

Arbeiten aus dem



OSTEUROPA-INSTITUT **MÜNCHEN**

Working Papers

Nr. 266 November 2006

Balassa-Samuelson, Product Differentiation and Transition

Richard FRENSCH

Wirtschaftswissenschaftliche Abteilung

Contents

Tabellenverzeichnis.....	iv
Abbildungsverzeichnis.....	iv
Comparative prices and transition: the EU-accession countries in international perspective.....	v
Abstract.....	v
1 Introduction.....	1
2 A review of Balassa-Samuelson.....	2
2.1 Purchasing power parity and deviations.....	2
2.2 The empirical BS-literature.....	4
3 Comparative prices and per capita incomes: evidence from PWT data.....	6
3.1 Comparative prices and real effective exchange rates.....	6
3.2 The price-income benchmark relationship.....	7
4 Transition countries in the cross-section price-income relationship.....	11
5 Comparative price changes and per capita income growth.....	14
5.1 The simple BS view.....	14
5.2 An extended view.....	15
5.2.1 Equilibrium forces versus adjustment to equilibrium.....	15
5.2.2 "Real" sources of real exchange rate development during transition and beyond.....	17
5.2.3 Data and measurement.....	19
5.2.4 Specification and estimation results.....	20
6 Conclusions.....	24
References.....	25
Appendix A: Tables and Figures.....	27
Appendix B. PWT data construction and economic relationships.....	34
Balassa-Samuelson effects in the presence of product differentiation and trade barriers. Implications for transition and convergence.....	35
Abstract.....	35
1.Introduction.....	36
2 Prices and productivities: The simple arbitrage view.....	37
3 A monopolistic competition model of trade with product differentiation.....	39
3.1 Production.....	39
3.2 Demand.....	39
3.3 Barriers to trade.....	40
3.4 International equilibrium.....	41
3.5 Prices and productivities with trade in differentiated goods.....	42
4 Prices and productivities: An extended arbitrage view for transition economies.....	44
5 Some conclusions.....	48
References.....	49