On systemic risk formation

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Stellingen

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On Systemic Risk Formation
The Role of Risk Spillovers, Interconnectivity and Macroprudential Policy

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1. Beyond the size of financial institutions their connectivity adds to the formation of an economy's systemic risk level. (Chapter 2)
2. Short-term incentives of non-CEO executives pertain to the formation of systemic risk at the firm level. (Chapter 3)
3. According to Jan Tinbergen, two distinct objectives can only be achieved if at least two independent policy tools are at a regulator's disposal. In a similar vein, the pursuit of a single objective with multiple policy tools renders the tools dependent. (Chapter 4)
4. A systemic risk tax may reveal a financial regulator's inclination to bail out banks and thereby do more harm than intended good. (Chapter 4)
5. Underpricing of the deposit guarantees in credit risk models can be explained by the omission of implicit guarantees. (Chapter 5)
6. Credible government policy consists of writing put options on activities deemed to be preserved and buying call options on activities that preserve themselves. (Chapter 5)
7. Financial crises do not grow out of thin air. They have a solid basis in reality, but reality is often conveniently distorted by misconception.
8. The prospect of bailouts may trigger herding behavior among banks that resembles the strategies of participants in a Keynesian beauty contest.
9. To see one's absolute rights, one only needs to close both eyes.