DOMINIK THALER

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Research Interests

Monetary Macroeconomics, International Macroeconomics, Macro-Finance, Computational Economics

Education

2012-2016	EUROPEAN UNIVERSITY INSTITUTE, ITALY PhD in Economics, Advisors: Evi Pappa and Arpad Abraham
2014	UNIVERSITY OF PENNSYLVANIA, US Visiting scholar (2 months) with Enrique Mendoza
2011-2012	EUROPEAN UNIVERSITY INSTITUTE, ITALY Master of Research in Economics, June 2012
2006-2011	UNIVERSITY OF FREIBURG, GERMANY Diplom (Master equivalent) in Economics, July 2011
2008-2009	UNIVERSITY OF OF LEEDS, UK Visiting Graduate Student in Economics and Political Science

Professional Experience

since Sep 2016	BANK OF SPAIN, Madrid - Research Economist at the Monetary Policy Unit
Jan-Feb 2015	NATIONAL BANK OF BELGIUM, Brussels - Research Intern, Research Department, Development of a DSGE model with monetary policy and a bank risk taking channel
Sep-Dec 2014	EUROPEAN CENTRAL BANK, Frankfurt - Research Intern, DG Economics, Development of a DSGE model with overlapping generations, monetary policy and the zero lower bound
Feb-Mar 2010	DETECON CONSULTING, Bonn - Intern, Corporate Finance division
Mar-Apr 2009	DEUTSCHE BUNDESBANK, Frankfurt - Research Intern, Development of an index of market liquidity for the German financial markets using principal components
2007-2009	UNIVERSITY FREIBURG, Chair of Prof. Thomas Gehrig - Research Assistant, Empirical research on asset pricing and market micro structure

Teaching Experience

2015	NUMERICAL OPTIMIZATION WITH KNITRO, PhD level workshop, taught at the European University Institute
2013	MACROECONOMICS I, PhD Level, Teaching assistant, European University Institute
2010-2011	MICROECONOMICS, Undergraduate Level, Teaching assistant, University of Freiburg

Research

2019	*"A large Central Bank Balance Sheet? Floor vs Corridor Systems in a New Keynesian Environment"*, with Óscar Arce, Galo Nuño and Carlos Thomas, Journal of Monetary Economics
2019	*"Monetary policy and the asset risk taking channel"*, with Angela Abbate, Journal of Money, Credit and Banking
	"When Fiscal Consolidation Meets Private Deleveraging", with Javier Andres, Óscar Arce and Carlos Thomas
	"Sovereign default, domestic banks and exclusion from international capital markets", Bank of Spain Working Paper 1824
	"Reducing the computationally necessary State Space by Anticipating Future Choices"
	"High frequency evidence on information discovery in Russian stock prices cross-listed with German exchanges", with Marco Woelfle, 23rd Freiburg Nagoya Joint Seminar Reports (2009)

Presentations at Seminars and Conferences

2019	DG-E seminar at the ECB (Frankfurt), MPC seminar at the ECB (Frankfurt), 2019 European Summer Symposium in International Macroeconomics (Tarragona), CEBRA Annual Meeting 2019 (New York), Seminar at the Fed Board (DC)
2018	Meeting of the Verein für Socialpolitik (Freiburg), EUI-Banque de France Conference (Florence), BGSE Summer Forum 2018 (Barcelona), IX Workshop on Institution, Individual Behavior and Economic Outcomes (Alghero)
2017	21st Theories and Methods in Macroeconomics Conference (Lisbon), 2nd BdE-CEMFI workshop (Madrid), 1st Catalan Economic Society Conference (Barcelona), Econometric Society's 2017 North American Summer Meeting (St. Louis), ADEMU fiscal risk conference 2017 (Bonn), ECB MPC task force meeting (Paris), 3rd European University Institute Alumni conference (Florence), 2017 annual research conference of the DNB (Amsterdam), 2017 European Winter Meeting of the Econometric Society (Barcelona), Seminar at the Bank of England (London)
2016	Seminar at Carlos III (Madrid), Seminar at University of Zurich (Madrid), 4th Bordeaux Workshop in International Economics and Finance (Bordeaux), Econometric Society's 2016 European Winter Meeting (Edinburgh)
2015	6th Bundesbank-CFS-ECB Workshop on Macro and Finance (Frankfurt), 20th Workshop on Dynamic Macroeconomics (Vigo), 30th Annual Congress of the European Economic Association (Mannheim), 40th Symposium of the Spanish Economic Association (Girona)

Summer schools

2013	Zurich Initiative for Computational Economics Workshop (Zurich)
2017	CEMFI summer school course on heterogeneous agents by Greg Kaplan (Madrid)

Stipends and Fellowships

2011-2015	German Academic Exchange Service (DAAD), PhD Scholarship
2015-2016	European University Institute, PhD Scholarship

Referee activities

Referee	The Economic Journal, European Economic Review, Macroeconomic Dynamics
Editor	Bank of Spain Working Paper Series

Other Relevant Skills

Languages:	German (native), English (fluent), Spanish (intermediate), Italian (intermediate)
Software:	Mathematica, Matlab, Stata, Latex, Dynare, Ampl, MS Office

References

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Abstracts

"A large Central Bank Balance Sheet? Floor vs Corridor Systems in a New Keynesian Environment" with Óscar Arce, Galo Nuño and Carlos Thomas, Journal of Monetary Economics

The quantitative easing (QE) policies implemented in recent years by central banks have had a profound impact on the working of money markets, giving rise to large excess reserves and pushing down key interbank rates against their floor - the interest rate on reserves. With macroeconomic fundamentals improving, central banks now face the dilemma as to whether to maintain this large balance sheet/floor system, or else to reduce their balance sheet size towards pre-crisis trends and operate traditional corridor systems. We address this issue using a New Keynesian model featuring heterogeneous banks that trade funds in an interbank market characterized by matching frictions. In this environment, balance sheet expansions push market rates towards their floor by slackening the interbank market. A large balance sheet regime is found to deliver ampler policy space by widening the steady-state distance between the interest on reserves and its effective lower bound (ELB). Nonetheless, a lean-balance-sheet regime that resorts to temporary but prompt QE in response to recessions severe enough for the ELB to bind achieves similar stabilization and welfare outcomes as a large-balance-sheet regime in which interest-rate policy is the primary adjustment margin thanks to the larger policy space.

"Monetary policy and the asset risk taking channel" with Angela Abbate, Journal of Money, Credit and Banking

How important is the risk-taking channel for monetary policy? To answer this question, we develop and estimate a quantitative monetary DSGE model where banks choose excessively risky investments, due to an agency problem which distorts banks' incentives. As the real interest rate declines, these distortions become more important and excessive risk taking increases, lowering the efficiency of investment. We show that this novel transmission channel generates a new and quantitatively significant monetary policy trade-off between inflation and real interest rate stabilization: it is optimal for the central bank to tolerate greater inflation volatility in exchange for lower risk taking.

"Sovereign Default, Domestic Banks andExclusion from International Capital Markets"

Why do governments borrow internationally, so much as to risk default? Why do they remain out of financial markets for a while after default? This paper develops a quantitative model of sovereign default with endogenous default costs to propose a novel and unified answer to these questions. In the model, the government has an incentive to borrow internationally due to a difference between the world interest rate and the domestic return on capital, which arises from a friction in the domestic banking sector. Since banks are exposed to sovereign debt, sovereign default causes losses for them, which translate into a financial crisis. When deciding upon repayment, the government trades off these costs against the advantage of not repaying international investors. After default, it only reaccesses international capital markets once banks have recovered, because only then are they able to efficiently allocate the marginal unit of investment again. Exclusion hence arises endogenously. The model is able to generate significant levels of domestic and foreign debt, realistic spreads, quantitatively plausible drops of lending and output in default episodes, and periods of post-default international financial market exclusion of a realistic duration.

"When Fiscal Consolidation Meets Private Deleveraging" with Javier Andres, Óscar Arce and Carlos Thomas

Inspired by the recent experience in some euro area countries, we analyze the interaction between fiscal consolidation and private deleveraging in a model of a small open economy in a monetary union. The coexistence of long-term private debt and collateral constraints on new loans implies that, following an adverse financial shock, the economy enters a slow private deleveraging process, the duration of which is endogenous to collateral and debt dynamics. In this context, long-term debt reduces the short-run relative output costs of large and/or fast consolidations by buffering their impact on private debtors' spending capacity. However, such aggressive consolidations increase the length and depth of private deleveraging, causing higher relative output losses over the medium run. The latter effect dominates in terms of present-value multipliers and relative welfare losses, such that the above intertemporal trade-off is resolved in favor of smaller/more gradual consolidations.

"Reducing the computationally necessary State Space by Anticipating Future Choices"

This short technical note outlines a method to reduce the computationally necessary state space for solving dynamic models with global methods. The idea is to replace several state variables by a summary state variable and to anticipate future choices that depend on the replaced variables. I show how this method can be applied to a portfolio choice problem.