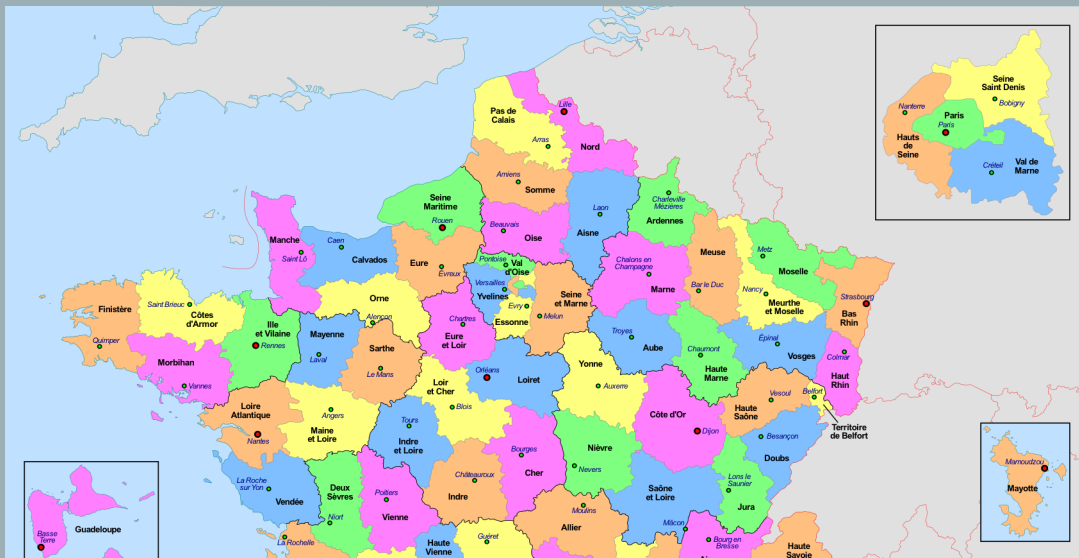
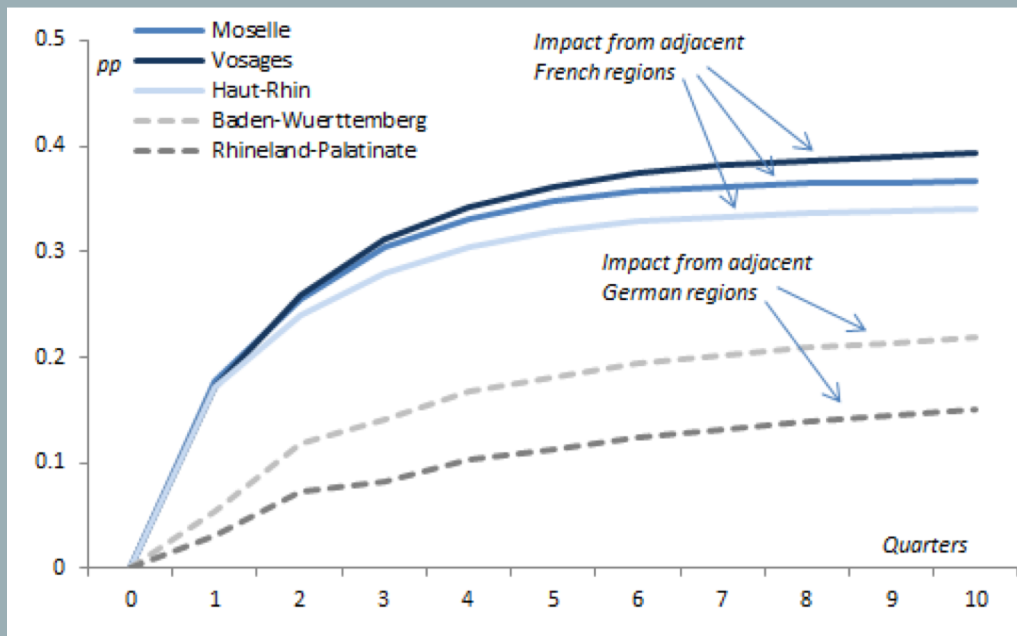


# MACROECONOMICS AT THE VAMPIRE SQUID



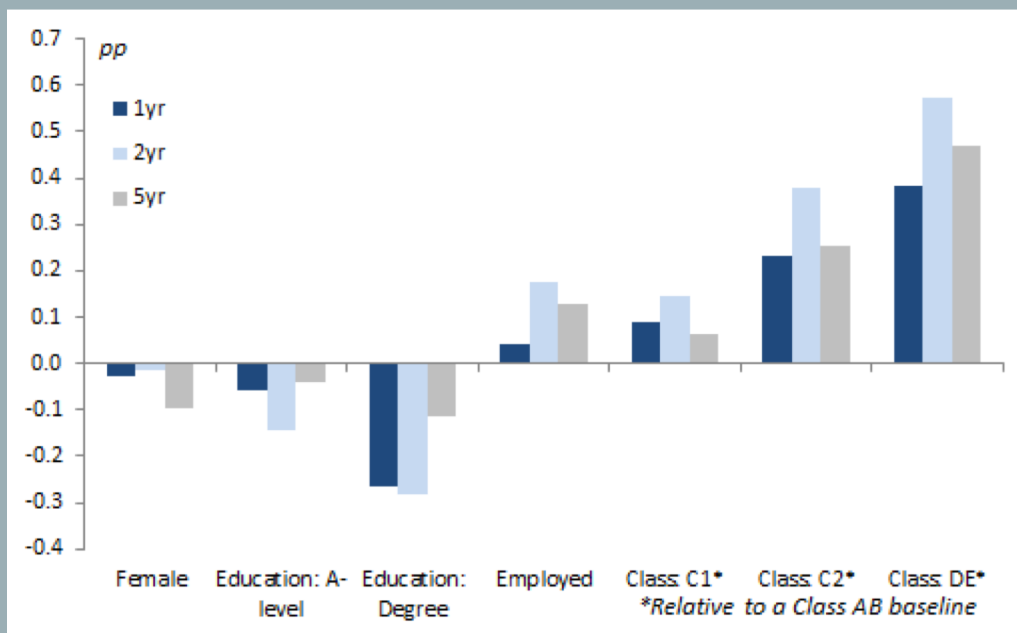
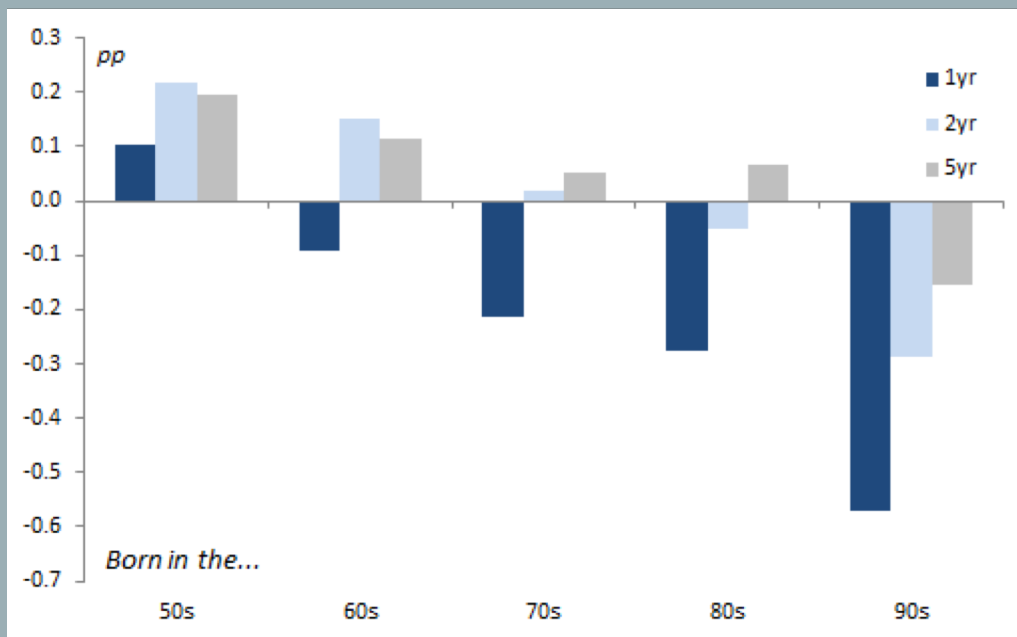


Impact on the unemployment rate of Bas-rhin of a 1 s.d. shock to regional unemployment rates



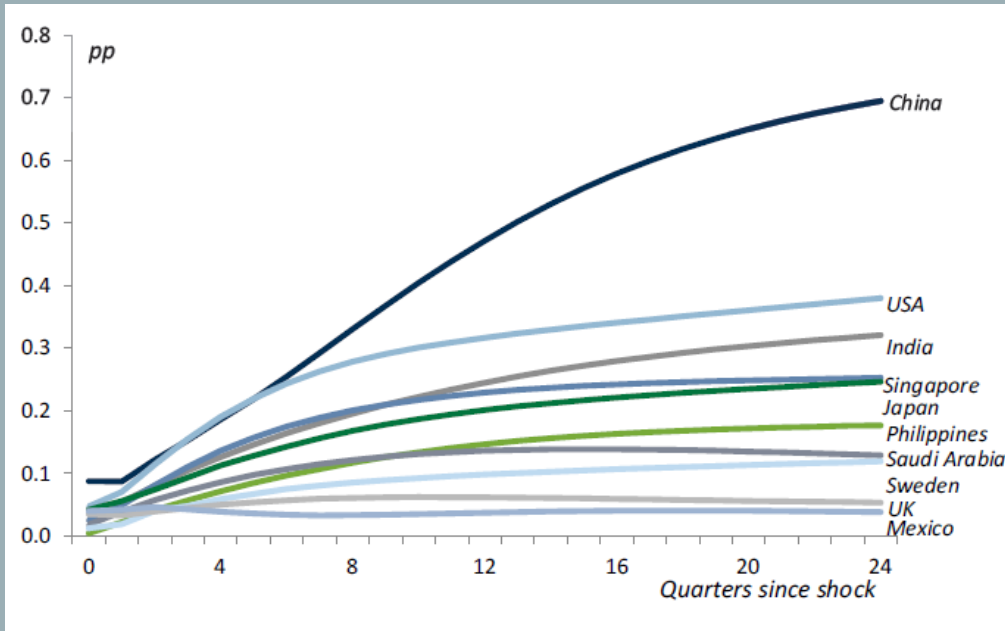
- Q: Should we model the European labour market as one labour market?
- Research design:
  - Borrow from regression discontinuity literature – reduced form, not structural
  - Regions on the borders between countries should react similarly to shocks from adjacent labour markets – regardless of the “nationality” of the shock
  - Model the change in the unemployment rate in a VECM, with adjacent regions as explanatory variables (and other controls)
- Findings:
  - Model the European labour market as separate countries – it is not well integrated across borders.

Relative to being born in the 40s, more recent generations have lower inflation expectations

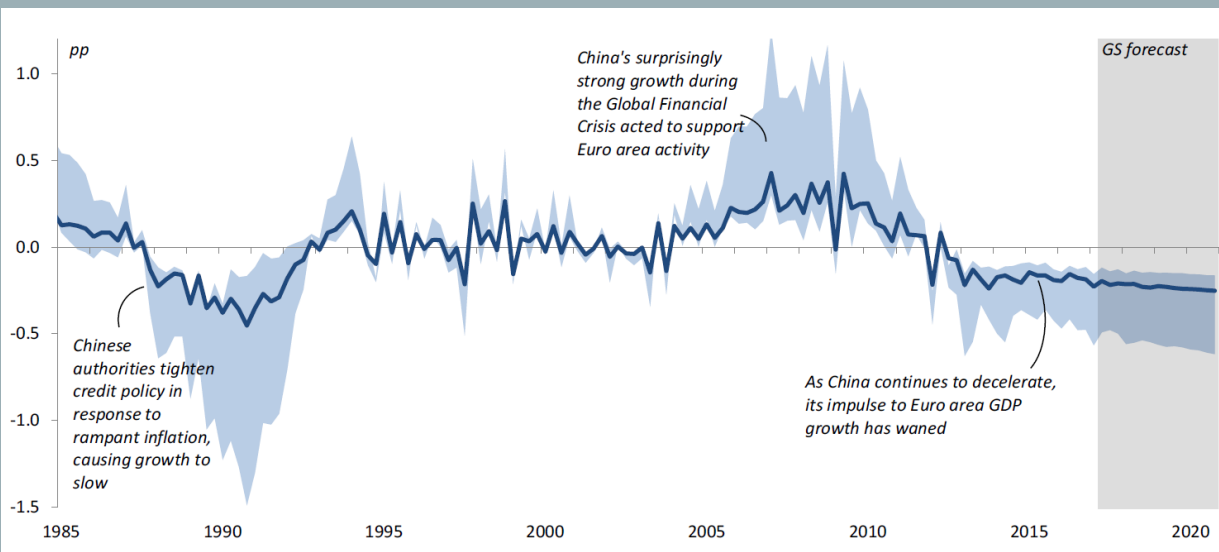


- Q: Why are inflation expectations drifting downwards?
- Research design:
  - Use micro-data from consumer expectation surveys
  - Psychology literature suggests experiences are formative in your younger years
  - Could people who lived through high inflation periods have higher inflation expectations?
- Findings:
  - Cohort matters for inflation expectations.  
Those who lived through high inflation in their 20s have avg. expectation 0.7pp higher than those born in the 1990s.
  - Expect the downward drift in inflation expectations to continue
  - Does this have monetary policy implications?

## Impact on Euro area of a one s.e. shock to Foreign country GDP



## Impulse to Euro area growth, 90% CI



- Q: What would the impact of a Chinese slowdown be on the Euro area economy?
- Research design:
  - Easy to model direct relationship. But what about general equilibrium relationship?
  - Need to incorporate channels that work through third countries, commodity prices, financial prices etc...
  - And side-step the curse of dimensionality
  - Use a GVAR:
    - Stack individual country VARs (26), with domestic endogenous variables and...
    - ...global external variables that are trade-weighted and weakly exogenous
- Findings:
  - Size matters
  - Volatility matters
  - Indirect linkages matter