

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

Vittoria Cerasi (Università Bicocca - DEMS)

Syllabus June 2021

All lectures will be online

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

- ◇ Monday 21 June, 14:30-17:30 – Streaming
- ◇ Tuesday 22 June, 14:30-17:30 – Streaming
- ◇ Thursday 24 June, 10:00-13:00 - Streaming
- ◇ Tuesday 29 June, 14:30-17:30 – Streaming
- ◇ Wednesday 30 June, 10:00-13:00 - Streaming

The slides will be available in GDrive.

1. The role of financial intermediaries

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

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

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

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

2. Bank fragility

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

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

Allen F., A. Babus and E.Carletti, 2012. Financial Connections and Systemic Risk, *Journal of Financial Economics*, 104 (3): 519-534.

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.

3. Banking regulation

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

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

Admati A., De Marzo P., Hellwig M., Pfleiderer P., 2013. Fallacies, Irrelevant Facts, and Myths in the Discussion of Capital Regulation: Why Bank equity is not socially expensive.
<https://papers.ssrn.com/abstract=2349739>

Dewatripont M. and J. Tirole, 1984. *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.

4. Bank resolution

(*) Dell'Ariccia G., M. S. Martinez Peria, D. Igan, E. Addo Awadzi, M. Dobler, and D. Sandri, 2018. Trade-offs in Bank Resolution, *IMF Staff Discussion Notes*, No.18/02.

(*) Walther A. and L. White, 2020. "Rules versus Discretion in Bank Resolution", *Review of Financial Studies*, (in press) <https://doi.org/10.1093/rfs/hhaa032>.

Acharya V., I. Drechsler and P. Schnabl, 2014. A Pyrrhic Victory? Bank Bailouts and Sovereign Credit Risk, *Journal of Finance*, Vol.69 (6): 2689–2739. <https://doi.org/10.1111/jofi.12206>.

Granja J., G. Matvos and A. Seru, 2017. Selling Failed Banks, *Journal of Finance*, Vol. 72 (4): 1723–84. <https://doi.org/10.1111/jofi.12512>.

(*) **compulsory readings**