This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Prudential Supervision: What Works and What Doesn't

Volume Author/Editor: Frederic S. Mishkin, editor

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-53188-0

Volume URL: http://www.nber.org/books/mish01-1

Conference Date: January 13-15, 2000

Publication Date: January 2001

Chapter Title: List of Contributors, Indexes

Chapter Author: Frederic S. Mishkin

Chapter URL: http://www.nber.org/chapters/c10765

Chapter pages in book: (p. 357 - 368)

Contributors

James R. Barth Milken Institute 1250 Fourth Street, 2nd Floor Santa Monica, CA 90401

Allen N. Berger Board of Governors of the Federal Reserve System Mail Stop 153 20th & C Streets, NW Washington, DC 20551

Ben S. Bernanke Woodrow Wilson School of Public and International Affairs Princeton University Princeton, NJ 08544

Robert R. Bliss Research Department Federal Reserve Bank of Chicago 230 South LaSalle Street Chicago, IL 60604-1413

Charles W. Calomiris Graduate School of Business Columbia University 3022 Broadway Street, Uris Hall New York, NY 10027 Gerard Caprio Jr. Financial Strategy and Policy Group The World Bank 1818 H Street, NW Washington, DC 20433

Mark Carey Federal Reserve Board Mailstop 153 Washington, DC 20551

Stephen G. Cecchetti Department of Economics The Ohio State University 1945 N. High Street Columbus, OH 43210-1172

Douglas W. Diamond Graduate School of Business University of Chicago 1101 East 58th Street Chicago, IL 60637-1511

Mark J. Flannery
Department of Finance, Insurance,
and Real Estate
Box 117168
University of Florida
Gainesville, FL 32611-7168

Mark Gertler Department of Economics New York University 269 Mercer Street, 7th Floor New York, NY 10003

Patricia Jackson Bank of England Threadneedle Street London EC2R 8AH England

Randall S. Kroszner Graduate School of Business University of Chicago 1101 East 58th Street Chicago, IL 60637

Margaret K. Kyle Department of Economics, E52-391 Massachusetts Institute of Technology 50 Memorial Drive Cambridge, MA 02139

Ross Levine Finance Department, Room 3-257 Carlson School of Management University of Minnesota 321 19th Avenue South Minneapolis, MN 55455

Laurence H. Meyer Board of Governors of the Federal Reserve System 20th & C Streets, NW Washington, DC 20551

Frederic S. Mishkin Graduate School of Business Uris Hall 619 Columbia University New York, NY 10027

Joe Peek
437C Gatton Business & Economics
Building
Gatton College of Business &
Economics
University of Kentucky
Lexington, KY 40506-0034

Andrew Powell
Banco Central de la República
Argentina
Reconquista 266
1003 Capital Federal
Buenos Aires
Argentina

Raghuram G. Rajan Graduate School of Business University of Chicago 1101 East 58th Street Chicago, IL 60637

Eric S. Rosengren Research Department, T-8 Federal Reserve Bank of Boston 600 Atlantic Avenue Boston, MA 02106-2211

Joseph M. Scalise Bain & Company, Inc. One Embarcadero Center San Francisco, CA 94111

Jeremy C. Stein Department of Economics Littauer 209 Harvard University Cambridge, MA 02138

Philip E. Strahan Banking Studies Department Federal Reserve Bank of New York 33 Liberty Street New York, NY 10045-1003

Geoffrey M. B. Tootell Research Department, T-8 Federal Reserve Bank of Boston 600 Atlantic Avenue Boston, MA 02106

Author Index

Abrams, Burton A., 248n18

Akerlof, George, 2 Bostic, Raphael W., 302 Allen, F., 59n9 Boyd, John, 7, 33 Alston, Lee, 239 Brennan, Geoffrey, 237n8 Altman, Edward I., 212, 226 Brewer, Elijah, III, 177 Anastasi, Alejandra, 150, 158, 177 Brickley, James A., 111, 249n20, 258 Ang, James S., 16, 111 Bronars, Stephen G., 251n23 Asarnow, Elliot, 204, 212 Brumbaugh, R. D., 33n3 Avery, Robert, 302 Buchanan, James M., 237n8 Bush, George H. W., 278 Baer, Herbert L., Jr., 177 Bagehot, Walter, 296 Bailey, Elizabeth, 255n27 Calem, Paul, 202 Banco Central de la República Argentina Calomiris, Charles W., 98, 102, 165, 168, (BCRA), 150, 161 176, 177, 178, 193, 237n6 Bandiera, O., 78n11 Camdessus, M., 33n4 Barth, James R., 33, 37, 59 Caprio, Gerard, Jr., 32n2, 33, 56, 59, 89, Basel Committee on Banking Supervision, 91, 176n10 23, 108, 198 Carey, Mark, 98, 200, 206, 209, 225 Beatty, Randolph P., 15 Cargill, Thomas F., 322 Beck, T., 31n1, 43, 45, 47, 59n10 Carty, Lea V., 204, 212, 213 Becker, Gary S., 236, 237, 246 Cetorelli, N., 47n8 Bender, Bruce, 239 Chang, C., 33 Benston, George J., 16, 244 Cole, Rebel A., 111, 249, 324 Berger, Allen N., 4, 10, 13n6, 26, 108n3, Coles, Jeffrey L., 111 120n13, 177, 249, 292, 302, 304, 320, Commercial Bank Examination Manual, 321, 322, 323, 324 310 Berglof, Erik, 238 Core, John E., 111n8 Bernanke, Ben S., 6, 26, 321 Corsetti, Giancarlo, 8 Bhatia, Mickey, 198 Cotter, James F., 111 Bizer, David S., 320 Cox, Gary W., 239 Bolton, Patrick, 239n10 Cross, Stephen, 322

Borio, C. E. V., 90

Dabós, Marcelo, 158, 177 Dahl, Drew, 321, 323n6 D'Amato, Laura, 150, 156, 158, 177 Davies, Sally M., 177, 322, 323, 324 Deininger, K., 81 Demirgüç-Kunt, A., 31n1, 43, 45, 59n10 Denis, David J., 111 Denis, Diane K., 111 Dennis, W. J., Jr., 302 Dewatripont, Mathias, 235 DeYoung, Robert, 111, 124n20, 323 Diamond, Douglas W., 4, 108n2, 193, 235 Dixit, Avinash, 239 Duhalde, Eduardo, 170 Dunkelberg, William C., 302 Dutz, M., 45 Dybvig, Philip, 235

Easterly, W., 81
Economides, Nicolas, 237n6, 248n18
Economist, The, 248n18
Edwards, David, 204, 212
Edwards, Franklin, 4n1
Eggertsson, Thrainn, 239
Ellis, David M., 114
Engerman, Stanley, 81
Estrella, Arturo, 254t, 255

Falkenheim, Michael, 164n3
Federal Deposit Insurance Corporation (FDIC), 240t, 243t
Federal Reserve Bank of New York, 26
Finger, Christopher, 198
Flannery, Mark J., 19, 98, 109n3, 114, 124n20, 177, 202, 248, 323, 324
Friedman, Milton, 6

Gale, Douglas, 59n9
Gambera, M., 47n8
Gande, Amar, 15, 16
Gertler, Mark, 7, 31n1
Gilbert, R. Alton, 109n3, 305
Gilligan, Thomas, 238
Gordy, Michael B., 200, 214, 219
Gorton, Gary, 168, 178
Graham, David, 255n27
Greene, William H., 127n22
Greenspan, Alan, 293
Grofman, Bernard, 239
Grubisic, Elena, 150, 156, 158, 177
Gunther, Jeffrey W., 324
Gupton, Greg M., 198

Hadlock, Charles J., 111 Hall, John R., 323n5 Hall, Richard, 239 Hamilton, David T., 204 Hancock, Diana, 26, 320, 321 Hannan, Timothy H., 10 Haubrich, Joseph G., 320 Hayri, A., 45 Hellwig, Martin, 238 Higgens, M., 91 Hirschhorn, Eric, 322 Hirshleifer, David, 111 Holthausen, Robert W., 111n8 Honohan, P., 32n2 Houston, Joel F., 323 Hubbard, R. Glenn, 111n7, 237n6, 248n18 Hutchinson, M., 91, 94

Interagency Policy Statement on Credit Availability, 303 Irwin, Douglas, 236n3, 239, 241, 250n22

Jackson, Patricia, 202, 229 Jagtiani, Julapa, 177 James, Christopher, 111, 242n12, 258 Jarrell, Gregg A., 249n20 Jayaratne, J., 31n1, 235, 248, 249 Jensen, Michael C., 111, 249n20 Jones, David, 98 Jordan, John S., 323 Joskow, Paul, 235n2

Kahn, Charles M., 168, 178 Kahn, Matthew E., 250n22 Kalt, Joseph, 238, 239 Kane, Christopher P., 212 Kane, Edward J., 21, 33n3, 235, 242, 243, 245n16, 248n18 Kaplan, Daniel, 255n27 Kaplan, Steven N., 111 Kashyap, Anil, 4, 26, 249n21, 302 Kaufman, George G., 177, 235, 244 Keane, Michael P., 282n4 Keeley, Michael C., 10 Kennedy, Edward, 248 Kennedy, N., 90 Kiesel, Rudiger, 202, 229 Kiewiet, Roderick, 239 King, Robert G., 31n1, 235 Klingebiel, D., 56, 89, 91, 176n10 Krehbeil, Keith, 239, 241 Kroszner, Randall S., 16, 33n3, 235, 236n3, 237, 237nn4,6,7, 238, 239, 241, 242, 243, 244, 245, 246, 248n17, 250n22, 251, 255, 261n30 Kwan, Simon H., 33n3, 78n12, 114 Kwast, Myron, 102 Kyle, Margaret K., 13n6, 292

Laderman, E. S., 33n3, 78n12 Laing, Andrew J., 26, 321 Lamoreaux, N., 35n7 La Porta, R., 35, 46, 81, 82 Larcker, David F., 111n8 Lemieux, Catherine, 177 Levine, Ross, 31n1, 33, 43, 45, 47, 59, 81, 235

Lieberman, Dana, 212 Lin, James Wuh, 111 Linck, James S., 111 Loayza, N., 31n1, 45, 47 Lopez-de-Silanes, F., 35, 46, 81, 82 Lott, John R., 239, 251n23 Lown, Cara, 26, 321 Lumer, Gerald B., 111

McAllister, Patrick H., 216n13 McConnell, John J., 111 McCubbins, Matthew, 239 McDill, K., 91, 94 McGuire, Martin, 237n5 McNees, Stephen K., 280 Maksimovic, V., 31n1 Marcus, Alan J., 10 Marshall, William, 238, 239 Martin, Kenneth J., 111 Mason, Joseph R., 168, 177 Matsusaka, John G., 250n22 Meckling, William, 111 Menem, Carlos, 158, 170 Merton, Robert C., 243 Mester, Loretta J., 304 Meyer, Andrew P., 323n5 Mikkelson, W., 111 Mingo, John, 98, 216n13 Mishkin, Frederic S., 4n1, 6, 8, 21, 34n5, 240t, 243t Morck, Randall, 111

Morck, Randall, 111 Morgan, Donald P., 177 Murphy, Kevin J., 111n8 Myers, Stewart C., 112

Nakamura, Leonard I., 4 Netter, Jeffry N., 249n20 Nickell, Pamela, 202 Niskanen, William, 237n8 Noll, Roger, 235n2, 238, 239 Nolle, D. E., 37 North, Douglass C., 239

O'Keefe, John, 323n6 Olson, Mancur, 236, 237n5, 245n16 Ong, Michael K., 198 Osler, C., 91

Palia, Darius, 111n7, 237n6, 248n18

Partch, M., 111
Peek, Joseph, 26, 273, 274, 280, 281, 282n4, 291, 292, 320, 321, 324
Peltzman, Sam, 236, 237, 238, 239, 246, 250
Pennacchi, George, 168, 178
Peria, Maria S. M., 177
Perraudin, William, 202, 229
Pesenti, Paolo, 8
Petersen, Mitchell A., 4, 249n21
Pettway, Richard H., 322
Poole, Keith T., 238, 239, 250n22
Posner, Eric, 239n10
Powell, Andrew, 150, 156, 158, 163, 164n3, 177
Prowse, Stephen, 90, 110n6

Puri, Manju, 15, 16

Rajan, Raghuram G., 4, 16, 31n1, 33n3, 199, 237n4, 249n21
Rice, T. N., 37
Richardson, Terry, 16
Rodrik, Dani, 237n4, 262
Roe, Mark, 238
Rojas-Suarez, Liliana, 5n2
Romer, Thomas, 242n13
Rosengren, Eric S., 26, 273, 274, 280, 281, 282n4, 291, 292, 320, 321, 324
Rosenthal, Howard, 238, 239, 250n22
Roubini, Nouriel, 8
Ruback, Jennifer, 249n20
Ruckhauf, Carlos, 170
Runkle, David E., 282n4

Samolyk, Katherine A., 302 Santos, J. A. C., 33n3 Saunders, Anthony, 15, 16 Scalise, Joseph M., 13n6, 26, 249n21, 292, 302 Schattschneider, E. E., 234n1, 236n3

Schmukler, Sergio L., 177

Schumacher, Liliana, 158, 177, 192 Schwartz, Anna J., 6 Seiberg, Jaret, 247 Settle, Russell F., 248n18 Shadow Financial Regulatory Committee, Shepsle, Kenneth, 239 Shivdasani, Anil, 111 Shleifer, A., 35, 46, 81, 82, 109n5, 111, 255n27 Shrieves, Ronald E., 321 Simons, Katerina, 322 Sinkey, Joseph H., Jr., 323n6 Smith, B. D., 33 Smith, Clifford W., Jr., 112 Society of Actuaries, 204, 207, 209, 212, 220n15, 221, 222, 223, 226 Sokoloff, Kenneth, 81 Sorescu, Sorin M., 124n20 Sosa-Escudero, Walter, 158, 177 Spong, Kenneth, 111 Squire, L., 81 Stein, Jeremy, 4 Stigler, George J., 235, 236 Stiglitz, Joseph E., 4 Stiroh, Kevin J., 177 Strahan, Philip E., 31n1, 235, 238, 242, 243, 244, 245, 246, 248, 249, 255n28, 261n29 Stratmann, Thomas, 237, 239, 251, 255 Sufi, Amir, 261n29 Suggitt, Heather, 226 Sullivan, Richard J., 111

Taylor, Alex, 202, 229 Thakor, Anjan V., 111 Thompson, Rex W., 15 Thomson, James B., 323n6 Tirole, Jean, 235 Tootell, Geoffrey M. B., 273, 274, 280, 281, 282n4, 291, 292, 324 Torre, Augusto de la, 160 Treacy, William F., 98, 209 Treisman, Daniel, 255n27 Truman, Harry S., 278

Udell, Gregory F., 4, 26, 320, 321

Varotto, Simone, 202 Vaughan, Mark D., 323n5 Vetsuypens, Michael, 15 Vishny, R., 46, 109n5, 111 Vojta, George J., 203n5

Wachtel, Paul, 320 Wagster, John D., 320-21 Waldman, Robert A., 212 Warga, Arthur D., 112 Warner, Jerold B., 112 Weingast, Barry, 238, 239, 242n13 Weisbrod, Steven, 5n2 Weiss, Andrew, 4 Weston, James P., 249 Whalen, Gary, 323n6 White, Eugene, 33n3, 237n6, 247, 248n18 Wilcox, James A., 26, 33n3, 320, 321 Williamson, Oliver, 239 Williamson, Stephen, 108n2 Wilson, Berry, 168, 176, 177, 178 Winston, Clifford, 248 Wittman, Donald N., 237n4 Wolken, John, 249 World Bank, 152, 160, 162, 163, 174 Wurgler, J., 31n1

Yago, G., 33n3

Zenner, Marc, 111 Zervos, S., 31n1, 45 Zhou, Chunsheng, 211 Zingales, L., 31n1, 237n4 Zupan, Mark, 238, 239

Subject Index

Adverse selection: with asymmetric information, 2; banks' role in solving problems of, 4–5; in government provision of safety net, 7

ALLL. See Assets, classified

Argentina: agreements with IDB, IMF, and World Bank, 157–58, 192; BASIC system of banking oversight in, 19–21, 150; effect of Asian, Russian, and Brazilian crises in, 150; response to Mexican financial crisis, 148, 150, 192–93. *See also* Banking sector, Argentina; BASIC system, Argentina; Central Bank, Argentina; Currency board, Argentina; Financial sector, Argentina

Assets, classified: allocation for loan and lease losses (ALLL), 306, 310; in analysis of bank supervision practices, 305, 310; categories of bank, 306, 309t

Banks: indicators of development of, 43, 45–55, 89; internal risk classification systems of, 99; regulatory (capital) arbitrage by, 23; role in emerging market countries, 4–5; role in financial system, 3–4; in securities, insurance, and real estate businesses, 37–44; shifting funds from equity to ALLL, 310. *See also* Central banks

Banks, state-owned: in banking crises, 55–78; relation to financial development, 35–44; relationship to other kinds of financial development, 47, 54–55

Bank Capitalization Trust Fund, Argentina, 160

Bank holding companies (BHCs): equity values in, 115–17; Federal Reserve supervision of, 275–76; influence of markets on, 110; supervision of, 275–76; under Wylie-Neal amendment of FDICIA, 243

Bank Holding Company Act (1956), 278 Banking crises: conditions for bank runs, 6; dates, costs, and regulatory responses to, 59–78; in developing countries, 55– 78, 90–94; governments' response to, 78; major, 56, 86t; relation between bank regulation and, 55–59; systemic, 56, 86t

Banking sector: call reports of, 13; calls for reform in, 32; choice of agency supervision in, 25–26; effect of branching deregulation on, 249; FDIC actions concerning failed banks, 244; in financial systems, 32; growing scale and complexity of organizations in, 98–103; influence of stock and bond prices on, 110; LCBOs in, 99–108; with market discipline, 177–78; potential for fragility in, 55–56; pre–Glass-Steagall abuses in, 16; under prudential supervision, 5, 8–15; recommendations about supervision of, 278–79; regulation of

- Banking sector (cont.)
 national banks, 275–77; regulation of
 state-chartered banks, 275–76. See also
 Bank holding companies (BHCs);
 Bank loans; Bank regulation; Bank supervision
- Banking sector, Argentina: bank failures, 150, 162; under BASIC system of bank regulation, 163, 165; causes of lost deposits (1995), 158-59; criticism of policies of, 152; during effects of Mexican financial crisis, 156-59; foreign banks in, 152, 172-74, 195, 196; liberalization of, 147; market discipline for, 148; post-1995 reserve and liquidity requirements, 161-62; post-tequila crisis reforms, 160-63; pre-1990s experience, 152; privatizations in (1992–99), 155–56; profitability of, 174–75; public banks in, 170; reforms in, 148-50, 160-63; regulatory regime and reforms, 148-50; structure and performance, 170-71
- Bank loans: asymmetric information about quality of, 5; borrower default ratings, 201; during credit crunch period, 319–24; floating-rate, 198–200; internal rating-based approach, 198, 201–2, 218–25; literature about decline in, 319–24; loss given faults, 204–9, 211–12; moral hazard in, 2–4, 17–18; portfolio granularity in, 214–16. *See also* Commercial and industrial loans (C&I loans); Commercial real estate loans; Portfolio risk
- Bank regulation, 8–15; bank chartering, 8, 12; changes in (1980s), 240–41; degrees of strictness of, 15–27; legislative reforms in, 240–48; proposals to reform, 274; to restrict competition, 9–10; socioeconomic factors influencing, 81–86. See also Bank supervision; specific legislation by name
- Bank regulation, Argentina: banking reform origins, 153; BASIC system of, 150, 152, 161–71, 192–93
- Bank supervision: analysis of changes in, 325–47, 349–53; costs of current, 296; current process of, 305–12; by Federal Reserve, 98–99; legislative reforms in, 240–48; by OCC, 99; proposals to reform, 274; raw data from bank exami-

- nations, 312–19. *See also* Assets, classified; CAMEL rating system; *specific legislation by name*
- Bank supervisory information: direct transference, 291–92; effect on forecasting of variation in, 280; reduction in forecast errors using, 282–91
- Barnett Banks v. Nelson (1996), 247
- Basel Accord (1988): on bank capital requirements, 10–11, 22–23; credit risk handling under, 197; market risk capital requirement amendment (1996), 162, 200, 351, 353
- Basel Committee on Banking Supervision, 15, 98, 231; capital regulation approaches of, 198; on role of market discipline, 108
- BASIC system, Argentina, 19–21, 194; capital requirements, 150; credit rating of, 163, 169–71; database on bank borrowers, 150; liquidity requirement system, 150; subordinated debt and credit rating requirement, 150
- BASIC system: auditing process of, 163, 164
- BHCs. See Bank holding companies (BHCs)
- Bonds: in BASIC system of bank regulation, 163, 165; bondholder incentives related to firm's practices, 111–12; correlation of returns of stocks and, 114–20; detecting influence of prices of, 120–29
- CAMEL rating system (Capital, Assets, Management, Earnings, and Liquidity): of bank risk, 14; components as basis for, 306, 308; composite, 306–7, 311–12; data for, 301, 312–19; defined, 13; used in Argentinian BASIC system, 20, 161, 165; used by bank examiners, 281–82
- Capital: loss rates for specific industries, 216–18; regulatory and economic allocation of, 97–99, 197. *See also* Bank loans; Credit risk
- Capital arbitrage: by banks, 23; banks' incentives for, 98; defined, 197; some LCBOs engage in, 99
- Capital flows: from Argentina (1995), 157–58; into Argentina (late 1990s), 152, 172–74
- Capital requirements: for banks, 10-11;

- for banks under Basel Accord, 10–11; Basel Committee approach to, 15, 198; imposed by Federal Reserve, 11; riskbased, 23–24
- Central Bank, Argentina: actions related to failing banks, 160; banking superintendency within, 154–55, 162, 163–65; capital requirements for banks, 162; guidelines and oversight for banking sector, 148–49; independence of, 153–54; as lender of last resort, 154; response to Asian, Russian, and Brazilian crises, 166; response to Mexican financial crisis, 156–57; systemic liquidity policy of, 195
- Central banks: as lenders of last resort, 6; role in bank supervision, 294; role in financial crises, 297; setting of interest rates by, 296. *See also* Federal Reserve System
- Commercial and industrial loans (C&I loans): assessed by bank supervisors, 306, 311; held by U.S. banks (1989–92), 302; ratings assigned to, 311; of U.S. banks (1993–98), 304
- Commercial real estate loans (CRE): assessed by bank supervisors, 306, 311; ratings assigned to, 311
- Commission on Money and Credit study (1961), 278
- Community Reinvestment Act (1977), 248 Competition: effect of bank regulation on, 9–10; among interest groups to capture rents, 236–37; with prudential supervision, 8–10; regulatory, 273, 299–300
- Competitive Equality in Banking Act [CEBA](1987), 240
- Contagion: effect in Argentina (1994–95), 158–59
- Convertibility Law (1991), Argentina, 153–54
- Credit derivatives, 231
- Credit rating. See BASIC system, Argentina; CAMEL rating system
- Credit risk: under Basel Accord, 197; limits on part of portfolio exposure, 216–18; screening good from bad, 2. *See also* Basel Accord (1988); Portfolio risk
- Credit risk models: CreditMetrics, 198, 200–201; Oliver Wyman, 198, 200; parametric, 206; uses for, 201
- CRE loans. See Commercial real estate loans

- Currency board, Argentina: effect of, 153, 194; popular support for, 152; role of, 195
- Currency crises: effect in Argentina (1998), 166
- Data sources: for analysis of credit risk and economic capital requirements, 203–5; for analysis of market discipline in BHCs, 112–14; for analysis of worldwide banking systems, 36–38; effect of banking sector information on forecasts, 280–82; Society of Actuaries database, 206; voting outcomes on FDICIA and amendments, 250–51
- Debt, subordinated: in Argentine bank regulation, 20, 22, 163, 165–69, 192–94; to increase market discipline in banking, 102–3; issued by LCBOs, 18, 102–4, 108; market behavior of, 103; as predictor of bank risk, 195; regulatory use of, 102–3; required issue by banks of, 114
- Deposit insurance: Argentina reestablishes limited (1995), 150, 152, 160, 192; coverage under Wylie amendment to FDICIA, 247; as government safety net, 6; risk-based premiums, 8, 11–12. *See also* Federal Deposit Insurance Corporation (FDIC); Federal Deposit Insurance Corporation Improvement Act (FDICIA)
- Depository Institutions Deregulation and Monetary Control Act [DIDMCA], 1980, 240, 242
- Deregulation: of bank branching, 249; of banking and financial services, 240; DIDMCA legislation (1980), 240, 242; ideology to explain, 238
- Developing countries: regulation as factor in banking crises, 55–78, 90–94
- Equities: correlation of returns of bonds and, 114–20; detecting influence of prices of, 120–29; risk in portfolios of, 214; values in bank holding companies, 115–17
- FDICIA. See Federal Deposit Insurance Corporation Improvement Act [FDICIA] (1991)
- Federal Banking Administration proposal (1984), 278–79

- Federal Banking Commission proposal, 279
- Federal Deposit Insurance Corporation (FDIC), 6; direction under FDICIA, 244; as provider of deposit insurance, 275; supervisory responsibility, 275, 303
- Federal Deposit Insurance Corporation Improvement Act [FDICIA] (1991), 11, 21–22, 233–34, 240; amendments to, 24; bank supervision and regulation provisions, 243–45, 305–6; capital requirements provisions, 353; Kennedy amendment vote, 243, 248; legislative battles over amendments to, 245–48; legislative history and passage of, 241, 351; provisions and amendments of, 243; Wylie amendment vote, 247; Wylie-Neal Amendment votes, 243, 245–47
- Federal Financial Institutions Examination Council, Uniform Bank Performance Report, 310
- Federal Reserve System: arguments against bank supervision by, 296-97; bank supervision by, 98–100, 275–77, 295–96, 303; capital requirement for largest banks, 11; credibility and competence of, 297; decentralization of, 104; Federal Open Market Committee, 295; F-6 group, 98, 100, 103-4; Greenbook forecasts of, 280-81, 295; guidelines to examiners, 14; impact of regulatory proposals on, 274-75; initiatives related to LCBO public disclosure, 100-102; supervision of bank holding companies, 275–76; supervision of large complex banking organizations, 18, 99–100, 104-5, 108; Trading Activities Manual, 14; as umbrella bank supervisor, 104; work with Basel Committee on Banking Supervision, 98
- Federal Savings and Loan Insurance Corporation (FSLIC), 242
- Financial crises: effect in Argentina of Asian, 165–66; geographic pattern to, 91–94. *See also* Banking crises; Currency crises
- Financial Institutions Reform, Recovery, and Enforcement Act [FIRREA] (1989): funds to failed thrifts under, 242; provisions of, 240
- Financial sector: conditions creating fragile

- or stable, 33–36; free-rider problem in, 3; importance of, 2–4; market reaction to shocks, 104; principal-agent problem in, 21–22; regulation harnesses market discipline to help, 108; role of asymmetric information in, 2–5; role of banks in emerging markets, 4–5; stable banking systems in, 32. *See also* Banking sector
- Financial sector, Argentina: effect of Mexico's financial crisis in, 159; effect of reforms (1989–90), 153; growth and recession (1996–99), 176; post-1997 structural changes in, 170–71; post-tequila crisis reforms, 160–63; regulatory reforms related to, 153–54; structure of, 155–56. See also Banking sector, Argentina
- Financial Services Modernization Act (1999), 240, 261n29
- FIRREA. See Financial Institutions Reform, Recovery, and Enforcement Act [FIRREA] (1989)
- Foreign exchange reserves: requirements in Argentina, 155 Free-rider problem, 3–4
- F-----, -
- Garn St Germain Act (1982): consequences of, 242; provisions of, 240
- Glass-Steagall Act (1933): erosion of provisions of, 245–47; repeal (1999), 9; separation of banking and securities industries under, 9–10
- Governance: in leveraged firm, 111 Government safety net: Argentina, 192; for bank depositors, 6; moral hazard and adverse selection under, 6–15; rationale for, 5–6
- Grace Commission report (1983), 278
 Gramm-Leach-Bliley Financial Services
 Modernization Act (1999): financial activities for banking organizations under, 104; financial holding companies under, 299; model applicable to
 LCBOs under, 102; overhaul of banking regulation under, 108; as statutory revision, 9, 18, 97; wider scope of banks' financial activities under, 104
- Hunt Commission report (1971), 278
- Ideology: to explain regulation and deregulation, 238; measurement of, 239; in

- nineteenth-century legislative battles, 238; role in votes on FDICIA, 261
- Independent Insurance Agents of America v. Ludwig (1993), 247
- Industrial sector development, 43, 45–55,
- Information: banks' call reports, 13; in BASIC system of bank regulation, 163–64, 192; for market or regulatory discipline, 20; required for market discipline, 107. *See also* Bank supervisory information
- Information, asymmetric: about quality of private bank loans, 5; adverse selection as problem of, 2; defined, 2; in financial system, 1–5; moral hazard as problem of, 2–3
- Information, supervisory: in CAMEL ratings, 281–91, 295; potential for direct transference, 291–92, 295; value of, 295
- Information collection: banks' advantages in, 4–5; free riders bypass, 3–4
- Interest groups: politics in FDICIA amendments, 246–47; in private interest theory of regulation, 236–37
- Interstate Branching and Banking and Efficiency Act (1994), 240
- LCBOS. See Banking sector, LCBOs in Legislation, regulatory. See Voting patterns; specific legislation by name
- Loss given defaults (LGDs), 201, 202; differences for loans and bonds, 204, 206; in Monte Carlo resampling method, 207; in Society of Actuaries database, 206, 209; unpredictability of individual, 202; values and variation, 211–12
- Managers' actions: effect of market discipline on, 107–10; estimates of influence of stock- and bondholders on, 129–40; incentives related to firm's practices, 111–12; observed response to market influence, 120; regression model to analyze, 123–29, 145; stock and bond price influence on, 120–29, 144–45
- Market discipline: for banks' risk-taking, 18, 100–101; components in concept of, 108, 143; effect on LCBO practices, 101–2; factors undermining, 108; FDICIA addresses lack of, 244; harnessed to aid regulatory goals, 108; in-

- fluence of, 18–19, 108–9; of LCBOs, 99; market monitoring in, 18–19, 108–9; measurement of, 177–78; microeconomic evidence, 177–87; paradigm of, 107, 109; policies enhancing, 148; prerequisites for, 100; related to Argentina's banking system, 158; subordinated debentures to increase, 102–3
- Market influence: beneficial, 122–23, 140–41; defined, 120; detection of, 120–23; perverse, 141
- Mexican financial crisis (1994–95): effect in Argentina, 156; information flows during, 299; response in Argentina, 150, 155; Monte Carlo resampling method: details of, 205–8; for evidence of different asset and portfolio characteristics, 200–202
- Moral hazard: banks' role in reducing, 4–5; conditions for occurrences of, 2–3; defined, 6; FDICIA provisions reduce deposit insurance, 244; in government provision of safety net, 6–7; as problem of asymmetric information, 2–3; related to Federal Reserve supervision of banks, 296–97; restrictions to minimize, 3; in risk-taking of large banks, 17–18
- Office of the Comptroller of the Currency (OCC): bank regulation by, 275, 277; establishment of (1864), 277; large bank program of, 99; as primary bank supervisor, 104; supervision of banks by, 99, 303
- Office of Thrift Supervision (OTS), 279, 303
- Portfolio granularity, 201, 214–16 Portfolio risk: of banks, 197–200; debt, 214; measurement of, 202; use of portfolio theory to identify, 198. *See also* Loss given defaults (LGDs)
- Principal-agent problem: influence of stock- and bondholders in, 111–12; in prudential supervision, 21–22
- Private interest, or economic, theory: as explanation of deregulation, 238; of regulation, 236–37
- Privatization, Argentina: in financial system, 155–56, 189t; of public banks in, 170, 172

Prudential supervision: in Argentina, 19; bank examination, 8, 13; capital requirements, 8, 10–11, 22–24; disclosure requirements, 8, 12; forms of, 8–15; principal-agent problem in, 21-22; rationale for, 8; restricting of asset holdings and activities, 8-9; restricting of bank activities, 15; restricting of competition, 8–10; risk-based deposit insurance premiums, 8, 11-12; separation of banking and other financial services, 8-9; supervisory versus regulatory approach, 8, 13-15. See also Bank regulation; Federal Deposit Insurance Corporation (FDIC); Federal Reserve System; Office of the Comptroller of the Currency (OCC)

Public interest theory, 235

Regulation: of banks engaged in nonbank businesses, 37–44; deadweight losses associated with, 237; FDICIA role in improving, 243–45; internal rating-based, 198, 201–2; legislative changes to bank, 240–41; political economy of, 234–39; potential of default ratings for, 201; private interest, or economic, theory of, 236; public interest theory of, 235. *See also* Bank regulation; Bank supervision; Deregulation

Rent capture, 236–37 Riegle-Neal Interstate Banking and Branching Efficiency Act (1994), 10, 24

Risk: in debt and equity portfolios, 214; risk-based capital requirements, 23–24; risk classification of banks, 99; subordinated debt as predictor of bank, 195; taken by large banks, 17–18. *See also* Adverse selection; CAMEL rating system; Credit risk; Moral hazard; Portfolio risk

Securities markets: free-rider problem in, 3; indicators of market development, 43, 45–55, 89

Securitizations, bank-sponsored, 197 Seguro de Depósitos Sociedad Anónima (SEDESA), Argentina, 160 Shareholders: incentives related to firm's practices, 111–12

Tequila crisis. *See* Argentina; Mexican financial crisis (1994–95) Transparency, 99, 194

Uniform Bank Performance Report (UBPR), 310

U.S. Department of the Treasury: Office of the Comptroller of the Currency under, 277; recommendation for bank supervision, 279

Valic v. Clarke (1995), 247

Voting patterns: final vote on FDICIA, 259–61; ideology explains, 238–39; for Kennedy amendment to FDICIA, 248–50, 257–59, 268; for Wylie amendment to FDICIA, 247, 256–57, 268; for Wylie-Neal amendment to FDICIA, 245–47, 253–56, 268