

COMPETITION, THE LISBON STRATEGY AND THE EURO

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DATA SOURCES AND DETAILS

Seasonally adjusted data are for eight Euro-area countries, namely, Austria, Belgium, Finland, France, Germany, Italy, Netherlands, and Spain. The source of most of the data is the OECD Data Compendium for the period March 1980 to March 2003 for the markup and inflation and March 1982 to March 2003 for the business cycle. Natural logarithms are taken of all variables before estimation. If not otherwise specified, the mnemonics are from OECD database.

Calculations for the Markup, Inflation and the Business Cycle	
<i>Variable</i>	<i>Details</i>
Markup	The markup is calculated as nominal gross domestic product (NGDP) divided by total labour compensation. The markup for Germany prior to March 1991 is derived by dividing the GDP implicit price deflator by unit labour costs from Banerjee and Russell (2001a).
Inflation	Change in the natural logarithm of the gross domestic product implicit price deflator.
Business Cycle	The business cycle is calculated as the actual unemployment rate less the Hodrick-Prescott filtered unemployment rate.

The 'Euro area 7' series are weighted averages of the individual series for the eight countries less Finland. The weights are taken from European Central Bank (2003) and represent the share of each country's constant 1995 market price GDP at purchasing price parity in total Euro-area GDP. The weights used in calculating 'Euro area 7' are recalculated for the remaining 7 countries after excluding Finland, Greece, Portugal, Ireland and Luxemburg due to data difficulties that lead to their exclusion in the empirical work. The excluded countries account for 6.8 per cent of constant price GDP in 1995.

Fixed weights are used to calculate 'Euro area 7' and it may well be argued that variable weights should be used in the calculation. As the 'Euro area 7' results are very similar to the individual country results, it appears that using fixed weights has not compromised the aggregate results.