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Book of Abstracts

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Netherlands Network of Economics

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Contributed papers

Leon J.H. Bettendorf

'Intergenerational and international welfare leakages of a tariff in a small open economy'

Central Planning Bureau
Postbus 80510
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Abstract:

A dynamic overlapping-generations model of a small open economy with imperfect competition in the goods market is constructed. A tariff increase reduces output and employment and leads to an appreciation of the real exchange rate both in the impact period and in the new steady state. The tariff shock has significant intergenerational distribution effects. Old existing generations gain less than both younger existing generations and future generations. Bond policy neutralizes the intergenerational inequities and allows the computation of first-best and second-best optimal tariff rates. The first-best tariff exploits national market power, but the second-best tariff contains a correction to account for the existence of a potentially suboptimal product subsidy.

Gabe J. de Bondt

'Monetary transmission in six EU-countries: An introduction and overview'

Wetenschappelijk onderzoek en econometrie
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1000 AB Amsterdam

Abstract:

This paper addresses the question of how the monetary transmission mechanism works. The answer is sought by means of a review of recent literature. This survey focuses on three aspects in particular. The first aspect is to provide a brief introduction of all monetary transmission channels. The second aspect is to take a closer look at two debates in the monetary transmission literature which have shown a revival of interest in the past decade. The first strand of the literature addresses the issue whether banks' assets (credit) or liabilities (money) play a pivotal role in the monetary transmission process. The second strand of the monetary transmission literature focuses on the asymmetric effects of monetary policy. Both debates are not without far reaching implications for monetary policy decisions, *e.g.* Is money or credit, or are both useful as intermediate variable? Which one contains more information? Are monetary expansions effective as anti-recession policies or are contractionary monetary policies only effective to slowdown in economic growth? The third aspect concerns a survey of the main findings of empirical research for Europe over the past five years in the light of the above mentioned monetary transmission debates. Because virtually all recent surveys of monetary transmission research - see *e.g.* Gertler (1988), Gertler and Gilchrist (1993), Bernanke and Gertler (1995), Meltzer (1995), Peek and Rosengren (1995), Kroes (1996), and Mishkin (1996) - focus primarily on the US, the present survey examines six European countries: Germany, France, Italy, the United Kingdom (UK), Belgium, and the Netherlands. The first four countries mentioned are the most important European Union (EU) member states in terms of the size of their economies, while Belgium and the Netherlands are two small and open economies of the EU.

Understanding the differences and similarities across these six EU countries in the size and timing of the impact of monetary shocks on economic activity is of crucial importance for the process of monetary policy coordination and the success of a common monetary policy within the framework of the EMU. The more the transmission channels differ between countries the more likely that a change in the stance of a common monetary policy leads to unwanted distortions in the domestic economy.

Chris Bojke

'Taxicab deregulation in the Netherlands'

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Abstract:

On emerging from Schiphol, the first time visitor to Holland is likely to be pleasantly surprised by the orderly ranks of gleaming Mercedes Benzs, complete with groomed and blazered drivers, which pass for a representation of a typical Netherlands taxi fleet. Unfortunately the second surprise is likely to be less pleasant, the high taxi fares charged. On further reflection this is perhaps not so surprising. The Netherlands taxi service has been highly regulated since the 1930s, where regulations on both market structure and market conduct were put in place to ward off 'destructive' competition. An example of one such structural regulation would be regulation 59, where potential entrants must prove that there exists sufficient demand for their entrance in order to gain a service license, often the existing taxi firms have some influence over the decision to award a license or not. With such lobbying laws in place it is not difficult to understand how the Netherlands taxi service has evolved into an uncompetitive expensive market, a market that (it is hoped) could improve with deregulation.

The Netherlands are not alone in having a highly regulated taxi service and they are also not alone in their desire to deregulate the market. In particular we may turn to Sweden and the United States to examine to what extent recent deregulation has been successful or not. As you will see the evidence has been mixed in the sense that not all prior expectations have been realised. It is important for the success of the Dutch deregulation plans that the reasons for the lack of success elsewhere are clearly understood. For this reason a review of the current literature's findings is included.

Peter Boswijk

'Semi-nonparametric cointegration testing'

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Abstract:

This paper considers a semi-nonparametric cointegration test. The test uses the LM-testing principle. The score function needed for the LM-test is estimated from the data using an expansion of the density around a Student t distribution. In this way, we capture both the possible fat-tailedness and the skewness of the innovation process. Model selection criteria are employed to select the appropriate order of the expansion in finite samples. Using a Monte-Carlo experiment, we show that the semi-nonparametric cointegration test has good size and power properties. The test outperforms previous testing procedures in terms of power over a broad class of distributions for the innovation process.

Peter Broer

'The effect of competitors prices and utilization rates on the mark-up of price over cost'

Department of Economic Policy
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Abstract:

This paper considers the theoretical foundations of standard macroeconomic price equations for open economies. In particular, it considers the inclusion of utilization rates and prices of foreign competitors in an otherwise standard price equation in terms of factor costs. It is shown that an effect of the level of the utilization rate on price decisions may be derived from the presence of quasi-fixed production factors and their effect on the cost curve. The magnitude of the utilization rate effect is then inversely related to the elasticities of substitution of the quasi-fixed factors.

The impact of competitors' prices is modeled through their effect on the market share of domestic firms and the resulting shift in the price elasticity of demand. It is shown that CES demand systems are very restrictive in this respect and cannot explain a significant impact of competitors prices on this account. A (regular) AIDS demand system is presented that does not suffer from this defect. For moderate markups in the domestic sector and realistic price elasticities, the elasticity of competitors prices is approximately 0.15.

H.P.W.A. Creusen

'An analytical framework of industrial organization for policy analysts'

Bedrijfstakkencoördinatie
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Postbus 80510
2508 GM Den Haag

Abstract:

This paper discusses an analytical framework of industrial organization and a guide for policy

analysis. It is mainly addressed to policy makers entrusted with competition policy, industrial policy and regulatory reform in particular markets (MDW project). The analytical framework contains a taxonomy of several IO-theories that consider relations between competitors, suppliers and customers on a market. It highlights firm behavior that results from or induce market imperfections. The guide for policy analysis then points to the potential role for policy to remove these market distortions and improve dynamic welfare.

Harry van Dalen

'Blood is thicker than water'

OCFEB

Erasmus Universiteit (H7-34)

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Abstract:

European economists constitute a distinctive breed. At least so it seems when they are compared with American economists. They make the impression of being less academic than their American counterparts, more empirically and policy oriented, and less communicative and ambitious. Various studies have brought out the contrasts. A survey by Frey and Pommerehne (1984), for example, bears out the ideological differences with European economists much less convinced of the powers of market forces than the Americans. Not surprisingly, therefore, European economists play a much more significant role in public life than their American colleagues. Complaints about the crowding out of academic economists in the political arena - so common in the US (cf. Krugman 1994, Klamer and Meehan, 1994) - are rarely heard in Europe. The Dutch economists appear to fit the European image. They have produced a remarkable number of prominent Dutch politicians and they take an active part in the numerous advisory councils that characterize Dutch politics. Yet nowhere in Europe do we observe the influence that one single economic research institute is having on policy, as that of the Central Planning Bureau (CPB) in the Netherlands. A brainchild of Jan Tinbergen, the first Nobel prize winner for economics, the CPB is the official oracle of the Dutch government; whatever economic policy topic emerges, will not pass without the stamp of approval of the CPB. Such a stature for a group of serious economists would be inconceivable in the US and is not matched by any other group in Europe. This institution makes the Netherlands a special case, even in the European context. The following story focuses on the Dutch. It will highlight the imprint of Tinbergen but it will try to answer the question that haunts everyone who is interested in the European quality of European economics: is European economics in the process of being Americanized?

Eric van Damme

'Dutch procurement auctions: An anticompetitive game?'

CentER for Economic Research
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Abstract:

In 1992, the European Commission has fined Dutch construction firms for a total amount of ECU 22,5 million for having organized the procurement auctions in anti-competitive way, i.e. violating Art. 85 of the Treaty of Rome. In this paper we describe the procurement rules and the arguments that both sides brought before the court. We argue that various aspects of these rules could be considered to be pro-competitive. Good arguments for exemption on the basis of Art. 85.3 could have been made.

Ruud Dorenbos

'The restructuring process on the Hungarian and Polish Labour Market'

Ruimtelijke Wetenschappen
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9700 AV Groningen

Abstract:

For over four decades, unemployment was an unknown or hidden phenomenon in the former centrally planned economies. Job security was deeply anchored in the socialist welfare state and the stigma of being jobless was pronounced. Nowadays, the world looks totally different. The transition from the socialist to the capitalist system has been accompanied by far-reaching changes in the labour market. Excess demand for labour and shortage of labour were replaced by a surplus of labour and a shortage of jobs. Consequently, unemployment emerged and increased rapidly in a short period of time. The former communist countries converted from a job rights economy to a job-search economy. In addition to the rapid growing number of unemployed people, also the growing size of the inactive population is striking. So far, labour market research in Eastern European countries has mainly focused on the emergence and development of unemployment as well as the chances of the unemployed to find a new job. Very little information has been paid to the restructuring process within employment, the job-to-job transitions. In addition, in general little information has been paid to the labour market processes during the early years of the transformation process. This can partly be explained by the lack of reliable data, for example the lack of labour force surveys which were conducted just (or already) in 1992. In order to get a better knowledge of the labour market changes (in particular the job-to-job transitions) in the first years after the transition micro-data from the project "Social Stratification in Eastern Europe after 1989" will be analysed. This data contains information on the labour market situation, as well as the transitions between these situations, derived by means of retrospective questions about the labour market (activity) history of the respondents. Of all respondents we have information from their first activity after leaving school.

In this paper, three labour market states will be distinguished: employment, unemployment and non-participation. At first we will give an overview of the development of the shares of the labour market states between January 1988 and January 1993. The data enables us to describe the developments on the labour market in both countries from month to month (after transforming the data in a person-month file). In this paper we will concentrate on the developments within the labour market state employment. For instance, the job-to-job transitions within and between industrial branches and types of organizations will be examined. This paper shows that a very substantial part of the mobility on the labour market takes place from job-to-job. In order to analyse to what extent personal- and job characteristics of individuals affect job-to-job transitions, a logistic regression model is used.

Nick A.G. Draper

'Rent control and the efficiency of the housing market'

Centraal Planbureau
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Abstract:

The government in the Netherlands leaves more and more to the market. There are two important driving forces. Firstly, her budget has to be tightened after years of large deficits. Secondly, many of her policy measures are under criticism because they should disturb the working of the markets.

Rent control is an example of a policy measure under criticism. Restricting price below its equilibrium level results in unsatisfied excess demand for housing and in a reduction of supply. Excess demand leads to bureaucratic distribution rules. Moreover, rent control may slow down new construction of houses because exploitation profitability diminishes. The opponents therefore find rent control bad for the efficiency of the housing market, because rent control diminishes welfare.

The opponents of rent control find their ideas reflected in models of the housing market with perfect competition among landlords in the long-run and short-sighted behaviour. But, as everybody knows, the housing market in the Netherlands is dominated through large organizations. Do the opponents also prove true in a model with imperfect competition and perfect foresight? This question is addressed in this paper.

Robert A.J. Dur

'A theory of policy reversal'

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Abstract:

After decades of government growth, Western countries have witnessed major policy reversals. Prominent examples include the far-reaching policy reversals implemented by Thatcher, Reagan, and Douglas. This paper offers an explanation for these policy reversals. Our key argument rests on the assumptions that public decisions are made by majority rule and that voters have incomplete information about the aggregate consequences of all possible bundles of public projects making up the government. Unlike existing explanations, our theory is consistent with the observations that policy reversals are often undertaken simultaneously and that separate parts of the package of policy reversals are not welcomed enthusiastically by voters.

Elbert Dijkgraaf

'Optimal waste disposal option choice'

OCFEB

Erasmus Universiteit (H7-30)

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Abstract:

In this paper we develop a model allowing a social cost minimizing government to choose between two well-known solid waste disposal techniques, viz. landfilling and incineration. As social cost of waste disposal techniques typically depends on jointly produced social 'costs' such as energy recovery, material recycling and external costs we include these characteristics explicitly in our model. Furthermore, the model is used to reveal the implicit cost of current lexicographical preferences for waste incineration over landfilling using social cost estimates for both waste disposal options in the Netherlands. These estimates show that even in this densely populated country the current policy to expand waste incineration is not optimal from a social cost minimizing perspective. Finally, we examine whether this result changes if the economic determinants in our model, like environmental cost, energy and material recovery are varied.

Paul Frijters

'Discrimination and job uncertainty'

Tinbergen Instituut
Keizersgracht 482
1017 EG Amsterdam

Abstract:

In this paper I look at the possibility of incorporating group behaviour into a model of the labour market by showing that discrimination can be the result of competition between coalitions of workers and bosses for a scarce amount of jobs. Coalitions can form either on the basis of the productivity of the individual members or on the basis of a recognisable characteristic. If the probability of correctly assessing the productivity of individual workers decreases, coalition-formation on the basis of recognisable characteristics becomes relatively more rewarding than coalition forming on the basis of productivity. I thus identify the conditions under which each individual in the endogenously defined group actively discriminates persons with different recognisable characteristics, independent of productivity.

Paul Frijters

'Capital scarcities as a reason for high unemployment in the European Union'

Tinbergen Instituut
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Abstract:

This paper argues that scarcities for non-transferable fixed-supply goods such as land, infrastructure and social capital, may affect European unemployment in two, mutually enforcing, ways. Firstly the existence of minimum nontransferable capital requirements per worker implies that in a growing economy, workers must have ever higher productivities to obtain any wages at all. Secondly, the fact that non-transferable goods are not only production inputs, but are also indispensable consumer goods, increases the price of the non-transferable goods even higher, thereby increasing again the minimum wages one needs to survive. Furthermore, in a simple general equilibrium model I show that the presence of high-productivity workers will decrease the wages (and job opportunities) of other workers and increase the minimum wages necessary to survive. Unemployment and minimum living costs are also increased by an increase in population, by an increase in the relative productivity of capital, by an increase in the dispersion of labour quality and by an increase in the importance of capital goods for consumption.

Paul Frijters

'A model of fashions and status'

Tinbergen Instituut
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1017 EG Amsterdam

Abstract:

This paper presents a model of fashion cycles based on the idea that individuals purchase fashion goods because their displayed status increases with the personal status of other consumers who buy the same good. The main point of the dynamic fashion model is that fashion cycles can arise without informational imperfections or upward sloping demand curves. Fashion cycles occur in the model because demand now is a rising function of future prices: if future prices are high, only rich consumers will buy it in the future and the good will have a higher status value in the future and will be more desirable now, even though demand now is a decreasing function of current price. Fashion firms can therefore have an implicit contract with their present consumers not to lower prices in the future.

Harry Garretsen

'Fiscal Stabilisation in the EMU'

Beleidswetenschappen-Toegepaste Economie
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6500 HK Nijmegen

Abstract:

This paper analyses the effects of macroeconomic shocks in a monetary union with the aid of a two-country model of the EMU. Our analysis serves two purposes. First, we show how asymmetries between countries might matter in terms of the resulting business cycle fluctuations. More specifically, we do not only allow for country-specific shocks but also for cross-national differences in wage behaviour. Secondly, we show by means of numerical simulations how fiscal policy can be used to dampen business cycle fluctuations in various (a)symmetric settings. We consider two types of fiscal policy, national fiscal stabilisation and stabilisation from a federal system of fiscal transfers between countries, and we derive their welfare implications. The main innovation of the paper is to illustrate how structural differences between countries, e.g. a varying degree of wage rigidity, help to determine the impact of macroeconomic shocks and the effectiveness of fiscal policy. So far, this kind of asymmetry has been given little attention in the literature on fiscal policy in the EMU.

Peter W.L. Gerbrands

'Markets and innovativeness: Does structure influence innovation performance?'

OCFEB - Erasmus Universiteit
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Abstract:

Our empirical analysis of a microeconomic dataset for the year 1992 and 833 Dutch industrial firms finds that innovativeness (i.e. the share of "radically or completely new products" in turnover) is related to the length of the product life cycle, R&D intensity and technological opportunities at firm level. The Schumpeterian notion that entry barriers, market power and market concentration are important for innovativeness is contested by our findings as firm size, the concentration ratio, persistence of profit parameters, and entry and exit rates turn out to be insignificant. On average, knowledge protection by patenting reduces the firms' innovation performance and market-induced knowledge protection created by first mover advantages increases innovativeness at the firm level. Our investigation supports the notion of modern innovation theory that co-operation between suppliers, main producers and users improves firms' innovation performance: innovativeness and co-operation and interdependency parameters are positively correlated.

Reyer Gerlach

'Intergenerational distribution of natural resource entitlements'

Instituut voor Milieuvraagstukken
Vrije Universiteit
De Boelelaan 1115
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Abstract:

The paper describes a fund that issues income entitlements to present and future generations that are sufficient to buy a minimum bundle of environmental goods. The fund can operate as a guardian of the interests of unborn generations. The fund is applied to the issue of climate change and compared with a grandfathering policy, which entitles the present generations with the property rights for environmental goods. It is shown that grandfathering decreases the efforts to reduce greenhouse gas emission, whereas the fund substantially increases the efforts.

Francisco A. Gonzalez

'A solution method for a class of learning by doing models'

p/a Vakgroep Algemene Economie
Universiteit van Amsterdam
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1018 WB Amsterdam

Abstract:

We obtain in closed form the optimal policy for a class of discrete-time and finite-horizon learning by doing models, in which a monopolist operating in a market with linear demand faces an upper bound in the cost reduction that can be achieved through production. By using Dynamic Programming principles, we show that upper bound implies that the optimal decision for output is a function which is indexed by initial unit cost: there is an optimal set of threshold values beyond which the parameters of the production rule change. Some examples with specific parameter values are provided.

Henri de Groot

'Macroeconomic consequences of outsourcing'

Vakgroep Algemene Economie
KU Brabant
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Abstract:

Outsourcing of non-core activities by firms is nowadays a common business strategy. This paper provides a theoretical framework for analysing a firms' incentive to follow such a strategy and its consequences for macroeconomic variables like growth and product variety. We divide production activities into core and non-core activities. Non-core activities can be performed within the firm or can be mediated by the market. We will derive conditions under which outsourcing will occur, and under which outsourcing will be socially desirable. These conditions do not necessarily coincide. Outsourcing may hence be a profitable strategy for firms, while it is socially suboptimal. The relative scale of core versus non-core activities, traditional management costs, transaction costs and taste for variety of consumers will turn out to be crucial parameters in the model. This paper suggests that declining transaction costs are a crucial factor in explaining the observed increase in outsourcing.

Marco Haan

'Promising politicians, rational voters, and election outcomes'

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Abstract:

This paper shows that two candidates competing in an election always have an incentive to make election promises that differ from the policies they really want to implement. In equilibrium, a left-wing candidate will make a promise that is to the right of her true position, whereas a right-wing candidate will make a promise that is to the left of her true position. Voters, however, are not fooled by these promises. They can rationally infer the true position of each candidate, and act likewise. These effects occur both in case candidates try to maximize their share of the vote, and in case merely they try to convince the median voter.

Joop Hartog

'On a simple measure of risk aversion'

Vakgroep Algemene Economie
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1018 WB Amsterdam

Abstract:

We ask individuals to evaluate a specified lottery and from the answers, deduce Pratt's measure of risk aversion. This allows us to test common hypotheses on risk attitudes. We find that risk aversion indeed falls with income and wealth, as commonly assumed but never tested directly. Entrepreneurs are less risk averse than employees, civil servants are not different from private sector employees. We conclude that the "lottery question" is a useful survey instrument to measure individual risk attitudes.

Bernard Hanzon

'A state-space calculus for rational probability density functions and applications to non-Gaussian filtering'

Vakgroep Econometrie
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Abstract:

We propose what we believe to be a novel approach to perform calculations for rational density functions using state space representations of the densities. By standard results from realization theory, a rational probability density function is considered to be the transfer function of a linear system with generally complex entries. The stable part of this system is positive-real, which we call the density summand. The existence of moments is investigated using the Markov parameters of the density summand. Moreover, explicit formulae are given for the existing moments in terms of these Markov parameters. One of the main contributions of the paper are explicit state space descriptions for products and convolutions of rational densities.

As an application which is of interest in its own right, the filtering problem is investigated for a linear time-varying system whose noise inputs have rational probability density functions. In particular state space formulations are derived for the calculation of the prediction and update equations. The case of Cauchy noise is treated as an illustrative example.

George W.J. Hendrikse

'Organizational change and vested interests'

Tilburg University (B735)
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Abstract:

The nature of organizational change and the value of headquarters is derived from a model with costs of delay, vested interests and costs of organizational change. The value of headquarters is derived from imposed organizational change. It is viewed as an institution which is able to prevent surplus reducing endogenous commitment. Imposed organizational change is predicted in circumstances where the desired change is not urgent, the loss of accepting lower offers than in the past is above a certain level, and the costs of imposed change are lower than the costs of delay. Delay occurs and change will be voluntary in these circumstances when the situation is not perceived as urgent and costs of imposed change are high. Voluntary organizational change occurs immediately when the desired change is perceived to be urgent. Case studies are presented along these lines of thought.

Jeroen Hinloopen

'Subsidizing R&D-cooperatives'

Centre for Industrial Economics
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Abstract:

A framework is developed with which both R&D-subsidies and R&D-cooperatives can be analyzed. It is shown that in most cases providing R&D-subsidies is more effective in promoting private R&D than allowing for an R&D-cooperative. Moreover, considering the implementation of both R&D stimulating policies simultaneously reveals that R&D cooperatives are redundant. The preferred R&D stimulating policy is to optimally subsidize RJVs

Cars H. Hommes

'Models of complexity in economics and finance'

FEE - AKE

Universiteit van Amsterdam

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Abstract:

This paper discusses *Adaptive Belief Systems*, as a way of modelling complicated endogenous fluctuations in economics and finance. The main source of the fluctuations is the heterogeneity in agents' expectation formation. We focus on a simple present value asset pricing model with heterogeneous beliefs. Agents revise their "beliefs" concerning future prices of a risky asset in each period in a rational way, according to a "fitness measure" such as a weighted average of past realized profits. Price fluctuations are thus driven by an evolutionary dynamics between different expectations schemes ("rational animal spirits"). We investigate which predictors survive this evolutionary dynamics and whether our adaptive belief system can match some stylized facts observed in financial markets.

Harold Houba

'Holdouts, backdating and wage negotiations'

FEWEC - groep Econometrie

Vrije Universiteit

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Abstract:

In this paper the Haller and Holden wage bargaining model is extended to incorporate backdating of newly agreed wage contracts. Backdating does not affect the bargaining positions of the parties, but in combination with holdouts it negatively effects the settlement wage. The necessary and sufficient conditions for equilibria with lengthy holdouts are derived. In such equilibria the settlement wage negatively depends upon the length of the holdout and this dependence does not disappear in the limit as the time between the bargaining rounds vanishes. This negative effect is rather small and confirms empirical evidence for The Netherlands.

Jan Jacobs

'The CCSO composite leading indicator of the Netherlands: Construction, forecasts and comparison'

Faculteit der Economische Wetenschappen
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Abstract:

This paper presents the construction and first forecasts of the CCSO composite leading indicator of the economy of the Netherlands. The indicator is able to track recent past and produces credible forecasts. We compare our indicator with the CPB Netherlands Bureau for Economic Policy Analysis leading indicators and the Netherlands' central bank business cycle indicator. Similarities are striking. Differences occur in the choice of the reference series, the trend filter and the irregular component filter.

Frank de Jong

'Markovian arbitrage-free models of the term structure of interest rates'

Vakgroep Econometrie
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Abstract:

This paper provides a general arbitrage-free model of interest rates in the spirit of Heath, Jarrow and Morton (1992). A characterization with an additional state variable is given, such that its joint process with the short rate is Markovian. This new state variable captures all the information in the history of interest rates that is relevant for pricing. For the models in this class, bond prices are obtained as a function of the two state variables. The Markovian character of this class of models greatly enhances their applicability for pricing of derivatives with numeric methods. Several parametric examples are given that fit stylized facts known about interest rate dynamics. A parametric version of the model is estimated in such a way that the state variables can be extracted. Finally, the empirical performance of the model is compared with the performance of endogenous term structure models.

Jan F. Kiviet

'Degrees of freedom adjustment for disturbance variance estimators in dynamic regression models'

Inst.Act.& Econometrie
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Abstract:

In the classical regression model with fixed regressors the statistic S^2 , i.e. the sum of squared residuals (SSR) divided by the number of degrees of freedom is an unbiased estimator of the variance of the disturbances. If the model is dynamic and contains lagged-dependent explanatory variables, then the least-squares coefficient estimators are biased in finite samples, and so is S^2 . By deriving the expectation of the initial terms in an expansion of the expression for SSR in the case of an autoregressive regression model, we prove that the bias in the degrees of freedom adjusted estimator is of smaller order in T , the sample size, than the bias of the unadjusted maximum-likelihood estimator. We also indicate how a further decrease in the bias can be achieved, and what the consequences are for estimating σ . By simulation insight is provided into the relative numerical magnitude of the bias for various estimators of σ^2 in some relevant particular cases of this class of model.

Bas van der Klaauw

'Combining micro and macro unemployment duration data'

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Abstract:

We combine micro and macro unemployment duration data to study the effects of the business cycle on the outflow from unemployment. We allow the business cycle to affect the exit probabilities of all unemployed workers, and we also allow it to affect the composition of the inflow into unemployment, which may lead to different aggregate exit probabilities as well. We estimate the model using (micro) survey data and (macro) administrative data from France. The inflow composition is estimated along with the other parameters. To deal with differences between the micro and macro unemployment definitions, we develop a Bayesian estimation method with a classical interpretation.

Thijs Knaap

'Increasing returns: A survey with special interest in the theories of location and endogenous growth'

FEW - IEB WSN 551
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Abstract:

This survey paper discusses the occurrence of unstable dynamic systems in two fields of economic theory. We define what is meant by stable and unstable equilibria, and show that the assumption of increasing returns to scale naturally leads to dynamic systems which are unstable. We then focus on two fields in economics where these unstable dynamics play a large role. These fields are New Growth Theory and Economic Geography. Within the former we look at models by Rebelo, Romer and Lucas, and discuss their possibilities and the problems that many economists have with them. As for the latter field, we look at Krugman's (1991) geography model. The unstable dynamics in both fields cause many interesting analogies and seem to open the road for an Economic Geography--Growth model along the lines envisaged by Myrdal.

Klaas Knot

'Co-movements in long-term interest rates and the role of exchange rate expectations: Evidence from survey data'

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Abstract:

This paper investigates co-movements in interest rates using uncovered interest parity. It supplements existing work in two ways. First, it focuses explicitly on long-term interest rates, while previous research has tended to focus on short-term rates. A second novelty is the use of survey data on exchange rate expectations instead of actual outcomes, which allows an explicit testing of uncovered interest rate parity. For the period 1985-1997, bilateral and multilateral co-movements are investigated separately. Both approaches lead us to conclude that the data do not support the notion of increased co-movement. Employing survey data constitutes a clear improvement over past research.

Udo Kock

'The effects of regulation on the housing market'

Tinbergen Instituut
Keizersgracht 482
1017 EG Amsterdam

Abstract:

Hoewel de belangrijkste doelstellingen van het volkshuisvestingsbeleid van na de oorlog gerealiseerd zijn, blijft de woningmarkt in Nederland sterk gereguleerd. Dit paper onderzoekt wat onder de gegeven omstandigheden de effecten van regulering op de woningmarkt in Nederland zijn. Daarbij richten wij ons op drie maatregelen: individuele huursubsidie, sociale verhuur en de fiscale behandeling van het eigen huis. We maken gebruik van een statisch één-periode model, waarbij de woningmarkt in evenwicht is. Het blijkt dat het afschaffen van huursubsidie de prijs van alle woningen zal stijgen, inclusief degene die door ontvangers van huursubsidie bewoond worden. Een verlaging van het huurwaardeforfait of een verhoging van de hypotheekrente aftrek leidt tot een prijsstijging van koopwoningen. Bij de sociale huurwoningen leidt extra aanbod tot een upgrading van het woningbestand in de zin dat een aantal woningen van slechte kwaliteit niet langer verhuurd zullen worden. Bovendien valt te verwachten dat het inkomen waarmee mensen nog in een sociale huurwoning terecht komen, zal stijgen. Als gevolg van deze twee effecten zal de prijs van woningen op de vrije markt dalen.

Jan Peter Kooiman

'Efficiency and redistributive aspects of environmental tax policy in a small open economy'

FEE - Algemene Economie
Universiteit van Amsterdam
Roetersstraat 11
1018 WB Amsterdam

Abstract:

We study the effects of environmental tax policy in a dynamic overlapping-generations model of a small open economy with environmental quality incorporated as a durable consumption good. Raising the environmental tax may deliver an efficiency gain if agents care enough about the environment. The benefits are unevenly distributed across generations since capital ownership, and the capital loss induced by a tax increase, rises with age. A suitable egalitarian bond policy can be employed in order to ensure everybody gains to the same extent. With this additional instrument the resulting efficiency gain coincides with the one obtained in the corresponding representative agent model. We further consider a tax reform that simultaneously lowers labour taxation and raises the environmental tax. This policy delivers qualitatively similar consequences as the first scenario, though all changes are less pronounced. A double dividend appears soon after the reform but vanishes in the course of the transition.

Peter Kooreman

'The labeling effect of a child benefit system'

Department of Economics
University of Groningen
Postbus 800
9700 AV Groningen

Abstract:

In this paper I analyze the effects of government provided child benefits on household expenditures, in particular on clothing. In the case I focus on, the benefit is not means-tested and only depends on the number of children in the household and their ages. I run regressions in which child benefit enters as a separate explanatory variable, using a time series of seventeen cross-sections.

I find that expenditures on child clothing are much more responsive to child benefit than to other income sources, whereas there is no such effect for adult clothing. This result can not be attributed to differences between fathers and mothers regarding control over income components, as it is based on a sample of households with a single (widowed) parent. I also show that endogeneity of income components, measurement errors, functional form (mis)specification and sample selection cannot explain the result.

I conclude that the existence of the child benefit system affects parents' preferences towards child goods: The labeling effect of a child benefit system.

Erno Kuiper

'Exogeneity in the long run - With an application to the futures and spot price relationship'

Department of Marketing & Market Research
Wageningen Agricultural University
Hollandseweg 1
6706 KN Wageningen

Abstract:

Two test procedures are proposed to determine which variables are exogenous in the cointegrating relationship. The first test is based on the assumption that the endogenous variable in the long-run equilibrium relationship instantaneously adjusts to changes in its optimal level. The second test focuses on the orthogonality between innovations and conditioning variables, and is thus related to the Hausman specification test. An empirical investigation of the relationship between spot and futures prices shows that the spot price is exogenous in the long run, a result that can be explained by the price-discovery function of the futures market, as confirmed by the test on long-run causality, revealing that the futures price drives the spot price in the long run.

Arjan Lejour

'Social insurance and fiscal competition in the EU: An empirical analysis'

Centraal Planbureau
Postbus 80510
2508 GM Den Haag

Abstract:

This paper analyzes tax competition in the EU with respect to social insurance policies from an empirical point of view. This analysis is based on the theoretical model of Lejour and Verbon (1996). It shows empirically that social insurance policies are positively affected by foreign policies. So, economic interdependency leads to fiscal interdependency that could result in an erosion of social insurance policies. The paper shows also that higher tax rates in all countries would indeed raise welfare which suggest that social insurance policies are non-cooperatively determined and inefficiently low. Increasing capital mobility could also induce a downward pressure to the size of the social insurance system.

Robert Lensink

'The effect of uncertainty on the investment-internal wealth relationship'

Rijksuniversiteit Groningen
Faculteit Economische Wetenschappen
Postbus 800
9700 AV Groningen

Abstract:

We derive a simple model of the relation between investment, internal wealth and uncertainty. The model includes a bank and a firm. The firm faces an investment problem. Its internal wealth is supposed to be insufficient so it demands a loan. The state of the world in the first period is known, but in the second period and thereafter there is a good and a bad state. Once the good state is reached, there is no chance of switching to the bad state and vice versa. The bank sets a certainty equivalent interest rate, as induced by problems of asymmetric information, and gives the loan as long as there is no option value to wait to supply the loan. We investigate the investment internal wealth relation under various assumptions. It appears that the investment-internal wealth relation becomes more important in case of bigger bad state probabilities. Credit rationing occurs with large profit volatility and high bad state probabilities.

Lex C. Meijdam

'Public investment in a small open economy'

Algemene Economie
KU Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

We study the effects of public investment in a dynamic overlapping-generations model of a small open economy. Boosting public investment stimulates private capital formation, output, employment, and wages in the long run. The impact effects depends critically on whether public capital is modeled as a stock or as a flow. The welfare benefits are unevenly distributed across generations since capital ownership, and the capital gain induced by the policy shock, rises with age, and because wages rise only gradually under the stock interpretation of public capital. A suitable egalitarian bond policy can be employed to ensure that everybody gains to the same extent. With this additional instrument the intergenerational externality can be neutralized and the resulting efficiency gain coincides with the one obtained in the corresponding representative agent model. A simple modified golden rule for public investment is derived which takes into account the time that is needed to build the public capital stock.

Theo Nijman

'Testing for mean-variance spanning with short sales constraints and transaction costs: the case of emerging markets'

Vakgroep Financiering
KU Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

In this paper we propose tests for mean-variance spanning and intersection in case investors face market frictions such as short sales constraints and transaction costs. We show how regression techniques can be used to test for mean-variance spanning and intersection in case there are such frictions. The tests are applied to address the question whether US investors can extend their efficient set by investing in emerging markets in the presence of short sales constraints and transaction costs. The results show that although in the absence of market frictions mean-variance spanning of the emerging markets by three mature market indices is strongly rejected, the evidence that emerging markets provide significant diversification benefits is much weaker when short sales constraints, transaction costs and ownership restrictions are taken into account.

Jan Oosterhaven

'Constructing regional supply and use tables: Dutch experiences'

Vakgroep Alg. Economie
Rijksuniversiteit Groningen
Postbus 800
9700 AV Groningen

Abstract:

In 1996 Statistics Netherlands and the University of Groningen started a project to construct regional supply and use tables for 14 Dutch regions. In this paper, a step by step approach for the construction of such regional input-output tables will be presented, based on Dutch experiences. Basically five steps are defined.. the classification of commodities and industries, estimating regional industrial supply and use of commodities, the estimation of regional final demand, estimating foreign trade and estimating inter-regional trade. The paper addresses topics such as 'Top-down or Bottom-up' methodology, regional technology, regional disposable income and consumption expenditure, the treatment of multi-regional companies, the production of services, the regionalisation of the government sector, etc. In addition, empirical examples from the Dutch project will be used to elaborate particular problems and concepts.

Enrico Perotti

'Machiavellian underpricing'

FEE - Financieel Management
Universiteit van Amsterdam
Roetersstraat 11
1018 WB Amsterdam

Abstract:

This paper studies how political considerations affect privatization design. Privatization may be structured by a right wing government in order to modify the preferences of the median elector so as to ensure re-election. To ensure that the median class holds enough shares to ensure a shift in political allegiance, the right wing government underprices shares and devises a targeted rationing scheme. We find that underpricing and rationing are increasing in social inequality. In certain situations firms shares are sold at zero price, as in voucher privatizations; more generally zero-price share distributions may break self-fulfilling equilibria. In the case when only a fraction of shares needs to be sold before an election, the rest may be optimally sold later at an auction designed for richer investors. Finally, the strategy may fail when the extend of ex ante political constraints require large upfront transfers to insiders and reduces the value which may be distributed through the privatization program.

M.C.J. van Rooij

'Bank mergers, banking efficiency, and economies of scale and scope'

Wetenschappelijk Onderzoek en Econometrie

De Nederlandsche Bank

Postbus 98

1000 AB Amsterdam

Abstract:

The phenomenon of bank mergers is of all times and the present dynamic banking world with high merging activity is no exception. In the European Community, there have been many mergers in advance of or in response to the establishment of the single market and currently there are many mergers in anticipation of increased competition in the EMU. The reasons for mergers are diverse and the cost effects of bank mergers have been disputed. Many argue that mergers improve banking efficiency among others through potential scale and scope economies. Others, however, dispute the realisation of these economies and warn for inflexible, monopolistic institutions which do not benefit their customers. The present paper surveys empirical research on banking efficiency. Section 2 gives a brief explanation of the efficiency measures discussed and the translog cost equation utilized by the majority of bank cost studies. The methodologies employed in investigating scale and scope economies and their development through time are discussed in Section 3. Banking efficiency is addressed in Section 4. Section 5 discusses the efficiency effects of bank mergers. Finally, Section 6 concludes with a summary.

Jan Rouwendal

'The taxation of drivers and the choice of car fuel type'

Department of Economics and Management

Wageningen Agricultural University

PO Box 8060

6700 DA Wageningen

Abstract:

In this paper the choice of the car fuel type is studied. In the Dutch situation three types are important: gasoline, diesel and LPG, with 80% of the cars using gasoline. Incentives for using diesel or LPG are provided by the tax system that implies higher fixed cost, but lower variable cost for users of these fuel types. We start by studying fuel type choice on the basis of a logit model, and move on to estimate demand functions for kilometres driven for social purposes while correcting for the possible selectivity bias. We find that diesel and LPG are in general regarded as inferior alternatives, but that monetary incentives are sufficiently strong to overcome this hurdle for drivers with a large demand for kilometres. We also find that there are significant effects of the lower variable cost for diesel and LPG drivers on their demand for kilometres. The conclusions are confirmed by estimation of a structural model in which fuel type choice and demand for kilometres are consistently explained on the basis of one set of preferences and unobserved heterogeneity in is taken into account.

Bert van Selm

'Economic performance in Russia's regions'

Institute of East European Law and Russian Studies
University of Leiden
Postbus 9521
2300 RA Leiden

Abstract:

This paper analyses differences in economic performance among the 89 'subjects of the Russian federation' in the first half of the 1990s. Data on regional unemployment, nominal income, industrial production, electricity production and exports are used to identify the winners and the losers of the transition process, and to determine whether the differences are increasing or decreasing. To explain differences in performance among Russian regions, two factors are studied: economic structure and economic policy. Both could potentially have a huge impact on economic performance, because economic structures differ widely, and Russian regions have ample room for economic policy independent of the federal government's policy. The evidence available however indicates that structure has had a stronger effect on performance of Russia's regions than policy.

Bert Schoonbeek

'A dynamic Stackelberg model with production adjustment costs'

Vakgroep Econometrie
Rijksuniversiteit Groningen
Postbus 800
9700 AV Groningen

Abstract:

We investigate the (dynamic) stability of a Stackelberg oligopoly model of a market of a homogeneous good, with output competition, one Stackelberg leader and a number of identical followers. We assume that each firm incurs quadratic production adjustment costs if it changes its output. We present a simple necessary and sufficient condition for stability of the model. Using the condition, we compare the stability of this model with the stability of the associated Cournot model in which all firms are followers. It turns out that the Stackelberg model is 'more stable' than the Cournot model.

Evert Schoorl

'The postwar canon of Dutch economics'

Economische Faculteit
Rijksuniversiteit Groningen
Postbus 800
9700 AV Groningen

Abstract:

In an earlier paper (1996) we sketched the postwar internationalization and homogenization of Dutch economics. Our conclusion was that there has been a strong internationalization of Dutch economics since 1945, but not only at the receiving end.' In the present paper we focus upon the foundation of this internationalization, which is the postwar Dutch canon in economics. We discuss its construction by concentrating upon the forces of demand and supply in the Dutch markets for economists and economic ideas.

Our story starts in 1945, although the basic theoretical outlook of the Dutch economists seems to have changed much earlier. If one wishes to put this in Kuhnian language: the paradigm shift took place in the early thirties when the Dutch Austrian school lost its intellectual appeal and declined. (see Haan and Plasmeijer, 1997; Plasmeijer, forthcoming) Our reason for starting in 1945 is the sudden topicality of the theory of economic policy. For notwithstanding the fact that Dutch economists have always taken a great interest in policy matters, and particularly in monetary policy, it may be said that their prewar and postwar policy outlook differ remarkably. The postwar Dutch canon can largely although not exclusively been characterized as policy-oriented macroeconomics. It seems tempting to argue, as many people have done, that this was the result of the Keynesian or a more typically Dutch Tinbergenian revolution. To economists however, it ought to be obvious that the construction of the postwar canon should also be studied from the perspective of demand and supply in the market for economists and for economic ideas. It is a striking fact that in the prewar period this market, although not negligible, was very small. After 1945 it expanded rapidly because of a demand shift. This was mainly the result of a rather drastic change in the Dutch economic order. A collective bargaining economy was created in which the most recent changes in economic variables were discussed at all levels. This historical change boosted the labour market for economists, and the institutions educating them. The main argument of this paper is bold Marshallian economics: for gaining an insight into the construction of the postwar Dutch canon it is essential to deal with the supply reactions of Dutch universities to the 'autonomous' demand shift.

Bert Smid

'Horizontal integration in the Dutch financial sector'

Faculty of Economics
University of Groningen
Postbus 800
9700 AV Groningen

Abstract:

In this paper, the consequences of cross-shareholding in an n-firm industry are analyzed. Our attention is focused on the case where firms have silent interest in each other. These interests can be direct or indirect. We analyze the effects of cross-shareholding on the price-cost margins in a Cournot and a Bertrand setting. In all cases, competition is reduced due to shareholding interlocks. As an example, the Dutch financial sector is used. Comparing the case of shareholding with the case of no-shareholding, the price cost margins are found to be 2% higher in a Bertrand-market, and 13% higher in a Cournot-market.

Jan Tuinstra

'On the equivalence between the overlapping generations model and symmetric exchange economies'

FEE - AKE/Acturiaat & Econometrie
Universiteit van Amsterdam
Roetersstraat 11
1018 WB Amsterdam

Abstract:

We show that equilibrium cycles in an overlapping generations model are equivalent to asymmetric equilibria in an exchange economy that has a certain cyclical symmetry. We apply this result to examples of overlapping generations models with two and three generations, respectively. For the example with two generations we show that for certain parameter values cycles of all periods occur.

Frank van Tulder

'Copayments and the demand for medical services'

Social and Cultural Planning Bureau
P.O. Box 37
2280 AA Rijswijk

Abstract:

We investigate the effect of copayments on the demand of medical services. Using a survey of Dutch households, we are able to control for non-price effects like health status and income. The main remaining problem is the construction of a price variable. Copayments generally have to be paid up to a certain (annual) maximum, which means that uncertainty about the annual consumption causes uncertainty about the level of the average price. We construct an effective marginal price based on the probability of remaining below the annual threshold. Modest price elasticities result, the largest being with GP services (-0.08).

Maarten C.M. Vendrik

'Bandwagon and habit effects on female labor force participation'

FdEW - Algemene Economie
Universiteit Maastricht
Postbus 616
6200 MD Maastricht

Abstract:

This paper develops a dynamic model of bandwagon and habit effects in female labor force participation. The model is used to explain remarkable patterns in the long-run development of the participation rate of married women in the Netherlands and other OECD countries. It is formulated in terms of mesoeconomic (i.e., on the level of social groups) and macroeconomic variables, but it is derived in a systematic (be it approximative) way from an underlying microeconomic labor supply model. A rather general analysis shows that the bandwagon and habit effects on the participation dynamics are essentially different. The nonlinear bandwagon dynamics is shown to imply long-run elasticities of the participation rate with respect to the wage rate and other exogenous variables which vary with the level of the participation rate according to a hump-shaped profile. The implications of such a profile for the long-run dynamics of the participation rate of married women are derived.

Jan Dirk Vlasblom

'Taxes and female labour supply: A decomposition analysis of the differences between the Netherlands and the FRG'

Economisch Instituut/CIAV
Rijksuniversiteit Utrecht
Kromme Nieuwegracht 22
3512 HH Utrecht

Abstract:

In recent years there has been an increasing interest in comparing labour market behaviour in the Federal Republic of Germany and the Netherlands. In both countries female employment rates were rising but the rise in the Netherlands was more pronounced than in the FRG. This paper addresses the question to what degree differences in female labour supply between both countries can be attributed to differences in behaviour, in characteristics, or in the tax and social premium system, respectively.

In this paper a discrete choice model of labour supply in which taxes are incorporated, is estimated for both countries. A similar model is used before by, e.g., Van Soest (1994). The data used for the Netherlands are from the OSA Labour Market Survey, the data used on the Federal Republic of Germany are taken from the German Socio-economic Panel. The estimated models are used to simulate the effects of changes in behaviour, characteristics and the tax and social premium system, and to conduct some decomposition analyses of differences in labour supply between countries and years.

It is shown that changes in female labour supply over time within each country could not be attributed to changes in the tax and social premium system. Decomposing differences between the two countries, it is shown that the Dutch tax and social premium system induces higher female labour supply than the German system does. This holds both for participation and for hours worked. Given behaviour and characteristics, the Dutch system induces a female participation rate that is about 2 to 3 percentage point above the participation rate induced by the German system. The effect on weekly hours worked is very small: the Dutch system does induce a working week of about one hour longer than the German tax and social premium system. However, in all decompositions, the differences in female labour supply can be attributed mainly to differences in behaviour, and the differences in the tax and social premium system are the smallest part. This leads to the conclusion that although the tax and social premium system does have an effect on labour supply, these effects are small when compared to the effects of characteristics and behaviour.

Casper de Vries

'Fee allocation of lawyer services in litigation'

Erasmus Universiteit
Postbus 1738
3000 DR Rotterdam

Abstract:

A general system of fee allocation is developed under the constraint that total litigation costs are borne by the litigants. The parameters of the system comprise the British, American and Quayle's civil justice reform proposal as special cases. If justice is always served, then in the symmetric equilibrium total expenses on lawyer services per trial go down as the costs of legal representation of the loser are shifted to the winner. This is opposite to Quayle's recommendation for civil justice reform which just generates total expenses that are equal to the currently prevailing American system. The British system is unambiguously the most expensive system on a per trial basis; but the number of trials under the British rule is less than under the other fee allocation rules. At the optimum these two effects balance.

Ed W.M.T. Westerhout

'Moral hazard, proportional copayment schemes and deductibles'

Centraal Plan Bureau
Postbus 80510
2508 GM Den Haag

Abstract:

It is well-known that copayments can combat the moral hazard problem in health care. This

paper explores which one of two copayment schemes is more efficient in reducing the costs of health care consumption: proportional copayment schemes, in which the insured pay a fixed percentage of the costs of health care consumption without any limit, or deductibles, which impose an upper limit on copayments, but require the insured to pay 100% of the costs up to this limit. The paper finds that deductibles are a more efficient instrument to reduce health care costs. This finding is robust for a wide range of parameter configurations.

Cees Withagen

'General equilibrium and resource economics'

FEWEC-Economie 4A-35

Vrije Universiteit

De Boelelaan 1105

1081 HV Amsterdam

Abstract:

For a number of reasons a large class of general equilibrium models from the field of resource economics does not allow for an equilibrium analysis along the lines of the theory of infinite dimensional commodity spaces. The reasons concern the choice of the commodity space and the applicability of properness assumptions with respect to preferences and the technology. This paper illustrates the difficulties and shows for a prototype model how the problems can successfully be tackled by the use of a limit argument on equilibria in the truncated economies.

Thomas Zieseimer

'The dynamic trade-theoretic consequences of public investment in the transport infrastructure of transit economies and of environmental taxes'

Maastricht University

MERIT and Department of Economics

P.O. Box 616

6200 MD Maastricht

Abstract:

In this paper we show conditions under which the accumulation of public infrastructure capital over time may shift the specialization of the market equilibrium of a transit economy from the production of goods to the production of services of the transport sector and conditions under which it will not. Moreover, we also show the conditions under which an environmental tax on pollution from transport will shift the specialization back to the production of goods. In the model used, specialization is determined by the productivity of the sectors, the transit volume, the taxes raised for the use of roads, world market prices of goods and transport services, and environmental taxes. Gains from trade are analyzed and comparative-static properties of globalization and tax policy are discussed.

Thomas Zwick

'Why do not all workers acquire skills?'

FdEWB - Algemene Economie
Universiteit Maastricht
Postbus 616
6200 MD Maastricht

Abstract:

Skilled workers earn an increasing rent in recent years with respect to unskilled workers. This is due to a rising skilled wage mark-up and a lower relative unemployment rate. This paper shows the consequences of this imbalance on skilled labour supply and analyzes the impact on welfare. A simple model is constructed with monopolistic competition on the labour market creating rents for skilled workers in adequate positions and unemployment for unskilled workers. It is shown that a higher than compensating monopoly mark-up for skilled workers creates a Pareto-inefficient labour market outcome and overqualification is needed for rent-equalization between the skilled and unskilled labour market. Finally, two policy measures are proposed that can cure over-qualification and even attain adequate full employment for all workers.

Final presentations towards the NAKE diploma**Trea Aldershof**

‘Female labor supply and the demand for housing’

CentER for Economic Research
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

This paper uses data of the 1989 wave of the Dutch Socio-Economic Panel to analyze the relationship between female labor supply and housing consumption. We estimate a conditional demand system with female labor supply and other consumption as the dependent variables and housing consumption as the conditioning good. We conclude that separability of preferences between female labor supply and housing consumption cannot be rejected. Mortgage commitments have a significant positive effect on the labor supply of women.

Jan Fidrmuc

‘Political support for reforms: The role of unemployment and the private sector’

CentER for Economic Research
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

I perform an empirical analysis of the relationship between economics and politics in the countries in transition. The analysis links regional variations in support for reform with the economic effects of reform across regions. It is shown that support for reform is endogenous - the reform engenders constituencies that either support or oppose it. In particular, high unemployment decreases support for parties associated with the reform and increases support for left-wing parties. The emerging private sector in general increases support for reform and reduces support for the communists and extreme left. Imbalance between constituencies supporting and opposing radical economic reform thus explains the electoral failures of proreform parties in some transition countries.

Marinus E. Haaijer

‘Random taste variation MNP models for conjoint experiments’

Bedrijfseconomie
Rijksuniversiteit Groningen
Postbus 800
9700 AV Groningen

Abstract:

We develop a Multinomial Probit model with a specific covariance structure that can be used to estimate conjoint choice models. This model is called the X-factor Probit model and can be used for market-share predictions, which is not possible with the Multinomial Probit model in general, because of the unknown covariance parameters of new products. The model also solves problems related to the identification of the Multinomial Probit model applied to conjoint choice experiments. A taste variation covariance structure is developed that accounts for correlations between alternatives and between choice sets. We show that the model fits the data in an empirical application significantly better than several alternative models, among which a model with similar covariance structure, but that treats the observed choices from all choice sets as independent observations. Also, holdout predictions with the proposed X-factor model are significantly better. Thus, we demonstrate the importance to take correlations between choice sets into account. Finally, we demonstrate that the substantive implications of predictions made with alternative models, in a number of managerially relevant situations, may differ importantly from predictions made with the X-factor Probit model.

Gilbert van Hagen

‘Double dividend or trade-off? Environmental policy in a second-best world’

CentER for Economic Research
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

Environmental policy is usually analysed in a first-best context. In reality, the government often faces serious informational and legal restrictions that reduce the set of available policy instruments, and prevent the implementation of the social planner’s allocation. As a result, the government may face a trade-off between environmental and other policy objectives, which lowers the attractiveness of environmental taxation. However, it has also been argued that -- under second-best considerations -- environmental taxation may bring the government closer to non-environmental policy objectives, and create a "double dividend". In this paper, I analyse the consequences of various administrative constraints (regarding the income and commodity tax system) on the attractiveness of environmental taxes. For this purpose, I use a (static) general equilibrium framework for a closed economy, that allows for heterogeneous preferences and wage differentials. The paper characterizes the conditions for a double dividend or a trade-off to arise, with respect to both the design of optimal environmental taxes as well as an environmental tax reform.

Marco Hoeberichts

‘Why money talks and wealth whispers: Monetary uncertainty and mystique’

FEW - Algemene Economie
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

This paper analyzes the effect of monetary uncertainty on the inflationary bias and the variance of output and inflation. Monetary policy uncertainty is modeled as a shock to the central banker's preference for inflation stabilization relative to output stabilization that cannot be observed by the public. We find that the mean and variance of inflation increase with the variance of this preference shock. However, unlike other studies, we find that monetary uncertainty may very well have a positive effect on output stabilization and therefore also on society's welfare.

Jenke R. ter Horst

'Longitudinal performance analysis of mutual funds'

FEW - Econometrie
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

Empirical studies often suffer from nonrandomly missing observations. If so, inferences based on such samples may be biased due to endogenous selection. In this paper we study this problem in relation to performance evaluation of mutual funds, where survival of the funds is likely to depend upon historical performance. First, we investigate which factors are important in determining the probabilities of mutual fund survival. The results confirm that lagged returns and age of the fund are important determinants. Moreover, common aggregate factors reflecting economy-wide effects cannot be neglected in the survival process. Second, we analyze the effects of the empirical survivorship process on various performance measures through a Monte Carlo experiment. For instance, a simulated sample of fund returns plagued by survivorship, without real performance predictability, appears to have a spurious pattern of performance persistence. Third, it is shown how to correct the different approaches to performance evaluation for survivorship biases by applying techniques based on the survivorship model.

Jos A. Jansen

'Regulating complementary input supply: Cost correlation and limited liability'

CentER for Economic Research
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

The regulator chooses for either a monopolist producing two complementary inputs in fixed proportion, or two independent firms producing one input each. The optimal regulatory choice depends on the correlation between the input production costs, and on the producers' liability structure. Full rent extraction is possible for independent firms with unlimited liability when costs are correlated. Under limited liability monopolistic input supply gives a higher expected welfare whenever the correlation coefficient is sufficiently small and non-negative. For higher

correlation coefficients independent input supply is chosen, and the regulatory scheme is non-monotonic in total costs.

Jan I. Kakes

‘Monetary transmission in a small open economy: A structural VARX analysis for the Netherlands’

FEW - Algemene Economie
Rijksuniversiteit Groningen
Postbus 800
9700 AV Groningen

Abstract:

This paper analyzes monetary transmission for a small, open economy (the Netherlands) that fixes its exchange rate vis-a-vis an anchor country (Germany). We adopt a structural VARX approach: German short-term and long-term interest rates enter a VAR system of inflation, domestic short-term interest, production and money as predetermined variables. Structural shocks to the corresponding MA system are identified with restrictions derived from a theoretical model. The effects of the two exogenous variables are analyzed with dynamic multipliers.

Patricia A.A.H. Kandelaars

‘Combining an applied general equilibrium model and physical flows’

FEWEC - Ruimtelijke Economie
Vrije Universiteit
De Boelelaan 1105
1081 HV Amsterdam

Abstract:

Recently, the use of materials and products has been given attention because of the environmental problems related to this use. The extraction, production and waste treatment of the various materials and products causes problems which may be reduced by imposing (governmental) policies. Several countries have imposed materials or product policies, mainly charges on specific materials and products, and deposit-refund systems (see, OECD, 1994). In the Netherlands the use of materials and product policies is not very widespread, partly because the governmental policy is focused on the self-regulatory capacity of the industry, such as covenants. The flows of materials and products through the economy are mainly studied from a physical or environmental point of view, but the economic and policy side of these flows has not been given much attention. Methods for studying materials and product flows are, for example, materials flow analysis and life cycle assessment (see for an overview, Kandelaars *et al.*, 1996). These methods do generally not take into account economic, behavioural or policy aspects, although these are important for the flows of products and materials. To the contrary most economic models do not consider materials balance conditions or other physical aspects explicitly. This study tries to fill the gap between physical and economic models by analysing the socioeconomic effects of policies on materials and products.

Franc J.G.M. Klaassen

‘A factor regime-switching GARCH model for US dollar exchange rates’

FEW - Econometrie
Katholieke Universiteit Brabant
Postbus 90153
5000 LE Tilburg

Abstract:

This paper develops a multivariate factor regime-switching GARCH model for exchange rates. It takes account of long swings in returns by defining two mean regimes and allows for mean reversion of the swings to some trend. Since GARCH models often lead to poor volatility forecasts, the model contains an extra source of volatility persistence by distinguishing two variance regimes. GARCH effects are allowed within each regime as well as a t-distribution for the error. We apply our model to eight U.S. dollar exchange rates. We find evidence for the long swings and for long-run relative purchasing power parity. Moreover, low-order ARCH models are sufficient to capture all volatility clustering within regimes and normality is rejected in favor of the t-distribution.

Rien H.C. Komen

‘Environmental and economic effects of the Dutch 1996 energy tax’

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Postbus 8130
6700 EW Wageningen

Abstract:

In this paper the environmental and economic effects of the introduction of the unilateral 1996 energy tax in the Netherlands are determined using an applied general equilibrium (AGE) model. The model contains a great level of detail with respect to emissions and environmental indicators (greenhouse effect, acidification, eutrophication and waste) which is helpful for assessing environmental quality. The results show that the introduction of a small environmental tax reform not only raises environmental quality but also non-environmental welfare which is due to an improvement of the efficiency of the tax structure.

Hans van Kranenburg

‘Life expectancy of daily newspapers in the Netherlands: The period 1848-1997’

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6200 MD Maastricht

Abstract:

In this paper we investigate the expected life span of daily newspapers in the Netherlands since 1848, the year freedom of press was written into the Constitution of the Kingdom of the Netherlands. Life expectancy depends on the cyclical evolution of the concentration of daily newspapers through time. The life cycle of the competitive newspaper industry in the Netherlands is characterized by a turning period of turmoil during the second world war. Models that aim at estimating the average life of newspaper that do not acknowledge the cyclical characteristics of the industry are most likely misspecified.

Iman van Lelyveld

'Inflation? Who cares!'

Beleidswetenschappen - Toegepaste Economie
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6500 HK Nijmegen

Abstract:

In the last decennary there has been a veritable explosion of game-theoretic models describing monetary policy. These models have examined the characteristics of policies over a wide range of 'rules of the game'. Regardless of the exact set-up of each model the degree of inflation aversion - compared to unemployment - plays an important role. However, this degree of inflation aversion is never specified. In this paper we will estimate the inflation aversion from survey data. With these estimates we will test some of the underlying assumptions from the various models.

Vincent G.M. Linderhof

'An econometric analysis of household demand for energy and water in the Netherlands'

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9700 AV Groningen

Abstract:

This paper presents a model of household demand for natural gas, electricity and water conditional on a durable appliance stock. In the case of electricity, I explicitly model the electricity pricing options, either the single or the two-part electricity rate, so that the demands for electricity are conditional on the pricing option chosen. Using micro data from the Dutch Consumer Expenditure Surveys, I estimate the reduced form demand equations, as well as the probability of choosing the two-part electricity rate. In the case of natural gas, marginal and interaction effects of different insulation types are estimated. Moreover, price and income elasticities are estimated for different household types.

Richard Nahuis

‘Optimal product variety, scale effects, and growth’

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Abstract:

We analyze the social optimality of growth and product variety in a model of endogenous growth. The model contains two sectors, one assembly sector producing a homogenous consumption good, and one intermediate goods sector producing a differentiated input used in the assembly sector. Growth results from R&D performed by firms in the intermediate goods sector aimed at quality improvement. We disentangle three effects associated with increased variety, namely (i) a productivity effect, (ii) a business stealing effect, and (iii) a growth effect. The market provides too little variety and suboptimally high growth if the productivity effect of variety is large relative to the market power of intermediate goods producers. If varieties are not productive, the market provides too low a rate of growth, whereas variety may be too low as well.

Alex Possajennikov

‘An analysis of a simple reinforcing dynamics: Learning to play an ‘egalitarian’ equilibrium’

CentER for Economic Research
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Abstract:

The paper analyses a simple reinforcing dynamics. The dynamics can be interpreted as a learning dynamics with fixed aspiration level. All payoffs are assumed to be above this aspiration level, therefore all strategies are reinforcing. Different versions of the dynamics exhibit different convergence properties. The analysis starts with one-agent decision problems and proceeds to games. Some results are available for decision problems and simple games. For complex games computer simulations are performed. The hypothesis is that the dynamics favors an "egalitarian" equilibrium even if it does not satisfy other refinements.

Stijn Reinhard

‘Econometric estimation of technical and environmental efficiency: An application to Dutch dairy farms’

Afdeling Landbouw
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2502 LS Den Haag

Abstract:

In this paper we estimate the technical and environmental efficiency of a panel of Dutch dairy farms. Nitrogen surplus, arising from the application of excessive amounts of manure and chemical fertilizer, is treated as an environmentally detrimental input. A stochastic translog production frontier is specified to estimate the output-oriented technical efficiency of each farm. Environmental efficiency is estimated as the input-oriented technical efficiency of a single input, the nitrogen surplus of each farm. The mean output-oriented technical efficiency is rather high, 0.890, but the mean input-oriented environmental efficiency is only 0.376. Intensive dairy farms are both technically and environmentally more efficient than extensive farms.

Xander Tieman

'Bertrand price competition in a social environment'

FEWEC - Econometrie
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Abstract:

In this paper the behavior of producers in a social environment is considered from a more sociological point of view than is usually done in economics. The producers play Bertrand price competition against each other and change the action they played based upon the outcome of the game, according to a metastrategy. This metastrategy is a sociological behavioral rule, based on the notion of fairness or aspiration level. In this way an evolutionary process is specified.

The main result is that the emergence of cooperative behavior can be explained by this evolutionary process which incorporates behavioral rules. The model also shows that occasionally price wars may occur.

Mirjam van der Zouw

'A framework for dynamic modelling of market supply and price formation of Dutch horticultural products'

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Abstract:

At the Agricultural Economics Research Institute a dynamic simulation model is being developed for market supply, market price formation and sector input use for the Dutch glasshouse horticultural sector. In this paper the conceptual model will be discussed. This discussion consists of the overall model structure and the approaches for output supply and input demand and for price formation.

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