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A NOTE FROM THE EDITOR AND ASSOCIATE EDITOR

This volume of the Review of Applied Economics marks the 6th year of publication of the Journal. RAE is commitment to economic rigor and economic or analytical significance as opposed to heavy use of mathematical proofs and statistical significance. The journal welcomes submissions that are empirical in orientation, but authors are expected to carefully distinguish in their analysis between the use of statistical and significance contributions to help better understand and explain the world in which we live. We maintain a strong editorial board supplemented by an excellent group of additional referees, some of whom have published with the RAE. All papers are rigorously peer reviewed.

With this in mind, this issue of RAE features eight papers that address several exciting topics. The lead paper by Baskaran, Cullen and Colombo estimates the values for selected ecosystem services (ES) associated with winegrowing using choice modeling (CM) method. The paper also determines whether the transfer of the estimated ES values across sites (Benefit Transfer) is valid. An advanced CM approach incorporating heterogeneity of preferences, known as the random parameter logit model is used to estimate the selected ES values. Their surveys focused on the two largest New Zealand winegrowing regions, Marlborough (MARL) and Hawke's Bay (HB). Their results show the general population has variable knowledge about winemaking and there is high heterogeneity in people's preferences regarding ES linked to winegrowing. In addition, their study rejected the notion that the two model's parameters estimated are equivalent and therefore it is not advisable to use the coefficient values for BT analysis.

Gan and Frederick paper seeks to identify the underlying socio-economic factors that contribute towards this phenomenon by employing time series data to examine the household willingness to spend on healthcare from 1970 to 2006. The results from their log-linear regression show that the willingness to spend on healthcare is positively related to the proportion of Singapore's population who are elderly, the literacy rate, the ratio of price of other goods and services to the price of healthcare, and the establishment of Singapore's mandatory health savings plan, Medisave. In terms of their effects on the growth of Singapore's willingness to spend on healthcare, the most important factors are the ageing of the population and the increase in the literacy rate.

Using a cross-section of up to 119 countries and averaged data for the period 1996-2004, Mangelaja and Tomi Ovaska empirically test whether a distinctly grass-roots delivery of development aid (missionary work) would increase the effectiveness of foreign aid, as compared to the more traditional government to government type of aid. Based on their empirical results,

neither type of aid leads to long term income growth, while the level of investment and the change in economic freedom had a strong positive effect on income.

Argitis and Stella Michopoulou conduct an econometric investigation aiming at showing how monetary and financial forces might affect the macroeconomy. Their analysis is based on Keynes' and Kalecki's ideas. They argued that rentiers' income is likely to cause distributional effects that create slow growth of consumption, investment and output. Furthermore, they argued that these effects depend on institutional and systemic characteristics of economies that determine the consumption, saving, investment and lending behaviour of industrial capitalists and rentiers.

Rodríguez paper identifies the output gap using the New Keynesian framework theoretical definition of gap within a Phillips curve. This approach allows to differ from the cycle and relaxes the restriction that the trend and cycles are uncorrelated.

The results show that the output gap is large and persistent. Furthermore, the output gap is not correlated with the stochastic trend which is similar to the assumption used in the unobserved components model. The author's model has been extended to include information coming from the unemployment rate. The results are very similar to those obtained without this variable indicating poor useful additional information in the unemployment rate to identify the output gap.

Mooradian conducts a vector autoregression analysis to examine the dynamics among stock returns, the aggregate commission rate, and trading volume of the NYSE trading for the period 1980-2003. The author results show that the expected change in the aggregate commission rate and the expected change in volume are positively related to expected excess returns. The unexpected change in the aggregate commission rate and the unexpected change in volume are positively related to unexpected excess returns. This is consistent with theory and is significant and robust controlling for interest rate factors and seasonality. The unexpected change in volume is positively related to the unexpected change in the commission rate in the short term.

The objective of Azar paper is to the expectations hypothesis of the term structure for two corporate bond yields. A new test is developed based on an ARIMA data generation process of the short rate, and on the derivation of a relation between the change in the long rate and revisions of expectations of future short rates. The paper makes the point that adjustment of the change in the long rate to short rate news does not occur instantaneously but is dynamic over time. For this reason a polynomial distributed lag of the rate news, which provides support to the expectations hypothesis, is estimated.

Tu paper studies price trends in a sequential first-price common-value auction with resale. It differs from the previous research in that it considers sequential auctions with multi-unit demand. In the two-stage case, the author proposes a condition that guarantees the existence of a symmetric monotonic equilibrium which exhibits a declining trend. This is because bidders have the incentive to overbid in the first round to lower their rivals' intertemporal inference on the object value so that they can obtain a second-stage advantage. The paper also characterizes the necessary properties of symmetric monotonic equilibria in the finite N-stage and the infinite-stage cases. In the former case, the price trend remains constant and drops only at the last stage; in the latter case, we have a constant price trend throughout.

We hope that you are delighted with the content of this issue. We are committed to providing you with more stimulating and dynamic papers in future issues. We invite readers to suggest "themes" for special issues in RAE future issues. We want RAE to reflect your research interests and needs. We would like to thank the members of the Editorial Board, ad-hoc referees and individuals that have submitted their research to RAE for publication consideration.

Christopher Gan
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