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The Latest REM [Working Papers](#)

[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 The papers have not been peer reviewed.

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Events

[2021 REM Young Researcher Award](#), the prize awards the best Master thesis defended at ISEG in 2021, and whose supervisor is a member of REM in one ISEG Master courses. To apply, the candidates should send their thesis, together with the proof of the public defence and approval, by 31 December 2021, to rem@iseg.ulisboa.pt.

[10th UECE Conference on Economic and Financial Adjustments](#), ISEG/UL – Lisbon School of Economics and Management/University of Lisbon, **July 22, 2022** (rooms and online). **5 June 2022**, submission deadline.

Keynote speakers:

[Xavier Debrun](#) (National Bank of Belgium); [Cecilio Tamarit](#) (University of Valencia)



Papers presented at the conference can be considered for the Special Issue of the [European Journal of Political Economy](#), according to selected topical guidelines to be set up.

[Secular Stagnation: Is Immigration part of the solution?](#), José Alves, Sandro Morgado, *Working Paper 0212-2022*

In our article we review the secular stagnation hypothesis, firstly postulated by Hansen (1939), to describe the current macroeconomic dynamics faced by developed economies. Based in the existing literature, we elaborate on a workable definition of secular stagnation founded on four pillars: diminished long run growth potential, increasing aggregate demand shortages, lowering of nominal short term interest rates and increasingly immovable unemployment. This four-pillar definition reveals a fundamental problematic faced by these economies; while a diminished long run growth potential, increasing aggregate demand shortages and an increasingly immovable unemployment stress the need for full employment policy measures, the lowering of nominal short term interest rates makes the mostly resorted to full employment policy measure, in the form of expansionary monetary policy, ineffective. This problematic implies an imperative rethinking of the policy framework in times of secular stagnation. For that, we consider one of the most evoked factors causing secular stagnation, demographics in the form of an aging population and a declining working age population, hence highlighting the pertinence of immigration as a possible solution. We do so by empirically observing the pillars of secular stagnation and testing the impact of demographic factors on those features, resorting to panel data analysis. Focusing on the EU15 and US economies, with data ranging from 1965 to 2020, we conclude that the four pillars we based our definition of secular stagnation upon can be empirically observed and that demographic factors play a statistically significant role for those determining features thus highlighting the pertinence of immigration as a possible solution.

[Twin Deficits through the Looking Glass: Time-Varying Analysis in the Euro Area](#), António Afonso, José Carlos Coelho, *Working Paper 0211-2022*

Using two measures of the fiscal position, the cyclically adjusted primary budget balance (CAPB) and the total budget balance, we assess the Twin Deficit Hypothesis for the Euro Area in the period 1995-2020. Furthermore, we estimate time-varying coefficients of the current account balance responses to changes in the CAPB and in the government balance and we identify the determinants of these responses. The CAPB and the government balance, in addition to being determinants of the current account balance, are also determinants of the timevarying responses of the current account balance. The levels of government balance, current account balance and public debt, as a percentage of GDP, and the temporal period (before and after 2010) also influence these responses.

[Local property tax reform and municipality spending efficiency](#), António Afonso, Ana Venâncio, *Working Paper 0210-2022*

We investigate the effect on municipality spending efficiency of a local property tax reform, which reduced in 2008 the upper limit of the property tax. We compute municipality efficiency scores via data Envelopment Analysis (DEA) from 2005 to 2011, and then we rely in a panel data set to estimate how the tax reform affected the efficiency scores. Results of the analysis show that average input efficiency scores declined from 0.575 before the tax reform to 0.488 after the tax reform. This change was transversal to municipalities that reduced the municipal property tax (IMI) and to the ones that maintained the tax rate. In addition, the IMI reform is linked to higher efficiency scores. In other words, the reduction in efficiency ends up being smaller for the municipalities that decreased the IMI tax rate.