FINA 867: Advanced Topics/Finance—Empirical Banking
Spring 2018

MW 9:00 AM – 10:30 AM  Section 001  DMSB 108

Professor: Dr. Allen N. Berger
Office: Room 457G, Moore School of Business
Phone: (803) 576-8440
Email: aberger@moore.sc.edu
Office Hours: MW 2:00 PM – 4:00 PM; and by appointment

Course Overview:

This course is structured around the theme of empirical research in banking. We will cover important articles in empirical banking. All of the empirical and background articles for the class are available electronically on BlackBoard, and will be made available in paper copy for the finance students from Ellen Roueche. Finance students please DO NOT print out these empirical or background articles yourself. Students are required to read all of the empirical articles.

Background articles and book chapters are recommended reading, but are not required and will not be covered in class. The first four class periods will be lectures, two class periods introducing banking and two class periods on the financial crisis. The remaining class periods will cover 24 professional empirical banking articles, broken down into 10 topics of 2-3 papers each. In each class period, one student will present one of the articles in a live seminar-style format with questions and answers, and one student will discuss the paper, focusing on criticisms of the paper. Depending upon the number of students, we may not have discussants. The remaining students are expected to participate in the discussion of the article. The choice of which students present and discuss which articles will be left up to the students to decide among themselves within the following set of rules. Students are limited to one presenter or discussant role per banking topic.

The empirical readings as well as the background articles and book chapters are given in the course schedule below.

The students will also be required to come up with an original research paper on some topic in empirical banking. By the end of the course, students will be required to turn in a partial paper, as discussed below.

Lecture Notes:

Two sets of lecture notes, Introduction to Banking and Financial Crisis are currently available on BlackBoard. These cover the lectures for the first four class periods.
Suggestions for Student Presentations of the Empirical Articles:

Students will present PowerPoint slides of the papers. There should be no more than about 30 slides per presentation. Make the font size big enough to read from across the room and make sure that the slides are numbered.

Slide 1 – The title of the paper, name of journal (or working paper), and date, authors’ and the presenter’s names.

Next slides – Background, why is this topic important and interesting?

What are the main hypotheses tested or questions addressed?

What is the unique contribution of this paper?

What is the data set?

What are the equations estimated?

What are the results – usually in table and/or figure form – and what do they imply about the hypotheses being tested or questions asked?

   Note that the tables and figures can often be copied electronically from the PDF files provided on BlackBoard.

What are the conclusions?

What are the policy implications, if any?

Suggestions for Student Discussions of the Empirical Articles:

Finally, end by adding a short discussion of what was wrong or you would do differently (pretend you are the discussant at a conference and you only have a couple of minutes).

There are three goals of the presentations and discussions.

1. Help the presenter, discussant, and the rest of the class to understand the contribution of the article.
2. Help the presenter and discussant learn how to make professional presentations and discussions, respectively. Both of these skills will be needed in your careers as financial economists.
3. Provide ideas for the original research papers.
Original Research Paper:

Students will be required to come up with an original research paper on a topic of their choice in empirical banking. By the end of the course, students will be required to turn in a partial paper including the introduction, hypothesis to be tested or questions addressed, methodology, and literature review—essentially everything except the empirical analysis, results, and conclusions. Be sure to emphasize what is new or unique about the paper that has not been done in the literature. Completion of the paper after the course is over will be at the students’ option. The paper may be the basis of the paper for the oral portion of the Finance Department comprehensive exam to be taken in the fall of 2016. As such, the paper should be based on original idea by the student, although the professor will available for consultation on the paper.

Potential Sources of Data for the Original Paper:

1. The bank call report—quarterly balance sheets and income statements for all commercial banks through 2010
   https://www.chicagofed.org/banking/financial-institution-reports/commercial-bank-data

2. The MDRM manual for the variables in the call reports and elsewhere in the Federal Reserve, including how long each variable has been collected, etc.
   http://www.federalreserve.gov/reportforms/mdrm/

3. FFIEC website that has call report data from 2001 forward (i.e., past 2010)

4. Christa Bouwman’s website with liquidity creation data and a few other items for almost all commercial banks from 1984:Q1 to 2016:Q4
   https://sites.google.com/a/tamu.edu/bouwman/data

5. Bank Holding Company’s balance sheets and income statements
   http://www.chicagofed.org/webpages/banking/financial_institution_reports/bhc_data.cfm

6. The National Informational Center data on mergers and structure
   Bank Merger Info and BankMergers
   http://chicagofed.org/webpages/publications/financial_institution_reports/merger_data.cfm

7. Structure and geographical data
   https://www.chicagofed.org/banking/financial-institution-reports/structure-and-geographical-variables

8. The Summary of Deposits—gives locations and deposits of every bank branch every June
   https://www5.fdic.gov/SOD/dynaDownload.asp?barItem=6 (from 1994 to present)
   https://sites.google.com/a/tamu.edu/bouwman/data (from 1981 to 1993)
9. The Federal Reserve’s Survey of Small Business Finances—gives information on small businesses, their finances and their banking relationships  

10. The Federal Reserve’s Survey of Consumer Finances—gives information on individuals, their businesses, and finances  
http://www.federalreserve.gov/econresdata/scf/scfindex.htm

11. The Kauffman foundation website—gives longitudinal information on start-ups  

12. The St. Louis Fed’s FRED database—macroeconomic and aggregate banking data  
https://research.stlouisfed.org/fred2/

13. The website with the TARP data—all of the Troubled Asset Relief Program commercial bank transactions  
http://www.treasury.gov/initiatives/financial-stability/Pages/default.aspx

14. Dealscan syndicated loan data— WRDS website/Thomson Reuters/Institutional (13f) Holdings - s34  
https://wrds-web.wharton.upenn.edu/wrds/

15. Bankscope international banking data—Available through 2014 from Xinming Li  
xinming.li@grad.moore.sc.edu

16. Federal Reserve’s Senior Loan Officer Survey—quarterly survey of bank lending conditions  
http://www.federalreserve.gov/boarddocs/snloansurvey/

17. Bank Failures List  
https://www.fdic.gov/bank/individual/failed/banklist.html

18. Home Mortgage Disclosure Act (HMDA) data  
http://www.ffiec.gov/hmda/hmdaproducts.htm

http://www.policyuncertainty.com/
Final Grade Computation:
Presentation of Empirical Papers 40%
Class Discussion 20%
Original Paper 40%

Class Evaluations:
Class evaluations will be on line.

Learning Outcomes:
The students are expected to become knowledgeable regarding empirical banking; to become skilled at professional presentation and discussion of research; learn how to come up with and implement original research ideas.

Policies:
Students are expected to comply with the University of South Carolina Honor Code, which is detailed below.
University of South Carolina Honor Code

It is the responsibility of every student at the University of South Carolina Columbia to adhere steadfastly to truthfulness and to avoid dishonesty, fraud, or deceit of any type in connection with any academic program. Any student who violates this Honor Code or who knowingly assists another to violate this Honor Code shall be subject to discipline.

The Honor Code is intended to prohibit all forms of academic dishonesty and should be interpreted broadly to carry out that purpose. The following examples illustrate conduct that violates this Honor Code, but this list is not intended to be an exhaustive compilation of conduct prohibited by the Honor Code:

1. Giving or receiving unauthorized assistance, or attempting to give or receive such assistance, in connection with the performance of any academic work.
2. Unauthorized use of materials or information of any type or the unauthorized use of any electronic or mechanical device in connection with the completion of any academic work.
3. Access to the contents of any test or examination or the purchase, sale, or theft of any test or examination prior to its administration.
4. Use of another person’s work or ideas without proper acknowledgment of source.
5. Intentional misrepresentation by word or action of any situation of fact, or intentional omission of material fact, so as to mislead any person in connection with any academic work (including, without limitation, the scheduling, completion, performance, or submission of any such work).
6. Offering or giving any favor or thing of value for the purpose of influencing improperly a grade or other evaluation of a student in an academic program.
7. Conduct intended to interfere with an instructor’s ability to evaluate accurately a student’s competency or performance in an academic program.

Whenever a student is uncertain as to whether conduct would violate this Honor Code, it is the responsibility of the student to seek clarification from the appropriate faculty member or instructor of record prior to engaging in such conduct.

Contribution: Contribution is a necessary and essential ingredient in the real business community. Contribution includes comments, questions, and article discussions.

Academic Honesty: All college and department policies on academic honesty will be strictly enforced. The Student Handbook and Policy Guide establishes rights to which the student is entitled and the responsibilities, which the student must assume. Along with preparing for and attending class, each student has the responsibility of promoting high academic standards. Academic dishonesty includes: (a) cheating, (b) fabrications and falsifications, (c) multiple submissions, (d) plagiarism, (e) complicity in academic dishonesty. Inappropriate classroom behavior may result in the student being withdrawn from the class.

Attendance: Consistent with University Policy as stated in the Student Handbook. Each student is allowed three (3) unexcused absences from class period. Each absence in excess of three will result in a one-letter grade reduction in the final grade. Think of this class as your job – arrive on time and be prepared to participate. All student activities associated with university events
(sports absences, student activities requiring absence from the university, etc.) are considered excused, but MUST be cleared with the professor PRIOR to their occurrence.

**Americans With Disability Act:** Every reasonable attempt will be made to remove any physical barrier, which may hamper the ability of an individual to learn in this classroom. Anyone who has a physical or learning limitation that would impact attendance, preparation, participation, or timely completion of assignments should feel welcome to discuss this limitation with the professor at the beginning of the semester.

**Dropping the Course:** College policies will be followed. Please consult the schedule for exact dates for dropping a course without penalty.
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<th>January 17, Wed.</th>
<th>Introduction to Banking</th>
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<td>January 22, Mon.</td>
<td>Introduction to Banking Lecture II</td>
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<td>Date</td>
<td>Topic</td>
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<td>January 24, Wed.</td>
<td>Financial Crisis</td>
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<td>Financial Crisis Lecture II</td>
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<td>January 31, Wed.</td>
<td>Bank Specialness</td>
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<td>February 5, Mon.</td>
<td>Bank Specialness II</td>
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<td>February 14, Wed.</td>
<td>Small Business Lending</td>
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<td>February 19, Mon.</td>
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| February 21, Wed. | Bank Governance             | *Background Reading:* 
Mehran, Hamid, Alan Morrison, Alan, and Joel Shapiro, 2011, Corporate Governance and Banks: What Have We Learned from the Financial Crisis?, Federal Reserve Bank of New York, Staff Report no. 502. 
Chapter 6 of the *Oxford Handbook of Banking*, 2nd Edition |
| February 26, Mon. | Bank Governance II          | Student Presentation:  
| February 28, Wed. | Bank Efficiency             | *Background Reading:*  
Chapter 10 of the *Oxford Handbook of Banking*, 2nd Edition |
| March 5, Mon.   | Bank Efficiency II          | Student Presentation:  
<table>
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<td>March 7, Wed.</td>
<td>Bank Capital</td>
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|            | *Background Reading:*  
|            |   Chapter 23 of the *Oxford Handbook of Banking*, 2nd Edition        |
| March 9, Fri. | *Last day to drop course or withdraw without a grade of “WF” being recorded* |
| March 12, Mon. | *Spring break - no class*                                               |
| March 14, Wed. | *Spring break - no class*                                               |
| March 19, Mon. | Bank Capital II  
|            | Student Presentation:  
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<tr>
<th>Date</th>
<th>Topic</th>
<th>Background Reading</th>
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<tr>
<td>March 21, Wed.</td>
<td>Bank Liquidity Creation</td>
<td>Background Reading: Chapters 8 of the <em>Oxford Handbook of Banking</em>, 2nd Edition</td>
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|            |                                | Bank Liquidity Creation I
| April 2, Mon. | Bank Competition               | Background Reading: Chapter 25 of the *Oxford Handbook of Banking*, 2nd Edition |
|            |                                | Bank Competition I
<table>
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<th>Topic</th>
<th>Student Presentation</th>
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<tr>
<td>April 11, Wed.</td>
<td>Deregulation</td>
<td><strong>Background Reading:</strong> Chapter 21 of the <em>Oxford Handbook of Banking</em>, 2nd Edition</td>
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<td>April 23, Mon.</td>
<td>Bank Bailouts</td>
<td><strong>Background Reading:</strong> Chapter 27 of the <em>Oxford Handbook of Banking</em>, 2nd Edition.</td>
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<td>Date</td>
<td>Student Presentation</td>
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| April 25, Wed. | Bank Bailouts II  
Student Presentation:  
| April 30, Mon. | Bank Bailouts III  
Student Presentation:  
BIOGRAPHICAL SUMMARY

Allen N. Berger

Allen N. Berger is the H. Montague Osteen, Jr., Professor in Banking and Finance and Ph.D. coordinator of the Finance Department, Darla Moore School of Business; Carolina Distinguished Professor, University of South Carolina; Senior Fellow, Wharton Financial Institutions Center; and Fellow, European Banking Center. He also currently serves on the editorial boards of seven professional finance and economics journals. Professor Berger was editor of the Journal of Money, Credit, and Banking from 1994-2001 and has co-edited six special issues of various professional journals and the first and second editions of the Oxford Handbook of Banking, and will be co-editing the third edition, due out in 2020. His research covers a variety of topics related to financial institutions. He is co-author of Bank Liquidity Creation and Financial Crises (2016, Elsevier) and will be co-author of TARP and other Bank Bailouts and Bail-Ins around the World: Connecting Wall Street, Main Street, and the Financial System (2019, Elsevier). He has published over 100 professional articles in refereed journals, including papers in top finance journals, Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Review of Finance, and Journal of Financial Intermediation; top economics journals, Journal of Political Economy, American Economic Review, Review of Economics and Statistics, and Journal of Monetary Economics; other top professional business journals, Management Science and Journal of Business; and over 30 other non-refereed publications. His research has been cited over 60,000 times according to Google Scholar, and he has given invited research addresses on five continents. Professor Berger was named Professor of the Year for 2015-2016 by the Darla Moore School of Business Doctoral Students Association. He was also Secretary/Treasurer, Financial Intermediation Research Society from 2008-2016; and Senior Economist from 1989 to 2008 and Economist from 1982-1989 at the Board of Governors of the Federal Reserve System. He received a Ph.D. in Economics from the University of California, Berkeley in 1983, and a B.A. in Economics from Northwestern University in 1976.
Sign-up sheet for presenters and discussants:

Bank Specialness I
Student Presentation:

**Presenter:** __________________________

**Discussant:** __________________________

Bank Specialness II
Student Presentation:
Saheruddin, Herman, Are Bank Loans Special? Evidence during Normal Times and Financial Crises – working paper

**Presenter:** __________________________

**Discussant:** __________________________

Relationship Lending I
Student Presentation:

**Presenter:** __________________________

**Discussant:** __________________________

Relationship Lending II
Student Presentation:

**Presenter:** __________________________

**Discussant:** __________________________
Small Business Lending I
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Small Business Lending II
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Bank Governance I
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Bank Governance II
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________
Bank Efficiency I
Student Presentation:

**Presenter:** ______________________________

**Discussant:** ______________________________

Bank Efficiency II
Student Presentation:

**Presenter:** ______________________________

**Discussant:** ______________________________

Bank Capital I
Student Presentation:

**Presenter:** ______________________________

**Discussant:** ______________________________

Bank Capital II
Student Presentation:

**Presenter:** ______________________________

**Discussant:** ______________________________

Bank Liquidity Creation I
Student Presentation:

**Presenter:** ______________________________

**Discussant:** ______________________________
Bank Liquidity Creation II
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Bank Liquidity Creation III
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Bank Competition I
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Bank Competition II
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________

Bank Competition III
Student Presentation:

**Presenter:** ____________________________

**Discussant:** ____________________________
Deregulation I
Student Presentation:

Presenter: ____________________________
Discussant: ____________________________

Deregulation II
Student Presentation:

Presenter: ____________________________
Discussant: ____________________________

Deregulation III
Student Presentation:

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Discussant: ____________________________

Bank Bailouts I
Student Presentation:

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Bank Bailouts II
Student Presentation:

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Discussant: ____________________________
Bank Bailouts III
Student Presentation:

Presenter: _____________________________

Discussant: ___________________________