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Personal income
Public debt
Credit
Financial sector policy and analysis
National accounts
Money
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Nota di contenuto	Cover; Contents; I. Introduction; II. Review of Concepts to Assess Fragility; A. The Current State of Stress Testing; B. A Simple Heuristic to Detect Fragility; Figures; 1. Why the Concave is Hurt by Tail Events; C. How Can the Simple Heuristic Enhance Stress Tests?; III. The Heuristic Applied to the Outcome of Stress Tests; A. Purpose for the Use of the Heuristic; 2. Illustration of the Use of the Heuristic; 3. Fragile and Antifragile Outcomes of Stress Tests; B. Case Study I: The Simple Heuristic Applied to Bank Stress Tests; Tables 1. The Heuristic Applied to the Outcome of Macroeconomic Stress Tests for the Largest U.S. BanksC. Case Study II: The Simple Heuristic Applied to Public Debt; 2. Overall Fragility of Banks; 3. Change in Net Debt Under Various Scenarios; IV. How to Apply the Simple Heuristic in IMF Stress Tests; 4. Illustration of Debt Dynamics Under Various Scenarios; 5. The Simple Heuristic as an Integral Part of Stress Test Frameworks; V. Conclusion; Appendices; I. Details on Macroeconomic Bank Stress Test; II. Details on Public Debt Stress Test; References
Sommario/riassunto	This paper presents a simple heuristic measure of tail risk, which is applied to individual bank stress tests and to public debt. Stress testing can be seen as a first order test of the level of potential negative outcomes in response to tail shocks. However, the results of stress testing can be misleading in the presence of model error and the uncertainty attending parameters and their estimation. The heuristic can be seen as a second order stress test to detect nonlinearities in the tails that can lead to fragility, i.e., provide additional information on the robustness of stress tests. It also shows how the measure can be used to assess the robustness of public debt forecasts, an important issue in many countries. The heuristic measure outlined here can be used in a variety of situations to ascertain an ordinal ranking of fragility to tail risks.