40.00/£27.95
978-0-262-01973-6
GETTING IT WRONG
How Faulty Monetary Statistics Undermine the Fed, the Financial System, and the Economy
William A. Barnett

Blame for the recent financial crisis and subsequent recession has commonly been assigned to everyone from Wall Street firms to individual homeowners. It has been widely argued that the crisis and recession were caused by “greed” and the failure of mainstream economics. In Getting It Wrong, leading economist William Barnett argues instead that there was too little use of the relevant economics, especially from the literature on economic measurement. Barnett contends that as financial instruments became more complex, the simple-sum monetary aggregation formulas used by central banks, including the U.S. Federal Reserve, became obsolete. Instead, a major increase in public availability of best-practice data was needed. Households, firms, and governments, lacking the requisite information, incorrectly assessed systemic risk and significantly increased their leverage and risk-taking activities. Better financial data, Barnett argues, could have signaled the misperceptions and prevented the erroneous systemic-risk assessments. When extensive, best-practice information is not available from the central bank, increased regulation can constrain the adverse consequences of ill-informed decisions. Instead, there was deregulation. The result, Barnett argues, was a worst-case toxic mix: increasing complexity of financial instruments, inadequate and poor-quality data, and declining regulation.

“An important contribution to our understanding of the $2 trillion meltdown.”
— Bloomberg News

2012 — 320 pp. — 38 illus. — paper — $37.00/£25.95
978-0-262-51688-4
Fiscal policy makers have faced an extraordinarily challenging environment over the last few years. At the outset of the global financial crisis, the International Monetary Fund (IMF) for the first time advocated a fiscal expansion across all countries able to afford it, a seeming departure from the long-held consensus among economists that monetary policy rather than fiscal policy was the appropriate response to fluctuations in economic activity. Since then, the IMF has emphasized that the speed of fiscal adjustment should be determined by the specific circumstances in each country. Its recommendation that deficit reduction proceed steadily, but gradually, positions the IMF between the fiscal doves and the fiscal hawks. This volume brings together the analysis underpinning the IMF’s position on the evolving role of fiscal policy.

After establishing its analytical foundation, with chapters on such topics as fiscal risk and debt dynamics, the book analyzes the buildup of fiscal vulnerabilities before the crisis, presents the policy response during the crisis, discusses the fiscal outlook and policy challenges ahead, and offers lessons learned from the crisis and its aftermath. Topics discussed include a historical view of debt accumulation; the timing, size, and composition of fiscal stimulus packages in advanced and emerging economies; coordination of fiscal and monetary policies; the sovereign debt crisis in Europe; and institutional reform aimed at fostering fiscal discipline.

2014 — 600 pp. — 170 illus., 63 tables — $60.00/£41.95
978-0-262-02718-2

Macroeconomics

**POST-CRISIS FISCAL POLICY**
*edited by Carlo Cottarelli, Philip Gerson, and Abdelhak Senhadji*

**ECONOMICS AFTER THE CRISIS**

**Objectives and Means**

*Adair Turner*

The global economic crisis of 2008–2009 seemed a crisis not just of economic performance but also of the system’s underlying political ideology and economic theory. But a second Great Depression was averted, and the radical shift to New Deal-like economic policies predicted by some never took place. Perhaps the correct response to the crisis is simply careful management of the macroeconomic challenges as we recover, combined with reform of financial regulation to prevent a recurrence. In Economics After the Crisis, Adair Turner offers a strong counterargument to this somewhat complacent view. The crisis of 2008–2009, he writes, should prompt a wide set of challenges to economic and political assumptions and to economic theory.

Turner argues that more rapid growth should not be the overriding objective for rich developed countries, that inequality should concern us, that the pre-crisis confidence in financial markets as the means of pursuing objectives was profoundly misplaced.

“A thinking person’s delight, not least for the clear and lucid way in which Turner sets out his arguments.” — Robert Skidelsky, TLS

2013 — 128 pp. — 26 illus. — paper — $12.95/£8.95
978-0-262-52516-9
(Cloth 2012)
The Lionel Robbins Lectures series

**REFORMING U.S. FINANCIAL MARKETS**

**Reflections Before and Beyond Dodd-Frank**

*Randall S. Kroszner and Robert J. Shiller*
edited and with an introduction by *Benjamin M. Friedman*

Over the last few years, the financial sector has experienced its worst crisis since the 1930s. The collapse of major firms, the decline in asset values, the interruption of credit flows, the loss of confidence in firms and credit market instruments, the intervention by governments and central banks: all were extraordinary in scale and scope. In this book, leading economists Randall Kroszner and Robert Shiller discuss what the United States should do to prevent another such financial meltdown. Their discussion goes beyond the nuts and bolts of legislative and regulatory fixes to consider fundamental changes in our financial arrangements.

Kroszner and Shiller offer two distinctive approaches to financial reform, with Kroszner providing a systematic analysis of regulatory gaps and Shiller addressing the broader concerns of democratizing and humanizing finance. Kroszner and Shiller each offer a response to the other’s proposals, creating a fruitful dialogue between two major figures in the field.

2013 — 176 pp. — paper — $12.95/£8.95
978-0-262-51873-4
(Cloth 2011)
The Alvin Hansen Symposium on Public Policy at Harvard University
The recent financial crisis shook not only the global economy but also conventional wisdom about economic policy. After the collapse of Lehman Brothers in September 2008, policy makers reversed course and acted on an unprecedented scale. The policy response was remarkable both for its magnitude and for the variety of measures undertaken. This book examines both the major role central banks played in the crisis and the role they might play in preventing or preparing for future crises.

2014 — 392 pp. — 156 illus. — paper $22.00/£15.95
978-0-262-52673-9
(Cloth 2012)

Why do financial institutions, industrial companies, and households hold low-yielding money balances, Treasury bills, and other liquid assets? When and to what extent can the state and international financial markets make up for a shortage of liquid assets, allowing agents to save and share risk more effectively? In Inside and Outside Liquidity, leading economists Bengt Holmström and Jean Tirole offer an original, unified perspective on these questions. In a slight, but important, departure from the standard theory of finance, they show how imperfect pledgeability of corporate income leads to a demand for as well as a shortage of liquidity with interesting implications for the pricing of assets, investment decisions, and liquidity management. The government has an active role to play in improving risk-sharing between consumers with limited commitment power and firms dealing with the high costs of potential liquidity shortages. In this perspective, private risk-sharing is always imperfect and may lead to financial crises that can be alleviated through government interventions.

2013 — 328 pp. — 43 illus. — $37.00/£25.95
978-0-262-01893-7
CESifo Seminar series

In recent years central bankers have placed new emphasis on communication with financial markets and the general public. They have done this not only through the traditional channel of monetary policy pronouncements but also by increasing the quantity of information they make public. Yet as central banks strive to provide more and clearer information about the outlook for the economy, they must balance their capacity to steer economic expectations with their natural caution about committing to future monetary policy paths. This volume offers a variety of perspectives on the economic implications of increased central bank communication.

Contributors offer theoretical analyses of the effect of central bank communication on the general macroeconomic environment; consider a variety of novel empirical approaches to the issue; and analyze communication, decision making, and governance practices of the Greenspan-era U.S. Federal Reserve, the fledgling European Central Bank, and a variety of smaller central banks, including those of the Czech Republic, Sweden, England, and New Zealand.

2013 — 328 pp. — 43 illus. — $37.00/£25.95
978-0-262-01893-7
CESifo Seminar series
FIRMS IN THE INTERNATIONAL ECONOMY

Firm Heterogeneity Meets International Business

edited by Sjoerd Beugelsdijk, Steven Brakman, Hans van Ees, and Harry Garretsen

Despite their common roots, international economics (IE) and international business (IB) have developed into two distinct fields of study. Economists have directed their efforts at formalizing the workings of international trade and investment at the macroeconomic level; business scholars have relied more on data-driven conceptual narratives than mathematical tools. But the recent focus of IE literature on firm heterogeneity suggests that IE would benefit from IB analyses of the behavior and organization of the internationalizing firm. The contributions to this volume investigate ways that insights from IB can enrich IE research in firm heterogeneity.

The contributors discuss firm-specific advantages in international trade and investment, considering the firm as the unit of analysis and managerial inputs as a variable in market entry decisions; analyze interactions between a firm and its external environment, including local corporate philanthropy and institutional settings; examine the boundaries of the firm and organizational choices such as the make-or-buy decision; and investigate technology transfer and innovation offshoring, discussing the role of subsidiaries, inventor employment, and other related topics.

2014 — 416 pp. — 58 illus. — $40.00/£27.95
978-0-262-01974-3
CESifo Seminar series

COMPARATIVE ECONOMICS IN A TRANSFORMING WORLD ECONOMY

Second Edition

J. Barkley Rosser, Jr. and Marina V. Rossier

2004 — 672 pp. — 160 illus. — $115.00/£79.95
978-0-262-18234-8
International Student Edition — paper — $58.00/£41.95
978-0-262-68153-7
(International Student Edition not available in the USA or Canada)

LONELY IDEAS
Can Russia Compete?

Loren Graham

An expert investigates Russia’s long history of technological invention followed by commercial failure and points to new opportunities to break the pattern.

“Succinct and devastating... It should be required reading in the Kremlin.”
— Joshua Lustig, Current History

2013 — 224 pp. — 7 color, 12 b & w illus.
$27.95/£19.95
978-0-262-01979-8
The Atlas of Economic Complexity attempts to measure the amount of productive knowledge countries hold and how they can move to accumulate more of it by making more complex products. Through the graphical representation of the “Product Space,” the authors are able to identify each country’s “adjacent possible,” or potential new products, making it easier to find paths to economic diversification and growth. In addition, they argue that a country’s economic complexity and its position in the product space are better predictors of economic growth than many other well-known development indicators, including measures of competitiveness, governance, finance, and schooling.

Using innovative visualizations, the book locates each country in the product space, provides complexity and growth potential rankings for 128 countries, and offers individual country pages with detailed information about a country’s current capabilities and its diversification options.

2013 — 368 pp. — paper — $50.00/£34.95
978-0-262-52542-8

Corrupt, mismanaged, and seemingly hopeless: that’s how the international community viewed Nigeria in the early 2000s. Then Nigeria implemented a sweeping set of economic and political changes and began to reform the unreformable. This book tells the story of how a dedicated and politically committed team of reformers set out to fix a series of broken institutions, and in the process repositioned Nigeria’s economy in ways that helped create a more diversified springboard for steadier long-term growth.

The author, Harvard- and MIT-trained economist Ngozi Okonjo-Iweala, currently Nigeria’s Coordinating Minister for the Economy and Minister of Finance and formerly Managing Director of the World Bank, played a crucial part in her country’s economic reforms. In Nigeria’s Debt Management Office, and later as Minister of Finance, she spearheaded negotiations with the Paris Club that led to the wiping out of $30 billion of Nigeria’s external debt, 60 percent of which was outright cancellation.

“Reforming the Unreformable offers an insider’s view of those debt negotiations; it also details the fight against corruption and the struggle to implement a series of macroeconomic and structural reforms.”

“This insider’s account of the valiant effort to reform Nigeria’s economy will inspire anyone committed to changing the course of their country.”

978-0-262-52687-6
(Cloth 2012)
ECONOMIC MODELS OF EMPIRICAL PHENOMENA ARE DEVELOPED FOR A VARIETY OF REASONS, THE MOST OBVIOUS OF WHICH IS THE NUMERICAL CHARACTERIZATION OF AVAILABLE EVIDENCE, IN A SUITABLY PARSIMONIOUS FORM. ANOTHER IS TO TEST A THEORY, OR EVALUATE IT AGAINST THE EVIDENCE; STILL ANOTHER IS TO FORECAST FUTURE OUTCOMES. BUILDING SUCH MODELS INVOLVES A MULTITUDE OF DECISIONS, AND THE LARGE NUMBER OF FEATURES THAT NEED TO BE TAKEN INTO ACCOUNT CAN OVERWHELM THE RESEARCHER. AUTOMATIC MODEL SELECTION, WHICH DRAWS ON RECENT ADVANCES IN COMPUTATION AND SEARCH ALGORITHMS, CAN CREATE, AND THEN EMPIRICALLY INVESTIGATE, A VASTLY WIDER RANGE OF POSSIBILITIES THAN EVEN THE GREATEST EXPERT. IN THIS BOOK, LEADING ECONOMETRICIANS DAVID HENDRY AND JURGEN DOORNIK REPORT ON THEIR SEVERAL DECADES OF INNOVATIVE RESEARCH ON AUTOMATIC MODEL SELECTION.

AFTE Z INTEGRAATING THE PRINCIPLES OF EMPIRICAL MODEL DISCOVERY AND THEORY EVALUATION, HENDRY AND DOORNIK OUTLINE THE STAGES OF DEVELOPING A VIABLE MODEL OF A COMPLICATED EVOLVING PROCESS. THEY DISCUSS THE DISCOVERY STAGES IN DETAIL, CONSIDERING BOTH THE THEORY OF MODEL SELECTION AND THE PERFORMANCE OF SEVERAL ALGORITHMS. THEY DESCRIBE EXTENSIONS TO TACKLING OUTLIERS AND MULTIPLE BREAKS, LEADING TO THE GENERAL CASE OF MORE CANDIDATE VARIABLES THAN OBSERVATIONS. FINALLY, THEY BRIEFLY CONSIDER SELECTING MODELS SPECIFICALLY FOR FORECASTING.

2014 — 384 PP. — 47 ILLUS. — $40.00/£27.95
978-0-262-02835-6

MATHEMATICS FOR ECONOMICS

THIRD EDITION

MICHAEL HOY, JOHN LIVERNOIS, CHRIS MCKENNA, RAY REES, AND THANASIS STENGOS

2011 — 976 PP. — $95.00/£65.95
978-0-262-01507-3

INTERNATIONAL STUDENT EDITION — PAPER — $62.00/£42.95
978-0-262-51622-8

INTERNATIONAL STUDENT EDITION NOT AVAILABLE IN THE USA OR CANADA
Econometrics is a study of good and bad ways to measure economic relations. In this book, Bernt Stigum considers the role that economic theory ought to play in such measurements and proposes a formal science of economics that provides the means to solve the measurement problems faced by econometric researchers. After describing the salient parts of a formal science of economics, Stigum compares its methods with the methods of contemporary applied econometrics. His goal is to develop a basis for meaningful discussion of the best way to incorporate economic theory in empirical analysis.

Stigum conceives two scenarios for research in applied econometrics: contemporary econometrics in the tradition of Trygve Haavelmo and the formal theory-data confrontation envisioned by Ragnar Frisch. Stigum presents case studies of economic phenomena, contrasting the empirical analysis prescribed by contemporary applied econometrics with the empirical analysis prescribed by a formal theory-data confrontation. He finds significant and provocative differences. Which are we to believe when the statistical analyses of these two methodologies yield very different descriptions of the behavior characteristics of data variables and inferences about social reality?

Stigum points to three aspects of contemporary econometric methodology that may benefit from serious discussions: the analysis of positively valued time series, a suspect characteristic of qualitative response models, and the search for linearly cointegrated time series. These three aspects are of as much concern to formal econometrics as they are to contemporary econometrics.

“This book crystallizes Stigum’s deep investigation into the philosophical underpinnings of empirical economics. Here he contrasts theories of Frisch and Haavelmo and then his own that illuminate how we do econometrics today. The book is a complex read with nuggets along the way. Stigum may be the James Joyce of econometrics.”
—Robert Engle, 2003 Nobel Laureate, Economics
February 2015 — 392 pp. — 22 illus.
$75.00/£51.95
978-0-262-02858-5

OPTIMAL CONTROL THEORY WITH APPLICATIONS IN ECONOMICS
Thomas A. Weber
Foreword by A. V. Kryazhimskiy
2011 — 280 pp. — 52 illus. — $52.00/£35.95
978-0-262-01573-8

APPLIED COMPUTATIONAL ECONOMICS AND FINANCE
Mario J. Miranda and Paul L. Fackler
2004 — 528 pp. — 79 illus., 30 color — paper
$59.00/£40.95
978-0-262-63309-3
(Cloth 2002)

ECONOMIC DYNAMICS
Theory and Computation
John Stachurski
2009 — 450 pp. — $59.00/£40.95
978-0-262-01277-5

DYNAMIC ECONOMICS
Quantitative Methods and Applications
Jerome Adda and Russell W. Cooper
2003 — 296 pp. — 34 illus. — $48.00/£33.95
978-0-262-01201-0

NUMERICAL METHODS IN ECONOMICS
Kenneth L. Judd
1998 — 616 pp. — 56 illus. — $92.00/£63.95
978-0-262-2071-7

COMPUTATIONAL MACROECONOMICS FOR THE OPEN ECONOMY
G. C. Lim and Paul D. McNelis
2008 — 277 pp. — 76 illus. — $47.00/£32.95
978-0-262-12306-8

•Paul A. Samuelson Award, TIAA-CREF Institute, 2001
•Winner, 2003 Kulp-Wright Book Award from the American Risk and Insurance Association (ARIA)

THE ECONOMICS OF RISK AND TIME
Christian Gollier
2004 — 520 pp. — 54 illus. — paper — $38.00/£26.95
978-0-262-57224-8
(Cloth 2001)
NEW

MEASURING HAPPINESS
The Economics of Well-Being
Joachim Weimann, Andreas Knabe, and Ronnie Schöb
translated by Brian Browne

Can money buy happiness? Is income a reliable measure for life satisfaction? In the West after World War II, happiness seemed inextricably connected to prosperity. Beginning in the 1960s, however, other values began to gain ground: peace, political participation, civil rights, environmentalism. “Happiness economics” has taken up the puzzle of what makes people happy, conducting elaborate surveys in which people are asked to quantify their satisfaction with “life in general.” In this book, three economists explore the happiness-prosperity connection, investigating how economists measure life satisfaction and well-being.

The authors examine the evolution of happiness research, considering the famous “Easterlin Paradox,” which found that people’s average life satisfaction didn’t seem to depend on their income. But they question whether happiness research can measure what needs to be measured. They argue that we should not assess people’s well-being on a “happiness scale,” because that necessarily obscures true social progress. Instead, rising income should be understood as increasing opportunities and alleviating scarcity. Economic growth helps societies to sustain freedom and to finance social welfare programs. In this respect, high income may not buy happiness with life in general, but it gives individuals the opportunity to be healthier, better educated, better clothed, and better fed, to live longer, and to live well.

February 2015 — 224 pp. — 9 illus. — $27.95/£19.95
978-0-262-02844-8

GAME THEORY
Drew Fudenberg and Jean Tirole

1991 — 604 pp. — $95.00/£51.95
978-0-262-06141-4

THE THEORY OF LEARNING IN GAMES
Drew Fudenberg and David K. Levine

1998 — 286 pp. — $50.00/£34.95
978-0-262-06194-0

ECONOMICS AND PSYCHOLOGY
A Promising New Cross-Disciplinary Field
edited by Bruno S. Frey and Alois Stutzer

2010 — 296 pp. — 69 illus. — paper — $17.00/£11.95
978-0-262-51416-3
(Cloth 2007)
CESifo Seminar series

HAPPINESS
A Revolution in Economics
Bruno S. Frey

2010 — 256 pp. — paper — $21.00/£14.95
978-0-262-51495-8
(Cloth 2008)
Munich Lectures series
EVOLUTION AND THE MECHANISMS OF DECISION MAKING

*edited by Peter Hammerstein and Jeffrey R. Stevens*

How do we make decisions? Conventional decision theory tells us only which behavioral choices we ought to make if we follow certain axioms. In real life, however, our choices are governed by cognitive mechanisms shaped over evolutionary time through the process of natural selection. Evolution has created strong biases in how and when we process information, and it is these evolved cognitive building blocks — from signal detection and memory to individual and social learning — that provide the foundation for our choices. An evolutionary perspective thus sheds necessary light on the nature of how we and other animals make decisions.

This volume offers a multidisciplinary examination of what evolution can tell us about our and other animals’ mechanisms of decision making. The volume also considers why and when decision mechanisms are robust, why they vary across individuals and situations, and how social life affects our decisions.

$50.00/£34.95
978-0-262-01808-1
Strüngmann Forum Reports

RATIONAL CHOICE

*Itzhak Gilboa*

This book offers a rigorous, concise, and nontechnical introduction to some of the fundamental insights of rational choice theory. It draws on formal theories of microeconomics, decision making, games, and social choice, and on ideas developed in philosophy, psychology, and sociology. Itzhak Gilboa argues that economic theory has provided a set of powerful models and broad insights that have changed the way we think about everyday life. He focuses on basic insights of the rational choice paradigm — the general conceptualization rather than a particular theory — that survive recent (and well-justified) critiques of economic theory’s various failures. Gilboa explains the main concepts in language accessible to the nonspecialist, offering a nonmathematical guide to some of the main ideas developed in economic theory in the second half of the twentieth century.

2012 — 176 pp. — 7 illus. — paper — $21.00/£14.95
978-0-262-51805-5
(Cloth 2010)

GAME THEORY AND THE HUMANITIES

Bridging Two Worlds

*Steven J. Brams*

Game theory models are ubiquitous in economics, common in political science, and increasingly used in psychology and sociology; in evolutionary biology, they offer compelling explanations for competition in nature. But game theory has been only sporadically applied to the humanities; indeed, we almost never associate mathematical calculations of strategic choice with the worlds of literature, history, and philosophy. And yet, as Steven Brams shows, game theory can illuminate the rational choices made by characters in texts ranging from the Bible to Joseph Heller’s *Catch-22* and can explicate strategic questions in law, history, and philosophy.

Much of Brams’s analysis is based on the theory of moves (TOM), which is grounded in game theory, and which he develops gradually and applies systematically throughout. TOM illuminates the dynamics of player choices, including their misperceptions, deceptions, and uses of different kinds of power. The reader gains not just new insights into the actions of certain literary and historical characters but also a larger strategic perspective on the choices that make us human.

2012 — 336 pp. — 35 illus. — paper — $21.00/£13.95
978-0-262-51825-3
(Cloth 2011)

HEREDITY, FAMILY, AND INEQUALITY

*A Critique of Social Sciences*

*Michael Beenstock*

Empirical literature in disciplines ranging from behavioral genetics to economics shows that in virtually every aspect of life the outcomes of children are correlated to a greater or lesser extent with the outcomes of their parents and their siblings. In Heredity, Family, and Inequality, the economist Michael Beenstock offers theoretical, statistical, and methodological tools for understanding these correlations. Beenstock presents a comprehensive survey of intergenerational and sibling correlations for a broad range of outcomes — including fertility and longevity, intelligence and education, income and consumption, and deviancy and religiosity. He then offers a critique of the sometimes conflicting explanations for these correlations proposed by social scientists from such disciplines as developmental psychology, sociology, and economics.

2012 — 512 pp. — 16 illus., 48 tables
$52.00/£35.95
978-0-262-01692-6
NEW

**DYNAMIC ALLOCATION AND PRICING**

A Mechanism Design Approach

**Alex Gershkov and Benny Moldovanu**

Dynamic allocation and pricing problems occur in numerous frameworks, including the pricing of seasonal goods in retail, the allocation of a fixed inventory in a given period of time, and the assignment of personnel to incoming tasks. Although most of these problems deal with issues treated in the mechanism design literature, the modern revenue management (RM) literature focuses instead on analyzing properties of restricted classes of allocation and pricing schemes. In this book, Alex Gershkov and Benny Moldovanu propose an approach to optimal allocations and prices based on the theory of mechanism design, adapted to dynamic settings.

Drawing on their own recent work on the topic, the authors describe a modern theory of RM that blends the elegant dynamic models from the operations research (OR), management science, and computer science literatures with techniques from the classical mechanism design literature. Illustrating this blending of approaches, they start with well-known complete information, nonstrategic dynamic models that yield elegant explicit solutions. They then add strategic agents that are privately informed and then examine the consequences of these changes on the optimization problem of the designer. Their sequential modeling of both nonstrategic and strategic logic allows a clear picture of the delicate interplay between dynamic trade-offs and strategic incentives. Topics include the sequential assignment of heterogeneous objects, dynamic revenue optimization with heterogeneous objects, revenue maximization in the stochastic and dynamic knapsack model, the interaction between learning about demand and dynamic efficiency, and dynamic models with long-lived, strategic agents.

“The authors have been at the forefront of applying the tools of modern mechanism design to problems of optimal dynamic pricing with strategic agents. This monograph nicely outlines their research and provides a wealth of new ideas. It is a must-read for any researcher or graduate student with an interest in dynamic markets.”

— Ilya R. Segal, Roy and Betty Anderson Professor in the Humanities and Sciences, Department of Economics, Stanford University

January 2015 — 208 pp. — 10 illus. — $35.00/£24.95
978-0-262-02840-0

Arne Ryde Memorial Lectures series

NEW

**A PRIMER ON AUCTION DESIGN, MANAGEMENT, AND STRATEGY**

**David J. Salant**

Auctions are highly structured market transactions primarily used in thin markets (markets with few participants and infrequent transactions). In auctions, unlike most other markets, offers and counteroffers are typically made within a structure defined by a set of rigid and comprehensive rules. Because auctions are essentially complex negotiations that occur within a fully defined and rigid set of rules, they can be analyzed by game theoretic models more accurately and completely than can most other types of market transactions. This book offers a guide for modeling, analyzing, and predicting the outcomes of auctions, focusing on the application of game theory and auction theory to real-world auction design and decision making. After a brief introduction to fundamental concepts from game theory, the book explains some of the more significant results from the auction theory literature, including the revenue (or payoff) equivalence theorem, the winner’s curse, and optimal auction design. Chapters on auction practice follow, addressing collusion, competition, information disclosure, and other basic principles of auction management, with some discussion of auction experiments and simulations. Finally, the book covers auction experience, with most of the discussion centered on energy and telecommunications auctions, which have become the proving ground for many new auction designs. A clear and concise introduction to auctions, auction design, and auction strategy, this Primer will be an essential resource for students, researchers, and practitioners.

2014 — 184 pp. — 3 illus. — $35.00/£24.95
978-0-262-02826-4

**INTRODUCTION TO INDUSTRIAL ORGANIZATION**

**Luís M. B. Cabral**

2000 — 292 pp. — 69 illus. — $68.00/£46.95
978-0-262-03286-5

**THE THEORY OF INDUSTRIAL ORGANIZATION**

**Jean Tirole**

1988 — 491 pp. — $86.00/£48.95
978-0-262-20071-4
MADE IN THE USA

The Rise and Retreat of American Manufacturing

Vaclav Smil

In Made in the USA, Vaclav Smil powerfully rebuts the notion that manufacturing is a relic of predigital history and that the loss of American manufacturing is a desirable evolutionary step toward a pure service economy. Smil argues that no advanced economy can prosper without a strong, innovative manufacturing sector and the jobs it creates.

“The author seeks to refute the fashionable economic notion that the country can prosper with a postindustrial, service-based economy and does so convincingly. Societies that manufacture little at home, he explains, are dependent on foreign countries for the basic tools of economic prosperity, and low-wage service sector jobs undermine the middle class created by America’s manufacturing economy.”

—Library Journal

“Vaclav Smil is one of our time’s most insightful, thorough, and prolific analysts on the history and state of technology, humanity, and industry. Every book Smil has written has made an important contribution, but none may be more important, more timely than Made in the USA. Smil’s fascinating and lucid exploration of the history and state of manufacturing in America comes at a critical time and should be the starting point for any discussion about the future for the USA.”

—Mark P. Mills, Senior Fellow, Manhattan Institute

2013 — 272 pp. — $27.95/£19.95
978-0-262-01991-0

THE ECONOMICS OF CONTRACTS

A Primer

Second Edition

Bernard Salanié

2005 — 224 pp. — 25 illus. — $42.00/£28.95
978-0-262-19525-6

CONTRACT THEORY

Patrick Bolton and Mathias Dewatripont

2005 — 688 pp. — 32 illus. — $82.00/£48.95
978-0-262-02576-8
WIRED FOR INNOVATION
How Information Technology is Reshaping the Economy

Erik Brynjolfsson and Adam Saunders

A wave of business innovation is driving the productivity resurgence in the U.S. economy. In Wired for Innovation, Erik Brynjolfsson and Adam Saunders describe how information technology directly or indirectly created this productivity explosion, reversing decades of slow growth. They argue that the companies with the highest level of returns to their technology investment are doing more than just buying technology; they are inventing new forms of organizational capital to become digital organizations. These innovations include a cluster of organizational and business-process changes, including broader sharing of information, decentralized decision-making, linking pay and promotions to performance, pruning of non-core products and processes, and greater investments in training and education.

Innovation continues through booms and busts. This book provides an essential guide for policy makers and economists who need to understand how information technology is transforming the economy and how it will create value in the coming decade.

2013 — 176 pp. — 13 illus. — paper — $14.95/£10.95
978-0-262-51861-1 (Cloth 2009)

GOOD GREEN JOBS IN A GLOBAL ECONOMY
Making and Keeping New Industries in the United States

David J. Hess

Good Green Jobs in a Global Economy is the first book to explore the broad implications of the convergence of industrial and environmental policy in the United States. Under the banner of “green jobs,” clean energy industries and labor, environmental, and anti-poverty organizations have forged “blue-green” alliances and have achieved some policy victories, most notably at the state and local levels. In this book, David Hess explores the politics of green energy and green jobs, linking the prospect of a green transition to tectonic shifts in the global economy. He argues that the relative decline in the United States’ economic power sets the stage for an ideological shift away from neoliberalism and toward “developmentalism,” an ideology characterized by a more defensive posture with respect to trade and a more active industrial policy.

2014 — 312 pp. — paper — $20.00/£13.95
978-0-262-52592-3 (Cloth 2012)

VIRTUAL ECONOMIES
Design and Analysis

Vili Lehdonvirta and Edward Castronova

In the twenty-first-century digital world, virtual goods are sold for real money. Digital game players happily pay for avatars, power-ups, and other game items. But behind every virtual sale, there is a virtual economy, simple or complex. In this book, Vili Lehdonvirta and Edward Castronova introduce the basic concepts of economics into the game developer’s and game designer’s toolkits. Lehdonvirta and Castronova explain how the fundamentals of economics — markets, institutions, and money — can be used to create or analyze economies based on artificially scarce virtual goods. They focus on virtual economies in digital games, but also touch on serious digital currencies such as Bitcoin as well as virtual economies that emerge in social media around points, likes, and followers. The theoretical emphasis is on elementary microeconomic theory, with some discussion of behavioral economics, macroeconomics, sociology of consumption, and other social science theories relevant to economic behavior.

2014 — 296 pp. — 35 illus. — $45.00/£31.95
978-0-262-02725-0 (Information Policy series)
Microeconomics • Industrial Organization

DIGITAL CROSSROADS
Telecommunications Law and Policy in the Internet Age
Second Edition

Jonathan E. Nuechterlein and Philip J. Weiser

In Digital Crossroads, two experts on telecommunications policy offer a comprehensive and accessible analysis of the regulation of competition in the U.S. telecommunications industry. The first edition of Digital Crossroads (MIT Press, 2005) became an essential and uniquely readable guide for policymakers, lawyers, scholars, and students in a fast-moving and complex policy field. In this second edition, the authors have revised every section of every chapter to reflect the evolution in industry structure, technology, and regulatory strategy since 2005.

The book features entirely new discussions of such topics as the explosive development of the mobile broadband ecosystem; incentive auctions and other recent spectrum policy initiatives; the FCC’s net neutrality rules; the National Broadband Plan; the declining relevance of the traditional public switched telephone network; and the policy response to online video services and their potential to transform the way Americans watch television.

Like its predecessor, this new edition of Digital Crossroads not only helps nonspecialists climb this field’s formidable learning curve, but also makes substantive contributions to ongoing policy debates.

2013 — 520 pp. — 9 illus. — paper $35.00/£24.95
978-0-262-51960-1

INTERNET ARCHITECTURE AND INNOVATION

Barbara van Schewick

Today — following housing bubbles, bank collapses, and high unemployment — the Internet remains the most reliable mechanism for fostering innovation and creating new wealth. The Internet’s remarkable growth has been fueled by innovation. In this pathbreaking book, Barbara van Schewick argues that this explosion of innovation is not an accident, but a consequence of the Internet’s architecture — a consequence of technical choices regarding the Internet’s inner structure that were made early in its history.

“This isn’t a flash-in-the-pan piece. This book will be an evergreen in a wide range of academic and policy contexts.”
— Lawrence Lessig, author of Code and Other Laws of Cyberspace

2012 — 592 pp. — 29 illus. — paper — $28.00/£19.95
978-0-262-51804-8 (Cloth 2010)

THE COMINGLED CODE
Open Source Software and Economic Development

Josh Lerner and Mark Schankerman

Discussions of the economic impact of open source software often generate more heat than light. Missing from the debate is rigorous economic analysis and systematic economic evidence of the impact of open source on consumers, firms, and economic development in general. This book fills that gap. In The Comingled Code, Josh Lerner and Mark Schankerman, drawing on a new, large-scale database, show that open source and proprietary software interact in sometimes unexpected ways, and discuss the policy implications of these findings.

Lerner and Schankerman examine the ways in which software differs from other technologies in promoting economic development, what motivates individuals and firms to contribute to open source projects, how developers and users view the trade-offs between the two kinds of software, and how government policies can ensure that open source competes effectively with proprietary software and contributes to economic development.

“The Comingled Code is full of insights.”
— The Economist

2013 — 250 pp. — 17 illus. — paper $19.00/£13.95
978-0-262-51856-7 (Cloth 2010)
THE LIMITS OF INFEERENCE WITHOUT THEORY

Kenneth I. Wolpin

In this rigorous and well-crafted work, Kenneth Wolpin examines the role of theory in inferential empirical work in economics and the social sciences in general — that is, any research that uses raw data to go beyond the mere statement of fact or the tabulation of statistics. He considers in particular the limits that eschewing the use of theory places on inference.

Wolpin finds that the absence of theory in inferential work that addresses microeconomic issues is pervasive. That theory is unnecessary for inference is exemplified by the expression “let the data speak for themselves.” This approach is often called “reduced form.” A more nuanced view is based on the use of experiments or quasi-experiments to draw inferences. Atheoretical approaches stand in contrast to what is known as the structuralist approach, which requires that a researcher specify an explicit model of economic behavior — that is, a theory. Wolpin offers a rigorous examination of both structuralist and nonstructuralist approaches. He first considers ex ante policy evaluation, highlighting the role of theory in the implementation of parametric and nonparametric estimation strategies. He illustrates these strategies with two examples, a wage tax and a school attendance subsidy, and summarizes the results from applications. He then presents a number of examples that illustrate the limits of inference without theory: the effect of unemployment benefits on unemployment duration; the effect of public welfare on women’s labor market and demographic outcomes; the effect of school attainment on earnings; and a famous field experiment in education dealing with class size. Placing each example within the context of the broader literature, he contrasts them to recent work that relies on theory for inference.

2013 — 192 pp. — 3 illus. — $35.00/£24.95
978-0-262-01908-8
Tjalling C. Koopmans Memorial Lectures series

THE NATURAL SURVIVAL OF WORK

Job Creation and Job Destruction in a Growing Economy

Pierre Cahuc and André Zylberberg
translated by William McCuaig

2009 — 360 pp. — 5 illus. — paper — $24.00/£16.95
978-0-262-02346-6
(Cloth 2006)

The French edition of The Natural Survival of Work won the 2004 European Economics Book Award.
NEW

INSIDE THE FORD-UAW TRANSFORMATION
Pivotal Events in Valuing Work and Delivering Results

Joel Cutcher-Gershenfeld, Dan Brooks, and Martin Mulloy

In 2009, the Ford Motor Company was the only one of the Big Three automakers not to take the federal bailout package. How did Ford remain standing when its competitors were brought to their knees? It was a gutsy decision, but it didn’t happen in isolation. The United Auto Workers joined with Ford to make this possible — not only in 2009, but in a series of more than fifty pivotal events during three decades that add up to a transformation that simultaneously values work and delivers results.

The pivotal events — some planned and some unplanned; some at the facility level and some at the enterprise level — were not all successful. All had the potential, however, to further the transformation, and all provide insight into how large-scale system change really happens. The authors — each with years of experience with Ford, the UAW, and the industry — provide an unprecedented inside look at how core operating assumptions are shifted and at the emergence of integrated operating systems for quality, safety, and other aspects of the enterprise.

It is a transformation built on a foundation of dignity and mutual respect, guided by a vision of combining good jobs with high performance.


NEW

THE OUTSOURCER
The Story of India’s IT Revolution

Dinesh C. Sharma

The rise of the Indian information technology industry is a remarkable economic success story. Software and services exports from India amounted to less than $100 million in 1990, and today come close to $100 billion. But, as Dinesh Sharma explains in The Outsourcer, Indian IT’s success has a long prehistory; it did not begin with software support, or with American firms’ eager recruitment of cheap and plentiful programming labor, or with India’s economic liberalization of the 1990s. The foundations of India’s IT revolution were laid long ago, even before the country’s independence from British rule in 1947, as leading Indian scientists established research institutes that became centers for the development of computer science and technology. The “miracle” of Indian IT is actually a story about the long work of converting skills and knowledge into capital and wealth. With The Outsourcer, Sharma offers the first comprehensive history of the forces that drove India’s IT success.

April 2015 — 280 pp. — 20 illus. $29.95/£20.95 978-0-262-02875-2

History of Computing series
(Not for sale on the Indian Subcontinent)

WORKER LEADERSHIP
America’s Secret Weapon in the Battle for Industrial Competitiveness

Fred Stahl
Foreword by Joel Cutcher-Gershenfeld

How can American manufacturing recapture its former dominance in the globalized industrial economy? In Worker Leadership, Fred Stahl proposes a strategy to boost enterprise productivity and restore America’s industrial power. Stahl outlines a revolutionary transformation of industrial culture that offers workers real control of production operations and manufacturing processes (as well as a monetary share of the savings from productivity gains). Stahl develops this new Theory of Worker Productivity into a strategy of Worker Leadership, with concrete, real-world examples.

2013 — 256 pp. — 25 illus. — $29.95/£20.95 978-0-262-01963-7
DYNAMICS AMONG NATIONS
The Evolution of Legitimacy and Development in Modern States

Hilton L. Root

Liberal internationalism has been the West’s foreign policy agenda since the Cold War, and the West has long occupied the top rung of a hierarchical system. In this book, Hilton Root argues that international relations, like other complex ecosystems, exist in a constantly shifting landscape, in which hierarchical structures are giving way to systems of networked interdependence, changing every facet of global interaction. Accordingly, policymakers will need a new way to understand the process of change. Root suggests that the science of complex systems offers an analytical framework to explain the unforeseen development failures, governance trends, and alliance shifts in today’s global political economy.

Root examines both the networked systems that make up modern states and the larger, interdependent landscapes they share. Using systems analysis — in which institutional change and economic development are understood as self-organizing complexities — he offers an alternative view of institutional resilience and persistence. From this perspective, Root considers the divergence of East and West; the emergence of the European state, its contrast with the rise of China, and the network properties of their respective innovation systems; the trajectory of democracy in developing regions; and the systemic impact of China on the liberal world order. Complexity science, Root argues, will not explain historical change processes with algorithmic precision, but it may offer explanations that match the messy richness of those processes.

2013 — 320 pp. — $29.95/£20.95
978-0-262-01970-5

THE CHINESE ECONOMY
Transitions and Growth

Barry Naughton

This comprehensive overview of the modern Chinese economy by a noted expert on China’s economic development offers a quality and breadth of coverage not found in any other English-language text. In The Chinese Economy, Barry Naughton provides both an engaging, broadly focused introduction to China’s economy since 1949 and original insights based on his own extensive research.

2007 — 504 pp. — 53 illus., 7 maps — paper — $30.00/£20.95
978-0-262-64064-0

WU JINGLIAN
Voice of Reform in China

edited with introductions by Barry Naughton

For more than thirty years, Wu Jinglian has been widely regarded as China’s most celebrated and influential economist. In the late 1970s, Wu (b. 1930) was one of a small group of economic thinkers who broke with Marxist concepts and learned the principles of a market economy. Since then he has been at the center of economic reform in China, moving seamlessly as an “insider outsider” between academic and policy roles. In recent years, Wu has emerged as a prominent public intellectual fighting not just for market reform but also for a democratic society backed by the rule of law. This book presents many of Wu’s most important writings, a number of them appearing in English for the first time. Each section offers an informative introductory essay by Barry Naughton, the volume’s editor and an expert on China’s economy.

The book begins with Wu’s most recent articles, which make clear his belief that gradual marketization combined with institutional development will make Chinese society fairer and less corrupt. Biographical writings follow, accompanied by a richly insightful text by Naughton on Wu’s life and career. Writings from the 1980s and 1990s, written originally for a small audience of policy makers, demonstrate how Wu shaped China’s early reform path; essays and articles from the late 1990s and early 2000s reflect Wu’s new role as an advocate for broader reforms. Taken together, these texts map not only China’s path to economic reform but also Wu’s own intellectual evolution.

“Almost every page of this book is insightful on Chinese economics or politics or usually both together.”
— Tyler Cowen, Marginal Revolution

2013 — 392 pp. — $29.95/£20.95
978-0-262-01943-9

POLITICAL ECONOMY

21
Illegal immigration continues to roil American politics. The right-wing media stir up panic over “anchor babies,” job stealing, welfare dependence, bilingualism, al-Qaeda terrorists disguised as Latinos, even a conspiracy by Latinos to “retake” the Southwest. State and local governments have passed more than 300 laws that attempt to restrict undocumented immigrants’ access to hospitals, schools, food stamps, and driver’s licenses. Federal immigration authorities stage factory raids that result in arrests, deportations, and broken families — and leave owners scrambling to fill suddenly open jobs. The DREAM Act, which would grant permanent residency to high school graduates brought here as minors, is described as “amnesty.” And yet polls show that a majority of Americans support some kind of path to citizenship for those here illegally. What is going on? In this book, John Tirman shows how the resistance to immigration in America is more cultural than political. Although cloaked in language about jobs and secure borders, the cultural resistance to immigration expresses a fear that immigrants are changing the dominant white, Protestant, “real American” culture.
THE FAILURE OF JUDGES AND THE RISE OF REGULATORS

Andrei Shleifer

Government regulation is ubiquitous today in rich and middle-income countries although standard economic theories predict that it should be rather uncommon. In this book, Andrei Shleifer argues that the ubiquity of regulation can be explained not so much by the failure of markets as by the failure of courts to solve contract and tort disputes cheaply, predictably, and impartially.

When courts are expensive, unpredictable, and biased, the public will seek alternatives to dispute resolution. The form this alternative has taken throughout the world is regulation.

The Failure of Judges and the Rise of Regulators gathers Shleifer’s influential writings on regulation and adds to them a substantial introductory essay in which Shleifer critiques the standard theories of economic regulation and proposes “the Enforcement Theory of Regulation,” which sees regulation as the more efficient strategy for social control of business. Subsequent chapters present the theoretical and empirical case against the efficiency of courts, make the historical and theoretical case for the comparative efficiency of regulation, and offer two empirical studies suggesting circumstances in which regulation might emerge as an efficient solution to social problems. Shleifer does not offer an unconditional endorsement of regulation and its expansion but rather argues that it is better than its alternatives, particularly litigation.

2012 — 352 pp. — 34 illus. — $42.00/£28.95
978-0-262-01695-7

THE FAILURE OF JUDGES AND THE RISE OF REGULATORS

Andrei Shleifer

BANKING ON DEMOCRACY

Financial Markets and Elections in Emerging Countries

Javier Santiso

Politics matter for financial markets and financial markets matter for politics, and nowhere is this relationship more apparent than in emerging markets. In Banking on Democracy, Javier Santiso investigates the links between politics and finance in countries that have recently experienced both political and economic transitions. He focuses on elections, investigating whether there is a “democratic premium” — whether financial markets and investors tend to react positively to elections in emerging markets.

Santiso devotes special attention to Latin America, where over the last three decades many countries became democracies, with regular elections, just as they also became open economies dependent on foreign capital and dominated bond markets. Santiso’s analysis draws on a unique set of primary databases (developed during his years at the OECD Development Centre) covering an entire decade: more than 5,000 bank and fund manager portfolio recommendations on emerging markets.

Santiso examines the trajectory of Brazil, for example, through its presidential elections of 2002, 2006, and 2010 and finds a decoupling of financial and political cycles that occurred also in many other emerging economies. He charts this evolution through the behavior of brokers, analysts, fund managers, and bankers. Ironically, Santiso points out, while some emerging markets have decoupled politics and finance, in the wake of the 2008–2012 financial crisis many developed economies (Europe and the United States) have experienced a recoupling between finance and politics.

2013 — 336 pp. — 84 illus. — $42.00/£28.95
978-0-262-01900-2

GLOBAL INTERDEPENDENCE, DECOUPLING, AND RECOUPLING

An Overview

edited by Yin-Wong Cheung and Frank Westermann

One lens through which to view global economic interdependence and the spillover of shocks is that of decoupling (and then recoupling). Decoupling between developed and developing countries can be seen in the strong economic performance of China and India relative to that of the United States and Europe in the early 2000s. Recoupling then took place as developing countries sank along with the developed world during the deepening financial crisis of 2008. This volume examines patterns of global economic interdependence and the propagation of shocks in an increasingly integrated world economy.

The contributors discuss such topics as the transmission of exogenous shocks; causes of business cycle synchronicity; the differences between global and regional shocks; the South-South trade relationship and its effect on decoupling; vertical specialization and Mexico’s manufacturing exports; growth prospects in China, the United States, and Europe after the financial crisis; and the evolving role of the U.S. dollar in international monetary architecture.

2013 — 312 pp. — 59 illus. — $35.00/£24.95
978-0-262-01980-4

CESifo Seminar series

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2013 — 312 pp. — 59 illus. — $35.00/£24.95
978-0-262-01980-4

CESifo Seminar series
Public Sector Economics

NEW
PATHWAYS TO FISCAL REFORM IN THE UNITED STATES
edited by John W. Diamond and George R. Zodrow

The United States and other advanced economies in the Eurozone and elsewhere face severe fiscal problems. The United States is on an unsustainable dynamic path; absent corrective fiscal policies, federal deficits and debts relative to gross domestic product will continue to increase dramatically. In this book, experts consider possible fiscal reforms aimed at addressing the debt problem, focusing on entitlement programs, budgetary issues and processes, and individual and corporate income tax reform.

The contributors address such topics as the interaction of rising health care costs and the level of federal expenditures; alternative methods for evaluating the fiscal health and sustainability of Social Security; the effectiveness of budgetary constraints imposed on the states, including balanced budget amendments and debt ceilings; approaches to curtail individual tax expenditures and methods for increasing the progressivity of the tax system; and the effects of traditional base-broadening, rate-reducing corporate income tax reforms.


January 2015 — 432 pp. — 45 illus.
$45.00/£31.95
978-0-262-02830-1

INTERMEDIATE PUBLIC ECONOMICS
Second Edition
Jean Hindriks and Gareth D. Myles

Public economics studies how government taxing and spending activities affect the economy — economic efficiency and the distribution of income and wealth. This comprehensive text on public economics covers the core topics of market failure and taxation as well as recent developments in both policy and the academic literature. It is unique not only in its broad scope but in its balance between public finance and public choice and its combination of theory and relevant empirical evidence.

The book covers the theory and methodology of public economics; presents a historical and theoretical overview of the public sector; and discusses such topics as departures from efficiency (including imperfect competition and asymmetric information), issues in political economy, equity, taxation, fiscal federalism, and tax competition among independent jurisdictions. Suggestions for further reading, from classic papers to recent research, appear in each chapter, as do exercises. The mathematics has been kept to a minimum without sacrificing intellectual rigor; the book remains analytical rather than discursive. This second edition has been thoroughly updated throughout. It offers new chapters on behavioral economics, limits to redistribution, international taxation, cost-benefit analysis, and the economics of climate policy. Additional exercises have been added and many sections revised in response to advice from readers of the first edition.

2013 — 608 pp. — 126 illus.
Paper — $35.00/£24.95
978-0-262-51848-2

LETTURES ON URBAN ECONOMICS
Jan K. Brueckner

“Jan Brueckner’s lucid Lectures on Urban Economics is a rigorous, but non-technical, analysis of the major topics in the field. The lectures survey topics of broad appeal to students, and they provide just enough detail — clear diagrams and tightly written prose — to support a definitive analysis. This slim volume has the hallmark of an excellent undergraduate text.”
— John M. Quigley, I. Donald Terner Distinguished Professor and Professor of Economics, University of California, Berkeley

2011 — 296 pp. — 85 illus. — paper
$37.00/£25.95
978-0-262-01636-0
GIVING KIDS A FAIR CHANCE

James J. Heckman

In Giving Kids a Fair Chance, Nobel Prize-winning economist James Heckman argues that the accident of birth is the greatest source of inequality in America today. Children born into disadvantage are, by the time they start kindergarten, already at risk of dropping out of school, teen pregnancy, crime, and a lifetime of low-wage work. This is bad for all those born into disadvantage and bad for American society.

Current social and education policies directed toward children focus on improving cognition, yet success in life requires more than smarts. Heckman calls for a refocus of social policy toward early childhood interventions designed to enhance both cognitive abilities and such non-cognitive skills as confidence and perseverance. This new focus on preschool intervention would emphasize improving the early environments of disadvantaged children and increasing the quality of parenting while respecting the primacy of the family and America’s cultural diversity.

The debate that follows delves deeply into some of the most fraught questions of our time: the sources of inequality, the role of schools in solving social problems, and how to invest public resources most effectively. Mike Rose, Geoffrey Canada, Charles Murray, Carol Dweck, Annette Lareau, and other prominent experts participate.

2013 — 112 pp. — $23.00/£10.95
978-0-262-01913-2
A Boston Review Book

BACK TO FULL EMPLOYMENT

Robert Pollin

In Back to Full Employment, economist Robert Pollin argues that the United States — today faced with its highest level of unemployment since the Great Depression — should put full employment back on the agenda. There are good reasons to seek full employment, Pollin writes. Full employment will help individuals, families, and the economy as a whole, while promoting equality and social stability. Explaining views on full employment in macroeconomic theory from Marx to Keynes to Friedman, Pollin argues that the policy was abandoned in the United States in the 1970s for the wrong reasons, and he shows how it can be achieved today despite the serious challenges of inflation and globalization.

2012 — 112 pp. — $16.95/£11.95
978-0-262-01757-2
A Boston Review Book

THE CLASH OF GENERATIONS

Saving Ourselves, Our Kids, and Our Economy

Laurence J. Kotlikoff and Scott Burns

The United States is bankrupt, flat broke. Thanks to accounting that would make Enron blush, America’s insolvency goes far beyond what our leaders are disclosing. The United States is a fiscal basket case. How did this happen? In The Clash of Generations, experts Laurence Kotlikoff and Scott Burns document our six-decade, off-balance-sheet, unsustainable financing scheme. They explain how we have balanced our longer lives on the backs of our (relatively few) children. Kotlikoff and Burns sounded the alarm in their widely acclaimed The Coming Generational Storm, but politicians didn’t listen. Now the need for action is even more urgent. It’s up to us to demand radical reform of our tax system, our healthcare system, and our Social Security system, and to insist on better paths to investment return than those provided by Wall Street (mis)managers. Kotlikoff and Burn’s proposals have been endorsed by a who’s who of economists and their revolutionary investment strategy for individuals replaces the idea of financial capital with “life decision capital.”

Of course, we won’t be doing all this just for ourselves. We need to fix America’s fiscal mess before our kids inherit it.

“This is a great book of great importance, and every paragraph contains some new and interesting observation.”

— George Akerlof, Nobel Laureate in Economics, 2001

2014 — 288 pp. — 14 illus. — paper $14.95/£10.95
978-0-262-52610-4
(Cloth 2012)

THE COMING GENERATIONAL STORM

What You Need to Know about America’s Economic Future

Laurence J. Kotlikoff and Scott Burns

2005 — 328 pp. — paper — $19.95/£13.95
978-0-262-61208-1
(Cloth 2004)
NEW

THE MOBILITY OF STUDENTS AND THE HIGHLY SKILLED
Implications for Education Financing and Economic Policy

edited by Marcel Gérard and Silke Uebelmesser

The mobility of students in developed countries has dramatically increased over the last fifty years. Students do not necessarily remain in their countries of origin for higher education and work; they might be born in one country, attend university in a second, and find employment in a third. In this book, contributors from Europe, North America, and Australia examine the interrelated mobility of university students and the highly skilled, and its consequences — in the country of origin, in the host country during studies, and in the work destination country — for fiscal policies, the financing of higher education, and economic growth.

Taking a variety of approaches, including formal modeling and econometric analysis, the contributors first examine evidence of the interrelationship between the mobility of students and graduates, especially researchers; investigate free-riding problems associated with mobility, including the provision and funding of public higher education; and address the effects of education policy on human capital accumulation and economic development, offering recommendations for well-designed innovation policies in the presence of migration of talents.

January 2015 — 368 pp. — 27 illus. — $35.00/£24.95
978-0-262-02817-2
CESifo Seminar series

RETIREMENT INCOME

Risks and Strategies

Mark J. Warshawsky

As members of the baby boom generation head into retirement, they face an economic environment that has changed noticeably since their parents retired. Most of these new retirees will not be equipped, as many in the earlier generation were, with private pension plans, early retirement options, and fully paid retiree health benefits in addition to Social Security and Medicare. Today it is increasingly left to retirees themselves to plan how to maximize retirement income and minimize risk. In Retirement Income, Mark Warshawsky and his colleagues describe strategies, products, and public policies that will help a new generation achieve financial security and income growth in retirement.

2013 — 280 pp. — 24 illus. — paper — $18.00/£12.95
978-0-262-52512-1
(Cloth 2012)

Honorable Mention, 2011 PROSE Award in Business, Finance & Management, Association of American Publishing/Professional Scholarly Publishing

UNLOCKING ENERGY INNOVATION

How America Can Build a Low-Cost, Low-Carbon Energy System

Richard K. Lester and David M. Hart

Unlocking Energy Innovation outlines an up-to-the-minute plan for remaking America’s energy innovation system by tapping the country’s entrepreneurial strengths and regional diversity in both the public and private spheres. “Business as usual” will not fill the energy innovation gap. Only the kind of systemic, transformative changes to our energy innovation system described in this provocative book will help us avert the most dire scenarios and achieve a sustainable and secure energy future.

2013 — 232 pp. — paper — $14.95/£10.95
978-0-262-52514-5
(Cloth 2011)
CRITICAL ISSUES IN TAXATION AND DEVELOPMENT

Edited by Clemens Fuest and George R. Zodrow

Many developing countries find it difficult to raise the revenue required to provide such basic public services as education, health care, and infrastructure. Complicating the policy challenges of taxation in developing countries are issues that most developed countries do not face, including widespread corruption, tax evasion and tax avoidance, and ineffective political structures. In this volume, experts investigate crucial challenges confronted by developing countries in raising revenue.

After a comprehensive and insightful overview, each chapter uses modern empirical methods to study a single critical issue essential to understanding the effects of taxes on development. Topics addressed include the effect of taxation on foreign direct investment; forms of corruption, tax evasion, and tax avoidance that are specific to developing countries; and issues related to political structure, including the negative effects of fiscal decentralization on the effectiveness of developmental aid and the relationship between democracy and taxation in Asian, Latin American, and European Union countries that have recently experienced both political and economic transitions.

2013 — 248 pp. — 7 illus. — $35.00/£24.95
978-0-262-01897-5
CESifo Seminar series

THE ECONOMICS OF TAXATION

Second Edition

Bernard Salanié

This concise introduction to the economic theories of taxation is intuitive yet rigorous, relating the theories both to existing tax systems and to key empirical studies. The Economics of Taxation offers a thorough discussion of the consequences of taxes on economic decisions and equilibrium outcomes, as well as useful insights into how policy makers should design taxes. It covers such issues of central policy importance as taxation of income from capital, environmental taxation, and tax credits for low-income families. This second edition has been significantly revised and updated.

2011 — 216 pp. — 15 illus. — $42.00/£28.95
978-0-262-01634-6

TAX SYSTEMS

Joel Slemrod and Christian Gillitzer

Despite its theoretical elegance, the standard optimal tax model has significant limitations. In this book, Joel Slemrod and Christian Gillitzer argue that tax analysis must move beyond the emphasis on optimal tax rates and bases to consider such aspects of taxation as administration, compliance, and remittance.

Slemrod and Gillitzer explore what they term a tax-systems approach, which takes tax evasion seriously; revisits the issue of remittance, or who writes the check to cover tax liability (employer or employee, retailer or consumer); incorporates administrative and compliance costs; recognizes a range of behavioral responses to tax rates; considers nonstandard instruments, including tax base breadth and enforcement effort; and acknowledges that tighter enforcement is sometimes a more socially desirable way to raise revenue than an increase in statutory tax rates. Policy makers, Slemrod and Gillitzer argue, would be well advised to recognize the interrelationship of tax rates, bases, enforcement, and administration, and acknowledge that tax policy is really tax-systems policy.

“Research on tax design often overlooks essential issues of policy implementation. Tax Systems addresses this important oversight, providing insightful analysis on topics including compliance, complexity, remittance, and the design of information reports. Researchers and policy-makers will find this volume a compelling demonstration of how economic analysis can inform the key questions of tax administration.”
— James Poterba, Mitsui Professor of Economics, MIT, and President, National Bureau of Economic Research

2014 — 248 pp. — 1 illus. — $30.00/£20.95
978-0-262-02672-7
Zeuthen Lectures series

FROM OPTIMAL TAX THEORY TO TAX POLICY

Retrospective and Prospective Views

Robin Boadway

2012 — 296 pp. — 6 illus. — $37.00/£25.95
978-0-262-01711-4
Munich Lectures series
HEALTH ECONOMICS
Frank A. Sloan and Chee-Ruey Hsieh

This book introduces students to the growing research field of health economics. Rather than offer details about health systems around the world without providing a theoretical context, Health Economics combines economic concepts with empirical evidence to enhance readers’ economic understanding of how health care institutions and markets function. It views the subject in both microeconomic and macroeconomic terms, moving from the individual and firm level to the market level to a macroeconomic view of the role of health and health care within the economy as a whole.

The book includes discussion of recent empirical evidence on the U.S. health system and can be used for an undergraduate course on U.S. health economics. It also contains sufficient material for an undergraduate or masters course on global health economics, or for a course on health economics aimed at health professionals. It includes a chapter on nurses as well as a chapter on the economics of hospitals and pharmaceuticals, which can be used in masters courses for students in these fields. It supplements its analysis with readings (both classic and current), extensive references, links to Web sites on policy developments and public programs, review and discussion questions, and exercises.

STUDENT SOLUTIONS MANUAL TO ACCOMPANY HEATH ECONOMICS
Frank A. Sloan and Chee-Ruey Hsieh
2012 — 144 pp. — paper $15.95/£10.95
978-0-262-51790-4
E-Book • 978-0-262-30370-5

“Better Doctors, Better Patients, Better Decisions”
Envisioning Health Care 2020
edited by Gerd Gigerenzer and J. A. Muir Gray

Contrary to popular opinion, one of the main problems in providing uniformly excellent health care is not lack of money but lack of knowledge — on the part of both doctors and patients. The studies in this book show that many doctors and most patients do not understand the available medical evidence. Both patients and doctors are “risk illiterate”— frequently unable to tell the difference between actual risk and relative risk. Further, unwarranted disparity in treatment decisions is the rule rather than the exception in the United States and Europe. All of this contributes to much wasted spending in health care.

The contributors to Better Doctors, Better Patients, Better Decisions investigate the roots of the problem, from the emphasis in medical research on technology and blockbuster drugs to the lack of education for both doctors and patients. They call for a new, more enlightened health care, with better medical education, journals that report study outcomes completely and transparently, and patients in control of their personal medical records, not afraid of statistics but able to use them to make informed decisions about their treatments.

HEALTH CARE TURNING POINT
Why Single Payer Won’t Work
Roger M. Battistella
2012 — 192 pp. — paper — $11.95/£7.95
978-0-262-51725-6
(Cloth 2010)

CHAOS AND ORGANIZATION IN HEALTH CARE
Thomas H. Lee, M.D., and James J. Mongan, M.D.
978-0-262-51762-1
(Cloth 2009)
Environmental & Resource Economics

NEW

ENERGY, ECONOMIC GROWTH, AND GEOPOlITICAL FUTURES

Eight Long-Range Scenarios

Evan Hillebrand and Stacy Closson

This book presents eight varied scenarios of possible global futures, emphasizing the interconnectedness of three drivers of change: energy prices, economic growth, and geopolitics. Other published global future scenarios focus on only one of these factors, viewing, for example, economic growth as unaffected by energy prices or energy prices in isolation from geopolitical conditions. In this book, Evan Hillebrand and Stacy Closson offer a new approach to scenario construction that acknowledges the codependence of these key drivers and integrates qualitative analysis with a quantitative model.

The eight scenarios represent possible combinations of high or low energy prices, strong or weak economic growth, and global harmony or disharmony across three time periods: the 2010s, 2020 to 2040, and 2040 to 2050. The “Regional Mercantilism” scenario, for example, envisions high energy prices, weak economic growth, and global disharmony. To impose numerical consistency across scenarios, Hillebrand and Closson employ the International Futures (IFs) model developed by Barry Hughes. (Interested readers can download this interactive model to alter or build scenarios themselves.) Assessing the probability of each scenario, they conclude that increased U.S. energy supply and the sustainability of the Chinese growth miracle are the most significant drivers over the next forty years.

May 2015 — 240 pp. — 12 illus. — $35.00/£24.95
978-0-262-02889-9

DOUBLE DIVIDEND

Environmental Taxes and Fiscal Reform in the United States

Dale W. Jorgenson, Richard J. Goettle, Mun S. Ho, and Peter J. Wilcoxen

Energy utilization, especially from fossil fuels, creates hidden costs in the form of pollution and environmental damages. The costs are well documented but are hidden in the sense that they occur outside the market, are not reflected in market prices, and are not taken into account by energy users. Double Dividend presents a novel method for designing environmental taxes that correct market prices so that they reflect the true cost of energy. The resulting revenue can be used in reducing the burden of the overall tax system and improving the performance of the economy, creating the double dividend of the title.

The authors simulate the impact of environmental taxes on the U.S. economy using their Intertemporal General Equilibrium Model (IGEM). This highly innovative model incorporates expectations about future prices and policies. The model is estimated econometrically from an extensive 50-year dataset to incorporate the heterogeneity of producers and consumers. This approach generates confidence intervals for the outcomes of changes in economic policies, a new feature for models used in analyzing energy and environmental policies. These outcomes include the welfare impacts on individual households, distinguished by demographic characteristics, and for society as a whole, decomposed between efficiency and equity.

“Of all the potential tax reforms, taxing pollution and carbon dioxide emissions has the greatest promise. The analysis in Double Dividend provides a rigorous and thoughtful examination of the costs, benefits, and distributional impacts of green taxes. Any country contemplating tax reforms should begin with a study of the important conclusions in this volume.”

— William Nordhaus, Sterling Professor of Economics, Yale University

2014 — 640 pp. — 160 illus., 98 tables — $75.00/E51.95
978-0-262-02889-9

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Environmental & Resource Economics

NEW
GREENING THE GLOBAL ECONOMY
Robert Pollin

In order to control climate change, the International Panel on Climate Change (IPCC) estimates that greenhouse gas emissions will need to fall by about forty percent by 2030. Achieving the target goals will be highly challenging. Yet in Greening the Global Economy, economist Robert Pollin shows that they are attainable through steady, large-scale investments — totaling about 1.5 percent of global GDP on an annual basis — in both energy efficiency and clean renewable energy sources. Not only that; Pollin argues that with the right investments, these efforts will expand employment and drive economic growth.

Drawing on years of research, Pollin explores all aspects of the problem: how much energy will be needed in a range of industrialized and developing economies; what efficiency targets should be; and what kinds of industrial policy will maximize investment and support private and public partnerships in green growth so that a clean energy transformation can unfold without broad subsidies.

All too frequently, inaction on climate change is blamed on its potential harm to the economy. Pollin shows green economy is not only possible but necessary: global economic growth depends on it.

2014 — 304 pp. — $17.95/£12.95
978-0-262-02823-3
A Boston Review Book

NEW
CLIMATE POLICY AND NONRENEWABLE RESOURCES
The Green Paradox and Beyond
edited by Karen Pittel, Frederick van der Ploeg, and Cees Withagen

Recent developments suggest that well-intended climate policies — including carbon taxes and subsidies for renewable energy — might not accomplish what policy makers intend. Hans-Werner Sinn has described a “green paradox,” arguing that these policies could hasten global warming by encouraging owners of fossil fuel reserves to increase their extraction rates for fear that their reserves will become worthless. In this volume, economists investigate the empirical and theoretical support for the green paradox. Offering detailed and rigorous analyses of the forces and assumptions driving Sinn’s argument, the contributors consider whether rising carbon tax rates inevitably speed up climate change; the effects of the design of resource markets, the availability of clean substitutes, and the development of new technologies; and the empirical evidence (or lack thereof) for the green paradox result. They consider extraction costs; sustainability and innovation; timing, announcement effects, and time consistency in relation to policy measures; and empirical results for the green paradox phenomena under several alternative policy measures.


2014 — 328 pp. — 49 illus. — $35.00/£24.95
978-0-262-02788-5
CESifo Seminar series

THE GREEN PARADOX
A Supply-Side Approach to Global Warming
Hans-Werner Sinn

The Earth is getting warmer. Yet, as Hans-Werner Sinn points out in this provocative book, the dominant policy approach — which aims to curb consumption of fossil energy — has been ineffective. Despite policy makers’ efforts to promote alternative energy, impose emission controls on cars, and enforce tough energy-efficiency standards for buildings, the relentlessly rising curve of CO$_2$ output does not show the slightest downward turn. In The Green Paradox, Sinn proposes a new, more pragmatic approach based not on regulating the demand for fossil fuels but on controlling the supply.

“Sinn’s conscientious, gentle voice and reasonable proposals portray a humanist sincerely seeking practical solutions.”
— Publishers Weekly

2012 — 304 pp. — 36 illus. — $29.95/£20.95
978-0-262-01668-1
China’s carbon dioxide emissions now outstrip those of other countries and its domestic air quality is severely degraded, especially in urban areas. Its sheer size and its growing, fossil-fuel-powered economy mean that China’s economic and environmental policy choices will have an outsized effect on the global environmental future. Over the last decade, China has pursued policies that target both fossil fuel use and atmospheric emissions, but these efforts have been substantially overwhelmed by the country’s increasing energy demands. With a billion citizens still living on less than $4,000 per year, China’s energy and environmental policies must be reconciled with the goals of maintaining economic growth and raising living standards.

This book, a U.S.–Chinese collaboration, offers a groundbreaking integrated analysis of China’s economy, emissions, air quality, public health, and agriculture. It first offers essential scientific context and accessible summaries of the book’s policy findings; it then provides the underlying scientific and economic research.

2013 — 400 pp. — 13 color, 100 b & w illus. $50.00/£34.95 978-0-262-01988-0
The recent financial crisis has shattered all standard approaches to banking regulation. Regulators now recognize that banking regulation cannot be simply based on individual financial institutions’ risks. Instead, systemic risk and macroprudential regulation have come to the forefront of the new regulatory paradigm. Yet our knowledge of these two core aspects of regulation is still limited and fragmented. This book offers a framework for understanding the reasons for the regulatory shift from a microprudential to a macroprudential approach to financial regulation. It defines systemic risk and macroprudential policy, cutting through the generalized confusion as to their meaning; contrasts macroprudential to microprudential approaches; discusses the interaction of macroprudential policy with macroeconomic policy (monetary policy in particular); and describes macroprudential tools and experiences with macroprudential regulation around the world.

The book also considers the remaining challenges for establishing effective macroprudential policy and broader issues in regulatory reform. These include the optimal size and structure of the financial system, the multiplicity of regulatory bodies in the United States, the supervision of cross-border financial institutions, and the need for international cooperation on macroprudential policies.

June 2015 — 472 pp. — 20 illus. — $55.00/£37.95
978-0-262-02869-1

Financial information is a both a public resource and a commodity that market participants produce and distribute in connection with other financial products and services. Legislators, regulators, and other policy makers must therefore balance the goal of making information transparent, accessible, and useful for the collective benefit of society against the need to maintain appropriate incentives for information originators and intermediaries. In Chasing the Tape, Onnig Dombalagian examines the policy objectives and regulatory tools that shape the information production chain in capital markets in the United States, the European Union, and other jurisdictions. His analysis offers a unique cross section of capital market infrastructure, spanning different countries, regulated entities, and financial instruments.

April 2015 — 376 pp. — $35.00/£24.95
978-0-262-02862-2
Information Policy series
CONFIDENCE GAMES
Lawyers, Accountants, and the Tax Shelter Industry
Tanina Rostain and Milton C. Regan, Jr.

For ten boom-powered years at the turn of the twenty-first century, some of America’s most prominent law and accounting firms created and marketed products that enabled the very rich — including newly minted dot-com millionaires — to avoid paying their fair share of taxes by claiming benefits not recognized by law. These abusive domestic tax shelters bore such exotic names as BOSS, BLIPS, and COBRA and were developed by such prestigious firms as KPMG and Ernst & Young. They brought in hundreds of millions of dollars in fees from clients and bilked the U.S. Treasury of billions in revenues before the IRS and Justice Department stepped in with civil penalties and criminal prosecutions. In Confidence Games, Tanina Rostain and Milton Regan describe the rise and fall of the tax shelter industry during this period, offering a riveting account of the most serious episode of professional misconduct in the history of the American bar.

Rostain and Regan describe a beleaguered IRS preoccupied by attacks from antitax and antigovernment politicians; heightened competition for professional services; the relaxation of tax practitioner norms against aggressive advice; and the creation of complex financial instruments that made abusive shelters harder to detect. By 2004, the tax shelter boom was over, leaving failed firms, disgraced professionals, and prison sentences in its wake. Rostain and Regan’s cautionary tale remains highly relevant today, as lawyers and accountants continue to face intense competitive pressure and regulators still struggle to keep pace with accelerating financial risk and innovation.

2014 — 424 pp. — $29.95/£20.95
978-0-262-02713-7

NEW
MERGERS, MERGER CONTROL, AND REMEDIES
A Retrospective Analysis of U.S. Policy
John Kwoka

In recent decades, antitrust investigations and cases targeting mergers — including those involving Google, Ticketmaster, and much of the domestic airline industry — have reshaped industries and changed business practices profoundly. And yet there has been a relative dearth of detailed evaluations of the effects of mergers and the effectiveness of merger policy. In this book, John Kwoka, a noted authority on industrial organization, examines all reliable empirical studies of the effect of specific mergers and develops entirely new information about the policies and remedies of antitrust agencies regarding these mergers. Combined with data on outcomes, this policy information enables analysis of, and creates new insights into, mergers, merger policies, and the effectiveness of remedies in preventing anticompetitive outcomes.

After an overview of mergers, merger policy, and a common approach to merger analysis, Kwoka offers a detailed analysis of the studied mergers, relevant policies, and chosen remedies. Kwoka finds, first and foremost, that most of the studied mergers resulted in competitive harm, usually in the form of higher product prices but also with respect to various non-price outcomes. Other important findings include the fact that joint ventures and code sharing arrangements do not result in such harm and that policies intended to remedy mergers — especially conduct remedies — are not generally effective in restraining price increases. The book’s uniquely comprehensive analysis advances our understanding of merger decisions and policies, suggests policy improvements for competition agencies and remedies, and points the way to future research.

“This first-ever comprehensive review of the retrospective studies of mergers both supports and challenges U.S. antitrust enforcers. Kwoka finds that opposition to mergers is usually justified, but that enforcers clear too many harmful mergers and often impose inadequate conduct remedies. Debates over merger policy can no longer proceed without reference to empirical evidence.”
— Jonathan B. Baker, Professor, American University Washington College of Law; former Director, Bureau of Economics, Federal Trade Commission

February 2015 — 280 pp. — 8 illus. — $40.00/£27.95
978-0-262-02848-6
Explicit collusion is an agreement among competitors to suppress rivalry that relies on interfirm communication and/or transfers. Rivalry between competitors erodes profits; the suppression of rivalry through collusion is one avenue by which firms can enhance profits. Many cartels and bidding rings function for years in a stable and peaceful manner despite the illegality of their agreements and incentives for deviation by their members. In *The Economics of Collusion*, Robert Marshall and Leslie Marx offer an examination of collusive behavior: what it is, why it is profitable, how it is implemented, and how it might be detected.

Marshall and Marx, who have studied collusion extensively for two decades, begin with three narratives: the organization and implementation of a cartel, the organization and implementation of a bidding ring, and a parent company’s efforts to detect collusion by its divisions. These accounts — fictitious, but rooted in the inner workings and details from actual cases — offer a novel and engaging way for the reader to understand the basics of collusive behavior. The narratives are followed by detailed economic analyses of cartels, bidding rings, and detection.

“This is a must read. . . economic theory, empirics, and storytelling at its very best.” — Michael R. Baye, Indiana University, Kelley School of Business
Economic History

TRADE AND POVERTY
When the Third World Fell Behind
Jeffrey G. Williamson

Today’s wide economic gap between the postindustrial countries of the West and the poorer countries of the third world is not new. Fifty years ago, the world economic order — two hundred years in the making — was already characterized by a vast difference in per capita income between rich and poor countries and by the fact that poor countries exported commodities (agricultural or mineral products) while rich countries exported manufactured products. In Trade and Poverty, leading economic historian Jeffrey G. Williamson traces the great divergence between the third world and the West to this nexus of trade, commodity specialization, and poverty.

Analyzing the role of specialization, de-industrialization, and commodity price volatility with econometrics and case studies of India, Ottoman Turkey, and Mexico, Williamson demonstrates why the close correlation between trade and poverty emerged. Globalization and the great divergence were causally related, and thus the rise of globalization over the past two centuries helps account for the income gap between rich and poor countries today.

2013 — 320 pp. — 30 illus. — paper $24.00/£13.95
978-0-262-51859-8
(Cloth 2011)

TRADE POLICY DISASTER
Lessons from the 1930s
Douglas A. Irwin

2011 — 184 pp. — 28 illus. — $26.00/£17.95
978-0-262-01671-1
Ohlin Lectures series

Also available:

PRUDENCE AND PRESSURE
Reproduction and Human Agency in Europe and Asia, 1700-1900
Noriko O. Tsuya, Feng Wang, George Alter and James Z. Lee

2010 — 406 pp. — $40.00/£27.95
978-0-262-01352-9
Eurasian Population and Family History series

LIFE UNDER PRESSURE
Mortality and Living Standards in Europe and Asia, 1700-1900
Tommy Bengtsson, Cameron Campbell, and James Z. Lee

2009 — 552 pp. — paper $23.00/£15.95
978-0-262-01352-9
Eurasian Population and Family History series

NEW
SIMILARITY IN DIFFERENCE
Marriage in Europe and Asia, 1700–1900
Christer Lundh, Satomi Kurosu, et al.

Since Malthus, an East–West dichotomy has been used to characterize marriage behavior in Asia and Europe. Marriages in Asia were said to be early and universal, in Europe late and non-universal. In Europe, marriages were supposed to be the result of individual choices but, in Asia, decided by families and communities. This book challenges this binary taxonomy of marriage patterns and family systems. Drawing on richer and more nuanced data, the authors compare the interpretations based on aggregate demographic patterns with studies of individual actions in local populations. Doing so, they are able to analyze simultaneously the influence on marriage decisions of individual demographic features, socioeconomic status and composition of the household, and local conditions, and the interactions of these variables. They find differences between East and West but also variation within regions and commonality across regions.

The book studies local populations in Sweden, Belgium, Italy, Japan, and China. Rather than a simple comparison of aggregate marriage patterns, it examines marriage outcomes and determinants of local populations in different countries using similar data and methods. The authors first present the results of comparative analyses of first marriage and remarriage and then offer chapters each of which is devoted to the results from a specific country. Similarity in Difference is the third in a prizewinning series on the demographic history of Eurasia, following Life under Pressure and Prudence and Pressure, both published by the MIT Press.

“Original, dynamic, and important. Similarity in Difference is a significant milestone in the fields of historical demography and comparative family studies.” — Hiroshi Kito, Professor of Economic History, Sophia University, Tokyo

2014 — 520 pp. — 28 illus. — $50.00/£34.95
978-0-262-02794-6
Eurasian Population and Family History series
IN 100 YEARS

Leading Economists Predict the Future
edited by Ignacio Palacios-Huerta

This pithy and engaging volume shows that economists may be better equipped to predict the future than science fiction writers. Economists’ ideas, based on both theory and practice, reflect their knowledge of the laws of human interactions as well as years of experimentation and reflection. Although perhaps not as screenplay-ready as a work of fiction, these economists’ predictions are ready for their close-ups. In this book, ten prominent economists — including Nobel laureates and several likely laureates — offer their ideas about the world of the twenty-second century.

In scenarios that range from the optimistic to the guardedly gloomy, these thinkers consider such topics as the transformation of work and wages, the continuing increase in inequality, the economic rise of China and India, the endlessly repeating cycle of crisis and (projected) recovery, the benefits of technology, the economic consequences of political extremism, and the long-range effects of climate change.

In a 1930 essay mentioned by several contributors, “Economic Possibilities for Our Grandchildren,” John Maynard Keynes offered predictions that, read today, range from absolutely correct to spectacularly wrong. This book follows in Keynes’ s path, hoping, perhaps, to better his average.


2014 — 200 pp. — 13 illus. — $24.95/£17.95
978-0-262-02691-8

THE PROSPERITY OF VICE

A Worried View of Economics
Daniel Cohen
translated by Susan Emanuel

How violence, rather than peace, has historically accompanied prosperity; and why emerging nations seem poised to repeat the tragic history of the industrialized world.

“This is a fascinating book that deserves a wide readership. I was sorry when it ended — which is a rare state of mind at the end of an economic tract.” — Howard Davies, Times Higher Education

2012 — 192 pp. — $27.95/£19.95
978-0-262-01730-5

THE EMPIRE OF VALUE

A New Foundation for Economics
André Orléan
translated by M. B. DeBevoise

With the advent of the 2007–2008 financial crisis, the economics profession itself entered into a crisis of legitimacy from which it has yet to emerge. Despite the obviousness of their failures, however, economists continue to rely on the same methods and to proceed from the same underlying assumptions. André Orléan challenges the neoclassical paradigm in this book, with a new way of thinking about perhaps its most fundamental concept, economic value.

Orléan argues that value is not bound up with labor, or utility, or any other property that preexists market exchange. Economic value, he contends, is a social force whose vast sphere of influence, amounting to a kind of empire, extends to every aspect of economic life. Markets are based on the identification of value with money, and exchange value can only be regarded as a social institution. Financial markets, for example, instead of defining an extrinsic, objective value for securities, act as a mechanism for arriving at a reference price that will be accepted by all investors. What economists must therefore study, Orléan argues, is the hold that value has over individuals and how it shapes their perceptions and behavior.

Awarded the prestigious Prix Paul Ricoeur on its original publication in France in 2011, The Empire of Value has been substantially revised and enlarged for this edition, with an entirely new section discussing the financial crisis of 2007–2008.

2014 — 368 pp. — 9 illus. — $38.00/£26.95
978-0-262-02697-0
NEW

PERSPECTIVES ON DODD–FRANK AND FINANCE
edited by Paul H. Schultz

The Dodd–Frank Wall Street Reform and Consumer Protection Act, passed by Congress in 2010 largely in response to the financial crisis, created the Financial Stability Oversight Council and the Consumer Financial Protection Bureau; among other provisions, it limits proprietary trading by banks, changes the way swaps are traded, and curtails the use of credit ratings. The effects of Dodd–Frank remain a matter for speculation; more than half of the regulatory rulemaking called for in the bill has yet to be completed. In this book, experts on Dodd–Frank and financial regulation — academics, regulators, and practitioners — discuss the ways that the law is likely to succeed and the ways it is likely to come up short. Placing their discussion in the broader context of regulatory issues, the contributors consider banking reform; the regulation of derivatives; the Volcker Rule, and whether or not banks should be forced to stop proprietary trading; the establishment of the Consumer Financial Protection Bureau, and possible flaws in its conception; the law and “too-big-to-fail” institutions; mortgage reform, including qualification requirements and securitization; and new disclosure requirements regarding CEO compensation and conflict minerals.


2014—288 pp. — 1 illus. — $45.00/£31.95
978-0-262-02803-5

37

FINANCIAL INNOVATION
Too Much or Too Little?
edited by Michael Haliassos

In assigning blame for the recent economic crisis, many have pointed to the proliferation of new, complex financial products — mortgage securitization in particular — as being at the heart of the meltdown. The prominent economists from academia, policy institutions, and financial practice who contribute to this book, however, take a more nuanced view of financial innovation. They argue that it was not too much innovation but too little innovation — and the lack of balance between debt-related products and asset-related products — that lies behind the crisis. Prevention of future financial crises, then, will be aided by a regulatory and legal framework that fosters the informed use of financial innovation and its positive effects on the economy rather than quashing innovation entirely.

The book, which includes two contributions from 2013 Nobel Laureate Robert Shiller as well as a discussion of Shiller’s “MacroMarkets” tool, considers the key ingredients of financial innovation from both academia and industry; and how future innovation-lined crises might be avoided.


2014 — 280 pp. — 35 illus. — paper — $20.00/£13.95
978-0-262-52672-2
(Cloth 2012)
INTRODUCTION TO QUANTITATIVE FINANCE

A Math Toolkit

Robert R. Reitano

This text offers an accessible yet rigorous development of many of the fields of mathematics necessary for success in investment and quantitative finance, covering topics applicable to portfolio theory, investment banking, option pricing, investment, and insurance risk management. The approach emphasizes the mathematical framework provided by each mathematical discipline, and the application of each framework to the solution of finance problems. It emphasizes the thought process and mathematical approach taken to develop each result instead of the memorization of formulas to be applied (or misapplied) automatically. The objective is to provide a deep level of understanding of the relevant mathematical theory and tools that can then be effectively used in practice, to teach students how to “think in mathematics” rather than simply to do mathematics by rote.

“Robert Reitano makes difficult mathematical subjects accessible by using intuitive explanations. This book will be important to practitioners of quantitative finance and business school and finance graduate students interested in financial theory.”

— Ahmet Duran, Department of Mathematics, University of Michigan–Ann Arbor

2010 — 736 pp. — 31 illus. — $80.00/£55.95

978-0-262-01369-7

STUDENT SOLUTIONS MANUAL TO ACCOMPANY INTRODUCTION TO QUANTITATIVE FINANCE

Robert R. Reitano

2010 — 156 pp. — paper
$21.95/£15.95
978-0-262-51434-7

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FUNDAMENTAL MODELS IN FINANCIAL THEORY

Doron Peleg

This book provides an innovative, integrated, and methodical approach to understanding complex financial models, integrating topics usually presented separately into a comprehensive whole. The book brings together financial models and high-level mathematics, reviewing the mathematical background necessary for understanding these models organically and in context. It begins with underlying assumptions and progresses logically through increasingly complex models to operative conclusions. Readers who have mastered the material will gain the tools needed to put theory into practice and incorporate financial models into real-life investment, financial, and business scenarios.

Modern finance’s most bothersome shortcoming is that the two basic models for building an optimal investment portfolio, Markowitz’s mean-variance model and Sharpe and Treynor’s Capital Asset Pricing Model (CAPM), fall short when we try to apply them using Excel Solver. This book explores these two models in detail, and for the first time in a textbook the Black-Litterman model for building an optimal portfolio constructed from a small number of assets (developed at Goldman Sachs) is thoroughly presented. The model’s integration of personal views and its application using Excel templates are demonstrated. The book also offers innovative presentations of the Modigliani–Miller model and the Consumption-Based Capital Asset Pricing Model (CCAPM). Problems at the end of each chapter invite the reader to put the models into immediate use.

2014 — 464 pp. — 115 illus. — $75.00/£51.95
978-0-262-02667-3

BANKING THE WORLD

Empirical Foundations of Financial Inclusion
edited by Robert Cull, Asli Demirgüç-Kunt, and Jonathan Morduch

About 2.5 billion adults, just over half the world’s adult population, lack bank accounts. If we are to realize the goal of extending banking and other financial services to this vast “unbanked” population, we need to consider not only such product innovations as microfinance and mobile banking but also issues of data accuracy, impact assessment, risk mitigation, technology adaptation, financial literacy, and local context. In Banking the World, experts take up these topics, reporting on new research that will guide both policy makers and scholars in a broader push to extend financial markets.

The contributors consider such topics as the complexity of surveying people about their use of financial services; evidence of the impact of financial services on income; the occasional negative effects of financial services on poor households, including disincentives to work and overindebtedness; and tools for improving access such as nontraditional credit scores, financial incentives for banking, and identification technologies that can dramatically reduce loan default rates.

“There are quite a few ideas in this terrifically interesting and useful collection of chapters . . . that will be of interest to anyone working in the field.”
— Dave Birch, The Enlightened Economist

2013 — 504 pp. — 46 illus. — $45.00/£31.95
978-0-262-01842-5

MICROECONOMICS OF BANKING
Second Edition

Xavier Freixas and Jean-Charles Rochet

2008 — 384 pp. — 30 illus. — $68.00/£46.95
978-0-262-06270-1
Corporate managers who face both strategic uncertainty and market uncertainty confront a classic trade-off between commitment and flexibility. They can stake a claim by making a large capital investment today, influencing their rivals’ behavior, or they can take a “wait and see” approach to avoid adverse market consequences tomorrow. In Competitive Strategy, Benoît Chevalier-Roignant and Lenos Trigeorgis describe an emerging paradigm that can quantify and balance commitment and flexibility, “option games,” by which the decision-making approaches of real options and game theory can be combined.

The authors first discuss prerequisite concepts and tools from basic game theory, industrial organization, and real options analysis, and then present the new approach in discrete time and later in continuous time. Competitive Strategy provides a rigorous yet pragmatic and intuitive approach to strategy formulation.


Now Available in Paperback

COMPETITIVE STRATEGY

Options and Games

Benoît Chevalier-Roignant and Lenos Trigeorgis

Portfolio management is a tough business. Each day, managers face the challenges of an ever-changing and unforgiving market, where strategies and processes that worked yesterday may not work today, or tomorrow. The usual advice for improving portfolio performance — refining your strategy, staying within your style, doing better research, trading more efficiently — is important, but doesn’t seem to affect outcomes sufficiently. This book, by an experienced advisor to institutional money managers, goes beyond conventional thinking to offer a new analytic framework that enables investors to improve their performance confidently, deliberately, and simply, by applying the principles of behavioral finance.

W. Edwards Deming observed that you can’t improve what you don’t measure. Active portfolio management lacks methods for measuring key inputs to management success like skills, process, and behavioral tendencies. Michael Ervolini offers a conceptually straightforward and well-tested framework that does just that, with evidence of how it helps managers enhance self-awareness and become better investors. In a series of short, accessible chapters, Ervolini investigates a range of topics from psychology and neuroscience, describing their relevance to the challenges of portfolio management. Finally, Ervolini offers seven ideas for improving. These range from maintaining an investment diary to performing rudimentary calculations that quantify basic skills; each idea, or “project,” helps managers gain a deeper understanding of their strengths and shortcomings and how to use this knowledge to improve investment performance.

2014 — 280 pp. — 7 illus. — $29.95/£20.95
978-0-262-02834-9

OPERATIONS FORENSICS

Business Performance Analysis Using Operations Measures and Tools

Richard Lai

Investors and analysts often need to look into a firm’s operations more deeply than traditional financial statements and models allow. This book describes newly developed tools for using operations metrics to discern and influence the valuation of a firm. It is the first to present these techniques from a unified perspective: that of operations forensics, which looks at operations management not from the traditional point of view of a manager but from that of an investor or shareholder.

2013 — 384 pp. — 92 illus. — $65.00/£44.95
978-0-262-01866-1
**NEW**

**ARCHITECTING THE FUTURE ENTERPRISE**

*Deborah J. Nightingale and Donna H. Rhodes*

Every enterprise evolves continuously, driven by changing needs or new opportunities. Most often this happens gradually, with small adjustments to strategy, organization, processes, or infrastructure. But sometimes enterprises need to go beyond minor fixes and transform themselves, in response to a disruptive event or dramatically changing circumstances — a merger, for example, or a new competitor. In this book, enterprise architecting experts Deborah Nightingale and Donna Rhodes offer a framework for enterprise transformation. Successful transformation, they believe, starts with a holistic approach, taking into consideration all facets of the enterprise and its environment rather than focusing solely on one factor — information technology, for example, or organizational structure. This is architecting the future enterprise: creating a blueprint for what the enterprise will look like after the transformation.

Nightingale and Rhodes introduce the ARIES (Architecting Innovative Enterprise Strategy) framework, including a ten-enterprise element model and an architecting process model, and show how to apply it, from start to finish. They explain how to create a holistic vision for the future enterprise and how to generate concepts and alternative architectures; they describe techniques for evaluating possible architectures, tools for implementation planning, and strategies for communicating with stakeholders. Nightingale and Rhodes offer real-world examples throughout, drawing on their work at MIT, with an extensive case study of enterprise transformation at a medical device manufacturer. An appendix offers two additional architecting projects.

$29.95/$20.95  
978-0-262-02882-0

*Outstanding Academic Title, 2011, Choice Magazine*

**THE INNOVATOR’S WAY**

*Essential Practices for Successful Innovation*

*Peter J. Denning and Robert Dunham  
Foreword by John Seely Brown*

978-0-262-02812-3  
(Cloth 2010)

**NEW**

**THE INNOVATOR’S HYPOTHESIS**

*Why Cheap Experiments Are Worth More Than Good Ideas*

*Michael Schrage*

What is the best way for a company to innovate? That’s exactly the wrong question. The better question: How can organizations get the maximum possible value from their innovation investments? Advice recommending “innovation vacations” and the luxury of failure may be wonderful for organizations with time to spend and money to waste. But this book addresses the innovation priorities of companies that live in the real world of limits. They want fast, frugal, and high impact innovations. They don’t just seek superior innovation, they want superior innovators.

In *The Innovator’s Hypothesis*, innovation expert Michael Schrage advocates a cultural and strategic shift: small teams, collaboratively — and competitively — crafting business experiments that make top management sit up and take notice. Creativity within constraints — clear deadlines and clear deliverables — is what serious innovation cultures do. Schrage introduces the 5X5 framework: giving diverse teams of five people up to five days to come up with portfolios of five business experiments costing no more than $5,000 each and taking no longer than five weeks to run.

The book describes multiple portfolios of 5X5 experiments drawn from Schrage’s advisory work and innovation workshops worldwide. These include financial services approaches for improving customer service and addressing security challenges; a pharmaceutical company’s hypotheses for boosting regulatory compliance; and a diaper divisions’ efforts to give babies and parents alike better “diapering experiences” with glow-in-the-dark adhesives, diagnostic capability, and bundled wipes.

Schrage’s 5X5 is enterprise innovation gone viral: Successful 5X5s make people more effective innovators, and more effective innovators mean more effective innovations.

2014 — 224 pp. — $21.95/£15.95  
978-0-262-02836-3
LEADING OPEN INNOVATION
edited by Anne Sigismund Huff, Kathrin M. Möslein, and Ralf Reichwald

In today’s competitive globalized market, firms are increasingly reaching beyond conventional internal methods of research and development to use ideas developed through processes of open innovation (OI). Organizations including Siemens, Nokia, Wikipedia, Hyve, and innosabi may launch elaborate OI initiatives, actively seeking partners to help them innovate in specific areas. Individuals affiliated by common interests rather than institutional ties use OI to develop new products, services, and solutions to meet unmet needs.

This volume describes the ways that OI expands the space for innovation, describing a range of OI practices, participants, and trends. The contributors come from practice and academe, and reflect international, cross-sector, and transdisciplinary perspectives.

www.leadingopeninnovation.com


March 2015 — 336 pp. — 109 illus. — paper $24.00/£16.95 978-0-262-52747-7 (Cloth 2013)

OPERATIONS RULES
Delivering Customer Value through Flexible Operations
David Simchi-Levi

In recent years, management gurus have urged businesses to adopt such strategies as just-in-time, lean manufacturing, offshoring, and frequent deliveries to retail outlets. Today, however, these much-touted strategies may be risky. Global financial turmoil, rising labor costs in developing countries, and huge volatility in the price of oil and other commodities can disrupt a company’s entire supply chain and threaten its ability to compete. In Operations Rules, David Simchi-Levi identifies the crucial element in a company’s success: the link between the value it provides its customers and its operations strategies. He offers a set of scientifically and empirically based rules that management can follow to achieve a quantum leap in operations performance as well as real-world examples from such successful companies as Amazon and Walmart.

“Companies today are faced with an increasing number of choices in operational and supply chain strategies. This book goes beyond just showing how to make the right operational decisions. It makes the critical link between operations and providing more value to customers. It’s a must read for anyone involved in operations and strategy.”
— Jim Champy, coauthor of Reengineering the Corporation


OPEN DEVELOPMENT
Networked Innovations in International Development
edited by Matthew L. Smith, and Katherine M. A. Reilly
Foreword by Yochai Benkler

The emergence of open networked models made possible by digital technology has the potential to transform international development. Open network structures allow people to come together to share information, organize, and collaborate. Open development harnesses this power, to create new organizational forms and improve people’s lives; it is not only an agenda for research and practice but also a statement about how to approach international development. In this volume, experts explore a variety of applications of openness, addressing challenges as well as opportunities.

Copublished with the International Development Research Centre of Canada (IDRC)
2014 — 384 pp. — 13 illus. — paper $25.00/£17.95 978-0-262-52541-1
THE SMALL WORLDS OF CORPORATE GOVERNANCE

edited by Bruce Kogut

The financial crisis of 2008 laid bare the hidden network of relationships in corporate governance: who owes what to whom, who will stand by whom in times of crisis, what governs the provision of credit when no one seems to have credit. This book maps the influence of these types of economic and social networks — communities of agents (people or firms) and the ties among them — on corporate behavior and governance. The empirically rich studies in the book are largely concerned with mechanisms for the emergence of governance networks rather than with what determines the best outcomes. The chapters identify “structural breaks” — privatization, for example, or globalization — and assess why powerful actors across countries behaved similarly or differently in terms of network properties and corporate governance.

The chapters examine, among other topics, the surprisingly heterogeneous network structures that contradict the common belief in a single Anglo-Saxon model; the variation in network trajectories among the formerly communist countries including China; signs of convergence in response to the common structural breaks in Europe; the growing structural power of women due to gains in gender diversity on corporate governance in Scandinavia; the “small world” of merger and acquisition activity in Germany and the United States; the properties of a global and transnational governance network; and application of agent-based models to understanding the emergence of governance.

2012 — 392 pp. — 57 illus. — $42.00/£28.95 978-0-262-01727-5


Now Available in Paperback

LOGISTICS CLUSTERS

Delivering Value and Driving Growth

Yossi Sheffi

Why is Memphis home to hundreds of motor carrier terminals and distribution centers? Why does the tiny island-nation of Singapore handle a fifth of the world’s maritime containers and half the world’s annual supply of crude oil? Which jobs can replace lost manufacturing jobs in advanced economies?

Some of the answers to these questions are rooted in the phenomenon of logistics clusters — geographically concentrated sets of logistics-related business activities. In this book, supply chain management expert Yossi Sheffi explains why Memphis, Singapore, Chicago, Rotterdam, Los Angeles, and scores of other locations have been successful in developing such clusters while others have not.

Sheffi outlines the characteristic “positive feedback loop” of logistics clusters development and what differentiates them from other industrial clusters; how logistics clusters “add value” by generating other industrial activities; why firms should locate their distribution and value-added activities in logistics clusters; and the proper role of government support, in the form of investment, regulation, and trade policy.

Sheffi also argues for the most important advantage offered by logistics clusters in today’s recession-plagued economy: jobs, many of them open to low-skilled workers, that are concentrated locally and not “offshorable.” These logistics clusters offer what is rare in today’s economy: authentic success stories. For this reason, numerous regional and central governments as well as scores of real estate developers are investing in the development of such clusters.

“Fascinating and very useful insight.” — Supply Business, “Best Read”


Winner, 2005 Gold “Book of the Year” in Business and Economics, Foreword Magazine

THE RESILIENT ENTERPRISE

Yossi Sheffi

2007 — paper — $21.95/£15.95 978-0-262-69349-3 (Cloth 2005)

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*Padma Desai*

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2013 — 264 pp. — 29 illus. — $24.95/£17.95
(Not for sale on the Indian Subcontinent)

**SECRETS OF ECONOMICS EDITORS**

*edited by Michael Szenberg and Lall Ramrattan*  
*Foreword by Robert M. Solow*

Editors of academic journals are often the top scholars in their fields. They are charged with managing the flow of hundreds of manuscripts each year — from submission to review to rejection or acceptance — all while continuing their own scholarly pursuits. Tenure decisions often turn on who has published what in which journals, but editors can accept only a fraction of the papers submitted. In this book, past and present editors of economics journals discuss navigating the world of academic journals. Their contributions offer essential reading for anyone who has ever submitted a paper, served as a referee or associate editor, edited a journal — or read an article and wondered why it was published.

The editors describe their experiences at journals that range from the *American Economic Review* to the *Journal of Sports Economics*. The issues they examine include late referee reports, slow resubmission of manuscripts, and plagiarism — as well as the difficulties of “herding cats” and the benefits of husband-wife editorial partnerships. They consider the role of the editor, as gatekeeper or developer of content; and they advise authors to write more carefully and clearly, to include citations that locate their articles in the context of the existing literature, and to update their work after it has been submitted and rejected elsewhere. The chapters also offer a timely, insider’s perspective on the general effectiveness of the system of academic journals in economics.

**SECRET OF ECONOMICS EDITORS**


2014 — 400 pp. — 3 illus. — paper — $35.00/£24.95
978-0-262-52546-6

**SOMETHING FOR NOTHING**

A Novel

*Michael W. Klein*

A young economic professor’s adventures in his quest for a tenure-track position and a well-balanced life.

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2013 — 336 pp. — paper — $14.95/£10.95
978-0-262-51871-0  
(Cloth 2011)

**THE INVISIBLE HEART**

An Economic Romance

*Russell Roberts*

2002 — paper — $23.95/£16.95
978-0-262-68135-3

**A GUIDE FOR THE YOUNG ECONOMIST**

*Second Edition*

*William Thomson*

2011 — 200 pp. — 27 illus. — paper — $23.00/£15.95
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The Asian Development Review is a journal of the Asian Development Bank and the Asian Development Bank Institute. It publishes research on economic and development issues relevant to the Asia and Pacific region. The Asian Development Review seeks high-quality empirically rigorous papers with relevance to policy issues. Articles are intended for readership by economists and researchers in government, the private sector, academia, think tanks, and international organizations.
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EDUCATION FINANCE AND POLICY
Quarterly
Amy Ellen Schwartz, Editor
Eric Brunner, Stephanie Cellini, Joshua Cowen, and Susanna Loeb, Associate Editors
Education Finance and Policy, the official journal of the Association for Education Finance and Policy, promotes understanding of the means by which global resources can be justly generated and productively engaged to enhance human learning at all levels. EFP explores topics such as school accountability, school choice, education standards, equity and adequacy in school finance, resource allocation, teacher compensation, and special education.
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