
Henrique S. Basso

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Personal Information

Date of Birth 28th September 1976
Nationality Brazilian and Italian
Language Portuguese - Mother Tongue, English - Fluent

Teaching and Research Fields

Primary Fields: Monetary Economics, International Macroeconomics
Secondary Fields: Macroeconomics, Mathematical Methods for Economics

Education

Oct/03 - May/08 PhD in Economics - University of London - Birkbeck College
Oct/01 - Sep/03 MSc in Economics with distinction (Part-time) - University of
London - Birkbeck College
Oct/98 - Sep/99 MSc in Economics and Finance with distinction - University of
Warwick
Mar/94 - Dec/97 BSc Economics - State University of Campinas - UNICAMP- Sao
Paulo - Brazil

Employment

Sep/08 - Present Research Fellow - Uppsala University - Department of Economics
Oct/04 - Jan/08 Teaching Assistant - Birkbeck College - University of London
Oct/99 - Apr/03 Market Risk Manager - JPMorgan Chase - London

Honours, Scholarships and Internships

Internship - European Central Bank - Jun/06 - Sep/06
Graduate Excellence in Teaching - Birkbeck College, University of London - Academic years 2004/05 and 2005/06
Full PhD Scholarship from the Economic and Social Research Council (ESRC)

Research:

“Delegation, Time Inconsistency and Sustainable Equilibrium” (Journal of Economic Dynamics and Control, Volume 33, Issue 8, August 2009, Pages 1617-1629)

Abstract - This paper analyzes the effectiveness of delegation in solving the time inconsistency problem of monetary policy using a microfounded general equilibrium model where delegation and reappointment are explicitly included into the government's strategy. The method of Chari and Kehoe (1990) is applied to characterize the entire set of sustainable outcomes. Countering McCallum's (1995) second fallacy, delegation is able to eliminate the time inconsistency problem, with the commitment policy being sustained under discretion for any intertemporal discount rate.

“Financial Dollarization: The Role of Banks and Interest Rates” (with Oscar Calvo-Gonzalez and Marius Jurgilas) - ECB Working Paper Series No 748, May 2007

Abstract - This paper develops a model exploring the determinants of financial dollarization. Expanding on the existing literature, our framework allows interest rate differentials to play a role in explaining financial dollarization. It also accounts for the increasing presence of foreign banks in the local financial sector. Using a newly compiled data set on transition economies we find that increasing access to foreign funds leads to higher credit dollarization, while it decreases deposit dollarization. Interest rate differentials matter for the dollarization of both loans and deposits. Overall, the empirical results lend support to the predictions of our theoretical model.

“Domestic Credit Market and Monetary Policy in a Small Open Economy”

Abstract - A standard open economy model prescribes that central banks should control producer prices and let exchange rates to float freely, since exchange rate movements are needed to stabilize shocks. This is no longer the optimal policy when the model is augmented including a domestic credit market where assets and liabilities denominated in local and foreign currency are present. Due to its impact on borrower's portfolios, exchange rate volatility also has a negative effect on welfare. Consequently, it is actually optimal to exert some exchange rate control, targeting the Consumer Price Index (CPI) rather than the Producer Price Index. Thus, the framework presented here gives theoretical support to CPI targeting in small open economies.

“Investment Cost Channel and Monetary Transmission” (with Yunus Aksoy and Javier Coto-Martinez)

Abstract - We show that a standard NKM model with investment cost channels has important model stability and policy implications. Our analysis suggests that in economies characterized by supply side well as demand side channels of monetary transmission, policymakers may have to resort to a much more aggressive stand against inflation to obtain locally unique equilibrium. In such an environment targeting output gap may cause model instability. We also show that the presence of investment cost channels is enough to generate an amplification to the response of business cycle fluctuations, as the natural increase of interest rates, which are now a direct part of the firm’s investment cost, curb investment and production. Furthermore, it is difficult to distinguish between the no cost channel case and labour cost channel only case in terms of dynamic behavior of macroeconomic variables. This result is important as it suggests that if one does not take into account the potential investment cost channel, one may be underestimating the importance of supply side effects.

“Lending Relationships and Monetary Policy” (with Yunus Aksoy and Javier Coto-Martinez)

Abstract - Financial intermediation and base versus loan short term interest rates are important elements in the analysis of business cycle transmission and monetary policy. We present a simple framework that introduces lending relationships, a relevant feature of financial intermediation that has been so far neglected in the monetary economics literature, into a dynamic stochastic general equilibrium model with staggered prices and cost channels. Our main findings are: (i) banking spreads move countercyclically generating amplified output responses, (ii) spread movements are important for monetary policy making even when a standard Taylor rule is employed (iii) modifying the policy rule to include a banking spread adjustment improves stabilization of shocks and increases welfare when compared to rules that only respond to output gap and inflation, and finally (iv) the presence of strong lending relationships in the banking sector can lead to indeterminacy of equilibrium forcing the central bank to react to spread movements.