

# THE REVIEW OF ECONOMIC STUDIES

The Review was started in 1933 by a group of young British and American Economists. It is published by The Review of Economic Studies Ltd., whose object is to encourage research in theoretical and applied economics, especially by young economists, and to publish the results in the Review of Economic Studies.

Subscription Rates for 2001 are:

Institutions	(1 year)	OECD £100 (US \$180)	Non-OECD £50 (US \$90)
Individuals	(1 year)	£30	(US \$54)
Individuals	(3 years)	£70	(US \$126)
Students	(1 year)	£16	(US \$29)
Students	(4 years)	£30	(US \$54)

Back Volumes from Vol. 60 are also available at these prices. Single issues cost £12 (US \$24). The index for Vols. 26–48 costs £15 (US \$30). Cheques should be made payable to The Review of Economic Studies Ltd., and sent to The Review of Economic Studies Ltd., Blackwell Publishers Journals, PO Box 805, 108 Cowley Road, Oxford, OX4 1FH, U.K. Reprints of Vols. 1–59 can be obtained from Periodical Service Company, 11 Main Street, Germanstown, NY 12526, U.S.A.

## EDITORIAL COMMITTEE

### Joint Managing Editors

MARK ARMSTRONG, *Nuffield College, Oxford*      ORAZIO ATTANASIO, *University College London*  
JAMES DOW, *London Business School*

### Assistant Editors

MICHELE PICCIONE, *London School of Economics*      ENRIQUE SENTANA, *CEMFI, Spain*  
HARALD UHLIG, *Humboldt University of Berlin*

### Production Editor

GARETH MYLES, *University of Exeter*

### Business Manager

IAN TONKS, *University of Bristol*

### Foreign Editors

ABHIJIT BANERJEE, *Massachusetts Institute of Technology*  
PATRICK BOLTON, *Princeton University*  
GUIDO IMBENS, *University of California, Los Angeles*  
GEORGE MAILATH, *University of Pennsylvania*

STEPHEN MORRIS, *Yale University*  
ROBERT PORTER, *Northwestern University*  
CANICE PRENDERGAST, *University of Chicago*  
JOSÉ-VÍCTOR RÍOS RULL, *University of Pennsylvania*

### Editorial Board

HYUN SONG SHIN (*Chairman*), *London School of Economics*

KARIM ABADIR, *University of York*  
MANUEL ARELLANO, *CEMFI, Spain*  
TIMOTHY BESLEY, *London School of Economics*  
BRUNO BIAIS, *University of Toulouse*  
TILMAN BÖRGERS, *University College London*  
MELVYN COLES, *University of Essex*  
FRANCESCA CORNELLI, *London Business School*  
MARTIN CRIPPS, *University of Washington in St. Louis*  
HIDEHIKO ICHIMURA, *University College London*  
PHILIPPE JEHL, *University College London*  
GILAT LEVY, *London School of Economics*  
OLIVER LINTON, *London School of Economics*  
THOMAS MARIOTTI, *London School of Economics*  
DAVID MARTIMORT, *University of Toulouse*

ABHINAV MUTHOO, *University of Essex*  
GEORG NÖLDEKE, *University of Bonn*  
JORGE PADILLA, *CEMFI, Spain*  
SVEN RADY, *University of Munich*  
ROHIT RAHI, *London School of Economics*  
JOHN VAN REENEN, *University College London*  
BERNARD SALANIÉ, *ENSAE, France*  
KLAUS SCHMIDT, *University of Munich*  
NEIL SHEPHARD, *Nuffield College, Oxford*  
ERNST-LUDWIG VON THADDEN, *University of Lausanne*  
JUUSO VALIMÄKI, *University of Southampton*  
GIOVANNI LUCA VIOLANTE, *University College London*

Copyright © 2000, The Review of Economic Studies Limited

“REVIEW OF ECONOMIC STUDIES” (ISSN 0034-6527) is published quarterly by The Review of Economic Studies Ltd., Blackwell Publishers Journals, PO Box 805, 108 Cowley Road, Oxford OX4 1FH, U.K.

Details of the annual subscription rates are given above and include airmail delivery to the U.S.A.

**U.S. Mailing:** Periodicals postage paid at Rahway, New Jersey. Postmaster: send address corrections to Review of Economic Studies, c/o Mercury Airfreight International Ltd., 2323 E. F. Randolph Avenue, Avenel, NJ 07001, U.S.A. (U.S. mailing agent).