

**News from the Centre for Applied Macroeconomic Analysis
Issue 5, November 2008****Welcome**

Welcome to the fifth edition of the CAMA newsletter!

Grant News

We are delighted to announce that several CAMA members were successful in the latest round of ARC grants. Prof Warwick McKibbin and Dr Alison Stegman have won a three-year Discovery Project grant for research on "Climate Change Projections and Policy Design Under Uncertainty."

Dr Renée Fry, along with Prof Vance Martin and Dr Chrismin Tang have won a three-year Discovery Project grant for research on "Higher order moment contagion testing: implications of the US subprime mortgage crisis for Australia."

Dr James Ang of Monash University, who is a research associate in the Finance the Macroeconomy program, has won a Discovery Project grant for research on "Consumption Volatility and Financial Openness in the Developing World."

Dr George Athanasopoulos, Dr Timothy Kam, Prof Don Poskitt and Prof Farshid Vahid have won a three-year Discovery Project grant on "Vector ARMA Models and Macroeconomic Modelling: Some New Methodology and Algorithms."

Visitors

We were delighted to welcome two visitors this month: Professor Mardi Dungey of the University of Tasmania, and Mr Tugrul Vehbi of Cambridge University. Both visited us from 18 – 21 November.

We are also pleased to welcome our new visitor-in-residence, Professor John Pitchford.

We are looking forward to welcoming Prof Iftexhar Hasan of the Rensselaer Polytechnic Institute in December 2008, and we look forward to hosting Professor Kihoon Lee of Chungnam National University from January 2009 to February 2010.

New Research Associates

We are delighted to welcome our newest research associates and doctoral student associates and look forward to working with them.

New Research Associate in the Finance and the Macroeconomy program:
Dr Nicola Spagnolo of Brunel University

New Research Associate in the Climate Change and Energy program:
Dr Bryan Mignone of The Brookings Institution

New Research Associate in the Macroeconometric Models and Methods program:
Dr Rochelle Edge of the Board of Governors of the Federal Reserve System

Research Associate News

Ms Yan Yang, of the Climate Change and Energy program, has won a scholarship to attend the International Association of Energy Economics conference in New Orleans.

New Working Papers

36/2008

[Technological Scarcity, Compliance Flexibility and the Optimal Time Path of Emissions Abatement](#)

By BK Mignone.

35/2008

[Expecting the Unexpected: Macroeconomic Volatility and Climate Policy](#)

By WJ McKibbin, A Morris, and PJ Wilcoxon.

34/2008

[News and Expectations in Financial Markets: An Experimental Study](#)

By GD Menzies and DJ Zizzo.

33/2008

[The Contribution of Domestic, Regional and International Factors to Latin America's Business Cycle](#)

By M Boschi and A Girardi.

32/2008

[Earnings Valuation and Sources of Growth](#)

By S Shaffer.

31/2008

[Prices in Emissions Permit Markets: The Role of Investor Foresight and Capital Durability](#)

By BK Mignone.

30/2008

[Variable GST: A Tool for Monetary Policy in New Zealand?](#)

By I Claus and B Sloan.

Publication News

Dr Jaime Alonso-Carrera, of the Macroeconomic Theory program, has had his paper "Can Consumption Spillovers be a Source of Equilibrium Indeterminacy?" (CAMA Working Paper 13/2007) published in the *Journal of Economic Dynamics and Control*, 32, pp. 2883 - 2902, 2008.

Dr David Haugh, of the Macroeconometric Models and Methods program, has had his paper "Monetary Policy under Uncertainty about the Nature of Asset-Price Shocks" accepted by the *International Journal of Central Banking* (forthcoming in December 2008).

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?

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 and the Reserve Banks of Australia and New Zealand.

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

Recent Event

The Centre for Applied Macroeconomic Analysis, together with the Lowy Institute for International Policy, hosted a major international conference in Sydney on 25 and 26 September 2008. The conference theme was:

"Sovereign Wealth Funds in an Evolving Global Financial System"

There has been a significant growth in Sovereign Wealth Funds (SWFs), or government-controlled investment vehicles. In the October 2008 IMF *World Economic Outlook*, it is estimated that SWFs have assets under management of between US\$2 trillion to US\$3 trillion, exceeding assets managed by hedge funds. Other market estimates suggest a figure in excess of US\$3 trillion. SWFs have been around in various forms for many years, created initially mainly to hold foreign exchange reserves generated by resource rich economies (particularly oil exporters) but in recent years they have also been established by countries running large current surpluses and cumulating reserves to be invested. Australia has itself established the Future Fund to manage the assets generated from fiscal surpluses.

On 25 and 26 September 2008, the Centre for Applied Macroeconomic Analysis at ANU and the Lowy Institute for International Policy held a conference at the Lowy Institute offices in Sydney that brought together leading researchers from academia, the private sector, international organisations, central banks and policy makers to discuss a number of the key issues surrounding SWFs. The format was a closed conference on day 1 and the morning of day 2 of the conference, with an open to the public event consisting of panel presentations and discussion on the remaining afternoon. The conference sought to answer several important questions, including: What is the current and expected scale of these funds?; do they matter from an economic and/or political perspective?; How are they currently managed and how should the funds held in these institutions be managed?; Does the source of the funds have any implication for the investment strategies?; and should SWFs be self regulated or is there a need for an international agreement dealing specifically with a code of practice for SWFs?

The conference program, presentations, papers and media coverage relating to the conference are available for download from: <http://cama.anu.edu.au/swf2008.asp>

CAMA Members in the Media

This month, Professor McKibbin and Dr Timo Henckel have made media appearances and discuss issues of the day, including the global economic situation and approaches to dealing with climate change.

21 November 2008

[Get Over Your Deficit Hang-Ups, Says RBA Boss](#)

The Australian

20 November 2008

[McKibbin: "Too Little Focus" on Terrestrial Carbon](#)

Carbon + Environment Daily

18 November 2008

[Global Finance Leaves Thinking on Climate Exposed](#)

The Australian

17 November 2008

[Industries Warming to "Carbon Bank" Idea](#)

The Sydney Morning Herald

13 November 2008

[Bush to Urge Fixing of Financial System](#)

Radio 938 Live, Singapore

Interview with Dr Timo Henckel

[Regulating Carbon Emissions](#)

Counterpoint, ABC Radio

8 November 2008

[Keep the faith in a Faltering Economy](#)

The Australian

4 November 2008

[Call to Delay Start of Emissions Scheme](#)

news.com.au

[Swan Dismisses "Crystal Ball" Advice on Emissions Scheme](#)

ABC News

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

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