

ANNOUNCEMENT

THE 2001 HENNIPMAN PRIZE

The 2001 Hennipman prize has been awarded to M. Bouman, P.A. Gautier and M.W. Hofkes for their article 'Do Firms Time their Pollution Abatement Investments Optimally?', which appeared in *De Economist*, 148, pp. 71-86. On the initiative of the Professor Hennipman Foundation, now under the auspices of the Royal Netherlands Economic Association, this prize is awarded every second year for an outstanding contribution to the advancement of economics, published in *De Economist* in the previous two years.

The citation from the report of the committee for the 2001 Hennipman prize, which comprised the Professors J. van Ours, J.M. Muysken and H. Jager, is as follows:

*Following the tradition, we looked for a paper that shows a balanced and harmonious blending of the three elements: economic theory, empirics and policy applications. The paper that comes closest to this ideal is the nominated article mentioned above. This study is quite original, both with respect to the subject dealt with and the data used. Although the authors do not emphasise this, it must have taken quite some effort to collect these data. Moreover, by analysing the timing of environmental investments the authors discuss a relevant issue, which is embedded in the literature and presented with a theoretical and empirical analysis.*

*First, the authors develop an elegant small model to show – consistent with some stylised facts – that the optimal timing of investment is in a recession period. The intuition is that the opportunity costs of activities to improve the future environment are lowest then. This model is presented in an attractive way. Secondly, the authors test for sectoral investments in the Netherlands, Germany, and the USA over the period 1971 – 1991 whether this countercyclical behaviour can indeed be observed. Estimation of simple linear regressions between investments in abatement of pollution and production shows that such countercyclical behaviour does not occur systematically. The authors point out that this can be due to measurement errors but also might indicate market failures. A nice feature of the paper is that the authors are careful not to jump to too big conclusions from their results.*

The prize of Dfl. 1,000 has been presented to the authors by Professor Jan van Ours, chairman of the committee, at the annual meeting of the Royal Netherlands Economic Association in Utrecht, on 7 December 2001.

The editorial board of *De Economist* wishes to congratulate the winners and to encourage submission of good papers to commemorate Professor Hennipman's scholarship and editorial work for *De Economist* during half a century.

