

# MACROECONOMIC DYNAMICS

## Volume 13 Cumulative Index

### INTRODUCTION

- Barnett, William A., Diewert, W. Erwin, and Zellner, Arnold.** *Introduction to Measurement with Theory* S151

### ARTICLES

- Aliprantis, C.D., and Camera, G.** *A Correspondence-Theoretic Approach to Dynamic Optimization* S97
- Balk, Bert M.** *On the Relation between Gross Output– and Value Added–Based Productivity Measures: The Importance of the Domar Factor* S241
- Barnett, William A., Chauvet, Marcelle, and Tierney, Heather L. R.** *Measurement Error in Monetary Aggregates: A Markov Switching Factor Approach* S381
- Barnett, William A., and de Peretti, Philippe.** *Admissible Clustering of Aggregator Components: A Necessary and Sufficient Stochastic Semiparametric Test for Weak Separability* S317
- Bell, Clive, and Gersbach, Hans.** *Child Labor and the Education of a Society* 220
- Benito, Andrew, and Mumtaz, Haroon.** *Excess Sensitivity, Liquidity Constraints, and the Collateral Role of Housing* 305
- Bossi, Luca, and Gomis-Porqueras, Pere.** *Consequences of Modeling Habit Persistence* 349
- Boucekkine, Raouf, Camacho, Carmen, and Zou, Benteng.** *Bridging the Gap between Growth Theory and the New Economic Geography: The Spatial Ramsey Model* 20
- Calza, Alessandro, and Zaghini, Andrea.** *Nonlinearities in the Dynamics of the Euro Area Demand for M1* 1
- Chakraborty, Avik.** *Learning, the Forward Premium Puzzle, and Market Efficiency* S31
- Chugh, Sanjay K.** *Does the Timing of the Cash-in-Advance Constraint Matter for Optimal Fiscal and Monetary Policy?* S133
- Clarke, Andrew J., and Johri, Alok.** *Procyclical Solow Residuals without Technology Shocks* 366
- Diewert, W. Erwin, and Mizobuchi, Hideyuki.** *Exact and Superlative Price and Quantity Indicators* S335
- Feenstra, Robert C., Ma, Hong, and Rao, D. S. Prasada.** *Consistent Comparisons of Real Incomes across Time and Space* S169
- Floden, Martin.** *Why Are Capital Income Taxes So High?* 279
- Fontenla, Matías.** *Liquidity Provision and Banking Crises with Heterogeneous Agents* S118

<b>Gavin, William T., Keen, Benjamin D., and Pakko, Michael R.</b>	<i>Inflation Risk and Optimal Monetary Policy</i>	S58
<b>Georges, Christophe, and Wallace, John C.</b>	<i>Learning Dynamics and Nonlinear Misspecification in an Artificial Financial Market</i>	625
<b>Gil-Alana, Luis Alberiko, and Moreno, Antonio.</b>	<i>Technology Shocks and Hours Worked: A Fractional Integration Perspective</i>	580
<b>Herrera, Ana María, and Pesavento, Elena.</b>	<i>Oil Price Shocks, Systematic Monetary Policy, and the “Great Moderation”</i>	107
<b>Hill, Robert J., and Hill, T. Peter.</b>	<i>Recent Developments in the International Comparison of Prices and Real Output</i>	S194
<b>Hondroyannis, George, Swamy, P.A.V.B., and Tavlas, George S.</b>	<i>The New Keynesian Phillips Curve in a Time-Varying Coefficient Environment: Some European Evidence</i>	149
<b>Ikeda, Shinsuke, and Gombi, Ichiro.</b>	<i>Habit Formation in an Interdependent World Economy</i>	477
<b>Inklaar, Robert, and Timmer, Marcel P.</b>	<i>Productivity Convergence across Industries and Countries: The Importance of Theory-Based Measurement</i>	S218
<b>Krawczyk, Jacek, and Kim, Kunhong.</b>	<i>Satisficing Solutions to a Monetary Policy Problem: A Viability Theory Approach</i>	46
<b>Lewis, Vivien.</b>	<i>Business Cycle Evidence on Firm Entry</i>	605
<b>Luo, Yulei, and Young, Eric R.</b>	<i>The Wealth Distribution and the Demand for Status</i>	S1
<b>Marchesiani, Alessandro, and Senesi, Pietro.</b>	<i>Money and Nominal Bonds</i>	189
<b>Merkel, Christian, and Snower, Dennis.</b>	<i>Monetary Persistence, Imperfect Competition, and Staggering Complementarities</i>	81
<b>Mourmouras, Alexandros, and Rangazas, Peter.</b>	<i>Fiscal Policy and Economic Development</i>	450
<b>Nakashima, Kiyotaka.</b>	<i>An Extremely-Low-Interest-Rate Policy and the Shape of the Japanese Money Demand Function: A Nonlinear Cointegration Approach</i>	553
<b>Nunes, Ricardo.</b>	<i>Learning the Inflation Target</i>	167
<b>Pommeret, Aude, and Schubert, Katheline.</b>	<i>Abatement Technology Adoption under Uncertainty</i>	493
<b>Serletis, Apostolos.</b>	<i>A Bayesian Classification Approach to Monetary Aggregation</i>	200
<b>Silva, José Ignacio, and Toledo, Manuel.</b>	<i>Labor Turnover Costs and the Cyclical Behavior of Vacancies and Unemployment</i>	S76
<b>Simos, Theodore.</b>	<i>The Exact Discrete Model of a Third-Order System of Linear Stochastic Differential Equations with Observable Stochastic Trends</i>	656
<b>Townsend, Robert M., and Urzua, Sergio S.</b>	<i>Measuring the Impact of Financial Intermediation: Linking Contract Theory to Econometric Policy Evaluation</i>	S268
<b>Waters, George A.</b>	<i>Learning, Commitment, and Monetary Policy: The Case for Partial Commitment</i>	421
<b>Zhang, Jie, and Zhang, Junsen.</b>	<i>Longevity, Retirement, and Capital Accumulation in a Recursive Model with an Application to Mandatory Retirement</i>	327

## NOTES

- de la Croix, David, de Walque, Gregory, and Wouters, Rafael.** *A Note on Inflation Persistence in a Fair Wage Model of the Business Cycle* 673
- García-Peñalosa, Cecilia, and Turnovsky, Stephen J.** *The Dynamics of Wealth Inequality in a Simple Ramsey Model: A Note on the Role of Production Flexibility* 250
- Hinich, Melvin J., Foster, John, and Wild, Phillip.** *Discrete Fourier Transform Filters: Cycle Extraction and Gibbs Effect Considerations* 523
- Huang, Kevin X.D., and Meng, Qinglai.** *On Interest Rate Policy and Equilibrium Stability under Increasing Returns: A Note* 535
- Jin, Yi.** *A Note on Inflation, Economic Growth, and Income Inequality* 138
- Korenok, Oleg, Mizrach, Bruce, and Radchenko, Stanislav.** *A Note on Demand and Supply Factors in Manufacturing Output Asymmetries* 263
- Libich, Jan.** *A Note on the Anchoring Effect of Explicit Inflation Targets* 685

## MD INTERVIEW

- Okuno-Fujiwara, Masahiro, and Shell, Karl.** *An Interview with Hirofumi Uzawa* 390
- CUMULATIVE INDEX TO VOLUME 13, 2009** 699

CAMBRIDGE



## CAMBRIDGE LIBRARY COLLECTION

*Books of enduring scholarly value*



In the spirit of Cambridge University Press's continued commitment to innovation and enterprise, the Cambridge Library Collection will launch in July 2009, making an initial group of 475 out-of-print books available again. Another 1,000 will follow by the end of 2009 and 3,000 titles a year will be added as the program continues.

Drawing from the world-renowned collections in the Cambridge University Library, these books are carefully selected by experts in each subject area because of their scholarly importance or as landmarks in the history of their academic discipline.

Cambridge University Press is using state-of-the-art scanning machines to capture the contents of each book. The files are processed to give a consistently clear, crisp image, and the books finished to the high-quality standard for which the press is recognized around the world. The latest print-on-demand technology ensures that the books will remain available indefinitely.

The Cambridge Library Collection will revive books of enduring scholarly value across a wide range of disciplines in the humanities, social sciences, science and technology.



[www.cambridge.org/us](http://www.cambridge.org/us)



**CAMBRIDGE**  
UNIVERSITY PRESS

1584 • 2009

425 YEARS OF CAMBRIDGE  
PRINTING AND PUBLISHING

# MACROECONOMIC DYNAMICS

## Notes for Contributors

**Contributions.** Contributions are welcome from all countries. They should be written in English.

**Aims and Scope/Editorial Policy.**

*Macroeconomic Dynamics* publishes research of the highest theoretical, empirical or quantitative sophistication. Papers of high quality are welcomed from all areas of macroeconomics and from all parts of the world, as long as the research is founded in a rigorous scientific approach. Major advances in macroeconomics without immediate policy applications are also accepted, if they show potential for application in the future. Occasional book reviews, announcements, conference proceedings and interviews are also published. Special issues appear in the journal's Supplements Series, having its own Special Issues Editors. An electronic version of the journal will be published simultaneously with the paper version enabling immediate access to the best current research in Macroeconomics.

**Home Page.** The journal has a home page on the web which is a source of further information about the journal. The location of the home page is: <http://econ.tepper.cmu.edu/barnett/MD.html>. Information about *Macroeconomic Dynamics* may also be viewed at [www.journals.cambridge.org](http://www.journals.cambridge.org).

**Manuscript Submissions.** The submission procedure for this journal has been converted to electronic uploading of pdfs to the journal's server. To submit, follow the instructions provided at [http://server1.tepper.cmu.edu/md/electronic\\_submission.htm](http://server1.tepper.cmu.edu/md/electronic_submission.htm). Questions about the submission procedure can be transmitted to the Editorial Information System Manager, Stephen Spear, at [ss1f@andrew.cmu.edu](mailto:ss1f@andrew.cmu.edu), or to the Editor, William A. Barnett, at [barnett@ku.edu](mailto:barnett@ku.edu).

**Special Issues Submissions.** The journal publishes special issues in its Supplements Series. Proposals for special issues should be sent to either of the journal's Special Issues Editors and should include a table of contents and one of more proposed guest editors.

**Originality and Copyright.** Manuscripts are accepted for review on the understanding that the same work has not been and will not be published nor is presently submitted for publication elsewhere. While under editorial review, it is the responsibility of the authors to keep the Editor informed about submissions, publication plans, and actual publication of related research or abstracts thereof in other outlets, including letters, journals, review publications, journals in other disciplines, conference proceedings, and published dissertations. It is further understood that all persons listed as authors have given their approval for the submission of the paper and that any person cited as a source of personal communication has

approved such citation; written authorization may be required at the Editor's discretion. Authors are responsible for obtaining written permission to publish material for which they do not own the copyright. A Copyright Transfer Agreement, with certain specified rights reserved by the author, must be signed and returned to the Editor by a senior author of accepted manuscripts, prior to publication. This is necessary to enable the publisher to ensure the wide distribution of the author's(s') work and the protection of both the author and the publisher under copyright law. Articles and other material published in *Macroeconomic Dynamics* represent the opinions of the authors and should not be construed to reflect the opinions of the Editor, Advisory Board, Editorial Board, or the Publisher.

**Preparation of a Manuscript.** The entire manuscript (including notes and references) should be produced as double spaced typescript on  $8\frac{1}{2} \times 11$ -inch or A4 white paper, with wide margins to accommodate copyediting. The manuscript should be converted to a pdf for submission by uploading to the journal's server. The publisher asks that you provide a PDF file of the final version of your paper, together with a copy of the word processing source file in which the paper was written. Pages should be numbered consecutively. Page 1 should provide the article, author's(s') names (in the form preferred for publication, complete affiliation, phone, fax and e-mail numbers (if available)). At the bottom of Page 1 place any footnotes to the title or authors, indicated by superscripts \*, \*\*, etc. Page 2 should contain a proposed running head (abbreviated form of the title) of up to 40 characters, and the name and mailing address, telephone, fax and e-mail numbers of the author to whom proof's should be sent. Page 3 should contain a short abstract of the paper in less than 150 words. The abstract will appear at the head of the article when published in the journal. A list of three or four keywords or terms should also be included. The full text of the manuscript should begin on Page 4.

**Equations.** All equations should be typewritten and the numbers for displayed equations should be placed in parenthesis in the right margin. References to equations should simply use the form "(3)." Superscripts and subscripts should be typed clearly above and below the line, respectively. Theorem, lemma, and proposition statements should appear in italic print. End-of-proof signposts should appear as such: either ■ or Q.E.D., typed in italics. Authors are encouraged to use the following order for parentheses: {[(...)]}.

**Tables and Figures.** If possible, the publisher asks that you include all graphics

(charts, diagrams or other art work) at the end of the paper, indicating in the body of the paper where each graphic should appear. If it is not possible for you to include the graphics files in the word processor source code, you should upload the individual graphics files separately after you upload the PDF and source files for your paper.

**References.** References should be cited in the text by the author's last name and the date of publication. Complete bibliographic information for each citation should be included in the list of references. References should be typed in alphabetical order in the style of the following examples:

*Monograph:*

Stokey, Nancy L. and Robert E. Lucas, Jr. with Edward Prescott (1989) *Recursive Methods in Economic Dynamics*. Cambridge, MA: Harvard University Press.  
*Chapter in an Edited Volume:*

Danthine, Jean-Pierre and John B. Donaldson (1995) Computing equilibria of nonoptimal economies. In Thomas F. Cooley (ed.), *Frontiers of Business Cycle Research*, pp. 65–97. Princeton, NJ: Princeton University Press.

*Journal Article:*

Epstein, Larry G. and Stanley Zin (1989) Substitution, risk aversion and the temporal behavior of consumption and asset returns I: A theoretical framework. *Econometrica* 42, 937–969.

*Article in Press:*

Huang, He, Selahattin Imrohoroğlu, and Thomas J. Sargent (in press) Two computational experiments to fund Social Security. *Macroeconomic Dynamics*.

Journal names should not be abbreviated.

**Footnotes.** Where more than a simple source citation is called for, footnotes may be used. These should be numbered consecutively throughout the text and typed together at the end of the paper before the references. Source citations within footnotes follow the same style as citations within the text.

**Copyediting and Proofreading.** The publisher reserves the right to copyedit and proofread all articles for publication, but the corresponding author will receive page proofs for final proofreading. These should be checked and returned within five days of receipt. The publisher reserves the right to charge authors for excessive correction of non-typographical errors.

**Offprints.** The corresponding author will receive 25 free offprints of their article free of charge; additional numbers may be purchased if ordered at proof stage (an order form will be sent with proofs).

# MACROECONOMIC DYNAMICS

Volume 13, Number 5, November 2009

## Contents

### **ARTICLES**

An Extremely-Low-Interest-Rate Policy and the Shape of the Japanese  
Money Demand Function: A Nonlinear Cointegration Approach  
**Kiyotaka Nakashima** 553

Technology Shocks and Hours Worked: A Fractional  
Integration Perspective  
**Luis Alberiko Gil-Alana and Antonio Moreno** 580

Business Cycle Evidence on Firm Entry  
**Vivien Lewis** 605

Learning Dynamics and Nonlinear Misspecification in an Artificial  
Financial Market  
**Christophre Georges and John C. Wallace** 625

The Exact Discrete Model of a Third-Order System of Linear  
Stochastic Differential Equations with Observable Stochastic Trends  
**Theodore Simos** 656

### **NOTES**

A Note on Inflation Persistence in a Fair Wage Model  
of the Business Cycle  
**David de la Croix, Gregory de Walque, and Rafael Wouters** 673

A Note on the Anchoring Effect of Explicit Inflation Targets  
**Jan Libich** 685

**CUMULATIVE INDEX TO VOLUME 13, 2009** 699

**Cambridge Journals Online**

For further information about this journal please  
go to the journal website at:  
[journals.cambridge.org/mdy](http://journals.cambridge.org/mdy)

**CAMBRIDGE  
UNIVERSITY PRESS**