

A nighttime cityscape with a dense skyline of illuminated buildings. Overlaid on the image are various financial data points in green and orange, including percentages like +10.28%, +10.22%, +7.87%, +8.47%, 0.05, and +25.00%. A blue curved shape in the top left corner contains the text 'Workshop Agenda'.

Workshop Agenda

Global Economic Policy Group Meeting 2022:

Macroeconomic Politics, Integration and Trade

Monday – Tuesday, June 27 – 28, 2022
FernUniversität in Hagen | Campus Berlin

**Global Economic Policy
Group Meeting 2022:**

**Macroeconomic Politics,
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Day I

Session I 11:00–12:30

The Impact of a Government Pay Reform in Mexico on the Public Sector Wage Gap test

Erendira Leon Bravo (University of Westminster)

The implementation of the 2018 Federal Pay Reform on the Remuneration of Public Servants in Mexico is examined to exploit the impact of the wage policy in a developing country context. This policy uses both payment cuts and freezes for public sector workers. The analysis focuses on the public sector pay premium and its wage gap across the unconditional wage distribution.

Exchange Rate Predictability: Fact or Fiction?

Georgios Magkonis (University of Portsmouth)

The present study investigates the factors that affect the forecasting performance of several models that have been used for exchange rate prediction. We provide a quantitative survey collecting 5,202 reported forecast errors and we investigate which forecasting characteristics tend to improve forecasting ability.

Asymmetries in risk premia, macroeconomic uncertainty, and business cycles

Mallory Yeromonahos (University of Westminster)

A large literature suggests that the expected equity risk premium is countercyclical. Using a variety of different measures for this risk premium, we document that it also exhibits growth asymmetry, i.e. the risk premium rises sharply in recessions and declines much more gradually during the following recoveries. We show that a model with recursive preferences, in which agents cannot perfectly observe the state of current productivity, can generate the observed asymmetry in the risk premium.

Lunch 12:30–13:30

Keynote I 13:30–14:30

Finance or Demand: What drives the Responses of Young and Small Firms to Financial Crises?

Plutarchos Sakellaris (Athens University of Economics and Business)

Using a large dataset of Greek firms over the period 1998-2014, we investigate the excess sensitivity of small and young firms to the Greek financial crisis, along with the potential sources and aggregate implications. Controlling for size effects, the decline in sales growth rate during the crisis was about 6.6 percentage points larger in young firms than in their mature counterparts.

Break 14:30–15:00

Session II 15:00–16:30

The Changing Perception of Globalization and its Impact on Trade – Evidence from the USA

Daniel Stähr (FernUniversität in Hagen)

Public opinion meets globalization with mixed feelings. We estimate this opinion based upon a sentiment analysis using information from a large dataset of US newspapers. We investigate the impact that this perception of globalization can have on the US-trade in a Vector Autoregression Model.

Is U.S. real output growth really non-normal? Testing distributional assumptions in time-varying location-scale models

Robinson Kruse-Becher (FernUniversität in Hagen)

Testing distributional assumptions is an evergreen topic in statistics, econometrics and other quantitative disciplines. A key assumption for extant distributional tests is some form of stationarity. Yet, under time-varying mean or time-varying volatility, the observed marginal distribution belongs to a mixture family with components having the same baseline distribution but different location and scale parameters. Therefore, distribution tests consistently reject when stationarity assumptions are violated, even if the baseline distribution is correctly specified. At the same time, time-varying means or variances are common in economic data. We therefore propose distribution tests that are robustized to such time-variability of the data by means of a local standardization procedure.

Does anyone share risk anymore? Paradoxical results from portfolio equity flows data

Krzysztof Beck (Lazarski University)

Break 16:30–17:00

Session III 17:00–18:00

TCA, Non-tariff Measures and UK Trade

Oleksandr Shepotylo (Aston University)

The UK exit from the EU generates additional trade costs. A major chunk of the new trade costs represents non-tariff measures (NTM). We calculate ad valorem equivalents (AVE) of NTMs and estimate their impact on the UK trade after the end of the Brexit transition period. While UK exports to the EU have faced significantly higher levels of NTMs after the transition period, UK government policy leaves UK imports not exposed to the new NTMs.

Identifying spatial spillover effects of transport infrastructure on CO2 emissions

Martin Kleimann (FernUniversität in Hagen)

We employ a spatial difference in differences approach to estimate the impact of newly commissioned rail connections between China and the European Union (EU) on per capita CO2 emissions within a sample of 1117 regional EU entities. Building on the economic logic of agglomeration, this strategy facilitates the isolation of differential direct and indirect treatment effects.

Dinner 19:00 *Restaurant Romero, Fasanenstraße 81A, 10623 Berlin*

Day II

Session IV 10:00-11:30

Plant-level responses to the China shock at different employment margins

Benjamin Schwanebeck (FernUniversität in Hagen)

This paper presents an empirical analysis of plant level responses to the China trade shock based upon a DSGE framework with heterogeneous firms, search and matching and employment protection. Our particular focus is on the interplay between the extensive and intensive employment margins.

Capital Flow Dynamics, Expectations and Sentiments

Sven Schreiber (FernUniversität in Hagen)

We analyze the effect of sentiments on expectations on capital flow for a selected group of Emerging Countries. We rely on Data from Market Psych and Consensus Economics and show that capital flows in all economies are affected by expectations, uncertainty and mood swings.

The impact of public consumption increases in the euro area during uncertain times

Pascal Goemans (FernUniversität in Hagen)

We estimate cumulative public consumption multipliers with a particular focus on different multipliers with respect to the degree of uncertainty in the economy. The multipliers are estimated directly with local projections and quarterly data for a panel of euro area countries.

Break 11:30–12:00

Keynote II 12:00–13:00

Monetary Policy, Sectoral Comovement and the Credit Channel

Christoph Görtz (University of Birmingham)

Using a structural vector autoregression, we document that a contractionary monetary policy shock triggers a decline in durable and non-durable outputs as well as a contraction in bank equity and a rise in the excess bond premium. We show that introducing frictions in financial markets in a two-sector New Keynesian model can resolve its disconnect with the empirical evidence: a monetary tightening generates not only co-movement, but also a rise in credit spreads and a deterioration in bank equity.

Session V 13:00–14:00

Has the Business Cycle Transmission to the Chinese Economy Evolved over Time?

Michael Murach (FernUniversität in Hagen)

China has managed to develop from a – in international comparison – poor economy, to the second largest economy in the world in just a few decades. During the presidency of Donald Trump the US-China relations have deteriorated. China's newest response to this conflict and economies struggling with the Covid-19 pandemic is a so-called two cycle economy or dual circulation strategy. This brings about the question how strong the ties between China and the rest of the world still are and whether these relationships have changed over time. By means of a SVAR model using updated Ludvigson and Ng (2009) macro factors and disaggregated GDP data for the Chinese economy, I try to uncover signs that China is decoupling from US developments over time.

Price convergence and transactions costs in the global natural gas market

Markos Farag (Universität zu Köln)

The international natural gas market has recently experienced profound changes, such as the increasing export capacities of LNG and major shocks caused by the Covid 19 pandemic. This paper examines the dynamic relationship between the North American, European, and Asian markets. The results indicate that there is a long-run equilibrium relationship in the global gas market. Moreover, there is an asymmetry in the adjustment process that is specifically modeled, and implications are discussed.

