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Research Newsletter

DeNederlandscheBank
EUROSYSTEEM

Latest news

Special Issue of Journal of Financial Services

Wilco Bolt, Nicole Jonker and Carin van der Cruijsen-Knoben

The Journal of Financial Services Research has published a special issue on "Retail Payments". This special issue includes research presented at the DNB conference "Retail Payments: Mapping Out The Road Ahead". The aim of this conference was to better understand the changing nature of the payment system and to discuss potential future developments and their implications. The articles in the special issue improve our understanding of behavior in the retail market. This is key information for policymakers charged with overseeing the development of retail payments. The special issue covers the following topics: social spillovers in consumers' security assessments of payment instruments, the effect of public campaigns on debit card usage, social ties and the demand for financial services, and consumer bank switching behavior.

Please use the following link to read the special issue:
■ LINK

Annual Conference 2017 De Nederlandsche Bank

Amsterdam, 9-10 October 2017

On 9 and 10 October DNB organized its twentieth Annual Research Conference. This year the conference theme was "Fiscal and Monetary Policy in a Changing Economic and Political Environment". The conference featured keynote speeches by John Cochrane (Stanford University) and Nobel Prize winner Chris Sims (Princeton). Eight research papers were presented and a policy panel discussed the conference theme.

In his keynote speech John Cochrane questioned the validity of mainstream economic models because they fail to explain the current low and stable inflation. Whereas the Old Keynesian model predicts a deflationary spiral, the New Keynesian model predicts multiple equilibria and therefore very volatile inflation. The Monetarist models, in contrast, predict hyperinflation due to the large expansion of central bank balance sheets. None of this was observed. John shows that the Fiscal Theory of the Price Level is able to explain the recent history of low and stable inflation.

Chris Sims reflected in his keynote speech on the experiences of the European Economic and Monetary Union. In his view, a key missing aspect is the orderly resolution of government defaults. Consequently, bankruptcies of a single country can threaten the existence of the entire monetary union. Reform of the

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Eurozone is complicated by the fact that "we are discussing insurance after the house has burned down". According to Sims, ex-ante risk sharing by means of, e.g., ESBies and fiscal backing of the ECB are important instruments that can facilitate an orderly resolution of sovereigns.

The presented papers all studied different aspects of fiscal and monetary policy interactions in the theoretical models we use. For example, Leopold Von Thadden (ECB) and Dennis Bonam (DNB) studied the stability of a monetary union conditional on switching between active and passive fiscal and monetary policy. Salvatore Nistico (Sapienza University Rome) analyzes theoretically when unconventional open-market operations by central banks affect output and inflation. Open-market operation are not neutral when treasury's support is absent or if the treasury is unable or unwilling to tax households to cover central bank's losses.

Dominik Thaler (Bank of Spain) shows that his model can explain the movement from a corridor system to a floor system by the size of the central bank balance sheet. Other topics that were presented dealt with the stability of equilibria when either the government or central bank conducts regime switching policies (Guido Ascari, Oxford University) and the importance of agents' beliefs for sovereign debt limits and the effectiveness of monetary policy (Niccolo Battistini, ECB).

Florin Bilbiie (Paris School of Economics) and Markus Hagedorn (Oslo University) questioned some basic assumption in the mainstream models. Florin shows how results change when the consumption of hand-to-mouth consumers is not modelled as a fraction of total income in the economy as is generally assumed, but as a fraction of their own income. Finally, Markus offers a new perspective on price level determination by highlighting the role of incomplete markets.

For more information on the program, papers and presentations please consult the conference website at Link.

Conference "Competition in Banking and Finance"

Groningen, 21-22 September 2017

On the occasion of the publication of the *Handbook on Competition in Banking and Finance* (Edgar Elgar Publishers), the two editors of this handbook, professor Laura Spierdijk and professor Jaap Bikker, organized a conference on this topic. This conference was co-organized and co-funded by the University of Groningen and De Nederlandsche Bank.

The first key-note speaker, professor Allen Berger, presented a comprehensive overview of the empirical research on the conference's topic during the last 50 years. This is an area to which he himself has provided many relevant contributions. Prof. Berger also visited DNB in the days before the conference.

The second key-note speaker, professor Sherrill Shaffer, provided an overview of the discipline from a different perspective, focusing on the theoretical assumptions underlying the measurement of competition. He also argued that "going back to the basics" is a powerful strategy to explain inconsistencies in empirical findings.

The third key-note speaker, professor Christa Bouwman, presented work in progress on *"Bank capital and bank stock performance"*.

Among the remaining presentations were chapters from the handbook, as well as stand-alone working papers on banking competition. Irina Stanga of DNB presented *"Bank competition and fragility: The role of non-core liabilities"*.

There were several participants from institutions such as the IMF, World Bank, Federal Reserve Bank, ECB, ACM, and SEC. Among the interesting presentations of these participants was the talk by Bastiaan Overvest from the CPB Netherlands Bureau for Policy Analysis entitled "Adapting conjectural variations methods to banking competition". He started with the puzzling substantial mortgage interest

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rate gap since the credit crisis between the Netherlands and various European countries such as Germany, Belgium and France. After a theoretical analysis, he drew the important conclusion that structural models to measure banking competition should carefully reflect the structure of banking markets.

The participants told us afterwards that they had enjoyed the conference on this specialized topic and suggested us to repeat this event on a regular basis. All presentations are available from Jaap Bikker.

Conferences

23 November 2017, Amsterdam International Conference 'Financial Consumer Protection, Financial Advice, and Changing Remuneration Structures in the Post-Crisis Era'

On Thursday 23 November 2017 the Groningen Centre for European Financial Services Law will hold an international conference on the topic 'Financial Consumer Protection, Financial Advice, and Changing Remuneration Structures in the Post-Crisis Era'. The conference will be hosted by the Dutch Authority for the Financial Markets (Vijzelgracht 50, Amsterdam) on the occasion of its 15th anniversary.

This interdisciplinary conference aims to explore the post-crisis legal regimes for the provision of financial advice in the EU and beyond as well as the actual and potential impact of such regimes on the behavior of consumers and financial advisors in financial markets. The conference will create a platform for the debate on this topic among leading legal scholars and economists, financial supervisors, legal practitioners, consumer associations, and the financial services industry. The key note will be given by prof. Niamh Moloney (London School of Economics and Political Science). Among the speakers are also prof. Femke de Vries (University of Groningen), prof. Genevieve Helleringer (University of Oxford), prof. Paolo Giudici (University of Bolzano), prof. Ian MacNeil (University of Glasgow), prof. Diederik Bruloot (University of Gent), dr. Vera Angelova (Technical University of Berlin), dr. Fred de Jong (University of Amsterdam), prof. Hans-Martin von Gaudecker (University of Bonn), and prof. Steffen Meyer (University of Hannover).

Attendance of the conference is free of charge. However, you are kindly requested to register before 9 November 2017. Please note that places are limited.
For more information, conference programme and registration, please see the conference Link

28-29 November 2017 CEP/DNB 'Central Banking and Green Finance.
Registration Link

When the Leaders of the G20 met in China in 2016 they highlighted the necessity to scale up green financing. They also endorsed efforts to "provide clear strategic policy signals and frameworks" to target this objective. The question to what extent central banks can and should contribute to this momentum is moving up policy agendas worldwide.

Against this background, the Council on Economic Policies and De Nederlandsche Bank are organizing a workshop on "Central Banking and Green Finance". The event will convene researchers from academia, central banks, and other non-academic research institutions on November 28 (full day) and November 29 (morning), 2017 in Amsterdam, The Netherlands.

This workshop will focus on the following questions:

- What are current impediments in financial markets for a significant expansion of green finance? What are the levers within their mandates that central banks have to help overcome these impediments?
- What is the role of central banks and financial supervisors in the transition to a low carbon economy? How can these institutions best facilitate this transition?
- How do monetary policy instruments and financial regulation influence capital flows into different sectors? Through which transmission channels do these effects emerge? Are there sector biases in these effects?
- Are there alternatives to the current design of conventional and unconventional monetary policy instruments and financial regulation that would be better aligned with the goal of scaling up green finance? What are potential consequences of these measures for the effectiveness of monetary policy?
- What is the effect of green finance instruments (such as green bonds) on green investments? Specifically, what is the effect on the funding costs and the quantity of green investments?

The full program will be announced soon.

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DNB working-papers

Since July 2017 the following Working Papers have been published, please use the following: Link

- **No 572** Contingent convertibles: Can the market handle them? Gera Kiewiet, Iman van Lelyveld and Sweder van Wijnbergen - 3 October 2017
- **No 571** Using debit card payments data for nowcasting Dutch household consumption Roy Verbaan, Wilko Bolt and Carin van der Cruijsen - 3 October 2017
- **No 570** US monetary regimes and optimal monetary policy in the Euro Area Kostas Mavromatis - 25 September 2017
- **No 569** Herding behaviour of Dutch pension funds in sovereign bond investments Ian Koetsier and Jacob Bikker - 18 September 2017
- **No 568** Financial structure and macroeconomic volatility: a panel data analysis Emiel van Bezooijen and Jacob Bikker - 12 September 2017
- **No 567** Applying complexity theory to interest rates: Evidence of critical transitions in the euro area Jan Willem van den End - 4 September 2017
- **No 566** Central bank swap lines and CIP deviations William Allen, Gabriele Galati, Richhild Moessner and William Nelson - 14 August 2017
- **No 565** The effects of fiscal policy at the effective lower bound Dennis Bonam, Jakob de Haan and Beau Soederhuizen - 1 August 2017
- **No 564** Heterogeneity in house price dynamics Gabriele Galati and Federica Teppa - 1 August 2017
- **No 563** Payments data: do consumers want to keep them in a safe or turn them into gold? Carin van der Cruijsen - 17 July 2017
- **No 562** Is fiscal policy in the euro area Ricardian? Nikki Panjer, Leo de Haan and Jan Jacobs - 17 July 2017
- **No 561** Does it pay to pay performance fees? Empirical evidence from Dutch pension funds Dirk Broeders, Arco van Oord and David Rijsbergen - 11 July 2017
- **No 560** Bank profitability and risk-taking under low interest rates Jacob Bikker and Tobias Vervliet - 11 July 2017

DNB Occasional Studies

Since May 2017 the following occasional studies have been published, please use the following link: Occasional Studies

Nr 1 (2017): The housing market in major Dutch cities - May 2017. Melanie Hekwolter of Hekhuis, Rob Nijskens en Willem Heeringa

Nr 2 (2017): Munt slaan uit de euro - July 2017. Niels Gilbert, Jeroen Hessel en Jasper de Jong

Nr 3 (2017): A top-down stress testing framework for the Dutch banking sector - July 2017. Tijmen Daniëls, Patty Duijm, Franka Liedorp and Dimitris Mokas

Published articles and books

Since July 2017 the following article and books have been published. For published articles in journals please use the following link: Published articles

- **Introduction to retail payments: Mapping out the road ahead**, Wilko Bolt and Loretta Mester, *Journal of Financial Services Research*, 2017, 52(1-2), 1-3
- **Credit cycle coherence in the Eurozone: Was there a euro effect?**, Anna Samarina, Lu Zhang and Dirk Bezemer, *Journal of International Money and Finance*, 2017, 77, 77-98
- **Banking products: You can take them with you, so why don't you?**, Carin van der Cruijsen and Maaike Diepstraten, *Journal of Financial Services Research*, 2017, 52(1-2), 123-154
- **Did a public campaign influence debit card usage? Evidence from the Netherlands**, Nicole Jonker, Mirjam Plooij and Johan Verburg, *Journal of Financial Services Research*, 2017, 52(1-2), 89-121
- **Heterogeneity in labour supply responses: Evidence from a major tax reform,** Mauro Mastrogiacomo, Nicole Bosch, Miriam Gielen and Egbert Jongen, *Oxford Bulletin of Economics and Statistics*, 2017, 79(5), 769-796
- **Lenders on the storm of wholesale funding shocks: Saved by the central bank?**, Leo de Haan, Jan Willem van den End and Philip Vermeulen, *Applied Economics*, 2017, 49(46), 4679-4703
- **Communication about future policy rates in theory and practice: A Survey**, Richhild Moessner, David-Jan Jansen and Jakob de Haan, *Journal of Economic Surveys*, 2017, 31(3), 678-711
- **Understanding bank-run contagion**, Martin Brown, Stefan Trautmann and Razvan Vlahu, *Management Science*, 2017, 63(7), 2272-2282
- **Entrepreneurship, risk perception and firm performance**, Martijn Boermans and Daan Willebrands, *International Journal of Entrepreneurship and Small Business*, 2017, 31(4), 557-569
- **Central bank balance sheet policies and inflation expectations**, Jan Willem van den End and Christiaan Pattipeilohy, *Open Economies Review*, 2017, 28(3), 499-522
- **Former foreign affiliates: Cast out and outperformed?**,

Beata Javorcik and Steven Poelhekke, *Journal of the European Economic Association*, 2017, 15(3), 501-539

- **Sustainability of participation in collective pension schemes: An option pricing approach,** Damiaan Chen, Roel Beetsma, Dirk Broeders and Antoon Pelsser, *Insurance: Mathematics and Economics*, 2017, 74, 182-196

- **International banking and cross-border effects of regulation: Lessons from the Netherlands**, Jon Frost, Neeltje van Horen and Jakob de Haan, *International Journal of Central Banking*, 2017, 13(S1), 293-313

- **Leading indicators of financial stress: New evidence**, Borek Vašíček, Diana Žigraiová, Marco Hoeberichts, Robert Vermeulen, Katerina Šmídková and Jakob de Haan, *Journal of Financial Stability*, 2017, 28, 240-257

- **Handbook of Competition in Banking and Finance**, Jacob Bikker and Laura Spierdijk, Edward Elgar

Forthcoming articles

For forthcoming articles in journals please use the following link: Forthcoming Articles

- **Evaluating the environmental impact of debit card payments**, Erik Roos Lindgreen, Milan van Schendel, Nicole Jonker, Jorieke Kloek, Lonneke de Graaff and Marc Davidson, *International Journal of Life Cycle Assessment*

- **Timing of banks' loan loss provisioning during the crisis**, Leo de Haan and Maarten van Oordt, *Journal of Banking and Finance*

- **Persuasive populism? Estimating the effect of populist messages on political cynicism**, Matthijs Rooduijn, Wouter van der Brug, Sarah de Lange and Jante Parlevliet, *Politics and Governance*

- **Central bank swap lines and CIP deviations**, William Allen, Gabriele Galati, Richhild Moessner and William Nelson, *International Journal of Finance and Economics*

- **Enhanced capital-asset pricing model for bipartite financial networks reconstruction,** Tiziano Squartini, Assaf Almog, Guido Caldarelli, Iman van Lelyveld, Diego Garlaschelli and Giulio Cimini, *Physical Review E*

- **Bank profitability and risk-taking under low interest rates**, Jacob Bikker and Tobias Vervliet, *International Journal of Finance and Economics*

- **The signalling content of asset prices for inflation: Implications for Quantitative Easing**, Leo de Haan and Jan Willem van den End, *Economic Systems*

- **Diminishing returns of QE from portfolio rebalancing**, Jan Willem van den End, *Journal of Investing*

- **National culture and the configuration of public pensions**, Jairo Rivera-Rozo, Manuel García-Huitrón, Onno Steenbeek and Fieke van der Lecq, *Journal of Comparative Economics*

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Editor: Désirée Buhrs
mailto: secretariaat-ebo@dnb.nl

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