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Empirical banking – methods and applications

ENSAE/APE M2 - 12 hours (6 sessions of two hours)

Course objective

This course aims to present empirical applications of important contemporary issues for both banking theory and banking regulation policy. A key objective is to help students to read, understand and assess the scientific contribution of papers in empirical banking. Each session will provide a quick reminder of the main theoretical issues related to the topic of the course. Standard research methodologies used in empirical banking (cross-sectional and panel regressions, difference-in-difference regressions, instrumental variables, event studies etc.) will be briefly presented and then illustrated by a selection of relevant papers, thus providing students with a rich overview of the major issues and state-of-the-art findings in the field today.

References

The course will be mostly based on a selection of classical and recent papers from the major journals in banking economics and finance.

Nevertheless, useful general textbooks for the course are:

Angrist, J. D. and J.-S. Pischke, *Mostly harmless econometrics: an empiricist's companion*, Princeton University Press, 2009

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

Freixas, X. and Rochet, J.C., *Microeconomics of Banking*, 2nd edition, MIT Press, 2008.

References by topics

1. Why do banks exist? The role of relationship-banking in normal times and during crises. New banking: promises and pitfalls of securitization and the originate-to-distribute model.
2. More finance, more growth? Financial development, the efficiency of financial intermediation, rents and bankers' pay
3. Do we need big banks? The rise of the banking giants, economies of scale and scope, the too-big-to-fail problem.
4. Global banks: more stability or more contagion? The international transmission of policy and liquidity shocks.
5. The transmission of monetary policy: the bank lending channel.
6. Banking regulation: regulating bank capital and liquidity, benefits and costs.

Validation of the course

Students are required to write a "referee report" on a recent empirical banking paper, taken from a list provided at the beginning of the course.