

Goethe Money and Macro Association e.V. – Tätigkeitsbericht 2019

Die GMMA-Mitglieder wurden zur verschiedenen IMFS Events eingeladen; am 21./22. 02 zur EBI Global Annual Conference on Banking Regulation, sowie zu verschiedenen Working Lunches.

Am 8. April 2019 zum Working Lunch mit Michael Heise, Allianz, am 9. Mai zum Working Lunch mit Ulrich Bindseil von der Europäischen Zentralbank, am 21. Oktober zum Working Lunch mit Matthew D. Shapiro von der University of Michigan.

IMFS Policy Lectures mit Prof. Wieland wurden ebenfalls von GMMA Mitgliedern besucht. Am 18. September sowie am 4. Dezember 2019 hat Prof. Wieland zu zwei Vorträgen eingeladen. Hier eine kurze Zusammenfassung aller Events:

08.04.2019

Michael Heise, Allianz

Inflation Targeting and Financial Stability



Over the last decades, government bond yields have been falling drastically in advanced economies along with long-term interest rates. In his Working Lunch, Michael Heise, chief economist at the insurance group Allianz, scrutinized recent developments in monetary policy and suggested building a broader index of price stability.

According to Heise, the general rule of thumb that the long-term bond rate should correlate with long-term growth of GDP no longer holds true. “Monetary policy and not fundamental factors has put down interest rates”, Heise said. Looking at the negative side effects of a low-interest rate environment, Heise warned against a situation as in Japan that suffered a balance sheet recession after a financial crisis. In Japan, the accumulation of non-performing loans (NPL) inhibited banks from giving new loans and zombie firms were kept alive.

Furthermore, as a consequence of the current low-interest rate environment in the euro area, asset prices and especially housing prices have been increasing. Simultaneously, risks were building up in investors' portfolios. According to Heise, the BBB components in investment grade indices were continuously rising. “Investors are going up the risk ladder, searching for yields”, Heise said. Imbalances are also building up in the target system.

Comparing the unconventional monetary policy measures of the European Central Bank (ECB) and inflation development, Heise concluded that “inflation has its own life”. In his opinion, the ECB should define price stability targets in a more adaptable way, moving the focus away from a simple year-on-year target for consumer price inflation.

Instead of relying exclusively on the Harmonised Index of Consumer Prices (HICP), Heise suggested building a broader index which also reflects inflation expectations. In Heise's opinion, since in a financial boom risks are building up that could hit back when the economy is slowing down, the ECB should also put greater weight on developments in the financial cycle. According to Heise, "this is quite difficult and requires tough decisions but they need to be taken".

08.05.2019

**Ulrich Bindseil, European Central Bank (ECB)
Central Banking Before 1800 – A Rehabilitation**



Usually, the Swedish central bank, founded in 1668, and the Bank of England (BoE) in 1694 are referred to as the oldest European central banks. In his Working Lunch, Ulrich Bindseil looked back at the origins of central banking, arguing against the prevailing view. Bindseil, who is Director General Market Operations at the European Central Bank (ECB), analyzed the charters of various earlier European continental institutions and examined whether these banks had a policy mandate and were based on a concept of central banking. Also the principle of lender of last resort, a key characteristic of constituting a central bank, is said to have developed only in the course of the 19th century.

According to Bindseil, however, already before 1800, more than 20 institutions fulfilled the definition of central banks. He found that the first institutions whose business model consisted in issuing central bank money with particularly short-term liabilities acting on the ground of specific policy objectives dated back to 1401 when the Taula de Canvi in Barcelona was founded, or the beginnings of several banks in the Italy, such as the Casa di San Giorgio in Genoa (1407), the Banco di Rialto in Venice (1587) or the Naples banking system (1580). Also the Hamburg Bank (1619) and the Nürnberg Bank (1621) rank among these early institutions. "Machiavelli referred to the Casa di San Giorgio as a state in a state", Bindseil explained their prominent position.

From the very beginning of central banking, lending to government is a recurring topic. The Casa di San Giorgio and the BoE both go back to the need of finding a framework for organizing the creditors of government. Based on his analysis of the pre-1800 central banks' balance sheet structure, Bindseil found that "the Bank of England from the beginning had a large loan given to the crown". Also the Riksbankens Ständer Bank, the precursor institution of the Swedish Riksbank, had been financing the Swedish government during large periods of the 18th century. The first central banks were mostly established in democracies. As Bindseil further explained, there was a wide belief that central banks couldn't be established in a monarchy with the Bank of England set aside as a constitutional monarchy.

Comparing the past with the current situation, Bindseil emphasized that the definition of eligible collaterals in the lending to private borrowers and the concept of a lender of last resort as a financial stability related function were constant topics over time. Altogether, in Bindseil's opinion, the history of central banking goes beyond the Swedish central bank and the BoE. "If you apply these concepts then it's hard to believe that central banking was invented by Riksbankens Ständer Bank", he concluded.

18.09.2019

**Volker Wieland, IMFS und Sachverständigenrat
Aufbruch zu einer neuen Klimapolitik**



Mit ihrer bisherigen Klimapolitik wird die Bundesregierung die Klimaziele für das Jahr 2030 nicht erreichen. Zahlreiche Vorschläge für eine neue Strategie im Klimaschutz liegen derzeit auf dem Tisch. Entscheidend ist nach Einschätzung des Sachverständigenrats zur Begutachtung der gesamtwirtschaftlichen Entwicklung ein einheitlicher Preis für den CO₂-Ausstoß. Auf Anfrage der Bundesregierung hat der Sachverständigenrat seine Vorschläge für nationale Klimaschutzmaßnahmen in einem Sondergutachten zusammengefasst, das Prof. Volker Wieland in einer IMFS Policy Lecture in Frankfurt vorstellte. „Die zentrale Stoßrichtung des Gutachtens ist die Kosteneffizienz“, erläuterte Wieland. Da Treibhausgase zentral aus dem Wirtschaftsgeschehen entstünden, könne man CO₂-Emissionen nicht einfach verbieten wie einst FCKW.

Statt einer Steuer auf den CO₂-Ausstoß befürworten die Wirtschaftsexperten die Ausweitung des bestehenden EU-Emissionshandel (EU-ETS) auf die Bereiche Gebäude und Verkehr auszuweiten. Die bisherigen Erfahrungen mit dem Emissionshandel sehen sie als Beleg, wie bei guter Wirtschaftsentwicklung Emissionen in einem funktionierenden System eingespart werden können. Ein planwirtschaftlicher Ansatz, wie bei einer CO₂-Steuer, wirke oft nicht, wie man das erwarte, warnte Wieland. Das Ziel sei zudem ein anderes: „Es geht nicht darum, Einnahmen für den Staat zu generieren, sondern das Verhalten zu ändern“. Ein marktwirtschaftlicher Ansatz sei daher zu bevorzugen, wonach dort reduziert werde, wo es am effektivsten ist. Während bei einer CO₂-Steuer der Preis für die Emissionen fest sein, werde im Emissionshandel die Menge festgelegt. „Umso höher der Preis für die CO₂-Emissionen ist, umso größer wird der Anreiz, sie zu vermeiden“, sagte Wieland.

Um einen einheitlichen Preis für den CO₂-Ausstoß in Europa zu erreichen, sollten nach Einschätzung des Sachverständigenrats spätestens 2030 alle relevanten Sektoren in einen umfassenden europäischen Emissionshandel integriert werden. Von einer Vorreiterrolle Deutschlands beim Klimaschutz rät Wieland jedoch ab: Dies könnte ein Trittbrettfahrerverhalten anderer befördern. Stattdessen setzt er in den internationalen Klimaverhandlungen auf ein gegenseitiges Geben und Nehmen. Denn im Klimaschutz sei klar: „Globale Koordination ist unverzichtbar“.

21.10.2019

Matthew D. Shapiro, University of Michigan

Big Data - Implications for Central Banking



As big data and digitization affect many sectors and industries, central banks are also experiencing a paradigm shift where they combine surveys and big data. In his lecture in the IMFS Working Lunch series, Matthew D. Shapiro, Professor of Economics at the University of Michigan and Director of the Survey Research Center at the Institute for Social Research, shared his insights on how central banks could drive inferences from big data about the structure of the economy and the behavior of households and firms for policy actions.

In fact, “big data is not a new topic for central bank”, Shapiro stated, referring to the Fed’s Beige Book as very qualitative data on regional business conditions. In his view, the most progress in using big data for macroeconomic analysis had been made with high-frequency measures of real activity. There were also high-quality indicators from official sources on real economic activity such as employment, sales and GDP-basis data. However, he pointed out several shortcomings: The surveys are based on small and deteriorating samples, often there is a mismatch of price and revenue data and the revenues come with a high cost and burden. On the other hand, big data provides a ground truth for validating more novel measures. They also had granularity, which means that higher frequency and finer resolution at the geographical, product, or industry level could potentially lead to better informed decisions. Moreover, by getting closer to source data, real-time indicators might have better quality, Shapiro argued.

Nevertheless, making use of big data involved practical challenges for central banks as naturally-occurring data are typically more volatile than official statistics, or might confront economists with many sources of variation that were not present or had been smoothed out in official statistics.

So far, efforts by the Federal Reserve in the use of big data has focused on spending and employment. According to Shapiro, expanding the source of data on prices was likely even more important for the conduct of monetary policy. He called on the government and its statistical agencies to engineer a paradigm where households and business are willing to feed their data for statistical purposes much in the way they are willing to complete surveys. Moreover, this measurement improved by big data might have further implications: “Economists need to be open to the possibility that it might significantly alter assessments of economic performance”, Shapiro said.

4.12.2019

**Volker Wieland, IMFS und Sachverständigenrat
Den Strukturwandel meistern**



Die deutsche Wirtschaft bekommt die konjunkturelle Abkühlung weltweit zu spüren: Die weiter schwelenden Handelsstreitigkeiten und das Hin und Her beim Brexit sorgen für Unsicherheit, sinkende Nachfrage aus China nach Investitionsgütern aus Deutschland macht sich bemerkbar. Die Industrie befindet sich bereits in einer Rezession. Dazu kommen Herausforderungen wie die digitale Transformation und der demographische Wandel. Wie der Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung die derzeitige Situation einschätzt, erläuterte Prof. Volker Wieland bei der Vorstellung des aktuellen Jahresgutachtens mit dem Titel „Den Strukturwandel meistern“.

Wegen der Exponiertheit im Export seien stärkere Schwankungen im Wirtschaftswachstum dabei nicht ungewöhnlich, sagte Wieland. „Im Unterschied zum Beginn der Finanzkrise 2007/08 ist der Dienstleistungssektor weiter stabil, der Bau boomt.“ Ein Konjunkturpaket hält er daher momentan für nicht angemessen. Entscheidend sei stattdessen, die strukturellen Herausforderungen anzugehen: Die Arbeitsproduktivität sinke in Deutschland wie in allen fortgeschrittenen Industrienationen seit Jahren, die Zahl der neu gegründeten Unternehmen gehe weiter zurück. Der Sachverständigenrat hält es daher für angebracht, eher auf Innovationspolitik als auf Industriepolitik zu setzen und Frauen und ältere Menschen stärker am Arbeitsmarkt zu beteiligen und so ungenutzte Potenziale zu heben. In manchen Bereichen sei eine internationale Koordination unverzichtbar. Hier nennt Wieland den Klimaschutz sowie Forschung und Entwicklung.

Auf Seiten der Geldpolitik sieht Wieland derzeit keinen Handlungsbedarf. Sie sei im Euroraum immer noch sehr expansiv. Die Entscheidung der Europäischen Zentralbank (EZB) im September für neue Anleihekäufe sei nicht notwendig gewesen. „Das war das Abschiedsgeschenk von Präsident Draghi an die Märkte“. Die neue EZB-Präsidentin Lagarde sieht Wieland erst einmal „auf Autopilot“. Für die angekündigte Revision der Strategie hat er jedoch wichtige Ansatzpunkte: Für die Beurteilung der Preisstabilität schaue die EZB auf die Entwicklung des Harmonisierten Verbraucherpreisindex HVPI. Andere Maße wie der BIP-Deflator, der auch die Investitionsgüter beinhaltet, würden in der Kommunikation der EZB allerdings nicht berücksichtigt. Nach diesem Preismaß sei die Inflationsentwicklung im Einklang mit den Erwartungen. Alternativ verweist Wieland auf den Deflator der privaten Konsumausgaben, der die Inflationsentwicklung der tatsächlich konsumierten Güter misst und den die amerikanischen Notenbank Federal Reserve heranzieht. „Aus Sicht der Fed wäre die Inflationsentwicklung ein Erfolg gewesen“, sagte Wieland.

Ebenfalls wurden die Mitglieder zur „The ECB and Its Watchers XIX“-Konferenz, die am 27. März 2019 in Frankfurt stattfand, eingeladen. Dies ist eine erstklassige Gelegenheit für die Mitglieder der GMMA, ihr Netzwerk untereinander zu pflegen und neue Kontakte zu knüpfen, da diese internationale Konferenz mit vielen renommierten Rednern nur auf persönliche Einladung besucht werden kann.

Seit einigen Jahren ist ein *Circle of Friends of the ECB Watchers Conference* entstanden. Dieser Kreis, in dem mehrere Institutionen des Finanzplatzes Frankfurt vertreten sind, unterstützt die GMMA mit Spenden, so dass die GMMA die Organisation und Durchführung der „The ECB and Its Watchers“-Konferenzreihe unterstützen kann. Der ausführliche Bericht über diese Konferenz ist in englischer Sprache beigefügt.

Prof. Volker Wieland

B. Rohe-Morgan

At the 20th anniversary of the conference "The ECB and Its Watchers", ECB President Mario Draghi conveyed the message that the European Central Bank (ECB) was ready to soften the impact of negative interest rates in case they harmed the transmission of monetary policy. As he said in his opening address, the ECB was monitoring how banks could maintain healthy earning conditions while net interest margins were compressed. However, "low bank profitability is not an inevitable consequence of negative interest rates", Draghi added. Almost five years ago the ECB introduced negative interest rates. In contrast to other central banks, such as the Bank of Japan or the Swiss National Bank, the ECB has not adopted mitigating measures along with negative interest rates so far. With regard to the recently announced new series of targeted longer-term refinancing operations (TLTROs), Draghi said that the calibration of the remaining parameters would reflect the evolving macroeconomic conditions. In case the medium-term outlook should continue to deteriorate significantly, the ECB would adopt all monetary policy actions necessary. "We are not short of instruments to deliver on our mandate", Draghi concluded.

At Draghi's fifth and final visit to "The ECB and Its Watchers" conference during his term of office, organizer Volker Wieland said goodbye to the ECB President with a reproduction of an Aachen penny of Charlemagne as a gift. The empire of Charlemagne was the largest European currency area before the euro existed.

Opening the first conference session, ECB chief economist Peter Praet underlined that the ECB stood "ready to adjust all of our instruments, as appropriate, to ensure sustained inflation convergence towards levels below, but close to, 2% over the medium term". Due to uncertainties related to geopolitical factors and the threat of protectionism, "the process of inflation convergence takes time", Praet said. Since his mandate was coming to an end, he received as a gift an "ECB Watchers' hot seat". "You always seemed to feel very comfortable in the hot seat at our conference so we wanted to make sure you don't miss it", Wieland said handing over the present.

Regarding the size of the ECB's balance sheet, Ricardo Reis of the London School of Economics, argued that normalization meant "the balance sheet should be bigger than in 2007 before the crisis but smaller than now". Charles I. Plosser of the Hoover Institution at Stanford University agreed that institutions change over time, which could "result in a change of the framework of those institutions". Moreover, "there is no one size fits all for central banks", Plosser added.

In the session on possible international spillovers, ECB Vice-President Luis de Guindos found that US monetary policy was a driver of a global financial cycle but "ECB monetary policy actions are, by and large, able to shield the euro area economy from spillovers from US monetary policy". Laurence Boone, OECD chief economist, expressed her concern about the lack of growth and inflation. Instead of relying too much on monetary policy, "it's time for the euro area to consider a coordinated fiscal stimulus and raise trend growth with structural reforms", Boone demanded. Jacob A. Frenkel, former Governor of the Bank of Israel and current Chairman of JPMorgan Chase International, explained that in a low-interest environment the focus was shifted to other factors besides monetary policy measures, such as forward guidance. "The guidance is a dictionary that brings together markets and policy-makers", Frenkel said.

Looking at central bank independence, which had been recently questioned, as the topic of the third session ECB Board member Yves Mersch emphasized the principles of necessity, proportionality and probity on the part of the central bank. In his view, "the best protection against unjustified attacks on the independence of monetary policy is a narrower mandate combined with a high degree of transparency and the strict interpretation of legal limits". Paul Tucker, Senior Fellow at the Center for European Studies at Harvard and former Deputy Governor of the Bank of England, agreed with Mersch on the need for a central bank's independence. "The last person who should hold monetary policy power is the elected person", Tucker said. He warned that a "credible commitment problem can infect

the legislative process itself". John H. Cochrane, Senior Fellow at the Hoover Institution, pointed out that a central bank's independence comes from the way how central banks are behaving. According to Cochrane, known as the "grumpy economist" for his blog, argued that independence must come with limited powers and must follow rules, norms and traditions. But in order to be independent, a central bank has to be perceived to be competent at its tasks.

Booklet: 20 Years of "The ECB and Its Watchers" is attached.

List of Speakers

In order of appearance in the program:



Mario Draghi, President of the European Central Bank



Peter Praet, Member of the Executive Board of the ECB



Ricardo Reis, London School of Economics



Charles I. Plosser, Hoover Institution, Stanford University



Luis de Guindos, Vice-President of the European Central Bank



Laurence Boone, OECD



Jacob A. Frenkel, JPMorgan Chase International



Yves Mersch, Member of the Executive Board of the ECB



Paul Tucker, Harvard University



John H. Cochrane, Hoover Institution, Stanford