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Editors: António Afonso, Filipe Oliveira, Joana Pais

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Phone: +351 213 925 912. e-mail: rem@iseg.ulisboa.pt

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 The papers have not been peer reviewed.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

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.

REM Working Papers

Does government spending efficiency improve fiscal sustainability?, António Afonso, José Alves, *Working Paper 0226-2022*
We evaluate the impact of government spending efficiency on fiscal sustainability for a panel of 35 OECD countries during the period of 2007-2020. To answer our research question we first

compute the magnitude of the responses of government revenues to changes in government spending. Next, we make use of so-called government spending efficiency scores, which efficiently indicate how governments can maintain their level of performance whilst using fewer inputs. Our results show that for the input efficiency scores obtained, countries' fiscal balance and fiscal sustainability is directly improved by the use of less public resources, whilst maintaining the same level of output. In the cases of the output efficiency scores, the commitment of increased government outputs can lead to higher economic growth and the generation of additional government revenues, which also improves fiscal sustainability. Specifically, rationalising public expenditures without jeopardising the actual level of public goods and provision of services is a stronger determinant of fiscal sustainability, as well as for the improvement of the primary budget balance.

Risk-taking by banks: Evidence from European Union countries, Maria Teresa Medeiros Garcia, Ana Jin Ye, *Working Paper 0225-2022*

The aim of this paper is to study the relation between banks' ownership structure and their risk-taking behavior. Additionally, we examine the impact of banking regulation on banks' approach to taking risk. The empirical analysis considers a sample of listed banks from EU countries over the period of 2011 to 2016. We found that the structure of the board of directors can influence bank risk behavior but not the ownership concentration. No significant relation was found between the influence of the regulatory environment and bank risk, i.e., stricter regulation has no effect on risk taking by banks.

Minimum Wage and Collective Bargaining Reforms: A Narrative Database for Advanced Economies, António Afonso, João Tovar Jalles, Zoe Venter, *Working Paper 0224-2022*

This paper presents and describes a new database of major minimum wage and collective bargaining reforms covering 26 advanced economies over the period 1970-2020. The main advantage of this dataset is the precise identification of the nature and date of major reforms, which is valuable in many empirical applications. Based on the dataset, major changes in minimum wages have been more frequent than in collective bargaining in the last decades, and the majority of these were implemented during the 1980s and 1990s. In our empirical application, we find that minimum wage reforms have a medium-run positive impact on labor productivity and they lead to a fall in the unemployment rate. Collective bargaining reforms do not seem to affect either productivity or capital formation but they have a clear medium-term effect on the labor market. Moreover, collective bargaining reforms are more sensitivity to the prevailing business cycle conditions at the time of the reform (vis-à-vis minimum wage reforms).