

Ph.D. Course
The microeconomics of Banking (15 hours)

Vittoria Cerasi (Bicocca Univ., DEMS)

Syllabus

The objective of the course is to teach how to model the several aspects of banking within the theory of financial intermediation.

1. The justification of financial intermediaries [Monday 29 May, 14:00-17:00] Room A, Via Lanzone 29, Cattolica Univ.

Diamond D., 1984, Financial Intermediation and Delegated Monitoring, *Review of Economic Studies*, 51: 393-414.

(*) Holmstrom, B., and J. Tirole, 1997, Financial Intermediation, Loanable Funds, and the Real Sector, *Quarterly Journal of Economics*, 112: 663-691.

(*) Cerasi V., Daltung S., 2000, The Optimal Size of a Bank: Costs and Benefits of Diversification, *European Economic Review*, 44(9): 1701-1726.

Gorton, G., and A.Winton, 2004, Financial Intermediation, Chapter 8 in G.Constantinides, M.Harris, and R. Stultz (eds), *Handbook of the Economics of Finance*, Vol 1A.

2. Bank runs [Tuesday 30 May, 14:00-17:00] Room A, via Lanzone 29, Cattolica Univ.

(*) Diamond D. and P. Dybvig, 1983, Bank Runs, Deposit Insurance and Liquidity, *Journal of Political Economy*, 91: 401-419.

Chari V.V. and R. Jagannathan, 1988, Banking Panics, Information and Rational Expectations Equilibrium, *Journal of Finance*, 43: 749-763.

Goldstein, I. and A. Pauzner, 2005, Demand-Deposit Contracts and the Probability of Bank Runs, *Journal of Finance*, 60: 1293-1327.

(*) Allen F. and D. Gale, 2000, Financial Contagion, *Journal of Political Economy*, 108: 1-34.

Allen F., A.Babus and E.Carletti, 2012, Financial Connections and Systemic Risk, *Journal of Financial Economics*, 104 (3):

3. Competition vs stability in banking [Tuesday 6 June, 10:30-13:30] Room A, via Lanzone 29, Cattolica Univ.

(*) Sharpe, S., 1990, Asymmetric Information, Bank Lending and Implicit Contracts: A Stylized Model of Customer Relationships, *Journal of Finance*, 45(4): 1069-87.

(*) Dell'Arriccia, E. Friedman and R. Marquez, 1999, Selection as a Barrier to Entry in the Banking Industry, *RAND Journal of Economics*: 30 (3), 901-926.

Matutes, C. and Vives, X., 1996, Competition for Deposits, Fragility and Insurance, *Journal of Financial Intermediation*, 5: 184-216.

(*) Degryse H., Ongena S., 2008, Competition and Regulation of the Banking Sector: a Review of the Empirical Evidence on the Sources of Bank Rents, in A. Boot and A. Thakor (eds.), *Handbook of Financial Intermediation and Banking*, North Holland: 483-554.

Carletti E., 2008, Competition and Regulation in Banking, in A. Boot and A. Thakor (eds.) Handbook of Financial intermediation and Banking, North Holland: 449-482.

4. Banking regulation [Wednesday 7 June, 9:00-12:00] Room A, via Lanzone 29, Cattolica Univ.

(*) Dewatripont, M. and J. Tirole, 1994, *The Prudential Regulation of Banks*, MIT Press.

Rochet, J.C., 1999, Solvency Regulations and the Management of Banking Risks, *European Economic Review*, 43: 981-990.

Morrison A. and L. White., 2011, Deposit Insurance and Subsidized Recapitalizations, *Journal of Banking & Finance*, 35(12): 3400-3416.

(*) Morrison A. and L. White., 2005, Crisis and Capital Requirements in Banking, *American Economic Review*, 95 (5): 1548-1572.

5. Financial crisis and banks [Thursday 8 June, 14:30-17:30]] Room A, via Lanzone 29, Cattolica Univ

Allen F. and E. Carletti, 2010, An Overview of the Crisis: Causes, Consequences and Solutions, *International Review of Finance*, 10(1): 1-26.

(*) Brunnermeier, M., 2009, Deciphering the Liquidity and Credit Crunch 2007-08, *Journal of Economic Perspectives*, 23: 77-100.

Brunnermeier M. and L. Perdersen, 2009, Market Liquidity and Funding Liquidity, *Review of Financial Studies*, 22(6): 2201-2238.

(*) Hellwig M., 2008, Systemic Risks in the Financial Sector: An Analysis of the Subprime-Mortgage Financial Crisis, *De Economist*, 157: 129-207.

Further reading: Freixas, X. and Rochet, J.C., 2008, *Microeconomic theory of banking*. MIT Press, 2nd edition.

(*) denote compulsory readings

Exam: There will be a written exam on the overall program at the end of the course