

The IER Seminar in Empirical Economics

We would like to invite you all for the third IER seminar series in empirical economics that will be held at the *library of the Institute of Economics on November 30th, 2010 at 13:00*.

The speakers are *Matúš Senaj*, researcher at National Bank of Slovakia and

Milan Výškrabka, economist at National Bank of Slovakia:

MUSE: Monetary Union and Slovak Economy model

Please, confirm your possible participation by November 29th, 2010 to Soňa Slobodníková at sona.slobodnikova@savba.sk.

We are very much looking forward to see you all at the seminar.

Kind regards

Marek Radvanský and Menbere Workie Tiruneh

Short abstract

In this paper, the Bayesian method together with calibration approach is used to parametrize the DSGE model. We present a medium-scale two-country model. Parameters controlling the steady state of the model are calibrated in order to match the ratios of a few selected variables to their empirical counterparts. Remaining parameters are estimated via Bayesian method. Since Slovakia has been euro area member country for two years only, the model allows switching from autonomous monetary policy regime to common Taylor rule. This feature admits us to parametrize the model in case of independent monetary policy and consequently to simulate the impacts of various structural shocks on the Slovak economy as a part of the monetary union. In the end of the paper we present the impulse-response functions of the model to selected structural shocks.