

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

**Vittoria Cerasi (Bicocca Univ., DEMS)**

**Syllabus 2018-19**

**All lectures will be held in Bicocca**

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

- ◇ Thursday 30 May, 14:30-17:30 - Room U6-12
- ◇ Tuesday 4 June, 14:30-17:30 – Room U7-08
- ◇ Wednesday 5 June, 14:30-17:30 – Room U7-06
- ◇ Wednesday 12 June, 14:30-17:30 - Room U7-08
- ◇ Tuesday 18 June, 9:30-12:30 – Room U7-08

**1. The justification of financial intermediaries**

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**

(\*) 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**

(\*) 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**

(\*) 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.

#### **(\*) compulsory readings**