# I. SERDAR DINC

**Professor of Finance**
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## Education

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

## Fields

Corporate Finance, Banking, Real Estate, Political Economy

## Current Research Interests

Transmission of Financial Shocks, Mortgage Lending, Economic and Financial Networks, Politics of Finance.

## Publications

- The Politics of Foreclosures, *Journal of Finance* 73, no. 6 (2018): 2677-2717 (with Sumit Agarwal, Gene Amromin, and Itzhak Ben-David).
- Fire sale discount: Evidence from the sale of minority equity stakes. *Journal of Financial Economics* 125, no. 3 (2017): 475-490. (with Isil Erel and Rose Liao).
- Corporate Distress and Lobbying: Evidence from the Stimulus Act, 2014, *Journal of Financial Economics*, 114 (2): 256-272 (with Manuel Adelino).
- Economic Nationalism in Mergers & Acquisitions, 2013 (December), *Journal of Finance*, 68: 2471–2514 (with Isil Erel).
- Too Many To Fail? Evidence of Regulatory Reluctance in Bank Failures when the Banking Sector is Weak, 2011 (April), *Review of Financial Studies*, 24(4) (with Craig O. Brown).

- The Decision to Privatize: Finance and Politics, 2011 (February), *Journal of Finance*, 66-1, 241-269 (with Nandini Gupta).
- 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

- The International Transmission of Negative Shocks Through Multinational Companies: The Real Economy Channel, February 2019, revise and resubmit, *Journal of Financial Economics* (with Jan Bena and Isil Erel).

## Employment History

Rutgers University, Rutgers Business School

2018- : Professor of Finance

2012-2018: Associate Professor of Finance (with tenure)

2011-2012: Assistant Professor of Finance

University of Pennsylvania, Wharton School

2014-2015: Visiting Associate Professor of Finance

Federal Reserve Bank of Chicago

2010-2011: Visiting Economist

Massachusetts Institute of Technology, Sloan School of Management

2007-2010: Visiting Assistant Professor of Finance

Northwestern University, Kellogg School of Management

2005-2007: Visiting Assistant Professor of Finance

University of Michigan, Ross School of Business

1999-2005: Assistant Professor of Finance

## Awards and Honors

- Dean's Research Professor, 2019-2021.
- Keynote speaker, Workshop on Finance and Politics, University of Strasbourg, 2018.
- The Chesed Faculty Award for Innovative Research, Rutgers Business School, 2013. (Schoolwide award, inaugural recipient.)

## Teaching

- Nominated for the best teacher award by MIT – Sloan MBA students (2009)
- Nominated for the best teacher award by Northwestern – Kellogg MBA students (2007)
- Nominated for the best teacher award by Michigan – Ross MBA students (2001)
- Introduction to Finance (Rutgers-MBA, MFinA, Undergraduate)
- Advanced Corporate Finance (Wharton-MBA) Capital Structure, Valuation, M&As – Cases & Lectures.
- Advanced Corporate Finance (Sloan-MBA) Restructuring, Valuation, Financing – Mostly Cases.
- Mergers & Acquisitions (Sloan-MBA) Cases & Lectures.
- Financial Decisions (Northwestern-MBA). Valuation, Capital Structure – mostly cases
- Corporate Financial Strategy (Michigan-MBA). Capstone course in Corporate Finance, including Real Options, Corporate Restructuring – mostly cases.
- Corporate Financial Engineering (Michigan-MBA). Corporate Risk Management, Advanced securities – mostly cases.
- 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).

## Professional Service:

- Associate Editor
    - Journal of Financial Services Research (2014- )
    - Financial Management (2016- )
- Referee for
    - American Economic Review
    - Quarterly Journal of Economics
    - Journal of Finance
    - Journal of Financial Economics
    - Review of Financial Studies
    - Review of Finance
    - Management Science
    - Journal of Business
    - Journal of Financial Services Research
    - Review of Economics and Statistics
    - Journal of Labor Economics
    - Critical Finance Review
    - Journal of Financial Intermediation
    - Journal of European Economic Association
    - Journal of Money, Credit, and Banking
    - Journal of Empirical Corporate Finance
    - Journal of Comparative Economics
    - Journal of Japanese and International Economies
    - Economics of Transition
    - NSF
- Conference Program Committee for
    - Western Finance Association (2019, 2018, 2017)
    - Financial Intermediation Research Society Conference (2019, 2017, 2016, 2015, 2014, 2013, 2004)

    - Financial Management Association (2019 (Sonoma), 2018, 2018 (Napa), 2017, 2016, 2015, 2011)
    - Northern Finance Association (2019)
    - Midwest Finance Association (2016)
    - Bank Structure Conference (2011)
    - Financial Stability Conference (2011)
- Ph. D. Students
    - Ibrahim Bostan (Rutgers 2015)
    - Paul Calluzzo (Rutgers 2014)
    - Craig Brown (Michigan 2006)
    - Patrick McGuire (Michigan 2003)

## Conference & Seminar Presentations:

American Economic Association

American Finance Association

Bank of Japan

Bank of England

BIS

Boston Fed

Brandeis

Carnegie-Mellon

Chicago Fed

Concordia University

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
Philadelphia Fed
Rutgers
Southern Methodist University
Stanford
Temple University
Texas A&M
University of Amsterdam
University of California, Davis
University of Houston
University of Illinois, Urbana-Champaign
University of Pennsylvania (Wharton)
University of Tilburg
University of Tokyo
University of Virginia-Darden Emerging Markets Conference
University of Wisconsin
WFA
World Bank
World Bank - JFI conference.

**Visa Status:** United States – Citizen

## Abstracts – Working Papers

The International Transmission of Negative Shocks Through Multinational Companies: The Real Economy Channel, February 2019, revise and resubmit, *Journal of Financial Economics* (with Jan Bena and Isil Erel).

> We study how non-financial multinational companies transmit negative shocks from their subsidiaries located in countries experiencing a negative shock to subsidiaries in countries not experiencing one. We find that investment is 18% lower in subsidiaries of these parents relative to the same-industry, same-country subsidiaries of parents that are headquartered in the same parent country but do not have a subsidiary in a country experiencing a negative shock. Employment growth rate in the affected subsidiaries is zero or negative while it is 1.4% in the subsidiaries of unaffected parents. The aggregate industry-level sales and employment are also negatively impacted in the countries of the affected subsidiaries.

## Abstracts – Published Papers

The Politics of Foreclosures, *Journal of Finance* 73, no. 6 (2018): 2677-2717 (with Sumit Agarwal, Gene Amromin, and Itzhak Ben-David).

> The U.S. House of Representatives Financial Services Committee considered many important banking reforms in 2009 to 2010. We show that, during this period, foreclosure starts on delinquent mortgages were delayed in the districts of committee members although there was no difference in delinquency rates between committee and noncommittee districts. In these areas, banks delayed the foreclosure starts by 0.5 months (relative to the 12‐month average). The estimated cost of delay to lenders is an order of magnitude greater than the campaign contributions by the political action committees of the largest mortgage servicing banks to the committee members in that period.

Fire Sale Discount: Evidence from the Sale of Minority Equity Stakes, 2017, *Journal of Financial Economics* 125, no. 3 (2017): 475-490. (with Isil Erel and Rose Liao).

> Most of the existing empirical studies estimate the impact of fire sales either without the benefit of market prices from frequent trades, as with aircraft sales,

or without observing the prices received by distressed sellers, as with the sales of equity securities by mutual funds facing outflows. We study transactions where the selling firm sells minority equity stakes it holds in publicly-listed third parties. In these transactions, market prices from frequent trades in the shares of those third parties are available and the transaction prices received by the sellers are reported. We estimate the industry-adjusted distressed sale discount based on the four-week window to be about 8% while controlling for the liquidity of the shares sold. This discount magnitude is higher than the 4% estimated for forced sales of stocks by mutual funds without the benefit of observing transaction prices. The discount we estimate becomes 13-14% if the stake sold is more than 5% of the firm or if the stake is sold as a block. Prices recover after the distressed sale.

Corporate Distress and Lobbying: Evidence from the Stimulus Act, 2014, *Journal of Financial Economics*, 114 (2): 256-272 (with Manuel Adelino).

The literature on distressed firms has focused on these firms' investment, capital structure, and labor decisions. This paper investigates a novel aspect of firm behavior in distress: how financial health affects a firm's lobbying and, consequently, its relationship with the government. We exploit the shock to nonfinancial firms during the 2008 financial crisis and the availability of the stimulus package in the first quarter of 2009. We find that firms with weaker financial health, as measured by credit default swap spreads, lobbied more. We also show that the amount spent on lobbying was associated with a greater likelihood of receiving stimulus funds.

Economic Nationalism in Mergers & Acquisitions, 2013 (December), *Journal of Finance*, 68: 2471–2514 (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 is stronger at times and places with strong far-right parties, weaker governments, and against countries for which the people in the target country has little affinity. This nationalism has both direct and indirect economic impact on mergers and impedes capital flows. In particular, nationalistic government reactions deter foreign companies from bidding for other companies in that country in future.

Too Many To Fail? Evidence of Regulatory Reluctance in Bank Failures when the Banking Sector is Weak, 2011 (April), *Review of Financial Studies*, 24(4) (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

The Decision to Privatize: Finance and Politics, 2011 (February), *Journal of Finance*, 66-1, 241-269 (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

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.