

IWH Research Seminar in Economics

Montag, 30. Mai 2016, 14:15–15:45 Uhr, Konferenzsaal im Erdgeschoss



Bank Capital Regulation with Unregulated Competitors

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(gemeinsam mit David Martinez-Miera, Universidad Carlos III de Madrid)

We analyze optimal capital regulation of imperfectly competitive banks that are confronted with competition from non-regulated banks. We characterize banks as having access to deposit insurance and underly banking regulation in exchange. Non-regulated banks also perform lending activities but cannot fund themselves with insured deposits. We show that tightening bank regulation reduces the social cost of bank defaults but can also result in lower bank lending. A competitive non regulated banking sector can reduce the negative impact of less bank lending and, thereby, can allow for stricter bank regulation. We show how in regulated banking sectors with high market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, an increase in competition from non-regulated banking sectors with lower market power, and increase in competition from non-regulated banking sectors with lower market power, and increase in competition from non-regulated banking sectors with lower market power, and increase in competition from non-regulated banking sectors with lower market power.

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