Dr. Basma Majerbi

Grant: A New Framework for the Study of Financial System Structure and Macro-Financial Stability
Researchers: Majerbi, B., Gustavson School of Business (Principal Investigator). Errunza, V., Desautels Faculty of Management (Co-Investigator). Ayadi, R., HEC School of Business (Partner). Sy, A., International Monetary Fund (Collaborator). Noumon, N., International Monetary Fund (Collaborator). Chaieb, I., Geneva School of Economics and Management (Collaborator).
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Dr. Basma Majerbi has a vision of where the conversation on global financial stability could go next, and it involves a big-picture perspective.

"You can read ten papers on financial stability and the authors will be using ten different measures and looking at ten different aspects of the picture," says Majerbi. "They might be looking just at risk in banking, or the bond market, but there are many other players, like the housing market or non-bank financial institutions, that are contributing to the overall financial system stability, and these factors are not discussed in the same conversation. It's a limitation on how accurate we can be in assessing macro-financial risk, currently."

Majerbi's ambitious three-year project proposal on this topic was recently awarded an approximately $200,000 Social Sciences and Humanities Research Council Insight grant. The project has several intended outcomes, one of which is a brand-new, comprehensive framework to assess the many diverse factors influencing financial system stability around the world.

It is by no means an unexplored topic—experts have been seeking an understanding of what makes financial systems fail, and what the warning signs look like, for generations. What is new about Majerbi's proposed research, however, is its very integrated and comprehensive approach.

Another characteristic that sets this research apart is its potential to affect the well-being of populations around the world. When analysts and policy makers improve their ability to predict instability in a country's financial system, it has the potential to avert major economic downturns.

"Financial stability has far-reaching consequences on our lives and societies in ways that we don't necessarily think about," says Majerbi. "Think for example of the global financial crisis in 2008. The crisis leads to an economic recession, and at this stage governments will typically intervene to bail out the major financial institutions with the taxpayers' money—because the failure of these institutions can lead to even more severe economic consequences. This is taxpayer money which then can't be spent on healthcare, education, or social programs, however, so in addition to the economic and job losses from the initial financial crisis, the pressure is felt in other ways as well. Having financial systems that are stable and resilient to shocks is critically important to our wellbeing as a society." Majerbi and her co-authors hope the findings from this project will prove valuable to policy-makers and businesses alike, and enable further advances in research on macro-financial stability.