The Extraction of the Probability Density Functions of the Inflation Forecast Utilizing the Forward Looking Judgment Criteria

By:
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Abstract

The inflation forecast via specifying the uncertainties in the economy, is de facto in vogue between the most Central Banks of the world to advocate the” Inflation Targeting Strategy “and to follow up the specific monetary policies to reinstate the inflation into its targeted path, per se. In this paper an attempt is made to investigate de jure, how the risks balances of various macroeconomic variables may be linked to the uncertainty inherited in the inflation forecasting, in toto. In this context, we have made a key assumption that the inflation uncertainty is derived from the observed uncertainty among the certain macroeconomic variables because the forecasted CPI is highly elastic pari passu with these macroeconomic variables. In other words, the inflation forecast skewness and the probability Density Function is technically derived from the uncertainty discerned in some macroeconomic variables, A fortiori. Subsequently, we have depicted the Fan Chart for inflation forecast, Ipso facto. Though, it is an axiomatic fact that, in most of the cases, the uncertainties in these macro economic variables are gleaned from their respective historical standard deviations. However we have contemplated to subjectively adjust these uncertainties considering the value judgments for future course of economic developments, if and only if there is a plausible reason for less or more uncertainties compared to the historical standard deviations of these macroeconomic variables, quid pro qua. Besides, we performed the judgmental assessment of risks balances indicating that whether the distribution functions of probability density are symmetric or not. Thus, we have observed that the baselines for distributions of the macro economic variables are symmetric and Gaussian, if the standard deviations are based upon the historical data and similarly, any departure from the baseline can prima facie be construed to correlate with future inflation. Finally, the Fan Chart of inflation forecast related to four quarters leading to the September 2019 is presented as an operational sample. Furthermore, we have found that, the skewness of inflation forecasts has tendency for the higher inflation due to dynamic impacts of some macro economic variables on the rate of inflation, Sine qua non.

Keywords: Inflation Forecast, Inflation Uncertainty, Tow Piece Normal Distribution, Skewness, Fan Chart.

JEL Classification: B32, C4, C54

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The Prerequisite Requirements for Effective Operations of the Centralized System of Movable Collaterals Registry for Boosting the Risk Management and Access to Finance of the Banking System

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Abstract

It is an axiomatic fact that the collateral financing is de facto, deemed as a plausible strategy for augmenting the feasibility of firms to be endowed with the required funds and to avail the externalities of furtherance of risk management of banking system, In toto. Though, we may not derive de jure, the same outcome in practice. In this paper, an attempt is made to investigate and analyze the building blocks of the strength of the legal rights index as the most significant component of access to credit extension index, gleaned with legal, systemic and executive infrastructures of collateral finance framework, Ipso facto. Meanwhile, the existing constraints of this set up; have been expounded, for non availability of registry system regarding the movable collaterals in Iran, A fortiori. Nonetheless, various approaches for evaluation of this framework along with the proffered scheme of IFC for implementation of the appropriate frameworks, considering the practical experiences of the other countries, and the necessity to contemplate on other systems comparative to the centralized collateral registry; have been propounded, Sine qua non. The results prima facie indicate that the extant drawbacks observed in each of these infrastructures, and /or non establishment of a viable optimal link between them, may lead to not attaining the expected sequels of financing viz-a-viz movable collaterals, per se. Thus, one may conclude that, the mere discernibility of the concerned system, shall not accomplish the prophesied grail, Quid pro qua.

Keywords: Collateral Financing, Movable Collaterals, Collateral Registry

JEL Classification: G21, K19, K40

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The Operational Frameworks for the Interest Rate- Based Monetary Policy (The “Corridor System” Versus the “Floor System”)

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Abstract

The price stability has been de facto, specified as the most significant objective of monetary policy mechanism and it is unanimously acknowledged and envisaged by the Central Banks of the world, in toto. In this context, the inflation targeting policy is de jure, postulated as the dominant strategy and also the short term interest rate the so called “Interbank Rate” is prima facie deemed as the operational objective of most of the Central Banks in the globe. Meanwhile, the Corridor System is the popular feature of the Interest Rate-Based operational monetary policy, per se.

However, in response to the excess utilization of the unconventional apparatus of monetary policy, to combat the menace of the Great Financial Crisis of 2007-2008, many Central Banks of the world , shifted from the “Corridor Operating System” towards the ‘‘Floor Operating System’’, Ipso facto.

In this paper, an attempt is made to investigate and ponder the comparative advantages and efficacy of both the Corridor and Floor Operating Systems for the smooth and optimal functioning of monetary policy tools in each of these systems, pro rata. Besides, the US experiment in transforming from the Corridor System to the Floor System and also the silent records of the Central Bank of the Islamic Republic of Iran for implementation of the Corridor System, have been expounded, Sine qua non.

Keywords: Monetary Policy, Interest-Rate-Focused Operational Frameworks, Corridor System, Floor system.

JEL Classification: E52, E58.

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Bank Transactions Tax

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Abstract

In this paper an attempt is made to investigate per se, the role of bank transactions tax as an apparatus to generate the government revenue under the stringent budget constraints, in toto. We have observed that in countries under the study i.e. Argentina, Brazil, Colombia, Ecuador, Peru, Venezuela and Australia, the bank transactions tax can inflict the sharp increase in demand for currencies which in turn may raise the liquidity demand of banks and subsequently accelerating the growth of monetary base, Sine qua non. On the other hand, in consonance with the evidences derived from the certain studies, it has been discerned that, the tax bases in any economy, shall be subject to deterioration, if and only if, the real and eventually the legal entities acknowledge the "Tax Evasion Mechanism" during the span of time, A fortiori. In this context, the government may resort to sustain the fixed real revenues, Viz-a-Viz escalating the tax rates swiftly, which may lead to virtual state of "Tax Evasion Spiral", Pro rata. However, it is an axiomatic fact that imposing the bank transactions tax shall induce the underground economic activities and prima facie may combat the tax revenues in the macroeconomic set up, Sine die**.** Thus, we may conclude that although the government may draw de facto significant amount of revenues via levying the bank transactions tax in the short run, but it is not deemed de jure to be delineated as steady and consistent income in the long run, because of adverse impacts of this kind of tax, which may be dispensed on the economy, in due course, Ipso facto.

Keywords: Bank Transactions Tax, Tax Productivity, Financial Intermediary.

JEL Classification: H21, H22, G28.

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Housing Policies in the United Kingdom, Switzerland and the United States: Lessons Learned

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Translated By: Kimya Alavi*, Saba Alavi, Amin Ghobadi*****

Abstract

In this paper an attempt is made per se to lay out an analysis of the housing market and current housing policies in three developed countries: the United Kingdom (UK), Switzerland, and the United State (US). The raison de tre to focus on these three countries are prima facie due to the marked differences in their institutional settings. The UK is specified by fiscal centralization and extremely rigid planning system. However, the results of this inflexibility, which has made de facto the housing supply intensely inelastic to changes in house prices, are the high degree of urban constraints, the sever housing affordability crisis, and the housing scantiness for the young people. Besides, the main UK policy the so called, Help–to-Buy which merely concentrated on stimulating the housing demand, fails to abate the affordability crisis, because the increasing demand has further augmented the housing prices without expanding the housing supply, in toto. On the contrary, the fiscal decentralization policy along with implementation of the lenient urban planning system in Switzerland has encouraged the residential development and exceedingly low homeownership rate in the territory, which in turn may specify the key political concerns of this country for sprawl and rent stabilization. The US is denoted by fiscal federalism and extensive dissimilitude in the dearth of land use confining across the urban areas. In this context, the main consternation throughout the country is homeownership fruition and the pivotal policy to resolve this issue is the Mortgage Interest Deduction (MID).Though, this policy has faced a significant setback in the prosperous and strictly land use regulated urban areas, the so called - “super star cities”- because it is observed that the increase in the policy- induced demand will lead to hike in the house prices, pro rata. Moreover, MID, has only augmented the homeownership realization of higher income households in the urban areas with lax land use regulation, whereas the net effect of the policy on homeownership realization throughout the country is significantly zero, Ipso facto. Thus we conclude that the evaluation of housing policies essentially depends on the fiscal and regulatory conditions in the local housing markets. Policies that cause the increment of housing demands i.e. MID or Help-to Buy are bound to collapse in markets with stringent regulation or supply rigidity, Sine qua non.

Keywords: Housing, Housing Policy, Mortgage Loan, Tax.

JEL Classification: H2, H31, H7, R21, R28, R31, R38, R51, R52.

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Stress Testing Principle

By: Ball Committee for Bank Supervision (October 2018)
Translated By: Milad Sarem Safari [*], Hossain Sedghi, Ph.D [**]

Abstract

Risk management of credit institutions is de facto deemed to be very cardinal for controlling and reducing the risks which may be inflicted to these entities in toto. It is also stipulated as a forward-looking approach to resolve per se the potential issues and impediments that may occur in their routine operations. However, one of the effective methods of risk management is de jure specified as the stress testing. The stress testing is prima facia, a complementary apparatus along with the other risk management appliances, where it may ascertain the degree of vulnerability or resistance of credit institutions which can pray to various shocks, ipso facto. Although, we have contemplated that the stress testing cannot accentuate all the drawbacks of the credit institutions, A fortiori. None the less, despite, identifying the certain extant delicacies in the test, it can warn the board of management, about the undesirable and unexpected consequences of risks, wreaked on these entities Quid pro qua Besides, the stress testing may also be utilized to designate the amount of capital, a credit institution or the whole banking network requires to atone pari passu with forfeitures caused by large shocks exacted on them. It goes without saying that, the Principles of stress testing which were previously published in May 2009 by the Basel Committee on Banking Supervision, subsequently, ruminated essentially on the flaws of the stress testing after incident of the world financial crises. In this context, with the expansion of the post-crisis stress testing mechanism, it seems there is a dire need to distinct on certain dictums auxiliary to the axioms propounded in the stress testing principles published in 2009. Thus, the Basel Committee on Banking Supervision updated significantly the principles of the stress testing in October 2018, sine die. The new document contains 9 principles which are judiciously delineated the stress testing framework and can be efficiently bequeathed to the large and international banking networks, thereto. Similarly there is a case for banks supervisors and other relevant financial authorities of various member countries of the Basel Committee on Banking Supervision to optimally employ the test, Sine qua non..

Keywords: Stress Testing, Risk, Financial Crisis.

JEL Classification: G32, G01

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