2019, Volume 42, Issue 84 / ISSN 2304-4306

ECONOMÍA

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FONDO EDITORIAL

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Special Issue: 50^{th} Anniversary of PUCP's Economics Department and the New Stage of ECONOMÍA

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Continuing with the celebration of the 50^{th} anniversary of the Department of Economics of the PUCP, issue 84 contains five papers. The first article, authored by C. Chasco (Autonomous University of Madrid and Nebrija University), Patricio Aroca (Escuela de Negocios, Adolfo Ibáñez University) and L. Anselin (University of Chicago) proposes the GProbit model as an alternative to gravity models to estimate grouped-data flows based on the random utility theory. The GProbit model of flows allows explaining the propensity to migrate from any origin to a destination. The authors mention two advantages of the model: better fit and less problems of non-normality as illustrated by an application for the internal migration flows of the Spanish regions.

The second article authored by G. Atallah (University of Ottawa) studies the interaction between production subsidies and innovation subsidies. The author develops a model, which allows to calculate the socially optimal subsidies and their evolution according to the economic environment and argues to understand how firms react to each type of subsidy. In a three-stage game model, the following results are found: production subsidies crowd out innovation; the optimal production subsidy either increases monotonically with spillovers, or is U-shaped with respect to spillovers, depending on exogenous parameters; the innovation subsidy is increasing in spillovers. Furthermore, the author argue that the production subsidy is higher for very low spillovers, while the innovation subsidy is higher for moderate/high spillovers.

The patterns and determinants of the productivity growth across the world are the subject of the third article authored by Y. E. Kim (World Bank) and N. V. Loayza (World Bank) which is linked to the World Bank's Long Term Growth Model (LTGM). Based on an extensive literature review, the paper identifies the main determinants of economic productivity as innovation, education, market efficiency, infrastructure, and institutions. The paper also constructs indexes representing each of the main categories of productivity determinants and it is performed for every year in the three decades spanning 1985-2015 and for more than 100 countries. The paper then examines the relationship between the measures of TFP and its determinants. The regression results indicate that, controlling for country- and time-specific effects, TFP growth has a positive and significant relationship with the proposed TFP determinant index and a negative relationship with initial TFP. This relationship is then used to provide a set of simulations on the potential path of TFP growth. The paper presents and discusses some of these simulations for groups of countries by geographic region and income level. In addition, as a country-specific illustration, the paper presents simulations on the potential path of TFP growth for Peru under various scenarios. An accompanying Excel-based toolkit, linked to the LTGM, provides a larger set of simulations and scenario analysis at the country level for the next few decades.

The fourth paper, proposed by M. Zevallos (University of Campinas), presents a model to forecast the daily Value at Risk (VaR) of the Peruvian stock market based on intraday (high-frequency) data. Daily volatility is estimated using realized volatility and a quantile regression approach is adopted in order to calculate one-step predicted VaR values.

The last article by C. Martinelli (George Mason University) and M. Vega (BCRP and PUCP), using synthetic control methods, deals with the study of the long term consequences of the interventionist and collectivist reforms implemented by the Peruvian military junta of 1968-1975. Authors compare long-term outcomes for the Peruvian economy following the radical reforms of the early 1970s with those of two controls made of similar countries and they find that the economic legacy of the junta includes sizable loses in GDP along two decades, beyond those that can be attributed to adverse international circumstances. The evidence suggests that those loses can be attributed both to a decline in capital accumulation and to a fall in productivity.

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Second Semester 2019
Editor-in-Chief