THE 32ND IARIW GENERAL CONFERENCE, BOSTON, MASSACHUSETTS, 2012: EDITORS' INTRODUCTION

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This special issue of the *Review of Income and Wealth* contains selected papers from the 32nd IARIW General Conference of the IARIW, which was held in Boston on August 5–11, 2012. Like an ellipse with two foci, IARIW general conferences have both a microeconomic theme centered on measuring inequality, and a macroeconomic theme centered on measurement problems related to national accounts, productivity, and price change. Both foci are represented by the papers in this special issue.

Although the papers cover a diverse range of measurement topics, they can be grouped into papers on measuring inequality, papers on the drivers of macroeconomic growth, and papers on prices. The first paper on inequality is "Global Inequality: Levels and Trends, 1993–2005; How Sensitive Are These to the Choice of PPPs and Real Income Measures?" David Warner, D. S. Prasada Rao, William Griffiths and Duangkamon Chotikapanic attempt the ambitious objective of measuring the change in a global Gini coefficient from 1993 to 2005, taking into account both the differences between country average per capita income measured using purchasing power parities (PPPs) and within-country inequality (Warner *et al.*, 2014). They use PPPs from the 2005 round of the World Bank's International Comparison Program, but to investigate the sensitivity of the results to the data source used for the PPPs, they also calculate the results implied by other sources of PPPs. Irrespective of the approach used, they find that global inequality is falling, in part because of strong growth in average incomes in China and India.

Next, in "Changes in the Patterns of Poverty Duration in Germany, 1992–2009," Iryna Kyzyma (2014) develops techniques for estimating aspects of poverty dynamics while controlling for unobserved heterogeneity. She applies these techniques to panel data from Germany from a period that saw a significant tightening of social assistance rules and two downturns in macroeconomic conditions. Over

this period, for those individuals who entered into poverty for the first time, the probability of exiting poverty fell and the probability of re-entering poverty after having exited rose. Calculations of the implied distribution of poverty spell lengths within a six-year interval show the average amount of time spent in poverty rises monotonically from 2.65 years in 1992–97 to 3.22 years in 2004–09. Poverty has become a more persistent state in Germany since the 1990s.

A different kind of question about changing income distributions is investigated by Joseph Deutsch, Jacques Silber and Gaston Yalonetzky in a paper on bi-polarization and the middle class in Latin America (Deutsch *et al.*, 2014). This paper proposes a new index of bi-polarization that takes into account both changes in the average income of those above and below the median income and changes in dispersion within the high income and low income groups. New graphical techniques for illustrating the changes are also presented. The different measures can go in different directions, and the range of experience within Latin America is wide.

One paper straddles the boundary between the first group of papers on inequality and the group on sources of growth, as it includes both themes. In "(In)equality in Education and Economic Development," Petra Sauer and Martin Zagler note that even though investment in human capital is thought to be an important driver of macroeconomic growth, regressions of growth in real GDP per capita on average education produce ambiguous results (Sauer and Zagler, 2014). The authors argue that inequality in the distribution of education plays an important but neglected role in determining the impact of average education on growth. In empirical models explaining growth in real GDP per capita, education indeed has a positive and significant effect once an education Gini coefficient is added to the set of variables in the model. Consistent with theories of education spillovers, the marginal benefits of education are larger when education is distributed more equally, though countries in early stages of development with very low levels of average education are an exception.

The theme of measuring and understanding sources of growth continues with a paper on the Dutch growth accounts by Mark de Haan, Erik Veldhuizen, Murat Tanriseven and Myriam van Rooijen-Horsten (de Haan *et al.*, 2014). The Dutch growth accounts have some unique features in their approach to measuring multifactor productivity (MFP), such as the use of *ex ante* returns to capital in measuring inputs of capital services and their inclusion of a broad range of capital types, moving even beyond the 2008 SNA. Despite the theoretical attractiveness of the innovations in the Dutch growth accounts, the use of more complete measures of the capital stock and of an exogenous rate of return are found to have only modest effects on the estimate of MFP at the aggregate level, raising the estimate of its average growth from 0.76 percent per year to 0.81 percent per year. However, these innovations do have important effects on analyses of the sources of growth.

Identifying the sources of growth is also the topic of "Is Mining Fuelling Long-Run Growth in Russia? Industry Productivity Growth Trends since 1995" by Marcel Timmer and Ilya Voskoboynikov. This paper develops a unique database on the Russian economy that covers industries' inputs, including capital services, and their outputs (Timmer and Voskoboynikov, 2014). The new database enables the authors to uncover the high importance of capital services as a source

of growth in Russia and to distinguish between industries with fast and slow MFP growth. Labor and capital resources are being reallocated toward industries with weak MFP growth, most notably the mining related industries. This kind of movement of resources between industries does not bode well for Russia's long run growth prospects.

The last two papers in the special issue concern prices. In "Hedonic Imputed Property Price Indexes: The Effects of Econometric Modeling Choices," Alicia Rambaldi and Cameron Fletcher investigate alternatives for allowing the regression coefficient to change over time when constructing hedonic price indexes for residential real estate (Rambaldi and Fletcher, 2014). They explain how to implement a Kalman filter estimator that is theoretically superior to the widely used "rolling window" approach. A dataset on sales of houses in the northern suburbs of Brisbane provides the basis for an empirical test of the rolling window and Kalman filter techniques. The results illustrate the greater susceptibility of the rolling window approach to volatility and chain drift in thin markets. The paper also investigates spatial regressors and spatial error structures as techniques for handling the influence of detailed location on property prices.

The potential of "Big Data" for improving economic measurement has been a topic of much discussion, and a paper on "Prices and Supply Disruptions during Natural Disasters" by Alberto Cavallo, Eduardo Cavallo, and Roberto Rigobon provides an example of an unusual application of Big Data (Cavallo *et al.*, 2014). The paper shows how data on prices and product availability collected through web scraping techniques can provide a real time gauge of the severity of natural disasters and give an early indication of the magnitude of industrial production changes. The authors also use these data to research price setting behavior. Following major earthquakes in Chile and Japan, many products became unavailable for an extended period of time as a result of both demand shocks (such as hoarding of non-perishable staples) and supply shocks. Prices generally did not respond to these shocks, and in Chile the frequency of price changes actually fell after the earthquake. The authors argue that price increases following a natural disaster would be perceived as taking unfair advantage of the situation and would generate customer anger. Retailers' failure to raise prices even when they were unable to supply the quantity demanded thus suggests an important role for considerations of "fairness" and customer anger in models of price stickiness.

In concluding, we would like to express our gratitude to the Alfred P. Sloan Foundation, whose generosity has made this special issue of the *Review of Income and Wealth* possible.

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