CAN WE PREDICT GDP THROUGH EXAMINING THE PAST VALUES OF MONEY? EMPIRICAL EVIDENCE FROM AN ASIAN TIGER

ABSTRACT

The paper aims at establishing whether the fluctuations of money help predict future fluctuations of income, that are not already predictable on the basis of fluctuations of income itself or other readily observable variables. For this purpose vector autoregression (VAR) modelling is used to test whether changes in money supply (M2) has any deterministic or predictive content for movements in Income (GDP). The analysis is performed using quarterly macroeconomic data from Singapore spanning the period between 1980 and 2001. The results suggest that money (M2) and interest rates have information content for future movements in real GDP beyond that contained in past values of GDP itself. This relationship only establishes itself with a fairly long lag. The finding suggests the possibility of making use of the money-income relationship for forecasting purposes.

Keywords: Vector autoregression (VAR), cointegration, causality
JEL Classification: E0, F3, C1, C5

È possibile prevedere il PIL attraverso l’analisi della variazione della moneta? Il caso di una economia asiatica emergente

L’articolo intende determinare se le variazioni nell’offerta di moneta possano aiutare a prevedere le future variazioni del reddito, non prevedibili sulla base delle variazioni del reddito stesso o di altre variabili osservabili direttamente. A tale fine viene utilizzato il modello VAR (vector autoregression) per verificare se i cambiamenti nell’offerta di moneta (M2) abbiano effetto deterministico o previsivo sui movimenti del reddito. L’analisi è stata effettuata utilizzando i dati trimestrali relativi a Singapore che coprono il periodo tra il 1980 e il 2001. I risultati indicano che M2 e i tassi di interesse danno informazioni sulle future variazioni del reddito reale. La relazione è valida solamente su un intervallo di tempo abbastanza lungo.
ABSTRACT

In this paper we explicitly compute the optimal asset allocation for an investor maximizing the expected (CRRA) utility of his final wealth in a simple framework with: (i) a stochastic domestic interest rate, (ii) a stochastic Exchange rate, (iii) both a domestic and a foreign riskless asset, and (iv) both a domestic and a foreign risky asset. This explicit solution allows us to widely investigate the behaviour of the optimal portfolio hedging component with respect to all the parameters in the model. In particular, we show a numerical simulation for investigating the hedging strategy against the exchange rate risk.

Keywords: international investment, exchange rate risk
JEL Classification: G11, F31
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CROSS-COUNTRY CONVERGENCE IN INCOME AND DIVERGENCE IN LIFE EXPECTANCY: A STUDY IN REVERSALS AND CONTRASTS DURING THE 1990s

ABSTRACT

Using data for about 160 countries, it is shown that, contrary to the widely held perceptions that have acquired the status of stylized facts, cross-country inequality in income declined, while that in life expectancy increased, during the 1990s. These changes imply unconditional “convergence” in income, and “divergence” in life expectancy, which is a reversal of the patterns reported in almost all previous research.

JEL Classification: E00, F00, I19, O40

La convergenza nei redditi e la divergenza nell’aspettativa di vita negli anni ’90: uno studio cross-country

Utilizzando i dati di 160 paesi, in questo articolo viene mostrato che, contrariamente all’opinione comune, negli anni ’90 è diminuita la disuguaglianza in termini di reddito tra gli Stati mentre è aumentata l’aspettativa di vita. Questi cambiamenti implicano una convergenza non condizionale nei redditi e una divergenza nell’aspettativa di vita, contrariamente a quanto risulta da tutte le precedenti ricerche.
WORKERS’ REMITTANCES TO MEDITERRANEAN COUNTRIES: A POTENTIALLY IMPORTANT TOOL FOR ECONOMIC DEVELOPMENT

ABSTRACT

Workers’ remittances have become a significant component of financial flows to developing economies; for most Mediterranean countries, they are the main source of external finance. A large proportion of these transfers comes from Europe, with its communities of immigrants from the Mediterranean region. Conventional economic theory holds that remittances bring welfare benefits for the recipient countries; appropriate policy measures should therefore aim at facilitating cross-border transfers and enhancing the developmental impact of remittances. In this respect, there is a good deal of room for improvement in both the European sender countries and the Mediterranean recipients.

Keywords: Remittances, Mediterranean countries, Development, Euro-Mediterranean relations
JEL Classification: D10, E20, F22, J61
THE IMPLICIT MARGINAL VALUATION OF CABLE SERVICE IN THE UNITED STATES

ABSTRACT

This paper estimates the implicit marginal value of channel offerings by cable systems in the United States. Hedonic analysis is a convenient framework in which to explore the relationship between the price of cable service and the channels offered by a cable system. Two separate hedonic equations are estimated - one for the price of analog cable service and one for the price of digital cable service. With regard to the price of analog cable service, the implicit marginal valuation is statistically significant at the five percent level and positive for just seven of 121 channel offerings and negative for eleven channels. For the price of digital cable service, the implicit marginal valuation is statistically significant and positive for just six of 88 channel offerings and negative for seven channels. The results suggest that a subscriber’s utility would be enhanced by a pricing structure different from the typical approach used by cable systems today of offering a bundled package consisting of several channels. One alternative is to allow consumers to subscribe to just those programming services for which they have a positive implicit marginal value (i.e., à la carte pricing structure).

JEL Classification: L96