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"How Large are Global Energy Subsidies?"

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This paper estimates fossil fuel subsidies and the economic and environmental benefits from reforming them, focusing mostly on a broad notion of subsidies arising when consumer prices are below supply costs plus environmental costs and general consumption taxes. Subsidies are $4.9 trillion worldwide in 2013 and $5.3 trillion in 2015 (6.5 percent of global GDP in both years). Undercharging for global warming accounts for 22 percent of the subsidy in 2013, air pollution 46 percent, broader vehicle externalities 13 percent, supply costs 11 percent, and general consumer taxes 8 percent. China was the biggest subsidizer in 2013 ($1.8 trillion), followed by the United States ($0.6 trillion), and Russia, the European Union, and India (each with about $0.3 trillion). Eliminating subsidies would have reduced carbon emissions in 2013 by 21 percent and fossil fuel air pollution deaths 55 percent, while raising revenue of 4 percent, and social welfare by 2.2 percent, of global GDP.

"Dealing With the Coffee Crisis in Central America: Impacts and Strategies"


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Current coffee prices are at record lows and below the cost of production for many producers in Central America. Moreover, the coffee crisis is structural, and changes in supply and demand do not indicate a quick recovery of prices. So, coffee producers in Central America are facing new challenges—as are coffee laborers, coffee exporters, and others linked to the coffee sector. Coffee plays a major economic role in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. The coffee crisis is actually part of a broader rural crisis caused by weather shocks (such as Hurricane Mitch and droughts), low international agricultural commodity prices, and the global recession. These challenges call for new strategies for Central American countries aimed at broad-based sustainable development of their rural economies. The authors deal with the impact of the coffee crisis and strategies to deal with it. They include an analysis of the international coffee situation and country-specific analyses. The authors explore options and constraints for increased competitiveness and diversification, and discuss social, environmental, and institutional dimensions of the crisis. The authors conclude that there are specific solutions that can be pursued for the coffee sector. Some are already being applied, but more can be done in a more systematic way. Also, there is a need for safety nets to deal with the short-term impact of the crisis. Longer-term solutions are to be found in increased competitiveness and diversification in the context of broad-based sustainable rural economic development.

"Risk Premia and Seasonality in Commodity Futures"  

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We develop and estimate a multifactor affine model of commodity futures that allows for stochastic variations in seasonality. We show conditions under which the yield curve and the cost-of-carry curve adopt augmented Nelson and Siegel functional forms. This restricted version of the model is parsimonious, does not suffer from identification problems, and matches well the yield curve and futures curve over time. We estimate the model using heating oil futures prices over the period 1984–2012. We find strong evidence of stochastic seasonality in the data. We analyse risk premia in futures markets and discuss two traditional theories of commodity futures: the theory of storage and the theory of normal backwardation. The data strongly supports the theory of storage.

"Commodity Prices and Labour Market Dynamics in Small Open Economies"  
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We investigate the connection between commodity price shocks and unemployment in advanced resource-rich small open economies from an empirical and theoretical perspective. Shocks to commodity prices are shown to influence labour market conditions primarily through the real exchange rate contrasting sharply with the transmission of technology shocks which are typically argued to affect the economy by changing labour productivity. The empirical impact of commodity price shocks is obtained from estimating a panel vector autoregression; a positive price shock is found to be expansionary for the components of GDP, causes the real exchange rate to appreciate, and improves labour market conditions. For every one percent increase in
commodity prices, our estimates suggest a one basis point decline in the unemployment rate and at its peak a 0.3% increase in unfilled vacancies. We then match the impulse responses to a commodity price shock from a small open economy model with net commodity exports and search and matching frictions in the labour market to these empirical responses. As in the data, an increase in commodity prices raises consumption demand in the small open economy and induces a real appreciation. Facing higher relative prices for their goods, non-commodity producing firms post additional job vacancies, causing the number of matches between firms and workers to rise. As a result, unemployment falls, even if employment in the commodity-producing sector is negligible. For commodity price shocks, there is little difference between the standard Diamond (1982), Mortensen (1982), and Pissarides (1985) approach of modelling search and matching frictions and the alternating offer bargaining model suggested by Hall and Milgrom (2008).

"Is There a New Swing Producer in the Oil Markets? A Brief Answer"

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Can U.S. shale producers be regarded as the new swing producers in the crude oil markets? This brief paper will address this question from both a physical-oil-market standpoint and from an energy-financing standpoint. The article will conclude that basically the answer is no unless one adopts a very flexible definition of “swing producer.”

"The Development of Organized Commodity Exchanges in Africa: An Economic Analysis"

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After the failure of international commodity price stabilization programs, the development of commodity futures exchanges has been popularized by economists and international agencies. Based on the experience and the history of commodity trading, the successful development of organized, standardized exchanges must be necessarily paired with steps towards improving the basic and financial infrastructure of countries. These improvements are all the more important as they help to improve food security, a major challenge in the upcoming demographic transition of sub-Saharan African societies. However, the outright launch of futures markets might be an excessive first step for most countries.

"Commodity Prices and Fiscal Policy Design: Procyclical Despite a Rule"

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We analyse if the adoption of a fiscal rule insulates the domestic economy from commodity price fluctuations in a resource-rich economy. To do so we develop a timevarying Dynamic Factor Model, in which both the volatility of structural shocks and the systematic fiscal policy responses are allowed to change over time. We focus on a particular country, Norway, that is put forward as
exemplary with its handling of resource wealth; income from the sale of petroleum is first saved in a sovereign wealth fund for then to be spent following a fiscal rule. We find that, contrary to common perception, fiscal policy has been more (not less) procyclical with commodity prices since the adoption of the rule. Fiscal policy has thereby exacerbated the commodity price fluctuations on the domestic economy. Still, compared to many other resource-rich economies practising a more spend-as-you-go strategy the responses are modest, as also documented in our counterfactual analysis. From a policy point of view, the implications of our findings are therefore of general interest since they highlight strengths and weaknesses of fiscal rules adopted in resource rich countries.