

Letter from Editors

The second issue of volume 7 consists of three papers; one of them is purely theoretical and devoted to evaluating information in the expected utility framework, the other two papers are empirically oriented and focused on new econometric models and methods, useful in macro- or microeconomic research.

In the first paper, Niyazi Onur Bakir analyses the relationship between the degree of risk aversion and the selling price of information in a lottery setting with two actions. It is shown that the initial decision on the lottery as well as the attitude of the decision maker towards risk, considered as a function of the initial wealth level, are critical to characterizing this relationship. When the initial decision is to reject, a non-decreasingly risk averse decision maker asks for a higher selling price as he gets less risk averse. Conversely, when the initial decision is to accept, non-increasingly risk averse decision makers ask a higher selling price as they get more risk averse if information is collected on bounded lotteries.

In the second paper, Justyna Wróblewska presents a Bayesian VEC-SF model, rooted in the 1993 Vahid and Engle's paper, where they considered both cointegration among $I(1)$ processes and common serial correlation for the first differences. The existence of common serial correlation leads to an additional reduced rank restriction imposed on the parameters of the VEC model, i.e. to the so-called strong form (SF) reduced rank structure. The aim of the paper is to present the Bayesian approach to VEC model with these additional strong form restrictions. The empirical validity of investigating both the short- and long-run co-movements between macroeconomic time series is illustrated by the analysis of the price-wage nexus in the Polish economy.

The third paper, by Arabinda Das, is devoted to the stochastic frontier production (or cost) model where the error components are assumed to be correlated and the inefficiency error is assumed to be auto-correlated. The multivariate Farlie-Gumbel-Morgenstern (FGM) and normal copulas are applied to capture both the contemporaneous and the temporal dependence between, and among, the noise and the inefficiency components. The simulated maximum likelihood (SML) estimators are used to estimate the parameters of the model. The application to the US airline data shows significant noise-inefficiency dependence and temporal dependence of inefficiency.