

**1988 North American Summer Meetings  
of The Econometric Society  
Minneapolis, Minnesota  
June 22-25, 1988**

*Program Chair*

Edward Prescott, University of Minnesota  
and Federal Reserve Bank of Minneapolis

*Committee Members*

Dilip Abreu, Harvard University  
Donald W. Andrews, Yale University  
Douglas Gale, University of Pittsburgh  
Bengt Holmstrom, Yale University  
Chi-fu Huang, Massachusetts Institute of Technology  
Larry Jones, Northwestern University  
Finn E. Kydland, Carnegie-Mellon University  
Charles F. Manski, University of Wisconsin  
Andrew Postlewaite, University of Pennsylvania  
Jennifer F. Reinganum, University of Iowa  
Kenneth S. Rogoff, University of Wisconsin  
Paul M. Romer, University of Rochester  
Mark Watson, Northwestern University  
John Whalley, University of Western Ontario  
Kenneth I. Wolpin, University of Minnesota

*Local Arrangements Chair*

Ramon Marimon, University of Minnesota

**Preliminary Program**

*Special Events*

***Wednesday, June 22, 1988***

Department of Economics of the University of Minnesota, Reception (Law School Lounge at 5:30 p.m.)

***Thursday, June 23, 1988***

Special Panel on Decentralization (Room Law 25 at 1:15 p.m.)

Econometric Society Picnic (Lake Harriet at 5:00 p.m.)

*Friday, June 24, 1988*

Special Luncheon of the Econometric Society North American Standing Committee  
(At 11:45 a.m., by invitation only)

Frisch Award (Room Law 25 at 1:15 p.m.)

Walras-Bowley Lecture (Room 25 Law at 1:15 p.m.)

Open Meeting of Members of the Econometric Society (Room Law 15 at 5:30 p.m.)

Federal Reserve Bank of Minneapolis Reception (Federal Reserve Bank at 7:00 p.m.)

*Session Listings*

*Wednesday, June 22, 8:30 a.m. - 9:00 a.m.*

*Registration and coffee* (in front of Room Law 25)

*Wednesday, June 22, 9:00 a.m. - 11:30 a.m.*

*Growth and Development I*

**Room Law 15**

"Fundamental Stocks of Knowledge and Productivity Growth," James D. Adams,  
Bureau of Labor Statistics and University of Florida.

"Imitation, Entrepreneurship, and Long Run Growth," James A. Schmitz, Jr., State  
University of New York at Stony Brook and University of Wisconsin - Madison.

"Wealth Accumulation with Moral Hazard," Ramon Marimon, University of  
Minnesota.

DISCUSSANTS: Paul Romer, University of Chicago and University of Rochester.

CHAIR: V.V. Chari, Federal Reserve Bank of Minneapolis.

*The Theory of the Firm*

**Room Law 35**

"Spinoffs and Acquisitions in an Agency Framework," Debra Aron, Northwestern  
University.

"Technological Change and the Japanese Firm," H. Lorne Carmichael and W.  
Bentley MacLeod, Queens University.

"Information, Capital and Organization," Bruce Horning, University of California,  
Santa Barbara.

"Environment Monitoring and Organization Structure I," Diogo Lucena,  
Universidade Nove De Lisboa.

"Modeling the Economic Firm as a Team of Sequential Machines," Stephen Turnbull,  
Ohio State University.

CHAIR: David Sappington, Bell Communications Research.

Wednesday, June 22, 1988

*Bargaining Theory*

Room Law 45

"Efficient Sequential Bargaining with Two-Sided Incomplete Information," Lawrence Ausubel and Raymond J. Deneckere, Northwestern University.

"Asymmetric Information Bargaining Problem with Many Agents," George J. Mailath and Andrew Postlewaite, University of Pennsylvania.

"Three-Player Bargaining," Motty Perry, Harvard University and the Hebrew University of Jerusalem, and Avner Shaked, London School of Economics.

CHAIR: Ariel Rubinstein, The London School of Economics and Political Science.

*Dynamic Choice Analysis I*

Room Law 55

"Conditional Choice Probabilities and the Estimation of Dynamic Programming Models," Joseph Hotz, University of Chicago and Robert Miller, Carnegie-Mellon University.

"Path Utility Analysis of Dynamic Choice," Charles Manski, University of Wisconsin-Madison.

"A Comparison of Backwards and Forwards Estimation Methods for Discrete Control Processes," John Rust, University of Wisconsin-Madison.

CHAIR: Kenneth Wolpin, University of Minnesota.

*Wednesday, June 22, 1:00 - 3:15 p.m.*

*Game Theory I*

Room Law 15

"Weighted Values and the Core," Dov Monderer, University of California, Los Angeles, Dov Samet, Northwestern University and Lloyd Shapley, University California - Los Angeles.

"Signaling, Forward Induction and Stability in Finitely Repeated Games," Martin J. Osborne, McMaster University.

"A Game with 'Almost Common Knowledge': An Example," Ariel Rubinstein, London School of Economics and The Hebrew University of Jerusalem.

CHAIR: Roger B. Myerson, Northwestern University.

Wednesday, June 22, 1988

*Mathematical Economics*

**Room Law 35**

"Nonatomic Economics in the Boundaries of Perfect Competition," Joseph M. Ostroy, UCLA and William R. Zame, State University of New York at Buffalo.

"On the Generic Non-Optimality of Dominant-Strategy Allocations Mechanisms: A General Theorem that includes Pure Exchange Economies," Leonid Hurwicz, University of Minnesota and Mark Walker, State University of New York at Stony Brook.

CHAIR: Andreu Mas-Colell, Harvard University.

*Econometric Theory*

**Room Law 45**

"Extreme-Value Stochastic Processes: A Model of Random Utility Maximization for a Continuous Choice Set," Stephen R. Cosslett, Ohio State University.

"Robust M-tests," Franco Peracchi, UCLA.

"The Nonmonotonicity of the Power Function of the Wald Test in Nonlinear Models," Forrest D. Nelson and N.E. Savin, University of Iowa

DISCUSSANTS: Whitney K. Newey, Princeton University, Roger Koenker, University of Illinois at Urbana-Champaign, Roger Klein, Bell Communications Research.

CHAIR: Badi H. Baltagi, University of Houston.

*Dynamic Choice Analysis II*

**Room Law 55**

"Search for Nonwage Job Characteristics: A Test of the Reservation Wage Hypothesis," David Blau, University of North Carolina.

"The Effect of AFDC on Marital Status: Evidence from Repeated Cross-Sectional Data," Robert Moffitt, Brown University.

"Job Exit Behavior of Older Men," James Berkovec and Steven Stern, University of Virginia.

CHAIR: Ariel Pakes, University of Wisconsin.

*Wednesday, June 22, 3:15 - 3:45 p.m.*

*Coffee break.*

Wednesday, June 22, 1988

Wednesday, June 22, 3:45 - 5:15 p.m.

*Financial Assets Over the Cycle*

Room Law 15

"The Behavior of the Term Structure of Interest Rates in a Real Business Cycle Model," John B. Donaldson, Columbia University; Thore Johnsen, Norwegian School of Economics and Business Administration; and Rajnish Mehra, Massachusetts Institute of Technology and University of California, Santa Barbara.

"Inflation and Asset Returns in a Monetary Economy with Transaction Costs," David Marshall, Carnegie-Mellon University.

DISCUSSANTS: Lawrence C. Christiano, Federal Reserve Bank of Minneapolis, and Randall Wright, University of Pennsylvania.

CHAIR: Randall Wright, University of Pennsylvania.

*Monetary Theory I*

Room Law 35

"Contingent Claims Price Characterization of Pareto Optimality in Stochastic Overlapping Generations Models," Rao Aiyagari, Federal Reserve Bank of Minneapolis and Dan Peled, Carnegie-Mellon University.

"Improved Communication in the Townsend Turnpike Model," Rodolfo Manuelli, and Thomas J. Sargent, Stanford University.

CHAIR: Steve Spear, Carnegie-Mellon University.

*Experimental Economics*

Room Law 45

"On 'Smart' Computer Assisted Auctions: Gas Network Auctions," Kevin McCabe, Stephen J. Rassenti, and Vernon L. Smith, University of Arizona.

"Monetary Equilibria in Overlapping Generations Models: Experimental Evidence," Shyam Sunder, University of Minnesota.

DISCUSSANTS: Leonid Hurwicz, University of Minnesota and Neil Wallace, University of Minnesota.

CHAIR: John Rust, University of Wisconsin.

*Historical Approach to Macroeconomics*

Room Law 55

"Bank, Panics, Suspensions, and Geography," Bruce D. Smith, University of Western Ontario.

"Changes in the Cyclical Behavior of Individual Production Series," Christina D. Romer, Princeton University and University of California, Berkeley.

CHAIR: Edward C. Prescott, University of Minnesota

Wednesday, June 22, 1988

Wednesday, June 22, 5:30 p.m.

Department of Economics Reception

Law School Lounge

Thursday, June 23, 8:30 a.m. - 9:00 a.m.

Coffee

Thursday, June 23, 9:00 a.m. - 11:30 a.m.

*Game Theory II*

Room Law 15

"Renegotiation in Finitely Repeated Games," Jean-Jacques Benoit, Columbia University and Vijay Krishna, Harvard University.

"Sustainable Matching Plans with Adverse Selection," Roger B. Myerson, Northwestern University.

"Explicable Equilibria," Phil Reny, University of Western Ontario.

CHAIR: Andrew McLennan, University of Minnesota.

*Aggregate Employment and Hours*

Room Law 35

"Employment and Hours Over the Business Cycle," Jang-Ok Cho and Thomas F. Cooley, University of Rochester.

"An Econometric Analysis of Straighttime and Overtime in Equilibrium," Gary D. Hansen, University of California, Los Angeles, Ellen McGratten and Thomas J. Sargent, Hoover Institution, Stanford University.

"The Effect of Measurement Error on Estimating Equilibrium Labor Market Models," Richard Rogerson, New York University and University of Rochester.

DISCUSSANTS: Edward C. Prescott, University of Minnesota, and Lars Hansen, University of Chicago.

CHAIR: Finn E. Kydland, Federal Reserve Bank of Minneapolis and Carnegie-Mellon University.

*Organization Theory*

Room Law 45

"Hierarchical Control and Investment Incentives in Procurement," Michael Riordan, Stanford University.

Thursday, June 23, 1988

"Inflexible Rules in Incentive Contracts," David Sappington, Bell Communications Research and Tracy Lewis, University California, Davis.

"Communication in Settings with No Transfers," Nahum D. Melumad and Toshiyuki Shibano, Stanford University.

"Adverse Selection Equilibrium in a Dynamic Moral Hazard Model, Albert Ma, Boston University.

CHAIR: Robert Porter, Northwestern University.

*Public Finance*

Room Law 55

"On Income Taxation and the Core," Marcus Berliant.

"Pareto Optimal Redistribution, Private Charity and Perfect Equilibrium," James Andreoni.

"Government Debt, Redistributive Fiscal Policy, and the Interaction between Borrowing Constraints and Intergenerational Altruism," David Altig, Indiana University, and Steve J. Davis, University of Chicago.

"Externalities and Taxes in General Equilibrium," Timothy J. Kehoe, David K. Levine, University of Minnesota, and Paul M. Romer.

CHAIR: Kenneth Judd, University of Chicago and Northwestern University.

*Thursday, June 23, 1:15 p.m. - 3:15 p.m.*

*Special Session on Decentralization*

Room Law 25

Larry E. Jones, Northwestern University, "A Reconsideration of the Problem of Social Cost," (joint work with V.V. Chari, Federal Reserve Bank of Minneapolis).

PANEL: Leonid Hurwicz, University of Minnesota, Andreu Mas-Colell, Harvard University, Joe Ostroy, UCLA, Hugo Sonnenschein, Princeton University.

CHAIR: Edward C. Prescott, University of Minnesota.

*Thursday, June 23, 5:00 p.m.*

Econometric Society Picnic

Lake Harriet

Friday, June 24, 1988

Friday, June 24, 8:30 a.m. - 9:00 a.m.

Coffee

Friday, June 24, 9:00 - 11:30 a.m.

*Dynamic Economics*

Room Law 15

"Equilibria in Large Commodity Spaces with Incomplete Financial Markets,"  
Richard C. Green and Stephen E. Spear, Carnegie-Mellon University.

"On the Existence and Comparative Statics of Modified Golden Rule States in  
Stochastic Growth Models: Differential Approach in Banach Spaces," Makoto  
Yano, Yokohama National University.

"Dynamic Efficiency in Overlapping Generations Models with Stochastic  
Production," Itzhak Zilcha, Tel Aviv University.

CHAIR: Ramon Marimon, University of Minnesota.

*Mechanism Theory*

Room Law 35

"Monotonic Allocation Mechanism," William Thomson, University of Rochester.

"Continuous Implementation of Constrained Rational Expectations Equilibria,"  
David Wettstein, The University of Ontario.

"Implementation via Augmented Revelation Mechanisms," by Dilip Mookherjee and  
Stefan Reichelstein, Stanford University.

"Voting by Quota," Salvador Barberà, Universitat Autònoma de Barcelona, Hugo  
Sonnenschein, Princeton University, Lin Szhö.

CHAIR: James Jordan, University of Minnesota.

*Theoretical Industrial Organizations*

Room Law 45

"Second Sourcing," Michael Riordan, Stanford University, and David Sappington,  
Beli Communications.

"Warranties without Commitment to Market Participation," John Bigelow, University  
of Missouri; Russell Cooper, University of Iowa; and Thomas Ross, Carleton  
University.

"The Profitability of Exogenous Output Contractions in Cournot Equilibrium:  
Implications for Strikes, Export Taxes, and Mergers," Gerard Gaudet, University  
of Laval and University of Michigan; and Stephen Salant, University of  
Michigan.

DISCUSSANTS: Esther Gal-Or, University of Pittsburgh, Andrew Daughety, University  
of Iowa, Larry Ausubel, Northwestern University.



Friday, June 24, 1988

CHAIR: Jennifer Reinganum, University of Iowa.

*Semiparametric Estimation*

Room Law 55

"Semi-Parametric Estimation of Multiple Indices Models," Hidehiko Ichimura and Lung-Fei Lee, University of Minnesota.

"A Nonparametric and Distribution-Free Estimator for the Binary Choice and the Threshold Crossing Models," Rosa Matzkin, Yale University.

"Efficiency Properties of Average Derivative Estimators," Whitney Newey, Princeton University and Thomas Stoker, Massachusetts Institute of Technology.

CHAIR: James Powell, University of Wisconsin-Madison.

*Friday, June 24, 11:45 - 1:00 p.m.*

Special Luncheon of the Econometric Society North American Standing Committee  
(By invitation only).

*Friday, June 24, 1:15 p.m.*

*Frisch Award*

*Walras-Bowley Lecture*

"The Notion of Strategy in Game Theory," Ariel Rubinstein, The London School of Economics and Political Science.

*Friday, June 24, 2:15 - 2:45 p.m.*

*Coffee Break*

*Friday, June 24, 2:45 - 5:15 p.m.*

*Growth and Development II*

Room Law 15

"Fertility, Human Capital and the 'Wealth of Nations'," Robert Tamura, University of Chicago.

"Notes on a Model of Optimal Equilibrium Growth," Larry E. Jones, Northwestern University, and Rodolfo E. Manuelli, Stanford University.

Friday, June 24, 1988

"Public Policy and Economic Growth: Theory and Evidence," R.G. King and S.T. Rebelo, University of Rochester.

DISCUSSANT: Kenneth Judd, University of Chicago and Northwestern University.

CHAIR: William A. Brock, University of Wisconsin.

*Volatility and Bubbles in Asset Markets*

Room Law 35

"Volatility and Heterogeneity in a Simple Asset Pricing Model," Charles H. Whiteman, The University of Iowa.

"Monetary Confidence and Asset Bubbles," Teh-Ming Huo, Northeastern University.

"Endogenous Fluctuations in Asset Prices in an Overlapping Generations Model," B. Ravikumar, University of Iowa.

CHAIR: Rajnish Mehra, Massachusetts Institute of Technology.

*Recent Developments in International Trade and Finance: Three Empirical Studies*

Room Law 45

"Import Competition and the Stock Market Return to Capital," Gene Grossman, Princeton University and James A. Levinsohn, University of Michigan.

"Quality Upgrading and Its Welfare Cost in U.S. Steel Imports, 1969-74," Randi Boorstein, Federal Trade Commission and Robert C. Feenstra, University of California at Davis.

"International Business Cycles and the Exchange Rate Regime," Marianne Baxter and Alan Stockman, University of Rochester.

DISCUSSANT: Ariel Pakes, University of Wisconsin.

CHAIR: Kenneth Rogoff, University of Wisconsin

*Testing in Time Series Contexts*

Room Law 55

"Information Matrix Test, Parameter Heterogeneity and ARCH: A Synthesis and Some New Results," Aril K. Bera and Sangkyu Lee, University of Illinois at Urbana-Champaign.

"Optimal Invariant Tests for the Autocorrelation Coefficient in Linear Regressions with Autocorrelated Errors," Jean-Marie Dufour and Maxwell L. King, Université de Montréal and Monash University.

"Monte Carlo Methodology and the Finite Sample Properties of Statistics for Testing Nested and Non-nested Hypothesis," Neil R. Ericsson, Board of Governors of the Federal Reserve System.

DISCUSSANTS: Pravin K. Trivedi, Indiana University, James H. Stock, Harvard University, James L. Powell, University of Wisconsin, Madison.

CHAIR: Vassilis Hajivassiliou, Yale University

Friday, June 24, 1988

Friday, June 24, 5:30 p.m.

Open Meeting of Members of the Econometric Society.

Room Law 15

\* Friday, June 24, 7:00 p.m.

Reception at the Federal Reserve Bank of Minneapolis.

(Bus in front of Law School at 6:45)

Saturday, June 25, 8:30 a.m. - 9:00 a.m.

Coffee

Saturday, June 25, 9:00 - 11:30 a.m.

*Models of Decision-Making Under Private Information*

Room Law 15

"A Model of Bounded Rationality in a General Decision Framework I: The Optimality of Simple and Inertial Behavior," Fernando Vega-Redondo, Universitat Autònoma de Barcelona and Harvard University.

"Stochastic Dominance and Choice of Lotteries," Kim Border, California Institute of Technology.

"Similarity of Correlated and Mediated Equilibria," Kevin Cotter, Northwestern University.

CHAIR: Larry Jones, Northwestern University.

*LDC Debt Contracts*

Room Law 35

"External Debt Crises: Estimation by the Method of Simulated Moments," Vassilis A. Hajivassiliou, Yale University and Daniel L. McFadden, Massachusetts Institute of Technology.

"Sovereign Debt: Is to Forgive to Forget?" Jeremy Bulow, Stanford University and Kenneth Rogoff, University of Wisconsin.

"International Lending with Moral Hazard and Risk of Repudiation" Andrew Atkeson, Stanford University.

CHAIR: Patrick Kehoe, University of Minnesota.

Saturday, June 25, 1988

*Empirical Industrial Organization*

Room Law 45

"Financial Indicators and Airline Accident Performance," Nancy Rose, Massachusetts Institute of Technology.

"Empirical Implications of Alternative Models of Firm Dynamics," Richard Ericson, Columbia University and Ariel Pakes, University of Wisconsin.

"Information Externalities in Offshore Oil and Gas Drilling," Kenneth Hendricks, State University of New York at Stony Brook and University of British Columbia, and Robert H. Porter, Bell Communications Research and Northwestern University.

DISCUSSANTS: Severin Borenstein, University of Michigan, Marc Zupan, University of Southern California, James Powell, University of Wisconsin, Madison.

CHAIR: Jennifer Reinganum, University of Iowa.

*Time Series I*

Room Law 55

"A Bayesian Perspective on Unit Root Econometrics," Christopher Sims, University of Minnesota.

"Instrumental Variable Regressors with Integrated Processes," Peter Phillips and Bruce Hansen, Yale University.

"Testing for Ergodicity in Stationary Univariate Markov Processes," Ian H. Domowitz and Mahmoud El Gamal, Northwestern University.

DISCUSSANTS: James Stock, Kennedy School of Government, Mark W. Watson, Northwestern University, Jeff Wooldridge, Massachusetts Institute of Technology.

CHAIR: Lars Hansen, University of Chicago.

*Saturday, June 25, 1:00 - 3:30 p.m.*

*Monetary Theory II*

Room Law 15

"The Equivalence of Optimal Lending and Monetary Equilibria Under Asymmetric Information," Bart Taub, Virginia Polytechnic Institute and State University.

"Informational Equilibrium and Output Persistence," Sangmoon Hahn, Virginia Polytechnic Institute and State University.

CHAIR: Dan Peled, Carnegie-Mellon University.

*Financial Markets*

Room Law 35

"An Asymptotic Black-Scholes Option Pricing Theory," Harrison Cheng, University of Southern California.

Saturday, June 25, 1988

"Individual Arbitrage and Efficient Markets," Lawrence Benveniste and Juan Ketterer, Northwestern University.

"General Equilibrium with Incomplete Option Markets," Peter Huang and Ho-Mou Wu, Tulane University.

CHAIR: Ravi Jagannathan, Northwestern University and University of Minnesota.

*Labor Economics*

Room Law 45

"Job Search and the Transition to Employment: Evidence," James W. Albrecht, Georgetown University; Bertil Holmlund, Uppsala University and the Trade Union Institute for Economic Research, Stockholm; and Harald Lang, The Industrial Institute for Economic and Social Research, Stockholm.

"Female Labor Supply and Human Capital Accumulation," Sumru Altug, University of Minnesota and Robert Miller, Carnegie-Mellon University.

"The Effect of Advance Notice on Post-Displacement Jobless Duration," Paul Swaim, Bureau of Labor Statistics.

CHAIR: Mark Rosenzweig, University of Minnesota.

*Time Series II*

Room Law 55

"Semi Parametric Efficiency Bounds for Linear Time Series Models," Lars Hansen, University of Chicago.

"Testing for Nonlinear Dependence and Granger Causality," Ehung Baek and William A. Brock, University of Wisconsin - Madison.

"Maximum Likelihood Estimation of Fractionally Integrated Time Series Models," Fallaw Sowell, Carnegie-Mellon University.

DISCUSSANTS: A. Ronald Gallant, North Carolina State University, Mahmoud El Gamal, Rochester University, Francis Diebold, Board of Governors of the Federal Reserve System.

CHAIR: Christopher A. Sims, University of Minnesota.