

Banking and Financial Market: Theory and Evidence

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Wednesday, March 20th, 9-11:30am; 6:30-9pm

Traditional Banking Models: Asset Side and Liability Side

- *Diamond, D. W., 1984, [Financial Intermediation and Delegated Monitoring](#). *Review of Economic Studies* 51, 393-414.
- Diamond, D. W. [“Financial Intermediation as Delegated Monitoring.”](#) *Economic Review of the Federal Reserve Bank of Richmond* (short introduction to above).
- *DeMarzo, P.M., 2005, [The pooling and tranching of securities: A model of informed intermediation](#), *Review of Financial Studies* 18, 1-35.
- Peter M. DeMarzo, Darrell Duffie, 1999, [A Liquidity-Based Model of Security Design](#) *Econometrica* 67, 65–99.
- *Diamond, Douglas and Philip Dybvig, 1983, [“Bank Runs, Deposit Insurance, and Liquidity,”](#) *Journal of Political Economy* 91, 401-419.
- Jacklin, C. 1987, [“Demand Deposits, Trading Restrictions, and Risk Sharing,”](#) in E. Prescott and N. Wallace, eds., *Contractual Arrangements for Intertemporal Trade*, University of Minnesota Press, Minneapolis, MN.
- *Diamond, D., 1991, [Debt Maturity Structure and Liquidity Risk](#), *Quarterly Journal of Economics* 106, 709-737.
- *Rajan, R. 1992, [Insiders and Outsiders: the Choice between Informed and Arms-Length Debt](#), *Journal of Finance* 47, 1367-1400.
- *Petersen, Mitchell and Raghuram Rajan, 1995, [“The Effect of Credit Market Competition on Lending Relationships,”](#) *Quarterly Journal of Economics* 110, 407-443.

Thursday, March 21th, 2:30-5:00pm

Standard Global Games and Dynamic Runs

- *Morris S., and H. S. Shin. 2003. [Global Games: Theory and Applications](#). In *Advances in Economics and Econometrics (Proceedings of the Eighth World Congress of the Econometric Society)*, ed. M. Dewatripont, L. Hansen, and S. Turnovsky. London: Cambridge University Press.
- *Goldstein, I., and A. Pauzner. 2005. [Demand-deposit Contracts and the Probability of Bank Runs](#). *Journal of Finance* 60, 1293-1327.
- Basic continuous-time stochastic calculus treatment.
- *He, Zhiguo and Wei Xiong, 2012, [Dynamic Debt Runs](#), *Review of Financial Studies* 25, 1799-1843.

- Abreu, Dilip and Markus Brunnermeier, 2003, [Bubbles and Crashes](#), *Econometrica* 71, 173-204.
- *He, Zhiguo, and Asaf Manela, 2016, [Information Acquisition in Rumor Based Bank Runs](#), *Journal of Finance* 71, 1113-1158.

Friday, March 22nd, 9-11:30am

Intermediary Asset Pricing and Empirics

- *Bengt Holmstrom and Jean Tirole, 1997, [Financial intermediation, loanable funds, and the real sector](#), *Quarterly Journal of Economics* 112, 663-691.
- *Intermediary Asset Pricing and Financial Crisis, forthcoming in the *Annual Review of Financial Economics*.
- Mitchell, Mark, Lasse H. Pedersen, and Todd Pulvino, 2007, [Slow Moving Capital](#), *American Economic Review P&P* 97, 215-220
- *He, Zhiguo, Bryan Kelly, and Asaf Manela, 2017, [Intermediary Asset Pricing: New Evidence from Many Asset Classes](#), forthcoming in *Journal of Financial Economics*.
- *Xavier Gabaix, Arvind Krishnamurthy, and Olivier Vigneron. 2007, [Limits of arbitrage: Theory and evidence from the mortgage-backed securities market](#). *Journal of Finance*, 62(2): 557–595
- Siriwardane, Emil, 2016, [Concentrated Capital Losses and the Pricing of Corporate Credit Risk](#), working paper, Harvard Business School.

Extra readings: Financial Intermediary in Macroeconomic Models

- *Zhiguo He and Arvind Krishnamurthy, 2012, [A Model of Capital and Crises](#), *Review of Economic Studies* 79, 735-777.
- *Zhiguo He and Arvind Krishnamurthy, 2013, [Intermediary Asset Pricing](#), *American Economic Review* 103, 732-770.
- *Zhiguo He and Arvind Krishnamurthy, 2017, [A Macroeconomic Framework for Quantifying Systemic Risk](#), *American Economic Journal: Macroeconomics*, Chicago Booth.

Thursday, April 25th, 2-4:30pm

Empirical Literature on Shock Transmission in Banking

- *Asim Khwaja and Atif Mian, 2008, [Tracing the Impact of a Bank Liquidity Shock](#), *American Economic Review*, 98 (4) :1413-1442.
- * Peek, Joe and Eric. S. Rosengren, 2000, [Collateral Damage: Effects of the Japanese Bank Crisis on Real Activities in the United States](#), *American Economic Review*, 90 (1) :30-45.
- * Paravisini, Daniel, V. Rappoport, P; Schnabl, and D. Wolfenzon, 2014, [Dissecting The Effect of Credit Supply on Trade: Evidence from Matched Credit-Export Data](#). *Review of Economic Studies*, 82(1), 333-359.

- * Drechsler, Itamar, Alexi Savov and Philipp Schnabl, 2017, [The Deposits Channel of Monetary Policy](#), *Quarterly Journal of Economics*. Available at SSRN: <https://ssrn.com/abstract=2536230> or <http://dx.doi.org/10.2139/ssrn.2536230>
- Gilje, Erik, Loutskina Elena and Philip E. Strahan, 2016, [Exporting Liquidity: Bank Branching and Financial Integration](#), *Journal of Finance*, 71(3): 1159-1184
- *Holmstrom, B. and J. Tirole, 1998, [Public and Private Supply of Liquidity](#), *Journal of Political Economy* 106, 1- 40.
- *He, Zhiguo and Peter Kondor, 2016, [Inefficient Investment Waves](#), *Econometrica* 84, 736-780.
- Dang, Tri Vi, Gary Gorton, Bengt Holmstrom, 2015, [Ignorance, Debt, and Financial Crisis](#), working paper, Yale.

Friday, April 26th, 9-11:30am

Corporate Bond Structural Modeling

- *Leland, H., 1994, [Corporate Debt Value, Bond Covenants, and Optimal Capital Structure](#), *Journal of Finance* 49, 1213-1252.
- Leland, Hayne, and Klaus Bjerre Toft, 1996, [Optimal capital structure, endogenous bankruptcy, and the term structure of credit spreads](#), *Journal of Finance* 51, 987--1019.
- *Goldstein, Robert, Nengjiu Ju, and Hayne Leland, 2001, [An EBIT-based model of dynamic capital structure](#), *Journal of Business* 74, 483-512.
- Hackbarth D., J. Miao, and E. Morellec, 2006, [Capital Structure, Credit Risk, and Macroeconomic Conditions](#), *Journal of Financial Economics* 82, 519-550.
- *Collin-Dufresne, P., B. Goldstein, and S. Martin, 2001, [The Determinants of Credit Spread changes](#), *Journal of Finance* 56, 2177-2207.
- *He, Zhiguo and Wei Xiong, 2012, [Rollover Risk and Credit Risk](#), *Journal of Finance* 67, 391-429.
- *He, Zhiguo and Konstantin Milbradt, 2014, [Endogenous Liquidity and Defaultable Bonds](#), *Econometrica* 82, 1443–1508.
- Chen, Hui, Rui Cui, Zhiguo He, and Konstantin Milbradt, 2017, [Quantifying Liquidity and Default Risks of Corporate Bonds over the Business Cycle](#), forthcoming in *Review of Financial Studies*.