

Seminar Banking and Finance – Wintersemester 2025/2026

Lehrstuhl für betriebliche Finanzwirtschaft und Banken
Prof. Dr. Matthias Pelster

Topic 1: Concepts of Political Uncertainty and Financial Markets

This topic offers a broad literature overview of how political uncertainty is conceptualized and studied in financial economics. It emphasizes theoretical approaches to understanding how uncertainty related to elections, policy changes, or institutional instability can affect decision-making and expectations in financial markets. Brief examples illustrate how these models apply to practical political developments.

Example papers:

Pástor, L., & Veronesi, P. (2012). *Uncertainty about Government Policy and Stock Prices*. The Journal of Finance, 67(4), 1219–1264.

Pástor, L., & Veronesi, P. (2013). *Political Uncertainty and Risk Premia*. Journal of Financial Economics, 110(3), 520–545.

Kelly, B., Pástor, L., & Veronesi, P. (2016). *The Price of Political Uncertainty: Theory and Evidence from the Option Market*. The Journal of Finance, 71(5), 2417–2480.

Topic 2: Geopolitical Risk and Asset Prices

This topic examines how geopolitical risk impacts the pricing of equities, bonds, commodities, and cryptocurrencies. The empirical analysis focuses on how financial markets respond to international tensions using the Geopolitical Risk Index (<https://www.matteoiacoviello.com/gpr.htm>).

Example papers:

Caldara, D., & Iacoviello, M. (2022). *Measuring Geopolitical Risk*. American Economic Review, 112(4), 1194–1225.

Baur, D. G., & Smales, L. A. (2020). *Hedging Geopolitical Risk with Precious Metals*. Journal of Banking & Finance, 117, 105823.

Topic 3: Political Uncertainty and Corporate Investment

This topic investigates how political uncertainty shapes corporate investment decisions. Using measures of policy uncertainty (<https://www.policyuncertainty.com/>), the empirical analysis focuses on capital expenditure patterns and investment timing during politically unstable periods. A regional focus can be set on the German or U.S. market.

Example papers:

Baker, S. R., Bloom, N., & Davis, S. J. (2016). *Measuring Economic Policy Uncertainty*. The Quarterly Journal of Economics, 131(4), 1593–1636.

Julio, B., & Yook, Y. (2012). *Political Uncertainty and Corporate Investment Cycles*. The Journal of Finance, 67(1), 45–83.

Hassan, T. A., Hollander, S., van Lent, L., & Tahoun, A. (2019). *Firm-Level Political Risk: Measurement and Effects*. The Quarterly Journal of Economics, 134(4), 2135–2202.

Topic 4: Banking Behavior under Political Agenda Shifts: The Case of Diversity Policies in the Trump Era

This topic explores how banks responded to political opposition to diversity, equity, and inclusion (DEI) policies during the Trump administration. Using banks' public announcements and observable changes in DEI practices as event markers, the analysis employs event study methodology to examine market responses.

Example papers:

Girardone, C., Kokas, S., & Wood, G. (2021). *Diversity and Women in Finance: Challenges and Future Perspectives*. Journal of Corporate Finance, 71, 101906.

Edmans, A., Flammer, C., & Glossner, S. (2023). *Diversity, Equity, and Inclusion* (NBER Working Paper No. 31215). National Bureau of Economic Research.

Ng, E., Stamper, C. L., Ariss, A. A., & Atewologun, D. (2025). *The Anti-DEI Agenda: Navigating the Impact of Trump's Second Term on Diversity, Equity and Inclusion*. Equality, Diversity and Inclusion: An International Journal, 44(2), 137–150.

Topic 5: The Impact of Populism on Stock and Currency Markets

This topic analyzes how populist movements affect foreign exchange and stock markets. It applies time series or event study methods using data from the Populism Index (<https://populismindex.com/>) to assess volatility and valuation shifts.

Example papers:

Hartwell, C. A. (2022). *Populism and Financial Markets*. Finance Research Letters, 46, 102479.

Pástor, L., & Veronesi, P. (2021). *Inequality Aversion, Populism, and the Backlash Against Globalization*. The Journal of Finance, 76(6), 2857–2906.

Gyöngyösi, G., & Verner, E. (2022). *Financial Crisis, Creditor-Debtor Conflict, and Populism*. The Journal of Finance, 77(4), 2471–2523.

Topic 6: Central Bank Independence and Communication During Politically Unstable Periods

This topic reviews existing research on central bank communication, with a focus on periods of political instability and external pressure. The analysis includes how the tone and content of central bank speeches changed during such periods, using examples such as Jerome Powell's communication during the Trump administration.

Example papers:

Drechsel, T. (2024). *Estimating the Effects of Political Pressure on the Fed: A Narrative Approach with New Data* (NBER Working Paper No. 32461). National Bureau of Economic Research.

Meltzer, A. H. (2011). *Politics and the Fed*. Journal of Monetary Economics, 58(1), 39–48.

Ehrmann, M., & Fratzscher, M. (2007). *Communication by Central Bank Committee Members: Different Strategies, Same Effectiveness?* Journal of Money, Credit and Banking, 39(2–3), 509–541.

Hansen, S., McMahon, M., & Tong, M. (2019). *The Long-Run Information Effect of Central Bank Communication*. Journal of Monetary Economics, 108, 185–202.