

## PhD Course on Financial Institutions (Fall 2015)

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This course will discuss both theoretical and empirical papers in Financial Institutions. Each student will have to present papers and class grade will depend on the quality of that presentation, the submitted write-up of the selected paper, and on general class participation. The write-up of the paper should be submitted just before class presentation. All working papers will be put on the course page on Blackboard.

Week 1: Organizational meeting & summary of theories of financial intermediation

Week 2-3: The “specialness” of banks (empirical evidence)

- Fama, E., 1985, What’s different about banks?, JME, 29-39.
- Bernanke, B., 1983, Nonmonetary effects of the financial crisis in the propagation of the Great Depression, AER, 257-276.

*Event Study:*

- James, C., 1987, Some evidence on the uniqueness of bank loans, JFE, 217-235
- Lummer, S., and J. McConnell, Further evidence on the bank lending process and the capital market response to bank loan agreements, JFE, 99-122.
- Slovin, M., Johnson, S., and J. Glascock, 1992, Firm size and the information content of bank loan announcements, JBF, 1057-1071.

Week 4-5: Estimating risk for bank stocks

- Flannery, M., 1981, Market interest rates and commercial bank profitability: an empirical investigation, JF, 1085-1101.
- Flannery, M., and C. James, 1984, The effect of interest rate changes on the common stock returns of financial institutions, JF, 1141-1153.
- Giliberto, M., 1985, Interest rate sensitivity in the common stock of financial intermediaries: a methodological note, JFQA, 123-126.
- Fraser, D., Madura, J., R. Weigand, 2002, Sources of bank interest rate risk, Financial Review, 351-368.
- Stiroh, K., 2006, New evidence on the determinants of bank risk, Journal of Financial Services Research, 237-261.
- Gandhi, P. and H. Lustig, 2015, Size anomalies in US bank stock returns, JF, 733-68.

### Week 6-7: Deposit Insurance

- Diamond, D., and P. Dybvig, 1983, Bank runs, deposit insurance, and liquidity, *JPE*, 401-419.
- Jacklin, C. and S. Bhattacharya, 1988, Distinguishing panics and information-based bank runs: Welfare and policy implications, *JPE*, 568-592.
- Economides, N., G. Hubbard, and D. Palia, 1996, The political economy of branching restrictions and deposit insurance: A model of monopolistic competition among small and large banks, *JLE*, 667-704.
- Merton, R. C., 1977, An analytic derivation of the cost of deposit insurance and loan guarantees: An application of modern option pricing theory, *JBF*, 3–11.

### Week 8: Relationship lending, review article

- Ongena, S., and D. Smith, 2000, Bank relationships: A review, in *The Performance of Financial Institutions*, eds. P. Harker and S. Zenios, Cambridge University Press.
- Degryse, H., Ioannidou, V. and S. Ongena, 2015, Bank-firm relationships: A review of the implications for firms and banks in normal and crisis times, in *The Economics of Interfirm Networks*, eds. T. Watanabe, I. Uesugi and A. Ono, Springer, 177-89

### Week 9: Collateral (constrained by time not going into the various theories of collateral)

- Brick, I., and D. Palia, 2007, Evidence of jointness in the terms of relationship lending, *JFI*, 452-476.
- Berger, A., W. Frame, and V. Ioannidou, 2011, Tests of ex ante versus ex post theories of collateral using private and public information, *JFE*, 85-97

### Weeks 10-11: Corporate governance and the recent financial crisis

- Fahlenbrach, R. and R. Stulz, 2011, Bank CEO incentives and the credit crisis, *JFE*, 11-26.
- Fahlenbrach, R., Prilmeier, R., and R. Stulz, 2012, This time is the same: Using bank performance in 1998 to explain bank performance during the recent financial crisis, *JF*, 2141-85.
- Ellul, A., and V. Yerramilli, 2013, Stronger risk controls, lower risk: evidence from U.S. bank holding companies, *JF*, 1757-1803.
- Cheng, I., H. Hong, and J. Schenkman, 2015, Yesterday's heroes: compensation and creative risk-taking, *JF*, 839-79.
- Bhagat, S., and B. Bolton, 2014, Financial crisis and bank executive compensation, *JCF*, 313-341.

Week 12: Financial crisis a historical perspective

- Reinhart, C., and K. Rogoff, 2013, Banking crises: An equal opportunity menace, JBF, 4557–73.
- Reinhart, C., and K. Rogoff, 2014, This time is different: A panoramic view of eight centuries of financial crises, Annals of Economics & Finance, 1065-1188.
- Reinhart, C., and K. Rogoff, 2014, Recovery from banking crises: Evidence from 100 episodes, AER, 50-55.

Weeks 13: Repos and commercial paper (time permitting references given later)