Banking & financial markets

Propositions

accompanying the Doctoral Dissertation

Banking & Financial Markets: Essays in Asset Pricing and Empirical Banking

by

Michael Kurz

Thursday, September 12th, 2019 at 12:00 hours

Propositions:

1. Banks with greater trading expertise tend to reduce credit supply to the real economy more than their peers with less trading expertise, especially during financial crises. This reduction, however, has little impact on real economic outcomes. [Chapter 2].
2. US banks with trading expertise reduce their credit supply more than their international peers and, unlike the international peers, do so both in periods of financial crisis and in stable times. [Chapter 2].
3. Current hedge accounting rules for banks are not able to separate hedgers from traders in the derivatives market. [Chapter 3].
4. Betting-against-beta trading strategies are profitable because investors trade on a liquidity premium as beta is mis-measured in illiquid stocks [Chapter 4].
5. Rejecting the efficient market hypothesis in favor of a view of financial markets that is driven by irrationality and behavioral biases means rejecting a theory that does not explain everything for a theory that explains nothing [Chapter 4].
6. Once one gets beyond the field-specific jargon empirical research methods are very similar across otherwise different fields.
7. "Without knowing the extent of the falsifications that actually occur in economic statistics, it is impossible to estimate their influence upon economic theory" (Oskar Morgenstern)
8. Old research results are often forgotten even if they still help answer questions that are relevant today.
9. Economic research forces people to ask: "Why would someone act like that?" And simply accepting that people are crazy is never a good enough answer.
10. "If all the economists were laid end to end, they'd never reach a conclusion." (George Bernard Shaw)