

Causes and Effects of International Banking: What Can We Learn From Micro Data? *

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Abstract

The global financial crisis revealed the urgent need for an improved understanding of international banking. It showed in particular that it is not only important to understand why individual banks venture abroad or how aggregate capital flows behave. Instead, the interlinkages between microeconomic behavior and macroeconomic outcomes have moved center stage. We argue that recent advances in empirical research using micro-data on cross-border banking contributed significantly to our understanding of microeconomic causes and effects of international banking. This literature was helpful in identifying sources of heterogeneity in international banking. However, a closer connection of the micro- and the macroeconomic aspects of cross-border banking is still warranted.

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