Introduction

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Biographical notes: Dimitrios Asteriou is the Research Lead for the Department of Accounting, Finance and Economics at Oxford Brookes University. After gaining his PhD in Economics from City University, he has worked for the University of Reading, City University, the Hellenic Open University, before Oxford Brookes. His research work has been cited several times from various researchers in the field and he has published papers in journals such as *Energy Economics*, *Review of Economic Development*, *Scottish Journal of Political Economy*, *International Journal of Finance and Economics*, *Economic Modelling*, etc. Finally, he has presented his research output in more than 70 International Scientific Conferences.

Keith Pilbeam is a Professor Economics at City, University of London, having gained his PhD at the European University Institute in Florence. He has worked for Nat West Bank and the Royal Bank of Scotland. His research has been published in leading economics and finance journals such as the *Journal of Banking and Finance*, *International Journal of Finance and Economics* and *Oxford Economic Papers*. Currently, he is General Secretary of the European Economics and Finance Society (www.eefs-eu.org). He is the author of two textbooks International Finance and Finance and Financial Markets, published by Palgrave. He runs the educational website and blog www.BusinessEconomics.com.

The European Economics and Finance Society held its 16th Annual Conference in Amsterdam 16–19th June, 2016 and it was a memorable conference with presentations on a wide range of issues in international trade and finance. It was also a pleasure to have Professor Keith Cuthbertson from Cass Business School and Daniel Thornton Former Vice President and Economic Adviser, Federal Reserve Bank of St. Louis as keynote speakers. The Society is grateful to both for their participation and their encouragement and comments on the papers of many of the delegates including many of the PhD candidates that traditionally come to the conference. The EEFS is also extremely grateful to Bruno Sergi the Editor of the *International Journal of Monetary Economics and Finance* for permitting us to have a special edition of the journal for selected papers from the conference and invited papers. After an extensive refereeing process we accepted five papers for the special edition.

In his paper, Belke looks at the communication policy of the European Central Bank (ECB). In a world of independent central bankers a key issue is how do policy makers communicate their future policy intentions to different audiences such as the politicians, financial market participants and the general public? This issue has become especially important since the adoption of Quantitative Easing programmes by the Federal Reserve, ECB, Bank of England and the Bank of Japan. In the paper, Belke looks at the ECB as a case study of the growing importance of having a well-designed communication strategy. The Head of the ECB has a particularly difficult task to do in this respect, as its policies affect citizens in 19 different countries and because the Eurozone has been greatly afflicted by problems of large national debts in the countries such as Greece, Ireland, Italy, Greece and Spain (GIIPS). Belke looks at what he terms the 'Monetary Dialogue' between the ECB and the European Parliament and he argues convincingly that communication policy is an important component of monetary policy as it provides a benchmark for examining the credibility of the central bank with regard to its inflation target and also a channel to signal future monetary policy intentions. Belke shows that there has been a distinct change in the communication strategy of central banks before, during and after the financial crisis and that forward guidance has come to play an increasingly important role. In addition, communications has a role in making central bankers more accountable to the public which is increasingly important since they have been granted independence from the politicians. The paper argues that communications policy will be an essential part of the ECB's exit from quantitative easing and that "*clear, deliberate, coordinated messages that are anchored in the central banks*' *mandate* are of the essence". The paper provides an extensive overview of the role of communications policy including its significance, the role of transparency and accountability. Belke shows that although communication has improved as a result of Financial Stability reports, speeches and interviews and that the quarterly Monetary Dialogue between the Head of the ECB and members of the European Parliament has improved over time there is still room for further improvement. This is especially the case given the ECB's greater role in supervising the European banking system. The paper also touches on fundamental issues for the ECB such as the publication of its minutes and the adoption of the rotation principle for voting purposes as the Eurozone increases its membership size. The paper also argues that there may be a non zero optimal amount of secrecy which implies less than complete transparency. A very valuable part of the paper concerns its recommendations for the exit from QE and its eventual unwinding with the author concluding that "too much communication is less of a problem than insufficient communication" and his recommendation that the ECB should concentrate more on the future interest rate path than the quantity of asset sales.

In their paper Ben-Lalouna and Pearlman examine the effects of oil price shocks on the BRICS economies. The price of oil is perhaps not so important to the global economy as it was in the 1970s when the global economy was very oil dependent but nonetheless with the growth of developing countries global demand for oil has risen from 73 million barrels per day in the mod 1970s to over 100 million barrels per day in 2018. Oil price shocks are still very important to many developing countries and are certainly important to the BRICS economies which are themselves more a far more important part of the global economy than they were in the 1970s. To examine the effects of oil price shocks they adopt the VAR methodology and examine the resulting impulse response functions. Their results show that all the BRICS are greatly affected with respect to oil price shocks especially with respect to industrial production and exports and imports. They find very different responses depending upon whether the country is a large oil importer (India, China and South Africa) or exporter (Brazil and Russia). While the linear VAR model assumes that the oil price impact is symmetric, the authors follow the procedure of Jiménez-Rodríguez and Sánchez (2005) who using a non-linear transformation permits the researcher to observe how an increase varies from a decrease of a similar magnitude, their results show that there is a clear asymmetry in responses according to whether there is a price rise or a price fall. The countries are examined individually so that the differential results of price shocks can be clearly seen. The variance decomposition analysis suggest that oil price fluctuations are important in explaining changes in industrial production, interest rate, exchange rate, inflation, export and import variances in the five economies. Overall, their results show greater similarity in the case of the oil exporters than in the case of the oil importers and they also detect asymmetric responses depending on whether there is an oil price rise or price fall.

Olmo and Sanso-Navarro deal with the important topic of the impact of unconventional monetary policy on the operation of the capital markets rather than the economy as whole. Their paper is motivated by the different types of unconventional monetary policy adopted by the Federal Reserve and European Central Bank (ECB). The Federal Reserve QE policy concentrated on buying all sorts for securities including government bonds, mortgages backed securities, agency debt and corporate bonds while the ECB mainly focussed it purchases on buying bank debt and bank loans to improve their liquidity. As they point out in the theory part of their paper, not all types of quantitative easing programmes are identical from a theoretical perspective. They use a theoretical model as the basis for evaluating the impact of different types of QE based on the bank lending channel and show that unconventional monetary measures should be successful in lowering the credit interest rate under very general conditions. To examine the differential impact of different types of unconventional monetary policy they explore the equilibrium credit interest rate under three different scenarios:

- a baseline characterised by the inaction of the central bank
- the creation of lending facilities
- the implementation of swap programs.

Their results show that lending facilities outperform swap programs when

- the risk premium on the interbank money market is sizeable and the yield on government bonds is low
- the share of bank lending obtained from the central bank is not very large
- the interest rate offered by the central bank on excess reserves is high
- the default rate on loans is high.

The authors then carry out a quantitative assessment of the proposed model with real data from the USA and the euro area (EA). In both cases, they find that the simulated equilibrium outcomes convincingly show that the implementation of swap programs reduces the credit interest rate with respect to the baseline scenario. When it comes to the success of lending facilities they show that in market conditions such as those in the EA, lending facilities would only be able to reduce the credit interest rate beyond that in the baseline model if the spread between the interbank money market and the official interest rate is larger than the return obtained from collateral assets, the reward on excess reserves and the amount of credit borrowed from the central bank. Overall, their quantitative assessment of the model with real word data confirms the appropriate response of the Federal Reserve in recent crisis episodes but casts some doubt concerning the effectiveness of the ECB QE programme.

In her paper Dalla notes that the banking sector has many characteristics of an oligopoly. This process has been accelerated following the financial crisis with banks being merged or taken over through M&A activity or closed. She adopts an industrial organisation approach to the banking sector to examine the effects of banking conduct on the investment cycle. This is done by extending the second order accelerator (SOA) model in discrete time. The basic SOA model is elegantly set out but then augmented by the addition of an endogenous monetary term, namely the interest rate on loans. In the model, there are two banks that compete over the volume of deposits and loans. In the Cournot game the two banks compete over the volume of deposits and loans simultaneously. While in the Stackleberg game in the first stage, the ‘leader’ bank chooses its own level of deposits and loans and in the second stage, the ‘follower’ bank maximises its profit function taking the lead bank’s volumes of deposits and loans as given. The solutions to the model show that the total equilibrium Cournot level of loans is lower than in the Stackelberg case and given the inverse demand function for loans this implies that the equilibrium interest rate on loans is higher in the Cournot game. Also, the steady-state of the capital stock is lower in the Cournot case than in Stackelberg solution. The paper then does a useful simulation exercise to show the different dynamic paths of the capital stock over time assuming reasonable parameter numbers for the extended SOA model. The simulations show while the capital stock in the Stackleberg case out-performs the Cournot case, the difference is not that great. Finally, Dalla examines the potential implications for monetary policy and in particular the effects of a cut in the interbank rate which is found to increase the equilibrium capital stock in both cases.

The economics of lobbying activity have been studied for some time in the literature and in his paper Montes-Rojas provides an empirical study of the mechanism where FDI recipient countries lobby the US government for the allocation of outward US FDI. His study shows that such lobbying is aimed at both at informing US policymakers about their countries’ market capabilities and also in influencing their attitudes toward recipient countries. He finds that US policymakers influence US firms’ decisions about the location of their potential investments abroad. In order to estimate the direct influence of the recipient country’s lobbying agents in obtaining FDI a dataset is taken for 55 countries and covers lobbying expenditure per capita and also US FDI to the countries concerned using a variety of lobbying agent activities from each country. The estimation is done using a dynamic panel procedure with control variables used such as lagged GDP, population and degree of bilateral trading links between the USA and the lobbying country. Estimation is done using the Arellano and Bond (1991) and Blundell and Bond (1998) system of GMM estimators. The econometric results indicate that increasing foreign lobbying in the USA significantly raises the amount of US FDI received and that the amount is potentially large for the FDI receiving countries. Interestingly lobbying is also found to be more effective at attracting new FDI than expanding existing FDI.

In summary, the papers that survived a rigorous refereeing process for publication in this special edition are all of direct relevance for policy makers and help to improve our understanding of important issues such as the communication of monetary policy, the impact of quantitative easing, the allocation of credit by the banking system, the importance of oil price shocks and the economics of lobbying activity by countries seeking to increase their FDI inflows. As guest editors of the special issue we would like to thank on behalf of all the authors the many referees for the time and effort put in commenting on the papers, suggesting changes and providing constructive criticisms. This undoubtedly improved the quality of the finalised versions of the papers published in this special edition.

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