



Reading list 2009–10

29 Financial intermediation

The current edition of the subject guide is the 2008 edition. This reading list was last updated in May 2009. Any queries about this reading list should be directed to externalstudy@lse.ac.uk.

Essential reading

- Bessis, J. *Risk Management in Banking*. (Chichester: Wiley, 2002) second edition [ISBN 9780471893363].
- Matthews, K. and J. Thompson *The Economics of Banking*. (Chichester: Wiley, 2008) second edition [ISBN 9780470519646].
- Saunders, A. and M.M. Cornett *Financial Institutions Management: A Risk Management Approach*. (New York: McGraw Hill, 2008) sixth edition [ISBN 9780071267045 (international edition)].
- Bhattacharya, S. and A.V. Thakor 'Contemporary banking theory', *Journal of Financial Intermediation* 3(1) 1993, pp. 2–50; Sections 1, 2, 4, 5 and 7. This is available in the VLE.
- Diamond, D.W. 'Financial intermediation as delegated monitoring: a simple example', *Federal Reserve Bank of Richmond Economic Quarterly*, 82(3) 1996, pp.51–66. This can be downloaded from the web site of the publisher at:
http://www.richmondfed.org/publications/research/economic_quarterly/1996/summer/diamond.cfm [last accessed 27 May 2009].
- Neal, R.S. 'Credit derivatives: new financial instruments for controlling credit risk', *Federal Reserve Bank of Kansas City Economic Review* 81(2) (1996), pp.15–28.

Further reading

Other useful texts include:

- Freixas, X. and J-C. Rochet *Microeconomics of Banking*. (Cambridge, Mass., London: MIT Press, 1997) [ISBN 9780262061933] Chapters 1 and 2.
- Greenbaum, S.I. and A.V. Thakor *Contemporary Financial Intermediation*. (London: Thomson Learning, 1995) [ISBN 9780030470936].
- Koch, T.W. and S.S. MacDonald *Bank Management*. (London: Thomson Learning, 2006) sixth edition [ISBN 9780324289275 (hbk)].
- Sinkey, J.F. Jr. *Commercial Bank Financial Management*. (Harlow: Prentice Hall, 2002) sixth edition [ISBN 9780130909107 (hbk)].
- Saunders, A. and L. Allen *Credit Risk Measurement*. (Chichester: Wiley, 2002) second edition [ISBN 9780471219101] Chapters 1, 2, 13 and 15.
- White, L.H. *The Theory of Monetary Institutions*. (Maiden, Mass.: Blackwell, 1999) [ISBN 9780631212140] Chapter 6.

Journal articles

- Allen, F. and A.M. Santomero 'The theory of financial intermediation', *Journal of Banking and Finance* 21(11/12) 1997, pp. 1461–485.
- Benston, G. and C.W. Smith 'A transaction cost approach to the theory of financial intermediation', *Journal of Finance* 31(2) 1976, pp.215–31.
- Cumming, C. 'The economics of securitization', *Federal Reserve Bank of New York Quarterly Review*, 12(3) 198, pp.11–23. You can download this from:
http://www.ny.frb.org/research/quarterly_review/1987v12/v12n3article2.pdf [last accessed 14 April 2008].

- Diamond, D.W. 'Financial intermediation and delegated monitoring', *Review of Economic Studies* 51(3) 1984, pp.728–62.
- Diamond, D.W. 'Banks and liquidity creation: A simple exposition of the Diamond and Dybvig model', *Federal Reserve Bank of Richmond Economic Quarterly* 93(2) 2007, pp.189–200.
- Diamond, D.W. and P. Dybvig 'Bank runs, deposit insurance and liquidity', *Journal of Political Economy* 91(3) 1983, pp.401–19.
- Leland, H.E. and D.H. Pyle 'Informational asymmetries, financial structure and financial intermediation', *Journal of Finance* 32(2) 1977, pp.371–87.
- Scholtens, B. and D. van Wensveen 'A critique on the theory of financial intermediation', *Journal of Banking and Finance* 24(8) 2000, pp.1243–251.

Web sites

Bank of England at www.bankofengland.co.uk
Bank for International Settlements at www.bis.org
International Monetary Fund at www.imf.org
2007 Economic Symposium at www.kansascityfed.org

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- The Online library is accessed via the Student Portal at <http://my.londonexternal.ac.uk/>
- For most journals, the username and password you need is the same as the one which you have been sent to use for logging in to the Student Portal.