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# INTRODUCTION

Financial crisis that started in 2007 in USA awaked broad discussions among economists about the kinds of sources of this particular crisis, as well as ways of its overcoming. Some economists see the reasons of the crisis in the improper political interventions of the states and central banks, while others see important long influence of no macroprudential policy regulations (e.g. concerning FX credits and hybrid financial instruments). Finally, some economists see the reasons in particularly destructive behavior of too-big-to-fail financial conglomerates (banks) with a large volume of hybrid instruments and derivatives. It is yet hard to find proper answers to the following questions:

– whether crises impulses originate and pass from financial sector (stock exchanges and banking sector) to industry, trade and commodities markets or otherwise?

– whether economic instability sources originate in financial sector of the biggest economies and spread over the weakest economies or somehow otherwise?

– why the observed cycle is so slowly damping?

– whether creditors are more induced by miscalculation of their subjective forecasts about the economic performance or by interactive expectations between market agents?

– whether the actual financial crisis is more determined by financial Global Systemically Important Banks (G-SIBs) only or by them jointly with their counterparts in the political institutions?

In this book we offer a forum for economists and policymakers to discuss the theoretical and empirical issues on many general and specific topics in finance and macroeconomics. The research in this volume gives a diversity of topics. It extends the framework of micro- and macroeconomic problems of financial markets functioning, evolution and prospects of growth in short- and long-term horizons. The topics include very important issues of new architecture of European financial regulatory and supervision framework, and the contribution of financial markets performance to economic growth. The chapters included in this volume give some insights that may be helpful in formulating answers to the above posed questions.

The first chapter written by A. Sławiński (Warsaw School of Economics) stresses the role of institutional causes of the global banking crises and the sources of establishing macro-prudential countercyclical policy of central banks. Among many risk factors, Sławiński distinguished as very important such factors as pro-scyclical rules of granting credits, banks' interconnectedness, and the potential risk to balance sheet losses.

The second chapter of P. Wdowiński (University of Łódź) concerns the problems of effects of the banking sector in Poland on the real macroeconomic processes. The VAR model includes such factors as credit risk, capital adequacy connected with macroeconomic indicators. The study has shown a strong interconnectedness between the banking sector and the real side economy.

The third chapter written by Z. Wośko (University of Łódź) is devoted to specific problems of Polish banking sector functioning, i.e. factors of its financial stability. The main destabilizer is seen in relatively high share of bank loans denominated in foreign currency (FX loans). These loans are exposed to exchange rate risk being the component of credit risk to borrowers. According to Wośko this factor also worsened the conditions of the private sector activities.

The fourth chapter written by W. Milo, D. Bogusz, M. Górajski, and M. Ulrichs (University of Łódź) shows a theoretical and practical usefulness of optimal control model as a tool for checking different versions of optimal rules with respect to NBP monetary policy. The calculations were based on a VAR model and quarterly data for Poland.

The last chapter written by M. Paloviita and M. Viren (Bank of Finland) shows how individual forecasters in USA use statistical data in making forecasts and, under what conditions, they change they forecasting habits, rules and views. The paper deals with micro panel data.

The book was preceded by the international conference "Forecasting Financial Markets and Economic Decision-Making" (FindEcon 2012) organized by the Department of Econometrics, University of Łódź, Poland. The scientific record of the papers was assured by the Programme Committee members, the conference discussants and referees. We would like to thank them for their support. We are grateful to all contributors to this book for making it a selection of insightful studies on financial markets.

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