Purpose: This course covers selected topics in financial institutions. Topics will include asymmetric information problem, finance-growth nexus, government ownership of banks, banking crisis, lender of last resort, moral hazard problem, and politics of bank regulation and supervision.

Readings: Assigned readings are on reserve. You should read them before each class and be ready to participate in class discussion.

Course Grading: There will be 3 important factors that determine your final grade: 2 exams, a paper proposal, a term paper, a presentation, and class participation. The weights given to these components are:

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<th>Component</th>
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<tr>
<td>Exam 1</td>
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<td>Exam 2</td>
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<td>Paper</td>
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<td>Paper Proposal</td>
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<td>Presentation</td>
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<tr>
<td>Class Participation</td>
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Class Participation: Your class participation point is based on (1) attendance, (2) quantity and quality of your questions, (3) quantity and quality of your response to my questions. To get an A on class participation, you need to attend every class, read the required materials before each class, ask insightful questions and answer my questions, regularly. If you have poor attendance record or have nothing to contribute to the class even if you attend every single class, you get a C. Somewhere between an A and a C is a B. If you know that you will have to be late and/or leave early, please let me know in advance.

Exams: Exams are scheduled on March 1 and April 22. They are non-cumulative. There will be no make-up exams. If you cannot take an exam in case of medical emergency, you must give me a written proof; otherwise, you will receive zero for the missed exam.

Paper: Students will write a short empirical paper (20-25 pages) with some original component that would distinguish it from the existing related papers. You are encouraged to work in a group with your classmates. The maximum size of a group is 3.

The best way to approach your paper is to pick a paper and think about how you can extend it in some new innovative way. It could be as minor as extending the data set and running the same empirical analysis. It could be an application of the same methodology to a different data set to test the same theory. It could be finding a way to econometrically solve endogeneity problem. The natural paper that you should consider is the paper that you decide to pick for presentation.

Paper Proposal: You will write a short (2-3 pages) paper proposal that describes which paper you will extend and how you will extend it.

Presentation: You will give a 20-30 minutes presentation on your paper. The earlier presentation will be given bonus points.
Course Outlines

January 25. An Economic Analysis of Financial Structure


- Chapter 8, Mishkin, continued.

February 1. Empirics of Asymmetric Information Problem (Micro-study)


February 3. Empirics of Asymmetric Information Problem (Macro-study)


February 8. Finance and Growth


February 10. State-Owned Banks


February 15. Bank Management

- Chapter 9, Mishkin

February 17. Bank Management

- Chapter 9, Mishkin
February 22. Empirics of Bank Run


February 24. Lender of Last Resort


March 1. Exam 1

March 3. (Possibly canceled for spring break)

March 22. Banking Structure

- Chapter 10, Mishkin

March 24. Banking Structure, continued


March 29. Banking Structure, continued


March 31. Prudential Regulation

- Chapter 11, Mishkin
April 5. Moral Hazard (Deposit Insurance and Too-Big-To-Fail)


April 6. Paper Proposal Due (midnight)

April 7. Corporate Governance of Banks


April 12. Crisis Resolution


April 15. Recent Crisis (Macroeconomic Perspectives)


April 19. Recent Crisis (Lending Standard)


April 22. Exam 2

April 26. Paper Presentations (Paper due)

April 28. Paper Presentations

May 3. Paper Presentations

May 5. Paper Presentations