

Topics in Financial Economics

Bonn Graduate School of Economics

This version: March 16th, 2022

I. Administrative details

- **Instructor:** Prof. Farzad Saidi, Ph.D. (saidi@uni-bonn.de), ECONtribute (Niebuhrstr. 5)
- **Office hours:** after each class and by appointment or e-mail
- **Prerequisites:** Mathematics for Economists, Microeconomics (Econometrics highly recommended)
- **Class meets every Thursday, from 12:15-1:45pm**

II. Course description and design

- This course covers research topics at the intersection of finance and banking with macroeconomics, monetary policy, and industrial organization. The course will be organized similar to a reading group, complemented with lectures on data, aspects of applied microeconometrics, and research designs. Participants will discuss (mostly empirical) research at the frontier of the discipline, with the ultimate goal of generating new research ideas for their dissertations.
- Course evaluation: presentations of 1-2 research papers (40%) & research proposal (will be discussed in class and handed in at the end of the semester, 60%).
- All course materials will be uploaded to eCampus.

III. Course outline

Lectures on advanced topics in banking and financial intermediation

Lectures on econometric aspects and research designs

Banking, regulation, and industrial organization

Papers to be discussed

Bonfim, D., C. Custódio, and C. Raposo (2021), “The Sensitivity of SME’s Investment and Employment to the Cost of Debt Financing,” *Imperial College London Working Paper*.

Gelman, M., I. Goldstein, and A. MacKinlay (2022), “Bank Diversification and Lending Resiliency,” *University of Pennsylvania Working Paper*.

Drechsler, I., A. Savov, and P. Schnabl (2021), “Banking on Deposits: Maturity Transformation without Interest Rate Risk,” *Journal of Finance*, 76(3), 1091-1143.

Kundu, S. (2021), “The Externalities of Fire Sales: Evidence from Collateralized Loan Obligations,” *UCLA Working Paper*.

Kundu, S., S. Park, and N. Vats (2022), “The Geography of Bank Deposits and the Origins of Aggregate Fluctuations,” *UCLA Working Paper*.

Jiménez, G., L. Laeven, D. Martínez-Miera, and J.-L. Peydró (2022), “Public Guarantees, Relationship Lending and Bank Credit: Evidence from the COVID-19 Crisis,” *CEPR Discussion Paper No. 17110*.

Background papers

Favara, G. and M. Giannetti (2017), “Forced Asset Sales and the Concentration of Outstanding Debt: Evidence from the Mortgage Market,” *Journal of Finance*, 72(3), 1081-1118.

Keeley, M. C. (1990), “Deposit Insurance, Risk, and Market Power in Banking,” *American Economic Review*, 80(5), 1183-1200.

Neuhann, D. and F. Saidi (2018), “Do Universal Banks Finance Riskier But More Productive Firms?,” *Journal of Financial Economics*, 128(1), 66-85.

Monetary-policy transmission through banks and non-banks

Papers to be discussed

Greenwald, D. L., J. Krainer, and P. Paul (2021), “The Credit Line Channel,” *Federal Reserve Bank of San Francisco Working Paper 2020-26*.

Adelino, M., M. A. Ferreira, M. Giannetti, and P. Pires (2021), “Trade Credit and the Transmission of Unconventional Monetary Policy,” *Swedish House of Finance Research Paper No. 20-16*.

Diamond, W., Z. Jiang, and Y. Ma (2021), “The Reserve Supply Channel of Unconventional Monetary Policy,” *Jacobs Levy Equity Management Center for Quantitative Financial Research Paper*.

Albertazzi, U., L. Burlon, T. Jankauskas, and N. Pavanini (2022), “The Shadow Value of Unconventional Monetary Policy,” *CEPR Discussion Paper No. 17053*.

Di Maggio, M., A. Kermani, and C. J. Palmer (2020), “How Quantitative Easing Works: Evidence on the Refinancing Channel,” *Review of Economic Studies*, 87(3), 1498-1528.

Background papers

Drechsler, I., A. Savov, and P. Schnabl (2017), “The Deposits Channel of Monetary Policy,” *Quarterly Journal of Economics*, 132(4), 1819-1876.

Heider, F., F. Saidi, and G. Schepens (2019), “Life below Zero: Bank Lending under Negative Policy Rates,” *Review of Financial Studies*, 32(10), 3728-3761.

Heider, F., F. Saidi, and G. Schepens (2021), “Banks and Negative Rates,” *Annual Review of Financial Economics*, 13(1), 201-218.

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(3), 407-428.

Heterogeneity and macroeconomic implications

Papers to be discussed

Beraja, M., A. Fuster, E. Hurst, and J. Vavra (2019), “Regional Heterogeneity and the Refinancing Channel of Monetary Policy,” *Quarterly Journal of Economics*, 134(1), 109-183.

Drechsler, I., A. Savov, and P. Schnabl (2020), “The Financial Origins of the Rise and Fall of American Inflation,” *NYU Stern Working Paper*.

Holm, M. B., P. Paul, and A. Tischbirek (2021), “The Transmission of Monetary Policy under the Microscope,” *Journal of Political Economy*, 129(10), 2861-2904.

Mian, A. R., L. Straub, and A. Sufi (2021), “The Saving Glut of the Rich,” *NBER Working Paper No. 26941*.