

Announcements

Econometrics: Applied Econometric Modeling in Macroeconomics eJournal has been renamed to Econometric Modeling: Macroeconomics eJournal, as part of the expansion of the ERN Econometrics eJournal Section.

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FRB of Chicago Working Paper No. 2025-23

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We analyze 481 speeches by FOMC members since 2007, excluding official press conferences. Combining high-frequency financial data with text analysis, we identify monetary policy surprises and measure each speech's sensitivity to the Chair's press conference. We find that surprises are more frequent and these surprises have a significant effect on inflation expectations or stock prices. Yet, speeches closely aligned with the Chair's press conference amplify policy transmission, while less coordinated remarks dilute earlier effects on yields, inflation expectations, and equities. A general equilibrium model with incomplete information rationalizes these findings.

"Regionalism in the Global South: A Case Study on the South Asian Association for Regional Cooperation (SAARC)" □

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This paper examines the evolution and challenges of regionalism in the Global South through the case study of the South Asian Association for Regional Cooperation (SAARC). Despite South Asia's shared history and similar economic profiles, it remains one of the least integrated regions in the world. The study situates SAARC within the broader discourse of Global South cooperation, highlighting how political rivalries, especially between India and Pakistan, institutional inefficiencies, and vast economic disparities have hindered its progress. By examining SAARC with regard to regional organizations such as the European Union (EU), the Association of Southeast Asian Nations (ASEAN), and the African Union (AU), the paper underscores the tension between flexibility and enforceability in regional institutions. It argues that while SAARC embodies the aspirations of South-South cooperation—self-reliance, equitable growth, and collective action—it has failed to operationalize them effectively. The study concludes that reviving SAARC or pursuing sub-regional mechanisms like BIMSTEC and BIMSTEC may offer alternative pathways toward regional integration and sustainable development in South Asia.

"Population Ageing and the Productivity of Public Capital: ,A Panel Cointegration Analysis of Japanese Prefectural Data" □

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This study investigates how population ageing affects the productivity of public capital, using panel data from Japan's 47 prefectures over the period 1980-2019. We estimate a Cobb-Douglas production function and find that the output elasticity of public capital declines substantially in more aged regions, suggesting that demographic shifts may undermine the productivity of public capital investments. To improve the reliability of our findings, we apply panel cointegration techniques that account for non-stationarity and cross-sectional dependence—a methodological challenge that has been largely underexplored in prior studies, and to which this paper makes a novel contribution. The results reveal two mechanisms: in transportation, lower land costs in ageing areas lead to overinvestment with diminishing returns; in education, older societies require more investment in education to maintain efficiency. These findings imply that public investment strategy should be adjusted in line with demographic realities: Consolidation of infrastructure and educational resource integration may help sustain the productivity of public capital in ageing societies.

"YYA Concept Note | Polynutiny: A Constructive Alternative to the Polycrisis" □

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Proposed by Yuen Yuen Ang in 2024, **polynutiny** is both a counter-narrative and a constructive alternative to the buzzword "polycrisis." Instead of reacting to today's convergence of crises and disruptions with fear, polynutiny reframes this moment as a generational opportunity for deep transformation of global institutions and thought.

"Population Ageing and the Productivity of Public Capital: ,A Panel Cointegration Analysis of Japanese Prefectural Data" □

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Polynutiny is not just a new word. It advances reflexivity and systems change at a time when the world is hurtling toward multipolarity and hyper-complexity. A rupture of such tectonic scale requires that we diversify the curation of voices, reprogram the way we think, and truly broaden global inclusion.

To seize the Polynutiny, Ang offers her paradigm as an intellectual foundation for a disrupted, multipolar world: **AIM (Adaptive, Inclusive, Moral) Political Economy.**

• Adaptive = Replace machine-thinking with systems-thinking**• Inclusive = Value diverse development pathways****• Moral = Recognize how power and positionality shapes ideas.**

Polynutiny is not vague optimism but grounded in a rigorous empirical foundation. Though polynutiny and AIM are formally named in 2024, Ang has practiced their principles throughout her award-winning scholarship, teaching, and public engagement in the past decades, and she continues to expand the paradigm through a variety of new projects.

"Universal Basic Needs: An Alternative to Universal Basic Income" □

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Universal Basic Income (UBI) presents a potential solution to numerous socioeconomic challenges. However, its implementation remains constrained by funding issues. We propose a novel approach to implement UBI without the requirement of a funding source, called Universal Basic Needs (UBN). The UBN was tested in a post-test only control group experiment involving 30 randomly selected student-teachers as participants. The results revealed that UBN can be used to fulfill the objectives of UBI while increasing economic activity.

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"Converging to Mediocrity: Trends in Firm-Level Markups in the United Kingdom 2008-2019" □

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UK manufacturing productivity has declined sharply since 2008, yet little is known about the role of structural factors in manufacturing productivity. In this paper, we estimate firm-level markups using a structural demand approach with revenue shares and industry elasticities, which is complemented by a primal method. Findings indicate a decline in aggregate markups of two to five percentage points from 2008 to 2019, driven mainly by within-firm declines. These results suggest that the UK's productivity slowdown reflects structural deterioration within manufacturing firms rather than reallocation effects.

"Skilled Foreign Labor Supply and Corporate Investment: Evidence from H-1B Lotteries and Application Deadlines" □

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We study the effect of skilled foreign labor on corporate investment using two natural experiments involving the H-1B visa program. First, we exploit the randomized lottery for allocating H-1B visas and show that firms with higher lottery success rates increase their post-lottery investments. The effect is stronger for firms hiring higher-wage workers in occupations that are not easily offshorable, consistent with a skilled labor access channel. Second, we exploit the uncertain timing of the H-1B application deadline and show that firms reduce their investments when their visa applications are rendered unexpectedly ineligible due to labor certification processing times.

"The Integrated Economic Growth Model of Vietnam" □

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This paper proposes an Integrated Growth Model (IGM) to explain Vietnam's transition from a factor-driven to a productivity-driven development trajectory. Over the past three decades, Vietnam's growth has relied heavily on capital accumulation and low-cost labor, but this approach has reached its structural limits, reflected in low total factor productivity (TFP), limited domestic value added (DVA), and weak innovation. The paper proposes a new model that combines a growth model with a structural model of three interactive pillars-institutions, infrastructure, and data-waves together forming a system of integrated drivers for sustainable growth. The study employs a conceptual analytical approach grounded in productivity theory and institutional economics, synthesizing global frameworks and Vietnam's policy experience to construct a comprehensive analytical model. The findings indicate that the integration of institutional coordination, infrastructure development, and data connectivity can enhance economic development, while diversifying domestic access to international markets. The paper concludes by outlining key policy orientations to support Vietnam's 2025-2030 transformation toward a knowledge-based, innovative, and self-reliant economy.

"Don't Ruin the Surprise: Temporal Aggregation Bias in Structural Innovations" □

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