

# Financial Intermediation Theory and Financial Regulation

Topics in Macroeconomics, Money and Financial Markets

Paul Schempp

Winter term 2017/18

- **Topics**

- Banks' role in risk allocation, liquidity transformation, and maturity transformation
- Financial fragility and banking crises
- Bank regulation: Theory, Basel III, and implementations

- **Main Questions**

- What are the economic functions of banks? Why do we need them as intermediaries between households and firms?
- Why and how should we regulate banks?
- How are banks regulated, and what are the current debates?

- **Course Strategy**

- Explaining how banks mitigate financial frictions
- Analyzing how banks create new frictions (e.g., fragility)
- Relating models to stylized facts of banking and to financial crises
- Reviewing institutional bank regulation

- **Main Literature**

- Xavier Freixas and Jean-Charles Rochet (2008): Microeconomics of Banking, Second Edition, MIT Press.
- Mishkin (2015): The Economics of Money, Banking, and Financial Markets, Eleventh Edition, Pearson.
- Hartmann-Wendels, Pfingsten und Weber (2014): Bankbetriebslehre, 6. Auflage, Springer.

## **Preliminary Schedule**

1. Liquidity creation, short-term debt
2. Relationship banking
3. Credit rationing
4. Industrial organization of banking
5. Maturity transformation and fragility
6. Macroeconomic risk
7. Systemic risk and financial crises
8. Dynamic problems of bank funding
9. Theory of bank regulation
10. Institutional Bank Regulation