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Employee Motivation

*Joseph A. Ritter and
Lowell J. Taylor*

Workers present employers with a range of tricky problems. They can be crooked, subversive, surly, or indolent, even if they are paid on time. Joseph A. Ritter and Lowell J. Taylor explore economists' main theories of how compensation is used to address employee motivation and how these models help to explain puzzling features of labor markets. Although these theories are often regarded as competitors, the authors treat them as complementary tools in understanding how employers deal with the complex problem of motivating workers.

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Economists have traditionally been skeptical of the value of technical analysis, the use of past price behavior to guide trading decisions in asset markets. Instead, they have relied on the logic of the efficient markets hypothesis. Christopher J. Neely briefly explains the fundamentals of technical analysis and the efficient markets hypothesis as applied to the foreign exchange market, evaluates the profitability of simple trading rules, and reviews recent ideas that might justify extrapolative technical analysis.

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Our perspective on the U.S. economy's recent performance has been challenged recently by changes in the methodology used to adjust the National Income and Product Accounts for inflation. Michael R. Pakko surveys the changes embodied in the revised data, examining the question of whether or not the revisions alter our view of the overall pattern of economic fluctuations known collectively as the business cycle.

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Katrin Wesche

Proponents of an aggregation theoretic approach to money demand argue that simple-sum measures do not capture the theoretical notion of money, especially for broad monetary aggregates. European monetary aggregation, which uses indices for monetary services, seems attractive because these indices can account for the imperfect substitutability between different currencies. In this article, Katrin Wesche applies the aggregation theoretic framework to money holdings of European residents and compares the resulting index to simple-sum M3. She concludes that the Divisia index of European monetary services may provide additional insight into money demand during the period of transition to monetary union.

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