FAKULTÄT FÜR BETRIEBSWIRTSCHAFTSLEHRE
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Master Theses FSS 2025: Topics

TOPIC NR1: **Political Leadership and Financial Markets**
Advisor: Larissa Ginzinger

TOPIC NR2: **The Rise in CEO Pay**
Advisor: Larissa Ginzinger

TOPIC NR3: **Do Women Compete Differently in Fund-Family Tournaments?**
Advisor: Leah Zimmerer

TOPIC NR4: **Financial Literacy vs. Gender Norms: What Drives Household Financial Decisions?**
Advisor: Leah Zimmerer

TOPIC NR5: **The Flow-Performance-Relationship in Mutual Funds**
Advisor: Lukas Mertes

TOPIC NR6: **Decision Fatigue in Analyst Forecasts**
Advisor: Lukas Mertes

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TOPIC NR1: Political Leadership and Financial Markets

Advisor: Larissa Ginzinger

"The Stock Market just reached an All-Time High during my Administration for the 102nd Time, a presidential record, by far, for less than two years."
(Donald Trump, Twitter, October 3, 2018)

"The prospect of Presidential Harassment by the Dems is causing the Stock Market big headaches!"
(Donald Trump, Twitter, November 12, 2018)

Re-elected US president Trump frequently cited stock market gains as evidence of his (former) administration's economic success, reinforcing the common belief that Republican leadership is beneficial for financial markets. At the same time, he suggested that Democratic policies adversely affect financial markets.

However, historical data paint a different picture. According to Santa-Clara and Valkanov (2003), stock market excess returns have been significantly higher under Democratic presidents than under Republican presidents (11% vs. 2%). This striking difference in excess returns cannot be fully explained by standard business cycle variables or election-related market movements. The persistence of this pattern over several decades raises important questions about the relationship between political leadership and financial markets.

Goals/Requirements:

The goal of this thesis is two-fold. First, the student is expected to replicate the main findings of Santa-Clara and Valkanov (2003). Is there a difference in average excess returns for Democratic versus Republican presidential cycles? Is the disparity in stock returns explained by business-cycle variables or concentrated around election dates? Second, the student should extend the analyses by (i) expanding the sample to include more recent presidential cycles and (ii) investigating whether similar partisan effects exist in the German stock market.

Stock return data can be obtained from CRSP/Compustat. These databases are freely accessible to affiliates of the University of Mannheim. Data on presidential cycles are publicly available. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g. Stata, R or Python) and econometrics.

Introductory Literature:

- Belo, F., Gala, V. D., & Li, J. (2013). Government spending, political cycles, and the cross section of stock returns. Journal of Financial Economics, 107(2), 305-324.
- Funke, M., Schularick, M., & Trebesch, C. (2023). Populist leaders and the economy. American Economic Review, 113(12), 3249-3288.
- Guriev, S., & Papaioannou, E. (2022). The political economy of populism. Journal of Economic Literature, 60(3), 753-832.
- Santa-Clara, P., & Valkanov, R. (2003). The presidential puzzle: Political cycles and the stock market. The Journal of Finance, 58(5), 1841-1872.

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TOPIC NR2: The Rise in CEO Compensation

Advisor: Larissa Ginzinger

One of the central issues in the debate on economic inequality is the tremendous rise in executive pay. On the one hand, critics argue that CEOs are overpaid, citing the growing gap between executive pay and the wages of average workers as evidence. On the other hand, proponents argue that CEOs receive fair, market-based compensation that reflects the demands of a position that requires considerable time, skill and responsibility.

Researchers have taken various approaches to evaluating whether CEO pay levels are justified. Bebchuk and Grinstein (2005) document the growth of executive pay from 1993 to 2003 and examine to what extent this increase can be explained by changes in firm size, performance, and industry mix. They find that executive compensation has grown far beyond what can be attributed to these factors. Over this period, the relationship between pay, firm size, and performance changed, with CEO compensation at the end of the period being significantly higher for firms of a given size, performance, and industry classification. In contrast, Gabaix and Landier (2008) argue that, for the 500 largest U.S. firms, "the rise in CEO compensation is a simple mirror of the rise in the value of large US companies since the [19]80s" (p. 2).

Goals/Requirements:

The goal of this thesis is twofold. First, the student is expected to replicate the main findings of Bebchuk and Grinstein (2005). By how much has executive compensation increased over time? How much of this growth is driven by equity-based compensation? Can the increase in pay be explained by changes in firm variables? Do the conclusions change when adapting the analyses in the spirit of Gabaix and Landier (2008)? Second, the student should extend the analyses by (i) expanding the sample to include more recent years and (ii) investigating either gender differences in or the role of ownership structures (concentrated vs. dispersed) in (the rise of) CEO pay.

Executive compensation data can be obtained from CRSP ExecuComp, while firm-level accounting and financial data are available from CRSP/Compustat. These databases are freely accessible to affiliates of the University of Mannheim. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g. Stata, R or Python) and econometrics.

Introductory Literature:

- Bebchuk, L., & Grinstein, Y. (2005). The growth of executive pay. Oxford review of Economic Policy, 21(2), 283-303.
- Edmans, A., Gabaix, X., & Jenter, D. (2017). Executive compensation: A survey of theory and evidence. The Handbook of the Economics of Corporate Governance, 1, 383-539.
- Edmans, A., Gosling, T., & Jenter, D. (2023). CEO compensation: Evidence from the field. Journal of Financial Economics, 150(3), 103718.
- Gabaix, X., & Landier, A. (2008). Why has CEO pay increased so much?. The Quarterly Journal of Economics, 123(1), 49-100.
- Gabaix, X., Landier, A., & Sauvagnat, J. (2014). CEO pay and firm size: An update after the crisis. The Economic Journal, 124(574), F40-F59.

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TOPIC NR3: Do Women Compete Differently in Fund-Family Tournaments?

Advisor: Leah Zimmerer

Analyzing family tournaments within the mutual fund industry offers a unique perspective on the behavior of fund managers. While fund families are often viewed as coordinated entities, research has shown that competition exists within them (e.g., Gaspar, Massa, and Matos, 2006). Fund managers compete for promotions, marketing resources, and performance-based incentives, which are all tied to their relative performance within the family. This competition drives managers to adjust their risk-taking strategies based on interim performance to maximize their chances of securing a top position by the end of the year (e.g., Taylor, 2003; Acker and Duck, 2006).

Kempf and Ruenzi (2008) analyze whether fund managers within mutual-fund families engage in tournament-like competition. They find that managers adjust their risk-taking based on their relative standing within the fund family. These risk adjustments vary depending on the competitive dynamics within the family, with the most pronounced changes occurring among managers of single-manager funds, funds with high expense ratios, and those in large fund families.

However, Niederle and Vesterlund (2007) suggest that women and men respond differently to competitive environments, with evidence indicating that women are more likely to avoid competition. This raises the question of whether women engage differently in fund-family tournaments than men.

Goals/Requirements:

The first goal of this thesis is to conduct a comprehensive survey of the academic literature on tournaments within mutual-fund families and on gender differences in competition. The second goal is to replicate the key findings of Kempf and Ruenzi (2008), extending the analysis to include more recent data. The third goal is to investigate whether women compete differently in fund-family tournaments compared to men.

The empirical work requires the use of mutual fund data that can be obtained from the CRSP Survivor Bias-Free Mutual Fund Database via WRDS. This database is freely accessible to affiliates of the University of Mannheim. Empirical work on this topic requires the use of statistical software (e.g. Stata), manipulation of data, and the application of econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Acker, D., and N.W. Duck. 2006. A Tournament Model of Fund Management. *Journal of Business Finance and Accounting* 33:1460–83.
- Gaspar, J.-M., M. Massa, and P. Matos. 2006. Favoritism in Mutual-Fund Families? Evidence on Strategic Cross-Fund Subsidization. *Journal of Finance* 61:33–71.
- Kempf, A., & Ruenzi, S. (2008). Tournaments in mutual-fund families. *The Review of Financial Studies*, *21*(2), 1013-1036.
- Niederle, M., & Vesterlund, L. (2007). Do women shy away from competition? Do men compete too much?. *The Quarterly Journal of Economics*, *122*(3), 1067-1101.
- Taylor, J. D. 2003. Risk-Taking Behavior in Mutual-Fund Tournaments. *Journal of Economic Behavior and Organization* 50:373–83.

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TOPIC NR4: Financial Literacy vs. Gender Norms: What Drives Household Financial Decisions?

Advisor: Leah Zimmerer

Households allocate resources, manage risks, and make long-term financial plans, shaping broader financial markets (Campbell, 2006). Understanding the factors influencing household financial decisions—such as financial literacy, behavioral biases, and intra-household power dynamics—provides valuable insights into suboptimal investment choices, financial market participation, and the effectiveness of financial policies.

Ke (2021) analyzes the impact of traditional gender norms on household financial decision-making. Spouses typically make household financial decisions together, though they may have differing opinions. Without gender norms, financial decisions would depend solely on expertise. However, strong traditional gender norms may limit wife's influence, even if she is more financially knowledgeable. Ke (2021) uses a career in finance as a proxy for financial knowledge and finds that families with a financially sophisticated husband are more likely to invest in the stock market than those with an equally knowledgeable wife. This pattern appears to be driven by gender identity norms that limit women's influence in household financial decisions.

Goals/Requirements:

The first goal of this thesis is to conduct a comprehensive survey of the academic literature on financial decision making within households. The second goal is to replicate the key findings of Ke (2021) using the HILDA survey and to extend the analysis by using direct measures of gender norms and financial literacy (e.g. van Rooij, et al., 2011). The third goal is to explore additional factors influencing household financial decision-making.

The empirical work requires the use of survey data, i.e. HILDA survey. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g. Stata, R or Python) and econometrics.

Introductory Literature:

- Campbell, J. Y. (2006). *Household finance*. Journal of Finance, 61(4), 1553–1604.
- Ke, D. (2021). Who wears the pants? Gender identity norms and intrahousehold financial decision-making. *The Journal of Finance*, 76(3), 1389-1425.
- Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5-44.
- van Rooij, M., Lusardi, A., & Alessie, R. (2011). Financial literacy and stock market participation. *Journal of Financial Economics*, 101(2), 449–472.

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TOPIC NR5: The Flow-Performance-Relationship in Mutual Funds

Advisor: Lukas Mertes

Mutual funds are a popular investment device. In the U.S., total net assets of mutual funds currently amount to 30 trillion U.S.-Dollar (Statista, 2025). What drives investors' decisions in favor of one fund relative to another? How do investment decisions depend on the funds' past performance?
In their seminal paper, Sirri and Tufano (1998) document an asymmetric flow-performance relationship: While fund flows are largely insensitive to performance for poorly performing funds, they are very sensitive to performance for well performing funds. This asymmetry is more pronounced for funds with higher marketing effort, i.e. lower search costs for investors.
Lynch and Musto (2003) offer an alternative explanation for the findings by Sirri and Tufano (1998). They argue that investors chase well performing funds but maintain their investments in poorly performing funds as they expect a strategy change.

Due to the prevailing compensation structure in the mutual fund industry– fees positively depend on fund size – the flow-performance-relationship offers fund managers an option-like payoff. Managers' compensation increases with positive performance but decreases to a lesser extent with negative performance, i.e., they benefit from volatility. Chevalier and Ellison (1997) indeed find that mutual funds increase their riskiness at the end of the year.

Sirri and Tufano (1998) use mutual fund data from 1971 to 1990. Due to the rise of the internet much more information is readily available nowadays. For example, investment performance can be continuously monitored via smartphones. Does the asymmetry in the fund-flow-relationship still persist 30 years later now that investors' search costs are lower?

Goals/Requirements:

The goal of this master thesis is to empirically examine flow-performance-relationship. The student is expected to broadly replicate the main findings (Table 1-3) of Sirri and Tufano (1998). Moreover, the student is expected to extend the time period under consideration to examine the effect of a new information environment. Finally, the student is expected to extend the findings by assessing the moderating effect of the market return on the Fund-Flow-Relationship.

The empirical work requires the use of mutual fund data that can be obtained from the CRSP Survivor Bias-Free Mutual Fund Database via WRDS. These databases are freely accessible to affiliates of the University of Mannheim. Empirical work for this topic requires the use of statistical software (e.g. Stata), manipulation of data, and the application of econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Chevalier, J. and Ellison, G., 1997. Risk Taking by Mutual Funds as a Response to Incentives. Journal of Political Economy, 105(6), 1167-1200.
- Lynch, A. and Musto, D., 2003. How Investors Interpret Past Fund Returns. Journal of Finance, 58(5), 2033-2058.
- Sirri, E., and Tufano, P., 1998. Costly Search and Mutual Fund Flows. Journal of Finance, 53(5), 1589-1622.

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TOPIC NR6: Decision Fatigue in Analyst Forecasts

Advisor: Lukas Mertes

Standard economic and finance literature builds on the concept of the *Homo oeconomicus*, a rational decision-maker with unlimited cognitive resources. On the contrary, humans exhibit for example memory constraints and limited attention. Kahnemann and Egan (2011) distinguish between two decision-making processes: quick and intuitive decisions (System 1), and slow and well-reasoned decisions (System 2). As System 2 thinking is more cognitively demanding, individuals switch to System 1 after having used System 2 for a longer time.

Hirshleifer et al. (2019) transfer this idea to financial analysts. They hypothesize that the quality of analyst forecasts is declining with the number of forecasts an analyst has already provided on a given day due to an increased use of decision heuristics. In line with this conjecture, Hirshleifer et al. (2019) find that forecast accuracy decreases as a function of the number of earlier forecasts. At the same time, decision heuristics seem to be more prevalent as the number of earlier forecast increases. For example, analysts are more likely to follow the consensus forecast or to provide a rounded forecast value.

Do and Zhang (2019) show that star analysts improve the forecast accuracy of other analysts. Do analysts generally recognize which analysts provide the most accurate forecasts and do they adopt a heuristic of following them more strongly after having made several forecasts on a given day?

Goals/Requirements:

The goal of this master thesis is to empirically examine decision fatigue among financial analysts. The student is expected to broadly replicate the main findings (Table 1-5) of Hirshleifer et al. (2019). Moreover, the student is expected to extend the time period under consideration. Finally, the student is expected to extend the findings by assessing whether analysts' decision fatigue also increases the likelihood to follow a "star"-analyst, in addition to the consensus forecast or own earlier forecasts (self-herding).

The empirical work requires the use of analyst forceast data that can be obtained from the I/B/E/S database via WRDS. These databases are freely accessible to affiliates of the University of Mannheim. Empirical work for this topic requires the use of statistical software (e.g. Stata), manipulation of data, and the application of econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Do, T., and Zhang, H., 2019. Peer Effects among Financial Analysts. Contemporary Accounting Research, 37(1), 358-391.
- Hirshleifer, D., Levi, Y., Lourie, B., and Teoh, S., 2019. Decision fatigue and heuristic analyst forecasts. Journal of Financial Economics, 133, 83-98.
- Kahneman, D. and Egan, P., 2011. Thinking, Fast and Slow. Farrar, Straus and Giroux, New York .