Central European Journal of Economic Modelling and Econometrics

Letter from Editors

The second issue of volume 10 is devoted to macroeconomic and financial issues, treated either exclusively – in the first and third papers, or jointly – in the second paper (on quantitative easing). While the first and second papers combine theoretical models with empirical investigations, the third paper represents a purely empirical study.

In the first paper, Ivan Savin and Jürgen Meckl explore the dynamic process that leads a developing country to comparative advantage due to capital movements from developed countries. The authors argue that induced technical change is the relevant mechanism for dynamic comparative advantage in such cases. They consider a two-country general equilibrium model with a continuum of goods, where the technical change is endogenously determined and may be biased towards different factors of production. The model constitutes a framework for understanding the empirically observed changes in industrial structures of Central and Eastern European countries. The authors give a theoretical foundation for the empirical Prospective Comparative Advantage index. They also show the importance of research spillovers and state dependence on the process of convergence.

In the second paper, Anna Duszak applies a Dynamic Stochastic General Equilibrium model to find whether the way of financing QE2 matters for the reaction of the economy. Her model includes a segmented bond market structure, thus the large-scale asset purchases may successfully influence the economy. It is shown that the effects on macroeconomic variables are very similar regardless of whether the government finances the purchases by lump-sum taxes or by short-term debt. However, the redistribution effects caused by financing are noticeable.

In the third paper, written by Małgorzata Olszak, Mateusz Pipień, Sylwia Roszkowska and Iwona Kowalska, the authors examine whether better quality of investor protection matters for the effect of capital ratio on loan growth of large EU banks in 1996-2011. They focus on several measures of the quality of investor protection with a proven track record in the banking literature. Their results show that better protection decreases the pro-cyclical impact of capital on lending, and this effect is significant for the *ex-post*-control index. This is consistent with the view that better shareholders' rights reduce bank risk-taking. The discovered effect holds for both unconsolidated and consolidated data and is robust to sensitivity checks.