1.	Record Nr.	UNINA9910814616003321
	Autore	Bianchi Javier
	Titolo	Macro-prudential policy in a Fisherian model of financial innovation / / prepared by Javier Bianchi, Emine Boz, Enrique G. Mendoza
	Pubbl/distr/stampa	Washington, DC, : International Monetary Fund, 2012
	ISBN	1-4755-4251-8 1-4755-7072-4
	Edizione	[1st ed.]
	Descrizione fisica	1 online resource (55 p.)
	Collana	IMF working paper ; ; 12/181
	Altri autori (Persone)	BozEmine MendozaEnrique G. <1963->
	Disciplina	332.152
	Soggetti	Financial institutions - Management - Econometric models Equilibrium (Economics) - Econometric models
	Lingua di pubblicazione	Inglese
	Formato	Materiale a stampa
	Livello bibliografico	Monografia
	Note generali	Description based upon print version of record.
	Nota di bibliografia	Includes bibliographical references.
	Nota di contenuto	Cover; Contents; 1.Introduction; 2 A Fisherian Model of Financial Innovation; 2.1 Decentralized Competitive Equilibrium; 2.2 Learning Environment; 2.3 Learning, Debt and Price Dynamics after Financial Innovation; 2.4 Recursive Anticipated Utility Competitive Equilibrium; 2.5 Conditionally Efficient Planners' Problems; 2.6 Pecuniary Externality and Decentralization of Planners' Allocations; 3 Quantitative Analysis; 3.1 Baseline Calibration; Tables; Table 1: Baseline Parameter Values; 3.2 Baseline Results; 3.3 Welfare Analysis; Table 2: Welfare Gains; 3.4 Sensitivity Analysis Table 3: Summary of Priors4 Conclusion; Appendixes; Appendix: Recursive Optimization Problems; References; References; Figures; Figure 1: Dynamics in the Baseline Calibration; Figure 2: Period 40 Bond Holdings and Asset Prices; Figure 3: Period 41 Bond Holdings and Asset Prices; Figure 4: Crisis Episode; Figure 5: Taxes on Debt and Land Dividends; Figure 6: Decomposition of Taxes on Debt; Figure 7: Priors; Figure 8: Dynamics in Gradual Optimism Calibration; Figure 9: Period 40 Bond Holdings and Prices: Gradual Optimism; Figure 10: Taxes on Debt and Land Dividends: Gradual Optimism Figure 11: Decomposition of Taxes on Debt: Gradual OptimismFigure 12: Dynamics in Asymmetric Priors Calibration; Figure 13: Taxes on Debt: Asymmetric Priors

Sommario/riassunto

The interaction between credit frictions, financial innovation, and a switch from optimistic to pessimistic beliefs played a central role in the 2008 financial crisis. This paper develops a quantitative general equilibrium framework in which this interaction drives the financial amplification mechanism to study the effects of macro-prudential policy. Financial innovation enhances the ability of agents to collateralize assets into debt, but the riskiness of this new regime can only be learned over time. Beliefs about transition probabilities across states with high and low ability to borrow change as agents learn from observed realizations of financial conditions. At the same time, the collateral constraint introduces a pecuniary externality, because agents fail to internalize the effect of their borrowing decisions on asset prices. Quantitative analysis shows that the effectiveness of macro-prudential policy in this environment depends on the government's information set, the tightness of credit constraints and the pace at which optimism surges in the early stages of financial innovation. The policy is least effective when the government is as uninformed as private agents, credit constraints are tight, and optimism builds quickly.