FinTech, Regulation, and the Future of Finance

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Financial Intermediation (in the U.S.)

![Graph showing the share of GDP and intermediated assets/GDP over time. The x-axis represents years from 1880 to 2020, and the y-axis represents the share of GDP and intermediated assets/GDP on a scale from 0 to 0.8. The graph includes data points for the years 1880, 1900, 1920, 1940, 1960, 1980, 2000, and 2020.]
Unit Cost in the U.S.

Raw Unit Costs

This is why FinTech is happening!
Unit Costs, Global Comparison

Figure 2.5.1: National unit cost (4-year moving average)

Note: US unit cost from Philippon (2012), level estimation. The US series does not use bank capital gains. Unit costs calculation details for Germany, France and the UK are provided in the preceding paragraphs of this section.

Source: Bazot (2013)
Summary: Where We Are, Where We Want To Be

Current System:
- Expensive
- Levered
- Too big to fail

Desired System

FinTech
Current Strategy Has Run Its Course

Will not work: entrenched interests, coordination costs, intractable design problem
My Proposal: Strategy 2
My Proposal: Strategy 2
This Will Not Happen Automatically

Lack of Strategic Regulation
This Will Not Happen Automatically