

Bachelor Thesis Seminar

-- depending on the study program, the thesis can also be written in German --

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

(1) 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 rates, 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. Financial intermediaries such as banks are affected by changing policy rates and it is unclear how increasing interest rates affect banks' business models and profitability.

Borio, C., Gambacorta, L., & Hofmann, B. (2017). The influence of monetary policy on bank profitability. *International finance*, 20(1), 48-63.

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).

Data sources: e.g., websites of Central Banks, IMF World Economic Outlook, World Bank Open Data

(2) Financial Crises, Uncertainty and the Macroeconomy

Financial crises are often accompanied by deep and prolonged recessions. Banks reduce lending, which can result in a credit crunch and negative spillovers to the real economy. Following global shocks, uncertainty, e.g. measured by stock market volatility, tends to go up. Theoretical literature has established different mechanisms why increased uncertainty can spill over to macroeconomic outcomes such as investment, consumption or bank lending. New developments like the energy crisis, geopolitical and climate risks could raise uncertainty and have real effects.

Bloom, N., Bond, S., & Van Reenen, J. (2007). Uncertainty and investment dynamics. *The Review of Economic Studies*, 74(2), 391-415.

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).

Data sources: e.g., Financial Crises Databases, Economic Policy Uncertainty, Macroeconomic Database

(3) Drivers of International Capital Flows

Most economies show a high but varying degree of financial integration due to capital flowing across borders. Both banks lend across borders but also portfolio investment or FDI can be observed. Different drivers have been identified but established patterns are changing following global shocks like the Covid-19 pandemic or trade disruptions.

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, 32-59.

Correa, R., Paligorova, T., Sapriza, H., & Zlate, A. (2022). Cross-border bank flows and monetary policy. *The Review of Financial Studies*, 35(1), 438-481.

Portes, R., & Rey, H. (2005). The determinants of cross-border equity flows. *Journal of International Economics*, 65(2), 269-296.

Data sources: e.g., External Wealth of Nations Database, International Banking Statistics of the BIS

(4) 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. Do FinTech's substitute banks as financial intermediaries in the near future?

Cornelli, G., S. Doerr, L. Franco & J. Frost (2021). Funding for fintechs: patterns and drivers. BIS Quarterly Review, pp 31-43, September.

Hornuf, L., Klus, M.F., & Lohwasser, T.S. (2021). How do banks interact with fintech startups? *Small Business Economics*, 57.

Thakor, A. V. (2020). Fintech and banking: What do we know? *Journal of Financial Intermediation*, 41.

Data sources: e.g., Fintech and big tech credit: a new database; BIS Future of payments database; Crypto trading and Bitcoin prices: evidence from a new database of retail adoption

(5) A Re-Assessment of the Phillips curve or the Quantity Theory of Money

The original version of the Phillips curve shows a negative link between unemployment and inflation. The quantity theory of money shows a relation between money supply and prices. Yet data shows that the strength of such links can vary over time. Different drivers can be the reason for changing patterns (e.g. changes in inflation expectations or different inflation levels). An assessment of the Phillips curve or the quantity theory of money during the low interest rate and the recent period of increasing inflation rates could be provided.

Blanchard, O. (2016). The Phillips curve: back to the '60s?. *American Economic Review*, 106(5), 31-34.

Eser, F., Karadi, P., Lane, P. R., Moretti, L., & Osbat, C. (2020). The Phillips curve at the ECB. *The Manchester School*, 88, 50-85.

Hazell, J., Herreno, J., Nakamura, E., & Steinsson, J. (2022). The slope of the Phillips Curve: evidence from US states. *The Quarterly Journal of Economics*, 137(3), 1299-1344.

Schnabel, I. (2023). Money and Inflation. Thünen Lecture, Regensburg, 25 September 2023.

Data sources: e.g., websites of Central Banks, IMF World Economic Outlook, Eurostat

(6) Economic Growth, Technological Progress and Income Inequality

Economic growth and the level of GDP per capita vary across countries and over time. Following various disruptions to the world economy, economic growth is not as robust as in previous decade, and the drivers of changing trends can be assessed. A slowdown in growth accompanied by new technologies (AI, robots) might have effects on unemployment and income inequality.

Ciccone, A., & Jarociński, M. (2010). Determinants of economic growth: will data tell?. *American Economic Journal: Macroeconomics*, 2(4), 222-246.

Güvenen, 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).

Data sources: e.g., IMF World Economic Outlook, OECD, World Inequality Database, GRID, Eurostat

(7) Economic Growth and Convergence in the EU

In an economic union such as the European Union (EU), similar growth paths as well as convergence in economic developments is a solid basis for the sustainability of the union. EU cohesion policies have been implemented and countries have access to different funds. Evidence on how these funds affect gross domestic product per capita in the targeted regions but also stimulate convergence in growth paths is relevant to assess the effectiveness of these policies. The UK has exited the EU and the consequences of "Brexit" on economic outcomes in the UK could be discussed. Recently, EU funds are also available to facilitate the structural change to a greener economy and further investigation on the usage and effects of such programs can be assessed.

Bronzini, R., de Blasio, G., 2006. Evaluating the impact of investment incentives: The case of Italy's Law 488/1992. *Journal of Urban Economics* 60, 327-349.

Cerqua, A., Pellegrini, G., 2014. Do subsidies to private capital boost firms' growth? a multiple regression discontinuity design approach. *Journal of Public Economics* 109, 114-126.

Ehrlich, M.v., Seidel, T., 2018. The Persistent Effects of Place-Based Policy: Evidence from the West-German Zonenrandgebiet. *American Economic Journal: Economic Policy* 10, 344-74.

Data sources: e.g., Eurostat, IMF World Economic Outlook, Cohesion Open Data Platform

(8) Topic of your own