

LATEST NEWS

CONFERENCES:

24 and 25 April, 2014: Conference 'Central banking in the next two decades'



On 24-25 April De Nederlandsche Bank held a conference on "Central banking in the next two decades" to celebrate its 200-year anniversary. In the wake of the financial crisis a broader view of central banking has emerged, which brings the core

responsibilities of central banks, monetary and liquidity policy, micro- and macro-prudential regulation and supervision, and the stability and reliability of payment and settlement systems closer together. Against this background the conference discussed the main areas of central banking in four sessions on financial stability, payments, supervision and monetary policy.

In his opening remarks, Klaas Knot described how DNB developed from a mainly Amsterdam-oriented commercial institution into a truly pan-European institution, with public duties and a centre of gravity in Frankfurt. In his keynote speech, Mario Draghi argued that forward guidance and the publication of minutes of monetary policy meetings can provide greater transparency and make monetary policy more effective, and that this was particularly relevant at the zero lower bound.

In the first session on financial stability, Charles Goodhart and the three panelists highlighted a number of practical challenges with macro-prudential policy, including how to draw down capital buffers in a bust and a lack of

experience with macroprudential tools. Charles Goodhart also noted that collateral policy, which had been the main tool for financial oversight by central banks historically, has become relevant again for central banks in the wake of the financial crisis.

In the second session on payments, Larry Sweet argued that central banks will continue to see themselves at the centre of wholesale payment systems, with the goal of improving their safety and soundness, and thereby contributing to financial stability. Charles Kahn highlighted that the current drive in regulation was centralization of clearing and settlement.

In the third session on supervision, Daniele Nouy described the achievements on the road to Banking Union, as well as the challenges ahead. She noted that the objectives of the Comprehensive Assessment in the euro area are to enhance transparency, to repair where needed, and to build confidence. Merel van Vroonhoven also highlighted the need for banks to enhance their disclosure of valuation and risk in order to restore investor confidence.

In the fourth session on monetary policy, Frederic Mishkin highlighted the need for a monetary policy framework that gives due weight to financial stability concerns when imbalances accumulate, while keeping its focus primarily on price stability; the first line of defense against financial imbalances should be macro-prudential policy. He also noted that very accommodative monetary policy can encourage excessive risk-taking, but that this was not currently a problem in the euro area. Jaime Caruana gave the final speech.

DISSERTATIONS:

- **Anneke Kosse – March 10th, 2014**

In March 2014 [Anneke Kosse](#) successfully defended her PhD thesis entitled 'Consumer Payment Choices: Room for Further digitisation' at the Tilburg University. Her thesis supervisors were Prof. Dr. Ron Berndsen (De Nederlandsche Bank & Tilburg University) and Prof. Dr. Sylvester Eijffinger (Tilburg University). The objective of the thesis was to examine the drivers underlying consumers' choice of which payment instruments to use for their transactions. More specifically, in three empirical studies, the work examines how consumers' payment choices are influenced by foreign backgrounds and by payments safety. However, as having accurate data on the use of payment instruments is key to assessing the drivers underneath, the thesis first takes one step back and provides a profound analysis of how to best measure consumers' payment behaviour, and in particular the use of cash. All the empirical chapters presented in the thesis have also been published in peer reviewed journals (*Journal of Banking & Finance*, *International Journal of Central Banking*, *De Economist*).

- **Roland Uittenbogaard – March 25th, 2014**

Roland Uittenbogaard defended his PhD thesis on establishment and early development of De Nederlandsche Bank at Utrecht University on March 25 2014, the exact date of DNB's 200th anniversary. The title of the PhD thesis is 'Evolution of central banking? De Nederlandsche Bank 1814-1852' (not yet published). Promotors: prof. dr. J. de Haan and prof. dr. J.L. van Zanden. Uittenbogaard tested two competing theories on the development of central banking in his thesis. The 'institutional theory regards the central bank as a crucial institution to maintain stability of the Financial system, whereas the 'free banking' theory regards the central bank as a threat to stability.

Uittenbogaard concluded that establishment of DNB, can be understood in light of both theories. The development of DNB in its early decades shows that the institutional theory fits the Dutch case best. Clearly, the central bank has an important role to play in the financial system, to underpin confidence in money and thereby creating conditions for favorable economic development.

This makes the Dutch case stand out in international comparative perspective, particularly against the 'free banking' examples in other countries where governments established or privileged central banks for the wrong reasons. The early development of central banking shows that a well-organized central bank can positively contribute to financial stability, but perhaps more importantly, that it is possible for government to also play a positive role.

Uittenbogaard demonstrates that King Willem I established DNB on March 25 1814 because he wanted to make use of the Bank to finance his great ambitions with the Dutch economy.

Fortunately for DNB, however, nothing came of this. The proposal for a national bank originated from the early years of the nineteenth century and aimed to introduce a last resort lender to make the Amsterdam money market less prone to shocks of confidence. But because of that primary

objective, DNB behaved independently and prudently from the start. The reluctance of DNB to finance government expenditure in any way was a rational choice based on its primary objective. Its entire governance structure was geared towards this objective. The changes made by the



King to be able to make the Bank do what he wanted proved insufficient and the King showed remarkable restraint as well. Only 20 years after establishment, in 1834, did DNB lend to government. Had it done so earlier, it would have made its business impossible because of the distrust this government entity aroused in the market. In order to get its bank notes accepted, DNB had to act very carefully. Government did not force the public to use or accept banknotes and the cashiers in the Amsterdam market provided an alternative means of payment. Government recognized that forcing DNB to lend to government would not help in getting its bank notes accepted.

Roland Uittenbogaard (1972), is an economic historian. He started on his thesis at the European University Institute, Florence. He now works at the Ministry of Finance. Before he worked at De Nederlandsche Bank, European Commission and the Dutch Competition Authority.

PAPERS:

- **‘Estimation of the marginal expected shortfall: the mean when a related variable is extreme’, Chen Zhou**

A new paper by [Chen Zhou](#) (jointly with Juan-Juan Cai (TU Delft), John Einmahl (Tilburg University) and Laurens de Haan (Erasmus University Rotterdam)) entitled “Estimation of the marginal expected shortfall: the mean when a related variable is extreme” has been accepted for publication in *Journal of the Royal Statistical Society, Series B (JRSS-B)*. In this paper, the authors formalize the estimation procedure of a recently proposed systemic risk measure: the marginal expected shortfall (MES). Statistical properties on the estimator of MES are established. JRSS-B is ranked as second in the category "Statistics and Probability" in the ISI Journal Citation Reports 2012,

with an impact factor 4.81, ahead of *Econometrica* (ranked third, with an impact factor 3.82). Please use this link for further information: [paper Chen Zhou](#).

- **‘Migrants’ choice of remittance channel: Do general payment habits play a role?’, Anneke Kosse and Robert Vermeulen**

A paper by [Anneke Kosse](#) and [Robert Vermeulen](#) entitled "Migrants' choice of remittance channel: Do General payment habits play a role?" is forthcoming in *World Development*. The paper empirically investigates the determinants in migrants' choice of payment channel when transferring money to relatives abroad. It analyses survey results on 501 migrants in the Netherlands, identifying five remittance channels: bank, money transfer operator, in-cash transfers via informal intermediaries, ATM withdrawals abroad and carrying cash abroad. The results show that education, costs, access and financial development in the recipient country are important determinants, while general cash preferences and internet banking usage play a limited role. Based on these findings, financial education, cost reduction and increasing financial inclusion may serve a valuable role to increase the use of formal channels.

Please use this [link](#) for the DNB Working Paper.

- **‘Systematic tail risk’, Maarten van Oordt and Chen Zhou**

The paper ‘Systematic tail risk’ by [Maarten van Oordt](#) and [Chen Zhou](#) has been accepted for publication in the *Journal of Financial and Quantitative Analysis*.

This article discusses the question of whether historical price movements have a predictive value for the size of potential losses during a stock market crash. Our research shows that historical price movements may indeed provide an indication of which stocks will be hit relatively hard in a

future market crash. Analysis of previous black days on the stock market may help to further improve estimates of potential losses. This answer is important for the merit of market risk models, which use historical price information to estimate potential losses during a stock market crash. If historical price information has no predictive value for the size of potential losses during a crash, these models have limited use for assessing market risks in market conditions where risk analysis and management are in fact crucially important. Please use the [link](#) for the DNB Working Paper.

FORTHCOMING CONFERENCES

Annual Research Conference 2014 will take place at De Nederlandsche Bank in Amsterdam on 13-14 November 2014 and will have the title "Forward guidance and communication about unconventional monetary policy". Keynote speeches will be given by Charles Evans (President, FED Chicago) and David Miles (Monetary Policy Committee member, Bank of England). Please use this [link](#) for the call for papers.

Annual Research Conference 2014

31 October 2014: CPB, DNB, ESB and KVS organize the Nederlandse Economendag (Netherlands Economists Day, N.E.D.). Researchers present their work and discuss the implications of their results with policymakers. The day concludes with a lecture by Prof. Dr. Lawrence H. Summers (Harvard University). For a call for papers and more information, please use this [link](#).

FORTHCOMING RESEARCH SEMINARS

(Please follow this link to read how you can attend)

- | | |
|-------------------|--|
| 24 June 2014 | - Michel van der Wel / Erasmus University |
| 1 July 2014 | - Elsa Fornero / University of Turin |
| 3 July 2014 | - Enrique Mendoza / University of Pennsylvania |
| 8 July 2014 | - Jean Imbs / Paris School of Economics |
| 22 July 2014 | - Rodney Ramcharan / Federal Reserve Board |
| 29 July 2014 | - Tamon Asunoma / Int. Monetary Fund |
| 8 September 2014 | - Jordi Gali / CREI |
| 16 September 2014 | - Allen Berger / University of South Carolina |
| 23 September 2014 | - Guenter Franke / University of Konstanz |
| 30 September 2014 | - Enrico Perotti / University of Amsterdam |
| 7 October 2014 | - Michael Kumhof / Int. Monetary Fund |
| 14 October 2014 | - Stefanie Kleimeier / Maastricht University |
| 21 October 2014 | - Sylvia Kaufmann / Study Centre Gernzensee |
| 28 October 2014 | - Andre Lucas / University of South Carolina |
| 25 November 2014 | - Macro Lo Duca / European Central Bank |

PUBLISHED ARTICLES AND BOOKS (NEW SINCE MARCH 2014)

- **Effects of explicit FOMC policy rate guidance on equities and risk measures**, Richhild Moessner, Applied Economics, 2014, 46(18), 2139-2153
- **Is this bank ill? The diagnosis of Doctor Target2**, Ronald Heijmans and Richard Heuver, Journal of Financial Market Infrastructures, 2014, 2(3)
- **Composition of exports and export performance of euro area countries**, Peter Wierdsma, Henk van Kerkhoff and Jakob de Haan, Journal of Common Market Studies, 2014, 52(4), 928-941
- **Government bond yield sensitivity to economic news at the zero lower bound in Canada in comparison with the UK and US**, Richhild Moessner, Applied Financial Economics, 2014, 24(11), 739-751
- **Measuring and explaining implicit risk sharing in defined benefit pension funds**, Jacob Bikker, Thijs Knaap and Ward Romp, Applied Economics, 2014, 46(17), 1996-2009
- **Securitization and the dark side of diversification**, Maarten van Oordt, Journal of Financial Intermediation, 2014, 23(2), 214-231
- **ECB reaction functions and the crisis of 2008**, Stefan Gerlach and John Lewis, International Journal of Central Banking, 2014, 10(1), 137-157
- **Personal traits and individual choices: Taking action in economic and non-economic decisions**, Maarten van Rooij and Federica Teppa, Journal of Economic Behavior & Organization, 2014, 100, 33-43
- **ECB policy-making and the financial crisis**, Janko Gorter, Fauve Stolwijk, Jan Jacobs and Jakob de Haan, International Journal of Finance and Economics, 2014, 19(2), 132-139
- **A Conference on Post-Crisis Banking**, Thorsten Beck, Jakob de Haan and Robert DeYoung, Journal of Money, Credit and Banking, 2014, Supplement to 46(1), 1-11
- **Multinational banks and the global financial crisis: Weathering the perfect storm?**, Ralph de Haas and Iman van Lelyveld, Journal of Money, Credit and Banking, 2014, 46(s1), 333-364

FORTHCOMING ARTICLES (NEW SINCE MARCH 2014)

- **Social networks and research output**, Lorenzo Ductor, Marcel Fafchamps, Sanjeev Goyal and Marco van der Leij, Review of Economics and Statistics
- **Estimation of the marginal expected shortfall: the mean when a related variable is extreme**, Juan-Juan Cai, John Einmahl, Laurens de Haan and Chen Zhou, Journal of the Royal Statistical Society, Series B
- **Are European sovereign bonds fairly priced? The role of modelling uncertainty**, Leo de Haan, Jeroen Hessel and Jan Willem van den End, Journal of International Money and Finance
- **Bank risk within and across equilibria**, Itai Agur, Journal of Banking and Finance
- **Systematic tail risk**, Maarten van Oordt and Chen Zhou, Journal of Financial and Quantitative Analysis
- **Migrants' choice of remittance channel: Do General payment habits play a role?**, Anneke Kose and Robert Vermeulen, World Development
- **The role of financial intermediaries in monetary policy transmission**, Thorsten Beck, Andrea Colciago and Damjan Pfajfar, Journal of Economic Dynamics and Control
- **When does the general public lose trust in banks?**, David-Jan Jansen, Robert Mosch and Carin van der Crujssen, Journal of Financial Services Research

DNB Occasional Studies 2014

(please click on the title to open pdf)

- No. 1 – Jurriaan Eggelte, Jos Jansen, Guido Schotten and Diederik Dicu
[Wage Development Considered](#)
- No. 3 – Gerbert Hebbink, Mark Kruidhof and Jan Willem Slingenberg
[Bank lending and capital](#)
- No. 4 – Piet Buitelaar
[Chinese banks - risks and challenges](#)

DNB WORKING PAPERS 2014

- No 412 – Michael Ehrmann and David-Jan Jansen
[It hurts \(stock prices\) when your team is about to lose a soccer match](#)
- No 413 – Richhild Moessner, Jakob de Haan and David-Jan Jansen
[The effect of the zero lower bound, forward guidance and unconventional monetary policy on interest rate sensitivity to economic news in Sweden](#)
- No 414 - Dirk Broeders, An Chen and Birgit Koos
[Utility-equivalence of pension security mechanisms](#)
- No 415 - Irma Hindrayanto, Siem Jan Koopman and Jasper de Winter
[Nowcasting and forecasting economic growth in the euro area using principal components](#)
- No 416 - Richhild Moessner
[Effects of ECB balance sheet policy announcements on inflation expectations](#)
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[On trend-cycle-seasonal interactions](#)
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[Dynamic visualization of large transaction networks: the daily Dutch overnight money market](#)
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[Banking stress test effects on returns and risks](#)

- No 420 – Thorsten Beck, Andrea Colciago and Damjan Pfajfar
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[How does unconventional monetary policy affect inequality? Evidence from Japan](#)
- No 424 – Dirk van der Wal
[The measurement of international pension obligations – Have we harmonised enough?](#)
- No 425 – Ivo Arnold and Saskia van Ewijk
[The impact of sovereign and credit risk on interest rate convergence in the euro area](#)
- No 426 – Niels Vermeer, Maarten van Rooij and Daniel van Vuuren
[Social interactions and the retirement age](#)

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