Empirical Banking

Topics course in Financial Economics

WS 2017/18

Deyan Radev (radev@safe.uni-frankfurt.de)

Isabel Schnabel (Isabel.schnabel@uni-bonn.de)

Time and location: Monday, 14:15 – 17:45, Start December 4, 2017, Juridicum – Room 0.042

Description

This is a course in applied econometrics discussing methodologies frequently employed in empirical banking. It will be enriched by frequent references to empirical applications from the area of banking and finance. The focus is on an intuitive grasp of the methods, not on the presentation of rigorous proofs.

The students will be required to thoroughly read the papers discussed in class. Moreover, the students will be asked to work on various empirical applications using Stata. Finally, an important part of the course will be the preparation of an essay that may lead to a dissertation paper or master thesis.

Target audience

Students specialized in Financial Economics

Students specialized in other areas may also find the course useful due to its hands-on approach to econometrics.

Prerequisites:

Basic Modules: “Mathematics for Economists” and “Microeconomics”

Additional:

Knowledge of the basic module "Finance" is helpful. Basic knowledge of econometrics and Stata is recommended.

Organization of the course:

A typical lecture will start with a methodological section. Then a number of empirical applications using that methodology will be discussed. Some papers will be discussed in more detail. In order to benefit fully from this class, students should carefully read the articles discussed in class, especially those marked with a star (*) in the lecture notes.

Grading:

The grade will be based on homework assignments (50%) and a short essay (50%). The homework assignments can be solved in groups but have to be written up individually. They will be discussed in class and students will be asked to present their solutions in class. The essay is due by the end of

February. The homework assignments have to be turned in by e-mail to radev@safe.uni-frankfurt.de and the essay additionally to isabel.schnabel@uni-bonn.de.

Outline:

This outline gives a preliminary overview of the topics covered in this class.

I. Introduction

II. The Classical Linear Regression Model (and What May Go Wrong)

III. Instrumental Variable Estimation
   - Application: The Finance-Growth Nexus

IV. Regression with Panel Data
   - Application: Finance and Growth Again – The Rajan-Zingales Methodology

V. Difference in Differences Estimation
   - Application: The Effects of Banking Deregulation
   - Application: Tracing the Impact of Bank Liquidity Shocks

VI. Other topics (as time permits)
   - Regression Discontinuity
   - Clustered Standard Errors
   - Limited Dependent Variables
   - Estimated Regressors