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Financial Intermediation

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TENTATIVE SCHEDULE

This schedule is tentative and excessively ambitious. It will be updated in due course.

Besides the journal articles listed below there are various books available for consultation:

ALLEN, F., AND D.GALE, "Understanding Financial Crises," *Oxford University Press*, (2009).

BHATTACHARYA, S., BOOT, A. AND A.THAKOR, "Credit, Intermediation, and the Macroeconomy," *Oxford University Press*, (2004).

BOOT, A. AND A.THAKOR, "Handbook of Financial Intermediation and Banking," *Elsevier*, (2008).

DEWATRIPONT, M., AND J.TIROLE, "The Prudential Regulation of Banks," *MIT Press*, (1994).

FREIXAS, X., AND J.C.ROCHET, "Microeconomics of Banking," *MIT Press, 2nd edition* (2008).

GORTON, G., AND A.WINTON, "Financial Intermediation," *Chapter 8 in Handbook of the Economics of Finance (Vol 1A)*, G.M. Constantinides, G.M. Harris, M. and Sultz, R.M. (2004).

SESSIONS OUTLINE:

Session 1: Why do Financial Intermediaries Exist?

GORTON, G., AND A.WINTON, "Financial Intermediation," *Chapter 8 in Handbook of the Economics of Finance (Vol 1A)*, G.M. Constantinides, G.M. Harris, M. and Sultz, R.M. (2004).

Financial Intermediaries as Delegated "Monitors"

BROECKER, T. "Creditworthiness Test and Interbank Competition," *Econometrica*, **51** (1990), 429-452.

CERASI, V. AND S.DALTUNG, "The Optimal Size of a Bank: Costs and Benefits of Diversification," *European Economic Review*, **44** (2000), 1701-1726.

DIAMOND, D. "Financial Intermediation and Delegated Monitoring," *Review of Economic Studies*, **51** (1984), 394-414.

WILLIAMSON, S. "Costly Monitoring, Financial Intermediation, and Equilibrium Credit Rationing," *Journal of Monetary Economics*, **18** (1986).

Financial Intermediaries as Liquidity Providers

ALLEN, F., GALE, D. AND G.PENACCHI, "Financial Markets, Intermediaries and Intertemporal Smoothing," *Journal of Political Economy*, **105** (1997), 523-546.

- DIAMOND D. AND P.H.DYBVIK, "Bank Runs, Deposit Insurance, and Liquidity," *Journal of Political Economy*, **91** (1983), 401-419.
- GORTON G. AND G.PENACCHI, "Financial Intermediation and Liquidity Creation," *Journal of Finance*, **45** (1990), 49-71.
- HOLMSTROM, B. AND J.TIROLE, "Financial Intermediation, Loanable Funds and the Real Sector," *Quarterly Journal of Economics*, **112** (1997), 663-691.
- KASHYAP, A. K., R.RAJAN, AND J.C.STEIN, "Banks as Liquidity Providers: An Explanation for the CoExistence of Lending and Deposit Taking," *Journal of Finance*, **57** (2000), 33-73.

Empirics:

- JAMES, C. "Some Evidence on the Uniqueness of Bank Loans," *Journal of Financial Economics*, **19** (1987), 217-235.
- LUMER, S.L., AND J.J.MCCONNELL, "Further Evidence on the Bank Lending Process and Capital Market Response to Bank Loan Agreements," *Journal of Financial Economics*, **25** (1989), 99-122.
- SLOVIN,, M.B, SUSHKA, M.E. AND J.A.POLOCHEK, "The Value of Bank Durability: Borrowers as Bank Stakeholders," *Journal of Finance*, **48** (1993), 289-302.

Session 2: Industrial Organization Approach to Banking

- CHIAPPORI,P.A., PEREZ-CASTRILLO, D. AND F.VERDIER, "Spatial Competition in the Banking System, Localization, Cross-Subsidies and Regulation of Interest Rates" *European Economic Review*, **39** (1995), 889-919.
- MATUTES, C. AND J.PADILLA, "Shared ATM Networks and Banking Competition," *European Economic Review*, **38** (1994), 1113-1138.
- MATUTES, C. AND VIVES, X. "Competition for Deposits, Fragility and Insurance" *Journal of Financial Intermediation*, **5** (1996), 184-216.

Session 3: Relationship Banking:

Relationship Banking: Theory

- BOOT, A.W. "Relationship Banking: What Do We Know?," *Journal of Financial Intermediation*, **9** (2000). 7-25.
- DEWATRIPONT, M. AND E. MASKIN, "Credit and Efficiency in Centralized and Decentralized Economies" *Review of Economic Studies*, **62** (1995), 541-555.
- RAJAN, R. "Insiders and Outsiders: The choice between Informed and Arm's-Length Debt," *Journal of Finance*, **47** (1992), 1367-1400.
- SHARPE, S. "Asymmetric Information, Bank Lending and Implicit Contracts: A Stylized Model of Customer Relationship," *Journal of Finance*, **45** (1990).

Relationship Banking: Empirics

- BERGER A. AND G.F.UDELL, "Relationship Lending and Lines of Credit in Small Firm Finance," *Journal of Business*, **68** (1995), 351-381.

- DEGRYSE, H. AND P.V.CAYSEELE, "Relationship Lending within a Bank-Based System: evidence from European Small Business Data," *Journal of Financial Intermediation*, **9** (2000), 90-109.
- DEGRYSE, H. AND S.ONGENA, "Distance, Lending Relationships and Competition," *Journal of Finance*, **60** (2005), 231-266.
- DETRAGIACHE, E., GARELLA, P. AND L.GUIO, "Multiple versus Single Banking Relationships: Theory and Evidence," *Journal of Finance*, **55** (2000), 1133-1161.
- HOSHI, T., KASHYAP, A. AND D.S.SCHARFSTEIN, "The Role of Banks in Reducing the Costs of Financial Distress in Japan," *Journal of Financial Economics*, **27** (1990), 67-88.
- PETERSEN, M. AND R.RAJAN, "The Benefits of Lending Relationships: Evidence from Small Business Data," *Journal of Finance*, **49** (1994), 3-37.
- PETERSEN, M. AND R.RAJAN, "The Effect of Credit Market Competition on Lending Relationships," *Quarterly Journal of Economics*, **110** (1995), 407-443.
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Session 4:Debt Structure

- BOLTON, P. AND X.FREIXAS, "Equity, Bonds and Bank Debt," *Journal of Political Economy*, **108** (2000), 324-351.
- DIAMOND, D., "Monitoring and Reputation: The Choice Between Bank Loans and Directly Placed Debt," *Journal of Political Economy*, **99** (1991), 689-721.
- DIAMOND, D., "Seniority and Maturity Structure of Debt Contracts," *Journal of Financial Economics*, **33** (1993), 341-336.
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- GORTON, G. AND J.KAHN, "The Design of Bank Loan Contracts" *Review of Financial Studies*, **13** (2000), 331-364.
- LONGHOFFER, S.D. AND J.A.C.SANTOS, "The Importance of Bank Seniority for Relationship Lending" *Journal of Financial Intermediation*, **9** (2000), 57-89.

Session 5: Bank-Firm Relation in Financial Distress

- ANDRADE AND KAPLAN, "How Costly is Financial (Not Economic) Distress? Evidence from Highly Leverage Transactions that Became Distress," *The Journal of Finance*, **53** (1998), 1443-1493.
- ASQUITH, GERTNER AND SCHARFSTEIN, "The Anatomy of Financial Distress: An Examination of Junk-Bond Issuers," *Quarterly Journal of Economics*, **109** (1994), 625-658.
- DAVYDENKO AND FRANKS, "Do Bankruptcy Codes Matter? A Study of Defaults in France, Germany and the UK," *The Journal of Finance*, **63** (2008), 565-608.
- FRANKS, NYBORG AND TOROUS, " A Comparison of US, UK and German Insolvency Codes," *Financial Management*, **25(3)** (1996), 86-101.
- GERTNER AND SCHARFSTEIN, "A Theory of Workouts and the Effect of Reorganization Law," *Journal of Finance*, **48** (1991), 1189-1221.
- SENBET AND SEWARD, "Financial Distress, Bankruptcy and Reorganization," *Handbook of Operations Research and Management Science*, **9** (1995), 921-962.

Session 6: Individual Bank Runs and Systemic Risk

- ALLEN, F. AND D.GALE, "Understanding Financial Crises," *Oxford University Press*, (2007), chapter 1.
- DIAMOND, D.V. AND P.H.DYBVIK, "Bank Runs, Deposit Insurance and Liquidity," *Journal of Political Economy*, **91** (1983), 401-419.
- DIAMOND, D. AND R.RAJAN, "Liquidity Risk, Liquidity Creation and Financial Fragility: A Theory of Banking," *Journal of Political Economy*, **109(2)** (2005), 287-327.
- DIAMOND, D. AND R.RAJAN, "Liquidity Shortages and Banking Crises," *Journal of Finance*, **60** (2005), 615-647.
- CHARI, V.V. AND R.JAGANNATHAN, "Banking Panics, Information and Rational Expectations Equilibrium," *Journal of Finance*, **43** (1988), 749-763.
- JACKLIN, C.J. AND S.BHATTACHARYA, "Distinguishing Panics and Information-based Bank Runs: Welfare and Policy," *Journal of Political Economy*, **96** (1988), 568-592.

Financial Contagion:

- ACHARYA V. AND T.YORULMAZER, "Information Contagion and Bank Hearing," *Journal of Money, Credit and Banking*, **40(1)** (2008), 215-213.
- ALLEN, F. AND D.GALE, "Financial Contagion," *Journal of Political Economy*, **108** (2000), 1-34.
- ALLEN, F. AND D.GALE, "Understanding Financial Crises," *Oxford University Press*, (2007), chapter 3.
- CHEN Y., "Banking Panics: The Role of the First-Come, First-Served Rule and Information Externalities," *Journal of Political Economy*, **107** (1999), 946-968.
- FREIXAS, X. AND B.PARIGI AND J.ROCHET "Systemic Risk, Interbank Relations and Liquidity Provision by the Central Bank," *Journal of Money, Credit and Banking*, **32** (2004), 611-338.
- ROCHET, J. AND X.VIVES, "Coordination Failures and the Lender of Last Resort: Was Bagehot Right after All?" *Journal of the European Economic Association*, **2** (2004), 1116-11147.

Session 7: The Regulation of Banks

- AGHION, P., BOLTON, P. AND S.FRIES, "Optimal Design of Bank Bailouts: The Case of Transition Economies," *Journal of Institutional and Theoretical Economics*, **155** (1999), 51-70.
- BHATTACHARYA, S., BOOT, A. AND V.THAKOR, "The Economics of Bank Regulation," *Journal of Money, Credit and Banking*, **3** (1998), 745-770.
- DEWATRIPONT, M. AND J.TIROLE, "Efficient Governance Structure: Implications for Bank Regulation," *Capital Markets and Financial Intermediation*, ed. C Mayer and X.Vivies, Cambridge, Cambridge University Press (1993).
- HELLMAN, F.T., MURDOCK, K.C. AND V.STIGLITZ, "Liberalization, Moral Hazard in Banking and Prudential Regulation," *American Economic Review*, **90** (2000), 147-165.
- FREIXAS, X., LORANTH, G. AND A.D.MORRISON, "Regulating Financial Conglomerates," *Journal of Financial Intermediation*, **90** (2007), 1-36.
- KROSZNER, R.S. AND R.RAJAN, "Is the Glass-Steagall Act Justified? A Study of the U.S. Experience with Universal Banking Before 1933," *American Economic Review*, **84** (1994), 810-832.

MATUTES, C., AND X.VIVES, "Imperfect Competition, Risk Taking and Regulation in Banking," *European Economic Review*, **44** (2000), 1-34.

ROCHET, J.C., "Capital Requirements and the Behaviour of Commercial Banks," *European Economic Review*, **36** (1992), 1137-1178.