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Article

Macroeconomics in Emerging Markets

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Editorial

Macroeconomics in Emerging Markets

This special issue of *EconomiA* features selected articles presented at the 7th Sao Paulo School of Economics Conference Series, which subject was Macroeconomics in Emerging Markets. The Conference was held at the Sao Paulo School of Economics of Getulio Vargas Foundation in Sao Paulo, Brazil, on August 3, 2015. This conference was a joint effort of *EconomiA*, which is the official journal of the Brazilian Economic Association published by Elsevier, and the Getulio Vargas Foundation. In addition to keynote speakers, the Conference featured four presentations in two special sections of articles previously selected by the Editorial Board of *EconomiA*. These articles are scheduled to appear in this special issue.

The discipline of macroeconomics has experienced great progress both theoretically and empirically in the last decade. Some of the trending topics in the discipline include Dynamic Stochastic General Equilibrium modeling, Bayesian estimation, time varying parameters estimation, forecasting, among others. This progress, however, has been restricted to the developed world in most of the cases. There is still a lack of development in the framework applied to problems commonly found in the developing and emerging economies. The objective of this Conference was to provide a qualified forum for discussion of the major developments recently achieved by the Macroeconomics in emerging countries.

The first paper, by Faleiros, Silva and Nakaguma, analyzes the influence of exchange rate and labor productivity on the participation of imports on the domestic consumption of manufacturing sectors, measured by import penetration, in the Brazilian economy. They sketch a naïve microeconomic model to indicate how those effects might appear theoretically and provide empirical evidence based on a panel data of 17 manufacturing sectors in the period from 1996 to 2011. The major results suggest that both variables, exchange rate and labor productivity, are relevant to explain the differences in the coefficient of imports. In addition, labor productivity seems to have the highest negative impact on import's market share even when the assessment is grouped by sectors. Thus, economic policies based on real exchange rate devaluations have a moderate influence on the level of import penetration when compared to increase in labor productivity.

The second article, by Gonçalves, Portugal and Aragón, applies a brand new methodology to assess the relevance of time varying parameters in an open-economy DSGE model using Bayesian methods and allowing Markov switching of certain parameters of the monetary policy rule, Phillips Curve, and exogenous shocks volatilities. The main finding was that the model with time varying parameters presented a better fit relative to the one with fixed parameters. The period from 1996 to 2012 revealed no significant change of regime in the Taylor rule parameters. On the other hand, the models identified three periods of high volatility of exogenous parameters, from 1998 to 2000, through 2003 and from 2008 to 2010. The Phillips curve parameters also were not constant over time.

The third article, by Araujo and Rodrigues, analyses the effects of dual type economies with system of productions composed of a formal sector and an informal sector. The difference of the two is that the formal sector has to pay taxes but do have access to credit while the informal sector does not pay taxes but does not have access to credit. One of the hypothesis is that formal sector is more productive than informal sector. The model is calibrated for the

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Brazilian economy and a comparative static methodology is performed. Individuals in this economy are heterogeneous as to talents and wealth distribution. Each agent occupation decision, salary worker, entrepreneur in formal sector or entrepreneur in informal sector, given distribution of talents and wealth, depends on the highest net income. An interesting result was that reduction of credit frictions increases the formal sector and the efficiency of the economy. On similar vein, the model showed that a reduction of all frictions, credit constraints and taxes led to a reduction of inequality of personal income.

Last but not least the fourth article, by Vereda and Curi, estimates the behavior of the expectations of the main macro variables, and how the disagreement of these expectations hinges upon macroeconomic factors. One significant point is the evidence that disagreement on expectations on inflation tends to increase depending on the horizon of the forecast. This evidence also applies for the Over Selic and exchange rate. On the contrary, the opposite happens to the disagreement of growth expectations. Level of inflation, output gap, and credibility of the Central Bank are some of the macroeconomic variables that presented consistently significant coefficients. This subject touches the boundary of the new literature on beliefs and sentiments as compared to rational expectations.

We hope the readers enjoy the articles of this special issue of *EconomiA* and that they contribute for the development of the Macroeconomics in emerging economies. We would like to thank all of those who were involved in making the 7th Sao Paulo School of Economics Conference on Macroeconomics in Emerging Markets a great success. In special, we thank the authors of the articles and presenters for sharing their knowledge with all participants in the Conference.

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