Summaries

Duisenberg and Trichet : Measures of their Degree of Conservatism

Ibrahima Diouf and Dominique Pépin

This paper suggests, on the basis of the New Keynesian model, a measure of the degree of conservatism of the European Central Banker. At first, we notice that the appointment of the President of the European Central Bank was made after substantive disagreements about the degree of conservatism (institutional and personal) of the candidates. Secondly, we apply this measure to the change of presidency (from Duisenberg to Trichet) in order to explore the possibility of a step change in the conduct of the ECB's monetary policy. Finally, our results show that once appointed, the two Central Bankers adapted to the institutional framework in which they made decisions.

Keywords : Degree of Conservatism, European Central Bank, Monetary Policy.

JEL Classification : E52, E58

Technical and Economic Efficiency Measures under Short Run Profit Maximizing Behavior

Laurens Cherchye, Timo Kuosmanen, Hervé Leleu

The duality between measures of economic and technical efficiency has been extensively studied in the productive efficiency analysis. This duality ensures a meaningful interpretation of technical efficiency as economic efficiency evaluated at the most favorable shadow prices. This paper concentrates on economic efficiency as short run profit efficiency. We first argue that a modified version of Varian's goodness-of-fit measure provides an appropriate economic efficiency measure in that context. Next, we show that a variant of the McFadden gauge function provides a natural dual efficiency measure for this short run profit efficiency measure. In particular, we establish two attractive properties of that technical efficiency measure: (i) it can be interpreted as Varian's profit efficiency measure evaluated at shadow prices; (ii) it provides an upper bound for profit efficiency

Keywords : Profit Efficiency, Technical Efficiency, Technology Distance Functions.

JEL Classification : D2, D24

Oligopoly Equilibria "à la Stackelberg" in Pure Exchange Economies

Ludovic A. Julien and Fabrice Tricou

This paper introduces two equilibrium concepts which extend the notion of Stackelberg competition to cover a general equilibrium framework. From the benchmarks of Cournot-Walras economies and of strategic market games, the introduction of an active leader modifies the working of market power and the configuration of strategic interactions. In the context of a simple pure exchange economy, asymptotic identification and welfare results are thus obtained, about Stackelberg general equilibria, compared to Cournot general equilibria and to the competitive equilibrium.

Keywords : General Equilibrium, Oligopolistic Competition.

JEL Classification : D43, D51

Expectations, Risk Premium and Term Structure of Interest Rates: an Analysis of Experts' Behavior

Georges Prat and Remzi Uctum

Using Consensus Economics' monthly surveys, we show that experts' interest rate expectations in the Eurofranc market do not verify the rational expectations hypothesis. These expectations are found to be generated by a mixed process combining the traditional adaptive, regressive and extrapolative processes augmented by macroeconomic effects (price, income, money). This mixed expectational process verifies the term structure relation of interest rates based on the portfolio choice model with a long term asset and a short term asset, where a state-space representation is introduced to account for the unobservable part of the long term asset in the portfolio. As predicted by the theoretical model, the risk premium depends on the conditional expected variance of the short term asset and on the conditional expected covariance between the latter and inflation, while the estimated value of the relative risk aversion coefficient is found to be economically acceptable. Overall, these results support that experts' expectations are consistent with the model of interest rate term structure.

Keywords : Term Structure of Interest Rates, Expectations, Risk Premium.

JEL Classification : D81, D84, E43