

Seminar științific

Monedă, Finanțe, Bănci (MFB)

2025-04-29

European Governments' Fiscal Behaviour and Public Debt Holders: What Is the Financial Connection?

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Abstract

Concerns about fiscal sustainability and worsening balance sheet conditions of major banks triggered a doom loop between banks and sovereigns during the 2010-2013 sovereign debt crisis. Despite closer financial integration and additional institutional safeguards, the home bias, i.e. domestic bank holdings of domestic sovereign debt, is still high in most EU countries. We examine the effects of home bias on fiscal sustainability. We extend two IMF database on sovereign debt holdings to all EU Member States. We then apply panel smooth transition regression models on a fiscal rule. We find that a high home bias does not reduce the reaction of governments to public debt, but only if the financial system is sufficiently developed. A developed banking system allows sovereigns to raise more public debt at acceptable conditions to support economic stabilisation. An increased presence of foreign banks has a benign effect on sustainability by reducing governments' debt bias, but state-owned banks reduce it. Developing financial markets further through the completion of the Banking and Capital Markets Unions in the EU could help countries in the trade-off between economic stabilisation and debt sustainability, while bringing in more foreign banks might enforce stronger fiscal discipline.

Când și unde?

- Marți, 29 aprilie 2025
- Ora 16:30
- Sala 3M4 (etaj 1, clădirea Moxa)

La final

- Activitate de socializare-networking începând cu ora 18:00 la *J'ai Bistrot*.

URMĂTOARELE SEMINARE

06.05.2025 *How do microfinance and economic development mutually support each other? A Panel VAR approach in developing economies*
(Bogdan Ianc, UV Timișoara)

13.05.2025 *Multi-Asset Market Making*
(Ioanid Roșu, HEC Paris)

20.05.2025 TBA

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