

**FOURTEENTH ANNUAL SYMPOSIUM
OF
THE SOCIETY FOR NONLINEAR DYNAMICS AND ECONOMETRICS
MARCH 24 – MARCH 25, 2006
WASHINGTON UNIVERSITY, ST. LOUIS**

FRIDAY, MARCH 24

- 8:00A.M **SHUTTLE FROM SHERATON TO GOLDFARB**
- 8:15AM. – 8:40A.M. **REGISTRATION, COFFEE/TEA (LOWER FLOOR OF GOLDFARB)**
- 8:40AM - 8:50AM **WELCOME (BROWN 118)**
- 9:00AM - 10:30AM **SESSION #1: RECENT DEVELOPMENTS IN THRESHOLD MODELING (GOLDFARB 38)**
Chair: Walter Enders (University of Alabama)
- Threshold Integrated Moving Average Models
Jesus Gonzalo (U. Carlos III de Madrid)
Oscar Martinez (Universidad Rovira i Virgili)
- Inference for Threshold Cointegration
Myunghwan Seo (London School of Economics)
- Testing for Threshold Cointegration and the Monetary Model of Exchange Rates
Walter Enders (University of Alabama)
Junsoo Lee (University of Alabama)
Mark C. Strazicich (Appalachian State University)
- SESSION #2: HYPOTHESIS TESTING (GOLDFARB 135)**
Chair: Simon van Norden (HEC Montreal)
- Testing for Neglected Nonlinearity in Long Memory Models
Richard T. Baillie (Michigan State University and Queen Mary, U. London)
George Kapetanios (Queen Mary, U. London)
- Nonparametric Tests for Serial Independence Based on Quadratic Forms
Cees Diks (University of Amsterdam)
Valentyn Panchenko (University of Amsterdam)
- General Hypothesis Testing in the Presence of Parameter Changes in Conditional Volatility
Jing Li (University of Alabama)
- SESSION #3: MACRO CYCLES (GOLDFARB 39)**
Chair: James B. Ramsey (New York University)
- On Sustainable Growth and Collapse: Optimal and Adaptive Paths
Herbert Dawid (University of Bielefeld)
Richard Day (University of Southern California)
- Skills, Sunspots and Cycles
Francesco Busato (University of Aarhus)
Enrico Marchetti (University of Rome)
- Estimating Cycles using Penalized Spline Regression
Goeran Kauermann (University of Bielefeld)
Timo Teuber (University of Bielefeld)
Peter Flaschel (University of Bielefeld)

10:30AM – 11:00AM

COFFEE/TEA (LOWER FLOOR OF GOLDFARB)

11:00AM – 12:30PM

SESSION #4: STRUCTURAL CHANGE (GOLDFARB 135)

Chair: Christopher Neely (Federal Reserve Bank of St. Louis)

A Bayesian Approach to Counterfactual Analysis of Structural Change

Chang-Jin Kim (Korea University and University of Washington)

James Morley (Washington University)

Jeremy Piger (Federal Reserve Bank of St. Louis)

Are We There Yet? Looking for Evidence of the New Economy

Simon van Norden (HEC Montreal)

A Nonparametric VAR Model with Local Conditional Orthogonalized Impulse Response Functions

Marcelle Chauvet (University of California at Riverside)

Heather Tierney (College of Charleston)

SESSION #5: REGIME CHANGES (GOLDFARB 38)

Chair: Mark Jensen (Federal Reserve Bank of Atlanta)

Expectations in Inflation Targeting Regimes

Oleg Korenok (Virginia Commonwealth University)

Stanislav Radchenko (University of North Carolina at Charlotte)

Indeterminacy, Adverse Reactions to Interest Rate Shocks and the Great Inflation of the 1970s

Anatoliy Belaygorod (Washington University)

Sid Chib (Washington University)

M. Dueker (Federal Reserve Bank of St. Louis)

Modelling Autoregressive Processes with a Shifting Mean

Andres Gonzalez-Gomez (Banco de la Republica de Colombia)

Timo Teräsvirta (Stockholm School of Economics)

SESSION #6: MACRO : PREFERENCES (GOLDFARB 39) [SESSION ENDS AT 12:00PM]

Chair: David Goldbaum (Rutgers University)

Loss Aversion in Aggregate Macroeconomic Time Series

Rina Rosenblatt (Swiss National Bank)

Prospect Theory for the Stock Market: Empirical Evidence with Time Series Data

Wenlang Zhang (Hong Kong Monetary Authority)

Willi Semmler (New School University and University of Bielefeld)

12:30PM – 2:00PM

LUNCH (MCMILLAN CAFE)

2:00PM – 3:30PM

SESSION #7: EXCHANGE RATES I (LAB SCIENCES 201)

Chair: Junsoo Lee (University of Alabama)

Is the Real Exchange Rate Adjustment Really Nonlinear?

Ming Lo (St. Cloud State University)

Non-Linear Adjustment to Purchasing Power Parity: An Analysis Using Fourier Approximations

Juan-Angel Jimenez-Martin (UCM and GWU)

Dolores Robles-Fernandez (UCM)

Forecasting the Real Exchange Rates Behavior: An Investigation of Nonlinear Competing Models

Ruxandra Prodan (University of Alabama)

Yu Liu (University of Alabama)

SESSION #8: INFLATION (LAB SCIENCES 301)

Chair: Gerald P. Dwyer (Federal Reserve Bank of Atlanta)

A State-Level Analysis of the Great Moderation

Michael Owyang (Federal Reserve Bank of St. Louis)

Jeremy Piger (Federal Reserve Bank of St. Louis)

Howard Wall (Federal Reserve Bank of St. Louis)

The Monetary Policy Response to Jobless Recoveries

Michael Dueker (Federal Reserve Bank of St. Louis)

Inflation Persistence and the Taylor Rule

Christian J. Murray (University of Houston)

Oleksandr Nikolsko-Rzhevskyy (University of Houston)

David H. Papell (University of Houston)

SESSION #9: CREDIT MARKETS (MCMILLAN 149)

Chair: Massimo Guidolin (Federal Reserve Bank of St. Louis)

Corporate Defaults and Large Macroeconomic Shocks

M. Drehmann (Bank of England)

A. Patton (London School of Economics and Bank of England)

Steffen Sorensen (Bank of England)

Bond Pricing when the Short Term Interest Rate Follows a Threshold Process

Wolfgang Lemke (Deutsche Bundesbank)

Theofanis Archontakis (Goethe University Frankfurt)

The Microstructure of Bond Market Tatonnement

Bruce Mizraich (Rutgers University)

Christopher Neely (Federal Reserve Bank of St. Louis)

3:30PM – 4:00PM

COFFEE/TEA (LAB SCIENCES, OUT FRONT OF 201)

4:00PM – 5:30PM

SESSION #10: STRUCTURAL BREAKS AND FORECASTING (LAB SCIENCES 201)

Chair: Ming Lo (St. Cloud State University)

Structural Breaks and GARCH Models of Exchange Rate Volatility

David E. Rapach (St. Louis University)

Jack K. Strauss (St. Louis University)

Forecasting Unemployment Rates in the Presence of Structural Breaks

Walter Enders (University of Alabama)

Ruxandra Prodan (University of Alabama)

Forecasts of US Short-term Interest Rates: A Flexible Forecast Combination Approach

Massimo Guidolin (Federal Reserve Bank of St. Louis)

Allan Timmermann (University of California at San Diego)

SESSION #11: BUSINESS CYCLE ASYMMETRY (LAB SCIENCES 250)

Chair: Dick van Dijk (Erasmus University Rotterdam)

Asymmetry in the Business Cycle: New Support for Friedman's Plucking Model

Tara Sinclair (George Washington University)

A Comparison of the Real-Time Performance of Business Cycle Dating Methods

Marcelle Chauvet (University of California at Riverside)

Jeremy Piger (Federal Reserve Bank of St. Louis)

The Dynamics of Oil Price Movements and Their Relationship with Real GDP

Siem J. Koopman (Vrije Universiteit Amsterdam)

Thomas Trimbur (Census Bureau)

SESSION #12: HETEROGENEOUS AGENTS (LAB SCIENCES 301) [SESSION ENDS AT 5:00PM]

Chair: Goeran Kauermann (University of Bielefeld)

The Period of Financial Distress in Speculative Markets: Interacting Heterogeneous Agents and Financial Constraints

Mauro Gallegati

Antonio Palestrini

J. Barkley Rosser, Jr. (James Madison University)

Estimating the Intensity of Choice in a Dynamic Mutual Fund Allocation Decision

David Goldbaum (Rutgers University)

Bruce Mizrach (Rutgers University)

5:30PM – 7:00PM

RECEPTION (WHITTEMORE HOUSE)

7:00PM

SHUTTLE TO SHERATON/DINNER IN CLAYTON RESTAURANTS

SATURDAY, MARCH 25

8:15AM SHUTTLE FROM SHERATON TO LAB SCIENCES

8:30AM – 9:00AM COFFEE/TEA (LAB SCIENCES, OUT FRONT OF 201)

9:00AM – 10:30AM **SESSION #13: MODELS FOR TREND-CYCLE DECOMPOSITION (LAB SCIENCES 201)**

Chair: Jeremy Piger (Federal Reserve Bank of St. Louis)

Trend-Cycle Correlation, Drift Break and the Estimation of Trend and Cycle in Canadian GDP
Arabinda Basistha (West Virginia University)

The Clark Model with Correlated Components
Kum Hwa Oh (University of Washington)
Eric Zivot (University of Washington)

An Alternative Trend-Cycle Decomposition using a State Space Model with Mixtures of Normals:
Specifications and Applications to International Data
Tatsuma Wada (Boston University)
Pierre Perron (Boston University)

SESSION #14: STOCK MARKET VOLATILITY (LAB SCIENCES 250)

Chair: Marcelle Chauvet (University of California at Riverside)

Why Does Stock Market Volatility Change Over Time? A Time-Varying Variance Decomposition
for Stock Returns

Federico Nardari (Arizona State University)
John Scruggs (University of Georgia)

Relative Efficiency of Return- and Range-Based Volatility Estimators

Celso Brunetti (Johns Hopkins University)
Peter Lildholdt (University of Aarhus)

Market Fundamentals vs Rational Bubbles in Stock Prices: A Bayesian Analysis

Nathan S. Balke (Southern Methodist University)
Mark E. Wohar (University of Nebraska at Omaha)

SESSION #15: TRANSITION MACRO (LAB SCIENCES 301)

Chair: Barkley Rosser (James Madison University)

Endogenous Demographic Transition, Unemployment and Complex Dynamics in an Endogenous
Growth Model of Knowledge Accumulation

Maria J. Roa (Ohio State University)
Dulce Saura (Universidad de Zaragoza)
Francisco J. Vázquez (Universidad Autónoma de Madrid)

On the Evolution of Financial Development and Economic Growth

Ryan Compton (University of Manitoba)

Diversity of Firm's Life Cycle adapted from the Firm's Technology Investment Policy

Emmanuelle Fortune (Vienna University of Technology)
Josef L Haunschmied (Vienna University of Technology)

10:30AM – 11:00AM COFFEE/TEA (LAB SCIENCES, OUT FRONT OF 201)

11:00AM – 12:30PM

SESSION #16: ECONOMETRICS I (LAB SCIENCES 201)

Chair: Dennis Jansen (Texas A&M University)

Testing for a Unit Root in ESTAR Models that Allow Multiple Equilibria

Ioannis Venetis (University of Patras)

Ivan Paya (University of Alicante)

David Peel (Lancaster University)

The Smooth Transition Autoregressive Target Zone Model with Gaussian Stochastic Volatility and TGARCH Error Terms with Applications

Oleg Korenok (Virginia Commonwealth University)

Stanislav Radchenko (University of NC at Charlotte)

Study of Nonlinearities in the Dynamics of Exchange Rates: Is There Any Evidence of Chaos?

Vitaliy Vandrovych (Brandeis University)

SESSION #17: EMPIRICAL MACRO (LAB SCIENCES 250)

Chair: Willi Semmler (New School University and Bielefeld University)

Comparing U.S. and Euro Area Wage and Price Inflation Dynamics

Christian Proano (Bielefeld University)

Peter Flaschel (Bielefeld University)

Ekkehard Ernst (OECD)

Willi Semmler (New School University and Bielefeld University)

A Small Scale Macroeconometric Model for the Euro-12 Area

Claudio Morana (Università del Piemonte Orientale)

Assessing Monetary and Fiscal Policies in OECD Countries: Search and Matching Models Extended

Ekkehard Ernst (OECD)

SESSION #18: MACRO : NEW APPROACHES (LAB SCIENCES 301) [SESSION ENDS AT 12:00PM]

Chair: Cees Diks (University of Amsterdam)

Time-Varying U.S. Inflation Dynamics and the New Keynesian Phillips Curve

Kevin J. Lansing (Federal Reserve Bank of San Francisco)

A New Approach to Recession Prediction

Ken Nyholm (European Central Bank)

12:30PM – 2:00PM

LUNCH (HOLMES LOUNGE)

2:00PM – 3:30PM

SESSION #19: MULTIVARIATE NONLINEAR MODELS (LAB SCIENCES 201)

Chair: Oleg Korenok (Virginia Commonwealth University)

Dynamic Asymmetric Tail Dependences Across Asia Developed Futures Markets

Qing Xu (Massey University)

Xiaoming Li (Massey University)

Abdullah Mamun (Massey University)

The Dynamics of the Permanent and Transitory Components in International Business Cycles

Shushanik Papanyan (University of Texas at Arlington)

Wavelet Variance and Correlation Analyses of Output in G-7 Countries

Marco Gallegati (Università Politecnica delle Marche)

Mauro Gallegati (Università Politecnica delle Marche)

SESSION #20: EXCHANGE RATES II (LAB SCIENCES 250)

Chair: Richard T. Baillie (Michigan State University)

Identifying the Effects of U.S. Intervention on the Levels of Exchange Rates

Christopher Neely (Federal Reserve Bank of St. Louis)

Do Nominal Exchange Regime and Developmental Stage Matter for Real Effective Exchange Rate Volatility? A Markov Chain Analysis

Monzur Hossain (National Graduate Institute for Policy Studies)

Hedging Foreign Exchange Risk In International Portfolios

Dennis Jansen (Texas A&M University)

Lin Zou (Texas A&M University)

SESSION #21: ECONOMETRICS II (LAB SCIENCES 301)

Chair: Stanislav Radchenko (University of North Carolina at Charlotte)

Nelson-Plosser Revisited: the ACF Approach

Karim M. Abadir (Imperial College London)

Giovanni Caggiano (University of Glasgow)

Gabriel Talmain (University of York)

The Stability and Volatility of Electricity Prices: An Illustration of (s)-Analysis

Mikael Bask (University of Helsinki)

Anna Widerberg (Göteborg University)

3:30PM – 4:00PM

COFFEE/TEA (HOLMES LOUNGE)

4:00PM – 5:30PM

SESSION #22: CRAIG HIEMSTRA MEMORIAL LECTURE (HOLMES LOUNGE)

Chair: James Morley (Washington University)

Spurious Inference in Weakly Identified GARCH(1,1) Models

Charles Nelson (University of Washington)

5:30PM

SHUTTLE TO SHERATON (PICKUP IS FROM OUTSIDE OF LAB SCIENCES BUILDING)



ACKNOWLEDGEMENTS

The Society thanks our local organizer, James Morley, for his indefatigable efforts. The hospitality and financial support of the Washington University Department of Economics, the Federal Reserve Bank of St. Louis, and the Weidenbaum Center on the Economy, Government, and Public Policy are also warmly recognized.