REM Newsletter 12/2020

March 27, 2020

The Latest REM **Working Papers**

The center of **Research in Economics and Mathematics** (REM) circulates research, notably by its affiliated members, as working papers intended for professional and public discussion and comment. The papers have not been peer reviewed.

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8th UECE Conference on Economic and Financial Adjustments, ISEG/UL – School of Economics and Management / University of Lisbon, Lisbon, 10th July 2020.

REM **Working Papers**

A new assessment of the Troika´s economic policy for Portugal in 2012 following an Input-Output approach, José Carlos Coelho, *Working Paper 0121-2020*
This article proposes a new evaluation of the economic and financial adjustment programme negotiated between Portugal and the Troika (European Commission, European Central Bank and International Monetary Fund) for the year 2012, in an Input-Output framework. As in Amaral and Lopes (2017), a comparison is made between the unemployment rate forecast for 2012 and that which would result from obtaining the implicit target for the external deficit, concluding that the unemployment rate was underestimated by almost two percentage points. We also concluded that the achievement of the implicit target for the external deficit in 2012 would only be compatible with the establishment of a lower budget deficit and a lower of weight of budget deficit on GDP for that year. Such an objective would require a

smaller amount of transfers made by the Government to households and would result in greater contractions in private consumption and GDP and would result in a higher unemployment rate than that expected by the Troika for 2012.

[Political Budget Cycles in the Eurozone](), Frederico Silva Leal, *Working Paper 0120-2020*

This paper provides evidences of the electoral influence on fiscal policy in the Eurozone countries. Using data from EA19 in1995-2017 and a time dummy to identify election years, it was applied a Fixed Effects model to assess its impact on fiscal instruments. According to the results, the elections seem to increase both compensations to employees and other current expenditure. In addition, the politically motivated policies seem to differ from low and highly indebted countries. Giving the electoral impact on the compensation to employees, the pro-cyclical tax strategy, and the absence of a Ricardian fiscal regime, its perceived less prudent policies from the most indebted countries. Furthermore, after countries joined the EMU, policy makers began to increase tax burden facing interest rate shocks, since they lose the ability to manipulate monetary policy.

[Exposure of Belt and Road Economies to China Trade Shocks](), Paulo Bastos, *Working Paper 0119-2020*

This paper uses international trade data to assess the degree of exposure of Belt and Road economies to China trade shocks. It finds that the growth of China's trade following its internal transformation and accession to the WTO significantly impacted the export performance of Belt and Road economies in the period 2000-2015. The increase in China's imports significantly boosted the exports of these economies. However, this effect was attenuated by increased competition from China in export markets. The effects of China's demand shocks were stronger in more upstream industries, while those of competition shocks were stronger in industries that produce goods that are closer to final use. The effects of competition shocks were also relatively stronger in countries that are relatively poorer and geographically closer to China. Building on these findings, the paper documents the current degree of exposure of Belt and Road economies to China trade shocks.

[Robots, Tasks, and Trade](), Erhan Artuc, Paulo Bastos, Bob Rijkers, *Working Paper 0118-2020*

This paper examines the effects of robotization on trade patterns, wages and welfare. It develops a Ricardian model with two-stage production and trade in intermediate and final goods in which robots can take over some tasks previously performed by humans in a subset of industries. An increase in robot adoption in the North reduces the cost of production and thereby impacts trade in final and intermediate goods with the South. The empirical analysis uses ordinary least squares and instrumental-variable regressions exploiting variation in exposure to robots across countries and sectors. Both reveal that greater robot intensity in own production leads to: (i) a rise in imports sourced from less developed countries in the same industry; and (ii) an even stronger increase in exports to those countries. Counterfactual simulations indicate that Northern robotization raises domestic welfare, but initially depresses wages. However, this adverse effect is likely to be reversed by further reductions in robot prices. Northern robotization may lead to higher wages and welfare in the South.

[Semimetric spaces: topological considerations](), João Ferreira do Amaral, *Working Paper 0117-2020*

In a previous paper (Amaral2007) we introduced several issues related to the definition of convexity in semimetric spaces that is, spaces *(E,d)* such that *E* is a fundamental set and *d* is a real function *d: E x E→R* that satisfies all the conditions of a metric excluding the triangular inequality. In that paper we explicitly postponed to a future paper the discussion on the possibilities of defining a significant topology for a semimetric space. The aim of the present paper is to discuss this issue. In section 1 we mention already known results or results easily derived from known ones. In section 2 we used these results to obtain a sufficient condition to define a topology on a semimetric space.