The Quarterly Journal of Economics

Board of Editors

Alberto Alesina Edward L. Glaeser Lawrence F. Katz

Associate Editors

Janet Currie Steven Levitt Daron Acemoglu George Akerlof Claudia Goldin Roberto Perotti David Baron Gene Grossman Raghuram Rajan Oliver Hart Roland Bénabou Jeremy Stein John Bound James Hines Richard Thaler Michael Woodford Colin Camerer Charles Jones **Judith Chevalier** Michael Kremer Alwyn Young

In association with the Harvard Department of Economics and Invited Readers.

Assistant Editor

Harriet E. Hoffman

The Quarterly Journal of Economics (ISSN 0033-5533) is published four times per year (February, May, August, November) by The MIT Press, Five Cambridge Center, Cambridge, Massachusetts 02142. Volume 114, Number 1 (February 1999). Copyright 1999 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology, All rights reserved. Reproduction or translation of any part of the work beyond that permitted by Sections 107 or 108 of the United States Copyright Law without the permission of the copyright owner is unlawful.

Permission to photocopy articles for internal or personal use or the internal or personal use of specific clients is granted by the copyright owner for libraries and other users registered with of specific cheris is grained by the copyright owner for infraries and order deeps registered with the Copyright Clearance Center (CCC), provided that the per-copy fee of \$8.00 is paid directly to CCC, 222 Rosewood Drive, Danvers, MA 01923. The fee code for users of the CCC's Transactional Reporting Service is 0033-5533/99 \$8.00. For those organizations that have been granted a photocopy license with CCC, a separate system of payment has been arranged. Address all other inquiries to Subsidiary Rights Manager, MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142. Fax: (617) 258-5028; e-mail: journals-rights@mit.edu.

The contents of this Journal are included by the following:
Abstracts of Location Analysis, America: History and Life, Business Periodicals Index, Current
Contents/Social and Behavioral Sciences, Current Mathematical Publications, Economic
Literature Index, Expanded Academic Index, Historical Abstracts, Human Resources Abstracts, Index of Economic Articles, International Bibliography of Periodical Literature, Journal of Economic Literature, Mathematical Reviews, MathSci, Sage Public Administration Abstracts, Sage Urban Studies Abstracts, Social Sciences Citation Index, Social Sciences Index, Social Work Research & Abstracts, Wilson Business Abstracts, and Work Related Abstracts.

Subscription Rates: Students/Retired: \$25.00, Individuals \$40.00, Institutions \$140.00.

Outside the U.S. and Canada \$18.00 for postage and handling. Canadians add 7% GST. Current issues are \$36.00. Back issues are: Individuals \$18.00, Institutions \$36.00. Outside the U.S. and Canada add \$5.00 per issue for postage and handling. Canadians add 7% GST. Mail subscription and address changes to MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142; (617) 253-2889; fax: (617) 577-1545; e-mail: journals-orders@mit.edu. Claims for missing issues will be honored free of charge if made within three months after the

publication date of the issue. Prices subject to change without notice.

Postmaster: Send address changes to The Quarterly Journal of Economics, MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142. Periodicals Postage paid at Boston, MA, and at additional postal offices.

Advertising and mailing list inquiries may be addressed to: Marketing Dept., MIT Press Journals, Five Cambridge Center, Cambridge, MA 02142; (617) 253-2866; fax (617) 258-5028;

e-mail: journals-info@mit.edu.

Books, periodicals, and manuscripts should be addressed to THE QUARTERLY JOURNAL OF ECONOMICS, Littauer Center, Harvard University, Cambridge, Massachusetts 02138. Three copies of manuscripts should be submitted in clear double-spaced typewritten copy. The use of recycled paper is encouraged. Manuscripts of more than forty-five double-spaced typed pages in length are not ordinarily considered for publication. Copies of manuscripts that have not been accepted for publication are not ordinarily returned to the author. Offprints may be ordered by authors prior to publication, prepaid.

Business Correspondence should be addressed to The MIT Press Journals, Five Cam-

bridge Center, Cambridge, MA 02142. http://mitpress.mit.edu/QJE

© 1999 BY THE PRESIDENT AND FELLOWS OF HARVARD COLLEGE AND THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY PRINTED IN UNITED STATES OF AMERICA

⊚ This publication is printed on acid-free paper.