Henrique S. Basso

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Personal Information

Date of Birth	28^{th} September 1976
Nationality	Brazilian and Italian
Language	Portuguese - Mother Tongue, English - Fluent

Teaching and Research Fields

Primary Fields:	Monetary Economics, International Macroeconomics
Secondary Fields:	Macroeconomics, Mathematical Methods for Economics

Education

Oct/03 - May/08	PhD in Economics - University of London - Birkbeck College
Oct/01 - Sep/2003	MSc in Economics with distinction (Part-time) - University of London -Birkbeck College
Oct/98 - Sep/99	MSc in Economics and Finance with distinction - University of Warwick
Mar/94 Dec/97	BSc Economics - State University of Campinas - UNICAMP- Sao Paulo - Brazil

Employment

Sep/08 - Present	Research Fellow - Uppsala University - Department of Economics
Oct/04 - Jan/08	Teaching Assistant - Birkbeck College - University of London
Oct/99 - Apr/03	Market Risk Manager - JPMorgan Chase - London

Honours, Scholarships and Internships

Internship - European Central Bank - Jun/06 - Sep/06

Graduate Excellence in Teaching - Birkbeck College, University of London - Academic years 2004/05 and 2005/06

Full PhD Scholarship from the Economic and Social Research Council (ESRC)

Research:

"*Delegation, Time Inconsistency and Sustainable Equilibrium*" (Forthcoming in the Journal of Economic Dynamics and Control)

Abstract - This paper analyzes the effectiveness of delegation in solving the time inconsistency problem of monetary policy using a microfounded general equilibrium model where delegation and reappointment are explicitly included into the government's strategy. The method of Chari and Kehoe (1990) is applied to characterize the entire set of sustainable outcomes. Countering McCallum's (1995) second fallacy, delegation is able to eliminate the time inconsistency problem, with the commitment policy being sustained under discretion for any intertemporal discount rate.

"*Financial Dollarization: The Role of Banks and Interest Rates*" (with Oscar Calvo-Gonzalez and Marius Jurgilas) - ECB Working Paper Series No 748, May 2007

Abstract - This paper develops a model exploring the determinants of financial dollarization. Expanding on the existing literature, our framework allows interest rate differentials to play a role in explaining financial dollarization. It also accounts for the increasing presence of foreign banks in the local financial sector. Using a newly compiled data set on transition economies we find that increasing access to foreign funds leads to higher credit dollarization, while it decreases deposit dollarization. Interest rate differentials matter for the dollarization of both loans and deposits. Overall, the empirical results lend support to the predictions of our theoretical model.

"*Domestic Credit Market and Monetary Policy in a Small Open Economy*"

Abstract - A standard open economy model prescribes that central banks should control producer prices and let exchange rates to float freely, since exchange rate movements are needed to stabilize shocks. This is no longer the optimal policy when the model is augmented including a domestic credit market where assets and liabilities denominated in local and foreign currency are present. Due to its impact on borrower's portfolios, exchange rate volatility also has a negative effect on welfare. Consequently, it is actually optimal to exert some exchange rate control, targeting the Consumer Price Index (CPI) rather than the Producer Price Index. Thus, the framework presented here gives theoretical support to CPI targeting in small open economies.

"*Liquidity Effects and Cost Channels in Monetary Transmission*" (with Yunus Aksoy and Javier Coto-Martinez) - Birkbeck Working Papers in Economics and Finance 0902

Abstract - We study liquidity effects and cost channels within a model of nominal rigidities and imperfect competition that gives explicit role for money-credit markets and investment decisions. We find that cost channels matter for monetary transmission, amplifying the impact of supply shocks and dampening the effects of demand shocks. Liquidity effects only obtain when the policy is specified by an interest rate policy rule and money-credit conditions are determined endogenously. We also find that determinacy issues are particularly relevant when models include the cost channel and explicit money-credit markets.

"*Lending Relationships and Monetary Policy*" (with Yunus Aksoy and Javier Coto-Martinez)

Abstract - Financial intermediation and actual versus policy short term interest rates are important elements in the analysis of business cycle transmission and monetary policy. We present a simple framework that introduces lending relationships, a relevant feature of financial intermediation that have been so far neglected in the monetary economics literature, into a dynamic stochastic general equilibrium model with staggered prices and cost channels. Our main findings are: (i) banking spreads move countercyclicaly generating amplified output responses, (ii) spread movements are important for monetary policy making even when a standard Taylor rule is employed (iii) modifying the policy rule to include a banking spread adjustment improves stabilization of shocks and increases welfare when compared to rules that only respond to output gap and inflation, and finally (iv) the presence of strong lending relationships in the banking sector can lead to indeterminacy of equilibrium forcing the central bank to react to spread movements.