

## News from the Centre for Applied Macroeconomic Analysis Issue 4, August 2008

### Welcome

Welcome to the fourth edition of the CAMA Newsletter! This has again been a busy quarter for CAMA with new Staff taking up positions, new advisory Board members, new Research Associates and many excellent new publications and active participation by CAMA members in international conferences.

CAMA recently sponsored a keynote session on “China implications for the world” at the Econometric Society Australasian Meetings 2008 (ESAM08), which was presented by Professor Wing Thye Woo (University of California at Davis and The Brookings Institution). Professor Warwick McKibbin chaired that session and organized another session on Submitted papers on China. Our deputy director, Professor Heather Anderson, chaired the EJ Hannan keynote lecture, which was presented by Professor Allan Timmermann (University of California at San Diego). Advisory Board member Sir Clive Granger (University of California at San Diego) gave a keynote presentation on the Phillips curve. A host of CAMA Program Directors and Research Associates gave contributed sessions at ESAM08, including Professor Heather Anderson, Dr Edda Claus, Dr Iris Claus, Dr Renée Fry, Dr Martin Fukac, Professor Prasanna Gai, and Dr Kirdan Lees.

Funding for Professor Woo’s visit to Australasia also contributed to the participation of Professor Woo in the ANU China Update conference on “China’s Dilemma” held at ANU on July 14. Professor McKibbin also presented a paper at that conference and the keynote Speaker was Professor Jeffrey Sachs a CAMA Advisory Board member.

Together with the National Centre for Econometric Research, CAMA co-hosted the workshop on Frontiers in Financial Econometrics in Brisbane on 23 and 24 July at the Queensland University of Technology. The workshop included keynote presentations by Yacine Aït Sahalia from Princeton University and David Hendry from the University of Oxford, as well as by various CAMA members. A link to the program is at <http://www.ncer.edu.au/lectures/FrontiersWorkshop.jsp>

Professor Warwick McKibbin has given many media interviews since the publication of the Garnaut draft report on climate change. Links to the interviews can be found at: <http://cama.anu.edu.au/media.asp>

### Board News

The CAMA Advisory Board has continued to grow. Since the last CBE newsletter, we have had the privilege of welcoming four new board members. They are:

**Dr Peter Bushnell**, Deputy Secretary to The Treasury and Manager of the Macroeconomic Group, The Treasury, New Zealand.

**Dr Don Hanna**, Managing Director, Emerging Market Economics and Market Analysis, Citigroup.

**Dr Dale Henderson**, Senior Adviser, Division of International Finance, US Federal Reserve Board.

**Professor Jeffrey Sachs**, Director, Earth Institute, Columbia University.

## **New Staff**

We are delighted to welcome two new staff members.

Professor Bruce Preston of Columbia University has joined us as a Professor for five years. He will be based at CAMA from June to September, and in December from this year.

Dr Timo Henckel has joined us as a Research Fellow, and will be based at CAMA for the next year.

## **Visitors**

Recent visitors include:

Professor Jeffrey Sachs  
Columbia University  
14 – 15 July 2008

Professor Wing Thye Woo  
University of California at Davis, and The Brookings Institution  
14 – 15 July 2008

Upcoming visitors include:

Dr Jaime Alonso-Carrera (joint visitor with the School of Economics, ANU CBE)  
Universidade de Vigo, Spain  
24 July – 30 September 2008

Dr Adrian Blundell-Wignall  
OECD  
25 – 26 September 2008

Dr Peter Bushnell  
New Zealand Treasury  
25 – 26 September 2008

Mr David G Fernandez  
JP Morgan  
Managing Director  
25 – 26 September 2008

Professor Reuven Glick  
San Francisco Federal Reserve  
25 – 26 September 2008

Dr Julie Kozack  
International Monetary Fund  
25 – 26 September 2008

Dr Adrian Orr  
New Zealand Superannuation Fund  
25 – 26 September 2008

Dr Kirshna Srinivasan  
International Monetary Fund  
25 – 26 September 2008

Professor Edwin Truman  
Peterson Institute  
25 – 26 September 2008

Professor David Vines  
Oxford University  
8 September to 5 October 2008

We are currently planning for longer-term and 2009 visitors, including:

Dr Karen Dynan  
Federal Reserve Board

Dr Douglas Elmendorf  
The Brookings Institution

Dr Dale Henderson  
Federal Reserve Board

Professor Kihoon Lee  
Chungnam National University, Korea

### **New Research Associates**

We are delighted to welcome three new Research Associates and look forward to interacting with them.

Dr Richard Dennis of the Federal Reserve Bank of San Francisco has joined the Macro-econometric Models and Methods program.

Dr Alexandre Dmitriev of the University of New South Wales has joined the Macroeconomic Theory program.

Professor John C. Williams of the Federal Reserve Bank of San Francisco has joined the Macroeconomic Theory and Macro-econometric Models and Methods programs.

The Finance and the Macroeconomy program has gained the following new Research Associates:  
Associate Professor Adam Clements of the Queensland University of Technology,  
Professor Stan Hurn of the Queensland University of Technology,  
Professor Sherrill Shaffer of the University of Wyoming,

Ms Sylwia Nowak of The Australian National University has also joined the Finance and the Macroeconomy program as a Doctoral Student Associate.

### **Research Associate News**

The Scientific Review Panel of the Lindau Council has accepted Doctoral Student Associate Philip Liu as a participant of the 3rd Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel in Lindau, which was held on 20-23 August, 2008. Congratulations to Philip.

### **New Working Papers**

29/2008

[The Indian Growth Miracle and Endogenous Growth](#)

By JB Madsen, S Saxena and JB Ang.

28/2008

[Financial Performance of Small Business Loans: Indirect Evidence](#)

By S Shaffer.

27/2008

[Repeated Contests: A General Parameterization](#)

By S Shaffer and JF Shogren.

26/2008

[Rural Economic Performance and Federal Credit Programs](#)

By S Shaffer and RN Collender.

25/2008

[Strategic Risk Aversion](#)

By S Shaffer.

24/2008

[New Small Firms and Dimensions of Economic Performance](#)

By S Shaffer, I Hasan and M Zhou.

23/2008

[Inflation Targeting Policy: The Experiences of Indonesia and Thailand](#)

By R Siregar and S Goo.

22/2008

[Fiscal Rigidity in a Monetary Union: The Calvo Timing and Beyond](#)

By J Libich and P Stehlik.

21/2008

[Competition Policy, Corporate Saving and China's Current Account Surplus](#)

By R Tyers.

20/2008

[Expectations, Learning and Business Cycle Fluctuations](#)

By S Eusepi and B Preston.

19/2008

[The Frequency of Price Adjustment and New Keynesian Business Cycle Dynamics](#)

By R Dennis.

18/2008

[Finance and Inequality: The Case of India](#)

By JB Ang.

17/2008

[Learning, Expectations Formation, and the Pitfalls of Optimal Control Monetary Policy](#)

By A Orphanides and JC Williams.

16/2008

[Welfare-Maximizing Monetary Policy under Parameter Uncertainty](#)

By RM Edge, T Laubach, and JC Williams.

15/2008

[Are Financial Crises Alike?](#)

By M Dungey, R Fry, B Gonzales-Hermosillo, VL Martin and C Tang.

14/2008

[China Can Grow and Still Help Prevent the Tragedy of the CO2 Commons](#)

By WJ McKibbin, PJ Wilcoxon and WT Woo.

13/2008

[Building on Kyoto: Towards a Realistic Global Climate Agreement](#)

By WJ McKibbin and PJ Wilcoxon.

12/2008

## [Funding Externalities, Asset Prices and Investors' "Search for Yield"](#)

By P Gai and K Trivedi.

11/2008

## [An Unobserved Components Common Cycle for Australia? Implications for a Common Currency](#)

By VB Hall and CJ McDermott.

### **Publication News**

Visiting Fellow, Ralph Ashton coordinated the Terrestrial Carbon Group Report, *How to Include Terrestrial Carbon in Developing Nations in the Overall Climate Change Solution*, (one of the co-authors is Professor Warwick McKibbin) which is available for download from:

<http://www.terrestrialcarbon.org/Terrestrial%20Carbon%20Group%20080718.pdf>

### **Event News**

The Finance and the Macroeconomy program and the Fiscal Frameworks program together with the Lowy Institute for International Policy will co-host a conference on "Sovereign Wealth Funds in an Evolving Global Financial System" in Sydney on 25 and 26 September 2008. There has been a significant growth in Sovereign Wealth Funds that are currently estimated to hold close to \$3 trillion in assets. These funds have been around for many years, initially holding reserves generated by resource rich economies (particularly oil exporters) but in recent years they have been established by countries running large current surpluses and cumulating foreign exchange reserves to be invested. Recently Australia established the Future Fund to manage the assets generated from fiscal surpluses. This two day conference will bring together leading practitioners who manage the Sovereign Wealth Funds and leading researchers and policymakers to address a number of key issues. What is the current and expected scale of these funds?; do they matter from an economic and or political perspective?; how are they and how should the funds held in these institutions be managed?; does the source of the funds have any implication for the investment strategies?; should these funds be self regulated or is there a need for an international agreement dealing specifically with the code of practice of Sovereign Wealth Funds?

Further details on this conference are available at <http://cama.anu.edu.au/events.asp>

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

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

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

Final submission date: 6 March 2009

Notification of successful papers: 3 April 2009

The academic program committee for the Conference in Honour of Professor Adrian Pagan is coordinated by Mardi Dungey ([m.dungey@cerf.cam.ac.uk](mailto:m.dungey@cerf.cam.ac.uk)) with administrative support from Nicole Mies ([Nicole.Mies@anu.edu.au](mailto:Nicole.Mies@anu.edu.au)). The organising committee consists of Heather Anderson (ANU), Trevor Breusch (ANU), Mardi Dungey (UTas and Cambridge), Renee Fry (ANU), Tony Hall (UTS), Don Harding (LaTrobe), Stan Hurn (QUT), Chris Kent (RBA), Robert Kohn (UNSW), Warwick McKibbin (ANU) and Frank Vella (Georgetown). We are very grateful for financial support from the Centre for Applied Macroeconomic Analysis (ANU), QUT, UNSW and the Reserve Banks of Australia and New Zealand.

Participation will be limited due to the size of the venue. Registration will be available from December 2008. Please check the link to the Pagan Conference at <http://cama.anu.edu.au>. Email submissions for the Conference in Honour of Professor Adrian Pagan directly to [m.dungey@cerf.cam.ac.uk](mailto:m.dungey@cerf.cam.ac.uk) stating in the subject line 'Pagan conference'.

Centre for Applied Macroeconomic Analysis  
ANU College of Business and Economics  
Sir Roland Wilson Building #120  
The Australian National University  
Canberra ACT 0200  
Australia  
T: +61 2 6125 4442  
F: +61 2 6125 4895  
E: [cama.admin@anu.edu.au](mailto:cama.admin@anu.edu.au)  
WWW: <http://cama.anu.edu.au>