



Central bank and prudential supervisor of financial institutions

Editors: Karin Barth (k.barth-romp@dnb.nl) / Marijke Vogelesang-Douw (r.vogelezang-douw@dnb.nl)

The DNB Research Newsletter is a periodic publication which provides information on current research activities within DNB. It contains information on recent publications of DNB Research in our Working Paper Series and journals in all core areas of our institution: monetary and financial stability, supervision and payment systems. It also contains information on our visiting scholar programme and research seminars and workshops. For subscription, please contact : <mailto:secretariaat-ebo@dnb.nl>.

LINKS

[Homepage](#)

[Occasional Studies](#)

[DNB Research Seminars](#)

[DNB Research Conferences and Workshops](#)

[Visiting Scholar-programme](#)

[Personal pages Researchers](#)

[DNB Research Newsletter](#)

NEW EMPLOYEES



Razvan Vlahu started 1st of November as a research economist at the Economic Policy and Research Division. Before joining DNB, he was a PhD student and lecturer in finance at the University of Amsterdam, Business School. He performed part of his research while attending the Toulouse University and IDEI as a visiting researcher. His dissertation consists of three essays on banking and concentrates on two topics. The first two essays deal with strategic behavior of borrowers. The third essay explores the relation between bank capital and risk-taking in the presence of tail risk projects. His work has been presented at several major conferences including the EFA and FIRS annual meetings. Razvan has been awarded the Louis-Andre Gerard-Varet prize for best conference paper at the ASSET annual meeting.



Irma Hindrayanto started on December 1st, 2010 as a policy advisor (with special task in model building) at the Economic Policy and Research Division of DNB. Previously, she was a PhD student working on the analysis of seasonal macroeconomic time series. Her research has concentrated on extending the unobserved components time series model with periodic coefficients. It is shown that exact maximum likelihood estimation is feasible despite the large number of parameters that need to be estimated for this class of periodic models by means of state space methods such as the Kalman filter. This successful research project has been carried out under the supervision of prof. dr. S.J. Koopman and dr. M. Ooms of the Vrije Universiteit Amsterdam (VU). Recent publications have appeared in Oxford Bulletin of Economics & Statistics and in Computational Statistics & Data Analysis. During her time at the VU, she gave several tutorial classes and lectures for different courses including Introductory Econometrics for 2nd/3rd year bachelor students.

For vacancies please follow this [link](#).

FORTHCOMING CONFERENCES/WORKSHOPS 2011

A joint conference by De Nederlandsche Bank and the European Banking Center, Tilburg University, 26 and 27 May 2011.

Cross-border banking was supposed to bring benefits of increased competition, scale economies and diversification. In practice, however, the internationalization of banking also gave rise to the transmission of economic shocks worldwide, and allowed banks to grow very large to the size of some economies with concomitant risks to financial stability.

[link](#)

PREVIOUS CONFERENCES/WORKSHOPS 2010

Recently the Research Department hosted two conferences. On October 28th and 29th, around 50 specialists from academia, central banks, research institutes and commercial banks attended the 13th Annual DNB Research Conference on 'Government support for the financial sector: what happens next?'. The two keynote lectures were given by Thorsten Beck (University of Tilburg) and Elena Carletti (European University Institute). On Thursday, Rick van der Ploeg (Oxford University) acted as moderator for a policy panel. The conference saw lively debate, in which the audience actively participated. The research which was presented covered many topics, including liquidity risk, crisis transmission, stigma in financial markets and recovery determinants of distressed banks.

A second conference took place on November 15th and 16th, and was co-organized with the European Central Bank and the University of Groningen. The conference was titled: 'Monetary policy and financial stability: what role for communication?'. As central bank communication is a major research theme for our Department, various DNB researchers contributed as presenters or discussants. For instance, Carin van der Cruisjen (DNB) presented empirical work showing how the general public often expects more from financial supervision than can realistically be delivered. The conference was closed with an interesting panel discussion, with insightful contributions from Sylvester Eijffinger (University of Tilburg), Donato Masciandaro (Bocconi University) and Lars Nyberg (Sveriges Riskbank).

Annual Research Conference: 'Government support for the financial sector: what happens next?' 28 and 29 October 2010.

For more information, papers and presentations please visit our: [website](#).

Conference with ECB and University of Groningen about 'Monetary policy and financial stability: The role of communication', 15 and 16 November 2010.

For more information and the papers please visit our: [website](#).

SEMINARS 2010

Kasper Roszbach (Sveriges Riksbank/University of Groningen) will give a seminar on January 25th. Credit Ratings and Bank Monitoring Ability. See [website](#).

Vadym Volosovych (Erasmus University Rotterdam) will give a seminar on March 15th. Global Firms, Local Trust and Productivity. See [website](#).

Harry Huizinga (Tilburg University) will give a seminar on April 12th. See [website](#).

Rodney Garatt (Bank of England) will give a seminar on July 12th. See [website](#).

RECENT PUBLICATIONS

1. **Haan, J. de**, Inflation Differentials in the Euro Area: A Survey, in: J. de Haan and H. Berger (eds), *The European Central Bank at Ten*, Springer, pp. 11-32.
2. **Jansen, D. and Haan, J. de**, The communication policy of the ECB: An overview of the first decade, in: J. de Haan and H. Berger (eds), *The European Central Bank at Ten*, Springer, pp. 119-142.
3. **Haan, J. de and Berger H.**, *The European Central Bank at Ten*, Springer, ISBN: 978-3-642-14236-9.
4. **Bikker, J.A.**, An extended gravity model with substitution applied to international trade, in: S. Brakman and P.A.G. van Bergeijk (eds) *The Gravity Model in International Trade: Advances and Applications*, Cambridge University Press, pp. 135-162.
5. **Bikker, J.A. and Broeders, D.W.G.A.**, Stock market performance and pension fund investment policy: rebalancing, free float, or market timing?, *International Journal of Central Banking*, 6(2) pp. 53-79.
6. **Zhou, C.**, Are banks too big to fail?, *International Journal of Central Banking*, 6(4), pp. 205-250.
7. **Bikker, J.A.**, Measuring and explaining competition in the financial sector, *Journal of Applied Business and Economics*, 11(1), pp. 11-42.
8. **Haan, J. de and Poghosyan T.**, Determinants of cross-border bank acquisitions in transition economies: A latent class analysis, *The Economics of Transition*, 18 (4), pp. 671-696.
9. **Bikker, J.A.**, 2010, Measuring performance of banks: an assessment, *Journal of Applied Business and Economics* 11 (4).
10. **Coppes, B. and Jeuken, R.**, Kredietderivaten, in: Jasper Blom (ed.) *De Kredietcrisis: een politiek-economisch perspectief*, Amsterdam University Press.
11. **Jong-A-Pin, R.M. and Haan, J. de**, Political Regime Change, Economic Liberalization and Growth Accelerations, *Public Choice*, 146(1-2), pp. 93-115.
12. **Rooij, M.C.J. van, and Kapteyn A.**, Adequacy of savings for old age in Europe, in: L. Bovenberg, A. van Soest and A. Zaidi (eds.), *Ageing, health and pensions in Europe: An economic and social policy perspective*, Palgrave Macmillan, pp. 36-40.

FORTHCOMING PUBLICATIONS

1. **Bikker, J.A., Broeders, D., Hollanders, D. and Ponds, E.** Pension funds' asset allocation and participant age: a test of the life-cycle model, *Journal of Risk and Insurance*.
2. **Berger, J., Haan, J. de and Sturm, J-E.**, Does money matter in the ECB strategy? New evidence based on ECB communication, *International Journal of Finance and Economics*, (DOI: 10.1002/ijfe.412).
3. **Seldadyo, H.G. and Haan, J. de**, Is corruption really persistent?, *Pacific Economic Review*.

4. **Sturm, J-E. and Haan, J. de**, Does central bank communication really lead to better forecasts of policy decisions? New evidence based on a Taylor rule model for the ECB, *Review of World Economy/Weltwirtschaftliches Archiv*.
5. **Zhou, C. and Haan, L. de**, Extreme residual dependence for random vectors and processes: with an application to systemic risk of banking system, *Advances in Applied Probability*.
6. **Rooij, M.C.J. van, Lusardi, A. and Alessie R.**, Financial literacy and stock market participation, *Journal of Financial Economics*.
7. **Rooij, M.C.J. van, Lusardi, A. and Alessie R.**, Financial literacy and Retirement Planning in the Netherlands, *Journal of Economic Psychology*.
8. **Rooij, M.C.J. van, Hurd, M. and Winter J.**, Stock Market Expectations of Dutch households, *Journal of Applied Econometrics*.
9. **Pick, A.**, Variable selection, estimation and inference in multiperiod forecasting problems, *Journal of Econometrics*.
10. **Pick, A. and Bernoth, K.**, Forecasting the fragility of the banking and insurance sector, *Journal of Banking and Finance*.
11. **Lewis, J.M.**, How has the Financial Crisis affected the Eurozone Accession Outlook?, in: *The Economic Crisis and European Integration*, Edward Elgar, pp.171-193.
12. **Pick, A. and Pesaran, H.**, Forecast combination across estimation windows, *Journal of Business and Economic Statistics*.
13. **Horen, N. van, Yeyati, L. and Schmukler, S.**, Crises, capital controls and financial integration, in: M. Kawai and M.B. Lamberte (eds.) *Managing capital flows; The search for a framework*, Edward Elgar.

NEW BOOK:

J. de Haan and H. Berger,
The European Central Bank at Ten,
 Springer, 2010.

There was no shortage of doubters when the euro was introduced as a new currency and the Economic and Monetary Union (EMU) came to live in 1999. As the argument went, the ECB lacked the governance structure, institutional experience, strategy, and instruments required for running the euro area's monetary policy effectively. And EMU showed too little economic convergence to make it work smoothly under one central bank but multiple fiscal and structural policies. But while the jury is still out on the latter (and the ruling is likely to be critical), the verdict on the ECB's first ten years is in—and to a large degree it has it has been a resounding success. In fact, the ECB can look back with a certain amount of satisfaction. It has honed its tool kit and flexibly expanded it to meet the requirements of a changing world, adjusted its decision-making mechanism to better cope with the growing euro area membership, and after ten years has earned the respect of financial markets, policymakers, and

its peers in the U.S., Japan, and the U.K. The questions of how exactly the ECB got there and what still might be lacking are the subject of this book. The purpose of the book is to provide the reader with a comprehensive overview of the issues discussed. The book covers the following topics:

1. Inflation Differentials in the Euro Area: A Survey by Jakob de Haan
2. The ECB's Monetary Analysis Revisited by Helge Berger, Thomas Harjes and Emil Stavrev
3. Euro Area Monetary Policy in Uncharted Waters by Martin Cihak, Thomas Harjes and Emil Stavrev
4. The Communication Policy of the European Central Bank: An Overview of the First Decade by Jakob de Haan and David-Jan Jansen
5. Governance and Monetary Policy Decision-Making at the ECB by Peter Stella and Jérôme Vandenbussche
6. The ECB, Financial Supervision, and Financial Stability Management by Dirk Schoenmaker

Former intern of DNB wins price!

Dennis Bonam (former intern of the Economics and Research Division) has won the second price in the Great Finance Price, a price for the best thesis on a financial economic topic, presented by the Dutch Ministry of Finance.

See:



Thesis



G:\EBO\SAO\Jakob\
 Jurycomment.pdf

DNB-researcher publishes in Journal of Financial Economics

Maarten van Rooij (Economics & Research Division) has had his paper 'Financial Literacy and Stock Market Participation' (joint with Annamaria Lusardi and Rob Alessie) accepted by JFE. This study measures financial literacy and its relationship with stock market participation. The findings suggest that the majority of respondents display basic financial knowledge and have some grasp of concepts such as interest compounding, inflation, and the time value of money. However, very few go beyond these basic concepts; many respondents do not know the difference between bonds and stocks, the relationship between bond prices and interest rates, and the basics of risk diversification. Most important, the results show that financial literacy affects financial decision-making: Those with low literacy are much less likely to invest in stocks.

Ron Berndsen appointed endowed Professor of Financial Infrastructure and Systemic Risk

Tilburg University has appointed Dr Ron Berndsen as endowed Professor of Financial Infrastructure and Systemic Risk starting on 1 December 2010. The chair is being sponsored by De Nederlandsche Bank. In sponsoring this chair, DNB hopes to stimulate the interaction between the practical and the theoretical side of financial infrastructure and where possible, improve control over the systemic risk of this infrastructure.

Under the terms of this endowed chair, Ron Berndsen will be carrying out research into a comprehensive theory designed to provide a uniform functional description of the financial infrastructure. Examples of ways this infrastructure is used include payments between banks, in shops at the counter, during internet banking transactions and when clearing and settling securities transactions on exchanges and trading platforms. A second aspect of the research involves the systemic risk attached to this infrastructure, such as failure of the infrastructure itself or the domino-effect that occurs if a bank goes bankrupt.

In addition, Berndsen will be lecturing students at Tilburg University on financial infrastructure and the intrinsic systemic risk, from angles including that of the financial crisis of 2008 and other examples from practical oversight experience.

Dr R.J. (Ron) Berndsen (1965) is head of the Oversight Department at De Nederlandsche Bank. This department oversees the financial infrastructures relevant to the Netherlands and is responsible for crisis management of the country's main financial infrastructure. He is also a member of the cooperative oversight committees of CLS, Euroclear, LCH.Clearnet and SWIFT. Alongside this, Berndsen is a member of the Eurosystem's Payment and Settlement Systems Committee (PSSC). He has held various management positions at De Nederlandsche Bank since 1992, in the area of monetary and economic policy. Before this, he worked at Tilburg University (CentER), gaining a PhD from the University's Faculty of Economics and Business Administration with a thesis entitled Knowledge representation and qualitative reasoning in economic models. The appointment to the endowed chair for Financial Infrastructure and Systemic Risk (0.2 FTE) is for a period of five years and is based in the Department of Economics at Tilburg University.

RECENT DNB WORKING PAPERS

No. 265 Vincent Sterk

Home Equity, Mobility, and Macroeconomic Fluctuations How does a fall in house prices affect real activity? This paper presents a business cycle model in which a decline in house prices reduces geographical mobility, creating distortions in the labor market. This happens because homeowners face declines in their home equity levels, after which it becomes more difficult to provide the down-payment required for a new mortgage loan. Unemployed homeowners therefore turn down job offers that would require them to move. The model explains joint cyclical patterns in housing and labor market aggregates, as well as the puzzling breakdown of the U.S. Beveridge curve that occurred during 2009.

Keywords : Housing Markets, Labor Markets, Refinancing Constraints.

JEL Classification : E24, E44, R21.

[Link to: paper](#)

No. 266 Steven Poelhekke and Rick van der Ploeg

Do Natural Resources Attract FDI? Evidence from nonstationary sector level data

A new and extensive panel of outward foreign direct investment (FDI) at the sector level is used to estimate the determinants of non-resource and resource FDI. Since FDI is I(1), we estimate panel errorcorrection models of FDI with spatial lags for FDI and market potential. Our main result is that subsoil assets boost resource FDI, but crowd out non-resource FDI. The effect on non-resource FDI dominates, so that aggregate FDI is less in resource-rich countries. Spatial lags aggravate this crowding out of nonresource FDI. In addition, we find that (i) resource FDI is mainly vertical whereas other FDI is of the export-fragmentation variety; (ii) trade openness, free trade agreements and institutional quality do not impact non-resource FDI but institutional quality does have a positive effect on resource FDI; and (iii) the short-run dynamics comes mostly from shocks to FDI itself. Our main and ancillary results are robust to different measures of resource reserves and the oil price and to allowing for sample selection bias.

Keywords: outward sector level FDI, subsoil assets, co-integration tests, spatial econometrics, hydrocarbon reserves, external margin, sample selection bias

JEL code: C21, C33, F21, Q33

[Link to: paper](#)

DNB Working Papers are available for download in pdf format. [Link:](#)

[Working Papers](#)