IMPERFECTION OF CREDIT MARKETS, SPECULATIVE BUBBLES AND FINANCIAL ACCELERATOR IN MOROCCO

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ABSTRACT

The credit market continues to be the main mechanism for financing investments in developing countries, particularly in Morocco. In this sense, monetary and macro-prudential policies require the inclusion of this market in macroeconomic analysis. In this article, we use the model proposed by Bernanke et al. (1999) “BGG” in the case of Morocco to answer the question: Is there a mechanism for financial accelerator in Morocco, according to which macroeconomic shocks can be amplified and lead to greater instability of the macroeconomic framework? In a second step, we propose a new monetary rule, taking into account the changes in asset prices and the possibility of speculative bubbles in Morocco. The results argue that credit market imperfections in Morocco amplify macroeconomic shocks and affirm the hypothesis of the existence of the financial accelerator in Morocco. In addition, the counter-factual analysis shows that the Taylor rule augmented with asset prices provides greater economic stability.

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