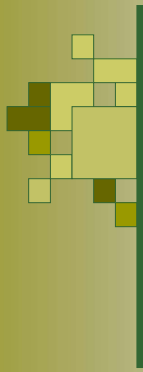


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Information & Research

The Economic Journal

November 2013 Volume 123, Issue 572



Vol 1 : MARCH 2014

Taste-based or Statistical Discrimination:
The Economics of Discrimination Returns
to its Roots

1

Ethnic Discrimination: Lessons from the
Israeli Online Market for Used Cars

2

The Visible Hand:
Race and Online Market Outcomes

3

This article presents an abstract from the
book. Please look full text :

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7

Taste-based or Statistical Discrimination: The Economics of Discrimination Returns to its Roots

They briefly review the evolution of empirical work on discrimination. They discuss why traditional regression-based approaches neither convincingly measure market discrimination nor disentangle the relative importance of animus *versus* statistical discrimination in explaining such discrimination as exists. They describe the development of modern correspondence studies. They argue that these studies have the promise to credibly identify the presence of discrimination if not its magnitude, can inform us about the underlying mechanism generating discrimination and can also point to avenues for new theoretical and empirical work on discrimination. They discuss two articles with exemplary applications of these new methods.

By
Jonathan Guryan and
Kerwin Kofi Charles

Ethnic Discrimination: Lessons from the Israeli Online Market for Used Cars

2

Using a combination of randomised field experiments, follow-up telephone surveys and other data collection efforts, this article studies the extent and the sources of ethnic discrimination in the Israeli online market for used cars. They find robust evidence of discrimination against Arab buyers and sellers which, the analysis suggests, is motivated by 'statistical' rather than 'taste' considerations. They additionally find that Arab sellers manipulate their ethnic identity in the market by leaving the name field in their advertisements blank.

By
Asaf Zussman



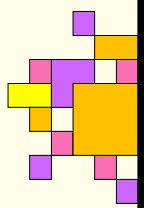
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The Visible Hand: Race and Online Market Outcomes

They examine the effect of race on market outcomes by selling iPods through local online classified advertisements throughout the US. Each advertisement features a photograph including a dark or light-skinned hand, or one with a wrist tattoo. Black sellers receive fewer and lower offers than white sellers, and the correspondence with black sellers indicates lower levels of trust. Black sellers' outcomes are particularly poor in thin markets (suggesting that discrimination may not 'survive' competition among buyers) and those with the most racial isolation and property crime (consistent with channels through which statistical discrimination might operate).

By

Jennifer L. Doleac and
Luke C.D. Stein



ข้อสนเทศการวิจัย

Information & Research

Vol 2 : March 2013

The Econometrics Journal

Volume 16 Issue 1 February 2013 (Pages 1–134)



A heteroskedasticity and autocorrelation robust F test using an orthonormal series variance estimator

1

Instrumental variables estimation and inference in the presence of many exogenous regressors

2

Estimation of spatial autoregressive models with randomly missing data in the dependent variable

3

Standardized LM tests for spatial error dependence in linear or panel regressions

4



A heteroskedasticity and autocorrelation robust F test using an orthonormal series variance estimator

The paper develops a new heteroskedasticity and autocorrelation robust test in a time series setting. The test is based on a series long-run variance matrix estimator that involves projecting the time series of interest onto a set of orthonormal bases and using the sample variance of the projection coefficients as the long-run variance estimator. When the number of orthonormal bases K is fixed, a finite-sample-corrected Wald statistic converges to a standard F distribution. When K grows with the sample size, the usual uncorrected Wald statistic converges to a chi-square distribution. They show that critical values from the F distribution are second-order correct under the conventional increasing smoothing asymptotics. Simulations show that the F approximation is more accurate than the chi-square approximation in finite samples.

By Yixiao Sun

Instrumental variables estimation and inference in the presence of many exogenous regressors

2

They consider a standard instrumental variables model contaminated by the presence of a large number of exogenous regressors. In an asymptotic framework where this number is proportional to the sample size, they study the impact of their ratio on the validity of existing estimators and tests. When the instruments are few, the inference using the conventional 2SLS estimator and associated t and J statistics, as well as the Anderson–Rubin and Kleibergen tests, is still valid. When the instruments are many, the LIML estimator remains consistent, but the presence of many exogenous regressors changes its asymptotic variance. Moreover, the conventional bias correction of the 2SLS estimator is no longer appropriate. They provide asymptotically correct versions of bias correction for the 2SLS estimator, derive its asymptotically correct variance estimator, extend the Hansen–Hausman–Newey LIML variance estimator to the case of many exogenous regressors, and propose asymptotically valid modifications of the J overidentification tests based on the LIML and bias-corrected 2SLS estimators.

By Stanislav Anatolyev



3

Estimation of spatial autoregressive models with randomly missing data in the dependent variable

They suggest and compare different methods for estimating spatial autoregressive models with randomly missing data in the dependent variable. Aside from the traditional expectation-maximization (EM) algorithm, a nonlinear least squares method is suggested and a generalized method of moments estimation is developed for the model. A two-stage least squares estimation with imputation is proposed as well. They analytically compare these estimation methods and find that generalized nonlinear least squares, best generalized two-stage least squares with imputation and best method of moments estimators have identical asymptotic variances. These methods are less efficient than maximum likelihood estimation implemented with the EM algorithm. When unknown heteroscedasticity exists, however, EM estimation produces inconsistent estimates. Under this situation, these methods outperform EM. They provide finite sample evidence through Monte Carlo experiments.

By Wei Wang and Lung-Fei Lee

Standardized LM tests for spatial error dependence in linear or panel regressions

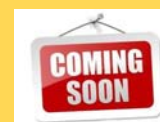
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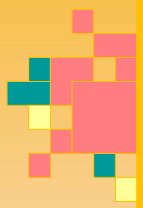
The robustness of the Lagrange Multiplier (LM) tests for spatial error dependence of [Burridge \(1980\)](#) and [Born and Breitung \(2011\)](#) for the linear regression model, and [Anselin \(1988\)](#) and [Debary and Etur \(2010\)](#) for the panel regression model with random or fixed effects are examined. While all tests are asymptotically robust against distributional mis-specification, their finite sample behaviour may be sensitive to the spatial layout. To overcome this shortcoming, standardized LM tests are suggested. Monte Carlo results show that the new tests possess good finite sample properties. An important observation made throughout this study is that the LM tests for spatial dependence need to be both mean- and variance-adjusted for good finite sample performance to be achieved. The former is, however, often neglected in the literature.

By Badi H. Baltagi and Zhenlin Yang

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Information & Research

National Tax Journal

Volume 66, No. 4 December 2013



Vol 1 : Apr. 2014

Special Report

Expert and Public Attitudes Towards Tax Policy 2013, 1994, and 1934

1

Evaluating Broad based Approaches for Limiting Tax Expenditures

2

Income Taxes and Compliance Costs : How Are They Related?

3

Changes in the Organization of Business Activity and Implications for Tax Reform

4



1

Expert and Public Attitudes Towards Tax Policy 2013, 1994, and 1934

What do tax policy “experts” think about tax policy issues, and why do these views differ so strikingly from those held by the general public? To explore these questions, they examine the results of a recent survey of tax policy experts who are members of the National Tax Association (NTA). They compare those responses to two previous surveys—one conducted in 1994 of NTA members and the other in 1934 of U.S. public finance professors. They also survey the general public on a subset of the questions asked of the NTA members, and discover a large divergence between the answers of the NTA respondents and those of the public. They suspect, but cannot prove, that part of the divergence arises because experts are trained to think of policy changes in a balanced-budget framework, so that supporting a tax cut must also mean raising some other tax or cutting some government expenditures. Absent that connection, lower taxes and narrow bases can indeed look attractive.

By
Diane Lim, Joel Slemrod, and
Eleanor Wilking

Evaluating Broad based Approaches for Limiting Tax Expenditures

2

This paper examines six options to achieve across-the-board reductions to a group of major exclusions and deductions in the income tax: (1) limiting their tax benefit to a maximum percentage of income; (2) imposing a fixed dollar cap; (3) reducing them by a fixed-percentage amount; (4) limiting their tax saving to a maximum percentage of their dollar value; (5) replacing preferences with fixed rate refundable credits; and (6) including them in the base of the existing Alternative Minimum Tax (AMT). The Authors discuss issues of design, implementation, and administration, and simulate the revenue, distributional, and incentive effects of the various options.

By
Eric J. Toder, Joseph Rosenberg,
and Amanda Eng



3

Income Taxes and Compliance Costs : How Are They Related?

This paper examines the relationship between tax complexity and income tax compliance costs through the development and use of econometric models based on a mix of survey and tax administration data. The models are used to analyze compliance cost differences in taxpayer characteristics and return complexity.

By

Rosemary Marcuss, George Contos, John Guyton,
Patrick Langetieg, Allen Lerman, Susan Nelson,
Brenda Schafer, and Melissa Vigil

Changes in the Organization of Business Activity and Implications for Tax Reform

4

They review the changing economic significance of various business entity types since the Tax Reform Act of 1986 (TRA86) and the implications of these changes for the design of tax policy. In particular, they focus on the increased role of pass-through entities and the declining significance of the taxable corporate form. Their analysis suggests that significant reductions in the corporate tax rate, absent changes in the personal tax rate, will likely reverse the organizational form incentives that have existed since TRA86. Further, if the loss in revenue from a rate reduction is offset by a broadening of the tax base, most business entities, comprising most business income, are likely to face an overall increase in their tax burden.

By
Geprge A. Plesko and
Rric J. Toder

This article presents an abstract from the book.

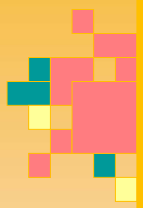
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Information & Research

National Tax Journal

Volume 66, No. 4 December 2013



Vol 2: Apr. 2014

Special Report

Small Business, Innovations, and Tax
Policy : A Review

5

New Perspectives on Income Mobility and
Inequality

6

Recent Income Trends for Top Executives:
Evidence from Tax Return Data

7

Revenue Cycles and Risk-Sharing in Local
Governments: An Analysis of State Rainy
Day Funds

8



5

Small Business, Innovations, and Tax Policy : A Review

Small business occupy a significant role in policy debates. This paper reviews evidence relating to tax policy, small businesses, innovation, and entrepreneurship. The author provide background information on the small business sector and alternative business definitions. The author examine evidence suggesting that job growth and innovation tends to occur in young firms, which typically start off small, rather than in small firms per se. The author review how a wide variety of tax policies influence entrepreneurial activity. The key issue for policy makers going forward appears to be targeting incentives on young firms as opposed to small firms.

By
William Gale and
Samuel Brown

New Perspectives on Income Mobility and Inequality

6

This study examines several dimensions of income mobility and inequality-mobility of individuals through their peak earnings years, intergenerational mobility, and persistence in the top 1 percent. Its main findings can be summarized as follows. Half of those age 35-40 in the bottom quintile of their cohort moved to higher quintiles 20 years later; over 60 percent moved up relative to the full population. About 70 percent of dependents from low-income households were themselves in higher quintiles 20 years later. Younger generations gradually replaced those that dominated the top percentile in 1987. The results show the importance of life cycle effects and the changing composition of top income groups.

By
Gerald Auten, Geoffrey Gee,
and Nicholas Turner



7

Recent Income Trends for Top Executives: Evidence from Tax Return Data

The author examine income trends for top executives, focusing on the years 2000 to 2010, with special emphasis on the period surrounding the Great Recession. First, the author merge Execucomp executive compensation records with IRS tax records. The author compare incomes from their Execucomp sample to top incomes reported by Piketty and Saez (2003). The author disaggregate executive income trends by industry, showing which industries are driving the divergence in top executive incomes. The author compare their results to findings from Bakija, Coke, and Heim (2010) and Kaplan and Rauh (2010), who examine trends in top incomes for broad occupation and industry categories for years prior to the Great Recession. The author also decompose these income trends by income source to see which components are driving the observed changes.

Recent Income Trends for Top Executives: Evidence from Tax Return Data

The author find that stock options are by far the most volatile component of executive pay. Options are the Key driver of both short-term swings and longer-term trends in top executive pay. However, stock awards are also a large and growing component. The author find much greater variation in income across years than across industries. Executive incomes are most volatile at the very top of income distribution. In general, trends for top executives in finance and non-finance industries are quite similar; however; for those above the 99.9th percentile of the income distribution, the decline in income from 2006 to 2009 was much more pronounced for executives in finance.

By
Seth H. Giertz and
Jacob A. Mortenson



8

Revenue Cycles and Risk-Sharing in Local Governments: An Analysis of State Rainy Day Funds

Rainy day funds are one of the primary tools that state and local policymakers employ to dampen the effects of downturns. However, since state business cycles are not perfectly synchronized, theoretically there fiscal resources over the business cycle. In this paper, should be risk-sharing benefits to governments who pool their the author explore the issues associated with local government risk-sharing and provide estimates of the potential benefits to state governments. Their results suggest that a national rainy day fund would provide considerable fiscal benefits to state governments at a lower price than self-insuring through their own rainy day funds.

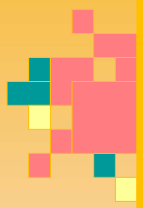
By
Erick M. Elder
and Gary A. Wagner

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Information & Research

National Tax Journal

Volume 67, No. 1

March, 2014



Vol 1 : May. 2014

Fiscal Zoning and Sale Taxes: Do Higher Sales Taxes Lead to More Retailing and Less Manufacturing ?

1

Ranking Up by Moving Out: The Effect of the Texas Top 10% Plan on Property Values

2

Implicit "Debt Capitalization in Local Housing Prices: An Example of Unfunded Pension Liabilities

3

The Issuance of State and Local Debt During the United States Great Recession

4

The Effect of Insurance Premium Taxes on Interstate Differences in the Size of the Property-Casualty Insurance Industry

5



7

Fiscal Zoning and Sale Taxes: Do Higher Sales Taxes Lead to More Retailing and Less Manufacturing ?

Using data from Florida counties, They test the hypothesis that local government officials in jurisdictions that have higher local sales taxes are more likely to use fiscal zoning to attract retailing. They find that total retail employment is not significantly affected by local sales tax rates, but employment in big box and anchor stores rises significantly in jurisdictions where sales tax rates increase. They also find that manufacturing employment falls significantly in these jurisdictions. These results suggest that local officials in jurisdictions with higher sales tax rates concentrate on attracting large stores and shopping centers, and that their efforts crowd out manufacturing. Their results suggest that an increase of 1 percentage point in a county-level local sales tax rate will result in 258 additional retail jobs and the loss of 838 manufacturing jobs.

Daria Burnes, David Neumark,
and Michette J. White

Ranking Up by Moving Out: The Effect of the Texas Top 10% Plan on Property Values

Texas engaged in a large-scale policy experiment when it instituted the Top 10% Plan. This policy guarantees automatic admission to their state university of choice for all high school seniors who graduate in the top decile of their high school class. The authors find evidence that households reacted strategically to this policy by moving to neighborhoods with lower-performing schools, increasing property values in those areas. The effect is strongest among schools that were very low-performing before the change in policy. The authors also find evidence that these strategic reactions were influenced by the number of local schooling options available, as these effects of the Top 10% Plan were weaker in areas that fewer school choices.

Kalena E. Cortes and Andrew I. Friedson



3

Implicit “Debt Capitalization in Local Housing Prices: An Example of Unfunded Pension Liabilities

He analyze the response of individual housing sales prices to negative information or “news” about local public debt levels and their underlying impact on the provision of public goods and services. In February 2004, it was announced that rising levels of unfunded liabilities for the San Diego City Employees’ Retirement System (SDCERS) were higher than previously perceived. Comparing the sales of homes on both sides of the city boundary before and after the shock occurred, he find the “news” led to a 2.5-3.7 percent decrease in housing sales prices in San Diego City over the four years following the announcement. This result implies overcapitalization of the unfunded pension liabilities, where the impact on home values is greater than the residents’ financial burden from the unfunded liabilities.

Robert C. MacKay



4

The Issuance of State and Local Debt During the United States Great Recession

This research explores the borrowing behavior of state and local governments between 2008 and 2010, a period that encompasses the Great Recession. State and local governments continued to borrow markedly during this period of severe fiscal stress. Following an overview of state-local debt and subnational government borrowing, they present a statistical analysis of the demographic, economic, political, and institutional factors that influenced interstate differences in borrowing and that the availability of Build America Bonds contributed to an increase in borrowing during this period.

Ronald C. Fisher and
Robert W. Wassmer



5

The Effect of Insurance Premium Taxes on Interstate Differences in the Size of the Property-Casualty Insurance Industry

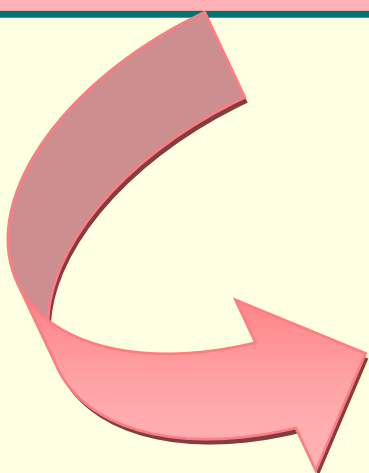
States levy insurance premium taxes, which are essentially gross receipt taxes on premiums, with insurers paying the higher of the tax rate in the state in which the company is domiciled and the state in which the policy is written. Using a state-level panel data set from 1996-2010 for the property-casualty insurance industry, the paper explores the effect of insurance premium tax rates on interstate differences in property-casualty insurance industry employment and other measures of industry size. While the estimated elasticities of industry size with respect to the tax rate differ across models, the results indicate that the insurance premium tax has a large, negative, and economically significant effect on the size of the insurance industry in a state.

Martin F. Grace, David L. Sjoquist, and Laura Wheeler

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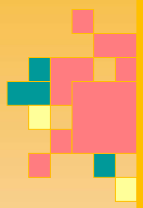


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Information & Research

National Tax Journal

Volume 67, No. 1



Vol 2, May. 2014

Unemployment Compensation During the Great Recession: Theory and Evidence

1

A Short Review of Recent Evidence on the Disincentive Effects of Unemployment Insurance and New Evidence from New York State

2

Financing Unemployment Insurance

3



7

Unemployment Compensation During the Great Recession : Theory and Evidence

The extreme labor market weakness during and after the Great Recession led to the passage of extensive federal legislation related to unemployment compensation. In this paper, The authors summarize that legislation and some of the research related to it. Although their particular focus is on the very long potential durations of benefits (up to 99 weeks) initially implemented in 2008-2009, the authors also look at a variety of other initiatives. Most of the research the authors review comes from the United States. But the authors also provide a brief look at the vast European literature that addresses many of the same policy issues.

Walter Nicholson, Karen Needels, and Heinrich Hock

A Short Review of Recent Evidence on the Disincentive Effects of Unemployment Insurance and New Evidence from New York State

This paper examines two sets of evidence on the effects of unemployment insurance (UI). First, the authors two discuss two recent lines of research on the effects of UI, one of which argues that UI is more welfare enhancing than previously thought, and a second that suggests that its distortions are often larger than previously argued. The authors point out limitations in each research program, but conclude that both significantly advance their knowledge. Second, the authors summarize the evidence on the effect of UI on claim duration from a 36 percent increase in the maximum weekly benefit in New York State. This policy change sharply increased benefits for a large group of claimants, while leaving them unchanged for a large share of claimants who provide a natural comparison group. The New York benefit increase has the special features that it was unexpected and applied to in-progress spells. These features allow the effects on



A Short Review of Recent Evidence on the Disincentive Effects of Unemployment Insurance and New Evidence from New York State

Duration to be more convincingly separated from effects on incidence. The results show a fall in the hazard of leaving UI that coincides with the increase in benefits. The estimated unemployment duration elasticities with respect to the UI benefit range from 0.1-0.2, towards the low end of past estimates. The authors do not find larger effects for those who are more likely to be liquidity constrained. The authors also examine the extent of bias in standard methods that identify duration effects through nonlinearities in the benefit schedule, finding mixed results.

Bruce D. Meyer and Wallace K. C. Mok



3

Financing Unemployment Insurance

Following the Great Recession, the unemployment insurance (UI) trust funds in most states became insolvent, requiring the states to borrow from the U. S. Department of the Treasury to finance benefit payments. This article describes the basics of UI financing and reviews the origins of the financial crisis facing the federal-state UI system. It then examines the main components of the UI payroll tax—the taxable wage base and the experience-rated payroll tax—and considers how these might be modified to avoid future widespread insolvency. The authors conclude with some speculative remarks on the future of UI financing.

Wayne Vroman and
Stephen A. Woodbury



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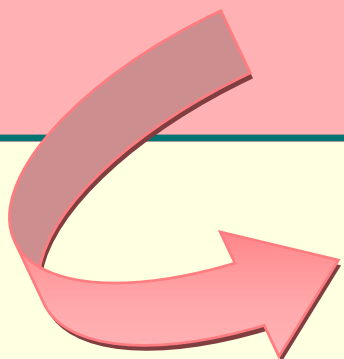
THE ECONOMIC EFFECTS OF UN

EMPLOYMENT INSURANCE

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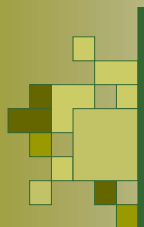


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Information & Research

The Economic Journal

JUNE 2014 VOLUME 124, ISSUE 577

PAGES 701–886



Report

Vol 1 : June 2014

1. Central Bank Communication on Financial Stability
2. Non-parametric Analysis of Multi-output Production with Joint Inputs
3. Price Discrimination in Input Markets: Quantity Discounts and Private Information
4. Do Entry Regulations Deter Entrepreneurship and Job Creation? Evidence from Recent Reforms in Portugal
5. Replacing Trust with Control: A Field Test of Motivation Crowd Out Theory
6. Culture, Geography and Institutions: Empirical Evidence from Small-scale Banking

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Central Bank Communication on Financial Stability

Central banks regularly communicate about financial stability issues. This article asks how such communications affect financial markets, based on a unique dataset covering more than 1,000 releases of Financial Stability Reports (FSRs) and speeches by 37 central banks over the past 14 years. The findings suggest that optimistic FSRs lead to significant and potentially long-lasting positive abnormal stock market returns, whereas no such effect is found for pessimistic FSRs. Speeches and interviews, in contrast, have smaller effects on market returns during tranquil times but have been influential during the 2007-10 global financial crisis.

By
Benjamin Born¹,
Michael Ehrmann^{2,*} and
Marcel Fratzscher³

Non-parametric Analysis of Multi-output Production with Joint Inputs

2

The authors focus on analysing cost minimising production behaviour in multi-output settings. The authors distinguish between two approaches for modelling the use of joint inputs. The cooperative approach assumes cost minimisation at the aggregate firm level, while the non-cooperative approach assumes cost minimisation at the level of the individual output division. Their framework extends the existing non-parametric framework for analysing single output production. An empirical application to the English and Welsh drinking water and sewerage sector shows the practical usefulness of their framework. Specifically, The authors compare the empirical validity of the cooperative and non-cooperative models for describing the observed production behaviour.

By
Laurens Cherchye¹,
Thomas Demuynck¹,
Bram De Rock^{2,*} and
Kristof De Witte³



3

Price Discrimination in Input Markets: Quantity Discounts and Private Information

The authors consider a monopolistic supplier's optimal choice of wholesale tariffs when downstream firms are privately informed about their retail costs. Under discriminatory pricing, downstream firms that differ in their ex ante distribution of retail costs are offered different tariffs. Under uniform pricing, the same wholesale tariff is offered to all downstream firms. In contrast to the extant literature on price discrimination with non-linear wholesale tariffs, The authors find that banning discriminatory wholesale contracts often improves welfare. This also holds if the manufacturer is not an unconstrained monopolist. Moreover, uniform pricing increases downstream investments in cost reduction in the long run.

By
Fabian Herweg¹ and
Daniel Müller²,

Do Entry Regulations Deter Entrepreneurship and Job Creation? Evidence from Recent Reforms in Portugal

4

The authors evaluate the consequences of a recent regulatory reform in Portugal, which substantially reduced the cost of firm entry. Their analysis uses matched employer-employee data, which provide unusually rich information on the characteristics of founders and employees associated with new firms before and after the reform. The authors find that the short-term consequences of the reform were as one would predict with a standard economic model of entrepreneurship: the reform resulted in increased firm formation and employment, but mostly among 'marginal firms' that would have been most readily deterred by existing heavy entry regulations. These marginal firms were typically small, owned by relatively poorly educated entrepreneurs, and operating in low-technology sectors (agriculture, construction and retail trade). In comparison to firms that entered in the absence of the reform, these marginal firms were less likely to survive their first two years.

By

Lee Branstetter¹, Francisco Lima², Lowell J. Taylor³ and Ana Venâncio⁴,



5

Replacing Trust with Control: A Field Test of Motivation Crowd Out Theory

Results in behavioural economics suggest that material incentives can crowd out motivation if agents are mission-oriented rather than self-interested. The authors test this prediction on a sample of non-profit organisations in Sweden. Traditionally, contracts with the main principal (the Swedish foreign aid agency) have been based on trust and self-regulation. The authors designed a randomised policy experiment, effectively replacing the trust-based contract with an increased level of monitoring from the principal. Overall, using both self-reported and observed measures of outreach, The authors find that the intervention increased outreach, reduced expenditures and reduced the number of financial irregularities.

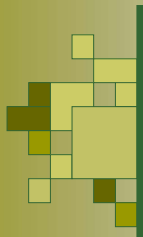
By
Niklas Bengtsson^{1,*} and
Per Engström²

Culture, Geography and Institutions: Empirical Evidence from Small-scale Banking

6

In this article, author explore one of the channels through which culture may directly affect economic activities. Author find evidence that common cultural heritage has a statistically and economically significant effect on cross-border bank loans (even after geographical closeness and institutional convergence have been taken into account) flowing from Austria's local and regional banks to clients residing in one of the neighbouring Eastern European EU member states. To compile formal statistical evidence that common culture plays a role in cross-border bank lending, Author developed a new instrument of cultural distance that measures Austria's cultural proximity to its neighbouring Eastern European countries.

By
Franz R. Hahn



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Information & Research

The Economic Journal

DECEMBER 2013

VOLUME 123, ISSUE 573



Report

Vol 1: July 2014

The Effect of Ambiguity Aversion on Insurance and Self-protection

1

The Impact of Minimum Wages on Labour Market Transitions

2

Who Pays for it? The Heterogeneous Wage Effects of Employment Protection Legislation

3

The Effects of Retail Regulations on Prices: Evidence from the Loi Galland

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7

The Effect of Ambiguity Aversion on Insurance and Self-protection

In this article, the authors derive a set of simple conditions such that ambiguity aversion always raises the demand for self-insurance and the insurance coverage, but decreases the demand for self-protection. The authors also characterise the optimal insurance design under ambiguity aversion and exhibit a case in which the straight deductible contract is optimal as in the expected utility model.

By
David Alary^{1,*},
Christian Gollier² and
Nicolas Treich³

The Impact of Minimum Wages on Labour

2

The authors investigate differences in labour market transition rates between high and low minimum wage regimes using Canadian data spanning 1979–2008. The authors find that higher minimum wages result in lower hiring rates but also lower job separation rates. Importantly, the reduced separation rates are due mainly to reductions in layoffs, occur in the first six months of a job and are present for unskilled workers of all ages. Thus, jobs in higher minimum wage regimes are more stable but harder to get. For older workers, these effects are almost exactly offsetting, resulting in little impact on the employment rate.

By
Pierre Brochu and
David A. Green



3

Who Pays for it? The Heterogeneous Wage Effects of Employment Protection Legislation

This study estimates the effect of employment protection legislation on wages, exploiting the 1990 Italian reform that introduced unjust dismissal costs for firms below 15 employees. The authors find that the slight average wage reduction induced by the reform hides highly heterogeneous effects. Workers who change firm during the reform period suffer a drop in the entry wage, while incumbent workers are left unaffected. Also, the negative effect of the reform is stronger for young blue collars, low-wage workers and workers in low-employment regions. This pattern suggests that the ability of employers to shift firing costs onto wages depends on workers' relative bargaining power.

By
Marco Leonardi and
Giovanni Pica

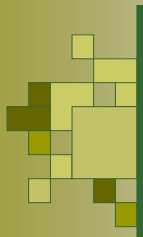
The Effects of Retail Regulations on Prices: Evidence from the Loi Galland

4

Using a unique data set merging micro-store level data with grocery markets data, this article provides an empirical analysis of a legislation that had the same effect as allowing industry-wide price floors. It shows that, after the introduction of the legislation, the link between retail prices and market concentration has significantly been weakened. Price dispersion has dropped for branded products more than for store brands and price convergence appears to have taken place across stores. These results are consistent with recent theories on the anti-competitive effects of resale price maintenance in markets with interlocking relationships.

By
Pierre Biscourp¹, Xavier Boutin² and
Thibaud Vergé^{3,*}

NEXT VOL. 2



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Information & Research

The Economic Journal

DECEMBER 2013

VOLUME 123, ISSUE 573



Report

Vol 2: July 2014

Understanding Trust

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Saudi Arabia and the Oil Market

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Does Land Abundance Explain African
Institutions?

3

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book. Please look full text :

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7

Understanding Trust

The World Values Survey (WVS) question on trust has been widely used to study the economic effect of trust. Recent work, however, questions its validity as an accurate measure of trust by showing that it is not correlated with the sender's behaviour in the Berg et al. trust game. What measure then should we trust to measure trust? In this article, we argue that the sender's behaviour in a trust game is driven both by beliefs and by preferences. In contrast, WVS-like measures capture mostly the belief-based component of a trust game.

By
Paola Sapienza, Anna
Toldra-Simats and Luigi
Zingales

Saudi Arabia and the Oil Market

2

In this study, the authors document two features that have made Saudi Arabia different from other oil producers. First, it has typically maintained ample spare capacity. Second, its production has been quite volatile even though it has witnessed few domestic shocks. These features can be rationalised in a general equilibrium model in which the oil market is modelled as a dominant producer with a competitive fringe. The authors show that the net welfare effect of oil tariffs on consumers is null. The reason is that Saudi Arabia's monopolistic rents fall entirely on fringe producers.

By
Anton Nakov¹ and
Galo Nuño^{2,*}



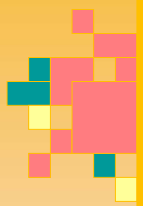
3

Does Land Abundance Explain African Institutions?

The land abundance view of African history uses sparse population to explain pre-colonial land tenure and slavery. Author document the geographical forcing variables that predict land rights, slavery and population density in a cross section of global societies. Author discuss whether these correlations support theories of land rights and slavery, including the land abundance view. Author show that pre-colonial institutions predict institutional outcomes in Africa in the present, including land transactions, polygamy and public goods. Pre-colonial institutions have effects above those of geography. The colonial reversal of fortune did not erase their influence.

By
James Fenske





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Information & Research

National Tax Journal

Volume 67, No. 2

June, 2014



Vol 1 : Aug. 2014

CALCULATING THE OPTIMAL SMALL
BUSINESS EXEMPTION THRESHOLD
FOR A U.S. VAT

1

SWITCHING ON THE LIGHTS: DO HIGHER
INCOME TAXES PUSH ECONOMIC ACTIVITY
INTO THE SHADE?

2

DOES INCREASING AVAILABLE
NON-TAX ECONOMIC DEVELOPMENT
INCENTIVES RESULT IN MORE JOBS?

3

INCOME TAXATION AND BUSINESS IN-
CORPORATION: EVIDENCE FROM THE EARLY
TWENTIETH CENTURY

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THE EFFECTS OF THE TAXATION OF
SOCIAL SECURITY BENEFITS ON OLDER
WORKERS' INCOME AND CLAIMING
DECISIONS

5



1

CALCULATING THE OPTIMAL SMALL BUSINESS EXEMPTION THRESHOLD FOR A U.S. VAT

Most countries with a VAT have an exemption for small businesses that have taxable sales below a certain threshold. Businesses below the threshold do not have to file VAT returns and charge VAT on their sales but generally still pay VAT on their purchases. The exemption reduces both compliance costs for small businesses and administrative costs for the government. In 2007, only five out of the 29 OECD countries with a VAT do not have such a threshold.

The theoretical framework developed by Keen and MintZ (2004) characterizes the optimal threshold by accounting for the trade-off between tax revenues and collection costs. The authors apply this framework to individual firm data for the United States to develop the first published measure of an optimal U.S. threshold. Because the United States does not have a VAT, the authors instead estimate the VAT base for each business from income tax filings. The authors model compliance and administrative costs by applying research on foreign VAT costs to domestic business characteristics.

Using 2007 data, the authors estimate that the optimal threshold for a 10 percent broad-based VAT in the United States would be \$200,000 . This threshold would reduce the number of businesses required to register for a VAT by 89 percent or by some 43 million businesses. This reduces total administrative and compliance costs by approximately \$28 billion while not reducing expected tax revenues. Most Schedule E,F,C filers and partnerships are below this threshold. ...

Edith Brashares, Matthew Knittel, Gerald Silverstein, and Alexander Yuskavage

SWITCHING ON THE LIGHTS: DO HIGHER INCOME TAXES PUSH ECONOMIC ACTIVITY INTO THE SHADE?

2

This paper examines the effect of the global movement toward lower corporate income tax rates on the size of the shadow economy. The paper revives the traditional electricity consumption approach to measuring the shadow economy. It overcomes the limitations of previous literature using this approach by adopting a new functional form with appropriate control variables, a larger sample of 170 countries, and a longer time span of 25 years. The model is estimated in a panel framework with country fixed effects and instrumental variables. The authors find evidence that the corporate tax rate plays a more important role in determining shadow economic activity than suggested by the previous literature; their estimated elasticities range from 0.58—1.26 depending on specification. Using the baseline estimate, their results suggest that a 1% increase in the top statutory corporate income tax rate leads to a 0.78 % increase in shadow economic activity. The results are also consistent with evidence from the corporate taxable income elasticity literature, which generally finds that firms respond to the corporate income tax rate in ways that reduce their reported taxable income. Recent evidence of much larger elasticities among German corporations with greater income shifting opportunities is particularly consistent with their findings. ...

Denvil Duncan and Klara Sabirianova Peter



3

DOES INCREASING AVAILABLE NON-TAX ECONOMIC DEVELOPMENT INCENTIVES RESULT IN MORE JOBS?

This paper examines the job creation effects of state and local non-tax incentives for capital investment, which are relatively understudied in the literature. The paper's primary contribution is the creation of an Incentive Environment Index (IEI) from governmental entities to old private enterprises. Comparing estimation results across methods reveals that unobserved heterogeneity results in overstatement of policy effects. The most robust estimates indicate that increasing the ability of governments to aid private enterprise has a significant negative medium-term effects on rural county employment levels but otherwise has no effect on employment levels or growth.

Carlianne Patrick



4

INCOME TAXATION AND BUSINESS INCORPORATION: EVIDENCE FROM THE EARLY TWENTIETH CENTURY

A differential between the corporate income tax rate and the personal income tax rates applied to non-corporate income can play an important role in a firm's choice of organizational form. The impact and interdependency of income tax incentives are crucial factors in the design of efficient tax policies. In this paper he exploit the variation in income taxes across U.S. states in the early 20th century to estimate these sensitivities. The potential endogeneity of state taxes is addressed using an instrumental variables approach. The results demonstrate that the relative taxation of corporate to personal income has a significant impact on the corporate share of economic activities. On average, a ten percentage point increase in the corporate tax rate is associated with a 0.2 to 0.3 % decrease in the corporate share of economic activities, while a 10 percentage point increase in the personal income tax rates applied to non-corporate income raises the corporate share of economic activities by 0.5 to 0.6%.

Li Liu



5

THE EFFECTS OF THE TAXATION OF SOCIAL SECURITY BENEFITS ON OLDER WORKERS' INCOME AND CLAIMING DECISIONS

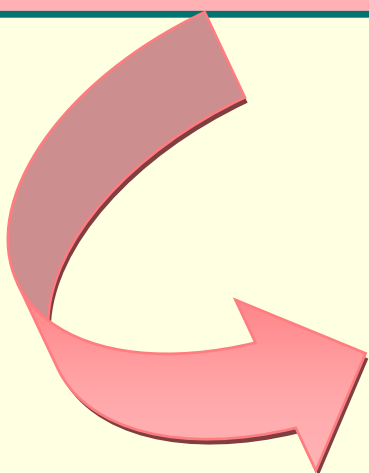
Social Security benefits are taxed under a complex regime that raises marginal effective tax rates by up to 85 %, which could discourage the labor supply of older workers and affect the decision to claim benefits. Using a nonparametric graphical methodology, this paper investigates whether older taxpayers reduce income to avoid the tax. While previous research found that the labor supply of older workers is significantly affected by the Social Security earnings test, they find little evidence of a response to benefit taxation in a large panel of data compiled from individual income tax and information returns. Similarly, while taxation of benefits provides an incentive for many to delay claiming, they find no evidence of such an effect. Overall, the findings suggest that older taxpayers have little understanding of the rules governing Social Security benefit taxation.

Leonard E. Burman, Norma B.
Coe, Kevin Pierce, and Liu Tian

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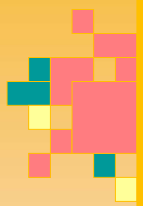
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Information & Research

National Tax Journal ,
June 2014 , 67(2)



Vol 2, Aug. 2014

*Forum: Effects of
Taxation
on the Elderly*

John W. Diamaon
Forum Editor



1

As the percentage of the population nearing or in retirement increases, the effects of taxation on the behavior of such individuals will be an increasingly important issue. The June 2014 NTJ Forum includes two papers that discuss the effects of taxation on the behavior of those near or in retirement. In particular, the papers focus on how Social Security affects older individual's decisions about how much to work and when to claim retirement benefits.

In the first paper, the authors summarize recent work on the effects of taxation on the labor supply of older individuals and examine how their labor supply changed in response to the removal of the Social Security earnings test. In the second paper, the authors examine whether the taxation of Social Security benefits affects the labor supply decisions of the elderly or the timing of benefit claims near retirement.

In the first paper, the authors begin by describing the Social Security earnings test prior to 2000 and how the Senior Citizens Freedom to Work Act of 2000 changed the earning test. Then they discuss the recent literature that examines the effect of the Social Security earnings test on the labor supply of older individuals. They report that for men ages of 65 to 69, the recent literature suggests an 8 to 20 % increase in earnings and a 5 to 16% increase in hours. They report that for women ages 65 to 69 who claim benefits on their own earnings the repeal of the Social Security earnings test increased earnings by 20 %, and that for women who claimed benefits based on their husband's earnings there was no increase in earnings. They argue that the repeal of

The Social Security earnings test for those ages 65 to 69 had very little impact on labor force participation. For Engelhardt and Kumar find compensated elasticities of labor supply that range from 0.05– 0.12 and conclude that labor supply is inelastic if the earnings test is viewed as a pure tax on earnings. However, they note that under an alternative view, in which the effective marginal tax rates are less than the statutory claw-back rates, the estimates would represent a lower bound on the compensated elasticity.

In the second paper, the authors examine whether the taxation of Social Security benefits affects the labor supply decisions of the elderly or the timing of benefit claims near retirement. They begin by noting that the taxation of Social Security benefits is complex and raises the marginal effective tax rate by up to 85 %. They use administrative data on tax returns to examine whether there is bunching around kink points at various points in an individual's budget constraint. Their results suggest that there is no evidence of bunching around kink points for the entire population, and that there is only a very small response for single self-employed taxpayers, who are widely believed to have more flexibility to adjust income and other factors to locate near kink points in the budget constraint. They also find no evidence that the taxation of benefits has an impact on the decision of when individuals choose to claim benefits. They conclude that the taxation of benefits may be similar to a lump-sum tax, although they also note that the complexity of the program may increase uncertainty and thus reduce welfare.



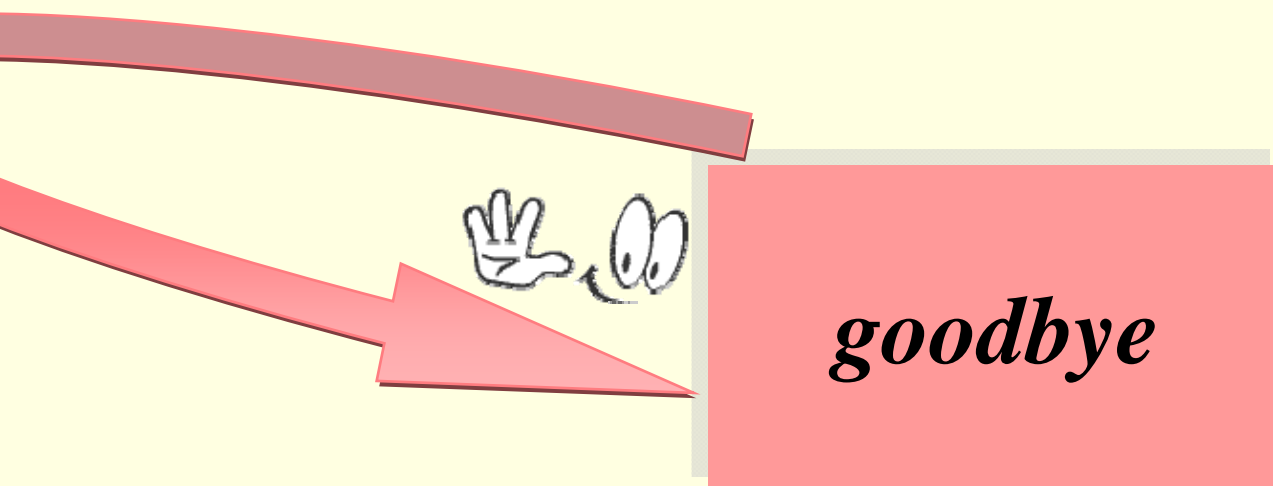
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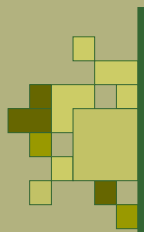
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Information & Research

The Economic Journal

VOLUME 124, ISSUE 577,
JUNE 2014



Report

Vol 1: Aug. 2014

Central Bank Communication on
Financial Stability

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Non-parametric Analysis of Multi-
output Production with Joint Inputs

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Price Discrimination in Input
Markets: Quantity Discounts and
Private Information

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Do Entry Regulations Deter Entrepre-
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from Recent Reforms in Portugal

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Replacing Trust with Control: A Field Test
of Motivation Crowd Out Theory

5

Culture, Geography and Institutions: Em-
pirical Evidence from Small-scale Banking

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book. Please look full text :

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7

Central Bank Communication on Financial Stability

Central banks regularly communicate about financial stability issues. This article asks how such communications affect financial markets, based on a unique dataset covering more than 1,000 releases of Financial Stability Reports (FSRs) and speeches by 37 central banks over the past 14 years. The findings suggest that optimistic FSRs lead to significant and potentially long-lasting positive abnormal stock market returns, whereas no such effect is found for pessimistic FSRs. Speeches and interviews, in contrast, have smaller effects on market returns during tranquil times but have been influential during the 2007-10 global financial crisis.

By
Benjamin Born,
Michael Ehrmann

Non-parametric Analysis of Multi-output Production with Joint Inputs

2

The authors focus on analysing cost minimising production behaviour in multi-output settings. The authors distinguish between two approaches for modelling the use of joint inputs. The cooperative approach assumes cost minimisation at the aggregate firm level, while the non-cooperative approach assumes cost minimisation at the level of the individual output division. Their framework extends the existing non-parametric framework for analysing single output production. An empirical application to the English and Welsh drinking water and sewerage sector shows the practical usefulness of their framework. Specifically, the authors compare the empirical validity of the cooperative and non-cooperative models for describing the observed production behaviour.

By
Laurens Cherchye,
Thomas Demuynck,
Bram De Rock and
Kristof De Witte



3

Price Discrimination in Input Markets: Quantity Discounts and Private Information

The authors consider a monopolistic supplier's optimal choice of wholesale tariffs when downstream firms are privately informed about their retail costs. Under discriminatory pricing, downstream firms that differ in their *ex ante* distribution of retail costs are offered different tariffs. Under uniform pricing, the same wholesale tariff is offered to all downstream firms. In contrast to the extant literature on price discrimination with non-linear wholesale tariffs, the authors find that banning discriminatory wholesale contracts often improves welfare. This also holds if the manufacturer is not an unconstrained monopolist. Moreover, uniform pricing increases downstream investments in cost reduction in the long run.

By
Fabian Herweg and
Daniel Muller

Do Entry Regulations Deter Entrepreneurship and Job Creation? Evidence from Recent Reforms in Portugal

4

The authors evaluate the consequences of a recent regulatory reform in Portugal, which substantially reduced the cost of firm entry. Their analysis uses matched employer-employee data, which provide unusually rich information on the characteristics of founders and employees associated with new firms before and after the reform. The authors find that the short-term consequences of the reform were as one would predict with a standard economic model of entrepreneurship: the reform resulted in increased firm formation and employment, but mostly among 'marginal firms' that would have been most readily deterred by existing heavy entry regulations. These marginal firms were typically small, owned by relatively poorly educated entrepreneurs, and operating in low-technology sectors (agriculture, construction and retail trade). In comparison to firms that entered in the absence of the reform, these marginal firms were less likely to survive their first two years.

By

Lee Branstetter, **Francisco Lima**, **Lowell J. Taylor** and **Ana Venancio**



5

Replacing Trust with Control: A Field Test of Motivation Crowd Out Theory

Results in behavioural economics suggest that material incentives can crowd out motivation if agents are mission-oriented rather than self-interested. The authors test this prediction on a sample of non-profit organisations in Sweden. Traditionally, contracts with the main principal (the Swedish foreign aid agency) have been based on trust and self-regulation. The authors designed a randomised policy experiment, effectively replacing the trust-based contract with an increased level of monitoring from the principal. Overall, using both self-reported and observed measures of outreach, the authors find that the intervention increased outreach, reduced expenditures and reduced the number of financial irregularities.

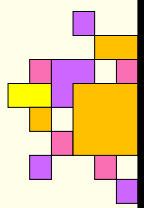
ByNiklas Bengtsson and
Per Engström

Culture, Geography and Institutions: Empirical Evidence from Small-scale Banking

6

In this article, He explore one of the channels through which culture may directly affect economic activities. He find evidence that common cultural heritage has a statistically and economically significant effect on cross-border bank loans (even after geographical closeness and institutional convergence have been taken into account) flowing from Austria's local and regional banks to clients residing in one of the neighbouring Eastern European EU member states. To compile formal statistical evidence that common culture plays a role in cross-border bank lending, He developed a new instrument of cultural distance that measures Austria's cultural proximity to its neighbouring Eastern European countries.

By
Franz R.



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Information & Research

The Econometrics Journal

Volume 16 Number 2 2013

Vol 2: Aug 2014



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Local NLLS estimation of semi-parametric
binary choice models

1

The projection approach for unbalanced
panel data

2

Testing panel cointegration with unob-
servable dynamic common factors that are
correlated with the regressors

3

Semi-parametric estimation of a general-
ized threshold regression model under
conditional quantile restriction

4

**1**

Local NLLS estimation of semi-parametric binary choice models

In this paper, non-linear least squares (NLLS) estimators are proposed for semi-parametric binary response models under conditional median restrictions. The estimators can be identical to NLLS procedure for parametric binary response models (e.g. probit), and consequently have the advantage of being easily implementable using standard software package such as Stata. This is in contrast to existing estimators for the model, such as the maximum score estimator and the smoothed maximum score (SMS) estimator. Two simple bias correction methods—a proposed jackknife method and an alternative non-linear regression function—result in the same rate of convergence as SMS. The results from a Monte Carlo study show that the new estimators perform well in finite samples.

By JASON R. BLEVINS and SHAKEEB KHAN

The projection approach for unbalanced panel data

2

The Chamberlain projection approach, a powerful tool for the analysis of linear fixed-effects models, was introduced within the context of balanced panels. This paper extends the Chamberlain projection approach to unbalanced panels. The extension is especially useful for models with sequential exogeneity, where existing control-variable approaches are not applicable. A generalized method of moments (GMM) estimation framework is considered, and hypothesis tests (testing strict exogeneity, testing random effects, etc.) are discussed within the GMM context.

By **JASON ABREVAYA**

**3**

Testing panel cointegration with unobservable dynamic common factors that are correlated with the regressors

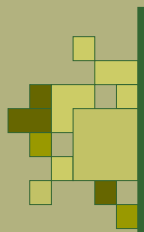
The paper proposes statistics to test the null hypothesis of no cointegration in panel data when common factors drive the cross-sectional dependence. The authors focus on the case in which regressors and the common factors are correlated, although the uncorrelated case is also discussed. Both endogenous and strictly exogenous regressors are considered. The test statistics are shown to have limiting distributions independent of the common factors, making it possible to pool the individual statistics. Simulations indicate that the proposed procedures have good finite sample performance.

By Jushan Bai and
Josep Lluís Carrion-i-Silvestre

Semi-parametric estimation of a generalized threshold regression model under conditional quantile restriction

The authors consider semi-parametric of a generalized threshold regression model with both the link function and the error term distribution left unspecified. The authors propose for the model a maximum integrated score estimator. = (MISE) which allows them to estimate the model under conditional quantile restriction. The MISE is shown to have a convergence rate n^{-1} for the threshold parameter and a regular $n^{-1/2}$ rate for the remaining parameters. Moreover, it turns out that the estimates for both parts are asymptotically independent in that their limiting distribution are the same as what they would be if the other part were known. Monte Carlo results indicate that their estimates perform, reasonably well in finite samples.

By Zheng Yu Zhang



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Information &

The Economic Journal

Volume 124, Issue 579,
September 2014



Report
Vol 1-2: Setp. 2014

Pivotal Suppliers and Market Power in Ex-
perimental Supply Function Competition

1

Understanding Social Interactions: Evidence
from the Classroom

2

Testing Unilateral and Bilateral Link Formation

3

Life-cycle Effects of Age at School Start

4

Mobile Termination, Network Externalities and
Consumer Expectations

5

Parents, Television and Cultural Change

6

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7

Pivotal Suppliers and Market Power in Experimental Supply Function Competition

The authors use experiments to study market power with supply function competition, akin to the competition in electricity markets. Their treatments vary the distribution of demand levels as well as the amount and symmetry of the allocation of production capacity between different suppliers. The authors relate our results to a descriptive power index and to the predictions of two models: a supply function equilibrium (SFE) model and a multi-unit auction (MUA) model. Observed behaviour is consistent with the equilibria of the unrestricted SFE model and inconsistent with the unique equilibria of two refinements of the SFE model and of the MUA model.

By
Jordi Brandts,
Stanley S. Reynolds
And Arthur Schram

Understanding Social Interactions: Evidence from the Classroom

2

Little is known about the economic mechanisms leading to the high level of clustering in behaviour commonly observed in the data. The authors present a model where agents can interact according to three distinct mechanisms and we derive testable implications which allow them to distinguish between the proposed mechanisms. In our application the authors study students' performance and the authors find that a mutual insurance mechanism is consistent with the data. Such a result bears important policy implications for all those situations in which social interactions are important, from teamwork to class formation in education and co-authorship in academic research.

By

1. Giacomo De Giorgi¹
and
2. Michele Pellizzari



3

Testing Unilateral and Bilateral Link Formation

Empirical analysis of social networks is often based on self-reported links from survey data. How the authors interpret such data is crucial for drawing correct inference on network effects. The authors propose a method for testing whether survey responses can safely be interpreted as a link and, if so, whether links are generated by a unilateral or bilateral link formation process. The authors present two empirical illustrations of the test on risk-sharing links in Tanzania and on communication among Indian farmers, respectively, demonstrating the ability of the methodology to discriminate between competing data-generating processes.

By

1. Margherita Comola^{1,*} and
2. Marcel Fafchamps²

Life-cycle Effects of Age at School Start

4

In Sweden, children typically start school the year they turn seven. The authors combine this school entry cut-off with individuals' birthdates to estimate effects of school starting age (SSA) on educational attainment and long-run labour market outcomes. The authors find that school entry age raises educational attainment and show that postponing tracking until age 16 reduces the effect of SSA on educational attainment. On average, SSA only affects the allocation of labour supply over the life-cycle and leaves prime-age earnings unaffected. But for individuals with low-educated parents, the authors find that prime-age earnings increase in response to age at school start.

By**Peter Fredriksson and Fjorn Ockert**



5

Mobile Termination, Network Externalities and Consumer Expectations

The authors re-examine the literature on mobile termination in the presence of network externalities. Externalities arise when firms discriminate between on and off-net calls or when subscription demand is elastic. This literature predicts that profit decreases and consumer surplus increases when termination charges increase. This is puzzling as in reality regulators are pushing termination rates down while being opposed to do so by network operators. This puzzle is resolved when consumers' expectations are assumed passive but required to be fulfilled in equilibrium, as defined by Katz and Shapiro (1985), instead of being responsive to non-equilibrium prices, as assumed until now.

By

Sjaak Hurkens
and Angel L. Lopez

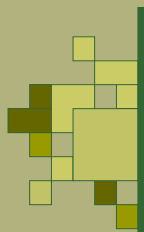
6

Parents, Television and Cultural Change

The authors develop a model of cultural transmission where television plays a role in socialisation. The authors study the coverage of different cultural traits by a profit - maximising TV industry and the resulting cultural dynamics. A monopolist covers both traits, but grants more coverage to the most profitable group. In a competitive TV industry each channel specialises on one trait. This might lead to cultural extinction, but only for sufficiently large majorities. Cultural extinction is more likely in a competitive than in a monopolistic TV industry. Overall their model predicts that cultural extinction can only occur under very special circumstances.

By

Esther Hauk and Giovanni Immordino



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Information &

The Economic Journal

Volume 124, Issue 579,
September 2014



Report

Vol 1, -2, Nov. 2014

Mobile Termination, Network Externalities and Consumer Expectations

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Parent, Television and Cultural Change

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4

The Labour Market Effects of Immigration and Emigration in OECD Countries

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By
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By
**Esther Hauk and
Giovanni Immordino**



3

Does Collective Wage Bargaining Restore Efficiency in a Search Model with Large

Existing search and bargaining models show that firms hire an inefficiently large number of workers. The authors ask whether decentralised collective wage bargaining may result in a second-best allocation. Collective bargaining restores efficiency when the bargained wage is independent of employment; conditions that the authors characterise. Firms then behave as if collective bargaining was over both wages and employment, thus linking the large-firm search and bargaining environment to the efficient bargaining model (McDonald and Solow, 1981). Under more realistic conditions, workers can bargain for a share of output, so that the wage is then a function of employment. In equilibrium, firms are too large and firm entry is inefficient.

By

1. Christian Bauer¹ and
2. Jörg Lingens^{2,*}

4

Wages and Commuting: Quasi-natural Experiments' Evidence from Firms that Relocate

The authors examine individual-level compensating differentials for commuting distance in a quasi-natural experiment setting by examining how wages respond to changes in commuting distance induced by firm relocations. This set-up enables us to test for the relevance of job search frictions within labour market models. Due to the quasi-experimental set-up, the authors are able to avoid a range of endogeneity issues. The authors demonstrate that a 1 km increase in commuting distance induces an almost negligible wage increase in the year after the relocation but a more substantial wage increase of about 0.15% three years later.

By

1. Ismir Mulalic^{1,*},
2. Jos N. Van Ommeren² and
3. Ninette Pilegaard³



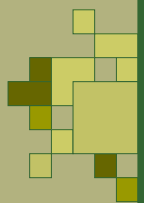
5

The Labour Market Effects of Immigration and Emigration in OECD Countries

In this study, the authors quantify the labour market effects of migration flows in OECD countries during the 1990s based on a new global database on the bilateral stock of migrants, by education level. The authors simulate various outcomes using an aggregate model of labour markets, parameterised by a range of estimates from the literature. The authors find that immigration had a positive effect on the wages of less educated natives and it increased or left unchanged the average native wages. Emigration, instead, had a negative effect on the wages of less educated native workers and increased inequality within countries.

By

1. Frédéric Docquier¹,
2. Çağlar Ozden² and
3. Giovanni Peri^{3,*}



ข้อเสนอเพื่อการวิจัย

Information & Research

The Economic Journal

Volume 124, Issue 580

November 2014



Report

Vol 1 Dec. 2014

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The Fiscal and Welfare Effects of Immigration: Introduction

THE
ECONOMIC
JOURNAL



The Economic Journal, 124 (November), F565–F568. Doi: 10.1111/econj.12179 © 2014 Royal Economic Society. Published by John Wiley & Sons, 9600 Garsington Road, Oxford OX4 2DQ, UK and 350 Main Street, Malden, MA 02148, USA.

THE FISCAL AND WELFARE EFFECTS OF IMMIGRATION: INTRODUCTION*

Christian Dustmann and Tommaso Frattini

The impact of immigration on the tax and welfare system and the net fiscal consequences of immigration is perhaps the single most important economic issue of concern in the public debate assessing the pros and cons of immigration. For instance, Dustmann and Preston (2005), in a data analysis for over 20 European countries, demonstrate that in assessments of immigration's economic effects, concerns about the burden of migration on the public coffers outweigh those about labour market competition and economic efficiency. Similarly, using data for the UK only, Dustmann and Preston (2007) show that concerns about immigrations' fiscal effects have a larger impact on attitudes towards more liberal migration policies than concerns about its wage impacts. Interestingly, in line with these observations, it is concerns over immigration's fiscal effects (and not so much its wage effects) that are currently dominating the debate in the UK and it was restrictions on welfare access that the UK government implemented just before opening up the UK labour market to A8 immigrants in 2004.¹

Yet despite this apparent importance of fiscal considerations in the formation of attitudes towards immigration and, although the fiscal contribution of immigrants has emerged as a key concern in the public debate on immigration, very little evidence is yet available that allows assessment of how much immigrants take out of and contribute to the public purse. This Feature attempts to fill this void by presenting three papers on the subject: the first, by Preston, provides a conceptual framework, identifying the difficulties researchers face in investigating immigration's fiscal effects because of problems in accurately allocating the related expenditures and revenues to different populations. This article thus sets the stage for the way we should think about empirical analyses that investigate immigrations' fiscal impact and provides a valuable prerequisite not just for the more empirical papers in this Feature but also for the fiscal impact debate in general. In particular, it carefully separates the different impacts of immigration in both a static and a dynamic setting. Immigration can affect the static public budget constraint in various ways because immigrants pay taxes or consume public services differently from natives, change the taxes paid or services consumed by natives or, by their presence, affect the cost of providing services to natives. In a dynamic context, immigration can affect public finances by changing the generational composition of the population so that age groups with a positive fiscal balance shrink or expand relative to others.

* Corresponding author: Christian Dustmann, Department of Economics, University College London, Drayton House, 30 Gordon Street, London WC1H 0AX, UK. Email: c.dustmann@ucl.ac.uk.

¹ A8 immigrants are those from the eight Central and Eastern European countries that joined the EU in May 2004.

The Effect of Immigration on Public Finances

2

The impact of immigration on the public finances is an important influence on public opinion. This study aims to provide a thorough conceptual survey, pointing out the complexities of a full understanding and the relevance of indirect effects and covering both static perspectives and longer run dynamic issues. It considers simple accounting approaches which are relatively neglectful of behavioural responses but also tries to bring out the complexities in the nature of the relationship between immigration and the public exchequer that come with more sophisticated modelling of its economic effects.

By
Ian Preston



3

The Fiscal Effects of Immigration to the UK

The Authors investigate the fiscal impact of immigration on the UK economy, with a focus on the period since 1995. Their findings indicate that, when considering the resident immigrant population in each year from 1995 to 2011, immigrants from the European Economic Area (EEA) have made a positive fiscal contribution, even during periods when the UK was running budget deficits, while Non-EEA immigrants, not dissimilar to natives, have made a negative contribution. For immigrants that arrived since 2000, contributions have been positive throughout, and particularly so for immigrants from EEA countries. Notable is the strong positive contribution made by immigrants from countries that joined the EU in 2004.

By
**Christian Dustmann and
Tommaso Frattini**

Immigrants, Labour Market Performance and Social Insurance

4

Using longitudinal data from the date of arrival, they study long-term labour market and social insurance outcomes for all major immigrant cohorts to Norway since 1970. Immigrants from high-income countries performed as natives, while labour migrants from low-income source countries had declining employment rates and increasing disability programme participation over the lifecycle. Refugees and family migrants assimilated during the initial period upon arrival but labour market convergence halted after a decade and was accompanied by rising social insurance rates. For the children of labour migrants of the 1970s, they uncover evidence of intergenerational assimilation in education, earnings and fertility.

By
Bernt Bratsberg,
Oddbjorn Raaum

The Econometrics Journal

A social interaction model with an extreme order statistic

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Estimation of discrete games with correlated types

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Maximum score estimation with nonparametrically generated regressors

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Common breaks in time trends for large panel data with a factor structure

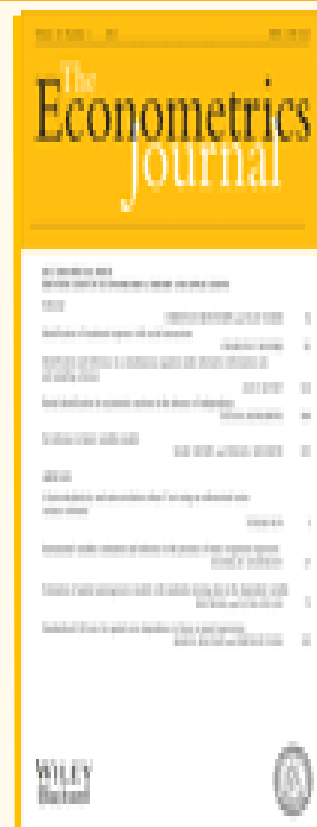
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Point-optimal panel unit root tests with serially correlated errors

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A social interaction model with an extreme order statistic

They introduce a social interaction econometric model with an extreme order statistic to model peer effects. They show that the model is a well-defined system of equations and that it is a static game with complete information. The social interaction model can include exogenous regressors and group effects. Instrumental variables estimators are proposed for the general model that includes exogenous regressors. They also consider distribution-free methods that use recurrence relations to generate moment conditions for estimation. For a model without exogenous regressors, the maximum likelihood approach is computationally feasible.

By **Ji Tao and Lung-fei Lee**

Estimation of discrete games with correlated types

2

Author focus on the identification and estimation of static games of incomplete information with correlated types. Instead of making the independence assumption on players' types in order to simplify the equilibrium set, he propose an approach that allows me to identify subsets of the space of covariates (i.e. publicly observed state variables in payoff functions), for which there exists a unique pure strategy Bayesian Nash equilibrium (BNE) and the equilibrium strategies are monotonic functions. Moreover, he characterize the monotonic pure strategy BNE in a simple manner and propose an estimation procedure that uses observations only from the subset of the covariate space where the game admits a unique monotonic pure strategy BNE. Furthermore, he show that the proposed estimator is \sqrt{n} -consistent and has a limiting normal distribution.

By Haiqing Xu



3

Maximum score estimation with nonparametrically generated regressors

The estimation problem in this paper is motivated by the maximum score estimation of preference parameters in the binary choice model under uncertainty in which the decision rule is affected by conditional expectations. The preference parameters are estimated in two stages. They estimate conditional expectations nonparametrically in the first stage. Then, in the second stage, we estimate the preference parameters based on the maximum score estimator of Manski, using the choice data and first-stage estimates. This setting can be extended to maximum score estimation with nonparametrically generated regressors. In this paper, they establish consistency and derive the rate of convergence of the two-stage maximum score estimator. Moreover, they also provide sufficient conditions under which the two-stage estimator is asymptotically equivalent in distribution to the corresponding single-stage estimator that assumes the first-stage input is known. They also present some Monte Carlo simulation results for the finite-sample behaviour of the two-stage estimator.

By Le-Yu Chen, Sokbae Lee and Myung Jae

Common breaks in time trends for large panel data with a factor structure

4

In this paper, author analyse issues related to the estimation of a common break in a large panel of time series data. Each series in the panel consists of a linear time trend and a random error. The linear time trend is subject to a break that occurs at the same date for all series. The error term is cross-sectionally correlated through a factor structure. The break date is estimated jointly with the common factors. In particular, two break date estimators are analysed: the first is obtained as an iterative solution while the second is obtained as a global solution. The asymptotic properties of these estimators are analysed under both global and local asymptotic frameworks. These two estimators are shown to be asymptotically equivalent and to achieve a faster rate of convergence than the simple break date estimator that does not take common factors into account. The limiting distributions of the proposed break date estimators are provided so that asymptotically valid confidence intervals can be formed. Monte Carlo simulation results are provided to support the theoretical results.

By Dukpa Kim



5

Point-optimal panel unit root tests with serially correlated errors

Generalizations of the point-optimal panel unit root tests of Moon, Perron and Phillips (MPP) are developed to cover cases of serially correlated errors. The resulting statistics involve two modifications relative to those of MPP: (a) the error variance is replaced by the long-run variance; (b) centring of the statistic is adjusted to correct for second-order bias effects induced by the correlation between the error and lagged dependent variable.

**By Hyungsik Roger Moon,
Benoit Perron and
Peter C. B. Phillips**

