

Columbia Business School – MBA program – Fall 2016

## Central Banking after the Crisis – A European Perspective

*Course content*

### Lecture 1

The paradox of Centre Banks being very successful, yet very criticized

1. Saving the world
2. Taming inflation
3. The new rock stars
4. Responsibility for financial stability
5. Shaky scientific foundations

### Lecture 2

A small open economy (SOE) with a safe haven status

### Lecture 3

The GFC – selective observations

- The role of the real estate market : always and everywhere
- The (international) financial dimension of the GFC
  - The new bank runs
  - The response of central banks
  - Misguided incentives and excessive risk taking by financial institutions

### Lecture 4

The GFC – selective observations

- The public debt dimension of the Global Recession

### Lecture 5

The LOLR function of central banks

Case study : The saving of UBS

### Lectures 6 – 8

Safe haven under pressure : Fighting the appreciation of the Swiss franc (2009 – 2015)

- March- Dec. 2009
- Dec. 2009 – June 2009
- July 2009 – September 2011
- The Minimum exchange rate : Sept. 2011 – Jan. 2015
- The abolition of the ER floor

- Negative interest rates

Review and discussion of monetary policy challenges in other economic areas

- QE : rationale and critiques
- The austerity debate : 3 perspectives
- Should we be afraid of low inflation ?

## Lecture 9

Combining price and financial stability : the mandate of central banks revisited

- Central banks and financial stability
- Financial stability lessons from the crisis
- The macroprudential approach
- Ending TBTF
  - A belt and braces approach
  - Restoring incentives and more...
  - Main points of contention
  - Capital requirements
  - Liquidity requirements
  - Recovery and resolution
  - A preliminary assessment

## Lecture 10

- The cyclical dimension of systemic risk
- Countercyclical regulation : how could it work ?
- A case study : the Swiss real estate market
  - Prices
  - Credit
  - Risk assessment
  - The institutional framework
  - Various measures
  - The CCB at work
  - Preliminary assessment
- Conclusion : financial stability
  - A delicate trade-off between knowledge and prudence
  - The political will of accepting the price of precaution

## Lectures 11 and 12

### Student projects

- Leaning against the wind : pros and cons
- Single vs. Dual mandates for central banks – US vs. Europe
- Full vs. Partial reserve banking systems
- Brazil : monetary policy under the influence
- Yuan devaluation : rationale and implications
- Monetary policy at the ZLB : the case of Japan
- Real estate : the German « good » example
- Real estate : the Irish and Spanish « bad » examples
- Transparency and the importance of central bank communication
- Macroprudential policy in Korea
- Swiss real estate and foreign capital flows
- Dissolving the EMU would be in the best interest of the global economy
- QE around the world

## References

### Class 1

<http://www.bis.org/review/r110623c.pdf>

Philipp Hildebrand: The independence of the Swiss National Bank

<http://www.wsj.com/articles/SB10001424052748703481004574646100272016422>

The Fed and the Crisis: A Reply to Ben Bernanke

### Class 2

[http://www.snb.ch/de/mmr/reference/quartbul\\_2015\\_2\\_komplett/source/quartbul\\_2015\\_2\\_komplett.de.pdf](http://www.snb.ch/de/mmr/reference/quartbul_2015_2_komplett/source/quartbul_2015_2_komplett.de.pdf)

Swiss National Bank Quartalsheft 2/2015

### Class 3

[http://www.snb.ch/en/mmr/speeches/id/ref\\_20110520\\_jpd/source/ref\\_20110520\\_jpd.en.pdf](http://www.snb.ch/en/mmr/speeches/id/ref_20110520_jpd/source/ref_20110520_jpd.en.pdf)

The Armchair Economist: Economics and Everyday Life

### Class 4

<http://www.voxeu.org/article/towards-consensus-causes-ez-crisis>

Towards a consensus on the causes of the EZ Crisis

[https://www.boj.or.jp/en/announcements/release\\_2015/k150915a.pdf](https://www.boj.or.jp/en/announcements/release_2015/k150915a.pdf)

## Statement on Monetary Policy

<http://www.bloomberg.com/bw/articles/2013-01-25/why-well-still-never-see-a-100-percent-reserve-economy>

Why We'll Still Never See a 100% Reserve Economy

[http://www.snb.ch/en/mmr/reference/pre\\_20150917/source/pre\\_20150917.en.pdf](http://www.snb.ch/en/mmr/reference/pre_20150917/source/pre_20150917.en.pdf)

SNB Monetary policy assessment of 17 September 2015

## Class 5

[https://www.ubs.com/global/en/about\\_ubs/transparencyreport.html](https://www.ubs.com/global/en/about_ubs/transparencyreport.html)

Transparency report

## Class 6

File FX interventions in 09-10

Files Extract from SNB's Annual Report 2010, and 2011

[http://www.snb.ch/en/mmr/reference/pre\\_20090312/source/pre\\_20090312.en.pdf](http://www.snb.ch/en/mmr/reference/pre_20090312/source/pre_20090312.en.pdf)

SNB Monetary policy assessment of 12 March 2009

[http://www.snb.ch/en/mmr/reference/pre\\_20091210/source/pre\\_20091210.en.pdf](http://www.snb.ch/en/mmr/reference/pre_20091210/source/pre_20091210.en.pdf)

SNB Monetary policy assessment of 10 December 2009

## Class 7

File SNB discontinues minimum exchange rate and lowers interest rate to -0.75%

File Central Banks And The Bottom Line

File A European Perspective on Central Banking After the Crisis

## Class 9

Files Net Stable Funding Ratio, LCR

<http://www.nytimes.com/2015/10/05/business/economy/policy-makers-skeptical-on-preventing-financial-crisis.html?smprod=nytcore-ipad&smid=nytcore-ipad-share&r=>

Policy Makers Skeptical on Preventing Financial Crisis

## Class 11

<http://marginalrevolution.com/marginalrevolution/2015/10/deaton.html>

Article on Angus Deaton winning the Nobel