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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 The papers have not been peer reviewed.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

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 |
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| Zombie-Lending in the United States: Prevalence versus Relevance, Maximilian Göbel, Nuno Tavares, *Working Paper 0231 -2022*<br>Extraordinary fiscal and monetary interventions in response to the COVID-19 pandemic have revived concerns about zombie prevalence in advanced economies. The literature has already linked this phenomenon - observed over the course of the last two decades - to impeding the performance of healthy firms in Japan and Europe. To make the case for the United States, we analyze banks' and capital markets' zombie-lending practices on the basis of a sample of publicly listed U.S. companies. Our results suggest that zombie prevalence and zombie-lending per se are not a defining characteristic of the U.S. economy. Nevertheless, we find evidence for negative spillovers of zombie-lending on productivity, capital-growth, and employment-growth of non-zombies as well as on overall business dynamism. It is predominantly the class of healthy small- and medium-sized companies that is sensitive to zombie-lending activities, with financial constraints further amplifying these effects.<br>Are fiscal consolidation episodes helpful for public sector efficiency?, António Afonso, José Alves, *Working Paper 0230-2022*<br>We assess the consequences of fiscal consolidation episodes on public sector efficiency (scores) for 35 OECD countries for the 2007-2020 period. We find that fiscal consolidations improve public sector efficiency and results are robust across efficiency models. Moreover, peripheral euro-area economies and economies with debt-to-GDP ratios between 60% and 90% are those whose public sector efficiency scores improve more when fiscal consolidation episodes occur. The evidence that fiscal consolidations enhance spending efficiency is an additional argument for fiscal consolidations, from a policy perspective.<br>Does income inequality change the relationship between environmental attitudes and subjective well-being? Evidence for 27 European countries, Ary Júnior, *Working Paper 0229-2022*<br>This paper explores the effects of income inequality on the relationship between environmental attitudes and life satisfaction across 27 European countries. Furthermore, it assesses the influence of the European Union on their citizens' behavior regarding the link between environmental attitudes and happiness. Using data from European Values Study, it applies an ordered probit model. The findings suggest that subjective and objective income inequality do not change the relationship between environmental attitudes and welfare, providing evidence of the "commitment effect". The results also show similar performance of the relationship between environmental attitudes and well-being between EU-members and non-EU members.<br>Stock Market and Economic Growth: Evidence from Africa, Manuel Ennes Ferreira, João Dias, Jelson Serafim, *Working Paper 0228-2022*<br>We assessed the impact of stock market development on growth in Africa. It uses annual data from a panel of 9 countries in Africa over the period 1992–2017. Panel Vector Autoregressive econometrics technique is used in data analysis. Our main findings are that stock market development has a positive effect on economic growth. Investment, human capital, and openness also positively influence economic growth in Africa. The inflation and government expenditure affect economic growth negatively. The paper also finds that using the impulse response function, economic growth reacts to the stock market for 8 years and goes back to the initial level.<br>Finance-Growth Nexus: Evidence from Angola, Manuel Ennes Ferreira, Jelson Serafim, João Dias, *Working Paper 0227-2022*<br>This study examines the relationship between financial development and economic growth in Angola for the period of Q12002 to Q42018. The results show that there is evidence of a long-run relationship between financial development and real GDP per capita, when using the Bound test approach for cointegration. Furthermore, the results of the Error Correction Model (ECM) indicate that financial development has a negative impact on GDP growth when considering |

credit to private and broad money as proxies for financial development. On the other hand, the degree of intermediation has a positive impact on GDP growth. The Toda–Yamamoto causality test was carried out, which indicates a unidirectional causality relationship, running from real GDP per capita to a purely financial development proxy, which shows demand-following responses. Consequently, policymakers should adopt policies that sustain the benefits of financial developments for economic growth.