Sabanci Business School
PhD in Management Program
Spring 2022
FIN 621 – Special Topics in Finance I (Corporate Governance and Banking)

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Office Hours: By appointment

Type	Time	Days	Where
Class	14.40-17.30	M	on Zoom (FASS1001-1001A)

Course Objective:
The purpose of this course is to provide an overview of corporate governance and banking at the graduate level. The topics to be covered in the first part include agency theory, board of directors, executive compensation, concentrated ownership, and the market for corporate control. The second part of the course include theories of financial intermediation and related empirical approaches. While covering these topics, we will first build the theoretical framework and then proceed to the empirical tests of these theories. After covering the key concepts, hypotheses and empirical regularities through seminal papers, we go over to more recent papers to explore the current state of the literature so that students can study cutting-edge novel research questions. The course is intended primarily for masters or doctoral students who are interested in finance research. Students should have taken graduate-level microeconomics (equivalent of the ECON 501-502 sequence) and applied econometrics (equivalent of the ECON 505-506-604 sequence) classes prior to taking this course.

Course Material:
Hermalin, B. and M. Weisbach (2017). *The Handbook of the Economics of Corporate Governance*. Volume 1. North Holland.
Freixas, X., & Rochet, J. C. (2008). *Microeconomics of banking*. Second Edition. MIT press. **(FR)**
Degryse, H., Kim, M., & Ongena, S. (2009). *Microeconometrics of banking: methods, applications, and results*. Oxford University Press, USA. **(DKO)**

Other materials:
Angrist, J. D. and J. S. Pischke (2008), Mostly Harmless Econometrics: An Empiricist's Companion, Princeton University Press.
Berger, A. N., P. Molyneux and J. Wilson (all three eds.), The Oxford Handbook of Banking, Oxford University Press.
Cameron, A. C., and P. K. Trivedi (2010). Microeconometrics using stata.
Roberts, M. R. and T. M. Whited, 2013. Endogeneity in Empirical Corporate Finance, Editor(s): George M. Constantinides, Milton Harris, Rene M. Stulz, *Handbook of the Economics of Finance* 2 (A), 493-572.

Parts of the textbooks will be used as course material throughout the semester. The textbooks are available on the course reserve at the Information Center. Remaining reading material (i.e., papers and notes) can be accessed electronically via the IC or Google Scholar.

Course Web:
All assignments should be submitted on the SuCourse+.

Grading:

Reflection Papers (8 in total)	: 20%
Paper Presentations (4 in total) & Participation	: 20% & 10%
Research Proposal	: 30%
Final Exam	: 20%

Requirements:
Reflection Papers
Students are expected to write weekly reflection papers covering the topic of the week. The reflection paper should provide a summary of the relevant literature, its importance in corporate governance and banking and the contribution of the assigned papers to this line of literature. While summarizing specific empirical papers, students can discuss their primary research question, dataset, empirical design and identification strategies. For theory papers, the implications of the model, whether they capture key market dynamics, relevance of the key assumptions, and their empirical implications stand out. Students are also encouraged to provide their own critique of the papers and discuss how they would go about improving them. Please limit your reflections papers to a maximum of two pages (12-pt font, 1.5 spacing and 1-inch margins). The lowest two reflection paper grades (out of 8) will be dropped at the end of the semester.
Paper Presentations
Students are required to present a total of four papers during the semester. These should be 30 min presentations of one of the papers from the reading list. Each paper should come from one of the four main parts of the course content. Depending on the size of the class, we will target one paper presentation per week. The presentation should cover:

- What research questions are the authors asking? What is the contribution of the paper to the literature?
- Experimental design (empirical papers):
  - Data sources: is the data novel?
  - What econometric techniques are used and why?
  - Do they establish causal relationships clearly?
- Modelling (theory papers):
  - What are the critical assumptions of the model? How do the model implications depend on them?
  - Does the model capture the critical elements of the problem at hand?
  - Is there a novel modelling technique / approach?
  - What are the empirical implications of the model?
- Your own critique of the paper. What you like and what you find unconvincing about it. What would you do differently? Hint: Read the follow-up literature (and cite accordingly).

If you have a paper preference, you must send us an e-mail with your preferences as soon as possible. Otherwise, we will randomly assign them to you. Please submit your presentation slides in PDF.

Research Proposal
Students will write a research proposal on a topic related to empirical corporate governance or banking. The proposal should have the following parts: (a) abstract, (b) introduction; (c) literature review; (d) data sources and variables construction; (e) empirical design. The proposal should be in the format of a registered report: it should outline (i) key research questions and their relevance in the context of the extant literature and (ii) your proposed empirical approach for answering them. The proposals need not contain any analyses or results, but students will receive an extra bonus if they document preliminary empirical relationships. For students who want to follow this path, please request a WRDS and SDC account from us.

Students should share their proposal ideas with the instructors by the 8th week of the semester and present them in class on the 13th week of the semester. Research proposals are due right before the start of the presentations (please submit them through SuCourse). Please limit your proposal documents to a maximum of 15 pages (12-pt font, 1.5 spacing and 1-inch margins). Presentations should last for 45 minutes, followed by 15-minute Q&A sessions.

Final Exam
The final exam covers the course material, including theoretical and empirical papers. Questions may include literature assessment and/or critique, specific contributions of seminal papers to the literature, extensions of the theoretical models covered in class, or empirical modelling techniques. The exam will take place in the final week of the semester.

Academic Honesty:
Learning is enhanced through cooperation and as such you are encouraged to work in groups, ask for and give help freely in all appropriate settings. At the same time, as a matter of personal integrity, you should only represent your own work as yours. Any work that is submitted to be evaluated in this class should be an original piece of writing, presenting your ideas in your own words. Everything you borrow from books, articles, or web sites (including those in the syllabus) should be properly cited. Although you are encouraged to discuss your ideas with others (including your friends in the class), it is important that you do not share your writing (slides, MS Excel files, reports, etc.) with anyone. Using ideas, text and other intellectual property developed by someone else while claiming it is your original work is *plagiarism*. Copying from others or providing answers or information, written or oral, to others is *cheating*. Unauthorized help from another person or having someone else write one's paper or assignment is *collusion*. Cheating, plagiarism and collusion are serious offenses that could result in an F grade and disciplinary action. Please pay utmost attention to avoid such accusations.

Course Outline (Tentative)

*Papers that can be selected for presentation.

(T) Theory Paper

Week 1: Introduction, the theory of the firm and agency theory

Becht, M., P. Bolton, A. Röell, 2003. Chapter 1 - Corporate Governance and Control, Editor(s): G. M. Constantinides, M. Harris, R. M. Stulz, *Handbook of the Economics of Finance*, Elsevier, Volume 1 (A), 1-109.

(T) Coase, R. 1937. The nature of the firm, *Economica*, 4, 386-405.

(T) Jensen M. and W. Meckling, 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure, *Journal of Financial Economics* 3, 305-360.

(T) Fama, E., 1980. Agency problems and the theory of the firm, *Journal of Political Economy* 88, 288-307.

(T) Fama E., and M. Jensen, 1983. Separation of ownership and control, *Journal of Law and Economics* 26, 301-326.

(T) Hart O., and J. Moore, 1990. Property rights and the nature of the firm, *Journal of Political Economy* 98, 1119-1158.

Jensen, M., 1993. The modern industrial revolution, exit, and the failure of internal control systems, *Journal of Finance* 48, 831-880.

Zingales, L., 2000. In search of new foundations, *Journal of Finance* 55, 1623-1653.

Week 2: The board of directors – Part 1

Adams, R.B., 2017, Chapter 6. Boards, and the Directors Who Sit on Them. *The Handbook of the Economics of Corporate Governance*. Volume 1. Hermalin, B., and M. Weisbach (Eds.) North Holland.

(T) Hermalin, B. and M. Weisbach, 1998. Endogenously chosen boards of directors and their monitoring of the CEO. *American Economic Review* 88, 96-118.

Weisbach, M., 1988. Outside directors and CEO turnover, *Journal of Financial Economics* 20, 431-460.

Yermack, D., 1996. Higher market valuation of companies with a small board of directors, *Journal of Financial Economics* 40, 185-212.

Shivdasani, A. and D. Yermack, 1999. CEO involvement in the selection of new board members. *Journal of Finance* 54, 1829-1853.

Huson, M, R. Parrino, and L. Starks, 2001. Internal Monitoring Mechanisms and CEO Turnover: A Long-term Perspective, *Journal of Finance* 56, 2265-2297.

Kaplan, S. and B. Minton, 2006. Has CEO turnover changed? Increasingly performance sensitive boards and increasingly uneasy CEOs, NBER working paper 12465.

Boone, A., L. C. Field, J. Karpoff, and C. Raheja, 2007. The determinants of corporate board size and composition: An empirical analysis, *Journal of Financial Economics* 85, 66-101.

Coles, J., N. Daniel, and L. Naveen, 2008. Boards: Does one size fit all? *Journal of Financial Economics* 87(2), 329-356.

Week 3: The board of directors – Part 2

(T) Adams, R. B., and D. Ferreira, 2007. A Theory of Friendly Boards. *Journal of Finance* 62, 217–250.

*Duchin, R., J.G. Matsusaka, and O. Ozbas. 2010. When are Outside Directors Effective? *Journal of Financial Economics* 96, 195–214.

*Fahlenbrach, R., A. Low, R.M. Stulz, 2010. Why do firms appoint CEOs as outside directors? *Journal of Financial Economics* 97 (1), 12-32.

*Güner, A. B., U. Malmendier, and G. Tate, 2008. Financial expertise of directors, *Journal of Financial Economics* 88, 323-354.

*Goldman, E., J. Rocholl, and J. So, 2009. Do politically connected boards affect firm value? *Review of Financial Studies* 22(6), 2331-2360.

*Fracassi, C. and Tate, G., 2012. External Networking and Internal Firm Governance. *Journal of Finance*, 67: 153-194.

*Masulis R. W., C. Wang, F. Xie, 2012. Globalizing the boardroom – The effects of foreign directors on corporate governance and firm performance. *Journal of Accounting and Economics* 53 (3), 527-554.

*Ahern, K., and A. Dittmar, 2012. The changing of the boards: The impact on firm valuation of mandated female board representation. *Quarterly Journal of Economics* 127, 137–197.

*Field L., M. Lowry, and A. Mkrtchyan, 2013. Are busy boards detrimental? *Journal of Financial Economics* 109 (1), 63-82.

*Coles, J.L., N.D. Daniel, and L. Naveen, 2014. Co-opted boards. *Review of Financial Studies* 27 (6), 1751–1796,

*Dass, N., O. Kini, V. Nanda, B. Önal, and J. Wang, 2014. Board expertise: Do directors from related industries help bridge the information gap? *Review of Financial Studies* 27(5), 1533-1592.

*Yavuz, B. I., 2022. The Role of Activists in Boardrooms: Advisors and Supervisors. Working Paper.

Week 4: Executive compensation

Edmans A., X. Gabaix, and D. Jenter, 2017. Chapter 7. Executive Compensation: A Survey of Theory and Evidence. *The Handbook of the Economics of Corporate Governance*. Volume 1. Hermalin, B., and M. Weisbach (Eds.) North Holland.

(T) Holmstrom, B., 1979. Moral hazard and observability, *Bell Journal of Economics* 10. 74-91.

(T) Bebchuk, L.A., J. M. Fried, and D. I. Walker, 2002. Managerial power and rent extraction in the design of executive compensation, *The University of Chicago Law Review*, 69, 751-846.

(T) Gabaix, X., and A. Landier, 2008. Why has CEO pay increased so much? *Quarterly Journal of Economics*, 123 (1), 49-100.

(T) Oyer, P., 2004. Why do firms use incentives that have no incentive effects? *Journal of Finance* 59, 1619-1650.

Jensen M., and K. Murphy, 1990. Performance pay and top management incentives, *Journal of Political Economy* 98, 225-264.

Bertrand, M., and S. Mullainathan, 2001. Are CEOs rewarded for luck? The ones without principals are. *Quarterly Journal of Economics*, 901-932.

Frydman C., and R. E. Saks 2010. Executive Compensation: A New View from a Long-Term Perspective, 1936–2005. *Review of Financial Studies* 23 (5), Pages 2099–2138.

Kaplan, S., and J. Rauh, 2010. Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes? *Review of Financial Studies* 23 (3), 1004–1050

Fernandes, N., M. Ferreira, P. Matos, and K. Murphy, 2013. Are US CEOs paid more? New international evidence. *Review of Financial Studies* 26, 323–367.

*Coles, J., N. Daniel, and L. Naveen, 2006, Managerial incentives and risk-taking, *Journal of Financial Economics* 79, 431-468.

*Rajgopal, S., Shevlin, T., and Valentina, Z., 2006. CEOs' Outside Employment Opportunities and the Lack of Relative Performance Evaluation in Compensation Contracts. *Journal of Finance* 61, 1813–1844.

*Garvey, Gerald T. and Todd T. Milbourn, 2006. Asymmetric benchmarking in compensation: Executives are rewarded for good luck but not penalized for bad. *Journal of Financial Economics* 82, 197-225.

*Guthrie, K., Sokolowsky, J. and Wan, K.-M. (2012), CEO Compensation and Board Structure Revisited. *Journal of Finance* 67, 1149-1168.

*Engelberg J., P. Gao, C. A. Parsons, 2013. The Price of a CEO's Rolodex, *Review of Financial Studies* 26 (1), 79–114.

* Custódio, C., M. A. Ferreira, P. Matos, 2013. Generalists versus specialists: Lifetime work experience and chief executive officer pay, *Journal of Financial Economics* 108 (2), 471-492.

*Coles, J. L., Z. F. Li, and A. Y. Wang, 2018. Industry tournament incentives. *Review of Financial Studies* 31 (4), 1418–1459.

*Correa, R., and U. Lel, 2016. Say on pay laws, executive compensation, pay slice, and firm valuation around the world. *Journal of Financial Economics* 122, 500-520.

*Mueller, H.M., P.P. Ouimet, and E. Simintzi, 2017. Within-Firm Pay Inequality. *Review of Financial Studies* 30(10), 3605–3635.

*Önal, B., D. Petmezas, and N. Xiong, 2022. Societal Equality Sentiment and Executive Compensation. Working Paper.

Week 5: Ownership structure, shareholder activism, and the market for corporate control – Part 1

Edmans A., and C. Holderness, 2017, Chapter 8. Blockholders: A Survey of Theory and Evidence. *The Handbook of the Economics of Corporate Governance*. Volume 1. Hermalin, B., and M. Weisbach (Eds.) North Holland.

(T) Holmstrom, B. and J. Tirole, 1993, Market liquidity and performance monitoring, *Journal of Political Economy*, 101, 678–709.

Demsetz, H. and K. Lehn, 1985. The Structure of Ownership: Causes and Consequences, *Journal of Political Economy*, 1155–1177.

Smith, M.P., 1996. Shareholder activism by institutional investors: evidence from CalPERS. *Journal of Finance* 51, 227–252.

Carleton, W., J. Nelson, and M. Weisbach, 1998. The influence of institutions on corporate governance through private negotiations: evidence form TIAA-CREF, *Journal of Finance* 53, 1335-1362.

Mulherin, J. H. and A. B. Poulsen. 1998. Proxy contests and corporate change: implications for shareholder wealth, *Journal of Financial Economics*, 47, 279-313.

Del Guercio, D., and J. Hawkins, 1999. The motivation and impact of pension fund activism, *Journal of Financial Economics* 52, 293–340.

Gillan, S. L., and L. T. Starks, 2000. Corporate governance proposals and shareholder activism: The role of institutional investors, *Journal of Financial Economics* 57, 275– 305.

Week 6: Ownership structure, shareholder activism, and the market for corporate control – Part 2

Franks J., and C. Mayer, 2017, Chapter 10. Evolution of Ownership and Control Around the World: The Changing Face of Capitalism. *The Handbook of the Economics of Corporate Governance*. Volume 1. Hermalin, B., and M. Weisbach (Eds.) North Holland.

Gompers, P., J. L. Ishii, and A. Metrick, 2003. Corporate Governance and Equity Prices. *Quarterly Journal of Economics* 118, 107-155.

Bebchuk, L., A. Cohen, and A. Ferrell, 2004. What matters in corporate governance? *Review of Financial Studies* 22, 783–827.

Dyck A., and L. Zingales, 2004. Private Benefits of Control: An International Comparison. *Journal of Finance* 59(2), 537-600.

*Field, L. C. and J. M. Karpoff, 2002. Takeover defenses at IPO firms. *Journal of Finance*, 1857-1889.

*Bertrand, M. and Mullainathan, S., 2003. Enjoying the Quiet Life: Corporate Governance and Managerial Preferences, *Journal of Political Economy* 111 (5), 1043-1075.

*Cremers, K. J. M, and V. Nair, 2005. Governance mechanisms and equity prices, *Journal of Finance* 60, 2859-2894.

*Claessens, S., S. Djankov, J. P.H. Fan, and L. H.P. Lang, 2002. Disentangling the Incentive and Entrenchment Effects of Large Shareholdings, *Journal of Finance* 57 (6), 2741-2771.

*Brav, A., W. Jiang, F. Partnoy, and R. Thomas. 2008. Hedge fund activism, corporate governance, and firm performance. *Journal of Finance* 63:1729–1775.

*Giroud, X. and H.M. Mueller, 2010. Does corporate governance matter in competitive industries? *Journal of Financial Economics* 95 (3), 312-331.

*Cuñat, V., M. Giné, and M. Guadalupe. 2012. The vote is cast: The effect of corporate governance on shareholder value. *Journal of Finance* 67, 1943–1977.

*Aghion, P., J. Van Reenen, and L. Zingales, 2013. Innovation and Institutional Ownership. *American Economic Review* 103 (1), 277-304.

*Dimson E., O. Karakaş, and X. Li, 2015. Active Ownership. *Review of Financial Studies* 28 (12), 3225–3268.

*Kempf, E., A. Manconi, and O. Spalt, 2017. Distracted Shareholders and Corporate Actions, *Review of Financial Studies* 30 (5), 1660–1695.

*Azar, J., Schmalz, M.C. and Tecu, I., 2018. Anticompetitive Effects of Common Ownership. *Journal of Finance* 73, 1513-1565.

*Francis, B. B., I. Hasan, Y. Shen, and Q. Wu, 2021. Do activist hedge funds target female CEOs? The role of CEO gender in hedge fund activism. *Journal of Financial Economics* 141 (1), 372-393.

Week 7: Introduction and the role of Financial Intermediaries

FR Chapter 1 (Theory), FR Chapter 2 (Theory); DKO Chapter 2 (Event study methodology)

Allen, F., & Carletti, E. (2008). The roles of banks in financial systems. *Oxford Handbook of Banking.http://fic.wharton.upenn.edu/fic/papers/08/0819.pdf*

Boot, A. W., & Thakor, A. V. (2009). The accelerating integration of banks and markets and its implications for regulation. *Oxford Handbook of Banking.* http://ssrn.com/abstract=1108484

Acharya, V. V., Schnabl, P., & Suarez, G. (2013). Securitization without risk transfer. *Journal of Financial economics*, *107*(3), 515-536.

Bertay, A. C., Demirgüç-Kunt, A., & Huizinga, H. (2013). Do we need big banks? Evidence on performance, strategy and market discipline. *Journal of Financial Intermediation*, *22*(4), 532-558.

Demirgüç-Kunt, A., & Huizinga, H. (2010). Bank activity and funding strategies: The impact on risk and returns. *Journal of Financial Economics*, *98*(3), 626-650.

Ioannidou, V., & Ongena, S. (2010). "Time for a change": loan conditions and bank behavior when firms switch banks. *The Journal of Finance*, *65*(5), 1847-1877.

Berlin, M., and L.J. Mester, (1999), "Deposits and Relationship Lending", Review of Financial Studies 12, 579-607.

Best, R., and H. Zhang (1993), "Alternative information sources and the information content of bank loans", Journal of Finance 48, 1507-1522.

Bushman, R. M. and R. Wittenberg-Moerman (2009), Does secondary loan market trading destroy lenders' incentives? Chicago Boot Working Paper No. 09-45.

(T) Calomiris, Charles and Charles Kahn, 1991, "The Role of Demandable Debt in Structuring Optimal Banking Arrangements," *American Economic Review* 81, 497–513

(T) Diamond, Douglas, 1984, "Financial Intermediation and Delegated Monitoring," *Review of Economic Studies* 51, 393–414

Fama, E. (1985), "What's different about banks?", Journal of Monetary Economics 17, 239-249.

Focarelli, D., Pozzolo, A. F. and L. Casolaro (2008), "The Pricing Effect of Certification on Syndicated Loans", Journal of Monetary Economics 55, 335-349.

Gorton, G. and A. Winton (2003), "Financial Intermediation", in Handbook of the Economics of Finance, G. M. Constantinides, M . Harris and R. Stulz (eds.), Elsevier.

Gustafson, M. T., Ivanov, I. T., & Meisenzahl, R. R. (2021). Bank monitoring: Evidence from syndicated loans. Journal of Financial Economics, 139(2), 452-477.

(T) Holmstrom, Bengt and Jean Tirole, 1997, "Financial Intermediation, Loanable Funds, and The Real Sector," *Quarterly Journal of Economics* 112, 663–691

James, C. (1987), "Some evidence on the uniqueness of bank loans", Journal of Financial Economics 19, 217-233.

Kashyap, A., R. Rajan, and J.C. Stein, (2002), "Banks as Liquidity Providers: an Explanation for the Co-Existence of Lending and Deposit-Taking", Journal of Finance 57, 33-73.

Ivashina, V. (2009), “Asymmetric information effects on loan spreads”, Journal of Financial Economics 92, 300-319.

Lummer, S. and J. McConnell (1989), “Further evidence on the bank lending process and the capital market responses to bank loan agreements”, Journal of Financial Economics 25, 99-122.

MacKinlay, A. C. (1997), Event Studies in Economics and Finance, Journal of Economic Literature 35, 13-39.

Megginson, W. L., A. B. Poulsen and J. F. Jr. Sinkey (1995), “Syndicated loan announcements and the market value of the banking firm”, Journal of Money, Credit and Banking 27, 457-475.

Mester, L.J., L.I. Nakamura and M. Renault (2006), “Transaction Accounts and Loan Monitoring”, Review of Financial Studies 20, 529-556.

Week 8: Competition, bank risk and performance
FR Chapter 3 (Theory); DKO Chapter 3

Atkin, B., L. Li, J. Ng, and T. O. Rusticcus, 2016, “Bank competition and financial stability: Evidence from the financial crisis,” Journal of Financial and Quantitative Analysis 51, 1-28.

(T) Allen, F., and D. Gale, 2004, “Competition and financial stability,” Journal of Money, Credit and Banking 36, 453-480

Angelini, P., and N. Cetorelli (2003), “Bank Competition and Regulatory Reform: The Case of the Italian Banking Industry”, Journal of Money, Credit, and Banking 35, 663-684.

Anginer, D., Demirguc-Kunt, A., and M. Zhu, 2014, “How does deposit insurance affect bank risk taking? Evidence from the recent crisis,” Journal of Banking and Finance 48, 312-321

Beck, T., De Jonghe, O., & Schepens, G. (2013). Bank competition and stability: Cross-country heterogeneity. Journal of financial Intermediation, 22(2), 218-244.

(T) Boyd, J H., and G. De Nicolo, 2006, “The theory of bank risk taking and competition revisited,” Journal of Finance 60, 1329-1343

Cetorelli, N. (1999), “Competitive analysis in banking: Appraisal of the methodologies”, Federal Reserve Bank of Chicago Economic Perspectives 23, 2-3.

Claessens, S., and L. Laeven (2004), “What Drives Bank Competition? Some International Evidence”, Journal of Money, Credit, and Banking 36, 563-583.

Demirguc-Kunt, A., and E. Detragiache, 2002, “Does deposit insurance increase banking stability? An empirical investigation,” Journal of Monetary Economics 49, 1373-1406

Demirguc-Kunt, A., and H. Huizinga, 2004, “Market discipline and deposit insurance,” Journal of Monetary Economics 51, 375-399

Gan, J., 2004, “Banking market structure and financial stability: Evidence from the Texas real estate crisis in the 1980s,” Journal of Financial Economics 73, 567-601

Gorton, G., and R. Rosen, “Corporate control, portfolio choice, and the decline of banking,” Journal of Finance 50, 1377-1420

Hughes, J. P. and L. J. Mester (2010), “Efficiency in banking: theory, practice, and evidence”, in Berger, A. N., P. Molyneux and J. Wilson (eds.) (2010), The Oxford Handbook of Banking, Oxford University Press.

Keeley, M. C., 1990, “Deposit insurance, risk and market power in banking,” American Economic Review 80, 1183-1200

(T) Martinez-Miera, D., and R. Repullo, 2010, “Does competition reduce the risk of bank failure?” Review of Financial Studies 23, 3638-3664

Van Leuvensteijn, M., Sørensen, C. K., Bikker, J. A., & Van Rixtel, A. A. (2013). Impact of bank competition on the interest rate pass-through in the euro area. Applied Economics, 45(11), 1359-1380.

Week 9: Lender-borrower relationships
FR Chapter 4 (Theory); DKO Chapter 4

Alessandrini, P. and Presbitero, A.F. and Zazzaro, A. (2009), “Banks, distances and financing constraints for firms”, Review of Finance 13, 261.

Berger, A. N. and G. Udell (2006), “A more complete conceptual framework for SME finance”, Journal of Banking and Finance 30, 2945-2966.

Berger, A. N., W. S. Frame, V. Ioannidou, (2011) , “Tests of ex ante versus ex post theories of collateral using private and public information”, Journal of Financial Economics 100, 85-97.

Berger, A.N., N.M. Miller, M.A. Petersen, R.G. Rajan, and J.C. Stein (2005), “Does Function Follow Organizational Form? Evidence From the Lending Practices of Large and Small Banks”, Journal of Financial Economics 76, 237-269.

Brick, I.E., and D. Palia (2007), “Evidence of Jointness in the Terms of Relationship Lending”, Journal of Financial Intermediation 16, 452-476.

Cetorelli, N., and P.E. Strahan (2006), “Finance as a Barrier to Entry: Bank Competition and Industry Structure in Local U.S. Markets”, Journal of Finance 61, 867-892.

Caballero, R. J., T. Hoshi and A. K. Kashyap (2008), “Zombie Lending and Depressed Restructuring in Japan”, American Economic Review 98, 1943-1977.

Dahiya, S., A. Saunders, and A. Srinivasan (2003), “Financial Distress and Bank Lending Relationships”, Journal of Finance 58, 375-399.

D’Auria, C., A. Foglia, and P.M. Reedtz (1999), “Bank Interest Rates and Credit Relationships in Italy”, Journal of Banking and Finance 23, 1067-1093.

Detragiache, E., P.G. Garella, and L. Guiso (2000), “Multiple versus Single Banking Relationships: Theory and Evidence”, Journal of Finance 55, 1133-1161.

Drucker, S., and M. Puri (2005), "On the Benefits of Concurrent Lending and Underwriting", Journal of Finance 60, 2763-2799.

Jiménez, G., V. Salas, and J. Saurina (2006), "Determinants of Collateral", Journal of Financial Economics 81, 255-281.
Kim, M., D. Kliger, and B. Vale (2003), "Estimating Switching Costs: The Case of Banking", Journal of Financial Intermediation 12, 25-56.

Ongena, S., and D.C. Smith (2001), "The Duration of Bank Relationships", Journal of Financial Economics 61, 449-475.

Petersen, M.A., and R.G. Rajan (1994), "The Benefits of Lending Relationships: Evidence from Small Business Data", Journal of Finance 49, 3-37.

(T) Petersen, M.A., and R.G. Rajan (1995), "The Effect of Credit Market Competition on Lending Relationships", Quarterly Journal of Economics 110, 406-443.

Qian, J., and P. E. Strahan (2007), "How Law and Institutions Shape Financial Contracts: The Case of Bank Loans", Journal of Finance 62, 2803-2834.

Week 10: Distance and Borders
FR Chapter 5 (Theory); DKO Chapter 5

Bonaccorsi Di Patti, E., and G. Gobbi (2007), "Winners or Losers? The Effects of Banking Consolidation on Corporate Borrowers", Journal of Finance 62, 669-695.

Berger, A.N., R. Deyoung, H. Genay, and G. Udell (2000), "Globalization of Financial Institutions: Evidence from Cross-Border Banking Performance", Brookings-Wharton Papers on Financial Services 3, 23-120.

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Week 11: Individual Bank Runs and Systemic Risk
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Week 12: Regulation of Banks

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Week 13: Research Paper Presentations

Week 14: Final Exam