

## ARTIKKELFORFATTERE I DETTE NUMMER

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## English Summary

*Liv Osland*

### THE HEDONIC METHOD AND ESTIMATING IMPLICIT PRICES

*This paper presents the theory of hedonic prices and shows the conditions for being able to interpret the implicit prices as marginal willingness to pay. The hedonic method is used to estimate a hedonic price function and implecit prices for the housing market in Haugesund from 1980 to 1987. There are few statistical sources on housing markets in Norway from this period. Floor area, plot area, the age of the building and distance to city centre are important to explain variations in house prices. The results are conformable to economic theory and similar analyses. This suggests a common structure on housing markets.*

*Lars Håkonsen*

### WHAT DOES THE DEADWEIGHT LOSS LIKE? ON THE ILLUSTRATION OF DEADWEIGHT LOSS IN PARTIAL EQUILIBRIUM DIAGRAMS

*Economists have for a long time been familiar with the use of areas in price-quantity diagrams in order to define the excess burden arising from price distortions. Parallel to this tradition, there exists a rich analytical litterature on how to define and measure the excess burden correctly. Unfortunately, most uses of price-quantity diagrams misrepresent the true excess burden – especially when there are several distorted markets. This article shows how one can represent the excess burden correctly as a sum of areas in price-quantity diagrams. After having established the required results, the rest of the article is directed towards analyses of tax reform and optimal tax solutions, and how we can use price-quantity diagrams to interpret the effects of tax reforms.*

## English Summary

*Espen Froyn  
B. Gabriela Mundaca*

### SELF-FULFILLING EXPECTATIONS IN THE NORWEGIAN EXCHANGE MARKET: AUGUST 1998

*In the course of August of 1998 the Norwegian krone (NOK) depreciated strongly, at the same time as the level of the Norwegian interest rates rose. In addition, the degree of uncertainty for the future developments of the Norwegian krone, and for the Norwegian short-and long-term interest rates, rose. In the paper, we investigate effects of the 3-month money market interest rate on the development of the exchange rate for NOK against the ECU during the period of August 1998, on the basis of an empirical analysis of high-frequency data for this period. Our first conclusion is that the development of the NOK/ECU shifted, from an initial equilibrium with low risk of depreciation, to another equilibrium with high risk of depreciation, immediately after the second increase in the overnight (lending/deposit) interest rate by Norges Bank (21<sup>st</sup> and 24<sup>th</sup> of August). We also find that increases in the 3-month money market interest rate caused the shift in the equilibrium for the NOK/ECU. Our second main conclusion is that increases in the money market interest rate also contributed toward increased volatility of the NOK. The results must be interpreted cautiously since the period of analysis is short, only one month. We still claim that our analysis can form a basis for both theoretical and empirical work in the future.*

