I. SERDAR DINC

Visiting Economist
Finance Group, Research Division
Federal Reserve Bank of Chicago
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Education

- Ph.D. in Economics, Stanford University.
- B.S. in Industrial Engineering and Operations Research, Bilkent University, Turkey.

Fields

Corporate Finance, Financial Intermediation, Political Economy, Comparative Institutional Analysis

Current Research Interests

Political Economy of Finance, Financial Crises, Economic Nationalism in Finance, Mergers & Acquisitions.

Publications

- The Decision to Privatize: Finance and Politics, February 2010, forthcoming in *Journal of Finance*. (with Nandini Gupta)
- Too Many To Fail? Evidence of Regulatory Reluctance in Bank Failures when the Banking Sector is Weak, February 2009, forthcoming in *Review of Financial Studies*. (with Craig O. Brown)
- Monitoring the Monitors: The Corporate Governance in Japanese Banks and Their Real Estate Lending in the 1980s, 2006 (November), *Journal of Business*, 79 (6), 3057-3081.
- The Politics of Bank Failures: Evidence from Emerging Markets, 2005 (November), *Quarterly Journal of Economics*, 120 (4), 1413-1444. (with Craig O. Brown)

- Politicians and Banks: Political Influences on Government-Owned Banks in Emerging Markets, 2005 (August), *Journal of Financial Economics*, 77, 453-479.
- Bank Reputation, Bank Commitment and the Effects of Competition in Credit Markets, 2000, *Review of Financial Studies*, 13, 781-812.
- Relational Financing as an Institution and its Viability under Competition, 2000, in *Finance, Governance, and Competitiveness in Japan*, eds. Masahiko Aoki and Gary Saxonhouse, pp.19-42, Oxford University Press. (with Masahiko Aoki)

Working Papers

- Economic Nationalism in Mergers & Acquisitions, June 2010. Revise and resubmit at *Journal of Finance*. (with Isil Erel)

Work-in-Progress

- Financial Health and Corporate Lobbying. (with Manuel Adelino)
- Economic Nationalism in Corporate Takeovers and Managerial Entrenchment. (with Isil Erel and John Sedunov)
- Delinquent Mortgages. (with Sumit Agarwal, Gene Amromin, and Itzhak Ben-David)

Teaching

- Nominated for the best teacher award by Sloan MBA students (2009)
- Nominated for the best teacher award by Kellogg MBA students (2007)
- Nominated for the best teacher award by Michigan MBA students (2001)
- Advanced Corporate Finance (Sloan-MBA) Restructuring, Valuation, Financing – Mostly Cases.
- Mergers & Acquisitions (Sloan-MBA) Cases & Lectures.
- Financial Decisions (Northwestern-MBA). Valuation, Capital Structure – mostly case-based.
- Corporate Financial Strategy (Michigan-MBA). Capstone course in Corporate Finance, including Real Options, Corporate Restructuring – mostly case-based.
- Corporate Financial Engineering (Michigan-MBA). Corporate Risk Management, Advanced securities – mostly case-based.
- Corporate Financial Policy (Michigan-MBA). Capital Structure – a mixture of theory and cases.

- Fin 891 Topics in International Corporate Finance (Michigan-Ph.D., jointly taught with Sugato Bhattacharyya and Daniel Wolfenzon).

Employment History

- Visiting Economist, Federal Reserve Bank of Chicago, 2010-11.
- Visiting Assistant Professor of Finance, Sloan School of Management, Massachusetts Institute of Technology, 2007-2010.
- Visiting Assistant Professor of Finance, Kellogg School of Management, Northwestern University, 2005-2007.
- Assistant Professor of Finance, Ross School of Business, University of Michigan, 1999-2005.

Conference & Seminar Presentations:

American Finance Association

Bank of Japan

Bank of England

BIS

Boston Fed

Carnegie-Mellon

Chicago Fed

Connecticut College

Econometric Society World Congress

European Finance Association

Federal Reserve Board of Governors

Financial Intermediation Research Society Conference

Hitotsubashi

Kansai Area Universities Finance Group

Keio

Koc

London Business School

London School of Economics

Michigan

MIT
NBER
Northwestern
NY Fed
NYU
Office of the Comptroller of Currency
Ohio State
Oxford
Stanford
University of Amsterdam
University of Illinois, Urbana-Champaign
University of Tilburg
University of Tokyo
University of Virginia-Darden Emerging Markets Conference
University of Wisconsin
WFA
World Bank
World Bank-JFI conference.

Professional Service:

- Referee for
    - American Economic Review
    - Journal of Finance
    - Journal of Financial Economics
    - Review of Financial Studies
    - Journal of Business
    - Journal of Financial Intermediation
    - Review of Finance
    - Journal of European Economic Association
    - Journal of Financial Services Research
    - Journal of Money, Credit and Banking

Journal of Empirical Corporate Finance
Journal of Comparative Economics
Journal of Japanese and International Economies
Economics of Transition

- Program Committee, Financial Intermediation Research Society.
- Program Committee, FMA 2010 Conference
- Ph. D. Students
  Craig Brown (Michigan 2006)
  Patrick McGuire (Michigan 2003)

Visa Status: United States – Citizen; Turkey – Citizen

Abstracts – Working Papers

Economic Nationalism in Mergers & Acquisitions, June 2010. Revise and resubmit at *Journal of Finance*. (with Isil Erel)

This paper studies the government reaction to large corporate merger attempts in the European Union during 1997-2006 using hand-collected data. It documents widespread economic nationalism in which the government prefers the target companies remain domestically owned rather than foreign-owned. This preference for natives against foreigners takes place both as resistance to foreign acquirers and as support for domestic ones. It is also stronger at times and places with strong nationalistic sentiments, as proxied by the vote share of extreme right parties, which have made such preferences against foreigners their main policy in Europe. This nationalism has both direct and indirect economic impact: Government interventions are very effective in preventing foreign bidders from completing the merger and in helping domestic bidders succeed. Indirectly, nationalistic government reactions deter foreign companies from bidding for other companies in that country in the future.

Abstracts – Published Papers

The Decision to Privatize: Finance and Politics, February 2010, forthcoming in *Journal of Finance*. (with Nandini Gupta)

> We investigate the influence of political and financial factors on the decision to privatize government-owned firms using firm-level data from India. We find that the government significantly delays privatization in regions where the governing party faces more competition from opposition parties. This result is robust to firm-specific factors and regional characteristics. The results also suggest that political patronage is important as no government-owned firm located in the home state of the minister in charge is ever privatized. Using political variables as an instrument for the endogenous privatization decision, we find that privatization has a positive impact on firm performance

Too Many To Fail? Evidence of Regulatory Reluctance in Bank Failures when the Banking Sector is Weak, February 2009, forthcoming in *Review of Financial Studies*. (with Craig O. Brown)

> This paper studies bank failures in 21 emerging market countries in the 1990s. By using a competing risk hazard model for bank survival, we show that a government is less likely to take over or close a failing bank if the banking system is weak. This Too-Many-to-Fail effect is robust to controlling for macroeconomic factors, financial crises, the Too-Big-To-Fail effect, domestic financial development, and concerns due to systemic risk and information spillovers. The paper also shows that the Too-Many-to-Fail effect is stronger for larger banks and when there is a large government budget deficit

Monitoring the Monitors: The Corporate Governance in Japanese Banks and Their Real Estate Lending in the 1980s, 2006 (November), *Journal of Business*, 79 (6), 3057-3081.

> The corporate governance role of banks in 'bank-centered' countries like Japan has been well-studied. This paper studies the corporate governance in Japanese banks. It shows that large shareholders restrained bank managers from real estate lending in the 1980s. However, this effect was absent for the shareholders that belonged to the same *keiretsu* as the bank. Relationship banking and cross shareholding prevented these shareholders from disciplining the bank managers. In financial systems where banks play a large role in corporate governance, the more effective the banks are in monitoring other companies, the more difficult it may become to monitor bank managers.

The Politics of Bank Failures: Evidence from Emerging Markets, 2005 (November), *Quarterly Journal of Economics*, 120 (4), 1413-1444. (with Craig O. Brown)

> This paper studies large private banks in 21 major emerging markets in the 1990s. It first demonstrates that bank failures are very common in these countries: About 25 percent of these banks failed during the seven-year sample period. The paper also shows that political concerns play a significant role in delaying government interventions to failing banks. Failing banks are much less likely to be taken over by the government or to lose their licenses before elections than after. This result is robust to controlling for macroeconomic and bank-specific factors, a new party in power, early elections, outstanding loans from IMF, as well as country-specific, time-independent factors. This finding implies that much of the within-country clustering in emerging market bank failures is directly due to political concerns.

Politicians and Banks: Political Influences on Government-Owned Banks in Emerging Markets, 2005 (August), *Journal of Financial Economics*, 77, 453-479.

> Government ownership of banks is very common in countries other than the United States. This paper provides cross-country, bank-level empirical evidence about political influences on these banks. It shows that government-owned banks increase their lending in election years relative to private banks. This effect is robust to controlling for country-specific macroeconomic and institutional factors as well as bank-specific factors. The increase in lending is about 11% of a government-owned bank's total loan portfolio or about 0.5% of the median country's GDP per election per government-owned bank.

Bank Reputation, Bank Commitment and the Effects of Competition in Credit Markets, 2000, *Review of Financial Studies*, 13, 781-812.

> This article discusses the effects of credit market competition on a bank's incentive to keep its commitment to lend to a borrower when the borrower's credit quality deteriorates. It is shown that, unlike in the borrower's commitment problem to keep borrowing from the same bank in "good" times, the increased competition may strengthen a bank's incentive to keep its commitment. Banks offer loans with commitment to the highest quality borrowers but, when faced with competition from bond markets, they also give these loans to lower quality borrowers. An increase in the number of banks has a non-monotonic effect; new banks reinforce a bank's incentive only if there are a small number of banks.