Josef Schroth

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Current position

Max Weber Fellow, EUI (Italy), 2011-2012

Education

Ph.D. Economics, UCLA, June 2011

M.Sc. Economics and Econometrics, University of Southampton (UK), 2006

Undergraduate studies in Economics, Goethe University Frankfurt (Germany), 2002- 2005

Fields of Interest

Macroeconomics, Monetary Economics, International Economics, Corporate Finance

Working Papers

Financial crisis resolution (Job market paper)
Bank deposit contracts, between a bank and its creditor, typically prescribe minimum bank equity requirements, as in Holmstrom and Tirole (1997). During a banking crisis, when bank equity is low, these deposit contracts turn out to be inefficient. A regulator will find it optimal to write a new deposit contract with banks, on behalf of all creditors, that rations bank credit supply in the long run. By promising banks future rents the regulator can relax minimum equity requirements during a banking crisis. The optimal regulation takes a simple form, an upper bound on bank lending, since banks hedge financing risk sufficiently when minimum equity requirements are met. A quantitative exercise illustrates that optimal regulation can reduce the cost of banking crises substantially.

Capital flows to developing countries: is there an allocation puzzle?
Gourinchas and Jeanne (2009) and Prasad, Rajan, and Subramanian (2007) document that growth and capital inflows tend to be negatively correlated across developing countries for the period 1980-2000. I develop a three-country model with a rich developed country and two developing countries. Developing countries compete for foreign direct investment (FDI) and safe assets. However, only the faster-growing developing country will succeed due to an increase in asset prices. The slower-growing developing country is forced to reduce its holding of safe assets and experiences an outflow of FDI. The net effect is an increase in net foreign assets (NFA) in the faster-growing developing country and a decrease in NFA in the slower-growing developing country.

Disclosure quality and executive compensation
This paper studies the relationship between the quality of mandated disclosure and executive compensation at publicly traded firms. It is assumed that market participants rely, depending on the informativeness of mandated disclosure, on the executive when interpreting news about the firm. Executives are assumed to each have a privately observed ability to distort such news when communicating with market participants. It is shown that an increase in the quality of mandated disclosure can lead to increased dispersion and average level of executive compensation, driven by an increase in stock-price related pay. Firm profits rise due to improved market monitoring and are outpaced by executive pay.

Research in progress

Discretionary fiscal policy in monetary unions
This paper studies the extent to which members of a monetary union should be required to pursue budget balance. In the environment considered member countries raise taxes from heterogenous domestic groups, while any persistent budget deficit will eventually be monetized. Hence member countries will find it beneficial to establish fiscal rules to limit inefficient "free-riding". When a member country possesses private information regarding the political influence of domestic groups, it will have an incentive to overstate difficulties in raising tax revenue domestically in order to increase the fraction of its fiscal deficit that is to be monetized. The paper shows how to construct fiscal rules that achieve higher welfare than simple upper bounds on individual budget deficits. These improved rules prescribe efforts to raise tax revenue that are positively correlated across member countries. When allowing for history-dependent fiscal rules, numerical results show that a country's failure to raise sufficient tax revenue to repay its government debt tends to make its fiscal policy more dependent on the foreign political climate in the future.

Monetary policy coordination with private information
This paper studies monetary policy of two independent monetary authorities, each experiencing privately observed pressures to implement expansionary policy. When monetary policy causes externalities monetary authorities can enter a long-term agreement to internalize adverse effects of their respective policies. The optimal mechanism features monetary policy that depends both on past and current policies. When monetary authorities face a domestic time-inconsistency problem then the degree of discretion granted to one monetary authority

always depends on discretion exercised by the other. Specifically, monetary policy dependence is asymmetric in the sense that it is more pronounced for monetary authorities with a history of relatively more expansionary policy.

Teaching Experience

Instructor, Macroeconomic theory (undergraduate), Summer 2009, Summer 2010

Teaching assistant, Microeconomic theory (undergraduate), Fall 2009, Winter 2010, Spring 2010

Teaching assistant, Macroeconomic theory (undergraduate), Winter 2007, Fall 2008, Winter 2009, Spring 2009

Teaching assistant, Ph.D. Macroeconomics, Prof. Andrew Atkeson, Spring 2008

Teaching assistant, Ph.D. Macroeconomics, Prof. Gary Hansen, Fall 2007

Awards

Dissertation Year Fellowship, UCLA, 2010-2011

Department of Economics Progress Award, UCLA, 2007, 2008

Fellowship for Graduate Studies, Department of Economics, UCLA, 2006-2010

Award for highest overall marks in M.Sc. Economics program, University of Southampton (UK), 2006

Other Work Experience

Undergraduate research assistant for Volker Wieland, Goethe University Frankfurt (Germany), 2004- 2005

Community service (in lieu of military service), Friedrich-Froebel-Schule, Maintal, (Germany), 2001-2002

References

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