

INTERNATIONAL BANKING AND FINANCE
Course Outline for the Kiel Advanced Studies Program
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TOPICS AND READING LIST

The course will discuss current topics in banking and finance, with an emphasis on theory, empirical methods, applications and results. The course consists of five half-days of in-class-work. The remainder of each day is allocated to reading and preparation of exercises or case discussions. Recommended readings are starred. Further readings are unstarred.

Topic 1: INTERNATIONAL FINANCIAL SYSTEMS: BANK – FIRM RELATIONSHIPS

A. Bank versus Arm's-Length Financing

Degryse, H., M. Kim, and S. Ongena, 2009. *Microeconometrics of Banking: Methods, Applications and Results* (Oxford University Press), Chapter 4.

* Rajan, R. G., 1992, Insiders and Outsiders: the Choice between Informed and Arm's-Length Debt, *Journal of Finance* 47, 1367-1400.

Sharpe, S. A., 1990, Asymmetric Information, Bank Lending and Implicit Contracts: a Stylized Model of Customer Relationships, *Journal of Finance* 45, 1069-1087.

von Thadden, E. L., 2004, Asymmetric Information, Bank Lending, and Implicit Contracts: the Winner's Curse, *Finance Research Letters* 1, 11-23.

B. Number of Bank – Firm Relationships

* Detragiache, E., P. G. Garella, and L. Guiso, 2000, Multiple versus Single Banking Relationships: Theory and Evidence, *Journal of Finance* 55, 1133-1161.

Ongena, S., and D. C. Smith, 2000, What Determines the Number of Bank Relationships? Cross-Country Evidence, *Journal of Financial Intermediation* 9, 26-56.

C. Duration of Bank – Firm Relationships

* Ongena, S., and D. C. Smith, 2001, The Duration of Bank Relationships, *Journal of Financial Economics* 61, 449-475.

Farinha, L. A., and J. A. C. Santos, 2002, Switching from Single to Multiple Bank Lending Relationships: Determinants and Implications, *Journal of Financial Intermediation* 11, 124-151.

Topic 2: BANKING GEOGRAPHY AND ORGANIZATION

A. Spatial Rationing

Degryse, H., M. Kim, and S. Ongena, 2009. *Microeconometrics of Banking: Methods, Applications and Results* (Oxford University Press), Chapter 5.

* Petersen, M. A., and R. G. Rajan, 2002, Does Distance Still Matter? The Information Revolution in Small Business Lending, *Journal of Finance* 57, 2533-2570.

B. Spatial Pricing

* Degryse, H., and S. Ongena, 2005, Distance, Lending Relationships, and Competition, *Journal of Finance* 60, 231-266.

C. Banking Organization

* Stein, J., 2002, Information Production and Capital Allocation: Decentralized versus Hierarchical Firms, *Journal of Finance* 57, 1891-1922.

Degryse, H., L. Laeven, and S. Ongena, 2009, The Impact of Organizational Structure and Lending Technology on Banking Competition, *Review of Finance* Forthcoming.

Topic 3: BANKING MARKET COMPETITION

A. Traditional Industrial Organization

Degryse, H., M. Kim, and S. Ongena, 2009. *Microeconometrics of Banking: Methods, Applications and Results* (Oxford University Press), Chapter 3.

* Degryse, H., and S. Ongena, 2008, Competition and Regulation in the Banking Sector: A Review of the Empirical Evidence on the Sources of Bank Rents, in A. V. Thakor, and A. W. A. Boot, eds.: *Handbook of Financial Intermediation and Banking* (Elsevier, Amsterdam).

B. New Empirical Industrial Organization

* Degryse, H., and S. Ongena, 2008, Competition and Regulation in the Banking Sector: A Review of the Empirical Evidence on the Sources of Bank Rents, in A. V. Thakor, and A. W. A. Boot, eds.: *Handbook of Financial Intermediation and Banking* (Elsevier, Amsterdam).

Topic 4: INTERNATIONAL FINANCIAL INTEGRATION: FOREIGN BANK LENDING

Degryse, H., M. Kim, and S. Ongena, 2009. *Microeconometrics of Banking: Methods, Applications and Results* (Oxford University Press), Chapter 6.

* Mian, A., 2006, Distance Constraints: The Limits of Foreign Lending in Poor Economies, *Journal of Finance* 61, 1005-1056.

Giannetti, M., and S. Ongena, 2008, Financial Integration and Firm Performance: Evidence from Foreign Bank Entry in Emerging Markets, *Review of Finance* Forthcoming.

* Giannetti, M., and S. Ongena, 2008, "Lending by Example": Direct and Indirect Effects of Foreign Bank Presence in Emerging Markets, (CentER - Tilburg University, Tilburg NL).

Topic 5: FINANCIAL CRISES: CAUSES OF THE CURRENT INTERNATIONAL FINANCIAL CRISIS

Degryse, H., M. Kim, and S. Ongena, 2009. *Microeconometrics of Banking: Methods, Applications and Results* (Oxford University Press), Chapter 7.

* Rajan, R. G., 2006, Has Finance Made the World Riskier?, *European Financial Management* 12, 499-533.

* Kashyap, A. K., and J. C. Stein, 2000, What Do A Million Observations on Banks Say About the Transmission of Monetary Policy?, *American Economic Review* 90, 407-428.

Ioannidou, V. P., S. Ongena, and J. L. Peydró, 2009, Monetary Policy, Risk-Taking and Pricing: Evidence from a Quasi-Natural Experiment, (CentER - Tilburg University / European Central Bank, Tilburg).

Jiménez, G., S. Ongena, J. L. Peydró, and J. Saurina, 2008, Hazardous Times for Monetary Policy: What Do Twenty-Three Million Bank Loans Say about the Effects of Monetary Policy on Credit Risk?, (CentER - Tilburg University, Tilburg).