Syllabus: Empirical Banking

This course is designed for PhD students and advanced master students in banking and finance. It covers major themes in empirical banking and teaches students how to define a question and conduct research using banking data. In addition, you will learn how to write a referee report and present your paper. Grading is based on a proposal using available banking data in Iran (40%), standard and code on supervisory regulation (25%), one presentation of papers denoted by ± (10%, presentation, one session), a referee report (10%), and three homework (each 5%). For the replication part you should familiarized yourself with the different dataset, including “Call Report”, available in Chicago Fed website.

Data from 1976-2000 & 2001-2010 at

Codebook at
http://www.ffiec.gov/forms041.htm
http://www.ffiec.gov/forms031.htm

The second homework will be based on Survey of Small Business Finance that can be found at:

I will go over these datasets with great details. I encourage you thinking of writing one chapter of your thesis using these datasets.

For the standards and codes of supervisory regulation you should pick a country and review its accordance with Basel Principals. You can find the list of all country accordance here:

The goal here is to familiarize yourself with Basel Principles. The proposal should include preliminary analyses, so it is necessary you start working on your proposal in the early stage of the semester. It should report couple tables of findings and an outline for the future steps. It is only called proposal since you do not need to get publishable results, otherwise it should be ready for presentation and working paper. You can replicate one of the papers taught

You should write the referee report for this paper:

Hart, Oliver, and Luigi Zingales. "Banks Are Where The Liquidity Is."

I recommend start reading the paper and try to write up your referee as soon as possible. The grading is based on your
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<td>Banking Concepts</td>
<td>Financial Intermediary (Miskin)</td>
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<td>Liquidity</td>
<td>Diamond Dybvig (82), Green Lin (00) Jacklin (87)</td>
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<td>Monitoring</td>
<td>Diamond (84), Williamson (87)</td>
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<td>Transmission</td>
<td>History, Monetary Bernanke-Blinder (92)</td>
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<td>Mechanism</td>
<td>Bernanke, Mihov (98), Kashyap Stein (00), +Jiménez, Ongena (12),</td>
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<td>Jiménez et. al (14)</td>
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<td>Peterson Rajan (95), +Berger Udell (95)</td>
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<td>Brick Palia (07), La Porta et al. (03), +Rajan, Zingales (98),</td>
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<td>Jayaratne, Strahan (96), Guiso et al. (04)</td>
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<td>+Rajan, Zingales (98), Beck et al (07)</td>
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<td>Structure</td>
<td>Berger et al. (05), +Kashyap et al. (02)</td>
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<td>Kroszner, Strahan, (99), +Black, Strahan (02)</td>
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<td>Regulation</td>
<td>Keeley, M. (1990), Caballero et al. (2008), +Claessens, Laeven (04),</td>
<td>Referee</td>
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<td>Shaffer (93)</td>
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<td>Industrial Organization</td>
<td>Dick (08), Cohen, Mazzeo (07)</td>
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<td>Bank Location</td>
<td>Peterson, Rajan (02), +Carlson, Mitchener</td>
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<td>+Detragiache, Gupta (08), Mian (06)</td>
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<td>Merger</td>
<td>+Focarelli, Panetta (03), Sapienza (02)</td>
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</table>
References:

**Banking Concepts**

**Review of Literature**

**Demand for Liquidity and Liquidity Creation**
**Monitoring**


Diamond, D. W, Delegated Monitoring and Legal Protection. Chapter 1 of Princeton Lectures in Finance.


Gorton, He, "Bank Credit Cycles"


**Monetary Policy & Banking**


Diamond, Rajan, "Money in a Theory of Banking", AER, 2006 (theory)

 Interest rate channel


Credit channel (bank lending channel and balance sheet channel)


Bernanke, Gertler, "Inside the Black Box: The Credit Channel of Monetary Policy Transmission", J.E. Perspective, 1995

Bank-Firm Relationship
** Peterson, Rajan, "The Effect of Credit Market Competition on Lending Relationship", 1995, QJE
Von Thadden "Asymmetric information, bank lending and implicit contracts: the winner’s curse", 2004, Finance Research Letters
Giovanni Dell'Ariccia "Asymmetric information and the structure of the banking industry" European Economic Review, 2001

** Bank Structure **

_Type of Information_
** Berger, A. N. Miller, N. H. Petersen, M. A. Rajan, R. G. Stein, J. C., 2005, "Does function follow organizational form? Evidence from the lending practices of large and small banks"

_Managing Risks_

** Finance and Growth **

** Industrial Organization **

** Bank Location

** Distance Banking

Hauswald, Marquez, Competition and Strategic Information Acquisition in Credit Markets, 2006, The Review of Financial Studies,

** Peterson, Rajan, "Does Distance Still Matter? The Information Revolution in Small Business Lending", 2002, JoF

Mian, Distance Constraints: The Limits of Foreign Lending in Poor Economies, 2006, JoF

Degryse, Ongena, "Distance, Lending Relationships, and Competition", JoF, 2005,

** Branch Banking

+ Carlson, Mitchener "Branch Banking as a Device for Discipline: Competition and Bank Survivorship during the Great Depression", Journal of Political Economy, vol. 117 (April 2009), pp. 165-210

** Foreign Bank


Gormley, Todd A. “Costly Information, Foreign Entry, and Credit Access", ..

+ Detragiache, Tressel and Gupta "Foreign Banks in Poor Countries: Theory and Evidence", JoF, 2008

Dell'Ariccia, Marques, "Lending Booms and Lending Standards" JoF, 2006


Martin Brown, Ralph De Haas "Foreign banks and foreign currency lending in emerging Europe", 2012, Foreign Policy


** Merger and Acquisition


