First project from proposal:

Does Bank Scope Improve Monitoring Incentives in Syndicated Lending?
(with Daniel Neuhann, University of Pennsylvania)

Non-technical summary:

Over the past two decades, loan shares retained by lead arrangers in lending syndicates have been on a steep decline in the United States. As smaller lead shares indicate reduced financial incentives to monitor borrowers, this has been interpreted as an alarming fact of declining monitoring efficiency. However, this development needs to be interpreted also against the background of financial deregulation. Starting in the 1990s, the scope of banks has been deregulated through the stepwise repeal of the Glass-Steagall Act. In this paper, we provide a theoretical rationale for why banks of wide scope, because they are exposed to their borrowers not just through the loan but also through other products (such as underwriting services), require smaller lead shares for safeguarding the same degree of monitoring. We confirm these predictions empirically by exploiting the repeal of the Glass-Steagall Act. Our findings suggest that the observed increases in syndicated-loan volumes and simultaneous decreases in lead shares over the last two decades are not associated with losses in monitoring efficiency.

Conference presentations in 2014/15:

Jackson Hole Finance Conference, London Business School Summer Finance Symposium, ESMT Berlin.

Scheduled seminars:

Stockholm School of Economics, University of Zurich.

Second project from proposal:

Networks, Finance, and Development: Evidence from Hunter-Gatherers

Non-technical summary:

Using household survey data from an Amazonian foraging-farming society, I analyse the relationship between mating networks and informal finance. Villagers inside the mating network share idiosyncratic risk and provide loans with equity-like features, thereby smoothing consumption. This is, however, not the case for fellow villagers outside the mating network. I use the 2006 flood as an aggregate shock adversely affecting the availability of resources from outside the villages. By examining the financing streams and sources, I find that the members of the mating network are cushioned against this aggregate shock and, therefore, do not exhibit an increase in their credit demand. Conversely, villagers outside the mating network demand significantly more credit, which they receive from the mating-network members. This temporary extension of network benefits in the form of informal

loans potentially reflects increased bargaining power on the part of the mating network, as the post-flood debtors invest more in human capital so as to increase their repayment capacity in the future.

Seminar presentations in 2014/15:

Boston University, University of Cambridge (Faculty of Economics).

Scheduled seminars:

University of Zurich.