

# The Current and Historical Organization of Finance

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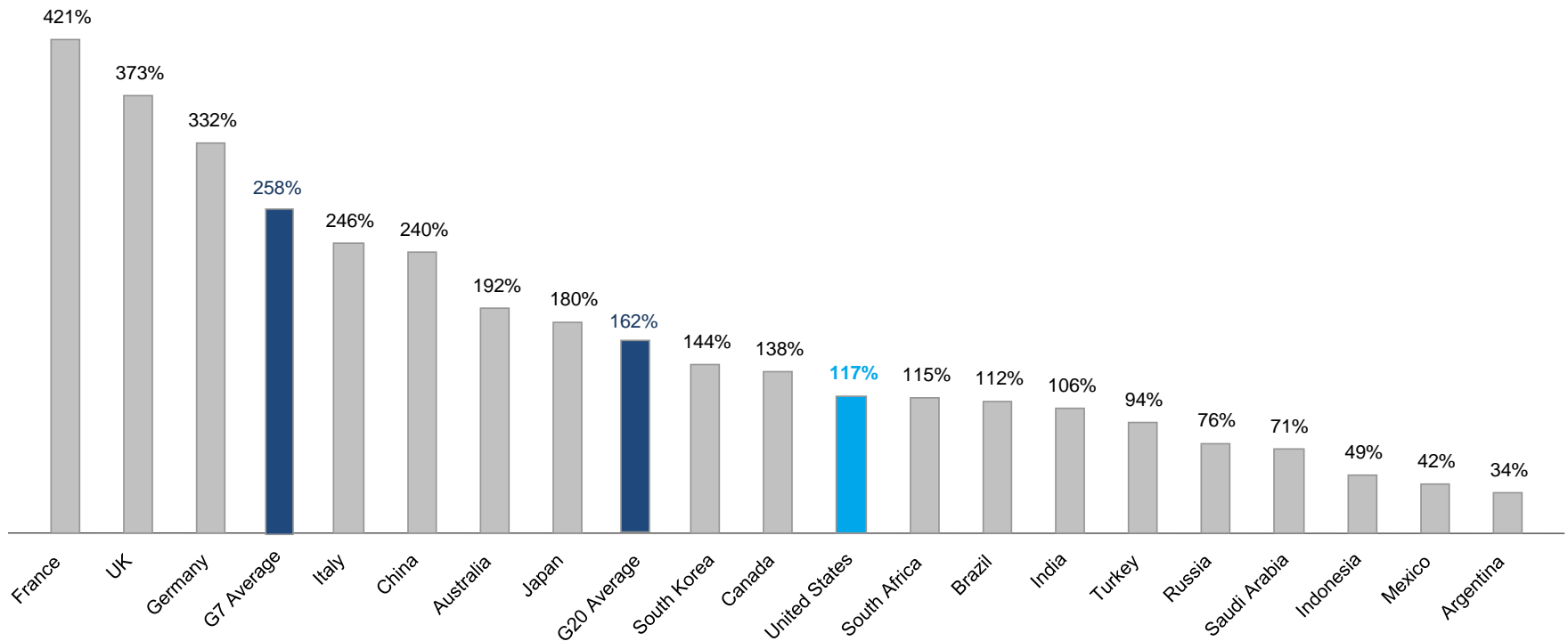
Brookings Institute  
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# STRUCTURE AND CONCENTRATION OF BANKING MARKETS

# U.S. banking system is relatively small compared to those of other developed countries

*In relation to the underlying economy it supports, the U.S. banking system is relatively small as compared to the banking systems of other developed countries*

Total Banking System Assets as a percent of GDP by Country (2011)



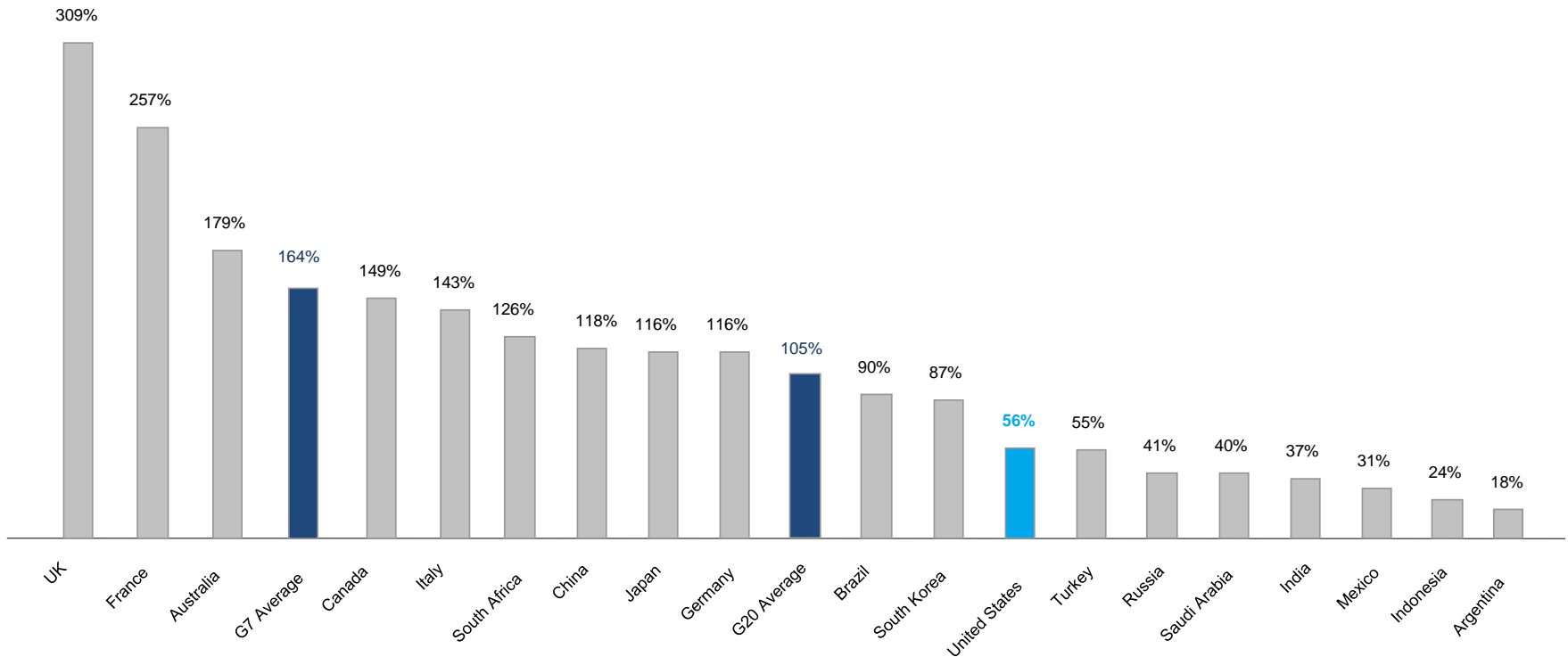
Source: Bank Indonesia, Bank of Canada, Bank of Japan, Bank of Korea, Board of Governors of the Federal Reserve System, Central Bank of Brazil, Central Bank of Turkey, China Banking Regulatory Commission, Comision Nacional Bancaria y de Valores de Mexico, Company filings, European Central Bank, International Monetary Fund, Reserve Bank of Australia, Reserve Bank of India, South African Reserve Bank, and Swiss National Bank.

Note: Banking system assets generally refers to commercial banks, domestic credit institutions, and savings institutions, though definitions may moderately vary by country.

# The U.S. banking industry is less concentrated than the banking systems of other countries

*By total assets, the five largest U.S. commercial banks are a smaller portion of total GDP than any of the other G7 nations*

Top 5 Banks by Assets as a percent of GDP by Country (2011)



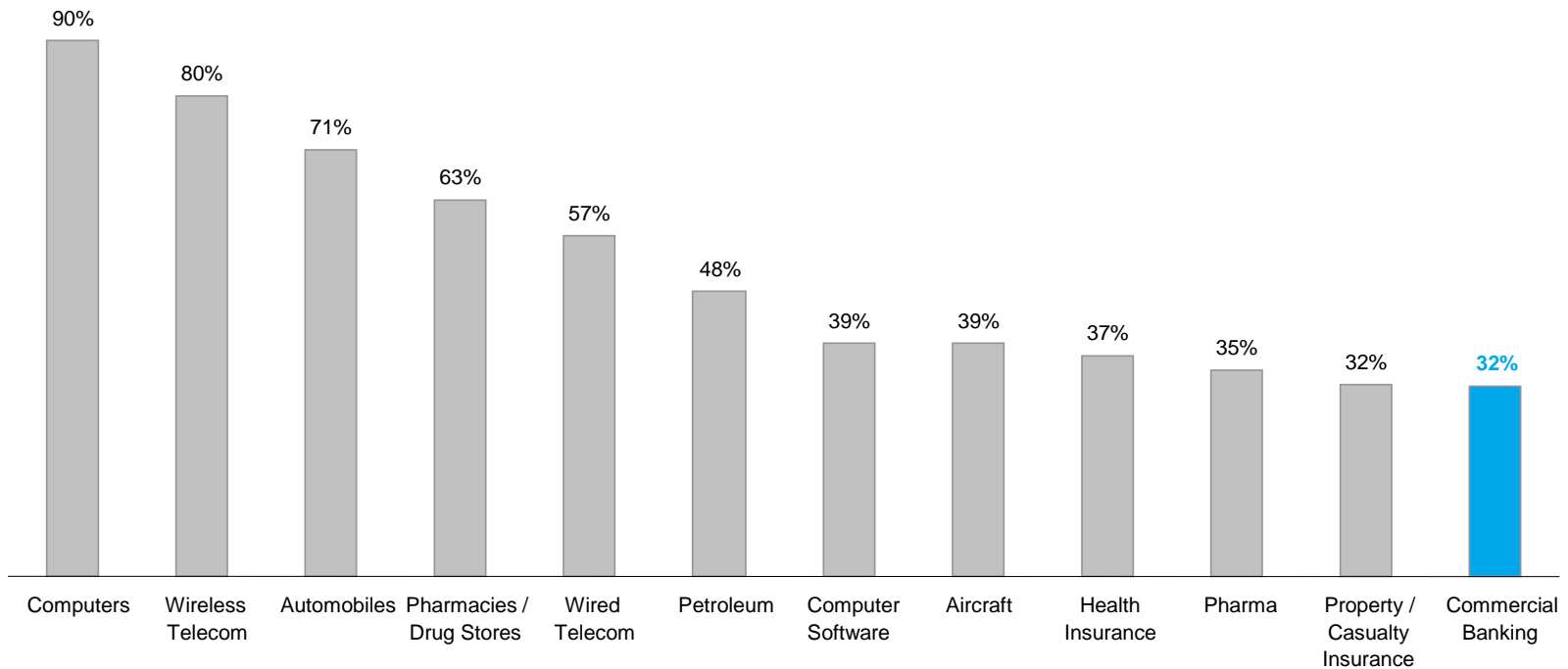
Source: Board of Governors of the Federal Reserve System, Bank of Canada, Bank of Japan, Central Bank of Brazil, Central Bank of India, China Banking Regulatory Commission, European Central Bank, International Monetary Fund, Reserve Bank of Australia, and Swiss National Bank.

Note: Top 5 Bank Asset data is as of the latest available reporting period as of December 31, 2011. Banks presented on a U.S. GAAP basis when available; otherwise, adjusted to exclude IFRS reported derivative assets for an estimated proxy for U.S. GAAP derivative netting rules.

# The U.S. banking industry is less concentrated than other U.S. industries

*Of the industries that touch American's lives everyday, the commercial banking system is less concentrated than numerous others including insurance providers, automobile manufacturers, and telecom providers*

Top 4 U.S. Firm Concentration by Revenue by Industry (2007)



Source: U.S. Census Bureau

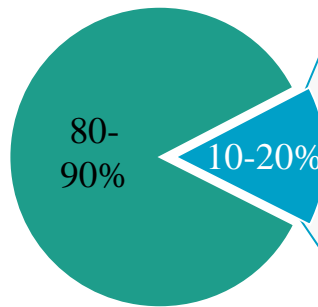
Note: Concentration defined as the sales, receipts, or revenue from the top 4 firms as a percent of the total sales, receipts, or revenue within the industry  
U.S. Census Bureau releases industry concentration data every 5 years with 2007 being the most recent release

# ECONOMIES OF SCALE, SCOPE AND INNOVATION

To estimate benefits from economies of scale, for each product we calculate increase in unit costs associated with a maximum bank size.

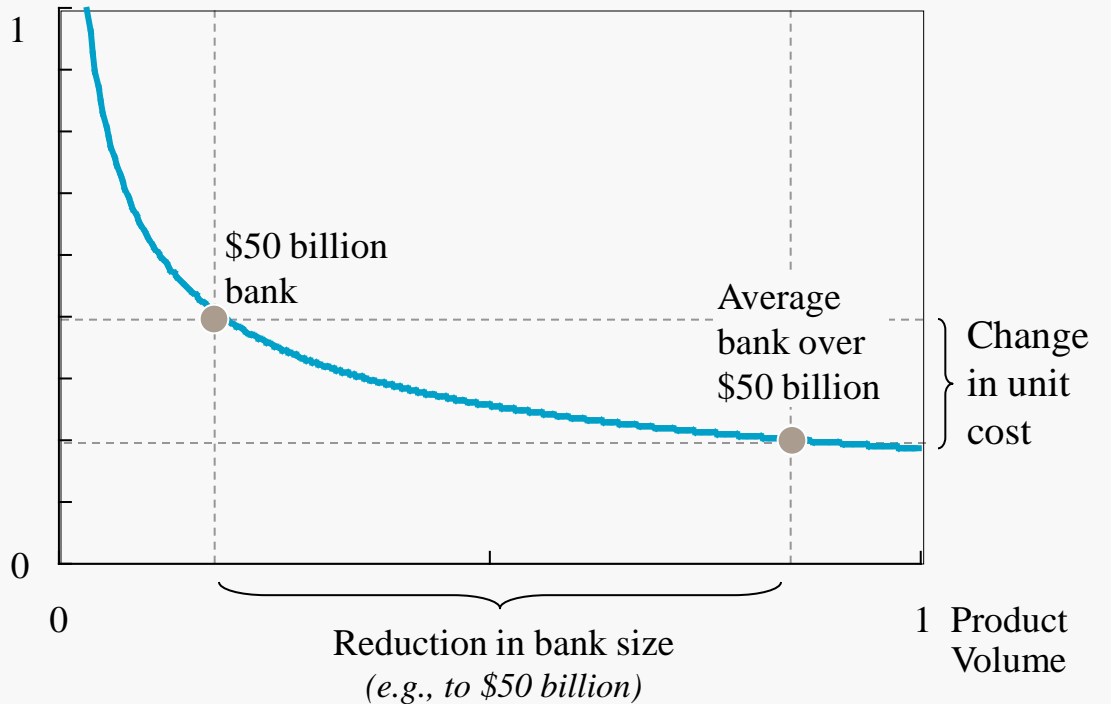
Estimated breakdown of NIE

Subject to no or few economies of scale



Subject to economies of scale

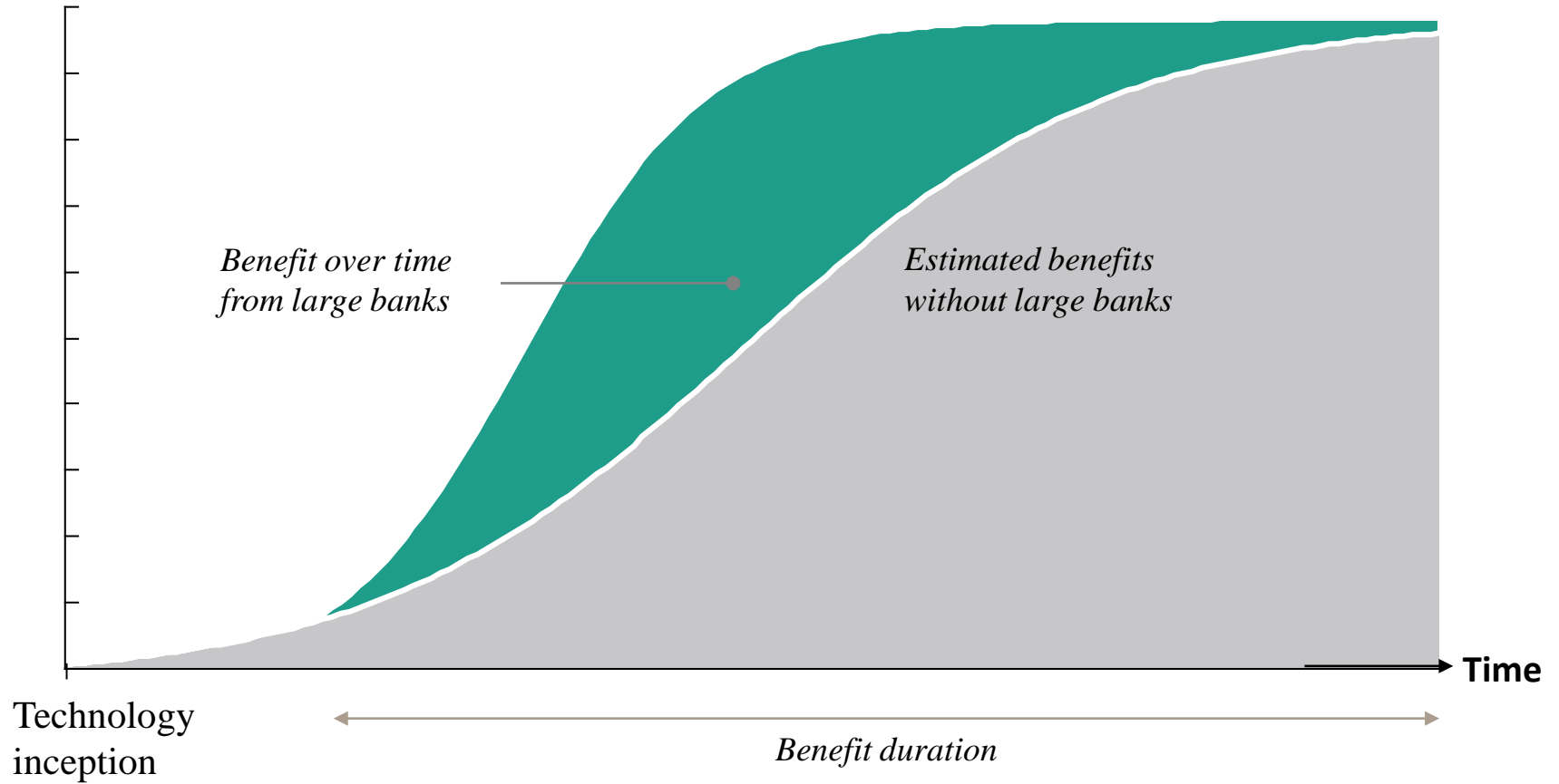
Product Unit Cost



SOURCE: SNL Financial; TCH large-bank study-participant data.

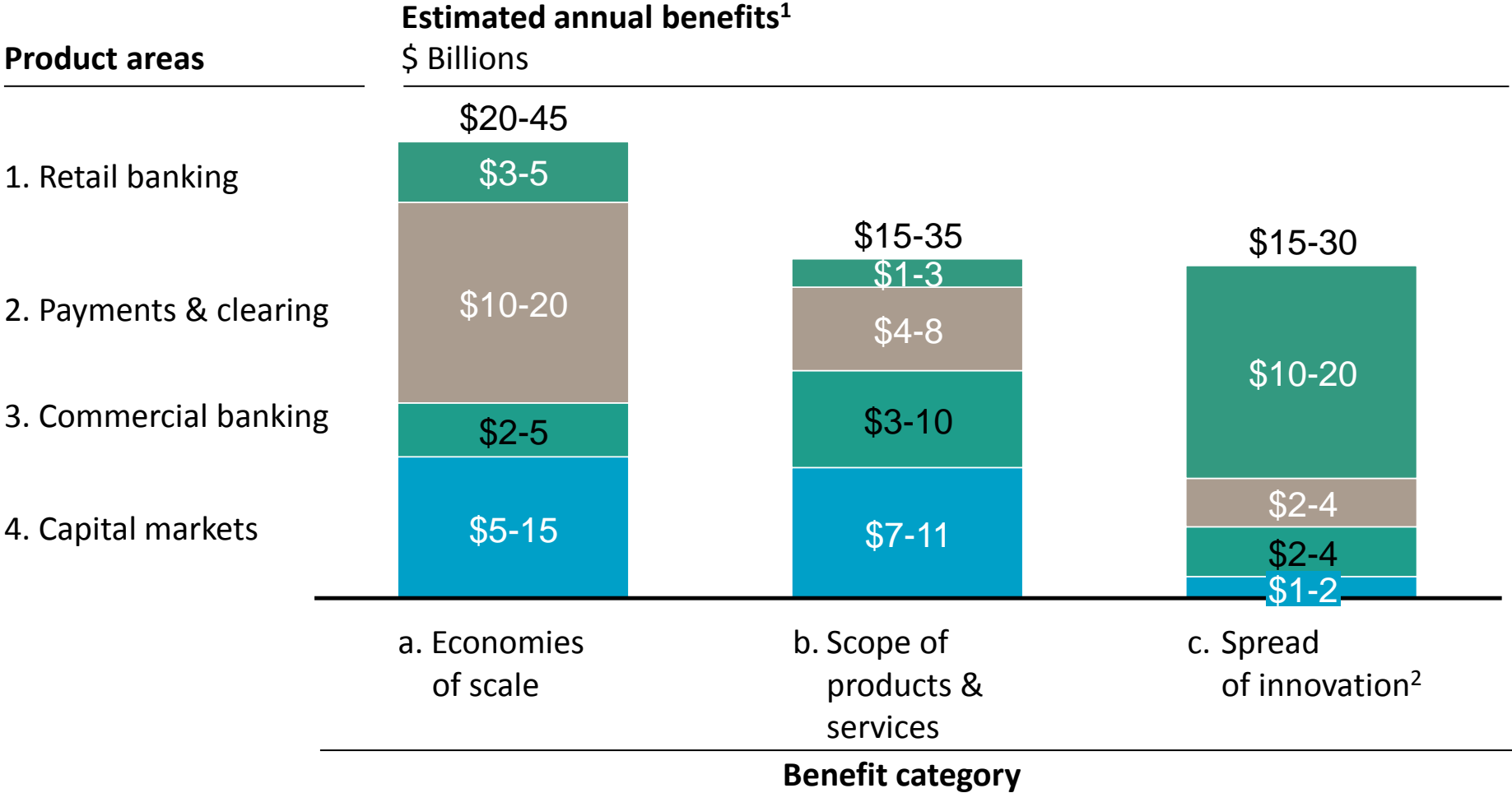
# Technologies spread faster with the participation of large banks.

Annual benefit





# Benefits from large banks are distributed across product areas.



1 Numbers may not sum due to rounding.

2 Based on analysis of historical benefit from spread of innovations over the past 30 years.

SOURCE: TCH large-bank study-participant data.

# TBTF, SYSTEMIC RISK, AND REGULATION