

French-Japanese Webinar in Economics (FJWE)



YNU YOKOHAMA
National University

French-Japanese Webinar in Economics

Main objectives



This webinar (virtual seminar) aims to bring together researchers from Japanese and French universities, research centers and economic policy think tanks to exchange and share their research results (work in progress, finalized papers, drafts, informal talks) on all aspects of economics (both theoretical and empirical work in any subject of the field).

This webinar is a good platform to discuss the most recent innovations and trends as well as challenges in different fields of Economics. It is also an opportunity to establish collaborations between French and Japanese colleagues and researchers.

French-Japanese Webinar in Economics

Organization



The organization of the webinar is under the responsibility of two researchers, one in Japan and the other in France. For the period from October 2022 to October 2023, Prof. Kiyotaka Sato from Yokohama National University (YNU) and Prof. Gilles Dufrénot from the Aix-Marseille School of Economics and Sciences Po Aix will take on the responsibility of the seminar.

The principle of organization is as follows. Once a month, two researchers from each country (France and Japan) present a paper. Each presentation lasts 30 minutes and is followed by another 30 minutes discussions/questions with the participants. The webinar therefore lasts 2 hours in total.

French-Japanese Webinar in Economics

Time schedule



Summer time (from the last week of March to the third week of October)

France 10:00-12:00

Japan 17:00-19:00

Winter time (from the last week of October to the third week of March)

France 9:00-11:00

Japan 17:00-19:00

21 October 2022

France 10:00-11:00 Japan 17:00-18:00

Presenter 1 : **Frédérique BEC, University of Cergy Pontoise**



Topic : Econometrics

Title : Power of unit root tests against nonlinear and noncausal alternatives

Co-authors : Alain Guayz, Heino Bohn Nielsen & Sarra Saïdi

[Webpage](#)

Paper available : yes

Abstract

The increasing sophistication of economic and financial time series modelling creates a need for a test of the time dependence structure of the series which does not require a proper specification of the alternative. Indeed, the latter is unknown beforehand. Yet, the stationarity has to be established before proceeding to the estimation and testing of causal/noncausal or linear/nonlinear models as their econometric theory has been developed under the maintained assumption of stationarity. In this paper, we propose a new unit root test statistics which is both asymptotically consistent against all stationary alternatives and still keeps good power properties in finite sample. A large simulation study is performed to assess the power of our test compared to existing unit root tests built specifically for various kinds of stationary alternatives, when the true DGP is either causal or noncausal, linear or nonlinear stationary. Based on various sample sizes and degrees of persistence, it turns out that our new test performs very well in terms of power in finite sample, no matter the alternative under consideration.

Keywords : Unit roots, Nonlinear models, Parametric tests

21 October 2022

France 11:00-12:00 Japan 18:00-19:00

Presenter 2 : Craig PARSONS, Yokohama National University



Topic : Foreign Direct Investment (FDI)

Title : The Effect of GVC Participation on Greenfield FDI: An Industry-level Analysis

Co-authors : Vu Hong Ha

[Webpage](#)

Paper available : yes

Abstract

The study examines GVC participation as a determinant of inward greenfield FDI at the sectoral level. Our data spans from 2005 to 2015 covering 15 manufacturing industries for 64 host countries and 88 source countries. Overall, the results show that more trade through GVCs will increase FDI inflows. Although we find that GVC participation, both backward and forward linkages, is positively associated with FDI, the effects are heterogeneous and depend on the sector and the region. For policymakers, if the host country is in the later stages of production in Basic metals and Rubber and plastic, policymakers may be well-advised to attempt to incentivize inward FDI into these sectors. This is more strongly recommended when the country is located in Europe and Central Asia, East Asia and Pacific, and North America. In contrast, Machinery and equipment does not seem to be a key sector for GVC-driven FDI policy. Also, though the electronics industry is one of the most active industries in the global production chain, its elasticity is positive, but not statistically significant.

Keywords : FDI, GVC, Industry-level

JEL Codes: F14, F23

18 November 2022

France 9:00-10:00 Japan 17:00-18:00

Presenter 1 : Neha DEOPA, Aix-Marseille School of Economics



Topic : African and Ecological Economies

Title : Sacred ecology : the environmental impact of African traditional religions

Co-authors :

[Webpage](#)

Paper available : no

Abstract

This study examines whether culture, and in particular religion, exert an independent causal effect on ecological outcomes. I focus on African Traditional Religions (ATR) whose cosmology reveres forests as a key sacred symbol and rely on the unique case of Benin where ATR adherence is freely reported. Estimates obtained using instrumental variables, exploiting the variation in proximity to the Nigerian border, and a spatial regression discontinuity design using the historical boundaries of the Kingdom of Dahomey reveal that higher adherence to ATR is associated with a positive five year average annual change in forest cover. I show that there is no evidence for this positive relationship due to the supernatural punishment hypothesis but rather the presence of a set of attitudes that reflect "spirit of sustainability". Motivated by the empirical evidence, I build a mean-field game model, where the density of the aggregate forest cover is constantly affected by the decisions of a continuum of agents and vice versa. In my framework the adherence to ATR implies the association to a greater spiritual value to forest resources and hence reduces the utility associated with forest consumption. The model shows how potential scarcity of natural resources can define both individual and aggregate decisions, and how the collective characteristics of religious beliefs can be key drivers of forest conservation.

JEL Codes: Z12, Q5, C61

18 November 2022

France 10:00-11:00 Japan 18:00-19:00

Presenter 2 : Takamitsu KURITA, Kyoto Sangyo University



Topic : Cryptocurrencies and Monetary Policy

Title : Structural relationships between cryptocurrency prices and monetary policy indicators

Co-authors : Jennifer L. Castle

[Webpage](#)

Paper available : yes

Abstract

The rapid expansion of the global cryptocurrency market raises the question of whether there are stable relationships between the prices of representative cryptocurrencies and economic indicators capturing expectations of future monetary policy. In this paper multivariate time-series analysis reveal a single but significant cointegrating relationship between cryptocurrencies and the term spread. This evidence reveals direct policy implications for the implementation of monetary policy allowing for the growing influence of digital assets. While the cointegrating linkage plays a critical role in modelling cryptocurrencies in sample, it contributes little to forecasting them out of sample, thus indicating potential efficiency in the digital currency market.

Keywords : Cryptocurrencies, Economic indicators, Cointegration, Weak exogeneity, Policy simulation, Predictability, Market efficiency

JEL Codes: C22, C50, E43, E44

16 December 2022

France 9:00-10:00 Japan 17:00-18:00

Presenter 1 : Taiyo YOSHIMI, Chuo University



Topic : International Finance

Title : Export Experience and the Choice of Invoice Currency: Evidence from Questionnaire Survey for Japanese SMEs

Co-authors : Mizuki Goto, Kazunobu Hayakawa & Satoshi Koibuchi

[Webpage](#)

Paper available : yes

Abstract

This study examines determinants of the invoice currency with a focus on the effect of export experience based on the questionnaire survey for Japanese small and medium enterprises (SMEs) in the manufacturing industry. We find that exporters with long experience in exporting tend to switch the invoice currency from Japanese yen to foreign currencies. The interpretation is that export experience provides firms with the know how to deal with the exchange rate risk and enables firms to use foreign currencies in their exports. This effect survives even if firms intermittently export from their first exports. We also find that the yen is more likely to be chosen in the first export when the age of the exporter is higher, the sales value of the exporter is smaller, the exporter has an initiative in the determination of the invoice currency and the exporter started exporting before the global financial crisis in 2007.

Keywords : Invoice currency, Export dynamics, Questionnaire survey, SMEs, Japan

JEL Codes: F1, F3

16 December 2022

France 10:00-11:00 Japan 18:00-19:00

Presenter 2 : Magali DUMONTET, University of Paris Nanterre



Topic : Public health

Title : Let the students choose ? Medical specialty and location preferences compared with supply of residency position.

Co-authors : Cassandra Gorin, Olivier Palombi, Yann Renisio & Jonathan Sicsic

[Webpage](#)

Paper available : no

Abstract

In this paper, we focus on the French national system for allocation of residency positions (NSAR). At the end of the 6th year of medical studies, a national exam ranks all medical students. Then, depending on the ranking, medical students sequentially choose from the available residency positions a specialty in a training region. In 2022, before the national exam, we conducted a unique survey of participants of the NSAR to analyze preferences regarding specialty and training region (N= 3269, 35% of the total 6th year medical studies population). We aimed to simulate the welfare impacts of letting the students choose their preferred specialty and training region compared to the actual process based on students ranking. Our main variable of interest is the residency position that students declared they would choose if all residency positions were available (“the preferred residency position”). We compare this stated preference with the residency position actually chosen (the “real” residency position). Based on this comparison we answer three research questions: what would the care supply look like if we were giving every 6th year students their first choice of residency position and how strong is the discrepancy compared to the result based on national ranking? Among those whose aspirations do not perfectly overlap with their possibilities: what second best choices they made and how region is traded against specialty? Finally, do medical students finally choose what they stated they would prefer (stated preference) ? Finally, we discuss potential mechanisms explaining the discrepancy between stated and observed choices as well as policy implications.

Keywords : Invoice currency, Export dynamics, Questionnaire survey, SMEs, Japan

20 January 2023

France 9:00-10:00 Japan 17:00-18:00

Presenter 1 : Willem THORBECKE, Research Institute of
Economy, Trade, and Industry (RIETI)



Topic : Trade relationships between Europe and East Asia

Title : East Asian and European Firms: Comrades or Competitors

Co-authors :

[Webpage](#)

Paper available : yes

Abstract

This paper examines the stock market exposures of sectors in France, Germany, Japan, and South Korea. If a firm in one country competes with firms in another country, an appreciation of its currency relative to its competitors' currency should lower its profitability and its stock price. If a firm cooperates with firms in another country by purchasing imported intermediates from them, an appreciation of its currency relative to its comrades' currency should increase its ability to purchase inputs and raise its profitability and stock price. The results indicate that 60 percent of the sectors examined in France and Germany and 27 percent of the sectors examined in Korea benefit when their currency appreciates against the Japanese yen and that virtually no sectors are harmed by yen depreciations. This implies that Japanese firms play a vital role as suppliers of intermediate goods to firms in France, Germany, and Korea. By contrast, the results point to substantial competition between European and Korean firms

Keywords : Exchange rate exposure, stock returns, international trade

JEL Codes: G10, F14

20 January 2023

France 10:00-11:00 Japan 18:00-19:00

Presenter 2 : Bruno VENTELOU, Aix-Marseille School of Economics



Topic : Health Economics

Title : Hysteresis in alcohol consumption trajectories after lockdown : the power of time preferences

Co-authors : Sophie Massin, Phu Nguyen-Van & Marc Willinger

[Webpage](#)

Paper available : no

Abstract

Do individual time-preferences play a role in the self-regulation of the consumption trajectories of addictive products? To answer this question, we study alcohol use during the lockdown period and after, at an individual level. In an online survey (N=1038), we asked respondents to quantify their alcohol consumption for three moments: January 2020, May 2020 and September 2021. We revealed time-preferences by the Andreoni-Sprenger elicitation task (properly incentivized), which allows to detect people with a ‘present biased’ profile, with a regular profile, or with future biased profile –mutually exclusive. Using a panel data approach, we tested the presence of a hysteresis effect, i.e. whether the shocks in use which occurred during lockdown lags behind the end of it and the return to normal-life. We found that individuals who are future biased were the only ones who seemed to escape from hysteresis in alcohol consumption. Our conclusion permits to relate economic time-preferences and “resilience” (here, in addictive consumption trajectories).

Keywords : Addiction, Alcohol consumption, Hysteresis

10 February 2023

France 9:00-10:00 Japan 17:00-18:00

Presenter 1 : Takashi Matsuki, Osaka Gakuin University



Topic : Economic growth

Title : Revisiting output convergence and economic growth determinants in 41 countries

Co-authors :

[Webpage](#)

Paper available : no

Abstract

This paper investigates the long-run convergence of per capita output across OECD members and some emerging countries from 1953 to 2019. To confirm the existence of output convergence toward the reference country (the US), several unit root testing methods are employed. Moreover, to find possible growth determinants to promote convergence, some stationary covariates for the tests are used. In addition, the approach allows for the presence of endogenous structural breaks in the time series under investigation, to capture sharp drops in per capita outputs, which may be brought about by influential economic events such as serious economic slumps in domestic economies or the global financial crises. We also examine whether some institutional factors help to hold the convergence hypothesis.

Keywords : Output convergence, Unit roots, Structural change, Growth determinants

JEL Codes: C12, C22, O47, O53

10 February 2023

France 10:00-11:00 Japan 18:00-19:00

Presenter 2 : **Bernard THOMANN,**
French Research Institute on Japan



Topic : Social and political economy

Title : The "living wage" at the center of the social compromise of high-growth Japan?

Co-authors :

[Webpage](#)

Paper available : No

Abstract

The project of a "living wage" (seikatsu-kyû), developed during the war on the basis of expertise built up since the 1920s, and taken up again and improved by experts in the aftermath of the defeat, was integrated into the demands of the unions. It was thus adopted to a certain extent by many companies, notably in the form of the so-called Densan wage model. This wage model was supposed to lead the Japanese economy out of a logic of low wages and to ensure the social foundations of a stable democratic and peaceful regime. We shall see how this notion was structuring the social system that was established during the years of high growth, but also what its limits were.

Keywords : Wage, Japan, Social system

March 2023

France 9:00-10:00 Japan 17:00-18:00

Presenter 1 : Jun NAGAYASU, TOHOKU University



Topic : Political economy and development economics

Title : Democracy and economic growth

Co-authors : Lamia Bazzaoui

[Webpage](#)

Paper available : No

Abstract

This paper empirically investigates the relationship between democracy and economic growth in the global market.

Keywords : Democracy ; economic growth

March 2023

France 10:00-11:00 Japan 18:00-19:00

Presenter 2 : Yannick DUPRAZ, Aix-Marseille School of Economics



Topic : Economic History

Title : Linguistic distance and migration in India

Co-authors : Latika Chaudhary & James Fenske

[Webpage](#)

Paper available : no

Abstract

Does linguistic distance reduce migration? We study India at the beginning of the 20th century and today. We use historical and recent census data. In a bilateral gravity model, we regress migration between two regions on their linguistic distance, controlling for various measures of physical distance and similarity.

Keywords : India, linguistic distance

April 2023

France 10:00-11:00 Japan 17:00-18:00

Presenter 1 : Erica PEREGO, CEPII



Topic : International Macroeconomics and Finance

Title : World interest rates and macroeconomic adjustment in developing commodity-producing countries

Co-authors : Vincent Bodart & François Courtoy

[Webpage](#)

Paper available :

Abstract

With commodities becoming international financial securities, commodity prices are affected by the international financial cycle. With this evidence in mind, this paper reconsiders the macroeconomic adjustment of developing commodity-exporting countries to changes in world interest rates. We proceed by building a model of a small open economy that produces a non-tradable good and a storable tradable commodity. The difference with standard models of small open economies lies in the endogenous response of commodity prices which -due to commodity storage- adjust to variations in international interest rates. We find that the endogenous response of commodity prices amplifies the reaction of commodity exporting countries to international monetary shocks. This suggests that commodity exporting countries are more vulnerable to unfavourable international monetary disturbances than other small open economies. In particular, through the commodity price channel, even those small open commodity-exporting economies that are disconnected from international financial markets can be affected by the international financial cycle.

Keywords : Storable commodity, International financial shock, Developing economies

April 2023

France 11:00-12:00 Japan 18:00-19:00

Presenter 2 : Akira KOHSAKA, Osaka University



Topic : Structural transformation and development

Title : Leap-frogging Industrialization? Structural Transformation and Development Strategies

Co-authors :

[Webpage](#)

Paper available : no

Abstract

While advanced economies graduated from industrialization by the 1970s and now under *servicification*, some worry that premature de-industrialization in developing economies may decelerate their economic development (e.g. Rodrik 2016). Or can they leap-frog industrialization? Particularly we focus on the relationship between productivity growth and industrial structural transformation in the global context. We first decompose/ analyze changes in industrial structures through demand (income elasticities and export ratios) and supply (productivity growth) channels in more than three (i.e. agriculture, manufacturing and service) multiple-sector settings (Comin et al. 2021, Kohsaka 2020 and Spasi et al. 2021). We use the long run panel database such as KLEMS covering countries with available data. Second, looking into servicification processes or changing I-O relationships among sectors, we examine how de-industrialization transforms industries just like industrialization transformed agriculture. We use the global I-O database such as WIOD. Third, based on the above scrutiny, we assess the validity of export-led industrialization as developing strategies and provide implications for the way they could leap-frog traditional industrialization. Throughout, we carefully take account of varieties of not only individual, but regional and other heterogeneities among countries.

Keywords : export-led industrialization, de-industrialization, productivity growth and industrial structural transformation, development strategies, servicification

JEL Codes: F43, O11, O47

May 2023

France 10:00-11:00 Japan 17:00-18:00

Presenter 1 : **Kazunobu HAYAKAWA, IDE-JETRO**



Topic : International Trade

Title : Fixed Costs in Exporting and Investing

Co-authors : Youngmin Baek

[Webpage](#)

Paper available :

Abstract

This study quantifies the fixed costs of export and outward foreign direct investment (FDI). Specifically, we compute the ratio of fixed costs for FDI to those for exports, which is called the “fixed cost ratio” (FCR). To do so, we solve an equation derived from the theoretical model of the choice between exporting and FDI. We apply this method to exports and FDI from Japan to 68 countries during 2002-2018. Our findings can be summarized as follows: In terms of median values, the FCR is estimated to be approximately 10, indicating that the fixed costs for FDI are approximately 10 times higher than those for exports. Furthermore, our regression analyses on the determinants of the FCR show a significantly negative effect of regional trade agreements (RTAs) on the FCR, which indicates that RTAs contribute to reducing fixed costs of FDI more greatly than those of exporting. This result has important implications for the RTAs’ trade creation effect. Finally, we conduct simulation analyses of the effect of RTAs on the ratio of exports to FDI sales.

Keywords : Regional trade agreement, Exporting, Foreign direct investment, Fixed costs

JEL Codes: F15, F53

May 2023

France 11:00-12:00 Japan 18:00-19:00

Presenter 2 : **Balazs Egert, OECD and University of Paris Nanterre**



Topic : Human capital and productivity

Title : A new macroeconomic measure of human capital exploiting PISA and PIAAC : linking education policies to productivity

Co-authors : Christine de la Maisonneuve & David Turner

[Webpage](#)

Paper available : yes

Abstract This paper provides a new measure of human capital using PISA and PIAAC surveys, and mean years of schooling. The new measure is a cohort-weighted average of past PISA scores (representing the quality of education) of the working age population and the corresponding mean years of schooling (representing the quantity of education). In contrast to the existing literature, the relative weights of each component are not imposed or calibrated but directly estimated. The paper finds that the elasticity of the stock of human capital with respect to the quality of education is three to four times larger than for the quantity of education. The new measure has a strong link to productivity with the potential for productivity gains being much greater from improvements in the quality than quantity component of human capital. The magnitude of these potential gains in MFP is considerable but the effects materialise with long lags. The paper simulates the impact of a particular reform to education policy (pre-primary education) on human capital and productivity to demonstrate the usefulness of the new measure for policy analysis.

JEL: E24, I20, I25, I26, I28

June 2023

France 10:00-11:00 Japan 17:00-18:00

Presenter 1 : **Sandra PONCET, University of Paris 1**



Topic : Chinese economy

Title : Is there a bright side to the China Syndrome? Rising export opportunities and life satisfaction in China

Co-authors : Matthieu Crozet & Laura Hering

[Webpage](#)

Paper available :

Abstract

The rise of Chinese exports has been identified as a source of harmful disruptions in importing countries. It contributed to job destruction, labor market polarization, and political tensions. In China, the internationalization of the economy has bolstered the economic development and increased incomes, but it has also shaken up social structures and work environments. This paper explores the overall effect of exports on individual welfare in China. We use a longitudinal survey on the perceived quality of life for about 45,000 Chinese individuals that we match with a (shift-share) measure of export opportunities in their locality. We show that perceived life satisfaction rises significantly in prefectures that experienced higher export opportunities despite a negative effect on self-reported health. The positive well-being gains go beyond a mere income effect. We further show that these non-monetary gains transit via the local labor market and working conditions: the export-related well-being gains that we measure exist only for working-age individuals (in particular men and low-skilled workers) and are found when the satisfaction indicator focuses on work but not on family.

Keywords : Happiness, Export opportunities, Globalization, China

June 2023

France 11:00-12:00 Japan 18:00-19:00

Presenter 2 : **Yushi YOSHIDA, Shiga University**



Topic : International Finance

Title : Global Value Chains and Exchange Rate Pass-through in Japanese Imports

Co-authors : Fabien Rondeau

[Webpage](#)

Paper available :

Abstract

With internationally fragmented productions or global value chains, value-added components of a country's export may include a third country's contributions and that of the importer. The exchange rate sensitivity of export price reflects these value-added components. We examine the effect of value-added contributions of exporters and importers on the degree of exchange rate pass-through by focusing on the Japanese import prices by industries. We found that exchange rate pass-through increases for industries with a higher contribution of exporting countries' value-added and for industries with a lower contribution of the importing country's value-added.

Keywords : Exchange Rate Pass-through; Global Value Chains; Value-Added in Trade

JEL Codes: F14, F61

September 2023

France 10:00-11:00 Japan 17:00-18:00

Presenter 1 : Nathalie FERRIERE, Aix-Marseille School of Economics and Sciences Po Aix



Topic : Fertility and Africa

Title : US family planning and fertility in Kenya

Co-authors : Rozenn Hotte

[Webpage](#)

Paper available : no

Abstract

The US is by far the most important provider of family planning aid, especially in Kenya. However, US family planning aid has undergone several changes related to the so-called Mexico City policy. This policy decreases drastically the amount of aid provided by the US. In this paper, we investigate how the implementation of the Mexico city policy affects fertility outcomes and especially early fertility. We also look at early marriage. To do so, we implement a DID approach.

JEL code : J13, O2, F35, J12

September 2023

France 11:00-12:00 Japan 18:00-19:00

Presenter 2 : Fumiharu MIENO, Kyoto University



Topic : Corporate Ownership and Finance

Title : Ownership and Capital Structure of Major Firms in Laos

Co-authors : Somvixay Chanthavong

[Webpage](#)

Paper available : no

Abstract

We examine ownership and capital structures of major firms in Laos based on a dataset of 65 firms gained from an original survey conducted in 2018-19 in Vientiane. The sample includes SOEs, private firms, foreign capital and their mixture. The basic observation reveals that a large portion of SOEs constructs partnerships with foreign capital, and that larger firms utilize debt financing in particular bank credit while self-financing is widely adopted as main fundraising source. By empirical analyses on the determinants of capital structure, we find three characteristics; (1) firms with foreign ownership tend to be less active for debt financing and extremely inactive for bank borrowing, presumably due to their sufficient cash flow through their own financial channel; (2) pure local-owned firms show higher dependence on debt financing and bank borrowing than SOEs or foreign-owned firms; (3) SOEs are tend to show relatively low debt and bank borrow ratios, both in the cases of 100% state stake and less than 50% state stake. These tendencies show a clear contrast to the situation in other Asian transition economies such as China where intimate relationships are often observed between SOEs and state-run banks.

Keywords : Laos, Corporate Ownership, SOEs, Capital Structure

JEL Codes: G30, O16, O53

October 2023

France 9:00-10:00 Japan 17:00-18:00

Presenter 1 : Keiko ITO, Chiba University



Topic : International Trade and Innovation

Title : The Changing Structure of Global Value Chains and Technological Change : Evidence from the Firm-Level Patent Data

Co-authors :

[Webpage](#)

Paper available : no

Abstract

This paper explores how changes in the relative position in the Global Value Chains (GVCs) affect firms' innovation activities. The analysis combines patent-firm-matched data with information on GVC networks from the OECD Inter-Country Input-Output Tables for the period 1995-2012. I also utilize various patent quality indicators provided in the OECD Patent Quality Database. The analysis in this paper shows that the GVC centrality tends to be positively associated with quality-adjusted number of patent applications and granted patents. Moreover, the GVC centrality is likely to be positively associated with technological diversification for firms. These results may suggest that being more central in the GVC network is likely to both deepen and broaden the range of firms' technological areas by enabling firms to benefit from knowledge spillovers from both upstream and downstream markets. Along with the expansion of the GVCs since the 1990s, Japan's centrality in the GVC network declined substantially in contrast to the rise of China as another key hub in the network. Although the changes in the GVC centrality only partially explains the changes in the quality-adjusted patent applications, the negative impact for Japan and the positive impact for China are non-negligible.

Keywords: network centrality, global value chains, patent quality, micro data

JEL Codes: F14, F L25, O33, O53

October 2023

France 10:00-11:00 Japan 18:00-19:00

Presenter 2 : Benjamin KEDDAD, Paris School of Business



Topic : US Monetary policy in China

Title : The impact of Chinese macroeconomy on the FOMC decision-making process

Co-authors : Hamza Bennani & Davide Romelli

[Webpage](#)

Paper available : no

Abstract

In this article, we study the effect of Chinese economic policy uncertainty on the decision of FOMC members. First, we analyze FOMC meeting transcripts and assess the concerns expressed by FOMC members about China. Second, we assess the impact of Chinese variables on the FOMC decision-making process such as preferences and votes at the individual level. To do so, we estimate an augmented Taylor rule with a proxy that measures FOMC members' concerns about the Chinese economy and include several Chinese macroeconomic factors as interactive variables. We focus on specific policy uncertainty indices, covering monetary, exchange rate and trade policies, and standard macroeconomic variables, such as the RMB Globalization Index, industrial production index, RMB misalignments, RMB exchange market pressure, manufacturing performance index, unemployment, and inflation.

Keywords : China. FOMC. US monetary policy. Interdependence

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