

Non-Technical Research Summary

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My research spans the areas of monetary economics and most notably of the unconventional monetary policy in the Euro Area.

In my Job Market paper, I examine the impact of quantitative easing on aggregate demand and inequality in a restricted financial participation economy i.e. an economy where not all population has access to financial markets. In the Euro Area this is a share of almost 20% of the households. Using a structural macro model with financial frictions and households' heterogeneity, I show that QE provides redistribution by reducing income and consumption inequality. Bond purchases increase aggregate demand and benefit financially restricted households more due to the dominance of QE's indirect effects while the exchange of risky bonds with risk free reserves harms the income of bond holders. Secondly, I show that QE also provides stimulus but it is conditional on the level of asset markets participation. When this is high, QE stimulates aggregate demand. On the contrary when more households are hand to mouth, QE can have the inverse effects, i.e. reducing output. The result, depends on the cyclical nature of profits and the labour market structure which I also assess in an empirical exercise.

In the main chapter of my PhD thesis I examine the post-2008 European Central Banks liquidity enhancing policies namely the Long Term Refinancing Operations (LTROs) and provided evidence of risk-taking incentives of monetary policy. Using a novel structural macro model with financial frictions on the supply and the demand side of credit, estimated with Bayesian techniques for the Euro Area, I show that when the central bank supplies liquidity during turbulent times, banks grant loans to riskier firms and this consequently has a negative impact on the performance of the economy. Additionally, I find that borrower's risk increase can explain the recent reserve accumulation by the banking system. Lastly, I evaluate the effects of negative interest rates on excess reserves and assess the welfare implications of the liquidity provision policies.

In parallel work, I also participate as a leader in a joint project of the Banco de Portugal with the University of Surrey on the interaction of capital (CCyB) and borrower (such as the LTV and DSTI ratios) based measures. A model with occasionally binding borrower and bank constraints is under development. The first results are anticipated in the end of 2020. Furthermore, in joint work with Paul Levine (University of Surrey) and Joseph Pearlman (City University London) I develop a model to analyse optimal liquidity rules by the central bank in the banking sector. Finally, in a project initiated at my PhD internship in the Bank of Greece, which belongs to the growth accounting literature broadly developed by Kehoe and Prescott, we show that the Total Factor Productivity can explain a big portion of fluctuations during the Greek recession either in the Neoclassical model or in a financial frictions model.

I have presented my work in numerous conferences in Europe as detailed in my CV. At the ECB Forum on Central Banking I had the opportunity to present my job market paper and get feedback from top academic economists after successfully passing the selection by a committee including Ricardo Reis, John Muellbauer and ECB senior economists. In other academic activities, I was one of the organisers of the workshop in "Inequality and Discrimination" at the EUI and also the third Annual International PhD Economics Conference at the University of Leicester.