

## *My 60<sup>th</sup> Birthday*

I know that I am supposed to serve as the last discussant on the panel. But it occurs to me that in doing so I will be breaking one of the economics profession main rules: never speak after Paul Krugman, Anne Krueger, Jacob Frenkel, and Leo Leiderman.

Therefore, I must shift gears, and talk about the only reason I know am here on the Panel: my birthday.

It is said that when you reach the age of 60, your past is already behind you, and the future is also not what it used to be. I am still though teaching and writing papers and books.

Perhaps I can find some comfort in the famous Modigliani's Rule, which says that "The sum of what you can teach your students and what you can do for them is constant with age."

So we may not be worthless, even at the age of sixty.

In somewhat of an historical-perspective vein, let me go through a few road stations that I encountered. I go through a few books to highlight turning points in the way I my thinking about economics developed over the years.

**The first, and, as such, the most exciting, came out almost by accident. In 1975, the editor of the influential Journal of Political Economy, rejected a joint paper that I wrote with Elhanan Helpman. But, when the rejection letter came, Elhanan and I were at a stage in which already three-four applications of our new approach were written. Thinking about a suitable outlet for publication, we decided to write the book.**

**The book is [A Theory of International Trade under Uncertainty](#).**

**Its main message was that when capital markets are becoming more integrated (we did not use the term globalization at the time), the tendency is strong for countries to specialize according to their comparative advantage. 23 years later, I am happy to see that our younger colleague, Oved Yosha, and his co-authors, applied this idea empirically. The evidence seems to give some support for the proposition that capital-market liberalization leads to more specialization in production. Can we speculate on some potential implications? Could the EMU result, therefore, in greater asymmetry between country specific shocks? And how far is the EMU from an optimal currency area?**

**My fascination with the implications of the integration of the world economy, that we now call GLOBALIZATION, is evident in three other books. [Fiscal Policy in an Integrated](#)**

**World Economy: An Intertemporal Approach** , which was written in 1987 jointly with Jacob Frenkel, portrays the dynamics of the current account in a flexible price world. Its origin is in an earlier joint paper that Lars Svensson and I wrote (JPE 1983).

**International Taxation** was written jointly with Jacob Frenkel and Efraim Sadka. We were concerned about the constraints that globalization imposes on the conduct of fiscal policies. The main problem there is the "race to the bottom" among national tax authorities in a globalized capital market.

More recently, Efraim Sadka and I completed the book **Labor, Capital and Finance:**

**International Flows**, which gives an analytical account of some pleasant and some unpleasant side effects of globalization, including financial crises.

On a different track , but to me equally exciting work Efraim Sadka and I did on population, human capital and intergenerational transfer issues. This is our 1995 book **Population Economics**.

We were greatly motivated by Frank Knight who said:

**"The Ultimate Difficulties of any rational reconstruction of society center around maintaining social continuity in a world where individuals are born naked, helpless, untrained and must spend a third of their lives in acquiring the prerequisites of a free contractual existence. The existing order, with the institutions of the private family and private property (in self as well as goods), inheritance and bequest and parental responsibility, affords**

**one way for securing more or less tolerable**

**results in grappling with this problem."**

**My aunt gita Alexandroni, who is here with us is**

**the only person who can testify about how**

**helpless and totally untrained I was when I was**

**born in Kibbutz Shamir, in 1941, and the role**

**played by my father and mother in my**

**upbringing.**

**Issues of human capital and growth were the subject of my first academic work. In 1969, under the influence of my thesis adviser, Hirofumi Uzawa. In a remarkable paper, in IER , 1965, Uzawa demonstrated how a centrally**

**planned economy can affect growth through the allocation of resources between the sector the produces know how and the other sectors. I applied these ideas to a market-based model of human capital accumulation and growth. In my model the accumulation of human capital is the driving force behind an endogenously-determined permanent rate of increase in output per capita. This feature came to be known later, in the middle 1980s, as endogenous growth.**

**Let me turn now to important acknowledgments.**

**I would like to thank my partner in life, Shula, my daughter Einat , my son Ronny, his wife Dafna, and my grandchild Iddo, for being together a good "institution of private family", to use Frank Knight's terminology. Together, we were lucky to have Ofair with us, though for a relatively short time. Ofair taught us more things about the "book of life" than what we could possibly have learned from anybody else.**

**All of you know that in the Jewish tradition you are supposed to live for 120 years. Accordingly, I am supposed to feel like the Fall is over and the Spring semester just starts. This conference is a wonderful semester break. I am honored by the participation of my professional friends from Germany, Switzerland, Sweden, Hong Kong, Israel and the US.**

**Finally, I would like to thank especially my colleagues (and my best life time friends), Elhanan and Efraim, for organizing this conference. From the Book of Proverbs (MISHLEY) we know that "Tov Chaver Karov -- Mikarov Rachok, " (Better to have a good friend than a relative you are not close to.)  
Good night!**