

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

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

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

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

SNB Monetary policy assessment of 17 September 2015

Class 5

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

SNB Monetary policy assessment of 12 March 2009

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