

Thomas Kroen

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Contact Information

International Monetary Fund
1900 Pennsylvania Avenue NW
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Professional Experience

International Monetary Fund *2022 - present*
Economist Program, World Economic Studies Division (WEO), Research Dept.; (Prior) Regional Studies & Oman desk (one-off), Middle East & Central Asia Dept.

Education

Princeton University *2016-2022*
PhD in Economics
Fields: *Finance, Macroeconomics*

London School of Economics *2015-2016*
M.Sc. Econometrics and Mathematical Economics

University of Mannheim *2012-2015*
B.Sc. Economics (Minor: Mathematics)

Research Fields

Banking, Macro-Finance, Corporate Finance

Working Papers

1. **“Payout Restrictions and Bank Risk-Shifting.”** With Fulvia Fringuellotti. 2024 (revised version coming soon).

This paper studies the effects of bank payout restrictions, imposed during the COVID-crisis in 2020, on risk-shifting incentives within US banks. Using a high-frequency differences-in-differences empirical strategy, I show that when share buybacks are banned and dividends restricted for Fed-supervised banks, their equity prices fall while their CDS spreads and bond yields decline differentially. In sum, these results indicate that payout restrictions shift risk from debt towards equity holders. Consistent with this channel, I further find that after lifting the restrictions, both effects revert. Moreover, removing the restrictions is followed by higher payouts and by differentially stronger growth in riskier (non-investment grade)

lending, showing that payout and risk-taking choices are complements during this episode. While lending portfolios become riskier, spreads charged on loans decline, suggesting risk-shifting by bank equityholders.

2. **“Falling Rates and Rising Superstars.”** With Ernest Liu, Atif Mian, and Amir Sufi. 2022. **Revise & Resubmit at American Economic Review**

Do low interest rates contribute to the rise in market concentration? Using data on firm financials and high frequency monetary policy shocks, we find that falling interest rates disproportionately benefit industry leaders, especially when the initial interest rate is already low. Falling rates raise the valuation of industry leaders relative to industry followers and this effect snowballs as the interest rate approaches zero. There are multiple channels through which falling rates disproportionately benefit industry leaders: (i) the cost of borrowing falls more for industry leaders, (ii) industry leaders are able to raise more debt, increase leverage, and buyback more shares, and (iii) capital investment and acquisitions increase more for industry leaders. All three of these effects also snowball as the interest rate approaches zero. The findings provide empirical support to the idea that extremely low interest rates and the rise of superstar firms are connected.

3. **“Payout Policy Reform and Investor Horizons.”** 2022.

In this paper, I study how investor horizons affect corporate payout and investment policies using the 1982 share repurchase liberalization in the US as a natural experiment. Following the reform, firms with greater pre-reform short-termist ownership increase payouts by .85% of total assets relative to firms with a more long-term investor base. This is entirely driven by net share repurchases while dividends do not fall after the event. These results soundly reject perfect substitutability of dividends and share repurchases. The increase in payouts is mirrored by an equally sized decline in investment, showing that share repurchase liberalization has sizable real effects on firm behavior. Tests exploiting newly digitized insider trading data support that the results are driven by myopic considerations, rather than reduced agency costs following the reform.

4. **“Financial Stability in a Higher-for-Longer Interest Rate Environment in MENA”** With Adrian Alter, Bashar Hlayhel, and Thomas Piontek. 2024.

This paper assesses the state and resilience of corporate and banking sectors in the Middle East and North Africa (MENA) in a “higher-for-longer” interest rate environment using granular micro data to conduct the first cross-country corporate and banking sector stress tests for the MENA region. The results suggest that corporate sector debt at risk may increase sizably from 12 to 30 percent of total corporate debt. Banking systems would be broadly resilient in an adverse scenario featuring higher interest rates, corporate sector stress, and rising liquidity pressures with Tier-1 capital ratios declining by 2.3 percentage points in the Gulf Cooperation Council (GCC) countries and 4.0 percentage points in non-GCC MENA countries. In the cross-section of banks, there are pockets of vulnerabilities as banks with higher ex-ante vulnerabilities and state-owned banks suffer greater losses. While manageable, the capital losses in the adverse scenario could limit lending and adversely impact growth.

Work in Progress

1. “The Energy Origins of the Global Inflation Surge”. With Jorge Alvarez. 2024.
2. “Low Interest Rates, Financial Intermediation, and Firm Competition”. With Puriya Abbassi. 2023.

Analytical Contributions to Policy Publications

1. “Trade Patterns Amid Shocks and a Changing Geopolitical Landscape”, Chapter 3, April 2024 MCD REO.
2. “A Roadmap to Central Bank Digital Currency in the Middle East and Central Asia”, IMF MCD Departmental Paper. 2024.
3. “Oman 2023 Article IV Consultation Staff Report”.
4. “Higher for Longer: What are the Macrofinancial Risks?”, Chapter 3, October 2023 MCD REO.
5. “Monetary Policy: Where do the Middle East and Central Asia Stand?”, Chapter 2, April 2023 MCD REO.

Research Experience

2020 - 2021	Research Assistant for Prof. Markus Brunnermeier
2019	Visiting Researcher, Bundesbank
2018	Ph.D. Research Intern, Bundesbank
2018	Research Assistant for Prof. Arlene Wong
2017	Research Assistant for Prof. Atif Mian
2015	Research Intern at Halle Institute for Economic Research

Teaching

<i>Princeton</i>	Spring 2019	ECO 101: Introduction to Macroeconomics Preceptor and Course Organizer for Prof. Elizabeth Bogan
	Fall 2019, Fall 2020	ECO 101: Introduction to Macroeconomics Preceptor and Course Organizer for Prof. Alan Blinder
	Spring 2020	ECO 462/ FIN 515: Portfolio Theory and Asset Management Preceptor for Professors Yacine Aït-Sahalia and Sebastian Merkel
	Spring 2021	ECO 363: Corporate Finance Preceptor for Professor David Schoenherr

Presentations (including scheduled)

- 2024 EEA/ ESEM, BIS-CEPR-SCG-SFI Conference on Financial Intermediation (poster), ECB Conference on Financial Stability and Macroprudential Policy*
- 2022 Boston Fed, ESRB, Fed Board, Frankfurt (SAFE), Georgia Tech, Mannheim, PIMCO
- 2021 Princeton, AFFI Doctoral Workshop, QMU Economics and Finance PhD Workshop, Warwick Economics PhD Conference, German Economic Association, Inter Finance PhD Seminar, NFA PhD Workshop, FMA, Bundesbank Workshop Banks and Financial Markets, EGSC at WUSTL
- 2020 EGSC at WUSTL, Princeton Macro Lunch, Princeton Finance Lunch
- 2019 Princeton Finance Lunch

Awards and Fellowships

- Ieke van den Burg Prize (awarded by European Systemic Risk Board) *2022*
- ReMatch Summer 2021 Funding (Mentorship Program) *2021*
- Griswold Center for Economic Policy Graduate Student Fellowship *2020–2021*
- Princeton Economic Graduate Fellowship *2016–2022*
- Fellowship by Konrad-Adenauer Foundation (monthly stipend) *2013–2016*

Other Activities

- Panelist at JRCPPF Undergraduate Research in Economics & Finance Forum *2021*
- Organizer of Finance Ph.D. Student Lunch *2020 – 2021*
- Mentor for Undergraduate Students through ReMatch Mentorship Program *2020 – 2021*

References

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Professor Motohiro Yogo
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Languages and Skills

Languages German (native), French (native), Spanish (intermediate)
Software Stata, MATLAB, R, Python, L^AT_EX, Microsoft Office