

**News from the Centre for Applied Macroeconomic Analysis
Issue 6, February 2009****Welcome**

Welcome to the sixth edition of the CAMA newsletter!

Visitors

We are delighted to welcome Professor Kihoon Lee of Chungnam National University (Korea), Dr Andrew Stoeckel, formerly of the Centre for International Economics, and Mr David Stephan of The Treasury. Professor Lee and Dr Stoeckel will visit us until late February 2010, and Mr Stephan will visit us until late April 2009. More information on upcoming and previous visitors can be found at <http://cama.anu.edu.au/camavisitors.asp>

New Research Associates

The Finance and the Macroeconomy program is delighted to welcome Professor Iftekhhar Hasan of the Rensselaer Polytechnic Institute as a new research associate.

The Economic Growth and Development program is delighted to welcome Dr Sambit Bhattacharyya of The Australian National University as a new research associate.

Research Associate News

Professor Sherrill Shaffer of the Finance and the Macroeconomy program has won a summer research grant from the University of Wyoming.

We are pleased to announce that Dr Jan Libich of the Macroeconomic Policy Frameworks program, has a forthcoming journal article. The details are: Libich J (2008), "A Note on the Anchoring Effect of Explicit Inflation Targets", forthcoming in *Macroeconomic Dynamics*.

Dr Melisso Boschi of the Finance and the Macroeconomy program has had his paper with Luca Pieroni, "Aluminium Market and the Macroeconomy" published in the *Journal of Policy Modeling*, vol 31, no 2, 189 - 207.

Dr Graeme Wells of the Macroeconometric Models and Methods program has a forthcoming paper, "The Term Spread and GDP Growth in Australia" (co-authored with Kacob Poke) forthcoming in *The Economic Record*.

Dr Kerim Peren Arin of the Finance and the Macroeconomy program has one recent publication, (with Ciferri, D. & Spagnolo, N.) "The Price of Terror: The Effects of Terrorism on Stock Market Returns and Volatility." *Economics Letters*, Vol. 101(3), pp. 164 - 167.

Dr Arin also has five upcoming publications: (with Altintig, A., Feess, E. & Schumacher, C.) "You are One of Us Now! Stock Price Response of Rivals to Privatization." Forthcoming in *Journal of Industrial Economics*; (with Mamun, A. & Purusothman, N.) "The Effects of Tax Policy on Financial Markets: G-3 Evidence." Forthcoming in *Review of Financial Economics*;

(with Koray, F.) "Beggars-Thy-Neighbor? The Transmission of Fiscal Shocks from the U.S. to Canada." Forthcoming in *Open Economies Review*;

(with Araz-Takay, B, & Omay, T) "The Endogenous and Non-Linear relationship between Terrorism and Economic Performance: Turkish evidence." Forthcoming in *Defence and Peace Economics*; and
(with Gur, T.) "Monetary vs. exchange rate targeting: The Turkish case." Forthcoming in *Applied Economics*;
(with Ciferri, D. & Spagnolo, N.) "The Price of Terror: The Effects of Terrorism on Stock Market Returns and Volatility." *Economics Letters*, Vol. 101(3), pp. 164 - 167.

New Working Papers

8/2009

[An Econometric Analysis of Some Models for Constructed Binary Time](#)

Harding D, and Pagan A.

7/2009

[Modelling Change in Financial Market Integration: Eastern Europe](#)

Aslanidis N, Dungey M, and Savva CS.

6/2009

[Optimal Capital Taxation Under Limited Commitment](#)

Chien Y, and Lee JS.

5/2009

[Why Tax Capital?](#)

Chien Y, and Lee JS.

4/2009

[Model Uncertainty and Monetary Policy](#)

Dennis R.

3/2009

[A Comparison of Forecast Performance Between Federal Reserve Staff Forecasts, Simple Reduced-Form Models, and a DSGE Model](#)

Edge RM, Kiley MT, and Laforte JP.

2/2009

[Combating China's Export Contraction: Fiscal Expansion or Accelerated Industrial Reform?](#)

Tyers R, and Huang L.

1/2009

[Endogenous Monetary Commitment](#)

Libich J, and Stehlik P.

38/2008

[How Do Public Announcements Affect the Frequency of Trading in U.S. Airline Stocks?](#)

Nowak S.

37/2008

[Holdouts in Sovereign Debt Restructuring: A Theory of Negotiation in a Weak Contractual Environment](#)

Pitchford R, and Wright MLJ.

Event News

Upcoming Events

Conference on "Inflation Challenges in an Era of Relative Price Shocks"

CAMA, together with the Reserve Bank of Australia, Wilfrid Laurier University (Canada) and Westfälische-Wilhelms Universität (Germany), are hosting two conferences on [Inflation Challenges in an Era of Relative Price Shocks](#). The conferences will be held in Münster, Germany on 16 – 17 June 2009, and in Sydney on 17 – 18 August 2009. Please click the link to see the call for papers and for more details on the conference. Topics include: Is there a new global paradigm of resource shortage or is it the 1970s all over again?; Modeling commodity prices, and inflation – globally and nationally, and monetary policy responses; The transmission mechanism of global shocks. Are new modeling strategies needed?; How should national monetary and fiscal policy respond to relative price shocks versus inflation shocks?; The international

transmission of policy responses – Does it require a coordinated policy response or is better for countries to pursue an independent policy?; How are inflationary expectations affected by relative price shocks?

Econometric Society Australasian Meetings 2009 (ESAM09)

The Econometric Society Australasian Meeting in 2009 (ESAM09) will be held in Canberra, Australia, from July 7th to July 10th. ESAM09 will be hosted by the College of Business and Economics at the Australian National University, and the program committee will be co-chaired by Heather Anderson and Maria Racionero. The program will include plenary, invited and contributed sessions in all fields of economics.

Prospective contributors are invited to submit titles and abstracts of their papers in both theoretical and applied economics and econometrics by March 6th 2009 via the conference website <http://esam09.anu.edu.au>

Each person may submit only one paper, or be a co-author on others providing that they will present no more than one paper. At least one co-author must be a member of the Society or must join prior to submission.

The conference website contains details about the program, invited speakers, the paper submission process and conference registration.

Conference in Honour of Adrian Pagan

In July 2009 a two-day conference in Sydney will celebrate the work of Professor Adrian Pagan. Professor Pagan's work has had great impact on econometrics and applied macroeconomics, and we invite papers which contribute in either of those streams for presentation at the conference. Invited keynotes will be given by Professor Hashem Pesaran and Professor Pravin Trivedi.

The conference will follow immediately from the Econometric Society Australasian Meetings 2009 (ESAM09), to be held at the Australian National University, see <http://esam09.anu.edu.au> for details. Prospective contributors to both conferences should make separate submissions (of different papers) to each conference, because the conference organisers will not consider the same paper for presentation at both conferences. The submission deadlines for both ESAM09 and the conference in honour of Adrian Pagan are:

Final submission date: 6 March 2009

Notification of successful papers: 3 April 2009

The academic program committee for the Conference in Honour of Professor Adrian Pagan is coordinated by Mardi Dungey (mardi.dungey@utas.edu.au) with administrative support from Nicole Mies (Nicole.Mies@anu.edu.au). The organising committee consists of Heather Anderson (ANU), Trevor Breusch (ANU), Mardi Dungey (UTas and Cambridge), Renee Fry (ANU), Tony Hall (UTS), Don Harding (LaTrobe), Stan Hurn (QUT), Chris Kent (RBA), Robert Kohn (UNSW), Warwick McKibbin (ANU) and Frank Vella (Georgetown). We are very grateful for financial support from the Centre for Applied Macroeconomic Analysis (ANU), QUT, UNSW, the Reserve Banks of Australia and New Zealand, the Journal for Applied Econometrics, and the Economic Society of Australia (New South Wales branch and Central Committee).

Please see <http://cama.anu.edu.au/Pagan2009.asp> for more information.

Workshop on Macroeconomic Dynamics (WMD 2009)

The 4th Workshop on Macroeconomic Dynamics (WMD 2009) is being organized by the Department of Economics at the National University of Singapore (NUS). It will take place on 31 July and 1 August, on the NUS campus.

The number of speakers will be limited to around 16-18 to avoid parallel sessions and to give an opportunity to discuss papers in some detail. The aim is to allow participants to present on and be informed of the latest developments in macroeconomic dynamics, macroeconomics, dynamic equilibrium theory, monetary economics, economic growth, business cycles, international macroeconomics, and related areas. WMD2009 follows previous workshops at The Australian National University (2006), the University of Adelaide (2007) and the University of Melbourne (2008).

The invited speakers for the workshop this year are Professor Costas Azariadis (WUSTL), Professor Volker Böhm (Bielefeld) and Professor Kazuo Nishimura (Kyoto).

Further information will be provided at <http://nt2.fas.nus.edu.sg/ecs/wkshop/wmd2009>

Participation in the workshop is not limited to researchers based in Australasia and Asia. There are no registration fees and campus accommodation may be available.

Submissions of a complete paper or preliminary draft should be made electronically as a PDF file to wmd2009@nus.edu.sg

Submitted papers must include a short abstract, along with the correspondent author's email address, fax and phone numbers and mailing address. The submission deadline is 15 March 2009, and we expect to make decisions for acceptance of papers by 15 April 2009. Papers submitted earlier will be considered sooner.

For more information, please email wmd2009@nus.edu.sg

Workshop on Behavioural Macroeconomics

The unfolding global financial crisis dramatically illustrates the deficiencies of the current state of macroeconomic theory. The Great Moderation, the recent era of high growth and subdued volatility, has ended abruptly with unprecedented gyrations in stock markets, severe disruptions in global credit markets, volatile inflation and—most likely—deep recessions across the industrialised world.

Such wholesale shifts in economic fortunes are difficult to reconcile with dominant standard economic theory, which emphasises rationality and linearity. Behavioural economics seeks to refine our understanding of the discipline by accounting for relevant features of human behaviour that are absent in the standard economics framework. The basis for analysis is empirically well-documented psychological and sociological factors such as cognitive bias, reciprocity fairness, herding, and bounded rationality. Finance theorists have long acknowledged that individuals are bounded in many dimensions, in particular in their rationality, self-control and self-interest. However, insights from behavioural economics have only recently found their way into macroeconomics. While behavioural macroeconomics is still in its infancy, it is rapidly making inroads into the mainstream.

This two-day workshop run by the Centre for Applied Macroeconomic Analysis at the Australian National University and the Reserve Bank of Australia brings together leading researchers from the US, Europe and Australia to present recent advances in behavioural macroeconomics. The themes and papers have a strong theoretical footing, but the workshop's purpose is to showcase the range of applications of behavioural methods and to display their policy relevance. The workshop will therefore be of interest to academics and research students, to policy makers from central banks and government departments as well as to financial market economists.

This conference is currently being planned. Dates are forthcoming and will be announced in a future edition of the CAMA News, as well as on our website.

CAMA Members in the Media

Links to CAMA members' media appearances can be found at <http://cama.anu.edu.au/media.asp>

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