

EDITORIAL INTRODUCTION: CELEBRATING 25 YEARS OF REVISTA DE ECONOMÍA APLICADA

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Twenty-five years ago, a group of 100 economists and scholars from more than 30 universities founded *Revista de Economía Aplicada* as a means of disseminating applied research in the field of economics. Since its very beginning, the journal has taken an integrative approach, and has always been open to contributions on conventional topics in applied economics research as well as to fresh works developed from innovative perspectives. The ultimate objective of *Revista de Economía Aplicada* is to provide academics, researchers, policymakers and other interested readers with a series of relevant scientific contributions regarding economic issues and areas of concern to Spanish society and the international community.

The first editor of *Revista de Economía Aplicada* was José Luis García Delgado, with José Antonio Martínez Serrano and José María Serrano Sanz as deputy editors. During this initial period, the journal joined forces with an Editorial Board composed of renowned experts in a range of different subjects within applied economic analysis. Barely a decade later, the journal had already cemented its position as one of the main vehicles in Spain for disseminating scientific research in the field of applied economics. In the spring of 2003, José Luis García Delgado and José María Serrano Sanz assumed the roles of president and general manager of the journal, respectively. At the same time, three new editors –Ángel de la Fuente, Juan Francisco Jimeno and Rafael Myro– took responsibility for the scientific management. Later on, in the autumn of 2006, Ángel de la Fuente became editor-in-chief, and José Carlos Fariñas joined the editorial team. This marked the start of an extraordinary stage in the journal’s trajectory, culminating in the inclusion of *Revista de Economía Aplicada* in the economics category of the Social Science Citation Index –the first effective index was, in fact, published in the Journal Citation Report of 2008. Over the following 10 years, the Editorial Board welcomed several new editors who contributed decisively to improving the scientific quality of the journal: Rafael Santamaría, Ana Rute Cardoso, Javier Gardeazabal, Germà Bel, Diego Rodríguez, Elena Huergo, José Ignacio García Pérez and Máximo Camacho. Finally, since January 2017 a renewed editorial team has been in charge of *Revista de Economía Aplicada*.

On behalf of the new Editorial Board, we want to acknowledge the invaluable work and dedication of all our aforementioned colleagues, and also the support of all our partners –founders, advisory board members, associate editors, referees and

other scientific and administrative managers— who have contributed, in one way or another, to the success of the journal. It is a somewhat daunting task for us to continue the proud legacy of our predecessors.

This first issue of 2018 celebrates the 25th anniversary of *Revista de Economía Aplicada*. It brings together a collection of five papers written by prestigious authors in their respective areas of expertise. These papers focus on some of the topics that have been on the applied research agenda in the field of economics since the foundation of *Revista de Economía Aplicada*. The last quarter century has witnessed an intense debate over the appropriate role of the government in the economy, leading to the development of new methodological approaches and new research questions. In the first paper of this issue entitled “Perspectives on the last quarter century of research in public economics”, Jorge Martínez-Vazquez provides an excellent review of the general trends in public economics research. As stated by the author, the scope of the field has significantly broadened to include new topics. Simultaneously, there has been an ongoing trend of testing or challenging existing theories, while unresolved theoretical issues have continued to attract considerable research interest. The paper chronicles the evolution of the field over the past few decades, highlighting several new developments in a selected list of research questions. The topics summarized in the paper have received a lot of attention in recent years, and it seems that they will continue to be of interest to public economists for some years to come.

The second paper is a contribution by Enrique Sentana entitled “Volatility, diversification and contagion”. The paper explores these three concepts, which are essential to an understanding of price setting in financial markets. Taking volatility as the key factor, the author begins with a univariate framework to conceptualize this phenomenon and discusses the range of measurement approaches typically used in the academic and professional literature. Then, he adopts a multivariate framework to model the classic problem of diversification and the creation of new assets. Lastly, the paper addresses the issue of the dependence among assets and contagion, taking into account the specific effects of globalization, and discusses the measurement approaches and financial implications. This deceptively simple piece of work offers a precise, accurate description of the concepts, explaining their relationships and implications in such detail that their actual complexity is revealed as we gain a better understanding of their conceptualization and measurement. By way of illustration, these concepts and measures are employed to analyse the effects of the financial crisis of 2007-2008 and the euro sovereign debt crisis of 2010-2012, with a particular focus on the impact on the Spanish stock market.

Máximo Camacho, María Dolores Gadea and Gabriel Pérez-Quirós contribute an outstanding piece of research in the third paper entitled “The Great Recession. The worst ever?”, where they develop an international comparative assessment of the Great Recession that began in the mid to late 2000s. Making use of finite mixture models and Bayesian inference with quarterly data for GDP growth, the authors evaluate the four main business cycle features that have characterized the economic downturns suffered by 42 OECD economies from 1947 to 2017; namely, duration, amplitude, cumulation and excess. In contrast with the widely-held opinion among scholars and politicians that the Great Recession has been by far the worst economic crisis in recent history, the most thought-provoking result in this paper is that it has not been

so different from other international downturns in terms of length, depth and shape. In fact, the Great Recession only really stands out for its unparalleled degree of synchronization among countries.

The fourth paper, “Organization of production and the distribution of labor income in Spain”, is by Luis Medrano-Adán, Vicente Salas-Fumás and J. Javier Sanchez-Asin. Income inequality has been a subject of increasing concern to voters and policymakers and the authors examine evidence of labour market income inequality in Spain. They define a general occupational choice model to study inequality in the distribution of labour market income under the assumption that, in these models, the organization of production and income inequality are jointly determined. Among their main findings, the most relevant one is that the parameters of the distribution of skills, production technology, and firms’ internal organization that match the observed organization of production in Spain, also explain reasonably well the distribution of labour market income. They calibrate the parameters of the model with data on sizes of the occupational groups in Spain, and use the calibrated parameters to evaluate inequality in the distribution of labour income. Finally, they compare the income inequality values calculated from the model with published data on actual values of income inequality in Spain, providing an assessment of the usefulness of occupational choice models in explaining observed labour market income inequality.

The fifth and final paper focuses on one of the major concerns presently facing Spanish society: the financial sustainability of the public pension system. Under the title “The Spanish public pension system: The quest for financial sustainability and equity”, Pablo Hernández de Cos, Roberto Ramos and Juan Francisco Jimeno tackle two key questions. First, they consider the possible impact of population ageing on pension expenditure. Second, they analyse the equity effects of possible reforms. The paper makes a relevant contribution to the current debate on the situation of the Spanish pension system through an analysis of its recent evolution and up-to-date, forward-looking projections that include the impact of the latest reforms. Another interesting feature of the article is the analysis of alternative reforms that are needed to restore financial sustainability and improve equity. As stressed by the authors, although the latest reforms have shored up the system’s sustainability fairly well, adapting it to a progressively older population remains a major challenge. A critical conclusion reached by the authors is that it is essential to first define the pension replacement rate the public system aims to guarantee. Maintaining the system’s current replacement rates would require a considerable increase in the system’s revenues. If the decision is taken to reduce replacement rates, the role of other forms of insurance intended as a future back-up for public pensions should be defined.

Thank you very much to all participants in this commemorative issue. We hope that everyone will enjoy it, and we invite you to celebrate with us the anniversary of *Revista de Economía Aplicada* by submitting your best work to our journal.