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%), one replication of papers denoted by ** (using the same dataset but for different time interval 25%), one presentation of papers denoted by + (15%, presentation between 30 – 45 minutes), a referee report (10%), and two 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.

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:


I recommend start reading paper and try to write up your referee as soon as possible. The grading is based on your
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<td>Banking Theory</td>
<td>Diamond Dybvig (82), Green Lin (00) Jacklin (87)</td>
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<td>(Bank Run)</td>
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<td>Transmission Mechanism</td>
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<td>Relation Banking</td>
<td>Peterson Rajan (95), +Rajan Peterson (94)</td>
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|  | | Due Referee Report |
|  | | Due Working Paper |

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References:

**Banking Concepts**


**Banking Theory**

**Demand for Liquidity and Liquidity Creation**


Bank Functioning

Monetary Policy & Banking

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


Bernanke, Gertler, "Inside the Black Box: The Credit Channel of Monetary Policy Transmission", J.E. Perspective, 1995 (introduction of balance sheet channel)


Bank 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

**Information and Bank Size**


**Distance Banking**

(Theory) 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

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

**Why Collateral**


Bernanke, Gertler, "Agency Cost, Net Worth, and Business Fluctuations", AER, 1989


Christiano, Lawrence, Roberto Motto and Massimo Rostagno, "Financial Factors in Economic Fluctuations,”


Allen N. Berger, W. Scott Frame, and Vasso Ioannid “Reexamining the Empirical Relation between Loan Risk and Collateral: The Roles of Collateral Characteristics and Types” FEDERAL RESERVE BANK of ATLANTA


**Monitoring and Credit Scoring**


(Empirical, we will skip) Gorton, He, "Bank Credit Cycles"

**Merger and Acquisition**


**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

**Interbank Relation**


**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

**Secondary Market and Securitization**

(Theory) Chari, Shourideh, Zetlin-Jones, "Collapse of Reputation in Secondary Loan Markets" (Reputation in secondary markets)

(Theory) Gorton, "The Subprime Panic"

Rajan, Seru, Vig, "Statistical Default Models and Incentives", AER, 2010


**International Banking**


**OTC**


**CDS**


**Bank Regulation**

(History) Alejandro Komai, Gary Richardson A Brief History of Regulations Regarding Financial Markets in the United States: 1789 to 2009


**Zombie Lending**

* Caballero, R; T. Hoshi and A. Kashyap (2008), “Zombie Lending and Depressed Restructuring in Japan”, American Economic Review, 98, 1943-1977. (Japan on early 1990 forced banks to lend to insolvent firms/projects, which is mentioned as a cause for a decade of stagnation)

On the Real Effects of Bank Bailouts: Micro Evidence from Japan Giannetti, Mariassunta; Simonov, Andrei American Economic Journal: Macroeconomics, Volume 5, Number 1, January 2013 , pp. 135-167(33)


**Deposit Insurance**


Oliver D. Hart, Luigi Zingales Inefficient Provision of Liquidity

**Overhang Problem and Credit Easing (Central bank Policy in crisis)**


Gorton, Metrick "Securitized Banking and the Run on Repo"


Shleifer, Vishny, "Asset Fire Sales and Credit Easing", AER, 2010

**Branch Deregulation**


**Banking & Competition**


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**Financial Crisis**

**Great Depression**

Bernanke, "Non-Monetary Effects of the financial Crisis in the Propagation of the Great Depretion", AER, 1983

Itay Goldstein, Assaf Razin Review of Theories of Financial Crises NBER Working Paper No. 18670 Issued in January 2013

+Bernanke and James (1991), Case: the Great Depression

**Stability and Competitiveness**


Allen, Gale, "Competition and Financial Stability"Journal of Money, Credit, and Banking, Vol. 36, No. 3, June 2004, (Section 3,4)
Christopher Hanes, Paul W. Rhode Harvests and Financial Crises in Gold-Standard America NBER Working Paper No. 18616 Issued in December 2012

**Bubbles**


**Panes**


Goldstein, Pauzner, "Demand Deposit Contracts and the Probability of Bank Runs", JF, 2005


Morris, S. and H.S. Shin (2000) “Rethinking Multiple Equilibria in Macroeconomics”, NBER Macroeconomics Annual, 139-161. (See also the discussions by Andy Atkeson and Helene Rey).


Chari and Jagannathan, "Banking Panics, Information and Rational Expectation Equilibrium" Journal of Finance, 88


Contagion (Interbank Relation, Self-Fulfilling and currency crisis, financial market)


Managin Risks
