Econometrics

Volume 2: Econometrics and the Cost of Capital: Essays in Honor of Dale W. Jorgenson

Edited by Lawrence J. Lau

The MIT Press Cambridge, Massachusetts London, England

Contents

L ₁ S	t of Ta	ibles	1X	
Preface t			xiii	
About the Authors			xxxi	
Biography				
List of Publications _			xxxvii	
Ph.	D. Th	esis Advisees	lvii	
1	Resea	arch on the Cost of Capital: Past, Present, and Future	1	
	Lawrence J. Lau			
	1.1	Introduction	1	
	1.2	Historical Origin of the "Cost of Capital"	4	
	1.3	The Quest—The Econometric Modeling of		
		Intertemporal General Equilibrium	5	
	1.4	The First Decade (1963-1973)	13	
	1.5	The Second Decade (1973-1983)	19	
	1.6	The Third Decade (1983-1993)	24	
	1.7	Future Research Opportunities	29	
	1.8	Concluding Remarks	32	
2	The International Consequences of the Leading			
	Cons	sumption Tax Proposals	35	
	Robe	rt E. Hall		
	2.1	Introduction	35	
	2.2	Taxes Considered	35	
	2.3	Basic Effects "	37	
	2.4	Nominal Prices and Price Measurement	40	
	2.5	Effects of the Anticipation of Tax Reform	. 43	
	2.6	Interaction of the U.S. Economy and the Rest of the		
		World	45	
3		Cost of Capital and Regulation	47	
	Laurits R. Christensen			
	3.1	Introduction	47	

viii Contents

	11.7	Alternative Productivity Measures for Canada Using		
		Declining Balance Depreciation	287	
	11.8	Alternative Productivity Measures for Canada Using		
		Straight Line Depreciation	296	
	11.9	Alternative Productivity Measures for Canada Using		
		One Hoss Shay Depreciation	301	
	11.10	Conclusion '	307	
		Data Appendix	309	
12	Mode	eling Trade Policies and U.S. Growth: Some		
	Meth	odological Issues	327	
	Mun S	S. Ho		
	12.1	Introduction '	327	
	12.2	Issues in Numerical Dynamic Models	328	
	12.3	The Structure of the' Model	338	
	12.4	Effects of Trade Barriers	345	
	12.5	Conclusion	362	
		Appendix	363	
	A.I	Household Sector	363	
	A.2	Producer Sector	366	
	A.3	Cost of Capital and Investor Behavior	• 368	
	A.4'	Government	369	
	A.5	Rest-of-the-World	370	
	A.6	The Markets and Equilibrium Conditions	372	
	A.7	Solution of Model and Exogenous Variables	374	
	A.8	Data and Parameters	376	
13	The <	lost of Capital and the Economics of the		
	Envi	conment	379	
Peter}. Wilcoxen				
		Introduction	379	
	13.2	The Econometric Approach	381	
	13.3	An Econometric General Equilibrium Model	385	
	13.4	Foreign Trade	390	
	13.5	Estimating the Effects of Environmental Regulation	392	
	13.6	Confidence Intervals	396	
	13.7	Conclusion	402	
Re	ferenc	es • - '	407	
	dex		443	