



UNIVERSITY OF ABERDEEN – DEPARTMENT OF ECONOMICS

Economics Update

Spring 2015

IN THIS ISSUE

Welcome to the Economics Department

by Dr W David McCausland, Head of Economics

So quickly time flies. As we approach the end of yet another academic year, it is time for our second Economics update. In this twice-yearly publication, we aim to keep you up to date with developments in the department.

The Economics Department has twenty-four faculty and staff members, and is part of Aberdeen University's Business School. It has a well-established tradition of research in applied economics, particularly in the areas of labour economics and energy economics. There are also research interests in macroeconomics, the economics of health and wellbeing, and experimental economics. In the Research Excellence Framework of 2014 the department was ranked 4th in Scotland and 25th in the UK.

The Department of Economics is also home to the Scottish Experimental Economics Laboratory (SEEL), the Centre for European Labour Market Research (CELMR), and the Aberdeen Centre for Research in Energy Economics and Finance (ACREEF).

The department also has a strong commitment to high quality teaching and learning. Our undergraduate MA Economics programme has around 130 students (last year's senior honours: 50 single and almost 80 joint-honours students). Our premium postgraduate MSc in Petroleum, Energy Economics and Finance has around 50 students, and is complemented by a new MSc Applied Economics programme and our established PhD programme.



Energy focus

Professor Kemp gives a compressive overview of the Department's research in energy and its enduring impact on local and national policy.

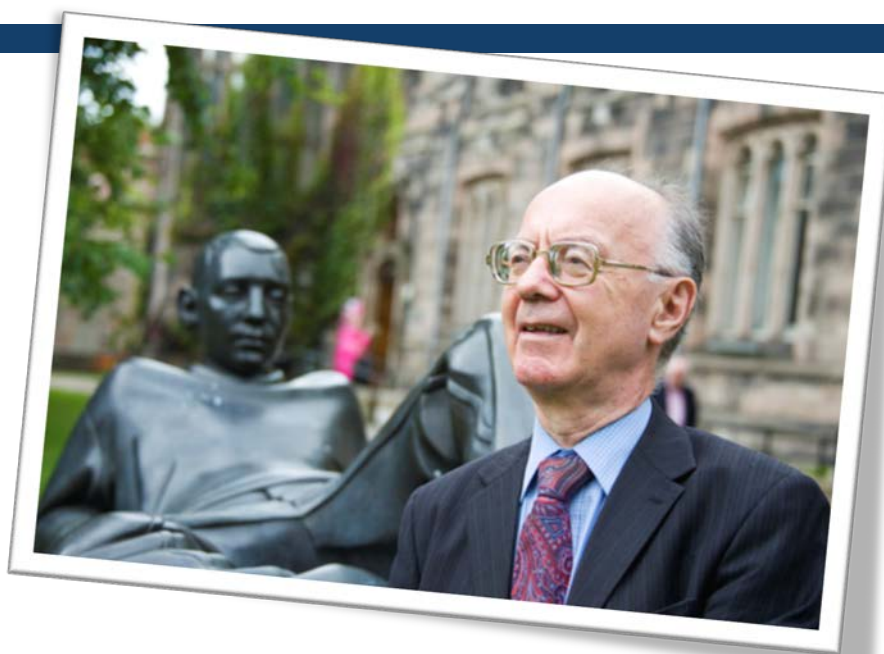


Research matters

Professor Keith Bender gives an overview of exciting research developments in the Department.

Energy focus

Professor Alex Kemp, Linda Stephen and Dr Sola Kasim, members of the Aberdeen Centre for Research in Energy Economics and Finance (ACREEF), have made several noteworthy contributions to the analysis of North Sea oil and gas economics in recent months. Professor Kemp was appointed a member of the Independent Oil and Gas Commission. Its report *Scotland's Independent Oil and Gas Commission: Maximising the Total Value Added* has been accepted and published by the Scottish Government. The policy objective should be to maximise total value-added from the sector, including more emphasis on the supply chain. Professor Kemp, Linda Stephen and Sola Kasim have actively participated in the ongoing review of North Sea oil and gas taxation initiated by the Chancellor of the Exchequer in 2014. Given the complexities the consultation process has been extended through 2015 and 2016, and ACREEF members are actively continuing



their research on this subject. Professor Kemp has given many conference presentations organised by academic, oil industry and professional bodies including BIEE, IMechE, CIMA, IChemE, Energy Institute, and UKOITC, on various aspects of North Sea oil and gas economics. He also spoke at the Oil and Gas Summit in February 2015. Professor Kemp has given innumerable interviews to the written media, TV and radio in the UK and overseas on (a) North Sea oil and the Scottish independence debate, (b) the oil taxation debate,

and (c) the effects of the oil price collapse.

SCOTTISH REFERENDUM

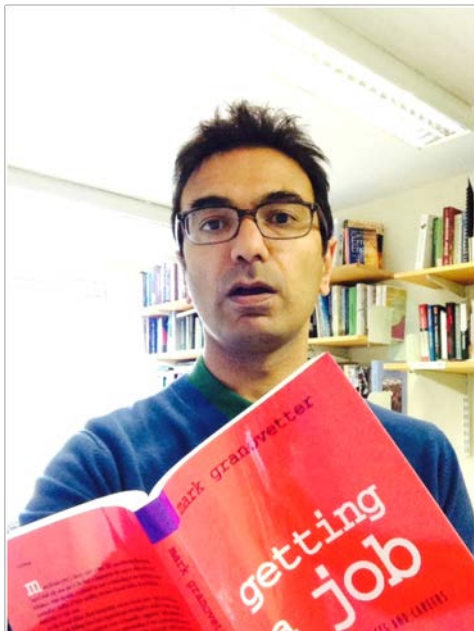
Professor Kemp and Linda Stephen contributed to the debate on the Scottish Referendum by submitting a paper to the Scottish Parliamentary Committee on Economy, Energy and Tourism. Professor Kemp gave oral evidence to the inquiry by this Committee and was a frequent contributor to media articles on the role of North Sea oil on the referendum.



Faculty update

The Department said goodbye to Mr David Newlands, who took early retirement in January 2015. Mr Newlands was one of the department's longest serving members, having joined the then Department of Political Economy in 1979. He enjoyed a long track record of work in health and regional and urban development issues.

CELMR MISMATCH CONFERENCE



The Centre for European Labour Market Research (CELMR), with financial help from the Scottish Institute for Research in Economics (SIRE), hosted a two-day international conference entitled "New Research in the Economics of Educational and Skills Mismatch" on 13-14 October 2014. Featuring innovative theoretical and empirical contributions, the determinants and consequences of mismatch for individuals and firms and the extent of mismatch during the financial crisis were discussed. The conference was organised by Dr Harminder Battu (pictured) around two invited keynote speakers, around ten academic papers and a policy roundtable. The keynote speakers were Professor Peter Kuhn, University of California, Santa Barbara and Professor Michael Sattinger, State University of New York at Albany.

FOR MORE INFORMATION

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Professor Keith Bender is the Department's Director of Research. He has research interests in labour and health economics.

Funding Update

by Professor Keith Bender

Since January 2014, the Department has secured over £700,000 worth of external funding. These include

- Catia Montagna, *Globalisation, Labour Markets, and the Welfare State* (NORFACE)
- Keith Bender and Ioannis Theodossiou, *Performance Pay and Stress: A Pilot Study* (Scottish Economic Society)
- Catia Montagna and Keith Bender, *Skills, Mismatches and Competitiveness: Workers, Firms and Industries* (ESRC/Scottish Government PhD Studentship)
- Alexandros Zangelidis, *Health Status and Political Preferences* (Santander Mobility Award)

The Department has a strong track record of interdisciplinary cross-cutting research activity, coordinated by the department's Policy and Knowledge Exchange Steering Committee. Please feel free to contact me on kabender@abdn.ac.uk to discuss potential opportunities for research collaboration.

Who's who in the department?

Head of Department: *Dr W David McCausland* (pictured)

Secretary: *Peter Bartlam*

Director of Research: *Professor Keith Bender*

Director of Teaching: *Dr Alex Zangelidis*

Examinations Officer: *Dr Xin Jin*

Director MSc/MRes Applied Economics (AE): *Dr Heather Dickey*

Director MSc Petroleum, Energy Economics and Finance (PEEF): *Dr Marc Gronwald*

PhD Director and DTP Pathways Coordinator: *Professor Ioannis Theodossiou*

Applications teams:

- AE (*Professor Catia Montagna, Drs Heather Dickey, Mauro Papi and Nikos Vlassis*)
- PEEF (*Professor Euan Phimister, Drs Marc Gronwald and Agathe Rouaix*)
- PhD (*Professor Ioannis Theodossiou and Drs John Skatun and Takahiko Kiso*)

Student Lifecycle Officer (Recruitment, Induction, Employability and Alumni): *Dr Yu Aoki*

Research Seminars Team: *Professor Keith Bender* (internal workshops); *Drs Yu Aoki, Mauro Papi and Nikos Vlassis* (external seminars)

CELMR: *Professor Ioannis Theodossiou*

(Director), *Dr W David McCausland* (Assistant Director), *Dr John Skatun* (Associate Director)

International Exchange Coordinator: *Dr Agathe Rouaix*

Scottish Experimental Economics Laboratory (SEEL) : *Professor Joe Swierzbinski* (Director) and *Dr Jeurgen Bracht* (Deputy Director)

SIRE (Scottish Institute of Research in Economics) Stringer and SRDG Liaison: *Dr Ramses Abul-Naga*

Student industry placements team (PEEF): *Drs Xin Jin and Nikos Vlassis*

Economics Policy and Knowledge Exchange (EPAKE) committee: *Dr McCausland and Professors Theodossiou, Phimister, Bender and Montagna.*



strong profile in research leadership, teaching innovation and administrative expertise. He is an Associate of the Economics Network and has received three awards recognising excellence in teaching: the HEA Economics Network 2006 E-learning Award, the 2009 (student-nominated) College of Arts and Social Sciences Award for Excellence in Teaching, and the 2011 Student Nominated Teaching award from the Economics Network.

HEA UPDATE

Dr W David McCausland, Head of Economics, became the Business School's first Senior Fellow of the HEA (Higher Education Academy) in September 2014. He was the University's second Senior Fellow at that date. The HEA works with universities to improve the professional experience of HE teachers through fellowships, accreditation, awards and professional development provision. HEA Senior Fellows have demonstrated a sustained track record in HE teaching and management and lead or manage established academic teams. Dr McCausland joined the University of Aberdeen in 1995 has developed a



Postgraduate update

by Professor Catia Montagna

PhD Scholarships

There have been a number of repeated successes to grow capacity through PhD scholarships.

1. PhD Studentship in Health Economics (jointly with HERU) (see <http://www.abdn.ac.uk/business/news/7319/> for full details)
 - Wellbeing and Performance of Health Professionals and Other Public Sector Workers (Bender/Skatun)
2. PhD Studentship Competition - **Elphinstone Scholarships** (see <http://www.abdn.ac.uk/business/news/7373/> for full details)
 - Induced Innovation in Environmental Technology, with a Focus on Automobile Fuel Economy (Kiso/Abul-Naga)
 - Valuing Flexibility in Energy-Related Investments Using Real Options (Gronwald/Swierzbinski)

Postgraduate MSc update

Dr Heather Dickey shortly takes up appointment as Director of our recently launched **MSc Applied Economics**. The MSc provides economics graduates with in-depth and extensive critical knowledge at the forefront of both economic and econometric theory. The associated MRes provides a pathway for students without sufficient training in economics to undertake a PhD. This we expect to be especially important for PhD applications in the area of Energy Economics. It has also provided a new supply of PhD

supervisors within Energy Economics.

Dr Marc Gronwald was installed in January 2015 as Director of our **MSc Petroleum, Energy Economics and Finance**. This MSc, designed for graduates wishing careers in the petroleum industry and government, covers investment analysis, government energy policies, and decommissioning. Over 40 students are currently working on their projects, which cover a wide range of topics relevant to the economics of the petroleum and energy industries. Many of these had elements of industry engagement, which helped to provide the students with a real industry perspective.

SEEL news

The Department of Economics is the home to Scotland's first experimental economics laboratory: The Scottish Experimental Economics Laboratory (SEEL). It supports a vibrant research group with strong interdisciplinary collaboration with colleagues at the Health Economics Research Unit (HERU) and the Rowett Institute for Nutrition and Health (RINH). On 9th July 2014, the Methods of Benefit Valuation theme organised a half-day Stated Preference Conference led by Drs Simone Cerroni (RINH) and Dean Regier (UBC) for researchers and PhD students.

IN THE NEWS



State of the Economy Lecture

In December, Dr Graeme Roy, Deputy Director of the Scottish Government Economic Service, gave his State of the Economy lecture to the MSc Applied Economics students. Dr Roy is a member of the Advisory Board for this programme. Designed to enable economics graduates to develop the skills necessary to work as applied professional economists in government and industry, or to progress to a PhD in Economics in an applied area, the MSc Applied Economics programme aims to provide students with in-depth and extensive critical knowledge at the forefront of economic and econometric theory. Graeme also gave a presentation on the Government Economic service to our undergraduate students. Our economics graduates go on to careers in business, government, education, or private research and consulting. They are highly employable and gain relatively high earnings compared to other disciplines.



From the archives: 1993

The senior honours class photograph from 1993 features a number of current colleagues and a number who have since retired or moved to pastures new.

Projects, grants and KTP

Professor Kemp has recently been successful in being awarded a grant of £120,000 for a project entitled North Sea Oil and Gas Economics 2015. This continues a long line of earlier awards. The current sponsors are a consortium of oil companies, Scottish Enterprise, and the Office of the Chief Economic Advisor of the Scottish Government. The subjects being researched include the effects of the oil price collapse and the recent tax concessions on activity levels in the North Sea, the economics of enhanced oil recovery, and the economics of decommissioning. Research is also continuing on the economics of carbon capture and storage.

A KTP grant amounting to £141,000 over 24 months has been awarded to Stephen Bowden (Geology), Euan Phimister and Alex Kemp. The study is "To develop and build an innovative business model which can be used to understand and exploit new business opportunities in emerging Core Analysis related markets". The award is in collaboration with Corex.

Professor Kemp is participating in a collaborative research project with Professor Petter Osmundsen of the University of Stavanger on petroleum taxation and investment behaviour. A large grant was awarded by the Norwegian Research Council to fund this project. The first joint paper from this project has been submitted to The Energy Journal.

During 2015 Professor Kemp will continue to give conference presentations with several already being confirmed. These include the Edinburgh International Science Festival, the annual conference of Oil

and Gas UK, and the SPE Offshore Europe Conference. Professor Kemp continues as a member of the Scottish Energy Advisory Board which is chaired by the First Minister.

Research and knowledge exchange – HERU and Economics

Members of the Health Economics Research Unit (HERU) and Economics met on 23 March 2015 at Foresterhill for a summit aimed at increasing research collaboration and knowledge exchange.

Delegates were treated to a number of presentations and discussions. Professor Mandy Ryan unveiled HERU's investment in a new eye-tracker and explained its impact on research on information processes when individuals complete stated preference tasks. Dr Yu Aoki, who holds a joint appointment with HERU and Economics, demonstrated how her use of "big data" techniques linking census with health and fertility data was transforming her cross-college research agenda. Drs Diane Skatun and Anne Ludbrook spoke about enhancing existing collaborations in health and workforce and food and diet themes. Professors Bob Elliott and Ioannis Theodossiou lent the benefit of their huge experience in developing EU collaborations.



SIRE Energy Economics Workshop

The Aberdeen Centre for Research in Energy Economics and Finance (ACREEF) at University of Aberdeen will host a SIRE energy economics workshop on Friday, 29 May.

The purpose of this workshop is to bring together Scottish and international researchers to discuss work in this growing field. Confirmed keynote speakers include Mine Yucel from Federal Reserve Bank of Dallas who will present "Fuel Subsidies, the Oil Market, and the World Economy."

In light of the importance of crude oil for the Scottish economy and the current low level of crude oil price, this workshop is highly relevant and timely. Although the selected presentations at the workshop will be of an academic nature, they will also cover topics of great interest to a wide audience from academia, policy, and industry bodies/interest groups.

Selected Recent Publications

- Is unemployment and low income harmful to health?: Evidence from Britain Cooper, D. J., **McCausland**, W. D. & **Theodossiou**, I. Mar 2015 *Review of Social Economy*. 73, 1, p. 34-60
- (De)Unionisation, Trade Liberalisation and Selection **Montagna**, C. & Nocco, A. Feb 2015 *Metroeconomica*. 66, 1, p. 91-122
- The Dynamics of Energy Poverty: Evidence from Spain **Phimister**, E. C., Vera-Toscano, E. & Roberts, D. J. Feb 2015 *Economics of Energy & Environmental Policy*. 4, 1, p. 153-166
- A reappraisal of the unemployment–mortality relationship: transitory and permanent effects **Bender**, K. A. & **Theodossiou**, I. Feb 2015 *Journal of Public Health Policy*. 36, 1, p. 81-94
- More Schooling, Less Youth Crime?: Learning from an Earthquake in Japan **Aoki**, Y. Nov 2014 Bonn: IZA Discussion Paper, p. 1 - 39
- The impact of migration on regional wage inequality: a semiparametric approach **Dickey**, H. Nov 2014 *Journal of Regional Science*. 54, 5, p. 893-915
- The unintended consequences of the rat race: the detrimental effects of performance pay on health **Bender**, K. A. & **Theodossiou**, I. Jul 2014 *Oxford Economic Papers*. 66, 3, p. 824-847
- Where is Nepal in the Nutrition Transition?: (1970 - 2010) Subedi, Y. P., Marais, D. & **Newlands**, D. A. Apr 2014 In : *Asia-Pacific Journal of Public Health*.
- Multiple Job Holding, Skill Diversification, and Mobility Panos, G. A., Pouliakas, K. & **Zangelidis**, A. Apr 2014 *Industrial Relations*. 53, 2, p. 223-272 50 p.
- Noncompensatory Consideration and Compensatory Choice: an Application to Stackelberg Competition **Papi**, M. Apr 2014 *Economic Theory Bulletin*. 2, 1, p. 53-63
- Income inequality and wellbeing: the plight of the poor and the curse of permanent inequality Cooper, D. J., **McCausland**, W. D. & **Theodossiou**, I. Dec 2013 *Journal of Economic Issues*. 47, 4, p. 939-958
- Satisficing and maximizing consumers in a monopolistic screening model **Papi**, M. Nov 2013 *Mathematical Social Sciences*. 66, 3, p. 385-389
- The economics of CO₂-EOR cluster developments in the UK Central North Sea **Kemp**, A. G. & **Kasim**, S. Nov 2013 *Energy Policy*. 62, p. 1344-1355
- Helping others or helping oneself?: International subsidies and the provision of global public goods **Abul Naga**, R. H. & Jones, P. Oct 2013 *Oxford Economic Papers*. 65, 4, p. 856-875
- The welfare consequences of pollution-tax harmonization **Vlassis**, N. Oct 2013 *Environmental and Resource Economics*. 56, 2, p. 227-238
- Income Redistribution and Public Good Provision: An Experiment Maurice, J., **Rouaix**, A. & Willinger, M. Aug 2013 *International Economic Review*. 54, 3, p. 957-975
- Employment Protection, Flexibility and Firms' Strategic Location Decisions under Uncertainty Dewit, G., Leahy, D. & **Montagna**, C. Jul 2013 *Economica*. 80, 319, p. 441-474
- Reciprocal Loyalty and Union Mediation Panos, G. A. & **Theodossiou**, I. Jul 2013 In : *Industrial Relations*. 52, 3, p. 645-676
- The temporary and permanent effects of unemployment on mortality in Europe **Bender**, K. A., Economou, A. & **Theodossiou**, I. 1 Jun 2013 *International Labour Review*. 152, 2, p. 275-286
- Educational mismatch and self-employment **Bender**, K. A. & Roche, K. Jun 2013 *Economics of Education Review*. 34, p. 85-95
- Unemployment, Labour Market Flexibility and Absenteeism: A Pan-European Study Livanos, I. & **Zangelidis**, A. Apr 2013 *Industrial Relations*. 52, 2, p. 492-515