

Title: Ex Machina: Financial Stability in the Age of Artificial Intelligence

Speaker: Dr. Kartik Anand, Research Economist at the Deutsche Bundesbank

Area: F&A

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Abstract:

Does artificial intelligence (AI) pose a threat to financial stability? We study AI investor behavior, specifically Q-learning and large language model (LLM) investors, in a mutual fund redemption problem with economic and strategic uncertainty. Different AI architectures generate systematically different outcomes. Q-learning investors coordinate well but under default risk exhibit excessive redemption that amplifies fragility. LLM investors internalize equilibrium structure but display belief heterogeneity, weakening coordination and predictability. Our findings show that AI architecture is a first-order determinant of financial stability.

Speaker Profile:



Dr. Kartik Anand is a Senior Economist in the Research Centre at the Deutsche Bundesbank. He obtained his PhD in Applied Mathematics from the University of London and his BA in Mathematics from Johns Hopkins University. His research interests include the impact of artificial intelligence, cybersecurity, financial intermediation, and political economy. His research work has been published in the *Review of Financial Studies*, *Review of Finance*, *Journal of Money, Credit and Banking*, *Journal of Banking and Finance*, and *Journal of Economic Behavior and Organization*, among others.

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