

€ABCN

Euro Area Business Cycle Network

2014-15 Annual Report

1st July 2014 – 30th June 2015

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1 Introduction

The Euro Area Business Cycle Network (EABCN) provides a forum for the better understanding of the business cycle in the euro area, by linking academics and researchers in central banks and other policy institutions involved in its empirical analysis. The network was launched officially on 1 April 2002. The first EABCN Steering Committee meeting, hosted by Banca d'Italia in September 2002, ratified the network's organisational structure and approved its ability to spend network funds.

The network currently consists of twenty-one institutional members and over 1,100 individual members. Its organisational structure consists of an executive group, a scientific committee and a steering committee.

Executive Group

The Executive Committee consists of the Chair of the Steering Committee, the Chair of the Scientific Committee and a CEPR senior representative. The Executive Committee reports to the Steering Committee and approves deviations from the budget during the year. Major changes to the budget are communicated to the Steering Committee and approved by written procedure. The CEPR Director is its representative to the Executive Group.

The Scientific Committee

The Scientific Committee consists of between four and seven people, each with a two-year term. The committee comprises of a mix of academic and central bank representatives in order to ensure balance in approach and thought. It currently includes: Katrin Assenmacher-Wesche (Swiss National Bank), Fabio Canova (European University Institute and CEPR), Siem Jan Koopman (VU University Amsterdam, FEWEB, and Department of Econometrics) and Stefano Neri (Banca d'Italia).

Massimiliano Marcellino is Chair of the Scientific Committee. He is a Professor of econometrics at Bocconi University and a CEPR fellow. He has published extensively on econometrics, time series analysis and applied macroeconomics. He is currently an editor of the Journal of Forecasting and coordinator of the European Forecasting Network. He has worked as a consultant for the ECB, several national Central Banks, the European Commission, Eurostat and the IMF. Professor Marcellino's term as Chair extends to 2016.

Klaus Adam is Vice-Chair of the Scientific Committee. He is Professor of Economics at the University of Mannheim, Research Professor at the Deutsche Bundesbank, a CEPR fellow and an Associate Editor for the Journal of Monetary Economics. Prior to joining Mannheim University he was Principal Economist at the Monetary Policy Research Division of the ECB. Klaus obtained his

Ph.D. from the European University Institute in Florence and held assistant professorships at the University of Salerno and Goethe University in Frankfurt.

The Steering Committee

This Steering Committee consists of representatives of all institutional members and meets annually to approve the EABCN budget and discuss the annual report.

Frank Smets is Chair of the Scientific Committee. He is Adviser to the President of the ECB and was Head of Research there from 2008 until 2013. He is Professor at the Centre for Economic Studies of the KU Leuven and honorary Duisenberg Professor at the University of Groningen. He is a CEPR Research Fellow and has published extensively on monetary, macroeconomic, financial and international issues mostly related to central banking. He was Managing Editor of the International Journal of Central Banking from 2008 until 2010. He holds a PhD in Economics from Yale University.

The Bank of Greece terminated its membership of the EABCN and thus George Hondroyannis is no longer a representative on the steering committee.

Two new institutions have joined the EABCN: the Bank of Slovenia, and DG ECFIN. Their representatives on the Steering Committee are Igor Masten and Werner Roeger, respectively. The Central Bank of Ireland's new representative on the Steering Committee is Victoria Redmond.

The current institutional members of the EABCN are:

- ∞ Banca d'Italia
- ∞ Banco de España
- ∞ Banco de Portugal
- ∞ Bank of England
- ∞ Bank of Finland
- ∞ Bank of Slovenia
- ∞ Banque Centrale du Luxembourg
- ∞ Banque de France
- ∞ Banque Nationale de Belgique
- ∞ Central Bank & FSA of Ireland
- ∞ Czech National Bank
- ∞ De Nederlandsche Bank
- ∞ Deutsche Bundesbank
- ∞ DG ECFIN
- ∞ European Central Bank
- ∞ Magyar Nemzeti Bank
- ∞ National Bank of Poland
- ∞ Norges Bank
- ∞ Oesterreichische Nationalbank
- ∞ Schweizerische Nationalbank
- ∞ Sveriges Riksbank

Network Co-ordinator

The Network Coordinator, Elisa Faraglia, works in collaboration with the Chair and Vice Chair of the Scientific Committee and the relevant Officer(s) at CEPR to facilitate planned network activities. The Network Coordinator works to ensure activities occur on schedule and to a high scientific standard. Elisa Faraglia is the current Network Coordinator. Dr Faraglia is a University Lecturer at King's College, Cambridge.

CEPR

The Centre for Economic Policy Research acts as the network's secretariat, handling administrative tasks such as receiving and dispersing funds, processing expense claims, keeping the accounts, maintaining the website, etc. Some of these tasks are done in cooperation with the Network Coordinator.

CEPR organises the writing of the Annual Report which is circulated in advance of this the Annual meeting. It contains information on events, membership, participation, finances, etc.

2 Recent Activities

Conferences and Workshops

Conference: 'Inequality and macroeconomics'

Hosted by Sveriges Riksbank

Stockholm, 12-13 December 2014

Individual households differ along multiple dimensions, e.g. wealth, indebtedness, income, education or benefits. Firms also vary in terms of size, productivity or access to credit. Accounting for agents' heterogeneity can have important implications when studying the impact of economic shocks and effectiveness of economic policy. This conference included both theoretical and empirical contributions discussing these issues. Invited speakers were Fatih Guvenen (University of Minnesota), Wouter den Haan (LSE and CEPR), Alisdair McKay (Boston University), Aysegul Sahin (NY Fed), and Tony Smith (Yale University).

Applications: 76; attendees: 28

Conference: "Nonlinearities in macroeconomics and finance in light of crises"

Hosted by European Central Bank

Frankfurt, 15-16 December 2014

The importance and usefulness of nonlinear models has been emphasised by recent turbulent times. These models are crucial in fields of research and research-based policy advice regarding the nexus between financial instabilities and the macroeconomy, the housing market, the effects of standard and non-standard monetary policies, the effects of fiscal policies and the role of financial variables as providers of information regarding agents' attitude with respect to risk and stress conditions in financial markets. The conference covered a broad range of themes in macroeconomics and finance where nonlinearities are relevant. A special emphasis was given to methodological, theoretical and empirical aspects of nonlinear models and their relevance for economic policy making. Chris Sims was the keynote speaker.

Applications: 242; attendees: 90

Conference: 'Econometric Methods for Business Cycle Analysis, Forecasting and Policy Simulations'

Hosted by Norges Bank

Oslo, 11-12 June, 2015

The recent turbulent times have revived interest in business cycle analysis, forecasting and methods to assess the effects of economic policies. This, in turn, has generated the development of refined or totally new econometric methods, in particular based on Bayesian techniques. The conference covered a broad range of econometric themes with emphasis on methodological, theoretical and empirical aspects and their relevance for economic policy making. Fabio Canova (EUI), Herman van Dijk (Erasmus University), Jesus Fernandez-Villaverde (University of Pennsylvania), Alejandro Justiniano (Federal Reserve Bank of Chicago) and Hashem Pesaran (University of Southern California and University of Cambridge) were speakers at the conference.

Applications: 82; attendees: 45

Training Schools

20th Training School: 'International Dimension of Optimal Monetary Policy'

Hosted by the University of Cambridge

Cambridge, 2-4 July 2014

The Cambridge training school, a three-day course, aimed to introduce participants to the state-of-the-art modelling of monetary policy trade-offs in open economies. The course developed workhorse monetary model of open economies to gain insights into two emerging policy issues: the optimal policy response to capital flows; and, macro stabilization in a sovereign risk crisis. The course was structured in three parts: a review of the literature; an assessment of monetary policy trade-offs associated with capital flows; and a study of fiscal and monetary interactions.

Giancarlo Corsetti, Professor of Macroeconomics at Cambridge University, taught the course.

Applications: 71; attendees: 36

22nd Training School: Financial Frictions and Macroeconomic Activity'

Hosted by the European University Institute

Florence, 14-16 September 2014

This three day training school was taught by Professor Simon Gilchrist of Boston University. The course examined the importance of well-functioning credit markets for macroeconomic performance, which

were highlighted by the substantial damage – in terms of lost output, lost jobs, and lost wealth – from the spill over of stress from the global financial system to the global economy. Professor Gilchrist provided an overview of the recent empirical evidence documenting linkages between financial conditions – as measured by yield spreads on corporate debt instruments and other financial indicators – and real economic activity, and also discussed theoretical frameworks in which financial disturbances affect the real economy via the financial accelerator mechanism. These lectures also discussed recent research whose aim is to identify financial-real linkages by estimating a New Keynesian Dynamic Stochastic General Equilibrium model augmented with the financial accelerator, and the likely benefits of allowing the monetary authority to respond directly to measures of financial distress in such environments.

Applications: 76; attendees: 40

23rd Training School: 'Macroeconomics and Inequality'

Hosted by the Sveriges Riksbank

Stockholm, 9-11 December 2014

The course covered the new literature in macroeconomics that explored the interconnections between macroeconomic aggregates and inequality among consumers. Per Krusell and Tony Smith co-taught the course. The course reviewed these theoretical developments in the field of heterogeneous-agent models vs. representative-agent models, beginning with a core model and building up toward recent advanced models aimed at full-fledged quantitative analysis. The aim was to assess the usefulness and applicability of both types of model in empirical investigations, as undertaken by central banks. Throughout the intense course, the participants accumulated some basic theoretical knowledge as well as programming skills and then implemented these in order to analyse some simple examples. The course also covered empirical literature on inequality in income and wealth, partly to examine causes of inequality and partly in order to be able to calibrate key parameters in the heterogeneous-consumer model. Finally, the course required students to carry out some hands-on computation, supported by a teaching assistant.

Applications: 76; attendees: 56

Other ongoing activities

New EABCN Members: Applicants for the EABCN can apply to become individual members through the online system on the EABCN website. While website usage had been low in recent years, it is hoped that the upgrade will reinvigorate interactions through the network online. In particular, the implementation of event forums, which require users to sign up and log in to authenticate them, should rejuvenate individual membership.

3 Future Events

Conference: 'Persistent Output Gaps: Causes and Policy Remedies'

Cambridge, 3-4 September 2015

In many European economies, the recovery following the financial crisis has proven either sluggish or non-existent. Many countries suffer from persistently high level of unemployment, coupled with sluggish credit dynamics and stretched fiscal budgets. These outcomes put pressure on policymakers to step up the growth potential of their economies, so as to absorb the slack in labour markets and to stabilize debt dynamics.

The conference seeks to bring together academics entertaining different views about the likely sources and remedies to the European situation. Gauti Eggertsson (Brown University), Bob Hall (Stanford University) and Alp Simsek (MIT) have confirmed their participation.

Conference: 'Medium and Long Run Implications of Financial Crises'

Zurich, 21-22 January 2016

The conference will cover a broad range of themes in macroeconomics and finance with a view to the medium and long run. A special emphasis is on methodological, theoretical and empirical aspects and on their relevance for economic policy. Topics of the conference will include:

- Effects of financial crises on potential output and growth
- Effects on the real interest rate and financial conditions
- Business cycles and longer cycles
- Economic policies to alleviate the consequences of financial crises and their effectiveness

Philippe Aghion (Harvard University), Jordi Gali (Universitat Pompeu Fabra), Guido Lorenzoni (MIT), Hyun Shin (BIS) and Mark Watson (Princeton University) are already confirmed.

Conference: 'International Research Forum on Monetary Policy'

Frankfurt, 18-19 March 2016

The purpose of the ninth conference organised by the International Research Forum on Monetary Policy (IRFMP) is to promote the discussion of innovative research on theoretical and empirical macroeconomic issues with relevance for monetary policy.

Conference: 'Asset Prices Booms and Market Efficiency: New Directions

University of Mannheim, June 2016

Keynote speakers (TBC): Ken Singleton, Andrei Shleifer

23rd EABCN training school: 'Term Structure Modelling and the Lower Bound Problem'

Florence, 7-9 September 2015

The 23rd EABCN training school will be a three days course on 'Term Structure Modeling and the Lower Bound Problem' taught by Dr Jens Christensen (Federal Reserve Bank of San Francisco). The course will cover the most recent literature on how to model the term structure of bond yields including challenges posed by the asymmetric behaviour of yields near their lower bound.

24th EABCN training school: 'Methods for Quantitative Macroeconomics'

Florence, 1-3 June 2016

The 24th EABCN training school will be a three days course on 'Methods for Quantitative Macroeconomics' taught by Prof. Frank Schorfheide (University of Pennsylvania). The course will cover the most recent literature on quantitative macroeconomics, with applications to monetary and fiscal policy and their effects on the business cycle.

Annex 2: EABCN Website

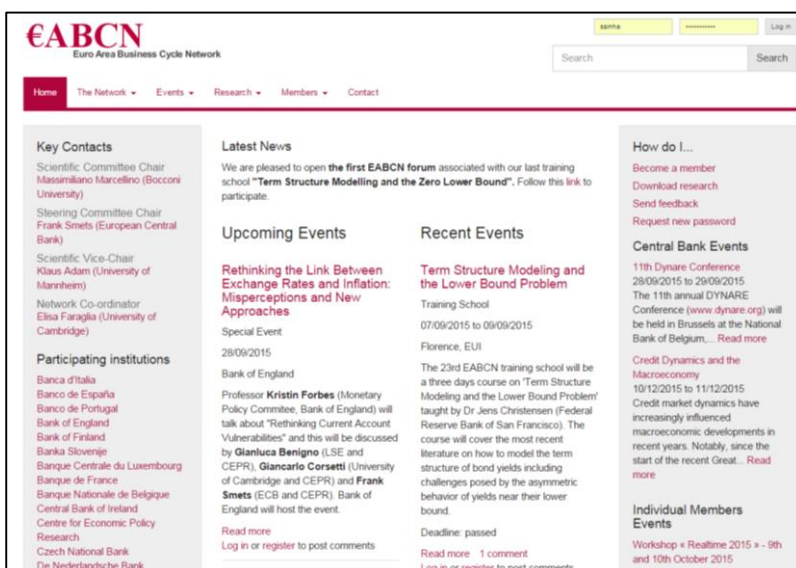
The EABCN website underwent a major overhaul this year, as agreed at the last Steering Committee meeting. The project included:

- Upgrading the platform of the website from Drupal 6 to Drupal 7, providing a more secure server for the site and increased speed
- Adding forum capabilities to events, as can be seen in the most recent training school (7th September 2015)
- Improving the user experience and visual interface of the website.

Due to the hard work of the EABCN Coordinator, CEPR staff and the website developers Miggle, the project has delivered a substantially improved website. Now in its final stages, the product is focussing on ironing out residual bugs and outlining next steps. The project was completed within the £25,000 budget approved by the Steering Committee last year.



The old website format had not been updated in many years, and was less easy to navigate and use. This may be one of the reasons website usage had dropped in recent years, though the rise of competing websites and networks was a major contributing factor.



The new website uses space more efficiently, is faster, more secure, and provides a more positive user experience. It now also facilitates event forums, allowing training school participants to interact after the event and share expertise, materials, etc.