Faculty of Economics and Management
Chair of Macroeconomics
Prof. Dr. Lena Tonzer

Master Thesis Seminar

Research Fields (the exact research question is specified by the student)

(1) Financial Structure, Financial Inclusion and Economic Growth

Financial markets can facilitate efficient allocation of capital and thus promote economic growth. For example, well-developed financial markets can ease access to credit for companies with innovative ideas, and support investment in research and development. Market structures such as the degree of competition or the degree of financial inclusion can be relevant drivers.

Arestis, P., Demetriades, P. O. & Luintel, K. B. (2001). Financial Development and Economic Growth: The Role of Stock Markets. *Journal of Money, Credit and Banking*, 33(1).

Cetorelli, N. & Gambera, M. (2001). Banking Market Structure, Financial Dependence and Growth: International Evidence from Industry Data. *The Journal of Finance*, 56.

Valickova, P., Havranek, T. & Horvath, R. (2015), FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH: A META-ANALYSIS. *Journal of Economic Surveys*, 29.

(2) The Effectiveness of Monetary Policy Transmission

Central banks have different policies at hand to fulfill their targets. For example, when reaching the zero lower bound many central banks adopted quantitative easing measures such as asset purchase programs. With higher inflation, interest rates have been raised again. The success of such policy measures to achieve the central bank's target depends on the transmission of the policy to financial markets and the real economy.

Bonfim, D. & Soares, C. (2018). The Risk-Taking Channel of Monetary Policy: Exploring All Avenues. *Journal of Money, Credit and Banking*, 50.

Grosse-Rueschkamp, B., Steffen, S. & Streitz, D. (2019). A capital structure channel of monetary policy. *Journal of Financial Economics*, 133.

Heider, F., Saidi, F. & G. Schepens (2019). Life below zero: Bank lending under negative policy rates. *Review of Financial Studies*, 32.

Schularick, M., ter Steege, L. & Ward, F. (2021). Leaning against the Wind and Crisis Risk. *American Economic Review: Insights*, 3 (2).

(3) Financial Crises, Regulation and the Macroeconomy

Financial crises are often accompanied by deep and prolonged recessions. Banks facing losses tend to deleverage to fulfill capital requirements, which eventually turns into a credit crunch. Following the global financial crisis, the regulatory framework of the financial system has been significantly adjusted to address problems of systemic risk and to reduce the likelihood of financial crises.

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Jiang, E. X., Matvos, G.,Piskorski, Tomasz, T. & Seru, A. (2023). Limited Hedging and Gambling for Resurrection by U.S. Banks During the 2022 Monetary Tightening? Available at SSRN: https://ssrn.com/abstract=4410201.

Laeven, L. & Valencia, F. (2020). Systemic Banking Crises Database II. *IMF Economic Review*, 68.

Romer, C. D. & Romer, D. H. (2017). New Evidence on the Aftermath of Financial Crises in Advanced Countries. *American Economic Review*, 107 (10).

(4) International Capital Flows and Business Cycle Synchronization

Most economies show a high but varying degree of financial integration due to capital flowing across borders. Different policies have been applied especially in emerging market economies to reduce the risk of credit booms and busts following excessive capital inflows as well as retrenchment of international capital. Due to cross-border financial linkages, real economic developments can co-move and risk spillovers are possible.

Cerutti, E., S. Claessens, & Rose, A. K.. (2019). How important is the global financial cycle? Evidence from capital flows. IMF Economic Review 67 (1).

Bremus, F. & Fratzscher, M. (2015). Drivers of structural change in cross-border banking since the global financial crisis. *Journal of International Money and Finance,* 52.

Forbes, K. J. (2020). Do Sounder Banks Make Calmer Waters? The Link between Bank Regulations and Capital Flow Waves. *AEA Papers and Proceedings*, 110.

Kalemli-Ozcan, S., E. Papaioannou &. Peydró, J.-L. (2013). Financial regulation, financial globalization, and the synchronization of economic activity. *The Journal of Finance,* 68 (3).

(5) Trade and Finance

Countries are heavily linked via trade of real goods and services across national borders. In recent decades, global value chains have been established with goods crossing multiple borders until their final use. Trade depends on finance and thus borrowing costs as well as exchange rate dynamics. For example, corporates rely on trade credit to finance trade along global value chains; but also trade shocks can spillover to banks credit supply and stability.

Chor, D. & Manova, K. (2012). Off the cliff and back? Credit conditions and international trade during the global financial crisis. *Journal of International Economics*, 87(1).

Claessens, S. & van Horen, N. (2021). Foreign banks and trade. *Journal of Financial Intermediation,* 45.

Correa, R., di Giovanni, J., Goldberg, L. S. & Minoiu, C. (2022). Trade Uncertainty and U.S. Bank Lending. Available at SSRN: https://ssrn.com/abstract=4225203.

(6) New Types of Money (Cryptocurrencies) and Financial Intermediaries (FinTech)

The financial system is undergoing severe changes due to digitalization and new types of money as well as financial intermediaries. Cryptocurrencies such as Bitcoin have gained in relevance and it is discussed in how far it can be considered as a form of money. FinTechs have gained in market shares and might affect competition in banking markets but also bring new risks to the system.

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Cornelli, G., S. Doerr, L. Franco & J. Frost (2021). Funding for fintechs: patterns and drivers. BIS Quarterly Review, pp 31–43, September.
Cornelli, G., Frost, J., Gambacorta, L., Rau, R., Wardrop R., & Ziegler, T. (2020). Fintech and big tech credit: a new database. https://www.bis.org/publ/work887.htm.
Hornuf, L., Klus, M.F., & Lohwasser, T.S. (2021). How do banks interact with fintech startups? *Small Bussiness Economics*, 57.
Thakor, A. V. (2020). Fintech and banking: What do we know? *Journal of Financial Intermediation*, 41.

(7) Determinants of Capital

The safety of banks and corporate firms depends crucially on their capitalization. Different determinants have been discovered in the literatures. Amongst others, the design of taxes can affect incentives as regards the capital structure. New types of regulation such as bank levies can interact with corporate taxes and the incentives to build up leverage.

Berg, T. & Gider, J. (2017). What Explains the Difference in Leverage between Banks and Nonbanks? *Journal of Financial and Quantitative Analysis*, 52(6).
De Mooij, R.A. & Keen, M. (2016). Debt, taxes, and banks. *Journal of Money, Credit, and Banking*, 48 (1).
Heider, F. & Ljungqvist, A. (2015). As certain as debt and taxes: estimating the tax sensitivity of leverage from state tax changes. *Journal of Financial Economics*, 118 (3).
Schepens, G. (2016). Taxes and bank capital structure. *Journal of Financial Economics*, 120 (3).

(8) Macro-Finance Drivers of Wealth or Income Inequality

Rising wealth and income inequality can give rise to political tensions and discussions about re-distribution. Different drivers can be related to a higher degree of income and wealth inequality such as heterogeneous developments in asset prices or wages.

Frost,J. & van Stralen, R. (2018). Macroprudential policy and income inequality. *Journal of International Money and Finance*, 85.
Guvenen, F., Pistaferri, L. & Violante, G.L. (2022). Global trends in income inequality and income dynamics: New insights from GRID. *Quantitative Economics*, 13.
Kuhn, M., Schularick, M., & Steins, U. I. (2020). Income and wealth inequality in America, 1949–2016. *Journal of Political Economy*, 128(9).

(9) Topic of your own

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