

## Discussion:

# Has the U.S. Finance Industry Become Less Efficient?

Atlanta Fed Financial Markets Conference

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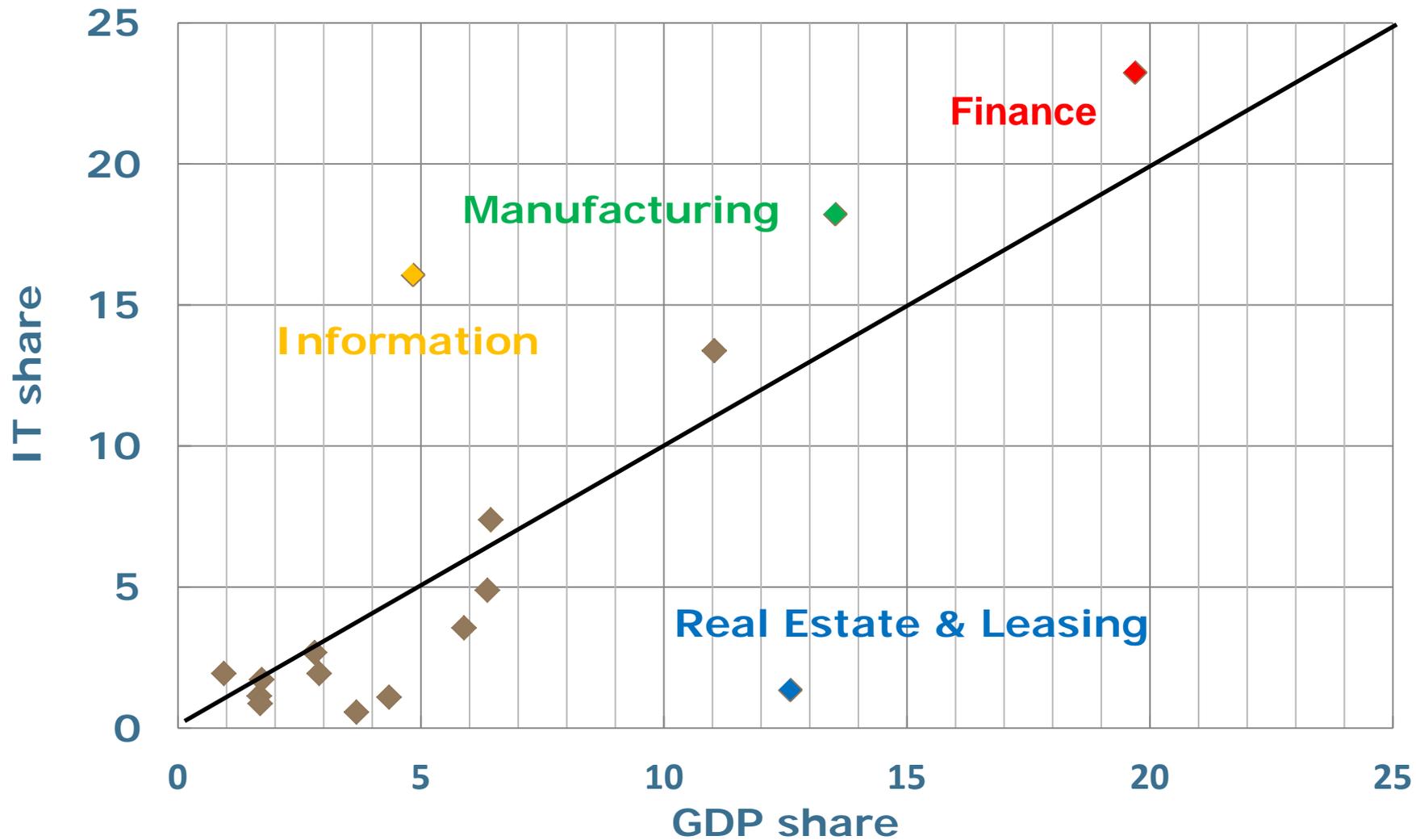
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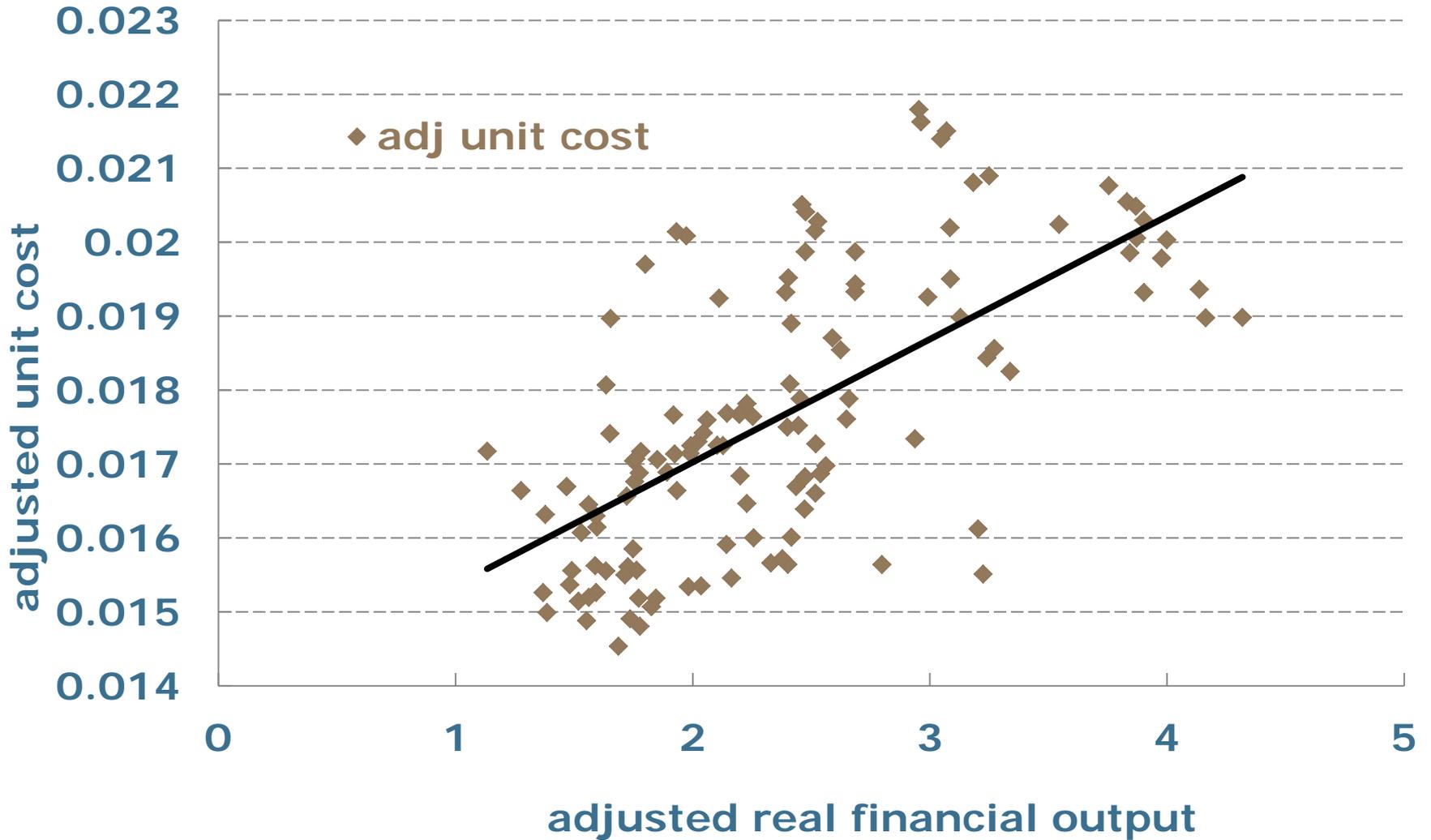
# Paper Summary

- Multi-sector heterogeneous agent dynamic growth model !
- Calibrated to historical data !
  
- Finance GDP share high
- 1<sup>st</sup> approx: constant unit cost
- 2<sup>nd</sup> approx: cost up since 1960s

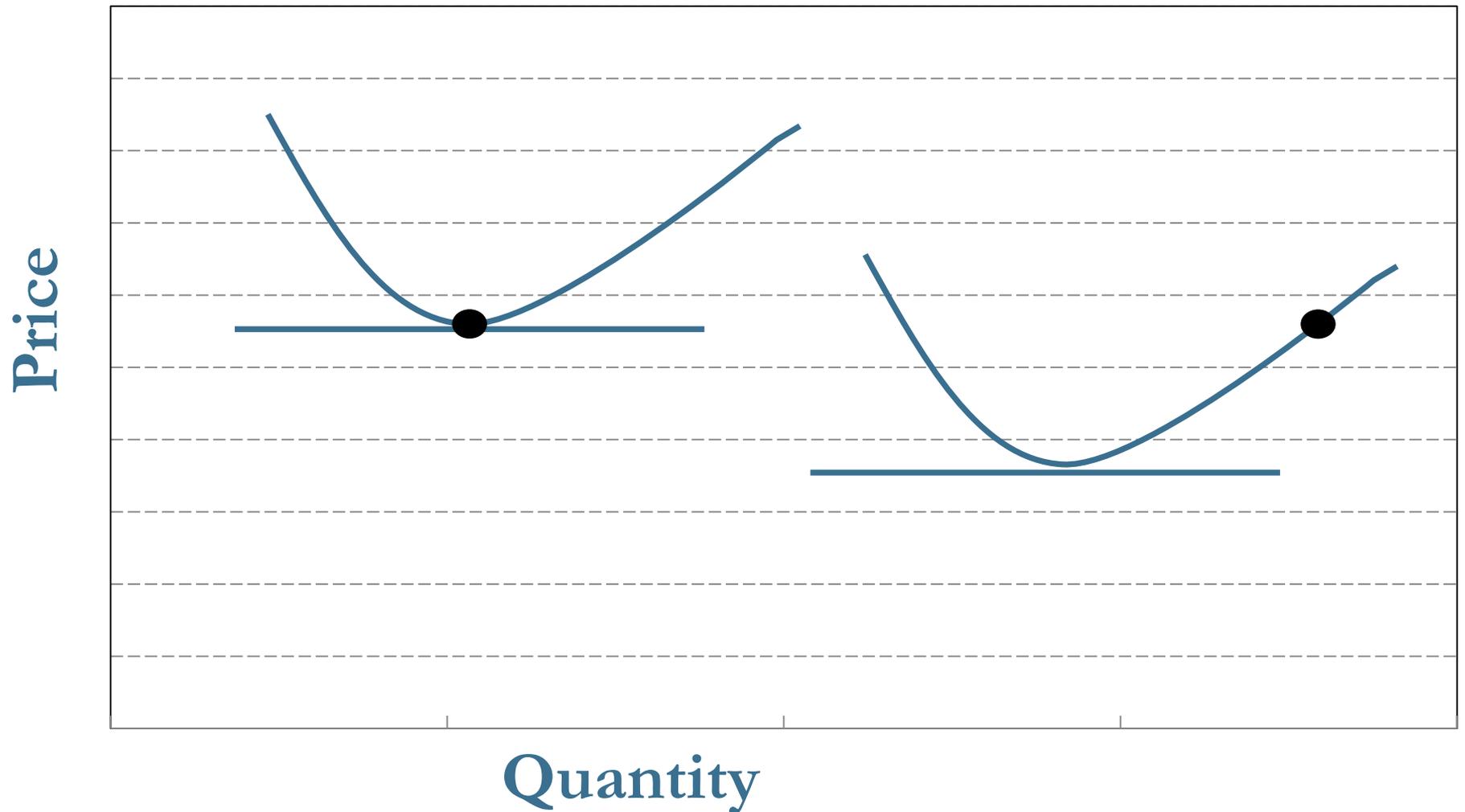
# IT share vs size



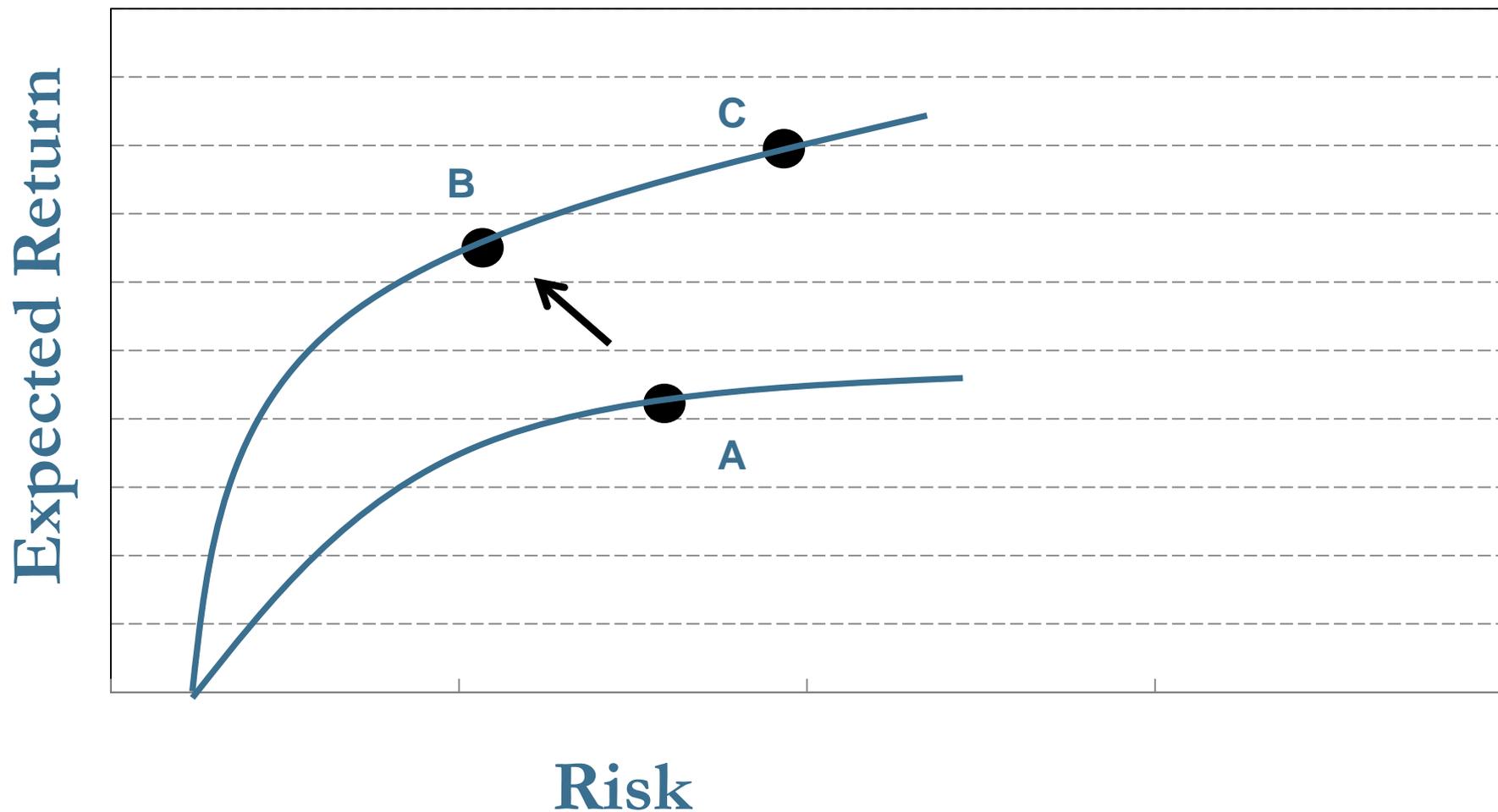
# Supply Curve



# Cost Curves hide technological change



# Technological Change looks like higher costs



# Implications?

- Too much finance?
  - overpaid
- Don't understand sector?
  - (Mehra-Prescott)
- Where's the market failure?
  - (Plott, Pollution)
  - Model?

## Challenges for research

- What determines participation?
  - Active vs. passive managed
- What good is risk management?
  - derivatives

# Intermediation Output and Crises

