

Course “Microeconomics of Banking”

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Abstract

We will cover a subset of the topics listed below. The course is based on the "F-R" textbook, i.e. on *"Microeconomics of banking"*, by Xavier Feixas and Jean-Charles Rochet, MIT Press, 1997, revised 2004. All additional material needed will be distributed in class.

The topics we will address will be a subset of the list below, depending on the speed we will keep and the interests of the group. The exam will consist in a "referee report" on a paper, i.e. in a summary of main contribution, assessment/evaluation, and detailed discussion of strengths and weaknesses of a recent research paper in the light of your acquired knowledge of the banking literature.

- Introduction: Why do banks exist and what do they do (ch. 1-2 F-R)
- Adverse selection and credit rationing
 - Overview (ch. 5 F-R)
 - Reputation: Diamond (JPE 1991), Fulghieri-Chemmanur (JF 1994),
 - Ongena et. (mimeo 2004)
- Costs and benefits of bank relationships
 - Overview (ch. 4 F-R), Ongena-Smith (1998)
 - Spence (1990), Rajan (1992), Von Thadden (1, 2)
 - Petersen-Rajan (QJE 1994)
- Information sharing
 - Pagano et al. (JF 1993-RES 1997-EER 2000)
 - Partial separation may reduce welfare, Katz and Hermalin (mimeo, 2004)
 - Degryse-Burkaert-Gerig-Stenbacka...
- Bank monitoring and the role of collateral:
 - Lazy banks, Pagano-Padilla-Manove (Rand 2001)
 - Collateral and borrower quality, Inderst-Muller (mimeo 2004a,b)
- The number of bank relationships
 - Detragiache et al. (JF 2000), Ongena et al (2001), Carletti (JFI 2004), Carletti et al. (2004), Guiso (2004),
 - Spagnolo-Calzolari (2005), Syndacates...
- Bank runs and systemic risk: Overview (ch. 7, 8 F-R)
- The role of Deposit Insurance, White-Morrison (2006)
- Corporate governance of Banks
 - Why Banks are special: Adams and Mehran (mimeo, 2003, 2004 etc.)
 - Why Central Banks are even more special, Frisell-Rozsbatch-Spagnolo (mimeo 2004)

- Competition, regulation and stability in banking:
 - Overview (ch. 9 F-R, Carletti 2004)
 - Charter Value: Keely (1991), Hellmann et al. (AER 2000)
 - Bank competition an screening: Broeker (Econometrica 1991)
 - Mergers: Carletti, Hartmann, Spagnolo (2004), etc.
 - Self-interested regulators, Boot-Thakor (AER 1993)
 - Capital regulation, Allen et al. (2005)
 - The cost of bank regulation, Guiso-Sapienza-Zingales (mimeo), Caprio-Levin (mimeo)
- Bank competition, product markets and growth
 - Bank competition and product markets
Rajan-Petersen (QJE 1995), Battacharya and Chiesa (JFI 1995), Hellman and Da Rin (JFI 2002), Cestone and White (JF 2003), Spagnolo (mimeo 2002)
 - Evidence: Rajan-Petersen (JF 1994), Cetorelli (mimeo, 2002, 2004), Cetorelli-Strahan (mimeo 2004), Claessens et al. (mimeo 2004)
 - Bank Competition and Growth: Levin et al. (2000-2004)
- Banks vs. Venture Capital
Ueda 2004-Casamatta 2004-Schmidt 2004
Hellmann-Puri et al. 2002-2005
- Investment banking
 - IPOs and the 7% debate,
Chen and Ritter 2000, Hansen 2001, etc.
 - Conflicts of interest and "chinese walls",
Recent Frauds, CEPR Report, Parmalat-Cirio, etc.
- Trade credits and bank finance, Ellingsen-Burkart AER2004