Index

Abel, A. 305
Adalid, R. 137, 156, 158
Adam, K. 144
adjustment costs 306, 307, 310, 327
affine term structure models, three-factor yield curve model compared with 240, 241–9, 271–3
age, and consumption/saving behavior 20–30, 51, 52, 61, 62, 67, 69, 72, 84, 86, 91, 94, 95, 98, 100–21, 126, 129–30, 132, 133
aggregation problem 47–8, 60, 84
aging 8–9, 10, 213
Agresti, A.M. 162
Akerlof, G.A. 214, 298
Alessie, R. 15, 32, 33
American Time Zone (ATZ), determinants of euro–dollar exchange rate fluctuations in 341, 343, 344, 345
econometrics 352, 353–4, 355, 356–7, 369–79
results and conclusions 380–85, 389–90
Andersen, T.G. 196
Anderson, T.W. 256
Ando, A. 11, 33, 46, 79, 80, 85, 122, 126, 127, 158, 207, 275–87 passim, 288, 305, 315, 335
Ang, A. 273
Angelini, P. 155
Angeloni, I. 162, 163, 188, 200, 202
annuitized wealth 38
Anscombe, F.J. 159
APT model 249
APT tests 250, 252–7
arbitrage pricing theory (APT) model 249
tests of 250, 252–7
Area-Wide Model (AWM) 155, 157, 162
Arena, J.J. 66, 79
Asian crisis (1997–98) 256
asset–income ratio 18, 19, 122, 123
asymmetric responses 50, 65, 76
Attanasio, O.P. 15, 49
attenuation bias 47
Auerbach, A.J. 16, 207, 211, 213, 214, 216, 236, 237, 315, 335
Aumann, R.J. 159
Austria
foreign banks’ branches and subsidiaries in 175
monetary policy and stock market indices in 197
sectoral composition of national stock market indices in 198
average propensity to consume 79
average saving 35–7, 38–9
average wealth, changes in 35–7
AWM, see Area-Wide Model (AWM)

baby pensions 27
Bacchetta, P. 200
Bach, G.L. 288
Baldwin, R. 202
Ball, L. 297
Bank Austria 175
bank checks 298
bank deposits, indexed units of account used for 292
bank lending channel 162, 163–4, 166, 167–86, 187, 199
bank loan and deposit rates, effect of monetary policy on 163–4, 166, 178–86, 187, 199
Bank of Canada 4
Bank of England 4, 350
Bank of Italy 77, 80
Annual Reports 19
Index

Bank of Japan 4, 224, 232, 233, 313
bank penetration, cross borders and domestic, evidence on 170–78, 179–80, 199
bank reserves, excess 207, 224–7, 232–4
Barca, F. 80
Barro, R. 202
Bayesian rule 137–8, 139, 358
decision making under 140–41, 143–4, 145
losses generated by 139, 150–54, 156–7
stabilization performance of 150, 158
Bayoumi, T. 79
behavioral finance 338, 340, 358–9, 383, 384
Belgium
foreign banks’ branches and subsidiaries in 175
monetary policy and stock market indices in 197
sectoral composition of national stock market indices in 198
Benhabib, J. 216
bequests 12, 13, 29, 37–40, 48, 66, 96, 135
Bernanke, B.S. 188, 233, 238
Bertola, G. 202
Bewley, T. 298
Bierwag, G.O. 257
birth rate, see fertility rate
birthplace, moving from 51, 52, 63, 67, 70, 73, 78
Blanchard, O.J. 294, 295, 305
Blinder, A.S. 15
Bliss, R. 242, 273
Bomfim, A.N. 203
bond portfolio risk management, use of three-factor yield curve model for 240, 257–71
alternative duration measures 257–8
comparing alternative duration measures 260–62, 265, 266
generalized duration 258–60
risk management based on alternative duration measures 240, 262–71
bonds 51, 68, 71, 208
long-term 188, 190, 191, 192, 193, 220–24
pricing 240, 249–57, 271
see also duration measures; three-factor yield curve model
Boone, L. 79
Borio, C.E.V. 185
Bosworth, B. 16
Brafman, R.I. 138, 142
branches and subsidiaries, cross-border, banks’ 175–8, 179–80, 199
Brandolini, A. 18, 31, 79
Brayton, F. 11
Brazil, indexed units of account in 291
Breton Woods system 164
Bris, A. 202
British Household Panel Survey 50
Brugiavini, A. 15, 127
Brumberg, R. 46
budget constraint
government 216, 234
household 48, 209, 282, 284
Bundesbank 344, 386, 387
Bush, George W. 11, 350
business cycles 22, 46, 65, 71, 76–7, 300
Cagliesi, G. 385, 386, 388, 389
calendar year effect 91
call rate 312, 313, 315, 316
Calvo, G.A. 297
Campbell, J. 252
Canada, private savings rate in 12
Cannari, L. 18, 31, 79, 126
capital asset pricing models 49
capital flows 349
capital gains/losses 130
on equities
computation of 58–9, 78
and consumption 46–7, 49–50, 60–61, 71–5, 76
data on 50–57, 77–8
definition of 77–8
on housing 33
computation of 58–60, 78
and consumption 46–8, 50, 60–61, 65–71, 75–6
data on 50–57, 77–8
definition of 77–8
capital–labor ratio 283
capital–land ratio 303
capital–output ratio 6, 9, 276, 286, 303, 310, 316
capital stock, Japanese
definition of 312
growth of 283–6
land prices and, see land prices
and business fixed investment in Japan
capitalization rate 92
Carroll, C. 79
Case, K. 79
cash-in-advance constraint 209, 210, 211, 212, 215
Cass–Koopmans type models 310
Cecchetti, S. 161–2
census data 89
Center for Research in Security Prices (CRSP) 242, 250, 254, 267
Chambers, D. 257–8, 267, 268
Chang, J. 385
Chari, V.V. 237
Chatelain, J.B. 168
Chen, N. 273
children, number of 84, 91, 94, 95, 98, 109, 121, 126
Chile, indexed units of account in 288–9, 290, 291, 292, 298, 299
Chiofi, G. 385, 386
Choleski decomposition 334
Chow, G. 389
Chow test 355
Christiano, L. 200
Ciccarelli, M. 166
CIR model 257
Clarida, R. 145
Clark, P.K. 327
Coenen, G. 137, 149, 155, 158
cohort composition, changes in 35–7
cohort effects 17–18, 20–24, 130
Colombia, indexed units of account in 291
compensated dollar 300–301
competitive ratio 138–9, 144; see also relative minimax rule
Connor, G. 250
consumer price index 288, 293–5, 299
consumers, loans to 182, 183, 185
consumption 41
age profile of saving based on 25, 26–8
capital gains/losses and Ch. 3 conclusions 75–7
data sources and description 50–60, 77–9
entire sample results 61–6
homeowners, home-renters and owners of risky financial assets 66–75
introduction 46–8
literature review 48–50
models of 60–61
see also capital gains/losses;
marginal propensity to consume
demographic characteristics influencing 61–5, 67, 69–70, 72–3, Ch. 4
growth in euro area and USA 165
permanent and transitory shocks 76
consumption function 60, 79
consumption smoothing 13, 30–31, 75
consumption taxes 6, 7, 209, 216, 232, 233
time-varying 234–6, 237
continuous time hazard model 127
convergence trades 189
Cooper, I. 257
Cordoba, J.P. 126
corporate governance, Japanese 275, 287
corporate saving, Japanese 276
corporations, loans to 182, 183, 184, 187
coupon rates 259–66 passim
Cox, J. 257, 260–61
credibility of monetary policy 227–34
credibility and money supply increases 227–8
quantitative easing in Japan 232–4
with sticky prices 230–31
with very inflation-averse central banks 228–30
credit, access to 51
credit cards 293, 298
credit constrained models 335
cross-border banking, evidence on 170–78, 179–80, 199
cross-border branches and subsidiaries, banks' 175–8, 179–80, 199
cross-border loans 170, 171, 172, 199
cross-border mergers and acquisitions, banking sector 176
cross-sectional data, repeated 17–20
Index

CRSP, see Center for Research in Security Prices

current accounts 184
curvature factor
  interpretation of 241–2
time series of 242, 243
curvature risk, hedging against 240

D’Alessio, G. 18, 31, 51, 77
Dai, Q. 240, 246
Danthine, J.-P. 176
De Bondt, G. 166, 167
DEAM model, see Disaggregate Euro-Area Model (DEAM)
death of household head 86, 87, 96
Deaton, A. 22, 79, 91
debit cards 293, 298
decision rule 90
Dedola, L. 203
defined-benefit system 92
defined-contribution system 92, 121, 125
demand for money 209, 232, 236, 294
demographic events, model of 86–7, 89–90, 96
demographic transition process 89–90
demographic variables and consumption 78, 84
Denmark
  foreign banks’ branches and subsidiaries in 175
  monetary policy and financial market interest rates in 189
  referendum in 347
dependency ratio 8–9
dependent elderly, saving behavior of 130
depreciation rate 283, 284, 306
  implicit 277, 278–81
Dermine, J. 175
Diamond, P.A. 32
Diebold, F.X. 240, 241–2, 249, 255, 271, 273
Disaggregate Euro-Area Model (DEAM) 155, 157
discount rate 92, 97, 208, 211, 213, 217, 306, 311, 312, 313, 314
  relative loss under differing values of 147, 150, 151, 152, 153, 154
discretionary saving 14, 15, 17, 24–5, 28, 40
  causes of discrepancy between discretionary wealth and 29–37
discretionary wealth 15, 16, 17, 20–25, 27, 40, 41
  and bequests 38–40
  causes of discrepancy between discretionary saving and 29–37
Disney, R. 50, 65, 76
disposable income 13–14, 16, 41, 86, 96, 112, 121, 122
  age profile of saving based on 25, 28
  disutility of labor 208, 210, 217
dividend payments 276, 278, 279, 280, 282–3, 284, 287
  dividend yield 276, 278, 279, 280, 282, 286
divorce 86, 87, 96, 97
Dixit, A. 294
Dolde, D.C. 75, 79
Dornbusch, R. 202
Dow Jones Industrial Index 353, 356, 357, 369, 370, 372, 374, 376, 378, 381, 389
Doyle, A.C. 202, 203
DSGE-type model 155
Dubai, G7 Finance Ministers’ meeting in 351
Duffee, G. 240
Duffie, D. 246
Duisenberg, Wim 344, 346, 347, 348, 387, 388
duration measures, see duration vectors; exponential-based duration vector; Macaulay duration measure; polynomial-based duration vector; stochastic duration measure
duration vectors 257–8; see also exponential-based duration vector; polynomial-based duration vector
Dycks-Mireaux, L. 15
Dynan, K. 49, 79
earned income 13, 14, 41
  age profile of saving based on 25–6, 27–8
earnings data 51, 53, 77, 78
Eaton, J. 304
economic and monetary union (EMU) impact on labor and product markets 200
monetary policy transmission process after Ch. 7
Economic Policy 165
economies of scale 65, 83
Ecuador, indexed units of account in 291
Edison, H. 79
education level, and consumption/saving behavior 51, 52, 62, 67, 70, 72, 78, 84, 109
efficient market hypothesis (EMH) 340, 342
‘anomaly’ of 356, 358–9, 383, 384–5
Eggertsson, G. 227, 228, 238
Ehrmann, M. 167, 168, 195, 201
Eichel, Hans 344, 386, 387
Eisner, R. 8
El Mercurio 301
elasticity of substitution between capital and land 303, 304, 305, 306, 309–10, 317, 327, 335, 336
elderly people, saving behavior of, in Japan 9, 10, Ch. 5
Ando’s contribution to 129–31
conclusion 135
newly available data and evidence on 131–5
Elton, E. 249, 263, 273
employment
growth in euro area and US 345
employment status, and consumption/saving behavior 52, 61, 63, 67, 70, 73, 78, 84, 90
elderly people 131–4
energy crises 3, 43, 322
Engelhardt, G. 50, 65, 76
Enron scandal 349, 350
equities
capital gains on computation of 58–9, 78
and consumption 46–7, 49–50, 60–61, 71–5, 76
data on 50–57, 77–8
definition of 77–8
monetary policy and prices of 164, 195–8, 199–200
ERM crisis (1992–93) 189, 193
ESRI (Economic and Social Research Institute) 277–8, 280
Euler equation 210, 211, 212, 214, 283
 euro area
financial integration in 200
macroeconomic performance of 165
member countries of 385
monetary policy transmission process in Ch. 7
need for comprehensive models of 200–201
performance of alternative robust rules in four models of 154–7
euro–dollar exchange rate Ch. 13
news approach to 338–42
construction and use of news variables 342–5
econometrics of news impact 352–84
main findings 383–4
summary and conclusions 384–5
time profile of 338, 339
Euro Stoxx 196, 197
European Central Bank
forex intervention by 344, 356, 357, 360, 362
monetary policy of 4, 346, 347, 348, 350
transmission of Ch. 7
payments system of 346
publications by 155, 175, 180, 187, 201, 202
European Commission 388
European System of Central Banks (ESCB) 155
European Time Zone (ETZ), determinants of euro–dollar exchange fluctuations in 341, 343–4, 345
Index

econometrics 352, 353, 355, 356–7, 360–68
results and conclusions 380–85, 389–90
Eurostat 165
Eurosystem Monetary Transmission Network 163, 167
excess reserves 207, 224–7, 232–4
exchange rates 168, 196, 200, 232, 233, 289
indexed unit of account/money 293–7, 299–300
see also euro–dollar exchange rate
exponential-based duration vector 258–60, 261, 262, 263
risk management based on 267–8, 269, 270–71
extended families, saving behavior of elderly people living in Ch. 5 extended life-cycle model 15 extensive margins 58
factor analysis 250
Fagan, G. 155, 162
Faiella, I. 18, 31, 51, 77
Fair, R. 385
Fama, E. 242, 273, 340, 389
Fama maturity portfolios 254, 255
family size, see household size
family structures
and consumption/saving behavior 94, 109–21
patterns in Italian population 98–109
Fatum R. 385
Favero, C.A. 167
federal funds rate 5
Federal Reserve Board
Balance Sheets of the U.S. Economy 281
monetary policy of 4, 5, 137, 234, 347, 348, 350, 381–2
regime change (1979–82) 252, 256, 270, 358
transmission of 168, 181, 185, 189, 203
structural macroeconomic models used by 9, 195
Feldstein, M. 15, 234
fertility rate 84
Italian 85, 97, 121, 125
Japanese 8
financial markets, transmission of monetary policy via 162, 186–98
interest rate channel 164, 188–95, 199
stock market channel 164, 195–8, 199–200
Financial Times (FT) 4, 386–8
Finland
foreign banks' branches and subsidiaries in 175
monetary policy and stock market indices in 197
sectoral composition of national stock market indices in 198
Fischer, S. 294, 295
Fisher, I. 300
flat-prior Bayesian criterion 144
foreign direct investment 166
foreign exchange purchases 238
France
cross-border loans by 171, 172
cross-border securities holding by 173, 174
foreign banks' branches and subsidiaries in 175
mergers and acquisitions involving credit institutions in 179, 180
monetary policy and lending and deposit rates in 181, 186, 187
monetary policy and stock market indices in 197
sectoral composition of national stock market indices in 198
Frankel, J.A. 385
Fratzcher, M. 195, 201, 385
Friedman, M. 4, 79, 238
fundamentals, effect of, on euro–dollar exchange rate 338, 341, 342
econometrics 353, 354–5
results 381, 383, 389
Furness, Chris 387
Gale, W.G. 15, 42
Gali, J. 297

Lawrence R. Klein - 9781781950500
Downloaded from PubFactory at 09/20/2023 11:17:23PM
via free access
Garbade, K. 258
GDP (gross domestic product) and capital stock 312, 325–7, 330, 332–4
 euro area and USA growth rates 165
output measured as 312–13
pension wealth based on growth of 92, 121
trends in Japan 316, 317, 318, 322
gender, and consumption/saving behavior 61, 92
General Government Sector, definition of 7
generational accounts 16
Germany
cross-border loans by 170, 171, 172
foreign banks’ branches and subsidiaries in 175
mergers and acquisitions involving credit institutions in 179, 180
monetary policy and lending and deposit rates in 181, 182, 186, 187
monetary policy and stock market indices in 196, 197
sectoral composition of national stock market indices in 198
Gertler, M. 188, 297
Giannoni, M.P. 138, 159
Girouard, N. 79
Gokhale, J. 16, 126
Goldberger, A.S. 11
Goodman, J. 50
government debt composition of 207, 220–24, 238
Japanese 6–7, 228, 234
government enterprises 277, 278
Government of Japan
ESRI (Economic and Social Research Institute) of 277–8, 280
Family Saving Survey conducted by 131
National Survey of Family Income and Expenditure conducted by 130, 132–3
government saving 15–16
Grande, G. 79
Granger causation 322
Great Depression 234
Greenspan, Alan 5, 344, 349, 388
gross rate of return on capital 284
growth rate and interest rate 9
Japanese 286
potential 9
Guiso, L. 39, 43, 46, 162, 167
Gulf War (1991) 5
Gultekin, B. 257
Haavelmo, T. 2
Hall, R.E. 289, 303, 304, 305
Hamilton, J.D. 193
Hansen, B. 388–9
Hansen, L.P. 144, 159
Harding, A. 126
Harmonized Indices of Consumer Prices 188
Hartmann, P. 202
Hausman, J.A. 32, 127
Hayashi, F. 126, 129, 130–32, 134, 237, 312, 389, 313
Heckman two-stage estimate 91
hedging errors 264, 267, 268–70
hedging portfolio 240, 262–71
Herfindahl index 176, 179–80
Hofmann, B. 166
holding period return, definition of 254
homeowners, effect of house prices on consumption behavior of 47, 50, 66–8, 75
Horioka, C.Y. 10, 134–5
household head, definition of 129
household lifetime resources, determination of 90–93
household savings rate, see savings rate, private
household size, and consumption/saving behavior 27, 30, 51, 52, 62, 65, 67, 70, 73, 109; see also children, number of
housing, capital/gains losses on 33
computation of 58–60, 78
and consumption 46–8, 50, 60–61, 65–71, 75–6
data on 50–57, 77–8
definition of 77–8
Hoynes, H. 50
Hulten, C. 277
Hurd, M.D. 32, 36, 38, 39
Hutchison, M. 385
Hypo Vereinsbank 175

Il Consulente Immobiliare 54, 55, 77
Il Sole 24ore 54, 77
immunization
alternative duration measures as tools for 262–71
definition of 262
implicit depreciation rate 277, 278–81
impulse response functions 312, 325–7, 328–31
imputed rents 25, 27, 41, 78, 315–16
Inada condition 284
income
age profile of saving based on 25–8
measures of 13–14, 16, 25
see also disposable income; earned income
income effect 49, 71–5
income generating process, model of 87, 88, 90–93
income taxes, cuts in 234
indexed units of account Ch. 11
in Chile 288–9, 290, 291, 292, 298, 299
design elements for 297–300
defining interval between computations of price index 299–300
encouraging use for all transactions 297–9
monetary policy 300
exchange rate between money and 293–7, 299–300
idea behind 290
importance of 289
model representing indexed units of account used for all prices 292–7
generalization of 297
price stickiness with 291, 293–7
prices to be quoted in 291–2
public resistance to 288–9
indirect channel 48–9
Indonesia, price-level uncertainty in 289
inertia of economy, degree of 137
inflation
degree of inertia of 137, 139, 140, 145–9
robustness of alternative monetary rules to differences in 149–54
in euro area and USA 165
fiscal policy and 234–6
forecasting 9
and loan maturity 185–6
measuring expectations of 188
money supply and 4–5, 207, 211–34
with indexed units of account 295–8, 299, 300
real wage cuts caused by 298–9
responsiveness to output gap changes 140, 147, 153–4
information technology (IT) 5, 10, 84
Ingersoll, J. 264
Institute of Posts and Telecommunications Policy of Japan Postal 134
Institute of Supply Management (ISM) Index, effect of, on euro-dollar exchange rate 345
inter-vivos transfers 33–4, 36, 37, 39, 96, 130
interbank loans 170, 172, 199
interest rates
co-movements of real rates, post-EMU 188–95, 199
and euro-dollar exchange rate 346, 347, 348, 350, 351
results and conclusions 380–81, 382, 383, 389
growth rate and 9
as a policy control instrument 2, 4, 5, 300
protection of value of bond portfolio against changes in, see immunization
rules 145, 156
spreads 3
structure of 2
transmission of monetary policy to bank interest rates 163–4, 166, 178–86, 187, 199
and wealth accumulation 6, 22, 42, 71–5, 79, 90, 121
internal rate of return 121
international trade, impact of euro on 165
intertemporal consumption elasticity 236
inverse Mill’s ratio 91
inverse wage Euler equation 211
investment, Japanese 8; see also land prices and business fixed investment in Japan; over-investment hypothesis
investment growth in euro area and USA 165
Iraq crisis 344, 349, 350–51, 383
Ireland
foreign banks’ branches and subsidiaries in 175
monetary policy and stock market indices in 196, 197
sectoral composition of national stock market indices in 198
Ishikawa, T. 131–2
Issing, Otmar 344, 387
ISTAT 31–2, 97
Italian Stock Exchange 54, 77, 78
Italy
capital gains and consumption in Ch. 3
conclusions 75–7
data sources and description 50–60, 77–9
entire sample results 61–6
homeowners, home-renters and owners of risky financial assets 66–75
introduction 46–8
literature review 48–50
model 60–61
see also capital gains/losses; marginal propensity to consume
cross-border loans by 171, 172
cross-border securities holding by 173, 174
foreign banks’ branches and subsidiaries in 175
household savings rate in 10, 12, 18–20
based on flow data 25–8
bequests and gifts and 39
conclusions 40, 125–6
demographic model of Ch. 4 derived from wealth 20–25
discrepancy between saving and wealth measures 29–36
mergers and acquisitions involving credit institutions in 179, 180
monetary policy and lending and deposit rates in 181, 186, 187
monetary policy and stock market indices in 197
sectoral composition of national stock market indices in 198
social security reforms in 92–3, 109, 121, 125, 127
Ittner, J.B. 50

J statistic 254, 255, 256
Japan
aging problem in 8–9, 10, 213
capital–output ratio in 6, 276, 286, 316
corporate governance in 275, 287
economic policy of 6–8, 207
fiscal policy proposed 234–6
monetary policy 181, 185, 189, 190, 191, 232–4
growth rate for 286
implicit depreciation rate in 277, 278–81
investment in 8
see also land prices and business fixed investment in Japan; over-investment hypothesis
mergers and acquisitions involving credit institutions in 179, 180
National Accounts for 6–7, 207, 275, 276–81, 312
net rate of return on capital in 276, 279, 280, 281, 284, 286
private savings rate in 6, 9, 10, Ch. 5
Japan Highway Corporation 277
Japan Real Estate Institute 315
Jappelli, T. 15, 39, 42, 43
Jevons, W.S. 291–2
Jobson, J.D. 256
Jones, L.E. 335
Jorgenson, D. 303, 304, 305
*Journal of Economic Perspectives* 168, 186
Kahneman, D. 389
Kain, J. 50
Kan, R. 246
Kapteyn, A. 42
Kashyap, A.K. 167, 168
Kaufman, G. 257
Kennickel, A. 11
Khang, C. 257
Kieler, M. 162, 167
Kimball, M. 79
King, M.A. 15, 47
Kiyotaki, N. 294, 303, 304, 305, 306, 312, 313, 316, 327, 335
Klein, L.R. 11
Knez, P. 250
Korajczyk, R. 250
Korkie, B. 256
Kosovo 346
Kotlikoff, L. 42
Krugman, P.R. 213, 227, 237
Kuznets, S. 10
labor–disutility parameter 208, 210, 217
Lafontaine, Oskar 346
land price indices 315, 327, 332
land prices and business fixed investment in Japan Ch. 12
conclusions 334–5
data and variable descriptions 312–16
decision rule 310–12
empirical results 316–34
restricted VARs and impulse response functions 325–7, 328–31
robustness 327–34
trends, and calibration of η 316–17, 318–21, 322
unrestricted VARs 317–25
introduction 303–5
model of 305–10
land taxes 313–16
land use regulations 304, 335
Leamer, E. 163
Leape, J. 47
Lehman, B. 250
level factor
interpretation of 241–2
time series of 242, 243
level risk, hedging against 240
Levin, A.T. 137, 138, 139, 147, 149, 158
Levin, L. 50
Li, C. 240, 241–2, 249, 255, 271, 273
cycle hypothesis (LCH) Ch. 2, 48–9, 60, 61, 65, 83, 84, 90, 122, 125, 129, 131, 132, 134–5, 213
life expectancy 8, 92, 97
lifetime income, determination of 90–93
likelihood ratio test statistic 252–3, 256
Lindsey, Larry 350
Lippi, F. 203
liquidity constraints 61, 65, 68, 69, 75, 168
liquidity trap
fiscal policy in 234–6
monetary policy in 207–34
see also money supply
Litterman, R. 250
loan maturity 185–6, 187
long-run model properties 9–11
long-term loans and deposits 183, 184
loss function 137, 143, 145, 147, 156
Lucas critique 158, 161
Luxembourg, foreign banks’ branches and subsidiaries in 175
M1, M2, money supply 5, 11
Maastricht Treaty (1992) 164
Macaulay duration measure 240, 241, 257, 259, 260, 262
risk management based on 240, 267, 269, 270, 271
macroeconomic shocks 22
Maki, D. 49
managed investment accounts 51
mandated wealth, see pension wealth
mandatory saving 14, 15, 16, 26, 28, 32, 40
Mankiw, N.G. 49, 137, 297
Manuelli, R.E. 335
marginal productivity of capital 284, 308–9, 310
marginal productivity of labor 283, 307
marginal productivity of land 307, 314, 315
marginal propensity to consume
out of capital gains on real estate 65–6, 68, 75
out of financial wealth 68, 72–5
out of income 61, 64, 65, 66, 68, 69, 70, 74, 76
out of wealth 48, 49–50, 61–71, 79
marital status, and consumption/saving behavior 52, 63, 67, 70, 73, 78, 91, 101–8
mark-up pricing 212, 214
market-clearing equations 3
market consensus 340
market segmentation 162
Marquez, J. 11
marriage 86, 87, 96, 97
Mature Men, Longitudinal Survey 32
maximum likelihood (ML) 252–3
McFadden, D. 50
measurement errors 18, 22, 31–2, 47, 71, 75
medium of exchange function,
separation of unit of account function from 288–9, 290
Meese, R.A. 338
Meltzer, A.H. 195
mental accounts 49–50
menu costs 288, 293, 294
mergers and acquisitions involving credit institutions 176, 179–80, 199
merging of households 86, 87, 96, 97
Mexico, indexed units of account in 291
Michigan, University of, Survey 49
micro-simulation model 84–5, 97
of Italian household sector 85–96
basic assumptions of a benchmark simulation of 97–8
conclusions 125–6
consumption choices, asset accumulation and bequests 94–6
data sources 88–9
decision to retire 93
demographic transition process and individual characteristics 89–90
determination of household lifetime resources 90–93
evolution of aggregate savings rate 109–25
evolution of main characteristics of the population 98–109
overview 85–8
Mihov, I. 162
Mill’s ratio 91
minimax regret 138, 142, 143
minimax rule 138
losses generated by 139–40, 149–54, 156–7
potential problems of 140–45
stabilization performance of 150, 158
minimum wage 301
Mishkin, F. 168, 188, 195
model properties, long-run 9–11
Modest, D. 250
Modigliani, F. 12, 39, 42, 46, 48–9, 79, 83
Mojon, B. 162, 167, 168
monetary policy
robust, see robust monetary policy
transmission of, in the Euro area Ch. 7
with indexed units of account 300
see also interest rates; money supply
money illusion 290, 291, 293, 294
Money Market Service (MMS) 340
money supply
  expansion of, in a liquidity trap 207–34
  adding financial intermediaries 224–7
  adding long-term bonds 220–24
  credibility of permanent money supply changes 227–34
  fiscal alternative to 234–6
  introduction 207
  model and basic results 208–13
  sticky price case and simulation results 213–20
  summary and conclusion 236–7
  expansion of, in a system of indexed units of account 295–8, 299, 300
  as a policy control instrument 2, 4–5
Monteforte, L. 155
Moore, J. 335
Morgan, D. 176
Morgan Stanley (MSCI Italy) 77, 80
Moro, A. 126
mortality problem 19
mortality rate 84, 92, 97
mortgage finance 47, 50, 182, 183, 184, 185
MPS model 4–5
Munnell, A. 15
mutual funds 51, 59, 71
NAIRU (nonaccelerating inflationary rate of unemployment) 4, 5, 9, 11, 158
National Association of Manufacturers 348
National Income Accounts 13–14, 84
  Japanese 6–7, 207, 275, 276–81, 312
  Italian 18, 31, 89
  United States 280
National Longitudinal Survey of Mature Men 32
national saving 15–16
natural rate of unemployment, see NAIRU (nonaccelerating inflationary rate of unemployment)
Nelson, C.R. 240, 241–2, 271
net lifetime income 92
net rate of return on capital, Japanese 276, 279, 280, 281, 284, 286
net wealth
  computation of 58, 78, 96
  data on 53
  definition of 77
Netherlands
  age–saving profiles in 32
  foreign banks’ branches and subsidiaries in 175
  mergers and acquisitions involving credit institutions in 179, 180
  monetary policy and lending and deposit rates in 181, 187
  monetary policy and stock market indices in 197
  sectoral composition of national stock market indices in 198
  news model of euro–dollar exchange rate Ch. 13
  construction and use of news variables 342–5
  econometrics of news impact 352–84
  general results 380–83
  introduction 338–42
  main findings 383–4
  summary and conclusions 384–5
Newsmetrics 386
Nicoletti-Altimari, S. 85, 122, 126, 127
Nishimura, K.G. 217
non-nuclear households, consumption/saving behavior in 94, 101–8, 113, 114, 115, 116, 117, 118, 119, 120, 121; see also extended families
non-performing loans 8
normalized losses 142
NTT 313
nuclear households, consumption/saving behavior in 94, 101–8, 113, 115, 119, 130, 131
O’Neill, Paul 347, 348, 350, 388
Obstfeld, M. 207, 211, 213, 214, 216, 236, 237
OECD 10, 19, 165
Ogawa, K. 304, 335
Index

Onatski, A. 138, 159
OPEC shock 322
open market operations, see money supply
optimal rules, robustness of 145–9
option value model 127
ordinary least squares (OLS) regression 242, 243, 317–22
output, Japanese
and capital stock 312, 325–7, 330, 332–4
measured as GDP 312–13
trends in 316, 317, 318, 322
output effects of monetary policy 167, 168
output gap changes, responsiveness of inflation to 140, 147, 153–4
over-investment hypothesis Ch. 10
Ando economy of over-investment 281–6
Ando’s thesis 275–8
testing with new data 278–81
conclusion 286–7
over-reaction 358, 383
Paiella, M. 49
Palumbo, M. 49
panel data 18
Panel Study of Income Dynamics 50
Parker, J.A. 79
participation rates 97–8, 109, 110, 111
Paxson, C. 22, 32, 91
Pearce, D.K. 197
Peersman, G. 162, 167, 168, 203
Pence, K. 43
pension contributions 13–17, 24, 26, 28, 42, 92, 121, 122, 124; see also mandatory saving
pension income 13–14, 16, 24, 26, 28, 42, 92, 122, 124, 213
pension wealth 15, 16, 26, 32, 40, 42
age profile of 17, 24, 25
computation of 42, 92
decline in 93, 121–5, 126
pensioners, proportion of 109, 110
permanent income hypothesis 60, 90
peso 290, 291, 292
Phillips, A.W. 2, 3
Phillips curve 1, 2–6, 137, 151, 155
Piazzesi, M. 246, 273
Pindyck, R.S. 389
planning horizon 83
polarization 342, 359, 380, 389
polynomial-based duration vector 258, 262, 266
risk management based on 267, 268, 269, 270–71
Portugal
foreign banks’ branches and subsidiaries in 175
monetary policy and stock market indices in 196, 197
sectoral composition of national stock market indices in 198
Postal Saving System 9, 277
Poterba, J. 12, 32, 49, 79
Pratt, J.W. 140
precautionary saving 213
Prescott, E.C. 237
price-level path, target 233
principal components analysis 250–52, 253
private pension funds 43
probabilities, weighting by 140–41, 143–4, 145
Probit model 389
Prodi, Romano 387
producer price index 210
production function 210, 283, 284
land added to 303, 305–6, 307, 309, 310, 334
productivity
changes in 3, 9, 43, 90, 91, 97, 121, 208, 213, 217, 303, 310, 312
intergenerational differences in 22, 24
profit maximization 213–14, 298, 314
propensity to consume 16; see also average propensity to consume; marginal propensity to consume
Prospect Theory 358
quantitative easing in Japan 232–4
quantity theory of money 4–5
Quigley, J. 50
Raffarin, Jean-Pierre 351, 388
Rake, K. 126
rational expectations 3, 11
re-adjustment (RA) effect 358–9, 382–3, 384
real estate, capital gains/losses on, see housing, capital gains/losses on
Rebucci, A. 166
region of residence, and
consumption/saving behavior 51, 52, 59–60, 61, 63, 66, 67, 70, 73, 78, 90, 91
regret 138
Reifschneider, D. 195
reinforcing (RE) effect 358–9, 383–4
Reinhart, V. 203
relative loss for alternative monetary policy rules 139–40, 147–54
in four estimated models of the euro area 156–7
definition of 133
relative minimax rule 138–9
losses generated by 139, 150–54, 156–7
reasons for using 142, 144–5
stabilization performance of 140, 150, 158
renters, effect of house prices on consumption behavior of 47, 69–71, 76
replacement ratio 92
re-sampling procedure 89
retained earnings 276
retired elderly, saving rate of 131–2
retirement accounts 49–50
retirement age 8, 22, 27, 42, 92
choice of 93, 122
Retirement History Survey 32, 36, 50
retirement induced effect 15
Reuters 195
reverse Pigou effect 6
Riegle–Neal Act (1994) 176
risk
management based on alternative duration measures 240, 262–71
three factors capturing 240, 249–57
risk-aversion 144
robust monetary policy Ch. 6
conclusion 158
introduction 137–40
minimax revisited 140–45
notation 143–5
robustness in four estimated models of the euro area 154–7
robustness of alternative rules to
alternative degrees of inflation inertia 159–54
robustness of optimal rules 145–9
Rogalski, R. 257
Rogoff, K. 338
Roley, V.V. 197, 203
Romer, Christina D. 234
Romer, David 294, 301
Rose, A.K. 385
Ross, S. 249
Rossi, N. 43
 ROTating panel data 51, 76
Rubinfeld, D.L. 389
Rudebusch, G.D. 145
Russia, price-level uncertainty in 289
Saarenheimo, T. 162, 167
Sabelhaus, J. 42, 43
salaried elderly, saving rate of 131–2
sampling 84, 89
Samwick, A. 99
Sargent, T.J. 144, 159
Sarno, L. 385
Savage, L.J. 138
saving
definitions of 13–17, 77, 95–6
see also average saving; corporate saving, Japanese; discretionary saving; mandatory saving; savings rate, private; total saving
saving–income ratio 86
savings deposits 182, 184
savings rate, private 6, 9
by age in Italy 12–13, 16–17, 19–20
based on flow data 25–8
bequests and 12, 13, 29, 37–40
conclusions 40, 125–6
demographic model of Ch. 4
derived from wealth 20–25, 33
discrepancy between saving and wealth measures 29–37
alternative measures of 18–19
decomposition of aggregate 86
of elderly in Japan 9, 10, Ch. 5
Ando’s contribution to 129–31
conclusion 135
newly available data and evidence on 131–5
scheduled news, effect of, on euro–dollar exchange rate 340, 341, 342, 345
econometrics 352–5
results and conclusions 382, 383, 384, 385, 389
Scheinkman, J. 250
Schmitt-Grohé, S. 237
Schröder, Gerhard 344, 351, 388
Schwartz, A.J. 238
SDC Thomson Financial 180, 202
Seabright, P. 202
securities, cross-border holdings of 170, 173, 174, 199
self-employed, consumption/saving behavior of 52, 63, 67, 70, 73, 78
elderly self-employed 131–2
Sellin, P. 203
Sellon, G.H. 203
severance pay 32
Shafir, E. 288, 291
Sheiner, L. 50
Shiller, R.J. 288, 291, 299, 385
Shirai, M. 217
Shirakawa, M. 232, 238
Shleifer, A. 385, 389
short-term loans and deposits 183, 184
Siebert, Horst 387
Siegel, A.F. 240, 241–2, 271
Sims, C.A. 138
single-head households, consumption/saving behavior in 94, 101–8, 113, 114, 115, 116, 117, 118, 119, 120, 121
single passport provisions 175
single-person households, consumption/saving behavior in 94, 98–109, 114, 116, 118, 120, 131
Singleton, K. 241, 246
Siu, H.E. 237
Siviero, S. 155
Skinner, J. 50
slope factor
interpretation of 241–2
time series of 242, 243
slope risk, hedging against 240
smartcards 293, 298
Smets, F. 155, 162, 168, 200, 203
Smith, J.P. 39
social security contributions, see pension contributions
social security wealth, see pension wealth
socio-economic characteristics, model of 87–8, 90
Solans, Eugenio Domingo 387
Spain
foreign banks’ branches and subsidiaries in 175
mergers and acquisitions involving credit institutions in 179, 180
monetary policy and lending and deposit rates in 181, 186, 187
monetary policy and stock market indices in 197
sectoral composition of national stock market indices in 198
spectral density 192–3
SRC Survey of Consumers 49
stabilization policy 2
stale news, effect of, on euro–dollar exchange rate 356, 358–9, 382–3, 384, 385, 390
Standard and Poor’s Money Market Services 345
Starr-McCluer, M. 49
Stein, J.C. 167, 168
Stiglitz, J. 294
stochastic duration measure 257, 260–62, 265
Stock, J.H. 127
stock market channel 164, 195–8, 199–200
stock market crash (1987) 256
stocks, see equities
substitution effect 15, 49, 66, 71–5, 234
sure thing principle 138
survival probabilities 19, 26, 36, 42, 92
survivors’ benefits 38
Svensson, L.E.O. 145, 233
Sweden
foreign banks’ branches and subsidiaries in 175
monetary policy and financial market interest rates in 189
monetary policy and lending and deposit rates in 181, 185
Taiwan, age–saving profiles in 43
Takenaka, Professor 6, 10
target asset 263–4, 267
target capital 304, 309–10, 311, 317–27,
330, 331, 334
tax burden, reduction in 207
tax payments, indexation of 298
tax smoothing 235
taxes, see consumption taxes; income
taxes, cuts in; value-added tax
Taylor, M.P. 385
Taylor-style staggered wage contracts 155
Tennenholtz, M. 138, 142
terror–related news 344, 348, 349, 351,
356, 357, 369, 373, 375, 381, 384
Thailand, age–saving profiles in 43
Thaler, R.H. 50, 79, 340, 385, 389
three–factor yield curve model Ch. 9
duration measures and bond portfolio
risk management 240, 257–71
alternative duration measures 257–8
comparing alternative duration
measures 260–62, 265, 266
generalized duration 258–60
risk management based on
alternative duration measures
240, 262–71
forecasting performance of 240, 241,
249, 271
pricing implications of 240, 249–57,
271
APT test 252–7
factor extraction 250–52, 253
relationship with affine class 240,
241–9, 271–3
Tietmeyer, Hans 386
time deposits 183, 184, 185
time index 341
time preferences 162, 213, 214, 217,
282, 286
time–varying tax rates 234–6, 237
Tivegna, M. 385, 386, 388, 389
Tobin, J. 75, 79
Tobin’s q 276, 278, 279, 280, 286
Tokyo Stock Exchange 276
total factor productivity (TFP) 277,
287, 306, 310, 312
total saving 25, 28, 40
total wealth 17, 24, 25, 38, 40
transfers in savings 34
transformation rate 92
transversality condition 209, 282
Treasury Bills 267
Turkey, price–level uncertainty in 289
Tversky, A. 389
Tyco scandal 349, 350
Ueda, K. 336
uncertainty
indexation to reduce 288, 289, 292
Knightian 144
robust policy rules under 138, 146–7,
158
and wealth accumulation 22, 48, 50,
79, 135
underemployment equilibrium 2
under–reaction 358, 383
under–reporting of assets 51
unemployment rate 97, 121, 126, 165
unidad de fomento (UF) 288–9, 291, 292
unidad real de valor (URV) 291
unit illusion 291
United Kingdom
age–saving profiles in 32
capital gains and consumption in 49,
65
foreign banks’ branches and
subsidiaries in 175
monetary policy and financial
market interest rates in 189,
190, 191
monetary policy and lending and
deposit rates in 181, 185
United States
capital gains and consumption in 49,
65
capital–output ratio in 276
implicit depreciation rate in 279,
280, 281
interstate banking in 175–6, 177–8
investment in stocks in 46
macroeconomic performance of 165
mergers and acquisitions involving
credit institutions in 176, 179,
180
monetary policy in 4, 5, 137, 234,
347, 348, 350, 381–2
regime change (1979–82) 252, 256,
270, 358