

Lecturer

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Overview and Objectives

This course is to introduce the student to scientific literature dealing with the economics and econometrics of banking, both theoretical and empirical. While the focus is squarely on the econometric methods, their anchoring is solidly in theory.

Room

Graduate School of Finance, Aalto University, Helsinki

Course Outline

Textbooks:

Freixas, X., and J. C. Rochet, 2023, *Microeconomics of Banking* (MIT Press).
Degryse, H., M. Kim, and S. Ongena, 2009, *Microeconometrics of Banking* (Oxford University Press).

1	Sept 15, Monday	12:00- 14:00	Difference-in-Differences <ul style="list-style-type: none">Degryse, Kim, and Ongena, Chapter 4Cerqueiro, G., Ongena, S., K. Roszbach, 2016. Collateralization, bank loan rates and monitoring: Evidence from a natural experiment, <i>Journal of Finance</i>, 71, 1295-1322.
2	Sept 16, Tuesday	10:00- 12:00	Duration Analysis and Applications (Ongena) <ul style="list-style-type: none">Degryse, Kim, and Ongena, Chapter 4Kiefer, N.M., 1988, Economic duration data and hazard functions, <i>Journal of Economic Literature</i> 26, 646-679.Ongena S. and D.C. Smith, 2001, The duration of bank relationships, <i>Journal of Financial Economics</i> 61, 449-475.

4	Sept 16, Tuesday	13:00- 16:00	Event Studies and Applications (Ongena) <ul style="list-style-type: none"> Degryse, Kim, and Ongena, Chapter 2 James, C.M., 1987. Some evidence on the uniqueness of bank loans. <i>Journal of Financial Economics</i> 19, 217-235. McWilliams, A. and D. Siegel, 1997, Event studies in empirical research: Theoretical and empirical issues, <i>Academy of Management Journal</i> 40, 626-657. Ongena S., D.C. Smith and D. Michalsen, 2003, Firms and their distressed banks: lessons from the Norwegian banking crisis (1988-1991), <i>Journal of Financial Economics</i> 67:1, 81-112. Karceski J., S. Ongena and D.C. Smith, 2005, The impact of bank consolidation on commercial borrower welfare, <i>Journal of Finance</i>, 60:4, 2043-2082. Binder, J.J., 1985. Measuring the effects of regulation with stock price data. <i>RAND Journal of Economics</i> 16, 167-183. Carletti, E., Hartmann, P., Ongena, S., 2015. The economic impact of merger control legislation. <i>International Review of Law and Economics</i>, 42, 88-104.
5	Sept 17, Wednesday	10:00- 12:00	Matching (Ongena) <ul style="list-style-type: none"> Degryse, Kim, and Ongena, Chapter 4 Stuart, E.A., 2010. Matching methods for causal inference: A review and a look forward. <i>Statistical Science</i>, 25:1, 1-21. Ioannidou, V. P., and S. Ongena, 2010, "Time for a change": Loan conditions and bank behavior when firms switch banks, <i>Journal of Finance</i> 65, 1847-1878. Caliendo, M., Kopeinig, S., 2008. Some practical guidance for the implementation of propensity score matching. <i>Journal of Economic Surveys</i> 22, 31-72. Giannetti, M., Ongena, S., 2012. 'Lending by example': Direct and indirect effects of foreign bank presence in emerging markets. <i>Journal of International Economics</i> 86, 167-180.
6	Sept 17, Wednesday	13:00- 1600	Heteroskedastic Modelling (Ongena) <ul style="list-style-type: none"> Degryse, Kim, and Ongena, Chapter 4

			<ul style="list-style-type: none"> Cerqueiro, G., H. Degryse, and S. Ongena, 2011, Rules versus discretion in loan rate setting," Journal of Financial Intermediation 20, 503-529.
7	Sept 17, Wednesday	13:00-1600	Instrumental Variables <ul style="list-style-type: none"> Degryse, Kim, and Ongena, Chapter 4 Braggion F., M. Dwarkasing and S. Ongena, 2021, Household inequality, entrepreneurial dynamism and corporate financing, Review of Financial Studies, 34 (5), 2448-2507.
8	Sept 17, Wednesday	13:00-1600	Matching Sample Strategies <ul style="list-style-type: none"> Degryse, Kim, and Ongena, Chapter 4 Gropp, R., T. Mosk, S. Ongena and C. Wix, 2019, Bank response to higher capital requirements: Evidence from a quasi-natural experiment, Review of Financial Studies, 32 (1), 266-299. Gropp, R., T. Mosk, S. Ongena, I. Simac and C. Wix, 2024, Supranational rules, national discretion: Increasing versus inflating regulatory bank capital? Journal of Financial and Quantitative Analysis, 59 (2), 830-862.

Required Activities

All listed articles are recommended readings. The papers are provided through the course intranet site. The books are not provided, but optional, and the students are responsible to obtain a copy of the book for their discretionary use in class.