



## Lecture on

# “Competition and Stability in Banking: A Post-Crisis Perspective”

by Professor Xavier Vives, Professor of Economics and Financial Management at IESE Business School, University of Navarra and Editor, *Journal of Economic Theory*



**Date:** 6 June 2017 (Tuesday)

**Time:** 11:00 am – 12:15 pm

**Venue:** Lecture Theatre 8,  
Level 3, Cheng Yu Tung Building,  
The Chinese University of Hong Kong  
12 Chak Cheung Street,  
Shatin, N.T.

**Language:** English

### Abstract:

Does too much competition in banking hurt society? What policies can best protect and stabilize banking without stifling it? Institutional responses to such questions have evolved over time, from interventionist regulatory control after the Great Depression to the liberalization policies that started in the United States in the 1970s. The global financial crisis of 2007–2009, which originated from an oversupply of credit, once again raised questions about excessive banking competition and what should be done about it. This lecture addresses the critical relationships between competition, regulation, and stability, as well as the implications of coordinating banking regulations with competition policies.

Professor Vives argues that while competition is not responsible for fragility in banking, there are trade-offs between competition and stability. Well-designed regulations would alleviate these trade-offs but not eliminate them. He argues that regulation and competition policy should be coordinated, with tighter prudential requirements in more competitive situations, but he also shows that supervisory and competition authorities should stand separate from each other, each pursuing its own objective. Professor Vives reviews the theory and empirics of banking competition, drawing on up-to-date analysis that incorporates the characteristics of modern market-based banking, and he looks at regulation, competition policies, and crisis interventions in Europe and the United States, as well as in emerging economies.

Focusing on why banking competition policies are necessary, the lecture examines regulation's impact on the industry's efficiency and effectiveness.

### About the Speaker:

Professor Vives is Professor of Economics and Financial Management at IESE Business School, University of Navarra. He holds a Ph.D. in Economics from UC Berkeley.

He is a fellow of the Econometric Society since 1992; of the European Economic Association since 2004; and of the Academia Europaea since 2012. Professor Vives is also President of the European Association for Research in Industrial Economics (EARIE) 2016-2018 and Research Fellow of CESifo and of the Center for Economic Policy Research, where he served as Director of the Industrial Organization Program in 1991-1997. He has taught at INSEAD, Harvard University, Universitat Autònoma de Barcelona, Universitat Pompeu Fabra, the University of California at Berkeley, the University of Pennsylvania, and New York University.

His fields of interest are industrial organization and regulation, the economics of information, and banking and financial economics. He has published in main international journals and is the author of several books, among them *Competition and Stability in Banking* (Princeton University Press, 2016). He is currently co-editor of the *Journal of Economics and Management Strategy* and editor of the *Journal of Economic Theory*.

Professor Vives has been an advisor and consultant on competition and regulation issues for the World Bank, the Inter-American Development Bank, the European Commission, the Federal Reserve Bank of New York, as well as for major international corporations. In 2011-2014 he was Special Advisor to the EU Commissioner for Competition, Mr Joaquín Almunia.

## ALL ARE WELCOME