Letter from Editors

The third issue of volume 5 consists of three papers devoted to macroeconomic and financial issues that are not only interesting from the scientific point of view, but also practically (economically and socially) important. These issues are thoroughly illustrated for Poland and other Central and Eastern European (CEE) economies.

In the first paper Dobromił Serwa shows that the bias in the ratio of non-performing loans (NPL), caused by the prolonged credit boom, may be quite significant. He discusses an adjustment to the NPL ratio based on a theoretical model of a loan portfolio. This adjustment is robust for credit booms and busts; therefore, it can be used to compare credit quality ratios across distinct portfolios and banks as well as to simulate future NPL ratio developments. The empirical part of the paper is focused on the portfolio of housing loans in Poland. It is shown that the adjusted index of non-performing loans is robust to different model specifications.

In the second paper, written by Andrzej Torój, a New Keynesian open economy model is used to simulate the economic consequences of influenza epidemic in Poland and measure the output loss (indirect cost) related to this disease. An attempt to endogenise the mechanism of epidemic has failed for the standard SIR model and for the standard Blanchard-Kahn-like local solution methods, as the SIR block is only consistent with Blanchard-Kahn conditions under herd immunity of the population. In the deterministic simulation with the number of infected given exogeneously, the output loss resulting from influzenza-related presenteeism and absenteeism is estimated at 0.004% of the steady state level on average in the period 2000-2013. The simulated indirect cost in the New Keynesian model is substantially lower than the available estimates obtained using the human capital approach, which is due to the demand-oriented construction of the New Keynesian model. This result seems closer in notion to what the friction cost approach might suggest.

In the third paper, Michał Brzeziński parametrically models income distribution in four CEE countries in 1990s and 2000s. He applies the generalized beta distribution of the second kind (GB2), which has been found in the literature to give an excellent fit across time and countries. For Poland and Hungary the GB2 model fits the data better than its nested alternatives (the Dagum and Singh-Maddala distributions). However, for the Czech Republic and Slovak Republic the Dagum model is as good as GB2. The tails of the income distribution in the Czech Republic, Poland and the Slovak Republic have become fatter in the course of transformation to market economy, which means growing income bi-polarization in these societies.