

ALCALA AGULLO, Francisco and SANCHO PORTERO, F. Israel

Anticipated *versus* Unanticipated Inflation and Functional Distribution of Income

Abstract: This paper synthesises some preliminary results obtained by the authors in a study of the impact of inflation on the share of labour in the national income. The analysis, conducted with data for 15 OECD countries, spans the period 1960-1999. The results show a positive relationship between inflation levels and the share of labour income, questioning the distributive neutrality of deflation processes. This relationship bears the opposite sign for the unanticipated component of inflation.

Key words: inflation, income distribution, labour, OECD, 1960-1999.

JEL Classification: C20, E25, E31.

BIGNE ALCAÑIZ, J. Enrique and SANCHEZ GARCIA, Javier

Preference for Domestic over Foreign Products in a Common Economic Area

Abstract: Increasing market integration has enhanced the importance and influence of the country of origin in product perception and purchasing decisions. This article discusses an empirical analysis of this influence in a common economic setting, an approach seldom used to date, focusing on the study of the preference for domestic as opposed to foreign products in the European Union and also in relation to the United States and Japan. Different methodologies are combined, analysing preference generically, by product category and using a single and multi-attribute approach.

Key words: countries of origin, consumers, consumer behavior, EU, USA, Japan, Spain.

JEL Classification: D12.

BLANES CRISTOBAL, José Vicente

Dynamics and Nature of Intra-industry Trade and Trade Liberalisation-related Adjustment Costs: Evidence for the Spanish Economy

Abstract: This paper reports on an empirical analysis of the smooth adjustment hypothesis (SAH) using trade and employment data for the Spanish economy. According to SAH, intra-industry are less costly than inter-industry adjustments. However, as the results of this study show, the validity of that assumption depends not only on the dynamics but also on the vertical or horizontal nature of trade.

Key words: international trade, trade liberalization, adjustment costs, employment, products differentiation, manufactured products, Spain.

JEL Classification: F12, F14, J21.

CAMPOS LOPEZ, M^a Isabel and RODRIGUEZ LOPEZ, M^a Araceli

Business Cycle and Speculative Pressures in a Band Fluctuation System

Abstract: The aim of this article is to find empirical evidence of the interrelationship between business cycles and exchange rate fluctuations. The environment chosen is the European Monetary System in the 1990s. The methodology applied estimates the likelihood of readjustment within the fluctuation band for the French franc and the Spanish peseta. The results obtained indicate the existence of monetary and real variables that provide the evidence sought in this study.

Key words: exchange rate, business cycles, monetary magnitudes, EMS, 1990-1999.

JEL Classification: F31.

CAPO PARRILLA, Javier

Regional Effects of Substituting the ECBS for the Bank of Spain

Abstract: One of the drawbacks to monetary integration is the loss of national monetary policy as a tool to counter the effects of asymmetric shocks, thereby rendering stabilisation more difficult. From a subnational regional viewpoint, however, the opposite may be true. For certain regions, a supranational central bank may be more beneficial from the standpoint of stabilisation than a national central bank. A comparison of two scenarios, namely, the decline in overall welfare in Spanish autonomous regions yielding their monetary sovereignty to the Bank of Spain and the decline in these same regions if sovereignty is yielded to the European Central Bank corroborates this hypothesis, differences of institutional design aside.

Key words: monetary policy, regions, central bank, EMU.

JEL Classification: E58, F42.

**CUADROS RAMOS, Ana; CANTAVELLA JORDA, Manuel;
FERNANDEZ GUERRERO, J. Ismael and SUAREZ BURGUET, Celestino**

European Union Foreign Trade: Regional Disaggregation

Abstract: With the culmination of European integration via the institution of a single currency for twelve of the member countries, European Union (EU) foreign trade must be considered as a whole. This paper analyses the results of modelling EU exports to other areas in the process of integration, such as NAFTA, Asia-Pacific and Mercosur, which together account for over 50 per cent of the EU's exports. The use of export income and

price elasticities provides an initial approximation of the impact of explanatory variables on such trade.

Key words: foreign trade relations, exports, economic integration, elasticity of demand , European Union, NAFTA, ASEAN, Asia-Pacific, Mercosur.

JEL Classification: F13, F14.

DIAZ MORA, Carmen

Comparative Advantage as a Determining Factor in Vertical Intra-industry Trade Patterns: Evidence for the European Union

Abstract: Intra-industry trade (IIT) accounted for a substantial portion of the trade among European Union Member States in the period 1985-1996; this trade, moreover, was based primarily on products differing in quality, i.e., vertical intra-industry trade. More specifically, exports from the Southern Community countries traded mainly in the lower brackets of the price-quality range, whereas the Community partners with higher incomes traded in the higher brackets. The vertical IIT model was used to estimate whether EU Member States' specialisation in different quality segments in each industry can be explained by differences in technological, physical and human capital. The results show that comparative advantage plays an essential role in intra-industry trade patterns within the European Union.

Key words: European integration, specialized trade, products differentiation, comparative advantage, EU, 1985-1996.

JEL Classification: F12, F14.

GAMEZ AMIAN, Consuelo and MORALES ZUMAQUERO, Amalia

Convergence in European Union Inflation Rates: A Bilateral Analysis

Abstract: The principal purpose of this paper is to ascertain whether there is evidence supporting inflation rate convergence in the European Union (EU). The convergence of inflation rates is analysed in a bilateral context, differentiating between tradable and non-tradable goods industries, by means of sequential tests of unit root and cointegration testing under structural breaks. The results reveal greater evidence for inflation rate convergence when account is taken of structural breaks.

Key words: economic convergence, European integration, inflation, EMU.

JEL Classification: E31.

GARCIA CEBRO, Juan Antonio and VARELA SANTAMARIA, Ramón

Dynamic Effects of Monetary and Real Shocks in a Small Open Economy

Abstract: This article presents a study of the dynamic effects of monetary shocks and uneven supply in the context of a small open economy with imperfect competition and non-tradable goods. In this context, the impact on output, prices and exchange rates is found to be determined by both the nature of the shock and structural variables such as wage indexation, intertemporal substitution in consumption and returns to scale.

Key words: open economy, demand shocks, supply shocks, prices, exchange rate, macroeconomics.

JEL Classification: F41.

GARCIA DE LA VEGA, María Luz and HERCE SAN MIGUEL, José A.

EU Integration and Growth: The Role of Trade

Abstract: This article purposes to research the relationship between growth and trade in the European Union (EU), applying spatial econometrics to bilateral trade data. The evidence indicates that European integration has furthered trade, especially between neighbouring countries, and trade has proved to be an important channel for interdependent growth, a development that was more relevant in the early stages of integration than of late. This result contributes to the idea that economic integration has induced externalities in the various member countries through increased trade.

Key words: economic integration, trade, economic growth.

JEL Classification: F15, F43, O47, R11.

GUNTIN ARAUJO, Xulia

The Technological Factor in Trade Flows: Empirical Evidence for Industrialised OECD Countries

Abstract: Recent contributions to the theory of international trade attribute a crucial role to technological differences between countries. The present article synthesises the hypotheses posed by different schools of thought on the matter and uses panel data econometrics methodology to compare the importance of innovation in determining the (long-term) shares of the export market for the principal OECD countries over the period 1980-1993. One core issue analysed, which conditions the econometric methodology used,

is the existence of industry- and country-specific effects in the relationship between trade and innovation.

Key words: international trade, technological change, dynamic model, panel model, OECD, 1980-1993.

JEL Classification: C23, F14, O33.

HINE, Robert C.; TORRES CHACON, José L. and WRIGHT, Peter W.

Trade Liberalisation, Market Size and Cost Asymmetries

Abstract: This paper studies the effect of trade liberalisation in oligopolistic markets when there are asymmetries across countries. Specifically, two types of asymmetry are considered: costs of production and market size. The analysis shows that whereas trade liberalisation in oligopolistic markets always increases the social welfare of small countries, it may reduce the social welfare of larger countries even if they are more efficient. This is contrary to the traditional view that trade barriers protect small or inefficient producers.

Key words: economic integration, social welfare, commercial policy, trade liberalization.

JEL Classification: F15.

JIMENEZ-RIDRUEJO AYUSO, Zenón; CAMPOS LOPEZ, M^a Isabel and LOPEZ DIAZ, Julio

Limits to Worker Mobility: Relative Wages and Specialisation

Abstract: In competitive balance, the resource allocation processes that go hand-in-hand with specialisation processes rest on the absence of both capital and labour adjustment costs. Sufficiently relevant limits to worker mobility can modify the physical and financial endowment of labour, altering the capacity of specialisation processes to further the flattening of the relative salaries in the industries involved.

Key words: occupational mobility, wages, international division of labour.

JEL Classification: F02, F10, F22.

LOPEZ RODRIGUEZ, Jesús

Information Exchange Agreements in Oligopoly

Abstract: This paper reviews the academic literature respecting agreements on the exchange of information relating to demand in oligopoly models, specifically in the case of

quantity (Cournot) competition and where there is general uncertainty about demand. The result of the analysis provides grounds for deducing some political implications regarding the effectiveness and limitations of such agreements, as well as an indication of the direction that future lines of research in this area of economics might take.

Key words: information, uncertainty, demand, prices, oligopoly.

JEL Classification: D43, D82, L13.

LUCIO FERNANDEZ, Juan de and BARRIOS COBOS, Salvador

Economic Integration and the Border Effect on the Iberian Peninsula

Abstract: This paper shows that Spain and Portugal underwent vigorous integration in the last quarter of the twentieth century. Greater co-ordination of their economies led to greater cyclical correlation between the regions comprising the two countries. It may be concluded from the analyses conducted that the “border effect” has declined substantially, particularly in recent years, and should continue to drop even further in the future. Various factors underlie this process of enhanced correlation, the most prominent of which are the most visible elements of integration, namely trade and investment.

Key words: economic integration, inputs mobility, foreign trade, investments, regional analysis, Spain, Portugal, 1976-2000.

JEL Classification: F15.

MARTIN GONZALEZ, Carmela and TURRION SANCHEZ, Jaime

The Impact of the Accession of the Central and Eastern European Countries to the European Union on Trade

Abstract: This article explores the factors determining the substantial changes recorded in trade between the CEECs and the OECD countries since the former embarked on the transition process and began to open up their markets, in the framework of the Association Agreements signed with the EU, with the ultimate purpose of contributing to the anticipation of the commercial impact of their accession to the EU. The approach taken was to formulate an empirical model that incorporates some of the most frequently addressed hypotheses of economic geography models and the impact was estimated, using panel techniques, for a series of countries including the EU members, the CEECs and the rest of the OECD membership as a control. Among other results of interest, this provided further evidence of the considerable influence of foreign investment on the determination of the trade shares of the countries studied. Moreover, with the use of the respective dummies,

the Association Agreements signed between the EU and the CEECs were found to have favoured preferential expansion of mutual trade.

Key words: European integration, trade, foreign investments, CEECs, EU, 1988-1998.

JEL Classification: F15, F23, P20.

MARTIN MONTANER, Joan A. and ORTS RIOS, Vicente

Vertical Specialisation and Intra-industry Trade: The Role of Factor Endowments

Abstract: This article takes vertical differentiation models of trade as a starting point in an analysis of the effects of differences in factor endowment on vertical intra-industry specialisation, focusing on Spanish intra-industry trade with the major OECD countries. The study addresses different production factors: physical, human and technological capital. The econometric specification used makes it possible to distinguish between the factors that explain the appearance of vertical intra-industry trade and the ones that determine the relative specialisation of the Spanish economy in the framework of the OECD.

Key words: international trade, industrial quality, comparative advantage, exchange specialization, production factors, Spain, OECD.

JEL Classification: F14.

MENDEZ NAYA, José and MENDEZ NAYA, Luciano

Preferential Trade Agreements in Response to Export Subsidies

Abstract: On the grounds of a reciprocal dumping model involving three countries, this paper shows that the optimum response to export subsidies by one of the countries is for the other two to establish a preferential trade club. Moreover, proof is given for considering regionalism and multilateralism to be complementary processes.

Key words: commercial policy, economic integration, industrial structure, business strategy, theoretical analysis.

JEL Classification: F13, F15, L10.

MORAGA GONZALEZ, José Luis and VIAENE, Jean-Marie

Trade Policy of Transition Economies

Abstract: This article analyses the impact of the introduction of trade reforms in a transition economy, using an international trade and vertical product differentiation model.

Firstly, trade liberalisation in these economies is shown to reduce the output of domestic companies and increase the price of the different varieties of the product. Secondly, the conclusions reached suggest that free trade and the absence of subsidies are not optimum measures. Finally, economic arguments, based on the maximisation of social welfare, are found that would justify government implementation of a commercial and industrial policy geared to delivering domestic companies from poor quality production.

Key words: commercial policy, industrial quality, trade liberalization, CEECs.

JEL Classification: F12.

MORENO JIMENEZ, Bernardo and TORRES CHACON, José L.

Production Subsidies *versus* Quotas under Uncertainty and Heterogeneity

Abstract: This article analyses the effects of two types of intervention, namely production subsidies and quotas, as tools to optimise conditions on a market with imperfect competition, in the face of uncertainty with respect to both demand and cost functions. It also addresses the existence of company heterogeneity. The results show that in the event of both demand and cost uncertainties, production subsidies have a comparative advantage over quotas.

Key words: information theory, commercial policy, operating subsidies, import restrictions, uncertainty, costs, demand, theoretical analysis.

JEL Classification: D80, L51.

SAEZ LOZANO, José Luis

Political Cycles of the Spanish Economy, 1975-2000

Abstract: The historical and analytical study of political and social institutions is of major importance in the understanding of economic phenomena. Political economy attempts to combine the two areas although, as a scantily developed discipline, it still encounters difficulties when attempting to jointly model the operation of market mechanisms and political institutions. As a result, while the findings reached may be questionable, they are nonetheless interesting. Based on theories of the political cycle of the economy, this article analyses the economic policies implemented by the different Spanish administrations over the period 1975-2000. This involved testing a series of hypotheses, in which the inputs consisted of price stability, full employment and year-on-year GDP increase objectives, as well as the budget deficit or surplus in terms of GDP and the official interest rate.

Key words: political strategy, economic policy, anti-inflation policy, employment policy, monetary policy, Spain, 1975-2000.

JEL Classification: D72, P16.

TERADA, Akiko

Financial Development and Real Business Cycles

Abstract: The results obtained in this article are intuitive and robust. The author took a number of measurements to show that financial factors are relevant and conclude that expansion and recession periods are more volatile in economies with scant financial development or in emerging markets, in particular in regions of Latin America and Asia.

Key words: international financial markets, business cycles, Latin America, Southeast Asia.

JEL Classification: E30, F20, F40.

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