Lorant Kaszab

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Sex: Male

Citizenship: Hungary

Education: PhD in Economics, Cardiff University, Cardiff Business School (2014),
Thesis title: Fiscal Policy At the Zero Lower Bound and in Macro-Finance Models at 'Normal Times',
Thesis committee: Gianluca Benigno and Patrick Minford

Master of Arts, Economics, Central European University, Budapest, 2010.

Bachelor and Master of Arts, Economics and Vocational School Teacher of Economics, Corvinus University, Budapest, 2008.

Experience:

Research Expert and Head of the Editorial Board (Central Bank of Hungary)	2014 July-
Visiting Researcher (European Central Bank, DG-MPR)	2016 Apr-June
Lecturer/Teaching Assistant (tutor)	2010-

Lecturer at University of Engineering Budapest (2017): Economics and Finance for Mathematicians. Mathematics Institute. Department of Stochastics. [unpaid]

Lecturer at Pallas Athéné Domus Scientiae Foundation (2014-): Macroeconomics (PhD 1st year) [paid]
Lecturer at Central European University (2016): Mathematical Methods for Economists [paid]

Tutor at Cardiff Business School (2010-2014) [paid]: Quantitative Methods (Msc 1st year), Microeconomics (Undergrad 1st year), Macroeconomics (Undergrad 1st year and Msc 1st year), Microeconomics (Undergrad 3rd year), Microeconomics of Uncertainty (Undergrad 3 rd year), British Economy 1-2 (Undergrad 2nd year), Applied Macro and Finance (Undergrad 3rd year), Pre-session Mathematics (Msc 1st year)

Awards: Julian Hodge Scholarship, 2010 (covering the fees of my PhD studies in Cardiff)

Outstanding Masters Thesis Award, Central European University, Economics Department, 2010.

Scholarship of the Soros Foundation, 2008 (covering fees of my studies at Central European University)

Referee Service: Journal of Economic Dynamics and Control, Macroeconomic Dynamics, International Journal of Central Banking and Macroeconomic Modelling.

Membership: Working Group on Econometric Modeling (WGEM), ECB, Frankfurt

Hungarian Economics Society.

Research: **Published**

1. Lorant Kaszab (2016): "*Rule-of-Thumb Consumers and Labour Tax Cut Policy at the Zero Lower Bound.*" **International Journal of Central Banking.** 12(3):353-390.

2. Horvath, Roman, Kaszab, Lorant, and Ales Marsal (2020): "Fiscal Policy and the Nominal Term Premium." **Journal of Money Credit and Banking**.

3. Horvath, Roman, Kaszab, Lorant, Marsal, Ales and Katrin Rabitsch (2020): "*Determinants of Fiscal Multipliers Revisited.*" **Journal of Macroeconomics.**

4. Horvath, Roman, Kaszab, Lorant and Ales Marsal: "*Equity Premium and Monetary Policy in a Model with Limited Asset Market Participation.*" **Economic Modelling**

5. Gabriel Peter and Lorant Kaszab (2019): "*Laffer Curves for Hungary.*" **Finance and Economic Review** (Hitelintézeti Szemle).

6. Benk Szilard, Kaszab, Lorant and Kristof Lehmann (2017): "*The Impact of New Economic Approaches on the Conduct of Monetary Policy*" in „*The Hungarian Way—Targeted Central Bank Policy*" edited by Kristóf Lehmann, Dániel Palotai and Barnabás Virág. **Book Chapter**.

Working papers

1. *International Spillover Effects of Unconventional Monetary Policies to Non-Eurozone Central and Eastern European Countries (presented at the WGEM in Frankfurt 2016, MBF 2018, MMF 2018) joint with Mark Antal*

   We study the international spillover effects of unconventional monetary policies of the ECB on periphery countries (such as Hungary) through the lenses of the multi-country DSGE model EAGLE (Euro Area GLobal Economy) extended with Gertler-Karadi-Kwaak type financial frictions. We find the Long-Term Refinancing Operations (LTRO) did reduce long-term bond yields in the core eurozone as well as periphery eurozone/non-eurozone countries. However, these LTRO policies had small positive or zero spillover effects on output and employment in periphery countries in line with exisiting empirical evidence. This is due to the fact that the participating commercial banks accumulated sovereign bonds to satisfy collateral requirements of the ECB instead of lending out the money to investing firms. In contrast we show that Asset Purchase Programs were more successful in stimulating core as well as periphery country outputs due to the fact that commercial banks could sell their lower quality and riskier assets to the central bank in exchange for liquity which they used to expand lending to the economy.

2. *The Effects of Macroprudential Policies in Hungary through lenses of the EAGLE FLI model (jointly with Gabor Fukker)[MNB WP soon]*

   We study capital requirements, loan-to-value and debt-to-income ratios using the EAGLE FLI (Euro Area GLobal Economy Model with Financial Linkages) model calibrated for Hungary. The EAGLE FLI model contains household heterogeneity (savers and borrowers) as well as banks which enables us to study the effects of macroprudential policies. Savers and borrowers derive utility from housing services with the latter and entrepreneurs having the ability of using housing as collateral when taking up a loan. Due to the inclusion of housing it is possible to study the effects of macroprudential policies on real estate prices.

3. *Interest Rate Rules, Rigidities, and Inflation Risks (presented at CEF, EEA, ICMAIF, Dynare and MMF conferences; joint with Ro-*

man Horvath and Ales Marsal)

Long-term bond yields contain a risk-premium, an important part of which is compensation for inflation risks. We show that the ability of a New Keynesian macro-finance model to generate inflation risks relies heavily on the specification of the Taylor rule. A simple rule containing current or expected inflation implies higher real and inflation risks than a rule that uses an average of current and past inflation rates because the latter makes the economy more stable. With interest-rate smoothing, households enjoy the gradual response of the monetary authority to the shocks, which they can insure against through adjustments in their labor supply. Inflation risks are lower when output gap is defined as the deviation of sticky-price output from its flexible price version relative to the case in which it is defined relative to steady-state output. We find that a time-varying inflation target with learning contributes little to inflation risks. In contrast to previous models with habits, our model with recursive preferences produces higher inflation risks when price rigidity increases.

4. *Fiscal Policy and the Term Structure of Interest Rates in a DSGE Model (joint with with Ales Marsal and Roman Horvath),*

   We use a New Keynesian model with recursive preferences and Markov switching in the monetary policy rule to examine how government spending influences the term structure of interest rates and how this effect depends on the commitment to consolidate public finances in the future, the volatility of government spending and the conduct of monetary policy. We show that i) short- and long-term bond yields jump after a rise in government spending; ii) turbulent fiscal policy amplifies the precautionary saving motive and risk aversion; iii) monetary policy plays crucial role in the transition mechanism of the government spending shock and iv) by commitment to fiscal consolidation government can immunize its impact on the term structure.

5. *Explaining Bond and Equity Premium Puzzles Jointly in DSGE Model with Costly Firm Entry (joint with Roman Horvath, Ales Marsal and Katrin Rabitsch)*

   The yields of long-term bonds and equity contain a premium as compensation for the risks over the lifetime of these assets. The novelty of this paper is to explain bond and equity premium puzzles jointly in a macro-finance model extended with Epstein-Zin preferences and costly firm-entry without compromising the fit of the model to unconditional second moments of the main macroeconomic aggregates. Epstein-Zin preferences help matching nominal term premium by making investors sufficiently risk-averse while costly firm entry generate procyclical labor, dividends as well as asset returns and, hence, a premium on unlevered equity over risk-free bonds. The model is estimated on post-war US macroeconomic and financial data with Generalised Method of Moments

using a third-order approximate solution of the model.

6. *The EAGLE Model for Hungary* (*joint with Laszlo Bekesi and Szabolcs Szentmihalyi*)
   In this paper we adopt the Hungarian version of the EAGLE (Euro Area GLobal Economy) model. The version of the EAGLE model used in this paper allows for the high import content of export—a typical feature of small open economies such as Hungary. We study the effects of four globally important shocks on Hungary: i) a slowdown of the Chinese economy, ii) more restrictive US monetary policy, iii) a reduction in oil prices, and iv) more protectionist US trade policy. We found these policies to have non-negligible indirect effects (beyond the relatively small direct ones) on Hungary mostly due to the workings of the shock to the eurozone which is our main trade partner.

Languages: Hungarian (mother tongue), English (fluent), German (intermediate–forgetting), currently learning Italian and Spanish.

Skills: Matlab, Eviews, Maple, LaTeX, Scientific Word, MS Office Package.

Last update: 22/7/2020.