HOUSE OF FINANCE
Goethe-Universität Frankfurt

Newsletter Q3

The House of Finance • 3rd Quarter 2011

IMPRINT

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DESIGN:
Novensis Communication GmbH
Bad Homburg

10th Edition

Printed in Germany

NEWSLETTER SUBSCRIPTION

The House of Finance opened in 2008. It integrates Goethe University's interdisciplinary research on finance, monetary economics, and corporate and financial law under one umbrella. Ten academic research and training units work together in the House of Finance.

As part of its aim to disseminate research results and to promote an exchange between academics and practitioners, the House of Finance issues a newsletter on a quarterly basis.

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CENTRAL BANKS AND MONETARY POLICY AFTER THE CRISIS

The financial crisis having entered its fifth year, we look back on turbulent times of severe economic and financial distress. To prevent such crises in the future, a profound overhaul of institutional frameworks, attitudes and strategies is necessary.

Central banks, as well, need to reflect upon their role. They played a crucial part in containing the crisis, often having to act in a rather flexible way and take unconventional measures. Although this flexibility was necessary during the crisis, it must not become the paradigm for the new framework within which central banks operate during normal times. This applies in particular to the relation of monetary policy towards financial stability and fiscal policy.

Prior to the crisis, central banks pursued a policy of benign neglect with regard to financial imbalances. The tools of monetary policy were not applied to prevent such imbalances, but rather to ease the pain after they triggered a crisis. However, the recent crisis demonstrated that the costs associated with this approach can be very high. This insight has changed the attitude towards the role of central banks, yet it does not imply that monetary policy should be used to correct financial imbalances directly. The arguments against such an approach are still valid: the instruments of monetary policy are too blunt to effectively secure financial stability, and there would always be the danger of conflicts of interest. Thus, monetary policy should stick to maintaining price stability as its primary objective. Ensuring financial stability should be the objective of a separate policy domain, called macroprudential policy, which is equipped with an independent set of instruments. Actions taken in the two policy domains might in some cases reinforce each other; in other cases, however, conflicts of interest might arise. Here, further research – theoretical as well as empirical – is necessary to minimise frictions.

While it is advisable to separate monetary policy and macroprudential policy, it is even more important for monetary policy to steer clear of fiscal policy. Blurring the boundary between the responsibilities of monetary policy on the one hand and those of fiscal policy on the other runs the risk that the monetary policy mandate of safeguarding price stability and the hardwon credibility of central banks will suffer. Specifically, monetary policy and central banks' balance sheets must not be used to shift or disguise burdens and risks that are ultimately borne by the taxpayer. Thus, wherever the boundary between monetary policy and fiscal policy may have been blurred due to exceptional circumstances, it has to be redrawn as quickly as possible. Even though the crisis surely warrants an overhaul of precrisis convictions, certain principles are better left unquestioned. Price stability as the primary objective of monetary policy and its implementation by independent central banks is definitely one of them.

Jens Weidmann
President,
Deutsche Bundesbank

OPTIMAL HOUSING, CONSUMPTION, AND INVESTMENT DECISIONS OVER THE LIFE CYCLE

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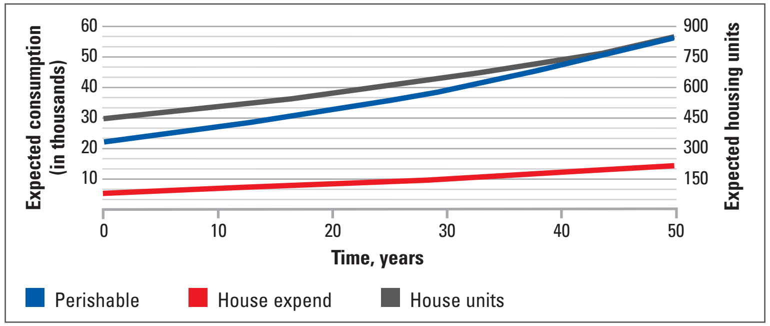
This paper derives explicit solutions to life-cycle utility maximization problems involving stock and bond investment, perishable consumption, and the rental and ownership of residential real estate. Over the life cycle, desired housing investment increases and eventually exceeds desired consumption, suggesting that the individual should buy his/her home. At the end of the life cycle, preferences shift back to home rental. We find that markets for real estate investment trusts (REITs) or other house pricelinked contracts can provide non-negligible welfare gains.

In his classical portfolio theory, Markowitz considers a one-period model and studies the optimal allocation of capital among different assets or asset classes. This leads to myopic decisions, which means that life-cycle effects are disregarded. For instance, questions such as whether young people should invest more in stocks than older people cannot be addressed. In contrast, we must make decisions not only for the next month or the upcoming year, but also for our retirement or for the future education of our children. John Campbell emphasized in his Presidential Address to the American Finance Association on January 7, 2006, that "[…] the largest component of wealth for most households is human capital, which is non-tradable". Due to the static features of classical portfolio theory, labor income cannot be incorporated in a realistic way. In particular, life-cycle patterns cannot be modeled using a simple mean-variance approach. This calls for a dynamic setting that overcomes the shortcomings of a one-period model. Furthermore, common sense tells us that, apart from human wealth, there is one additional asset that should not be disregarded: residential real estate. If people hold any assets at all, then it is usually residential property (not stocks or bonds) that plays a predominant role. Finally, over time horizons of 50 years, it is unrealistic to assume that interest rates are constant. Consequently, the term structure must be modeled by a dynamic model, adding an additional layer of complexity. To summarize, we face a challenging decision problem that involves several asset classes (stocks, bonds, money market accounts and real estate) and individual preferences regarding the consumption of perishable goods and housing.

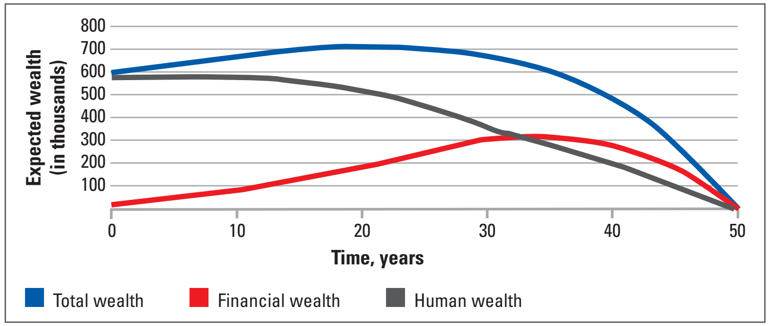
EXISTING WORK

Several recent papers include both labor income and housing in life-cycle decision problems, but link the housing investment position tightly to the housing consumption which has repercussions for investment in other risky assets. For instance, Campbell and Cocco (2003) do not allow for housing investment and consumption to differ and fix the house size, so they cannot address the interaction between portfolio and housing decisions.

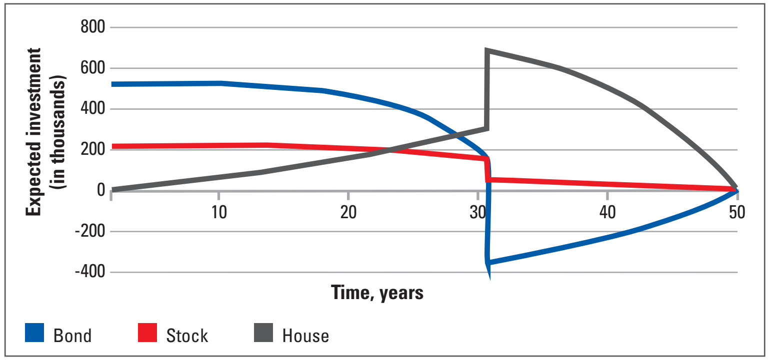
Cocco (2005) assumes that house prices and aggregate income shocks are perfectly correlated. Housing consumption and investment cannot be disentangled, as renting is impossible and no house price-linked assets are traded. The individual can only enjoy housing consumption by buying a house. Yao and Zhang (2005) allow for an imperfect income-house correlation and a renting/owning decision. However, if the individual rents a house of a given size, this will equal his/her housing consumption and he will have zero wealth exposure to house price risk. If the individual owns a house, the size of the house determines housing consumption and is identical to the housing



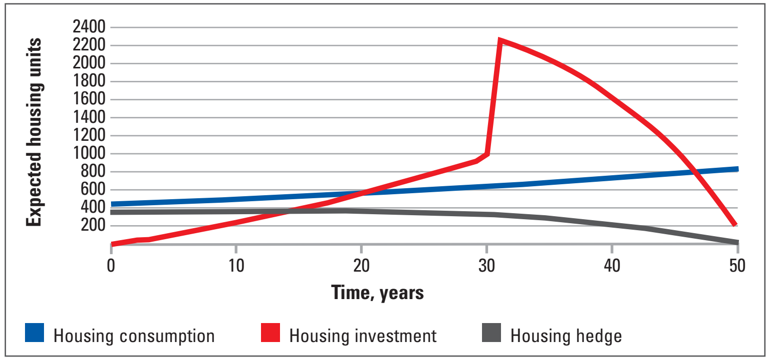
Panel A: Expected consumption



Panel B: Expected wealth



Panel C: Expected investments



Panel D: Housing consumption and investment

investment position. Most papers solve consumption/portfolio problems by using numerical methods that are highly time-consuming and cumbersome, and little is known about the precision of the numerical results.

RENT FIRST, BUY LATER

We derive an explicit solution for a consumption/portfolio problem with stocks, bonds, money market account, housing and labor income. This closed-form solution leads to a deeper understanding of the economic forces driving individual decisions in such a complex setting. A calibrated version of our model generates life-cycle patterns with interesting and realistic properties. The investment strategy can be decomposed into speculative demands, hedging demands, and so-called income-adjustment terms. The desired risk exposure of the financial wealth depends on the size and risk characteristics of human wealth – the net present value of future income – and the demand for risky assets is adjusted accordingly in order to obtain the desired overall risk exposure.

For a young individual, human wealth is high and the individual thus invests less in assets that are highly correlated with income and more in assets with a low or negative correlation. Stocks and bonds usually show little correlation with income, whilst house prices have a significant positive correlation. Therefore, young individuals should have little or even negative exposure to house price risk and are inclined to rent rather than own the home they live in. Later in life, when human wealth and thus the negative adjustment of housing investment are lower, desired housing investment increases and eventually exceeds desired housing consumption, suggesting that the individual should buy his/her home and maybe even obtain a higher exposure to house prices by buying additional housing units and renting these out or by taking long positions in house price-linked financial assets. In the final years of life, desired housing investment again falls below desired consumption, indicating a shift back to home rental. Typical life-cycle patterns are depicted in Panels A-D.

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FINANCIAL GLOBALIZATION AND MONETARY POLICY

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The last two decades have been characterized by an extraordinary wave of financial globalization. For many industrialized countries, this has often been accompanied by persistent current account imbalances. Over-borrowing has come along with booms in house prices, mortgages and consumer credits and in the demand for durable goods, such as residential properties. Since a significant proportion of claims on consumer credit have been placed in the international markets, for many countries, the boom in the demand for durable goods has been financed mainly through foreign lending.

Indeed, Figure 1 shows the impressive growth of foreign-denominated liabilities that occurred at the end of the 2000s for a set of industrialized countries (see also Lane/Milesi-Ferretti 2001 for a documentation of trends in foreign liabilities). While access to international financial markets was considered as a chance to improve risk sharing possibilities, de facto loose lending standards produced over-borrowing and financial instability. Private borrowing has been generally tied to collateral values, in a way that swings (upward or downward) in durable prices (particularly house prices) have determined the amount of lending. Bubbles in house prices have fueled over-borrowing, which in turn has fed back into an excessively volatile and persistent current account deficit.

WELFARE IMPLICATIONS OF FINANCIAL GLOBALIZATION

Recent research by Ester Faia (Faia 2011) rationalizes the evidence that in several countries the increase in international capital flows has increased consumption volatility, even relative to output. Faia's paper uses a small open economy model in which foreign borrowing is modeled through a collateral constraint. Collateral takes the form of durable investment, which also produces utility services. The presence of financial frictions implies that an increase in foreign borrowing reduces the possibility of consumption smoothing, thereby increasing consumption volatility. In the presence of risk-averse house-

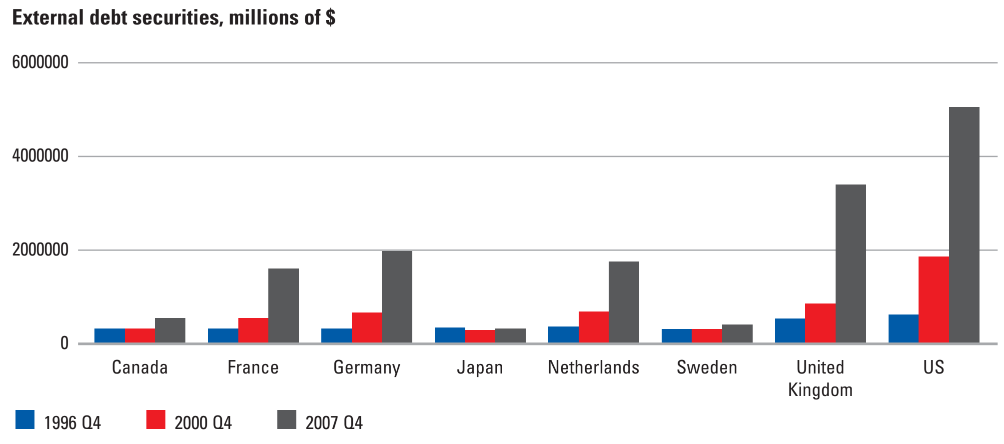

Figure 1: International debt securities cover all foreign currency issues by residents and non-residents in a given market, including in the borrower's own currency, and foreign bonds (domestic currency bonds issued by non-residents in a given market). Source: Joint External Debt Hub database (JEDH).

holds, the increase in consumption volatility translates into a reduction of welfare.

OPTIMAL MONETARY POLICY

The effects described above introduce aggregate distortions in the economy that motivate a policy intervention. In another paper (Faia/Iliopulos 2011), a small open economy model with sticky prices and collateral constraints on foreign borrowing is used to analyze optimal monetary policy. The presence of a collateral constraint introduces both static and intertemporal wedges on consumption. Since borrowing is valued in foreign currency, while collateral, in the form of durables, is valued in domestic currency, swings in the nominal exchange rate affect fluctuations in both the service costs and future values of debt. Such fluctuations, in turn, amplify fluctuations in the distorting wedges. The paper has three main results. First, it shows that net asset accumulation in this model is uniquely determined in the steady state and that it is saddle-path stationary in a neighborhood of the steady state. A crucial assumption for this result is that foreign agents have higher discount rates than domestic lenders. In this case, the domestic economy experiences a persistent current account deficit, as in equilibrium domestic residents behave as impatient agents and borrow from the rest of the world. Despite this, the current account deficit leads to stationary dynamics. Second, a comparison of alternative exchange rate regimes (floating versus managed exchange rates) under productivity, government expenditure and global liquidity shocks and for alternative degrees of financial openness shows that, under high financial liberalization, fluctuations in the exchange rates induce swings in the value of collateral, thereby affecting the availability of foreign lending. As a result, fluctuations in consumption, output and CPI appear amplified under a scenario with high financial liberalization. Figure 2 shows changes in the volatility of consumption, as generated by the model, with respect to changes in the degree of financial liberalization and also the response of monetary policy to exchange rates. It stands clear that while financial liberalization renders consumption more volatile, responding to the exchange rate has a stabilizing effect.

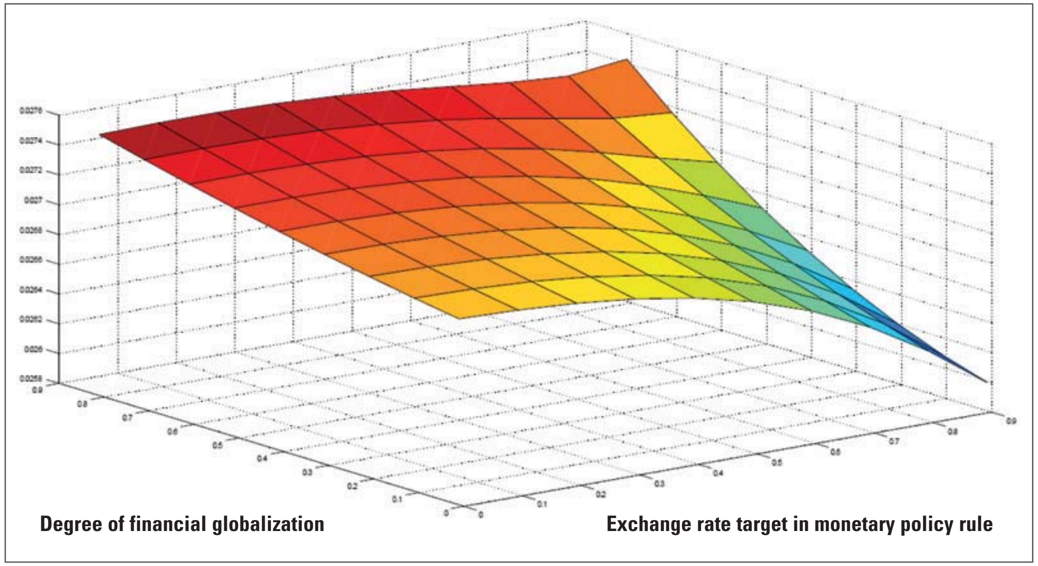

Figure 2: The volatility of consumption with respect to financial liberalization and the response of monetary policy to exchange rates

In this case, the monetary authority can stabilize the economy by responding to the exchange rates. This result reverses the logic of the impossible trinity, so that increasing financial integration reduces the ability of monetary policy to stabilize the domestic economy precisely under floating exchange rates. Finally, the paper performs an analysis of optimal policy by deriving the Ramsey allocation. Optimal monetary policy must stabilize and smooth inefficient wedges. These goals call for stabilization of nominal exchange rates over and above domestic inflation. This result is in contrast with the prescriptions given so far under the New Open Economy literature, namely the optimality of an inward-looking strategy of domestic inflation stabilization. Additionally, it challenges the view prevailing so far in policy making circles that monetary policy should only target domestic inflation, with no weight being assigned to nominal exchange rates and other asset prices.

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SHAREHOLDER GOVERNANCE IN EUROPE

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The annual general meeting (AGM) is a crucial element of corporate governance in public corporations and provides the most important forum for shareholder participation. A majority vote at an AGM enables the shareholders to elect the board and thus to control the company. The reference value for this majority is not the whole share capital but only the voting capital represented at the AGM. Thus, attendance becomes a crucial issue not only for investors but also for the legal definition of control over the company.

In order to examine the validity of existing definitions in company as well as takeover law we analyzed the voting turnouts of AGMs of almost 500 public companies in 15 European Union Member States for the period between 2006 and 2011. We considered whether shareholder attendance is comparable in the different countries, whether there were changes over the period from 2006 till 2011 and what might be the reasons for differences.

The data show considerable differences in voting turnouts between countries such as Portugal, Spain and the United Kingdom as compared to Germany, Greece and Italy. While the average AGM attendance in the three former countries ranges between 68 and 71 per cent, on average, only between 54 and 60 per cent of shareholders entitled to vote attended the AGMs of public corporations in the latter three countries. Thus, while on average a voting stake of 27 per cent is sufficient in order to dominate a public company in Greece, the same level of control over a UK plc requires a voting stake of 35 per cent. However, both jurisdictions set the threshold for takeovers at 30 per cent of all shareholder votes, i.e. at a level that would seem appropriate for the average Greek company but not for the average UK plc.

DIFFERENT VOTING BEHAVIOR

Two explanations for differences in shareholder attendance are proposed. First, a concentration of ownership leads to an increase in overall voting turnout and a concomitant decrease in attendance by small shareholders whose influence on corporate decision making is diminished. This hypothesis is based on the theory of transaction costs. While exercising governance rights may lead to an increased firm value and hence benefit shareholders, the possible profit for small shareholders does not outweigh the costs of attending the AGM and of gathering and assessing the information required to make an informed voting decision. Large blockholders, on the other hand, have a sufficient incentive to attend AGMs and to exercise their voting rights. Using data from different countries, van der Elst (2011) provides empirical support for this hypothesis. It could explain differences in voting turnouts if AGM attendance patterns correspond to different degrees of ownership concentration in various Member States.

Second, the legal environment could influence the incentive to take part in the AGM. Shareholder power in the general meeting varies from jurisdiction to jurisdiction. The benefits of participating in an AGM increase with the scope of shareholder governance rights. Empirical research by van der Elst (2011) also provides evidence in support of this hypothesis.

In conclusion, one might say that from a regulatory perspective it is possible to increase the attendance rate by reducing the cost of participating or by increasing the influence of the shareholders.

Shareholder attendance in AGMs does not only vary from country to country but also over time. The available data show a slight increase in shareholder participation during the period from 2006 to 2011. While the average presence was about 54 per cent in 2006 it went up to almost 60 per cent in 2011 (see Figure 1). This growth was all but smooth in different countries. The Netherlands, for example, had an average voting turnout of 43 per cent in 2006 which increased up to 63 per cent in 2011, while shareholder attendance in Spain grew by less than 3 per cent during the same period. The causes for these significant differences are still unexplained. A possible reason for the increase in shareholder attendance may be recent EU legislation on shareholder governance rights.

RECENT REGULATORY CHANGES

In July 2007 the European Union issued Directive 2007/36/EC on the exercise of certain shareholder rights in listed companies which was implemented in Germany by the Gesetz zur Umsetzung der Aktionärsrechterichtlinie (ARUG) in 2009. The main purpose of the Directive is to facilitate the exercise of shareholder governance rights by reducing the costs of participation in an AGM. In order to achieve a higher degree of shareholder participation in corporate governance, the Directive requires a number of amendments to national company laws: First, companies have to make documents for the AGM available on their website and to publish this information via media which are accessible throughout the community. Second, the use of depository voting rights is simplified and deregulated. Third, companies may offer shareholders the opportunity to participate in the AGM without being physically present. This is possible via an online absentee ballot or online participation. The absentee ballot is a mechanism for casting votes, either before or during the general meeting, that removes the necessity to appoint a proxy holder who is physically present at the meeting. Online participation enables shareholders to address the general meeting from a remote location through a real-time communication. In Germany, the majority of DAX companies offered the online absentee ballot in 2011 but only two also offered the possibility of online participation. It remains to be seen whether this way of attending an AGM will become more popular.

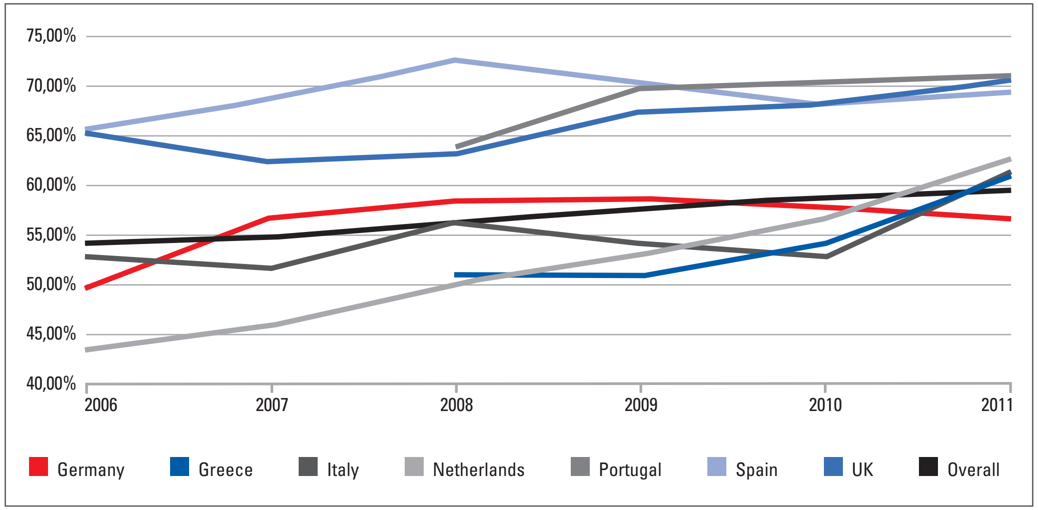

Figure 1: Average shareholder presence at annual general meetings

While all of the measures required by the Directive decrease the cost of participating in the AGM and therefore lead to an increased shareholder turnout, somewhat surprisingly, the turnout at the AGMs of companies listed in Germany's DAX 30 stock index has decreased slightly since the new rules have been in place. It is, however, still too early to predict whether the new governance provisions will have no positive impact in the future.

CONSEQUENCES FOR FUTURE REGULATION

Changes in voting turnouts for AGMs may warrant adjustments of the statutory thresholds for takeovers. If, for example, shareholder participation decreased and the 30 per cent threshold remained unchanged, investors could regularly control listed companies without being required to submit a mandatory offer. As a result, the intended protection of minority shareholders would be eroded by changes in AGM attendance patterns. If, on the other hand, participation increased as a result of the Shareholder Rights Directive, investors could be required to make mandatory offers to shareholders of companies over which they have no effective control. That would, in turn, reduce the incentive for strategic investors to buy larger shares of listed companies and would thus be economically inefficient. Given the different average voting turnouts within the EU, legislators might also consider whether the current uniform control threshold of 30 per cent is appropriate for all Member States or whether the threshold should be adjusted to the AGM attendance patterns of different countries or even custom tailored to the voting turnouts of individual companies.

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GETTING GREECE BACK ON TRACK: HOW?

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The economic crisis in Greece is not a simple consequence of the recent global financial crisis, but is due to deep structural problems of the Greek economy that have accumulated over decades. Consequently, the solution to the crisis is also long-term, and consists in a series of structural reforms that will take years. The goal of these reforms is to raise productivity, both in the private and in the public sector.

The momentary rapid drop of incomes of Greek households will need to be stopped by a significant increase in productivity, if Greece is to maintain its status as a relatively rich country (29th world-wide in terms of GDP per capita in 2010). The necessary reforms are at the micro-economic level and concern basic institutions in the economy. We would like to emphasize three key reform areas: (1) market liberalization and regulatory bodies, (2) the justice system and (3) productivity-based incentives in the public sector. The memorandum that Greece signed with the ECB/EU/IMF "troika" in May 2010 emphasizes market liberalization, but much less the other two areas. Moreover, the memorandum's provisions on market liberalization concern mainly labor and product markets, and there is little emphasis on financial reforms. We believe, however, that in the absence of deep reforms in all of the above areas, Greece will not exit the crisis, and the austerity measures implemented so far will not bear fruit.

Indeed, while austerity measures are a necessary first step to bring Greece's budget deficit under control, they are also causing the economy to contract. This raises the ratio of debt to GDP and brings Greece closer to bankruptcy. Growth requires instead deep structural reforms. The troika should catalyze these reforms by providing pressure and technical assistance. While such engagement is costly and time-consuming, the alternative is much costlier: Greece will experience a deep and prolonged recession as well as significant social unrest, and the huge sums lent to it will be lost.

MARKET LIBERALIZATION AND REGULATORY BODIES

In 2008, Greece's market for goods and services was the most heavily regulated in the OECD. Its labor market was the fifth most heavily regulated. To increase productivity in the market for goods and services, all obstacles to competition, such as minimum fees and profit margins, and geographical restrictions to exercise a profession, must be abolished. In the labor market, firing costs must be reduced and firm-level agreements facilitated. Effective competition in the market for goods and services also requires strong regulatory bodies. Their independence from the state should be strengthened, they should strive to implement the law in a transparent and consistent manner, and they should be subject to greater accountability.

One of the main causes of Greece's current recession is a credit crunch: Greek banks are facing funding constraints due to the sovereign debt crisis, but also to bad choices, such as the large credit expansion in an unstable macro-economic environment and the investment of an overly large fraction of their portfolio in Greek government bonds. The problem is due to a large extent to the close relationship between banks and the state – any given government controls directly or indirectly a large fraction of the banking sector. The banking system needs to be truly independent of the government. Entry by foreign strategic investors in some banks, at least on a temporary basis, could be useful in that respect.

REFORMS OF THE JUSTICE SYSTEM

Reforms of the justice system are among the most powerful growth-promoting reforms that could be undertaken in Greece over the next years. According to the World Bank's 2011 Doing Business Report, Greece ranked 151st among 183 countries for the time it takes to try a civil case and 154th as to the quality and enforcement of the laws concerning investor protection. Under these conditions, Greece will be unable to attract foreign investment, even if it adopts the "fast-track" methods that have been discussed recently. And it will not be able to reduce corruption, which according to Transparency International is highest in Greece among all 27 EU countries.

Improving the justice system requires reforms on many fronts. For example, the discretion of judges to grant postponements must be limited. Also, the Greek state should comply instantly with courts' decisions. Courts should be computerized. And finally, the performance of each court should be measured and compared to that of other courts.

PRODUCTIVITY IN THE PUBLIC SECTOR

The public sector needs to be transformed from an institution hiring party-supporters in exchange for votes, to an engine of growth and an efficient provider of services to the Greek economy and society. Much of current public debate focuses on the need for spending cuts. Repeated uniform wage cuts will, however, discourage and ultimately push away the most dynamic public employees. We must complement the discouraging message of wage reductions with a positive perspective, by making promotions and wage increases for specific civil servants possible, but strictly linked to productivity. The linking of financial rewards to efficiency should be extended to public bodies and agencies. Funding of public institutions should be related to quantity but especially quality of their output, using as benchmarks relevant international indices and best practices.

We believe that these fundamental structural reforms will fall on fruitful ground. Unlike their government, Greek households are not heavily indebted and have been prudent in the management of their own assets. A drastic reform of the economy that creates incentives for investment and entrepreneurship will allow the Greek people to apply their energy and resources to getting Greece back on a track of rapid growth.

The full article is available at:
http://www.hof.uni-frankfurt.de/images/policy_platform/Greece_Reforms.pdf

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LONGEVITY RISK AND CAPITAL MARKETS SOLUTIONS

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Ralph Rogalla
Goethe University

Raimond Maurer, Chair of Investment, Portfolio Management and Pension Finance at the House of Finance, co-organized this year's International Longevity Risk and Capital Markets Solutions Conference together with Assistant Professor Ralph Rogalla. This conference, which took place between September 8 and 9, was held at the House of Finance.

A two-day conference on longevity risk – what makes this topic so important?

Longevity risks are of considerable importance for all institutions that offer fully-funded pension finance products, e. g. pension funds or insurance companies. These have to calculate product prices that correlate with their clients' life spans. Miscalculation has serious implications: whoever sets the longevity risk too low gets into trouble at the payment stage, whereas too high an estimate results in expensive and thus unattractive products. These calculation difficulties have only become apparent in the last ten years, with more and more products reaching the payment stage. At the same time, pension schemes have shifted away from shared financing towards fully-funded models. In the past, longevity risk was treated by adjusting the pension contribution. Today, you have to internalize the risk individually.

Isn't it possible to hedge against longevity risks by reinsuring or securitizing?

There has been demand for appropriate reinsurance for quite some time now. But reinsurance companies are increasingly less willing to take on such risk – or will charge dearly in order to do so – because they are beginning to see the difficulties inherent in longevity risk calculation. That's why the institutions in question now try to transfer longevity risks to the capital market, making these of more interest to stock exchanges and investment companies as well.

What assets are now available for hedging against longevity risk?

One example is fixed-interest securities for which the coupon is linked to the mortality rate: an increase in the latter would lead to higher coupon payments. Derivatives offer another possibility: a pension fund, for example, transfers part of a portfolio to an investment company which, in turn, releases this as a security on the capital market by means of a special purpose vehicle. Deutsche Börse is now developing a mortality index that reflects realized mortalities and which might serve as a base for different assets and derivatives. But capital volumes in this market are still low, so we are at an early stage in this process.

What research questions are now most pertinent?

Researchers deal with three major questions:

1) How can we model mortality? What sort of models are capable of depicting such a long-term process that can only be gauged infrequently (at best, yearly data are available) and of predicting today the likely mortality rates for the next thirty or forty years to come?
2) How can you derive risks and, hence, product prices from such modeling?
3) How does the consideration of these risks influence demand – do products become more attractive compared with other investment products? Our aim is that at some point in the future we will be able to make investment recommendations that are based on sound research.

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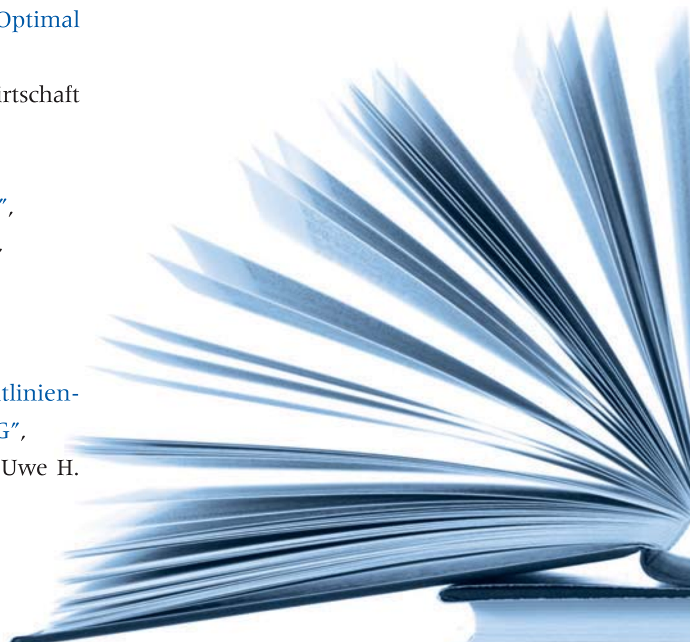

OTMAR ISSING AWARDED GUSTAV STOLPER PRIZE

Otmar Issing, President of the Center for Financial Studies and the Board of Trustees for the House of Finance, was awarded the Gustav Stolper Preis on September 6, during the annual meeting of the Verein für Socialpolitik (VfS). This year's congress of the premier association of German speaking economists was held at the House of Finance and in other locations at the Westend campus of Goethe University.

Issing, previously Chief Economist and Member of the Executive Board of the European Central Bank (ECB), was honored for being an excellent scientist who has influenced the public discussion on economic issues. His dissemination of economic insights has contributed significantly to an understanding of real-world economic problems and the solutions that these may require. "Otmar Issing conveys economic and monetary issues in a clear, well-balanced, and convincing way", said VfS Chairman Michael C. Burda. "Thanks to Issing, the ECB now has an outstanding research department", he elaborated. Issing, who celebrated his 75th birthday in March, admonished the economists present to avoid thoughtless comments on current events without considering the consequences. They should be aware of the fact that their words carried weight.

STEFAN GERLACH NOW DEPUTY GOVERNOR OF THE CENTRAL BANK OF IRELAND

A loss but also an honor for the Institute for Monetary and Financial Stability (IMFS) and the House of Finance: on September 1, Stefan Gerlach, formerly Professor of Monetary Economics at the House of Finance and Executive Director of the IMFS, started his new job as Deputy Governor of the Central Bank of Ireland. He is now one of two deputy governors at the central bank and is responsible for central banking functions. Before coming to Goethe University in September 2007, Gerlach, a Swedish national, worked at the Bank of International Settlements in Basel, most recently as Head of Secretariat of the Committee on the Global Financial System. He has also served as head of research at the Hong Kong Monetary Authority and as executive director of the Hong Kong Institute for Monetary Research.

NICOLA FUCHS-SCHÜNDELN TO ADVISE GERMANY'S FINANCE MINISTER

Wolfgang Schäuble now has a second advisor from the House of Finance – making it three from Goethe University as a whole. Following Alfons Weichenrieder and Jan Pieter Krahnen, Nicola Fuchs-Schündeln has been appointed a member of the Scientific Advisory Committee of Germany's Federal Ministry of Finance. Fuchs-Schündeln has held the Chair of Macroeconomics and Development at the House of Finance since 2009, and is also Principal Investigator of Goethe University's Cluster of Excellence "Normative Orders". Prior to this, she conducted research at the universities of Yale and Harvard. Her research focuses on consumption and savings of private households, endogenous preferences, and the transformation of East Germany. Last year, she received the highly coveted ERC Starting Grant from the European Research Council.

AXEL WEBER A SENIOR FELLOW AT THE CFS

Axel A. Weber, the former President of the Deutsche Bundesbank, has accepted an invitation to become a Senior Fellow at the Center for Financial Studies (CFS). Weber is currently a Visiting Professor at the University of Chicago Booth School of Business. He is to be nominated for election to the Board of Directors of the Swiss bank UBS in 2012 and is expected to become the bank's Chairman in 2013. Weber has had a long-standing affiliation with the CFS. From 1998 to 2002, he was a Director of the Center and Professor for Monetary Economics at Goethe University. After that he remained an active member of the CFS Board of Trustees. Weber is also a member of the Board of Trustees for the House of Finance.

RESEARCH GRANTS FOR HOUSE OF FINANCE SCHOLARS

A research project of Volker Wieland, Professor for Monetary Theory and Policy at the House of Finance, will be funded by the Deutsche Forschungsgemeinschaft (DFG). This project – "Recursive estimation, forecasting and learning in dynamic macroeconomic models, including general equilibrium models with microeconomic foundations" – is conducted together with Sergey Slobodyan from the Center for Economic Research and Graduate Education (CERGE) at Charles University in Prague and aims to overcome the traditional assumption of rational expectations by modeling the learning behavior of market participants and investigating its consequences for forecasting business cycles.

Grigory Vilkov, Assistant Professor of Derivatives at the House of Finance, has obtained funding from the Fondation Banque de France for the project "Comparing Different Regulatory Measures to Control Stock Market Volatility: A General Equilibrium Analysis". Co-researchers are Bernard Dumas (INSEAD), Raman Uppal (EDHEC) and Adrian Buss (a PhD student at Goethe University).

QUARTERLY EVENT CALENDAR

OCTOBER

Monday, 10th
5 pm
EFL Jour Fixe
“The Cost of Being Slow in Times of High Frequency Trading”
Speaker: Moritz Christian Weber

Thursday, 20th
9.30 am – 5.30 pm
ILF Conference
“Regulating the Alternative Investment Fund Industry”

Thursday, 27th
9.30 am – 5.30 pm
ILF Conference
“Collective Action Clauses and the Restructuring of Sovereign Debt”

Thursday, 27th
12 pm
HoF Brown Bag Seminar
“Familiarity and Financial Behaviour”
Speaker: Prof. Nicola Fuchs-Schündeln, Ph.D.

NOVEMBER

Saturday, 5th
Goethe Business School
Graduation
Full-Time MBA, Class of 2011

Monday, 7th
5 pm
EFL Jour Fixe
“An Analysis of Side Effects of Anonymity in the Internet of Services”
Speaker: Ulrich Lampe

Wednesday, 9th
5.30 pm
CFS Colloquium
“Europa als Emittent: Die neue Finanzierungsgesellschaft (Umsetzung des Rettungsschirms)”
Speaker: Klaus Regling,
European Financial Stability Facility

Friday, 18th – Saturday, 19th
9 am
4th Symposion
“Economy, Criminal Law, Ethics” (ECLE)
“Unternehmensstrafrecht”
Speaker: Prof. Dr. Andreas Cahn,
Prof. Dr. Klaus Lüderssen

Tuesday, 22nd
5.15 pm
Finance Seminar
Speaker: Jack Favilukis, Ph.D.,
London School of Economics

Thursday, 24th
12 pm
HoF Brown Bag Seminar
Speaker: Prof. Dr. Isabel Feichtner

Tuesday, 29th
5.15 pm
Finance Seminar
Speaker: Prof. Álvaro Cartea, Ph.D.,
Carlos III University of Madrid

DECEMBER

Monday, 5th
5 pm
EFL Jour Fixe
“An Analysis of the Financial Performance of Radical, Complex and Financially Risky Innovations”
Speaker: Lisa Schöler

Tuesday, 6th
5.15 pm
Finance Seminar
Speaker: Prof. Johan Walden, Ph.D.,
Haas School of Business,
University of Californiy Berkeley

Tuesday, 13th
5.15 pm
Finance Seminar
Speaker: Prof. Jörg Rocholl, Ph.D.,
European School of Management and Technology (ESMT)

Tuesday, 13th
5.30 pm
CFS Colloquium
“Die Europäische Währungsunion – Politische Union durch die Hintertür fiskalischer Tranfers?”
Speaker: Prof. Dr. Dr. h. c. Otmar Issing,
Center for Financial Studies

Friday, 16th
9 am
ILF Symposion
Wirtschaftsstrafrecht
Speaker: Prof. Dr. Andreas Cahn,
Prof. Dr. Klaus Lüderssen

Please refer to www.hof.uni-frankfurt.de/eventlist.html for continuous updates of the event calendar.
Please note that for some events registration is compulsory.

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