

C O N T E N T S

Preface

<i>Chapter 1</i>	INTRODUCTION	1
	1.1 Theory of financial intermediaries	3
	1.2 Outlook of the study	5
<i>Chapter 2</i>	THE NATURE OF FINANCIAL INTERMEDIATION	8
	2.1 Notation	9
	2.2 The classical view	11
	2.3 A model of the intermediation process	12
	2.4 A valuation model of the intermediary's liabilities	16
	Appendix : An 'option view' of financial intermediation	21
<i>Chapter 3</i>	THE SIMULTANEITY ISSUE IN DEPOSIT AND CREDIT RATE SETTING	24
	3.1 The neoclassical model	25
	3.2 Rate setting and bankruptcy risk	29
	Appendix 3.1 : Interest rate setting and oligopoly	41
	Appendix 3.2 : The general case	43
<i>Chapter 4</i>	DEPOSIT RATE SETTING BY FINANCIAL INTERMEDIARIES	46
	4.1 The basic model : concepts of period and economic return	47
	4.2 The multiperiod model	53
	4.3 The savings deposits case	55
	4.4 Financing and liquidity constraints	57
	4.5 Fixed costs and rate setting : the econometric implications	59

<i>Chapter 5</i>	THE INTEREST RATE ON SAVINGS DEPOSITS IN BELGIUM : 1962-1978	68
5.1	The savings deposits market : some institutional aspects	69
5.2	Interest rate on savings deposits in Belgium : 1962-1978	71
5.3	Conclusions	86
	Appendix : Deposit rate setting and sluggish deposits	88
<i>Chapter 6</i>	CREDIT RATE SETTING BY FINANCIAL INTERMEDIARIES	90
6.1	Credit rationing : A review of the literature	90
6.2	The loan cost function	92
6.3	Imperfect discrimination and credit rationing	99
	Appendix : Bankruptcy risk : The n-borrower case	104
<i>Chapter 7</i>	INTEREST RATE SETTING AND RISK SHARING	108
7.1	Uncertainty and the intermediary-borrower relation- ship	110
7.2	A 'perfect market' risk sharing contract	112
7.3	Market imperfections	121
7.4	Conclusions	128
	Appendix : The isoprofit curves	131
<i>Chapter 8</i>	THE COMMERCIAL LOAN RATE IN BELGIUM : 1966-1980	132
8.1	Data and institutional aspects of the credit market	133
8.2	The determinants of the commercial loan rate : A theoretical model	135
8.3	The commercial loan rate in Belgium : 1966-1980	139
8.4	Conclusions	146

<i>Chapter 9</i>	INTEREST RATE SETTING AND BANK REGULATION	148
9.1	Deposit insurance and unconstrained pricing policies	148
9.2	Bank regulation and insurance premiums : their adequacy	153
9.3	Conclusions	158
Appendix 9.1	: The expected net value	159
Appendix 9.2	: Regulation, insurance premiums and taxes	161
<i>Data sources and data construction</i>		163
<i>References</i>		168