

# InterConnectedness Newsletter

## 2016-Q4



### THE HALLOWEEN PILL

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- **Definitions:** [Zombie](#) banks and [zombie](#) firms
- **Whatever it takes: The Real Effects of Unconventional Monetary Policy** ([Acharya et al., 2016](#))

On July 26, 2012 the ECB's president Mario Draghi announced to do "whatever it takes" to preserve the Euro and subsequently launched the Outright Monetary Transactions (OMT) Program, which led to a significant increase in the value of sovereign bonds issued by European periphery countries. As a result, the OMT announcement indirectly recapitalized periphery country banks due to their significant holdings of these bonds. However, the regained stability of the European banking sector has not fully transferred into economic growth. We show that this development can at least partially be explained by **zombie** lending motives of banks that still remained undercapitalized after the OMT announcement. While banks that benefited from the announcement increased their overall loan supply, this supply was mostly targeted towards low-quality firms with pre-existing lending relationships with these banks. As a result, there was no positive impact on real economic activity like employment or investment. Instead, these firms mainly used the newly acquired funds to build up cash reserves. Finally, we document that creditworthy firms in industries with a prevalence of **zombie** firms suffered significantly from the credit misallocation, which slowed down the economic recovery.

- New book: "[Zombie Banks](#): How Broken Banks and Debtor Nations Are Crippling the Global Economy"
- How [the undead](#) weigh down the economy (Bloomberg QuickTake)
- "To avoid having to book losses from bad loans and be exposed as insolvent, [zombie banks](#) continue lending to keep deadbeat borrowers afloat [...]." (The New York Times)

## CONFERENCE ANNOUNCEMENTS

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- The 20th Annual Conference of the Swiss Society for Financial Market Research will take place in Zurich on Mar 31, 2017. Deadline: Oct 31. <http://www.fmpm.ch/conference>
- The Clearing House/Columbia University Conference: "Optimal Bank Capital Regulation" will take place on Feb 23, 2017. Deadline: Nov 1. Email submissions to [sipa\\_conf@columbia.edu](mailto:sipa_conf@columbia.edu)
- The 8th Conference on Complex Networks CompleNet will take place during Mar 21-25, 2017 in Dubrovnik. Deadline: Nov 13. <http://complenet.weebly.com/>
- The 2017 Napa Conference on Financial Market Research will take place on Mar 24-25, 2017 in Napa Valley (CA). Deadline: Nov 21. <http://www.fma.org/Napa/2017>
- The 7th UNC Duke Corporate Finance Conference will take place on Mar 31-Apr 1 in Chapel Hill (NC). Deadline: Nov 21. <http://faculty.fuqua.duke.edu/corpfinance>
- The UBC Winter Finance Conference will take place on Mar 3-5, 2017 in Whistler (BC), Canada. Deadline: Nov 21. Dual submissions to the The Review of Asset Pricing Studies (RAPS) and The Review of Corporate Finance Studies (RCFS). <https://webforms.sauder.ubc.ca/finance-conference-papers>
- The NYC Computational Economics & Complexity Workshop of the 43rd EEA Annual Conference will take place during Feb 23-26, 2017 in New York City. It organize sessions on agent-based economics, computational economics and related areas; and is calling for papers on microeconomic and macroeconomic networks; and computational finance. Deadline: Nov 21. Paper submissions at: [https://docs.google.com/forms/d/e/1FAIpQLSfhDoNJahqSR-P1cOGOeb2BjzYeuSM9O\\_1D8MyDo-m7zGQcjw/viewform](https://docs.google.com/forms/d/e/1FAIpQLSfhDoNJahqSR-P1cOGOeb2BjzYeuSM9O_1D8MyDo-m7zGQcjw/viewform). Conference website <https://www.qu.edu/eea/43rd-annual-conference/>
- The 10th Financial Risks International Forum: Retail Finance and Insurance: The Impact of Fintech will take place on Mar 27-28, 2017 in Paris. Deadline: Dec 1. [http://www.financialrisksforum.com/risk2017/submit\\_work.phtml](http://www.financialrisksforum.com/risk2017/submit_work.phtml)
- The Twenty-First Annual European Conference of the Financial Management Association International (FMA) will take place in Lisbon during Jun 22-23, 2017. Deadline: Dec 1. <http://www.fma.org/Lisbon>
- The World Finance Conference will take place in Sardinia during Jul 26-28, 2017. Deadline: Dec 12. <https://www.world-finance-conference.com/callPapersWFC>
- The DNB/EBC "Avoiding and Resolving Banking Crises" Conference will take place on Apr 20-21, 2017 in Amsterdam. Deadline: Dec 15. [https://www.dnb.nl/en/binaries/Call%20For%20Papers%20DNB-EBC%20Oct%2014\\_tcm47-347182.pdf](https://www.dnb.nl/en/binaries/Call%20For%20Papers%20DNB-EBC%20Oct%2014_tcm47-347182.pdf)
- The Mid-Atlantic Research Conference in Finance Program (MARC) One Day Conference will take place on Mar 17, 2017 in Villanova, PA. Deadline: Dec 16, 2016. <http://www1.villanova.edu/villanova/business/newsevents/calendar/marc.html>
- The European Financial Management Symposium: Finance and Real Economy will take place at Xiamen University, China. Deadline: Dec 30. [http://www.efmaefm.org/OEFMSYMPOSIUM/2017/EFM\\_Symposium2017.php](http://www.efmaefm.org/OEFMSYMPOSIUM/2017/EFM_Symposium2017.php)
- The 2017 Applied Finance Conference will take place at St. John's University in New York City (NY) on May 12, 2017. Deadline: Jan 6. <http://www.fma.org/AF2017>
- The European Financial Management Association 2016 Annual Meeting will take place at the American College of Greece (Deree) on Jun 28-Jul 1, 2017. Deadline: Jan 15. <http://www.efmaefm.org/>

- The 24th Global Finance Conference will take place at CUNY in Hempstead (NY) on May 4-6, 2017. Deadline: Jan 15. <http://www.glofin.org/>
- The 5th International Conference on Credit Analysis and Risk Management - Basel Workshop on Credit Risk will take place in Basel on Sep 14-15, 2017. Deadline: Jan 31. <http://www.fhnw.ch/wirtschaft/iff/4th-conference-on-credit-analysis-and-risk-management-1>
- The FRB Conference "Developments in Empirical Monetary Economics" will take place on May 11-12, 2017 in Washington, DC. Deadline: Jan 30. <https://www.federalreserve.gov/newsevents/conferences/developments-in-empirical-monetary-economics-call-for-papers-2017.htm>
- The 2017 INFINITI Conference will take place on Jun 12-13, 2017 in Valencia. Deadline: Jan 31. <https://ininiticonference.com/call-for-papers-2017/>
- The 1st International Conference on Econometrics and Statistics will take place on Jun 15-17, 2017 at the Hong Kong University of Science and Technology. Deadline: Mar 15. <http://cmstatistics.org/EcoSta2017/>

## CONFERENCE PROGRAMS

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- The 9th ECB workshop on Forecasting techniques took place during Jun 3-4 in Frankfurt. Program on [https://www.ecb.europa.eu/pub/conferences/shared/pdf/20160603\\_forecasting/20160603-Forecasting\\_techniques-Programme3.pdf](https://www.ecb.europa.eu/pub/conferences/shared/pdf/20160603_forecasting/20160603-Forecasting_techniques-Programme3.pdf)
- The Journal of Financial Regulation 2016 Annual Conference "Integration and Interconnectedness in Global Finance" took place during Jun 24-25 in Hong Kong. Program on [http://www.aiifl.com/wp-content/uploads/flyer/JFR\\_2016\\_Full\\_Programme\\_final.pdf](http://www.aiifl.com/wp-content/uploads/flyer/JFR_2016_Full_Programme_final.pdf)
- The Yale Program on Financial Stability "Fighting a financial crisis" 2016 took place on Jul 29 at Yale University. List of paper presentations on <https://www.dropbox.com/s/oqdhwia561i2umz/2016%20Fighting%20a%20Financial%20Crisis.pdf?dl=0>
- The FRIC'16 Conference on Financial Frictions took place at the Copenhagen Business School during Aug 22-23. Program on <http://www.tilmeld.dk/FRIC16/program.html>
- The EFA 2016 day-ahead Conference "Financial stability and macroprudential policy" took place on Aug 16 in Oslo. Program on <https://www.dropbox.com/s/e1irtu1ar50gadx/EFA%20Day-aheadProgram.pdf?dl=0>
- The IFABS 2016 conference took place during Aug 16-18 in Brunei. Program and papers on <https://www.conftool.com/ifabs2016-asia-brunei/sessions.php>
- The EFA 2016 Conference took place during Aug 17-20 in Oslo. Program on <https://www.conftool.com/efa2016/sessions.php>
- The Cambridge-INET Conference "Firms in macroeconomics" took place during Aug 31-Sep 1 in Cambridge, UK. Program on [http://www.inet.econ.cam.ac.uk/our-events/FirmsinMacroeconomics\\_Program7.pdf](http://www.inet.econ.cam.ac.uk/our-events/FirmsinMacroeconomics_Program7.pdf)
- The 16th Annual Bank Research Conference took place on Sep 8-9 in Arlington (VA). Program on [https://www.fdic.gov/bank/analytical/cfr/bank\\_research\\_conference/annual\\_16th/16th\\_agenda.html](https://www.fdic.gov/bank/analytical/cfr/bank_research_conference/annual_16th/16th_agenda.html)
- The Conference "Quantitative methods for financial regulation" took place on Sep 10-11 at NY Stony Brook. Program on <http://qmfr2016.weebly.com/program.html>
- The Financial Risk & Network Theory Cambridge Center for Risk Studies Seminar in collaboration with the Journal of Network Theory in Finance held the conference "Financial Risk and Network Theory 2016"

in Cambridge on Sep 13-14. Agenda, papers and presentations on [http://www.risk.jbs.cam.ac.uk/news/events/other/2016/160913\\_financialriskandnetworktheory.html](http://www.risk.jbs.cam.ac.uk/news/events/other/2016/160913_financialriskandnetworktheory.html)

- The Leiden Networks day took place on Sep 23. Program on <https://www.universiteitleiden.nl/en/events/2016/09/leiden-networks-day>
- The 3rd Annual Conference “Causes of and Policy Responses to the U.S. Financial Crisis: What Do We Know Now that the Dust Has Settled?” took place at the MIT on Sep 28-29. Program and papers on <http://cfpweb.mit.edu/3rd-annual-conference-program/>
- The 6th IWH/INFER Workshop on (Ending) Unconventional Monetary Policy took place on Sep 29-30 in Halle. Program on [https://www.xing-events.com/aEEP\\_2016.html;jsessionid=CB08955F750A837512E40E9D34A56A8D.amiando?page=1396912](https://www.xing-events.com/aEEP_2016.html;jsessionid=CB08955F750A837512E40E9D34A56A8D.amiando?page=1396912)
- The 2nd RiskLab/BoF/ESRB Conference on Systemic Risk Analytics took place at Arcada (Helsinki) during Oct 5-7. Program on <http://risklab.fi/sra2016/programme.html>
- The C R E D I T 2016 Credit Solutions for the Real Economy: Implications for Investors, Financial Stability and Policy Design Conference took place in Venice during Oct 6-7. Program and papers on <http://www.greta.it/credit/credit2016/programme.html>
- The 2016 Imperial Fintech Conference took place at Imperial College on Oct 7. Program on <https://workspace.imperial.ac.uk/business-school/Public/Centre%20for%20Global%20Finance%20and%20Technology/Program%20for%20the%20web%20site%202016%20Imperial%20Fintech%20Conference%20-%20FINAL.pdf>
- The 4th Conference on Systemic Risk Modeling “Systemic risk in derivative markets” took place at the LSE on Oct 14. Program on <http://www.systemicrisk.ac.uk/events/systemic-risk-derivatives-markets-fourth-annual-conference-systemic-risk-modelling>
- The “Economics without borders: A research agenda for Europe” Conference took place in Brussels on Oct 17. Agenda on [https://www.eeassoc.org/doc/upload/Coeure\\_Final\\_Conference20160927170809.pdf](https://www.eeassoc.org/doc/upload/Coeure_Final_Conference20160927170809.pdf)
- The Money Markets, Monetary Policy Implementation and Market Infrastructures Workshop took place on Oct 24-25 in Frankfurt. Program on [https://www.ecb.europa.eu/pub/conferences/html/20161024\\_joint\\_ECB\\_IMF\\_workshop\\_money\\_markets\\_implementation\\_infrastructure.en.html](https://www.ecb.europa.eu/pub/conferences/html/20161024_joint_ECB_IMF_workshop_money_markets_implementation_infrastructure.en.html)
- The Workshop on Systemic Risk in Insurance took place on Oct 28 in New York City. Program on <http://www8.gsb.columbia.edu/financialstudies/systemicriskinsurance>
- The ECB conference on Monetary policy pass-through and credit markets took place on Oct 27-28 in Frankfurt. Program on [https://www.ecb.europa.eu/pub/conferences/html/20161027\\_monetary\\_policy\\_pass\\_through.en.html](https://www.ecb.europa.eu/pub/conferences/html/20161027_monetary_policy_pass_through.en.html)
- The FDIC 6th Annual Consumer Research Symposium took place on Oct 28. Program on <https://fdic.gov/news/conferences/consumersymposium/2016/index.html>
- The 8th EBC Network Conference “Bank credit in a post-crisis economy” took place on Oct 27-28 at Tilburg. Program on <https://www.tilburguniversity.edu/research/institutes-and-research-groups/ebc/events/show/item-european-banking-center-network-conference/>
- The Financial Stability Conference 2016 will take place on Nov 3 in Berlin. Agenda on [http://financial-stability.org/wp-content/uploads/2016/10/FinStabConf-2016\\_preliminary-program.pdf](http://financial-stability.org/wp-content/uploads/2016/10/FinStabConf-2016_preliminary-program.pdf)
- The Info-metrics State of Research: Past, Present, Future conference will take place in Washington DC on Nov 3. <http://www.american.edu/cas/economics/info-metrics/workshop/workshop-2016-fall.cfm>
- The 19th Annual International Banking Conference will take place at the Chicago Fed on Nov 3-4. Agenda on <https://www.chicagofed.org/events/2016/nineteenth-international-banking-conference>

- The Swissquote Conference 2016 on the Future of Banking will take place on Nov 4. Program on <http://sfi.epfl.ch/SwissquoteConference2016>
- The Economics of Payments VIII Conference will take place during Nov 9-10 in Frankfurt. Program on <https://www.dropbox.com/s/s5incwqsgegqx0g/Call%20for%20Participation%20EoP%20VIII%202016.pdf?dl=0>
- The “Monetary Policy and Global Spillovers: Mechanisms, Effects and Policy Measures” Conference will take place at the Central Bank of Chile during Nov 10-11. Program on [https://www.dropbox.com/s/hjapcdvaf07tymz/annual\\_conference2016.pdf?dl=0](https://www.dropbox.com/s/hjapcdvaf07tymz/annual_conference2016.pdf?dl=0)
- The “Central bank analytics research forum” will take place at the Bank of England during Nov 14-15. Program on [https://www.dropbox.com/s/ku6e06vzvx27bme/CCBS\\_Analytics\\_Research\\_Forum\\_14-15Nov16.pdf?dl=0](https://www.dropbox.com/s/ku6e06vzvx27bme/CCBS_Analytics_Research_Forum_14-15Nov16.pdf?dl=0)
- The “Political Economy of Systemic Risk” Conference will take place at the LSE on Nov 17. Program on <http://www.systemicrisk.ac.uk/sites/default/files/images/Programme%20Political%20Economy%20conference%2017%20Nov.pdf>
- The Global Research Forum International Macroeconomics and Finance will take place at the NY Fed during Nov 17-18. Agenda on [https://www.newyorkfed.org/medialibrary/media/research/conference/2016/global\\_research\\_forum\\_agenda.pdf?la=en](https://www.newyorkfed.org/medialibrary/media/research/conference/2016/global_research_forum_agenda.pdf?la=en)
- The “The Impact of Extraordinary Monetary Policy on the Financial Sector” workshop will take place at the Atlanta Fed on Dec 1-2. Program on <https://www.dropbox.com/s/d3fn4wovnva13tp/Atlanta-Fed-Conference.docx?dl=0> ; registration: [https://frbatlanta.co1.qualtrics.com/jfe/form/SV\\_4IRJ1sBrFJRufj](https://frbatlanta.co1.qualtrics.com/jfe/form/SV_4IRJ1sBrFJRufj)
- The MBF Int’l Rome Conference on Monday, Banking and Finance will take place in Rome during Dec 1-2. Program on <http://2016.mbf-rome.it/xxv/program>
- The Boe, BHC, CEPR and CFM Workshop on Finance, Investment and Productivity will take place on Dec 15-16 in London. Program on <http://www.bankofengland.co.uk/research/Documents/conferences/deconfagenda.pdf>
- The Second Annual Volatility Institute Conference at NYU Shanghai “The role of institutional and retail investors in capital markets” will take place on Nov 18. Agenda on <https://research.shanghai.nyu.edu/centers-and-institutes/vins/second-annual-volatility-institute-conference-nyu-shanghai>
- The 6th BOE/EBRD MOFIR Workshop on Banking will take place in London during Jun 15-16. Deadline: Jan 31. [https://www.dropbox.com/s/vkow7gkpwqbykj3/CfP%20MoFiR\\_2017.pdf?dl=0](https://www.dropbox.com/s/vkow7gkpwqbykj3/CfP%20MoFiR_2017.pdf?dl=0)

## **POLICY ARTICLES, SPEECHES, REPORTS**

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- Understanding the economics of networks <https://www.ineteconomics.org/ideas-papers/interviews-talks/understanding-the-economics-of-networks>
- Stress testing correlation networks <http://www.fields.utoronto.ca/video-archive/2016/06/2136-15414?platform=hootsuite>
- Introducing the Leverage Ratio in Assessing the capital adequacy of European banks [http://www.sascha-steffen.de/uploads/5/9/9/3/5993642/benchmarking\\_august2016.pdf](http://www.sascha-steffen.de/uploads/5/9/9/3/5993642/benchmarking_august2016.pdf)
- Next steps in the Evolution of Stress Testing <https://www.federalreserve.gov/newsevents/speech/tarullo20160926a.htm>

- Global banking: Recent developments and insights from research  
<http://rof.oxfordjournals.org/content/early/2016/09/06/rof.rfw045.full.pdf?keytype=ref&ijkey=ebnW9RH4bza83RE>
- Complexity modeling in economics: The state of the art  
<http://et.worldeconomicssociation.org/papers/complexity-modelling-in-economics-the-state-of-the-art/>
- Stress testing correlation networks - GRI Fields conference and workshop on the stability of financial systems: Modeling, regulation, and stress testing <http://www.fields.utoronto.ca/video-archive/2016/06/2136-15414?platform=hootsuite>
- Interconnections and panics [https://ocw.mit.edu/courses/economics/14-09-financial-crises-january-iap-2016/lecture-notes/MIT14\\_09IAP16\\_lec7\\_edited.pdf](https://ocw.mit.edu/courses/economics/14-09-financial-crises-january-iap-2016/lecture-notes/MIT14_09IAP16_lec7_edited.pdf)

## RECENT ACADEMIC RESEARCH

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- Network risk and key players: A structural analysis of interbank liquidity  
<http://www.lse.ac.uk/fmg/events/conferences/Network-conference/Papers/Christian-Julliard.pdf>
- The price of complexity in financial networks  
<http://www.pnas.org/content/early/2016/08/22/1521573113.abstract>
- Disconnected, fragmented, or united? A trans-disciplinary review of network science  
<http://appliednetsci.springeropen.com/articles/10.1007/s41109-016-0010-3>
- Banking network and systemic risk via forward-looking partial default correlations  
[http://www.rmi.nus.edu.sg/duanjc/index\\_files/files/BankingNetwork\\_3-5-2016.pdf](http://www.rmi.nus.edu.sg/duanjc/index_files/files/BankingNetwork_3-5-2016.pdf)
- Financial networks, bank efficiency and risk-taking  
<http://www.sciencedirect.com/science/article/pii/S157230891630016X>
- Asymmetric Information and Intermediation Chains  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20140662>
- Systemic risk and the dynamics of temporary financial networks  
<http://www.systemicrisk.ac.uk/publications/discussion-papers/systemic-risk-and-dynamics-temporary-financial-networks>
- Spatial dependence and data-driven networks of international banks  
<http://www.imf.org/external/pubs/cat/longres.aspx?sk=44271.0>
- Firm to firm trade in sticky production networks  
<https://drive.google.com/file/d/0B3o1aQUPQDIrdFVySldDQmcwS2M/view>
- Network structures and credit risk in the cross-shareholdings among listed Japanese companies  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2842688&download=yes](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2842688&download=yes)
- Statistically validated network of portfolio overlaps and systemic risk  
<https://arxiv.org/pdf/1603.05914v2.pdf>
- Interfirm relationships and business performance <http://economics.mit.edu/files/11337>
- Epidemics of liquidity shortage in interbank markets <https://arxiv.org/pdf/1610.03259v1.pdf>
- The impact of the European sovereign debt crisis on banks stocks. Some evidence of shift contagion in Europe <http://www.sciencedirect.com/science/article/pii/S0378426616301765>
- Financial networks and bank liquidity <http://www.risk.net/journal-of-network-theory-in-finance/technical-paper/2475391/financial-networks-and-bank-liquidity>

- Variance decomposition network: Potential pitfalls and a simple solution: <https://www.dropbox.com/s/eiuoq3tsleac8da/Chan-Lau%202016.pdf?dl=0>
- Bank linkages and international trade <http://www.frbsf.org/economic-research/files/wp2013-14.pdf>

## MISCELLANEOUS

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- The LSE Systemic Risk Center (SRC) has a youtube channel: <https://www.youtube.com/user/LSESRC/>
- *The Journal of Network Theory in Finance* is accepting submissions. For more information see <http://www.risk.net/type/journal/source/journal-of-network-theory-in-finance> For a review of the latest issue, see <https://www.dropbox.com/s/cn4s3jwgi9zknoq/JNTF-Vol2No3-2016.pdf?dl=0>
- In their new book *Network theory and financial risk*, authors Kimmo Soramaki and Samantha Cook provide an in-depth introduction to network theory and examine general tools for network analysis, detailing coverage of four types of widely-occurring financial networks: payment systems, exposure networks, trade networks, and asset correlation networks. For more information on the book, see <http://riskbooks.com/book-network-theory-and-financial-risk>
- The Winter Workshop on Complex Systems 2017 will take place at the Petnica Science Center in Serbia during Feb 6-10, 2017. Forty young researchers from all over the world will attend cutting-edge lectures, develop collaborative projects and discuss the latest on complexity science. The goal of the workshop is to strengthen the community of young researchers working in the field of complex systems. Thus we expect all the participants to suggest and actively participate in projects, build new scientific collaborations and exchange knowledge and experience with other participants. See <http://www.wwcs2017.com>
- The Journal of Economic Dynamics and Control will organize a Special Issue in Honour of Professor Carl Chiarella, passed away on June 16, 2016. Topics: Agent-based models, market dynamics and oligopoly dynamics, macroeconomic dynamics, asset pricing, and quantitative finance. Deadline: Apr 15. Expected publication date: Spring 2018. Manuscripts to be submitted online <http://www.journals.elsevier.com/journal-of-economic-dynamics-and-control> indicating that this is a special issue submission. Guest editors: Herbert Dawid, Tony He, and Willi Semmler.
- MIT Professor Simsek's lecture notes for his course on "Financial crises": <https://ocw.mit.edu/courses/economics/14-09-financial-crises-january-iap-2016/>
- Yale University plans master's in systemic risk (WSJ) [http://www.wsj.com/articles/degree-of-danger-yale-university-plans-masters-in-systemic-risk-1469646282?cx\\_navSource=cx\\_picks&cx\\_tag=collabctx&cx\\_artPos=5#cxrecs\\_s](http://www.wsj.com/articles/degree-of-danger-yale-university-plans-masters-in-systemic-risk-1469646282?cx_navSource=cx_picks&cx_tag=collabctx&cx_artPos=5#cxrecs_s)

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