DEPARTMENT NEWS

Professors Elias Tzavalis and Apostolis Philippopoulos have received research funding from the second ARISTEIA program.

ARISTEIA II (2013-2015) - LARGE SHOCKS

Professor Elias Tzavalis (principal investigator)
Professor Dimitris Xristopoulos – Panteion University – researcher
Assistant Professor Ioannis Vrontos – Statistics, AUEB – researcher
Assistant Professor Stelios Arvanitis – Economics, AUEB – researcher
Assistant Professor Leonidas Rompolis – Accounting & Finance, AUEB – researcher

This project will investigate the dynamic impact of large shocks on the stability of economic relationships and/or the level of macroeconomic series. This will be done based on a new econometric methodology which allows for permanent shifts in economic relationships which are endogenously driven by large economic shocks of different sources, as part of model specification. These large shocks can be identified by the data by being bigger in size that a threshold parameter which can be estimated based on a search procedure. The timing and magnitude effects of these shocks on economic relationships will be stochastic in nature. Interesting economic policy applications of the above methodology include: the detrending of macroeconomic series, the detection of speculative bubbles in asset markets, the impact of market and monetary large pieces of news on stock market's volatility, the link between economic fluctuations and extraordinary macroeconomic shocks or natural disasters.

ARISTEIA II (2013-2015) - PUBLIC SECTOR REFORM

Professor Apostolis Philippopoulos (principal investigator)
Associate Professor George Economides – DIEES, AUEB – researcher
Assistant Professor Vanghelis Vassilatos – Economics, AUEB – researcher

The role and size of the public sector have always attracted a lot of interest in both academic and policy circles. This issue is especially acute today. Given the massive fiscal imbalances worldwide after the 2008-9 world financial and economic crisis, there are strong calls for reforming the public sector. This can mean a smaller size of the public sector, a more productive public sector, a new agenda for the public sector, or a combination of all this. Calls for reforming the public sector are especially strong in highly-indebted European countries, like Greece. Decades of oversized and unproductive public sectors have led to unmanageable public debt, high sovereign risk premia and distorted private incentives. Recent reductions in public spending and/or increases in tax rates - not accompanied by reforms - have depressed output further below potential and have worsened the debt dynamics, so an alternative viable strategy plan is urgently needed. A reform of the public sector is a necessary part of such a plan.

Which public sector reforms can help the aggregate economy? Besides, what are the distributional implications of those reforms? The distributional implications are important because, even when reforms are good for the general interest (they increase, for instance, per capita output and welfare), they are unlikely to be implemented when they hurt special interests, or when some social groups fail to internalize the indirect general equilibrium benefits which may be less salient than direct costs. This is especially the case in the public sector, where special interests have a strong political influence in blocking reforms. Hence, this project aims to investigate the aggregate and distributional implications of a number of reforms in the public sector. The project will focus on reforms that seem to attract a lot of interest in policy circles nowadays, but have not been studied and ranked by the academic macroeconomic literature.