# 55th Konstanz Seminar on Monetary Theory and Policy 2024

Moritz May* and Tim Normann**

The 55th Konstanz Seminar on Monetary Theory and Policy was held from May 14th to May 16th 2024. This year's conference took place with 46 participants. The Konstanz Seminar provides an independent platform for intense discussion of recent developments in monetary theory and policy. Each year, the seminar brings leading senior academics, junior researchers, participants from the European Central Banks, Federal Reserve System, and international organizations, as well as practitioners from the private sector together. Founded by monetary economist Karl Brunner in 1970 and currently organized by a team of researchers, with Benjamin Born and Keith Kuester as the local organizers, the seminar looks back on a unique tradition. The venue traditionally is Strandhotel Löchnerhaus on the island of Reichenau on Lake Constance. The papers for all presentations and the subsequent discussions are briefly presented below.

On Tuesday evening, *Sarah Zubairy* (Texas A&M University) opened the seminar with her paper "Innovation During Challenging Times," co-authored with *Danilo Cascaldi Garcia* (Federal Reserve Board) and *Marija Vukotic´* (University of Warwick). While recessions are periods of depressed aggregate investment, for example, due to tighter financial constraints, they might also have desirable "Cleansing Effects" through redirection of investment toward particularly innovative and growth-enhancing technologies.

Using firm-level patent data, *Zubairy* and her co-authors find that news about future technological progress has a larger effect on investment during recessions than during booms. Consequently, investment in Research and Development (R&D) is countercyclical conditional on innovation news shocks. These results are based on an index that measures the perceived value of a patent through changes in the stock market valuation of the patent's beneficiary. While the positive effect of innovation news shocks on investment activity dominates, the authors also confirm that tighter financial constraints during recessions inhibit this response. Using firm-level data, they show that financially constrained firms are less responsive to these shocks.

In her discussion, *Brigitte Hochmuth* (University of Bonn) emphasized the importance of a deeper understanding of the channels that produce this result and of distinguishing between direct and indirect effects, the latter being incentives to smooth investment in anticipation of higher returns in the future. She also suggested that the type and composition of patents granted may change over the business cycle, possibly confounding the identification approach. The plenary discussion focused on the role of knowledge diffusion across national borders and the potential negative effects of patents on competition, as financially unconstrained firms might use patents to increase their market share.

* University of Bonn
** University of Bonn