

Ernst-Ludwig von Thadden  
Universität Mannheim

## **Banking and Bank Regulation** **E5087**

MSc Fall Term 2025

Instructor: Ernst-Ludwig von Thadden  
Office: Econ Building, 3-19

Time: Tuesday 8.30 – 10.00  
Wednesday 8.30 – 10.00

On average, 3 x 45 minutes per week

Room: Tuesday: Auditorium 003, L 9, 1-2 (Finance Building)  
Wednesday: SO31, L7, 3-5 (Econ Building)

ECTS: 7.5, corresponding to 3 SWS in class

Format: Lectures, augmented by discussions and possible outside interventions

Office hours: by appointment

Prerequisites: Successful participation in the first semester courses E601-E603.

Performance evaluation: There will be a written final evaluation of 120 minutes at the end of the course.

### **Contents:**

The course provides an introduction to the economics of banking at an advanced level. The theory discussed in this course lies at the heart of modern banking research and all recent discussions of bank regulation. It also informs most empirical research and forms the basis for research on financial intermediation and stability in a macroeconomic and macroprudential context.

The course will not follow any particular textbook. After the Great Financial Crisis, the relatively special field of banking has expanded dramatically, and areas such as financial stability, capital market structure, systemic risk, or macroprudential regulation have moved to the forefront of economic research, and this research has not yet been summarized in a standard textbook at the Master level. A good introduction to many issues discussed in this course, with some institutional detail, is the book by

S. Greenbaum, A. Thakor, and A. Boot (GTB): *Contemporary Financial Intermediation*, 4<sup>th</sup> ed., Academic Press 2019.

The book by

X. Freixas and J.C. Rochet (FR): *Microeconomics of Banking*, Cambridge, MA: MIT Press 3<sup>rd</sup> ed. 2023,

is a classic that has recently been revised extensively. It is an excellent textbook using economic theory at the graduate level that covers much of the material presented in this class, but less institutional detail.

A very good book on the economics of financial stability and the role of banks is

X. Vives: *Competition and Stability in Banking*, Princeton University Press 2016.

K. Alexander: *Principles of Banking Regulation*, Cambridge University Press 2019

provides a broad and informative introduction to banking regulation in international perspective.

The World Bank does and publishes very good work on international finance. A policy-oriented, very useful coverage of global banking and banking regulation is

World Bank: *Global Financial Development Report 2019/2020: Bank Regulation and Supervision a Decade after the Global Financial Crisis*, Washington 2019, available at <https://www.worldbank.org/en/publication/gfdr>.

A modern classic is

Admati, A. and M. Hellwig, *The Banker's New Cloths*, Princeton, N.J.: Princeton University Press 2<sup>nd</sup> ed. 2024,

which contains a non-technical discussion of basic banking theory and is the most important book on banking regulation at least of this century.

H. Degryse, M. Kim and S. Ongena, *Microeconometrics of Banking*, Oxford University Press 2009,

is, even more than ten years after its publication, an excellent presentation of empirical techniques used in applied banking research. It is theory-based and follows the structure laid out in the second edition of the book by Freixas-Rochet (FR).

With more than 1 000 pages, the encyclopaedic handbook

A. Berger, Ph. Molyneux, J. Wilson (eds.): *The Oxford Handbook of Banking* (3<sup>rd</sup>), Oxford University Press 2019.

covers almost all aspects of banking, ranging from banking activities and performance to banking systems around the globe.

Last but not least, surveys and articles on recent developments in banking in the *Economist* are usually well informed and pose many interesting questions. An example, still highly relevant, is this survey of 8/5/2021:

<https://www.proquest.com/docview/2523075593/fulltextPDF/C5CD2B38C12549E1PQ/79?ac countid=14570>