

Im Rahmen der öffentlichen Vortragsreihe

Economic Theory and Policy

der Forschungsgruppe Ökonomie
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hält

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einen

Vortrag

mit dem Titel

The Banking-Macro Link in the EU: A Model and Empirics

Abstract:

This paper introduces a Banking-Macro Model and estimates the linkages through a Multi-Regime VAR (MRVAR). We introduce a dynamic model which is akin to the Brunnermeier and Sannikov (BS) model (2010). The banking sector is exposed to instability due to adverse movements of asset prices and their impact on risk premia and credit spreads. In contrast to the standard model of the financial accelerator, exhibiting mean reversion, our model, similarly to BS (2010), exhibits local instability. Whereas the standard model leads, in terms of econometrics, to a one-regime VAR we argue for the use of a MRVAR. We estimate our model for EU countries with a MRVAR using a constructed financial stress index and industrial production for those countries. We undertake impulse-response studies with a MRVAR and explore regime dependency of shocks. We show that the shocks have asymmetric effects, depending on the growth regime of the economy, and on the size of the shocks. Small financial stress shocks may not matter, but large shocks are likely to have magnifying effects.

(JEL classifications: E2, E6, C13)

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