



Master Seminar

“Current developments in central banking and capital markets”

Summer term 2021

In order to apply for the seminar it is necessary to indicate either **three seminar subjects** (chosen from the list below) listed from the most to the least preferred, or your **own suggestion** of a subject strictly related to the seminar. Your own suggestion should sufficiently differ from the topics listed below. If instead it happens to be only a slight modification of one of the listed topics, please additionally indicate two other topics of your choice in the descending preference order.

Consider that the literature listed below does not necessarily need to be included in your essay. However, it is supposed to be helpful in directing your research efforts.

Suggested topics and literature:

1. How effective have been unconventional monetary policies of the major central banks in reloading economic growth?

Suggested literature:

Acharya, V. V., Eisert, T., Eufinger, C. and Hirsch, C. (2019), “Whatever it takes: The real effects of unconventional monetary policy”, *The Review of Financial Studies*, 32(9), 3366-3411.

Borio, C. and Zabai, A. (2016), “Unconventional monetary policies: A re-appraisal”, BIS Working Paper No. 570.

Gehringer, A. and Mayer, T. (2017), “It’s the WACC, stupid!”, Flossbach von Storch Research Institute, Economic Policy Note 14/02/2017, available at: http://www.fvs-ri.com/files/its_the_wacc_stupid.pdf.

Luck, S. and Zimmermann, T. (2020), “Employment effects of unconventional monetary policy: Evidence from QE”, *Journal of Financial Economics*, 135(3), 678-703.



2. The influence of unconventional monetary policy on bank profitability

Suggested literature:

Borio, C., Gambacorta, L. and Hofmann, B. (2017), “The influence of monetary policy on bank profitability”, *International Finance*, 20(1): 48-63.

Eggertsson, G. B., Juelsrud, R. E., Summers, L. H. and Wold, E. G. (2019), “Negative nominal interest rates and the bank lending channel”, (No. w25416), National Bureau of Economic Research.

Ferrante, F. (2019), “Risky lending, bank leverage and unconventional monetary policy”, *Journal of Monetary Economics*, 101, 100-127.

Gehringer, A. (2016), “Non-performing loans were not built in a day”, FvS Research Institute, Economic Policy Note 28/10/2016, available at: http://www.fvs-ri.com/files/16.10.28_non-performing_loans.pdf.

Lambert, F. and Ueda, K. (2014), “The effects of unconventional monetary policies on bank soundness”, IMF Working Paper WP/14/152.

3. Unconventional monetary policy and security prices

Suggested literature:

Chebbi, T. (2019), “What does unconventional monetary policy do to stock markets in the euro area?”, *International Journal of Finance & Economics*, 24(1), 391-411.

Kurov, A. and Chen, G. (2016), “Monetary policy and stock prices: Does the ‘Fed put’ work when it is most needed?”, *Journal of Futures Markets*, 36(12): 1210-1230.

Rogers, J.H., Scotti, C. and Wright, J.H. (2014), “Evaluating asset-market effects of unconventional monetary policy: a multi-country review”, *Economic Policy*, 29(80): 749-799.

Rosenberg, S. (2019), “The effects of conventional and unconventional monetary policy on house prices in the Scandinavian countries”, *Journal of Housing Economics*, 46, 101659.

Wang, L. (2020), “Unconventional monetary policy and stock repurchases: Firm-level evidence from a comparison between the United States and Japan”, *Research in International Business and Finance*, 51, 101091.



4. Why are interest rates so low?

Suggested literature:

Belke, A. and Klose, J. (2017), “Equilibrium real interest rates and secular stagnation: An empirical analysis for euro area member countries”, *JCMS: Journal of Common Market Studies*, 55(6), 1221-1238.

Eggertsson, G. B., Lancastre, M. and Summers, L. H. (2019), “Aging, output per capita, and secular stagnation”, *American Economic Review: Insights*, 1(3), 325-42.

Ferrero, G., Gross, M. and Neri, S. (2019), “On secular stagnation and low interest rates: demography matters”, *International Finance*, 22(3), 262-278.

Gehringer, A. and Mayer, T. (2019), “Understanding low interest rates: evidence from Japan, Euro Area, United States and United Kingdom”, *Scottish Journal of Political Economy*, 66(1), 28-53.

Klose, J. (2017), “Secular stagnation in non-EMU European countries: Equilibrium real rate approach”, *Journal of Economic Integration*, 400-432.

5. Predicting recessions with the financial cycle

Suggested literature:

Bauer, M.D. and Mertens, T.M. (2018), “Information in the yield curve about future recessions, FRBSF Economic Letter Nr. 2018-20.

Borio, C., Drehmann, M. and Xia, D. (2018), “The financial cycle and recession risk”, *BIS Quarterly Review*, December 2018, 59-71.

Eo, Y. and Kang, K. H. (2020), “The effects of conventional and unconventional monetary policy on forecasting the yield curve”, *Journal of Economic Dynamics and Control*, 111, 103812.

Ponka, H. (2017), “The role of credit in predicting US recessions”, *Journal of Forecasting*, 36(5), 469-482.



6. Credit boom-bust cycles and their economic implications

Suggested literature:

- Adrian, T., Grinberg, F., Liang, N. and Malik, S. (2018), "The term structure of growth-at-risk", IMF Working Papers 18(180).
- Battiaty, C. (2019), "R&D, growth, and macroprudential policy in an economy undergoing boom-bust cycles", *Journal of Macroeconomics*, 59, 299-324.
- Gordon, G. and Ordonez, G. (2016), "Good booms, bad booms", NBER Working Paper No. 22008.
- Lombardi, M.J., Mohanty, M. and Shim, I. (2017), "The real effects of household debt in the short and long run", BIS Working Papers No. 607.

7. Monetary policy and overinvestment cycles

Suggested literature:

- Duarte, P. and Schnabl, G. (2019), "Monetary policy, inequality and political instability", *The World Economy*, 42(2), 614-634.
- Gehringer, A. and Mayer, T. (2019), "Understanding low interest rates: evidence from Japan, Euro Area, United States and United Kingdom", *Scottish Journal of Political Economy*, 66(1), 28-53.
- Romer, P. (2016), "The Trouble with Macroeconomics", *mimeo*, available at:
<https://paulromer.net/wp-content/uploads/2016/09/WP-Trouble.pdf>.
- Schnabl, G. (2017), "Monetary policy and wandering overinvestment cycles in East Asia and Europe", University of Leipzig, Faculty of Economics and Management Science, Working Paper No. 148.



8. Does monetary policy affect inequality?

Suggested literature:

- Domanski, D., Scatigna, M. and Zabai, A. (2016), “Wealth inequality and monetary policy”, *BIS Quarterly Review March*.
- Furceri, D., Loungani, P. and Zdzienicka, A. (2018), “The effects of monetary policy shocks on inequality”, *Journal of International Money and Finance*, 85, 168-186.
- Guerello, C. (2018), “Conventional and unconventional monetary policy vs. households income distribution: An empirical analysis for the Euro Area”, *Journal of International Money and Finance*, 85, 187-214.
- Saiki, A. and Frost, J. (2014), “Does unconventional monetary policy affect inequality? Evidence from Japan” *Applied Economics*, 46(36), 4445-4454.

9. Does financial sector growth crowd out productivity growth?

Suggested literature:

- Borio, C. (2018), “A blind spot in today’s macroeconomics?” Panel remarks during the Joint Conference on “Weak productivity: the role of financial factors and policies”, Paris, 10-11 January 2018, available at: <https://www.bis.org/speeches/sp180110.pdf>
- Cai, Y., Hao, X., Han, E. and Gao, K. (2019), “Financialization, monetary policy and technological innovation”, *Sciences*, 7(1), 1-13.
- Cecchetti, S.G. and Kharroubi, E. (2014), “Why does financial sector growth crowd out real economic growth?” CEPR Discussion Papers No. 10642.
- Beyer, R. and Wieland, V. (2017), “Instability, imprecision and inconsistent use of equilibrium real interest rate estimates”, CEPR Discussion Paper No. 11927.



10. Is there a global financial cycle?

Suggested literature:

- Cerutti, E., Claessens, S. and Rose, A. K. (2019), “How important is the global financial cycle? Evidence from capital flows”, *IMF Economic Review*, 67(1), 24-60.
- Han, X. and Wei, S.-J. (2018), “International transmissions of monetary shocks: between a trilemma and a dilemma”, *Journal of International Economics*, 110, 205-219.
- Jordà, Ò., Schularick, M., Taylor, A. M. and Ward, F. (2019), “Global financial cycles and risk premiums”, *IMF Economic Review*, 67(1), 109-150.
- Rey, H. (2013), “Dilemma not trilemma: the global financial cycle and monetary independence”, Proceedings of the 2013 Federal Reserve Bank of Kansas City Economic Symposium at Jackson Hole, pp. 285-333.

11. Financial repression in a high-debt environment

Suggested literature:

- Chari, V. V., DAVIS, A. and Kehoe, P. J. (2020), “On the optimality of financial repression”, *Journal of Political Economy*, 128(2), 000-000.
- Loizos, K. (2018), “The financial repression-liberalization debate: taking stock, looking for a synthesis”, *Journal of Economic Surveys*, forthcoming, 32(2), 440-468.
- Monnet, E., Pagliari, S. and Vallée, S. (2014), “Europe between financial repression and regulatory capture”, Bruegel Working Paper No. 2014/08.
- Reinhard, C.M., Kirkegaard, J. and Sbrancia, M.B. (2011), “Financial repression redux“, *Finance and Development*, 48(2), 22-26.
- Van Riet, A. (2019), “Managing high public debt in Euro-Area countries: Financial repression as fiscal insurance?”, *FinanzArchiv: Public Finance Analysis*, 1-43.



12. Passive investment strategies and their influence on financial stability

Suggested literature:

- Anadu, K., Krutilli, M., McCabe, P., Osambela, E. and Shin, H. C. (2018), “The shift from active to passive investing: Potential risks to financial stability?” FRBB Working Paper No. RPA 18-04.
- Bhattacharya U., Loos, B., Meyer, S. and Hackethal, A. (2016), “Abusing ETFs”, *Review of Finance*, 21(3), 1217-1250.
- Israeli, D, Lee C. M. C. and Sridharan, S. A. (2017), “Is there a dark side to exchange traded funds? An information perspective”, *Review of Accounting Studies*, 22(3), 1048-1083.
- Gehringer, A. and Lehmann, K. (2017), “Exchange Traded Funds (ETFs): hyperactive rather than passive“, Flossbach von Storch Research Institute, Market Behavior No. 12/6/2017, available at: http://www.fvs-ri.com/files/17.06.12_hyperactive_rather_than_passive.pdf.
- Pagano, M., Sanchez Serrano, A. and Zechner, J. (2019), Can ETFs contribute to systemic risk? ESRB, Reports to the Advisory Scientific Committee No. 9.
- Petajisto, A. (2017), “Inefficiencies in the pricing of Exchange-Traded Funds”, *Financial Analysts Journal*, 73(1), 24-54.

13. Active versus passive investment strategy and market outperformance

Suggested literature:

- Anderson, C. (2017), “The passive vs. active conundrum: a new perspective on the arithmetic of index investing”, Christopher Edward Anderson, Working Paper, *mimeo*.
- Cremers, M., Ferreira, M. A., Matos, P. and Starks, L. (2016), “Indexing and active fund management: international evidence”, *Journal of Financial Economics*, 102(3), 539-560.
- Cremers, M. and Pareek, A. (2016), “Patient capital outperformance: the investment skill of high active share managers who trade infrequently”, *Journal of Financial Economics*, 122(2), 288-306.
- Gehringer, A. and Lehmann, K. (2017), “Abseits des Zufalls“, Flossbach von Storch Research Institute, Marktverhalten No. 21/9/2017, available at: http://www.fvs-ri.com/files/17.09.21_abseits_des_zufalls.pdf.
- Gehringer, A. and Lehmann, K. (2018), “Active versus passive: What really matters for bonds”, Flossbach von Storch Research Institute, Society & Finance No. 27/12/2018.