

Dear Readers

This is the first issue of the Armenian Journal of Economics (AJE). AJE welcomes submissions of empirical and theoretical papers addressing all areas of economics. While there is a preference for topics addressing the economies of Armenia and its neighboring countries, the Journal is inclusive in welcoming papers on all topics.

This inaugural volume contains 6 papers. The first paper, *Forecasting Armenian Key Macroeconomic Indicators Using Factor-based Dynamic Models*, is authored by Karen Poghosyan. In the paper, Poghosyan employs factor-based dynamic models in forecasting economic activity in Armenia. He compares the standard Bayesian model averaging (BMA) approach to the 'weighted average least squares' (WALS) approach, as well as reports on experiments where the two model averaging methods (WALS and BMA) are compared. Quarterly data from 2000-2010 are employed, and various estimates and forecasts of real GDP growth and inflation are reported.

The second paper, *Short Term Forecasting System of Private Demand Components in Armenia*, is authored by Narek Ghazaryan. This paper describes a system for the short term forecasting of private consumption and private investments in Armenia. The system uses large amount of time series data to produce conditional forecasts, giving analysts the opportunity to use all the available information in real time for the assessment of private demand dynamics before the official estimates are published by the statistical office. The main forecasting methods used are BVAR and FAVAR. In-sample quasi-real time recursive forecast evaluation shows that pooled forecasts outperform individual model forecasts and conditioning improves forecast quality. The analysis of the forecast errors confirms that BVAR and FAVAR models produce reliable forecast for 2-3 quarters and hence are good tools for nowcasting and near term analysis of private demand components.

Gayane Barseghyan authored the third paper, *A Comparison of PAYG and Funded Pension Systems*. The paper models pay-as-you-go (PAYG) and funded pension systems and compares the systems under certain parametrization. In deterministic environment the comparison shows that the funded pension system for the most of the considered cases has both cost and benefit advantage over the benchmark scenario of PAYG pension system. The analysis of benefits in stochastic environment shows that the distribution of replacement rate under the funded pension system first-order stochastically dominates that under PAYG pension system. Therefore, the funded pension system is more likely to deliver higher pensions at retirement.

The fourth paper, *Price Transmission Mechanism in Georgian Retail Gasoline Market*, is authored by Ana Mazmishvili. The paper sets to test for the asymmetric price behavior of retail gasoline prices in Georgia. Using weekly data for the period 24 April 2008 through 13 May 2013, retail gasoline and refined oil prices are estimated using the error correction model. Furthermore, and using the cumulative adjustment function, I analyze how Georgian retail prices react to the positive and negative price shocks. The econometric results suggest that in the long-run the positive price shocks are fully transmitted in the retail

gasoline prices. There is also weak evidence to suggest that responses to the negative cost shocks are faster compared to the positive shocks.

I am the author of the fifth paper with the title Educational Assortative Mating in Armenia. The paper examines the pattern of educational assortative mating in Armenia. It employs data on married women born between 1921 and 1970 extracted from the 2001 Armenian Population Census. About 60 percent of women marry men with similar educational attainment, and this pattern of assortative mating has remained relatively stable over the decades. Multivariate estimates show that female university graduates born in 1960s are more likely to marry down. The findings on the extent of assortative mating have interesting implications for shaping income inequality.

The sixth, and last paper, is authored by Aleksandr Grigoryan and is titled A Model with Indivisible Investments in Different Environments. In this paper, Grigoryan explores an infinite horizon dynastic (stochastic) model, when at first credit markets are missing. It provides comparative statics results considering different scenarios for intergenerational mobility. Next, it allows interaction among families in credit markets within (i) the same income classes and (ii) all families in an economy. Welfare analysis shows that when frictionless markets are available, a Pareto superior outcome is feasible. A benevolent government is later introduced which taxes families purely on redistributive purposes and the paper compares the policy implied outcome with one associated with available credit markets. The simulations suggest that the government cannot replicate competitive allocation.

I congratulate the authors for their contribution to the first issue, as well as thank the anonymous reviewers for their constructive comments and guidance. Stay tuned for the second issue of the the Journal, and please consider submitting your works.

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