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Letter from Editors

The three papers published in the third issue of volume 8 represent very different fields of economic modelling and varying methodological approaches. The first work is related to the theory of international trade, and basic tools of mathematical modelling are used there. In the second paper, a complicated stochastic framework serves to propose a new Bayesian approach for modelling volatile daily prices on financial or commodity markets. The third article is an applied macroeconomic study, based on the Computable General Equilibrium approach.

In his paper on liberalisation of international trade in the case of asymmetric countries, Krzysztof Kosiec analyses the welfare consequences of trade liberalisation between states. For inter-industry or vertical intra-industry trade, liberalisation undoubtedly contributes to improved social welfare, regardless of the level of effectiveness and the size of the economy. However, for horizontal intra-industry trade, welfare changes in asymmetric countries, caused by trade liberalisation, depend on the sizes and effectiveness of their economies.

In the paper on the Bayesian SVLEDEJ model for detecting jumps in logarithmic growth rates, Maciej Kostrzewski proposes a stochastic volatility model with a leverage effect, normal errors and jump component with the double exponential distribution of a jump value. Its Bayesian analysis and a ready-to-use Gibbs sampler are presented, which enable to effectively conduct statistical inference. In the empirical study, the approach is applied to model logarithmic growth rates of one month forward gas prices. The results reveal an important role of both jump and stochastic volatility components.

The work by Herbert W.V. Hasudungan and Sulthon S. Sabaruddin is devoted to the impact of exogenous fiscal expansions or contractions on main macroeconomic indicators of Indonesia. The authors perform simulations within the Computable General Equilibrium framework. The results show that the increase of government expenditure on goods under the adjusted government deficit and balance of payment generates the highest increase of the Indonesian GDP, but also increases the government deficit. In contrast, under either lowering subsidy rates across activities or increasing the ad valorem tax rates the effect for the Indonesian GDP is smaller.