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Reports

Memorial Event for Ansgar Belke, November 25 – 26th, 2021 in Essen

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Ansgar Belke very unexpectedly passed away on July 21, 2020, aged only 55. Ansgar was highly regarded in the international research community, a very prolific researcher and frequent contributor at international conferences. His main areas of interest were in the fields of monetary economics, European integration, international macroeconomics and applied econometrics where he contributed significantly to our understanding of monetary policy and financial markets. Ansgar was among the first to recognize the tremendous importance of international spillover effects in the context of monetary policy. He was a deeply convinced European and invigorated the policy debate to improve Europe in many directions. He had a very large research network with numerous collaborators, from Germany as well as beyond. He served in many editorial boards and, from 2009 onward, he also served as a managing editor of Credit and Capital Markets.

At the end of November 2021, the University of Duisburg-Essen organized a two-day event in his memory. On the first day, his work in research, teaching and beyond was honored in an academic memorial event organized by the Faculty of Business and Economics. The family of Ansgar Belke, members of the faculty, from the University of Duisburg-Essen and many academic colleagues as well as current and former doctoral students remembered Ansgar Belke as a person, researcher and teacher. On the second day, an academic symposium in his honor was organized. In addition to participating on site, it was also possible to join in virtually given that some corona restrictions were still in place. The morning sessions revisited the contributions in the special issue 03/2021 of Credit and Capital Markets. Daniel Gros (CEPS, Brussels) edited that special issue and chaired the respective sessions. In the afternoon, six further papers were presented. Those contributions are currently in the reviewing process for a special issue of the journal "Economic Modelling", edited by Joscha Beckmann (FernUniversität Hagen) and Volker Clausen (University of Duisburg-Essen).

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The latter special issue on "Monetary Policy, Economic Integration and Uncertainty" covers topics and methods, which mattered much to Ansgar Belke throughout his academic life. Several papers were written by or co-authored with his former PhD students. Ansgar supported students and young academics with great passion and successfully supervised a very large number of PhD students.

During his entire academic career, Ansgar was very much interested in the design and the effects of monetary policy, often with a focus on Europe. The first paper in the memorial symposium was initially a joint project with two co-authors dealing with the effects of ECB policy in the presence of asymmetric monetary transmission in the euro area with a particular focus on different bank-lending patterns. Obviously, a similar profile of monetary policy transmission across the EMU member countries facilitates the design of the common ECB monetary policy. This transmission profile of ECB monetary policy largely rests on the pass-through behavior of the national banking systems within the euro area. Gabriel Arce-Alfaro (University of Duisburg-Essen), one of his PhD students in Essen, and Boris Blagov (RWI Leibniz Institute for Economic Research, Essen) address this question in their paper "Financial integration or financial fragmentation? A euro area perspective". They analyze how strongly bank lending rates and credit volumes co-move across the euro area. By means of a time-varying two-level dynamic factor model they investigate the relative importance of country-specific and common (euro area) components in explaining the variance of macroeconomic and financial variables. They find that a high share of the variance can be explained by the common component. However, the co-movement of bank lending rates has fallen over time across the euro area, which suggests financial fragmentation. This fragmentation has persisted since the euro area sovereign debt crisis. The authors also find persistent heterogeneity between financially stressed and non-stressed countries. These results are particularly important in view of the current exit from the low-interest rate environment in the euro area. They are also important in view of the current discussion as to whether the bank lending pass-through patterns in Europe differ. This provided a rationale for a so-called transmission protection instrument, which was introduced very recently by the ECB.

In the aftermath of the global financial crisis and the subsequent low interest rate environment many central banks were forced to broaden their spectrum of activity by means of qualitative and quantitative easing (so-called QE policies). In the second paper in the symposium, Stefan Hohberger (University of Duisburg-Essen) as well as Marco Ratto and Lukas Vogel (both European Commission) investigate the effects of (un)conventional monetary policy in the euro area and the US. They estimate a large-scale three-region dynamic stochastic general equilibrium model including the US, the euro area and the rest of the world. This framework allows them to account for rich spillover effects within the world economy, an important issue which has also been stressed by Ansgar Belke in his research. Hohberger and his co-authors estimate the model using shadow rates as a proxy for the overall stance of monetary policy, including unconventional measures. This allows them to assess and compare the impact of unconventional monetary policy measures on the euro area and the US and to perform counterfactuals with short-term rates constrained at the effective lower bound (ELB). They find during the ELB periods on average a similar positive contribution of the overall monetary policy stance in the euro area and the US to GDP growth (0.5 pp) and inflation (1.1 pp). In the absence of unconventional measures, their counterfactual analyses suggest that output and prices in the euro area would have been considerably below their actual levels in mid-2021, 3.6 % and 7.6 %, respectively. In other words, they find (un)conventional monetary policy to be rather important and effective. Ansgar Belke also made several contributions to the analysis of QE-policies, often with a comparative focus on the US and the euro area. A prominent example is, among others, his paper joint with Daniel Gros and Thomas Osowski (2017) where they find no impact of QE on international interest rate differentials.

With monetary policy being constrained at the lower bound and a still ongoing debate about the effectiveness of unconventional measures, the question arises whether fiscal policy can and should take a larger role in macroeconomic stabilization. This background spurred a resurgence in research on the effects of fiscal policy and their dependence on the specific macroeconomic circumstances, especially in situations of substantial macroeconomic uncertainty. Against this background, Pascal Goemans (University of Duisburg-Essen), also one of his former PhD students, investigates in the third paper in the symposium the impact of public consumption increases in the euro area during uncertain times. He estimates cumulative public consumption multipliers and analyzes how they vary with respect to the degree of uncertainty in the economy. The multipliers are directly estimated using local projections for a panel of euro area countries. In a linear model, one additional euro of public consumption increases GDP by two euros within the first year, which implies a crowding-in of private spending. Looking at the transmission mechanism in more detail, Goemans shows that this rather large short-term multiplier in times of high uncertainty rests on three factors. The increase in public consumption enhances business and consumer confidence, reduces precautionary savings and mitigates financial constraints of firms. According to his results, fiscal policy is particularly effective in periods of high uncertainty. This result provides a rationale for fiscal rescue packages under conditions of high uncertainty and for institutional settings, which allow fiscal policy makers more fiscal leeway in times of crises and high uncertainty.

The macroeconomic impact of fiscal policy clearly depends on several channels of influence. Open economy models generally suggest that expansionary fiscal policy leads to an appreciation of the real exchange rate. Ansgar Belke also showed a vivid interest in the effectiveness of stabilization policy in open economies and the question, to which extent policies work through the exchange rate channel and the trade balance. The fourth paper in the symposium tackles this question and tries to shed light on the fundamental determinants of equilibrium exchange rates. Michele Ca' Zorzi (ECB) and Michal Rubaszek (SGH Warszaw School in Economics) investigate how many economic fundamentals should be included in the so-called behavioral equilibrium exchange rate (BEER) model. The BEER model postulates a long-run link between real exchange rates and a set of economic fundamentals, such as GDP per capita and net foreign assets. Over time, the BEER literature suggested to include an increasing number of economic fundamentals, adding further complexity to the model. The authors compare the performance of larger, more complex BEER models with smaller ones. For this purpose, they use the simple evaluation criterion that equilibrium exchange rates ought to provide information about future real exchange rate developments. In econometric terms, they analyze whether actual real exchange rates tend to converge over time to the estimated equilibrium exchange rates. Their paper shows that a parsimonious BEER model hereby outperforms more complex models. In an out-of-sample forecasting comparison, they again find smaller models to perform better. Overall, larger models do not outperform smaller models. Their paper favors a parsimonious design of equilibrium exchange rate models, if the purpose at hand is to learn something about future exchange rate developments.

The next paper in the symposium was also in the area of international macroeconomics and finance. Tjeerd Boonman (Leon Hess Business School, Monmouth University, US) looks at the determinants of international capital flows. He investigates the drivers of portfolio capital flows before and after the 2008–2009 Global Financial Crisis (GFC). In general, capital inflows are driven by global indicators (push factors) as well as by domestic factors (pull factors). These determinants of international capital flows are likely to change over time, particularly after a watershed event such as the GFC. Looking at overall 74 advanced and emerging market economies, his paper identifies and compares the determinants of portfolio inflows in the pre-GFC period (1996–2007) and in the post-GFC period (2011–2019). He uses Bayesian model averaging in order to identify robust determinants of portfolio capital inflows, looking separately at advanced and emerging market economies. Boonman finds that the determinants differ before and after the GFC, with the exception of global risk aversion, which proves to be a robust determinant of capital inflows into emerging markets. Overall, there is a shift towards more risk-related indicators in the post-GFC period. In other words, after the GFC international investors paid more attention to risks in (emerging) market portfolios.

As part of a very broad and rich research agenda, Ansgar Belke also addressed policy-relevant questions in the field of energy economics. In fact, his by far most cited paper deals with the long-run relationship between energy consumption and economic growth. In this field, the current hike in oil prices raises the question how it affects the macroeconomy and financial markets. Earlier research in this area has shown that the respective schemes for the identification of oil price shocks matter. Ioannis Arampatzidis (University of Duisburg-Essen) and Theodore Panagiotidis (University of Macedonia) investigate this issue in their econometric study "Identification and the oil-stock market relationship". They find that, compared to the two traditional approaches SVARs with zero or sign restrictions, the Bayesian SVAR implies more realistic posterior price elasticities of oil supply and demand. The Bayesian SVAR also suggests a more important role of oil supply shocks in the determination of oil prices. Nonetheless, all approaches provide qualitatively similar conclusions concerning the effects of oil market shocks on the US stock market, with shocks from the oil demand side generally playing a more important role than oil supply shocks.

The afternoon contributions to the memorial symposium will be published in a special issue of "Economic Modelling" in the first half of 2023. Overall, the memorial symposium reflected in several dimensions the academic activity of Ansgar Belke, his spectrum of research activities, his econometric focus and also his personal dedication to the development of his PhD students. Three of the six papers were presented by his former PhD students in Essen. Ansgar Belke's death is a major loss not only to his family, but also to the department, the University of Duisburg-Essen and the larger academic community. His voice on policy, his academic contributions and his personality are sorely missed. We lost a very special person far too soon.

References

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