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Events

[8th UECE Conference on Economic and Financial Adjustments](#), ISEG/UL – School of Economics and Management / University of Lisbon, Lisbon, 27th November 2020.

REM [Working Papers](#)

[An Empirical Assessment of Monetary Policy Channels on Income and Wealth Disparities](#), José Alves, Tomás Silva, *Working Paper 0144-2020*

Our paper aims at analysing the relation between monetary policy and its transmission channels on both income and wealth inequality for the Euro Area. We analysed three different channels identified by the literature (Income, Portfolio and Earnings Heterogeneity) that might explain how monetary policy decisions may affect wealth and income distribution. In this empirical research we also set up a fourth regression combining all our selected explanatory variables with the goal of studying the impact of the aforementioned channels combined. For income inequality we analysed four different measures, namely Gini of disposable income (GDI), Gini of market income (GMI), share of income held by the top 1% and the share of income of the top 10% of society. In what regards to wealth inequality due to lack of data we had to create an

alternative measure that can both translate the unequal savings rate of the Euro Area countries and evaluate the pace of capital accumulation in order to shed a light on the gap between high-income and low-income household's annual savings. So that our study could be conducted we developed an unbalanced panel data analysis for the Eurozone countries between 1999 and 2017. The results we reached led us to conclude that the increase in asset prices, mainly equity, seems to be relevant to explain an increase in income inequality. However, it seems that the positive impact that MP had on unemployment by reducing it, contributed to avoid a higher increase on income inequality in the Euro Area.

[Germany as a role model for structural adjustment of peripheral Eurozone economies: the Portuguese case](#), Marta Silva and João Carlos Lopes, *Working Paper 0143-2020*

This paper aims at analyzing the structural changes that occurred in the Portuguese economy after the 2010/2013 sovereign debt crisis, compared with what occurred in Germany and using the current debate surrounding the new reform of the Eurozone as a backdrop. We thus intend to find out whether a peripheral southern economy like Portugal and the Eurozone's nuclear economy (Germany) have become closer and, if so, what that means in terms of the sustainability of the Eurozone as a set of different economies sharing the same currency. The study will be framed in the varieties of capitalism theory and in the theory of growth regimes.

[The Pandemonics of Informal Credit Markets](#), Filipe Correia, António Martins, *Working Paper 0142-2020*

Credit markets are at the core of any economic crisis, and informal loans are largely understudied. We collect a dataset on an online informal lending community to study the impact that the 2020 pandemic crisis had on informal credit markets. We find that these informal loans are short duration, expensive and that borrowers and lenders exhibit some sense of community. Our results suggest that the financial hardship imposed by stay at home orders is perceived as persistent, and borrowers expect lower future income, hence reducing loan demand. Moreover, loans directly associated with the pandemic are more likely to be transacted by newcomers to this market, and mentioning the pandemic in a loan request lowers the chance that it originates a loan. The absence of an increase of violations of community rules and the reduction in promised repayment time highlights the importance of informal credit communities in hard times.

[\(De\) industrialization in the Von Thünen economy](#), José Pedro Pontes, Armando J. Garcia Pires, *Working Paper 0141-2020*

In the Von Thunen (1826)'s economy, manufacturing decentralization is viewed as the refining of an agricultural commodity near the cultivation site, which substitutes for its transport to an industrial mill located in the Town. As Friedrich List (1841) added, this substitution is economically feasible only if the savings in transport costs following from in site refining cover the increase in fixed costs associated with a second industrial plant. In market equilibrium terms, this happens when the decentralized machine is provided collectively by the landowners, who fund it through the proceeds of the rise in total land rent following from the industrial investment. This condition will be satisfied more likely in a large economy with high average transport costs and where manufacturing specializes in relatively weight losing activities. If industrial decentralization is feasible, then the new factories will prefer to locate outside the Town, in formerly rural areas endowed with an intermediate degree of centrality. Their distance to the Town will be directly related with the intensity of input refining that they are able to carry out. This model appears to account for main stylized trends of manufacturing relocation nowadays, which are jointly labeled as "(de)industrialization".

[Terror and its Fiscal Consequences](#), Benedict Clements, Sanjeev Gupta, João Tovar Jalles, Saida Khamidova, *Working Paper 0140-2020*

We explore the impact of major terrorism shocks on macroeconomic and fiscal variables' dynamics using an unbalanced panel of 191 heterogeneous countries from 1970 to 2018. By means of the local projection method, we find that a terrorist shock lowers a country's real GDP as well as government tax revenues and raises debt-to-GDP ratio. The composition of

government spending shifts in favor of military spending. Low-income countries are affected more than both emerging market and advanced economies. Our results are robust to a battery of sensitivity and robustness tests.