

# Effects of Unconventional Monetary Policy on Financial Institutions

Gabriel Chodorow-Reich

SHARE      

---

WORKING PAPER 20230

DOI 10.3386/w20230

ISSUE DATE June 2014

---

Monetary policy affects the real economy in part through its effects on financial institutions. High frequency event studies show the introduction of unconventional monetary policy in the winter of 2008-09 had a strong, beneficial impact on banks and especially on life insurance companies. I interpret the positive effects on life insurers as expansionary policy recapitalizing the sector by raising the value of legacy assets. Expansionary policy had small positive or neutral effects on banks and life insurers through 2013. The interaction of low nominal interest rates and administrative costs forced money market funds to waive fees, producing a possible incentive to reach for yield to reduce waivers. I show money market funds with higher costs reached for higher returns in 2009-11, but not thereafter. Some private defined benefit pension funds increased their risk taking beginning in 2009, but again such behavior largely dissipated by 2012. In sum, unconventional monetary policy helped to stabilize some sectors and provoked modest additional risk taking in others. I do not find evidence that the financial institutions studied formented a tradeoff between expansionary policy and financial stability at the end of 2013.

Download a PDF

[Information on access](#)

Acknowledgements and Disclosures

---

Download Citation

---

## Published Versions

Gabriel Chodorow-Reich, 2014. "[Effects of Unconventional Monetary Policy on Financial Institutions](#)," Brookings Papers on Economic Activity, Economic Studies Program, The Brookings Institution, vol. 48(1 (Spring)), pages 155-227. citation courtesy of [RePEc](#)

---

## Related

### TOPICS

Macroeconomics  
Money and Interest Rates  
Monetary Policy  
Financial Economics  
Financial Institutions

### PROGRAMS

Monetary Economics

## More from NBER

---

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Retirement and Disability](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



16<sup>th</sup> Annual Martin Feldstein Lecture:

### **Lessons for Economists from the Pandemic**

Cecilia E. Rouse, The Brookings Institution  
and Princeton University  
July 22, 2024

### **2024, 16th Annual Feldstein Lecture, Cecilia E. Rouse, "Lessons for Economists from the Pandemic"**

FELDSTEIN LECTURE

PRESENTER: [CECILIA E. ROUSE](#)

Cecilia Rouse, president of the Brookings Institution and a professor at Princeton University, who chaired the Council...



Methods Lectures, Summer Institute 2024:

# Analysis and Design of Multi-Armed Bandit Experiments and Policy Learning

Susan Athey, Stanford University and NBER  
July 25, 2024

## 2024 Methods Lecture, Susan Athey, "Analysis and Design of Multi-Armed Bandit Experiments and Policy Learning"

METHODS LECTURES

PRESENTER: [SUSAN ATHEY](#)

Background Materials: backgroundAthey, Susan, Undral Byambadalai, Vitor Hadad, Sanath Kumar Krishnamurthy, Weiwen Leung...



Economics of Social Security Panel Discussion

## Earnings Inequality and Payroll Tax Revenues

Karen Dynan, Harvard University  
Karen Glenn, Social Security Administration  
Stephen Goss, Social Security Administration  
Fatih Guvenen, University of Minnesota and NBER  
James Pearce, US Congressional Budget Office  
NBER Summer Institute, July 24, 2024

## 2024, Economics of Social Security Panel, "Earnings Inequality and Payroll Tax Revenues"

## National Bureau of Economic Research

### [Contact Us](#)

1050 Massachusetts Avenue  
Cambridge, MA 02138  
[617-868-3900](tel:617-868-3900)  
[info@nber.org](mailto:info@nber.org)  
[webaccessibility@nber.org](mailto:webaccessibility@nber.org)

### [HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

### FOLLOW

