Leibniz-Institut für Wirtschaftsforschung Halle

IWH Research Seminar in Economics

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

Why Are Big Banks Getting Bigger?

Christoffer Koch, Federal Reserve Bank of Dallas

(gemeinsam mit Ricardo T. Fernholz, Claremont McKenna College)

The U.S. banking sector has become substantially more concentrated since the 1990s, raising questions about both the causes and implications of this consolidation. We address these questions using nonparametric empirical methods that characterize dynamic power law distributions in terms of two shaping factors – the reversion rates (a measure of crosssectional mean reversion) and idiosyncratic volatilities of assets for different size-ranked banks. Using quarterly data for subsidiary commercial banks and thrifts and their parent bank-holding companies, we show that the greater concentration of U.S. bank-holding company assets is a result of lower mean reversion, a result consistent with policy changes such as interstate branching deregulation and the repeal of Glass-Steagall. In contrast, the greater concentration of both U.S. commercial bank and thrift assets is a result of higher idiosyncratic volatility, yet, idiosyncratic volatility of parent bank-holding company assets fell. This contrast suggests that diversification through non-banking activities has reduced the idiosyncratic asset volatilities of the largest bank-holding companies and affected systemic risk. (read more)

Wissenschaftlicher Ansprechpartner am IWH:

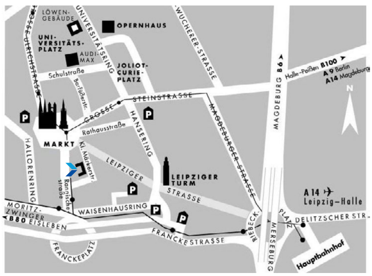
Felix Pohle, M.Sc.

Tel +49 345 7753 865, Felix.Pohle@iwh-halle.de

Leibniz-Institut für Wirtschaftsforschung Halle (IWH)

Kleine Märkerstraße 8, D-06108 Halle (Saale)

Tel +49 345 7753 60, Fax +49 345 7753 820



Mitglied der Leibniz-Gemeinschaft

die beste der möglichen Welten

www.iwh-halle.de