



News from the Centre for Applied Macroeconomic Analysis In the ANU College of Business and Economics

Issue 1, November 2007

Welcome from the Executive Director

Welcome to the first CAMA newsletter. By way of this quarterly newsletter, we intend to inform our Research Associates and the wider audience of CAMA supporters about the latest news and activities in CAMA. A lot has been happening at CAMA in 2007. Early in the year we moved into the ANU College of Business and Economics and have been very pleased with our new arrangements. There has been a lot of activity in CAMA since our move. I am very pleased with the quality of the Research Associates who are attracted to this collaborative enterprise. Our new programs and latest recruits can be found in this newsletter. 2007 has been a year of restructuring and refocusing. 2008 is shaping up as an exciting year for CAMA and I look forward to keeping you updated on the news and research in CAMA.

Prof Warwick J. McKibbin

Housekeeping Note

We would like to ask all our Research Associates and Doctoral Student Associates to check their profiles at <http://cama.anu.edu.au/people.asp#associates>. If your contact details have changed, we would be grateful if you could forward your new contact details to cama.admin@anu.edu.au.

New Working Papers

Eleven new papers have been added to our working paper series since July 2007.

12/2007

[Cointegration, Long-Run Structural Modelling and Weak Exogeneity: Two Models of the UK Economy](#)

By JPAM Jacobs and KF Wallis.

13/2007

[Can Consumption Spillovers be a Source of Equilibrium Indeterminacy?](#)

By J Alonso-Carrera, J Caballe, and X Raurich.

14/2007

[China's Real Exchange Rate Puzzle](#)

By R Tyers, J Golley, and I Bain.

15/2007

[Growth, Sectoral Composition, and the Wealth of Nations](#)

By J Alonso-Carrera and X Raurich

16/2007

[Increasing Returns, Financial Capital Mobility and Real Exchange Rate Dynamics](#)

By S Pennings and R Tyers

17/2007

[Six Leading Indexes of New Zealand Employment](#)

By E Claus and I Claus.

18/2007

[Constructing Historical Euro Area Data](#)

By HM Anderson, M Dungey, DR Osborn, and F Vahid.

19/2007

[Measuring Synchronicity and Co-movement of Business Cycles with an Application to the Euro Area](#)

By M Mink, JPAM Jacobs and M de Haan.

20/2007

[Rogoff Revisited: The Conservative Fiscal Banker Proposition Under Active Fiscal Policies](#)

By A Hughes Hallett, J Libich and P Stehlik.

21/2007

[Monetary and Fiscal Policy Interaction with Various Degrees and Types of Commitment](#)

By J Libich, A Hughes Hallett, and P Stehlik.

22/2007

[Debt Stabilisation Bias and the Taylor Principle: Optimal Policy in a New Keynesian Model with Government Debt and Inflation Persistence](#)

By SJ Stehn and D Vines.

Click the title to download a paper. The entire CAMA working paper series is available on our website:

<http://cama.anu.edu.au/publications.asp> and through Repec: <http://econpapers.repec.org/paper/acbcamaaa/>

If you would like to submit a paper for inclusion in the working paper series, please email it to your program director.

New Research Programs

Macroeconomic Theory

Program Director: Dr Timothy Kam of the Australian National University

This program brings together various research agendas in the area of theoretical macroeconomics. The emphasis is on (i) the construction of macroeconomic models that have well-specific decision-theoretic foundations and equilibrium concepts; and/or (ii) the use of such models to understand observed economic phenomena, analyse policy regimes and other institutional features; and/or (iii) research that refines and expands the set of tools for undertaking research in (i) and (ii).

Research in this area includes equilibrium business cycle theories, growth theory, recursive policy games, recursive contract theory, dynamic public finance, international macroeconomics, expectations modelling and learning, sunspots and multiple equilibria in general equilibrium, search theoretic foundations of labor markets and monetary theory, and dynamic political economics.

The program's activities include:

- * The annual Australasian Workshop in Macroeconomic Dynamics (WMD).
- * Macroeconomics Study Group.
- * Occasional advanced workshop/courses featuring experts in the relevant field.

Behavioural Macroeconomics

Program Director: Dr Timo Henckel of the Australian National University

Behavioural macroeconomics seeks to refine our understanding of the discipline by accounting for relevant features of human behaviour that are absent in the standard economics framework. Instead of assuming a hyper-rational representative agent, the basis for analysis are empirically well-documented psychological and sociological factors such as cognitive bias, reciprocity fairness, herding, and social status. Finance theorists have long acknowledged that individuals are bounded in many dimensions, in particular in their rationality, self-control and self-interest. Other economic sub-disciplines, however, have been slow to appreciate the growing econometric and experimental evidence that human behaviour often fails the

predictions of the rational expectations, full-information paradigm. Behavioural macroeconomics is still in its infancy but is rapidly making inroads into the mainstream.

This research program provides an umbrella for all research dedicated to melding the insights from behavioural economics and psychology with modern macroeconomics in a sound and rigorous way. The emphasis is both on theoretical and empirical models:

i) Theoretical models will analyse the positive and normative macroeconomic implications of behavioural phenomena including, for example, prospect theory, hyperbolic discounting, adaptive learning, bounded rationality, habit/status concerns, money illusion, and endowment effects. An integral part of this research agenda is the problem of aggregation and the presence of agent heterogeneity.

ii) Empirical models will use behavioural theory to improve our statistical understanding and forecasting abilities of the macroeconomy and to analyse policy regimes and institutional features.

These models are not only supposed to refine our understanding of individual choice but also help us understand and design better economic institutions and enhance overall welfare analysis.

The program seeks to foster a strong and growing network of researchers enthusiastic about behavioural macroeconomics. Activities will include workshops/conferences on behavioural macroeconomics, collaboration with other CAMA research programs, and graduate courses/seminars on this topic.

New Research Associates

We are pleased to welcome the following research associates and look forward to productive interactions.

Macroeconomic Theory

Research Associates:

A/Prof Jaime Alonso-Carrera of the Universidade de Vigo (Spain)

Dr Begona Dominguez of the University of Auckland (NZ)

Dr Martin Fukac of the Reserve Bank of New Zealand

Prof Ian King of the University of Melbourne

Dr Junsang Lee of the Australian National University

Dr Shuyun May Li of the University of Melbourne

Dr Thomas Lubik of the Federal Reserve Bank of Richmond (USA)

Dr Guillaume Rocheteau of the Federal Reserve Bank of Cleveland (USA)

A/Prof Facundo Sepulveda of the Universidad de Santiago de Chile

Dr John Stachurski of the University of Kyoto (Japan)

Dr Lawrence Uren of the University of Melbourne

Dr Jacob Wong of the University of Adelaide

Finance and the Macroeconomy

Research Associates:

Dr Dirk Baur of Dublin City University (Ireland)

Dr Melisso Boschi of the University of Essex (UK)

Dr Jan P.A.M. Jacobs of the University of Groningen (Netherlands)

Prof Roselyne Joyeux of Macquarie University

Dr Sirimon Treepongkaruna of the Australian National University

Doctoral Student Associates:

Ms Lei Ming Chrismin Tang of the University of Melbourne

Mr Tugrul Vehbi of the University of Cambridge (UK)

Macroeconomic Policy Frameworks

Research Associate:

Prof Anthony (Tony) Makin of Griffith University

Macroeconomics and Longer Run Issues
Research Associate:
Prof Alison Booth of the Australian National University

Behavioural Macroeconomics
Research Associates:
Dr Joshua Epstein of the Brookings Institution (USA)
Prof Ian McDonald of the University of Melbourne
Prof Daniel Zizzo of the University of East Anglia (UK)

We are delighted to announce that some of our doctoral student associates have gained full research associate status. They are:

Dr James Ang of Monash University
Dr Edda Claus of Trinity College, Dublin (Ireland)
Dr Hsiao Chink Tang of the Asian Development Bank

If you are interested in becoming a CAMA research associate, please email cama.admin@anu.edu.au and include your current CV, a research plan for the next two years, and the name of the program you would like to join. The director of the relevant program will consider your application.

Event News

Past Events

The Centre for Applied Macroeconomic Analysis, together with the Lowy Institute for International Policy, hosted a major international conference in Sydney on 23 and 24 August 2007. The conference theme was "Fiscal Policy Frameworks, Monetary Policy Implications and Intergenerational Financial Funds."

The conference program, as well as presentations from speakers and discussants are now available at: <http://cama.anu.edu.au/FPF2007.asp>

Upcoming Events (Non-CAMA)

[Unravelling the Mysteries of Economic Trends](#)

29 November 2007
Sydney

[Research Workshop on Monetary Policy in Open Economies](#)

17-18 December 2007
Sydney

[Southern Workshop in Macroeconomics](#)

28-30 March 2008
Auckland, New Zealand

[2008 Australasian Meeting of the Econometric Society \(ESAM08\)](#)

9-11 July 2008
Wellington, New Zealand

The ANU College of Business and Economics is hosting the Econometric Society Australasian Meetings 2009 (ESAM09), to be held at ANU on 8-10 July 2009.

Visitors

CAMA is delighted to welcome its upcoming visitors.

Dr Aditya Goenka
National University of Singapore
February 2008

Dr Mardi Dungey
University of Cambridge (UK)
December 2007

Prof Adrian Pagan
Queensland University of Technology
December 2007

Prof Bruce Preston
Columbia University (USA)
December 2007

CAMA is delighted to have hosted the following visitors since July 2007.

Dr Mardi Dungey
University of Cambridge (UK)
29 September - 3 October 2007

Prof Adrian Pagan
Queensland University of Technology
22-29 September 2007

Prof Ashley Lester
Brown University (USA)
6 -7 September 2007

Professor Bruce Preston
Columbia University (USA)
23 - 31 August 2007

Professor Viv Hall
Victoria University of Wellington (New Zealand)
23 - 24 August 2007

Dr David Gruen
The Treasury (Australia)
23 - 24 August 2007

Mr David Hargreaves
Reserve Bank of New Zealand
23 - 24 August 2007

Ms Felicity Barker
The Treasury (New Zealand)
23 - 24 August 2007

Professor Eric Leeper
Indiana University (USA)
23 - 24 August 2007

Mr Aaron Drew
Reserve Bank of New Zealand
23 - 24 August 2007

Professor Douglas Laxton
International Monetary Fund
23 - 24 August 2007

Professor Jeffrey Sheen
University of Sydney
23 - 24 August 2007

Dr Nicola Giammarioli
European Central Bank
23 - 24 August 2007

Dr Jan Libich
La Trobe University
23 - 24 August 2007

Dr Iris Claus
Inland Revenue Department (New Zealand)
23 - 24 August 2007

Professor David Vines
University of Oxford (UK)
16 - 17 August 2007
23- 24 August 2007

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