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EUROSYSTEMET

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Contents

EDITORIAL: Are search frictions important for aggregate adjustment?

Nowadays it seems almost indisputable to argue that most market transactions in reality involve various forms of impediments to trade or frictions that tend to slow the adjustment of the relevant markets to shocks and policy changes. These frictions need not present themselves in any simple, uniform form and they may be generated from many sources, such as worker and firm heterogeneity, imperfect information, and costs of adjustment and transportation.

For the last twenty or so years labour market search frictions have been an active research field, which is perhaps not that surprising, since labour markets in modern economies do seem to behave quite differently from the Walrasian competitive benchmark. In short, labour markets are frictional. More recently, these frictional labour markets have found their ways to dynamic stochastic general equilibrium (DSGE) models, widely used by macroeconomist for e.g. business cycle analysis. Through incorporating labour market search frictions in otherwise standard DSGE models, one typically wants to strengthen the internal propagation mechanism of the latter models. Indeed, it is not difficult in theory to see that the combination of nominal price rigidity with labour market search frictions could provide a powerful propagation mechanism for exogenous shocks.

The approach based on search frictions and matching has also been extended to the credit market. This extension also seems fairly natural, given that locating sources of funding has been recognized as one of the paramount problem facing existing and would-be entrepreneurs; and that the localized and heterogeneous nature of the market for information-intensive loanable funds shares many of the features characterizing a search market.[1]

However, admitting the success of the search and matching models on a number of accounts, the importance of search frictions for aggregate business cycle dynamics is still actively debated. On the one hand, there are contributions showing that labour market models incorporating search frictions are able to capture the cyclical behaviour of key aggregate variables such as labour stocks and flows. But there are also studies arguing that these models are unable to capture the effects of productivity shocks on labour market outcomes and that e.g. a satisfactory explanation for the high volatility of

Editor
Head of Research
Jouko Vilmunen
Monetary Policy and Research
Research Unit
research(at)bof.fi

Bank of Finland
PO Box 160
FI-00101 Helsinki
Phone +385 10 8311
http://www.suomenpankki.fi/en/

Head of Research (BOFIT)
Iikka Korhonen
http://www.suomenpankki.fi/bofit_en/

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[1] Becsi Z. - Li V. E. and Wang P. (2009), "Credit Mismatch and Breakdown", working paper, http://pingwang.wustl.edu/.

vacancies and unemployment has still to be provided.[2]

Given the underlying issue of the importance of search frictions to aggregate business cycle dynamics and the need to provide a platform for researchers to debate the issue, the Bank of Finland (BoF), Centre of Economic Policy Research (CEPR) and Federal Reserve Bank of Philadelphia organized a joint international research conference, hosted by the Bank of Finland, entitled *Search Frictions and Aggregate Dynamics,* in Helsinki on October 18–19. The conference was the 13th joint conference in a row that the BoF has hosted with CEPR. The conference attracted a good number of excellent papers and the topic of the conference was actively debated by internationally well-known economists. Below, we provide a summary of the contributions presented in the conference.

Jouko Vilmunen

Search frictions and labour market dynamics

The Bank of Finland, CEPR and Federal Reserve Bank of Philadelphia jointly hosted a two-day conference on *Search Frictions and Aggregate Dynamics* in Helsinki on 18-19 October, 2012. The purpose of the conference was to attract international researchers working on various aspects of the topic to debate the importance of search and matching frictions for aggregate business cycle dynamics. This was the perspective set for the conference by Jouko Vilmunen, head of research at the Bank of Finland, in his opening words. The conference included four sessions, which are summarized below.

Alessia Campolmi, Christian Haefke, David Arseneau, Juuso Vanhala, Martin Ellison, Marcel Jansen, Francesco Furlanetto and Shigeru Fujita.

Aspects of labour market dynamics

After the opening words by Jouko Vilmunen, **Alessia Campolmi** (Central European University and Magyar Nemzeti Bank) presented a summary of her paper *Labour Market Participation, Unemployment and Monetary Policy*, co-authored by Stefano Gnocchi (Universitat Autonoma de Barcelona). The paper incorporates endogenous participation in an otherwise standard DSGE model with matching frictions and nominal rigidities in order to study the dynamic properties of the model at business-cycle frequency. After motivating and describing the model, Ms Campolmi focused on the three main contributions of

[2] Yashiv E. (2007), "Labour search and matching in macroeconomics", European Economic Review 51, pp. 1859–95.

the paper: the model is able to account fairly well for the employment and unemployment volatility in the US data; in contrast to corresponding models with exogenous participation, this model shows that more aggressive anti-inflation monetary policy reduces employment and unemployment volatility; (households') search costs can shape the implied dynamics of the model, in particular the importance of the participation margin.

The first paper was discussed by **Christian Haefke** (Institute for Advanced Studies, Vienna), who began his detailed comments by pointing out that incorporating search and matching frictions in a DSGE model is a welcome extension of the such models because it introduces labour market frictions in addition to sticky wages. Also, wages are determined via bargaining rather than unilateral wage setting. A yet-to-be-explored extension of the DSGE models is to relaxed full-consumption insurance. In the rest of his discussion, Haefke raised some key issues related to Campolmi's paper, such as the insights from the labour market literature as to the changes in key tradeoffs generated by shocks, the need to understand, from the perspective of the extensive margin of labour adjustment, the cost of participation and labour supply elasticities in theory and data, as well as the need to understand the employment volatility puzzle.

In the second presentation of the first day **David Arseneau** (Federal Reserve Bank) introduced a two-country labour search model in which a multinational firm engages in production sharing by hiring both domestic and foreign labour to produce a final good. The model, which can be found in the background paper *Threatening to Offshore in a Search Model of the Labour Market,* incorporates a sequential labour market which enables the multinational to shift production overseas to enter into its outside option in domestic wage negotiations. Arseneau presented a model-based estimate of the effects of the threat of offshoring on global wages and labour market allocations. The short and longer run effects differ, since domestic wages can fall considerably in the short run whereas the threat effect is much muted in the longer run, where entry and the capital stock are free to adjust. The analysis highlights the importance of taking into account transition dynamics when evaluating the effects of changes in trade policy.

Juuso Vanhala (Bank of Finland) in commenting raised questions about the modelling strategy regarding the connection between domestic and foreign labour market; the nature of shocks, wages and participation; and the quantitative analysis performed by Arseneau and his co-authors in the background paper. In particular, Vanhala wondered if the analysis could be simplified eg by assuming outsourcing costs instead of search frictions in foreign labour markets to get the effect on wages. Vanhala also asked whether sequential matching is necessary or could one simply assume that domestic firms post vacancies in foreign labour markets, to get the threat effect on wages.

Reallocation and aggregate dynamics

Most models of labour market search frictions and random matching assume that the matching functions display constant returns to scale, which results in a focus on steady states rather than dynamics. In the beginning of his presentation **Martin Ellison** (University of Oxford) argued that such an assumption does not rest on strong empirical support. Consequently, his paper *Unemployment and Market Size*, co-authored by Godfrey Keller, Kevin Roberts and Margaret Stevens (all from University of Oxford), develops a random matching model with a general matching technology. That model introduces market size effects, that is, the job finding rate varies with the level of unemployment. Ellison presented a some new results, one of which was that locally decreasing returns to matching generate plausible adjustment dynamics and slower convergence. In contrast, standard models usually rely on high-frequency shocks to the steady state to explain the observed variation of unemployment and job-finding rate. Ellison also showed that stable steady-state equilibria may occur in regions of increasing or decreasing returns to matching and that multiple equilibria, when they arise, can be welfare-ranked in terms of market size.

The paper was discussed by **Marcel Jansen** (Universidad Autónoma de Madrid). Although he emphasized that the paper presents some novel aspects of matching-markets dynamics, he felt that the paper entails too many degrees of freedom to be taken to the data and suggested that alternatively one could explore the policy implications of the model in greater detail. He also expressed the view that the quality of the paper would gain if more structure were imposed on the pattern of returns to scale and if the sources of non-constant returns to scale were spelled out explicitly.

In motivating his presentation **Francesco Furlanetto** (Norges Bank) noted that the unemployment rate in the US rose from 4.5 percent in mid 2007 to 9.5 percent in mid 2009 and has subsequently remained fairly steady at this extremely high level. Moreover, the behaviour of the Beveridge curve over the recent period suggests that between 2009:Q3 and 2010:Q3, the vacancy rate increased by 20 percent while the unemployment rate did not decrease at all. Some commentators believe that the Beveridge curve shifted outward during that period, mainly because the matching process has become less efficient in the US labour market. Furlanetto presented results from an estimated DSGE model that features nominal rigidities and search frictions in the labour market. The paper, *Mismatch Shocks, Vacancies and Unemployment,* co-authored by Nicholas Groshenny (Reserve Bank of New Zealand), seeks to evaluate the importance of mismatch shocks in accounting for the recent behaviour of the Beveridge curve. Furlanetto reiterated the authors' interpretation of the paper's finding that the rise in the unemployment rate during the Great Recession was due mainly to cyclical factors rather than mismatch shocks.

In discussing the paper, as well as a companion paper[3] by Furlanetto and Groshenny, **Shigeru Fujita** (Federal Reserve Bank of Philadelphia) noted that the authors present meaningful quantitative exercises, but he expressed some concern about the result that matching shocks produce positive correlation between unemployment and vacancies. In his view, the exercises would have been even more interesting if the matching shock had produced negative unemployment-vacancies correlation. Furthermore, he referred to his own work with Garey Ramey[4], which showed that on-the-job search produces results that are more consistent with established facts: pro-cyclical job-to-job transition and negative unemployment-vacancies correlation.

In his presentation **José Rodriguez Mora** (University of Edinburg and CEPR) summarized his paper *Equilibrium Intermediation and Resource Allocation with a Frictional Credit Market*, co-authored by Christian Bauer (LMU Munich). The model depicts an economy in which financial intermediation is subject to search frictions. However, these frictions in the economy can be mitigated by devoting human resources to intermediation. He presented a number of the more fundamental implications of the model. First of all, more efficient credit markets promote more efficient goods markets via larger and more efficient firms, and more efficient credit markets are conducive to a smaller financial sector. However, improvements in the allocative efficiency of

[3] "Matching efficiency and business cycle fluctuations", *Norges Bank discussion paper no. 7/2012.*

[4] "Exogenous vs. Endogenous Separation," with Garey Ramey, *AEJ: Macroeconomics,* forthcoming. (See pre-publication, Reserve Bank of Philadelphia Working Paper 12-2/R, March 2012.)

the product markets lead to a larger financial sector. In the Solow growth model, more efficient credit markets are associated with higher steady state income and capital, more stringent selection of firms, and hence more efficient aggregate production and more homogeneous firms. In the AK growth model, long run growth is adversely affected by credit market frictions.

The paper was discussed by **Jim Costain** (Banco de España), whose main criticism concerned the preliminary nature of the exercise (eg the robustness of the results), the absence of some important references, the relevance of the main results, and a lack of more normative results. As regards the last point in particular, he noted that the size of the financial sector is currently a hotly debated issue, but the core of the matter is at least as much normative as it is positive. In the model, the financial sector can be too big or too small, depending particularly on the bargaining shares (of brokers and entrepreneurs respectively). He also wondered whether the model could eg shed more light on the often heard claim that the financial sector has crowded out talent from productive activities.

The related literature has come to emphasize the importance of financial shocks in contributing to business cycle fluctuations. **John Tsoukalas** (University of Glasgow) focused in his presentation on the results from estimating a two-sector DSGE model with financial intermediaries, where one of the main objectives is to assess the quantitative importance of financial shocks in accounting for aggregate and sectoral fluctuations. The underlying paper, *News and Financial Intermediation in Aggregate and Sectoral Fluctuations*, is co-authored by Christoph Görtz (University of Nottingham). The results indicate a significant role for financial market news as a predictive driver of fluctuations. For example, advance news about valuations of assets held by financial intermediaries generate countercyclical bond spreads, affect credit supply, and are estimated to be a significant source of aggregate fluctuations. Furthermore, financial intermediation is an essential factor in the importance and propagation of valuation news shocks, which then generate both *aggregate* and *sectoral* co-movements as seen in the data.

Kai Christoffel (European Central Bank) noted in his comments that the paper represents a very ambitious research project. According to Christoffel, the paper cites three important motivations for such an undertaking: a) expectations are important, b) one-sector models oversimplify, and c) banks are important for understanding aggregate fluctuations. He went on to emphasize two main results of the paper, namely that asset-value news shocks are important in that they explain a sizeable fraction of fluctuations at business cycle frequency and that financial news shocks can generate aggregate and sectoral comovement. However, Christoffel was not totally convinced about the results and suggested further work that would show i) by making a strong case for identification, that news shocks in the underlying Gertler/Karadi model are important and ii) how the two-sector structure of the model affects such results).

John Tsoukalas and Kai Christoffel

Andreas Westermark

Search frictions in financial markets

The first presentation of the second day of the conference summarized the results from an analysis of the pricing implications associated with the illiquidity of controlling blocks of shares in the context of a search model of block trades. **Rui Albuquerque** (Boston University School of Management) began his presentation by noting that when a controlling block holder and dispersed shareholders coexist, there are two tradeoffs: between private benefits and costs of control and between shared benefits and costs of control. The background paper, *The Value of Control and Costs of Illiquidity*, co-authored by Enrique Scroth (Finance Group, University of Amsterdam), seeks to estimate the marketability discount of controlling rights and the illiquidity discount, accounting for private and shared benefits, as well as to identify illiquidity in the market. The main motivation for the exercise arises from the observation that ownership is concentrated. Albuquerque argued that estimating the discounts is challenging, as illiquidity introduces nonlinearities into pricing and constrains the empirical strategy. Furthermore, estimating discounts requires knowledge of unobservables. To implement the estimation strategy, the authors first develop an estimable search and bargaining model of majority block trades and perform structural estimation. The estimation results indicate a sizable marketability discount (median 12%) and a 60-basis point illiquidity-spillover discount.

Giovanni Calice (University of Birmingham), who discussed the paper, focused on sizes of the corporations in the sample, the role of bond markets, information proxies, and liquidity shocks as the underlying reason for block holders selling their shares. He raised some critical comments on selecting corporations only in terms of block holders, as size heterogeneity is thereby not properly controlled for. He also noted that there may be common factors driving both bond and equity markets, but that these had different effects on the two markets. Hence, caution should be exercised when using the two markets to proxy each other, eg in order to measure funding liquidity. Calice also argued that there must be an information proxy to account for the effect of an acquirer of the block holding knowing that the current holder is distressed or faces liquidity problems. Finally, Calice wanted the authors to discuss in greater depth the implications of their estimation results for the capital allocation problem.

Ricardo Lagos (New York University) focused in his presentation on a model of the market for federal funds that he and his co-author Gara Afonso (Federal Reserve Bank of New York) developed in their joint paper *Trade Dynamics in the Market for Federal Funds*. Mostly overnight unsecured loans among commercial banks, securities dealers, agencies, branches of foreign banks in the US, thrift institutions, and federal agencies are traded in the Fed funds market, which is an over the counter (OTC) market. Lagos thus argues that because of the OTC trading, reallocation of reserves among banks, determining of the interest rate on the shortest yield-curve maturity, and it being the "epicenter" of monetary policy implementation, the Fed funds market is of great interest. The paper develops a model of trading in the Fed funds market that explicitly accounts for the two key OTC frictions, namely the search for counterparties and bilateral negotiations. Not only do the authors consult the model to seek answers to simple positive questions such as what are the determinants of the Fed funds rate or how does the market reallocate funds, but also answers to normative questions such as whether the OTC market structure is able to achieve an efficient allocation of funds. Of the positive implications, Lagos emphasized the time-varying distribution of trade sizes and trade volume, time-varying distribution of Fed funds rates, as well as the endogenous intermediation. As for the efficiency of the OTC market structure, Lagos notes that the planner internalizes the fact that searching by some borrowers and lenders makes it easier for other borrowers and lenders to find partners.

The paper was discussed in great detail by **Jonathan Chiu** (Bank of Canada). He began by noting that the paper presents the first micro-founded model on the dynamics of the Fed funds market. The analysis is clean and tractable and is undergirded by clear intuition. Moreover, the model captures many realistic elements that are missing from the more standard models. He also contended that the benchmark model is stylized, while providing a nice framework for useful extensions and applications, of which he mentioned quantitative work with (in terms of eg size, credit risk and access to CB facilities) heterogeneous participants, long-term relationships and endogenous initial distribution. Towards the end of his comments Chiu presented the ingredients for the last two of these extensions.

Interaction between credit and labour market frictions

The more usual approach to matching frictions postulates the existence of search and matching frictions in a single specific market such as the labour market. In his presentation **Etienne Wasmer** (Sciences PO Paris) summarizes the findings from a DSGE model with search and matching frictions in all of the three markets: credit, goods and labour. The model is developed in the background paper *Macroeconomic Dynamics in a Model of Goods, Labour and Credit Market Frictions*, co-authored by Nicolas Petrosky-Nadeau (Tepper School of Business, Carnegie Mellon University). The major aim of the exercise is to gain further understanding of the importance of each friction in explaining the cyclical dynamics of the labour market. To this end, Wasmer explained how credit and goods market search frictions serve as substitutes in generating increases in labour market volatility. On the other hand, goods-market frictions uniquely generate persistence, which results from two important mechanisms present in the model: a) pro-cyclical consumer search dynamics for goods, itself dependent on income redistributed by firms and entry of new products and b) countercyclical dynamics of consumer tightness and prices, which alter future profit flows.

Francesco Furlanetto (Norges Bank) contended in his opening words of his comments that the model is complex, but that the authors do a good job in providing a clear intuition for the results. He also noted that postulating search frictions in the goods market represents an interesting extension of existing models of search and matching frictions. Furlanetto framed his comments in terms of six questions, starting with why include search frictions in the goods market, that is why the authors think that search frictions are the relevant frictions in the goods market. He continued by challenging the need for credit market frictions, as both persistence and volatility in the labour market are obtained without credit market frictions. He also raised the issue of the plausibility of the pro-cyclical consumer search effort. Finally, he voiced a need to consider different timing assumptions, to think about the role of goods-market search frictions in unemployment dynamics as well as to reconsider the plausibility of comparing a one-shock model with the data.

In the final presentation, **Ander Perez** (University Pompeu Fabra & Barcelona GSE) motivated his paper *Aggregate Implications of Financial and Labour Frictions*, jointly written with Andrea Caggese (University Pompeu Fabra & Barcelona GSE), by arguing that uncertainty promotes precautionary behaviour, particularly in the presence of financial frictions. Moreover, the most recent financial crisis once again reminded us of the adverse real effects that can be generated by a financial crisis, particularly when economic agents face binding financial constraints on a large scale. The paper is thus an attempt to provide answers to questions such as 'Do precautionary decisions of households and firms in the presence of labour and financial market frictions reinforce each other?', 'Is this interaction a source of amplification of financial shocks?' and 'Does it influence the effects of policies such as firing costs and unemployment benefits?' The paper builds a general equilibrium model with heterogeneous firms facing bankruptcy risk and households facing unemployment risk. Perez described a simulation exercise for which the main result clearly suggested that there is a feedback between firms' and households' precautionary behaviour, operating through precautionary firing and uninsurable unemployment risk. The feedback mechanism is a powerful amplification channel of financing frictions that generate persistently high unemployment. Perez concluded his presentation by presenting research in progress that introduces aggregate shocks and endogenises financing frictions in the model.

Andreas Westermark (Sveriges Riskbank) took his turn to comment on the paper by Perez and Caggese. After summarizing the paper and informing the participants that he found the mechanism of labour and financial market frictions very interesting, he noted that the effects of changes in unemployment benefits are not consistent with the empirical evidence, which does indicate that unemployment increases after an increase in benefits. He argued that one reason for this, in the model, is that benefits do not affect wages. He suggested a modification to the sharing rule in the model, so that instead of wages being a fixed fraction of firms' revenues, they become a fixed fraction of firms' revenue net of unemployment benefits. Westermark also wondered whether unemployment was too high or low in the baseline calibration and called for improvements in the calibration. In particular he asked whether there are data on liquidation costs, or could the authors use values from other existing research papers.

In his concluding remarks, Jouko Vilmunen argued that the frontier research on incorporating search and matching frictions into general equilibrium models has made good progress and has produced new results on both the relative importance of different frictions for the amplification of shocks at business-cycle frequency and the relative importance of different frictions as sources of shocks. Although all this is valuable and pushes out the frontier, more research is needed to provide a firmer foundation regarding the ultimate importance of search frictions for aggregate dynamics.

To access the papers and presentations, please visit the conference website at

http://www.suomenpankki.fi/en/tutkimus/konferenssit/aiemmat_konferenssit/Pages/CEPR_2012.aspx

Conference on European Economic Integration


Danny Quah

Bank of Finland and Oesterreichische Nationalbank (Austrian central bank) organized jointly Conference on European Economic Integration (CEEI) in Helsinki on November 26 and 27. Theme of the CEEI was “Achieving balanced growth in the CESEE countries”, but discussions also touched upon issues related to the whole EU and its member countries. This includes, for example, adjustment to the rapidly changing capital flows is very topical issue in many euro area members. Also issues related to long-term growth prospects of different countries were discussed.

CEEI 2012 had three keynote speakers. Professor **Danny Quah** (London School of Economics) discussed how the global economy’s centre of gravity shifts between years 1980 and 2050. Thirty years ago the economic weight of

North America and Europe meant that the centre of gravity of economic activity was somewhere in the Atlantic Ocean, but thereafter it has emigrated towards east every year as the economic weight of Asia and especially China has increased. Currently the weighted centre of gravity of economic activity is in North of Egypt. According to Professor Quah, it is very likely that rapid economic growth in Asia and China continues in the coming decades, which means that the centre of gravity continues its eastward drift. However, in the ensuing discussion many doubted e.g. whether the Chinese institutions are already on such a level that they are able to facilitate growth by fostering innovations.

Florencio López-de-Silanes

Professor **Florencio López-de-Silanes** (EDHEC Business School) talked about the determinants of economic growth and welfare in a broad cross-section of countries as well as regions. In his view differences in the stock and quality of human capital are the main determinants of economic growth. Also institutions and legislation relating to economic interactions are important, otherwise e.g. indicators of institutional quality do not seem to matter. Also presentation of Professor López-de-Silanes elicited many comments and questions from the audience, and many people were not ready to disregard the importance of institutions in explaining economic growth, for example.

The presentation from **Seppo Honkapohja** (Member of the Board of the Bank of Finland) focused on the adjustment of different European countries to the new economic realities after the crisis of 2008 and 2009. Economic growth has been at best weak almost everywhere in Europe, but growth has resumed faster in countries where the needed adjustment of public finances and unit labour costs happened sooner. In this regard both countries inside and outside the euro area have been similar. This rapid adjustment is apparently also connected to relatively free functioning of markets for labour and goods, i.e. less regulation.

Doris Ritzberger-Grünwald

Ardo Hansson

One of the sessions of the Conference looked specifically at the adjustment of small economies during and after the crisis. Results presented by **Doris Ritzberger-Grünwald** (Oesterreichische Nationalbank) imply that trend growth rate in the Central and Eastern European countries has decelerated after the crisis, which means that their convergence towards higher welfare levels will take longer than previously thought. On the other hand, the CEE countries' business cycles have become more similar to the euro area business cycle developments after the crisis, which makes their membership in the euro easier to achieve and manage. Governor **Ardo Hansson** (Eesti Pank) assessed the experience of three Baltic countries before and after the economic crisis. GDP declined by some 20% in all three Baltic countries from its pre-crisis peak, which is almost unheard of during peacetime. Foreign capital flows account for large part of both pre-crisis boom and the subsequent bust. Compared to the crisis-stricken countries in Southern Europe, for example, the Baltic States have been able to return to growth relatively quickly, which has also made many reforms easier. Furthermore, both in Estonia and Latvia the governments, pursuing drastic austerity measures at times, were re-elected. Even after the large declines in economic activity, Baltic countries' GDP levels are currently some 60% above year 2000.

All presentations can be found on the Conference website, http://www.suomenpankki.fi/ceei2012.

Iikka Korhonen

Events

Banking after regulatory reforms – business as usual?

June 13, 2013, Helsinki

In response to the global financial crisis and the large trading losses at many banks, the regulatory reform agenda to limit excesses in banks' risk taking and to make banks more easily resolvable has grown quite ambitious. The Euro crisis has also strengthened the need for an overhaul. In addition to the Basel III reform and the plans to create or strengthen resolution and recovery frameworks for banks, structural reforms have been adopted or proposed, led by the Liikanen Group, Vickers Report and Volcker Rule of the Dodd-Frank Act.

The aim of the regulatory reform agenda should be to improve banks' resilience and to correct for distorted risk-taking incentives, arising from explicit and implicit public safety nets. Prerequisites for stable long-term economic growth should hence be improved. However, significant short-term costs might be involved, arising from the transition and increased uncertainty as regards the final form of the reforms. What will bank business models ultimately look like? Will safety, economic efficiency and true risk-awareness actually improve?

The Bank of Finland-SUERF one-day conference will address these issues in Helsinki on 13th June 2013. All conference speakers will be invited from among leading experts and academic researchers on banking, regulation and supervision.

For further information, please visit the conference site http://www.suomenpankki.fi/en/tutkimus/konferenssit/tulevat_konferenssit/Pages/SUERF2013.aspx

Renminbi and the global economy

May 23–24, 2013, Hong Kong

Contemporary issues related to the Chinese renminbi and the global economy will be discussed at a conference organized by the City University of Hong Kong and the Bank of Finland Institute for Economies in Transition (BOFIT). The call for papers is open until February 4, 2013 at the conference site http://www.suomenpankki.fi/bofit_en/tutkimus/tyopajat/Pages/2013_hong_kong.aspx

Young Economist Best Paper Award

In the XXI International Conference on Money, Banking and Finance on December 10–11, 2012, in Rome, the Young Economist Best Paper Award has been given to Bank of Finland's Research Economist Fabio Verona. The title of his paper is "Inattentiveness: an alternative explanation of investment gulps".

Bank of Finland Research Seminars

Thu 7 Feb 2013
Prof. Timo Teräsvirta, Aarhus University
Specification, estimation and evaluation of vector smooth transition autoregressive models with applications

Fri 15 Feb 2013 at 10:30
Prof. Hans-Werner Sinn, Ifo Institute, University of Munich
The European balance of payments crisis

Thu 7 Mar 2013
Ph.D. Bartosz Maćkowiak, European Central Bank
(title tba)

Thu 4 Apr 2013
Prof. Franck Portier, Toulouse School of Economics & Institut dÉconomie Industrielle (IDEI)
A gains from trade perspective on macroeconomic fluctuations

Research seminars organized by the Bank of Finland's research unit are held on the first Thursday of the month at 13.30–15 in Rauhankatu 19, 3rd floor big meeting room (unless indicated otherwise). Research seminars are open to all interested parties. Please register in advance at seminars@bof.fi by noon of the preceding day. For further information please visit the seminar site.

BOFIT Seminars

Tue 12 Feb 2013
Koen Schoors, Universiteit Gent
A "de Soto effect" in industry? Evidence from the Russian Federation

BOFIT seminars, open to all interested parties, are held on Tuesdays at 10.30 in Rauhankatu 19, 3rd floor big meeting room (unless indicated otherwise). Please register in advance via Liisa Mannila (firstname.lastname@bof.fi). For further information please visit the seminar site.

Recent Bank of Finland research publications

Scientific monographs

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Risto Herrala: **Essays on the limits of borrowing**

E:47
Katja Taipalus: **Detecting asset price bubbles with time-series methods**

E:46
Tuuli Koivu: **Monetary Policy in Transition – Essays on Monetary Policy Transmission Mechanism in China**

Bank of Finland Research Discussion Papers

37/2012
Maritta Paloviita – Matti Viren: **Inflation and output growth uncertainty in individual survey expectations**

36/2012
Seppo Honkapohja: **The 1980s financial liberalization in the Nordic countries**

35/2012
Maritta Paloviita: **Real time uncertainty in fiscal planning and debt accumulation in the euro area**

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Maritta Paloviita: **Fiscal planning and implementation: euro area analysis based on real time data**

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Henri Nyberg – Pentti Saikkonen: **Forecasting with a noncausal VAR model**

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31/2012
Bill B. Francis – Iftekhar Hasan – Xian Sun: **Home preference at selecting financial advisors in cross-border M&As**

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George A. Waters: **Careful price level targeting**

29/2012
Matti Viren: **How can growth be accelerated in Europe?**

28/2012
Bill B. Francis – Iftekhar Hasan – Xian Sun: **Does relationship matter? The choice of financial advisors**

27/2012
Jess Benhabib – George W. Evans – Seppo Honkapohja: **Liquidity traps and expectation dynamics: Fiscal stimulus or fiscal austerity?**

BOFIT Discussion Papers

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30/2012
Michael Funke and Michael Paetz: **Financial system reforms and China's monetary policy framework: A DSGE-based assessment of initiatives and proposals**

29/2012
Risto Herrala and Rima Turk Ariss: **Credit conditions and firm investment: Evidence from the MENA region**

28/2012
Yi David Wang: **Convertibility restriction in China's foreign exchange market and its impact on forward pricing**

27/2012
Xi Chen and Michael Funke: **Real-time warning signs of emerging and collapsing Chinese house price bubbles**

26/2012
Martin Feldkircher: **The determinants of vulnerability to the global financial crisis 2008 to 2009: Credit growth and other sources of risk**

25/2012
Duo Qin and Xinhua He: **Modelling the impact of aggregate financial shocks external to the Chinese economy**

24/2012
Christoph Fischer: **Currency blocs in the 21st century**

23/2012
Gabor Pula and Daniel Santabárbara: **Is China climbing up the quality ladder?**

22/2012
Alexey Ponomarenko: **Early warning indicators of asset price boom/bust cycles in emerging markets**

21/2012
Pierre Pessarossi and Laurent Weill: **Does CEO turnover matter in China? Evidence from the stock market**

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Martin Feldkircher and Iikka Korhonen: **The rise of China and its implications for emerging markets - Evidence from a GVAR model**

19/2012
Konstantins Benkovskis and Julia Wörz: **Non-price competitiveness of exports from emerging countries**

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