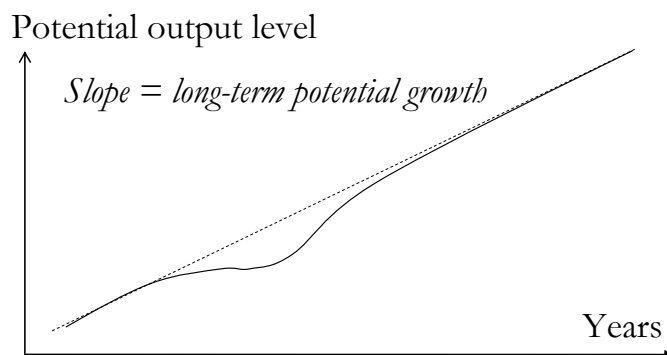


Annex

Has the financial sector grown too big?

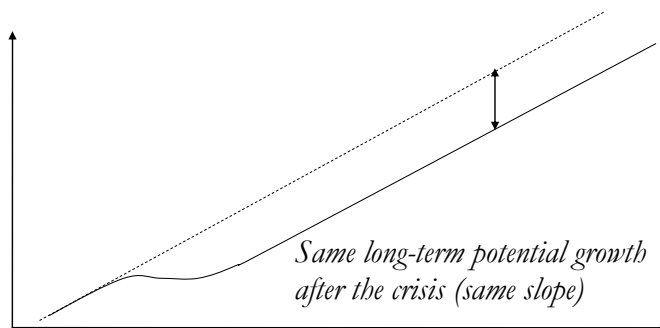
Lorenzo Bini Smaghi, Member of the Executive Board, European Central Bank,
Nomura Seminar, The paradigm shift after the financial crisis,
Kyoto, 15 April 2010

Figure 1:
Impact of the crisis on potential output

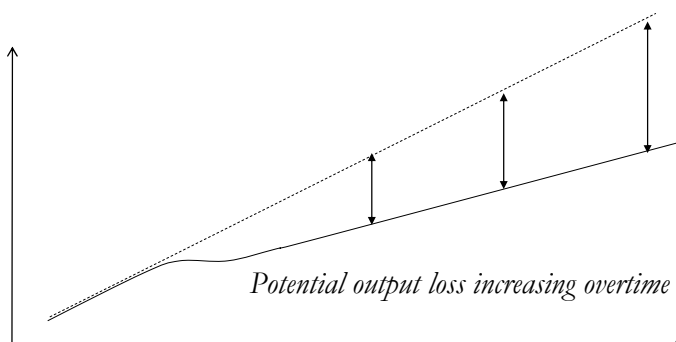


Impact depends:

...on whether potential growth can catch up...



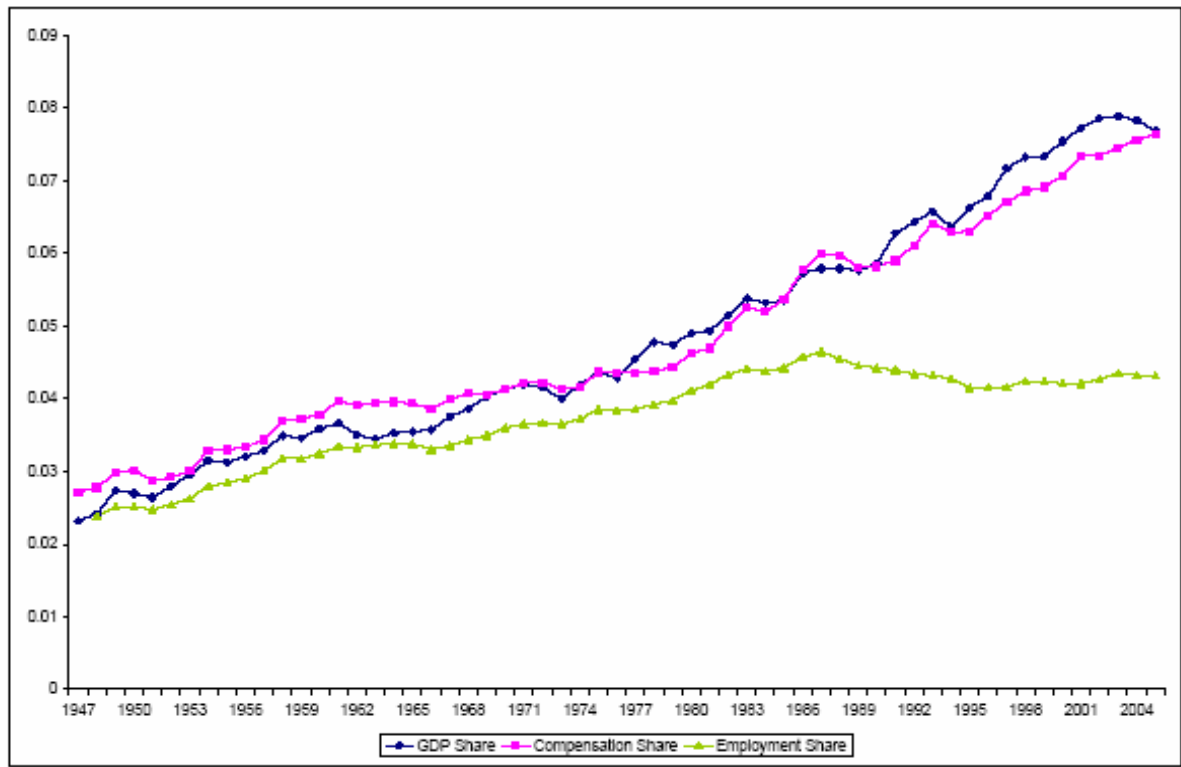
...otherwise leaving a permanent loss in the potential output level (of some 5%)...



...which may increase over time if growth does not recover to the pre-crisis level

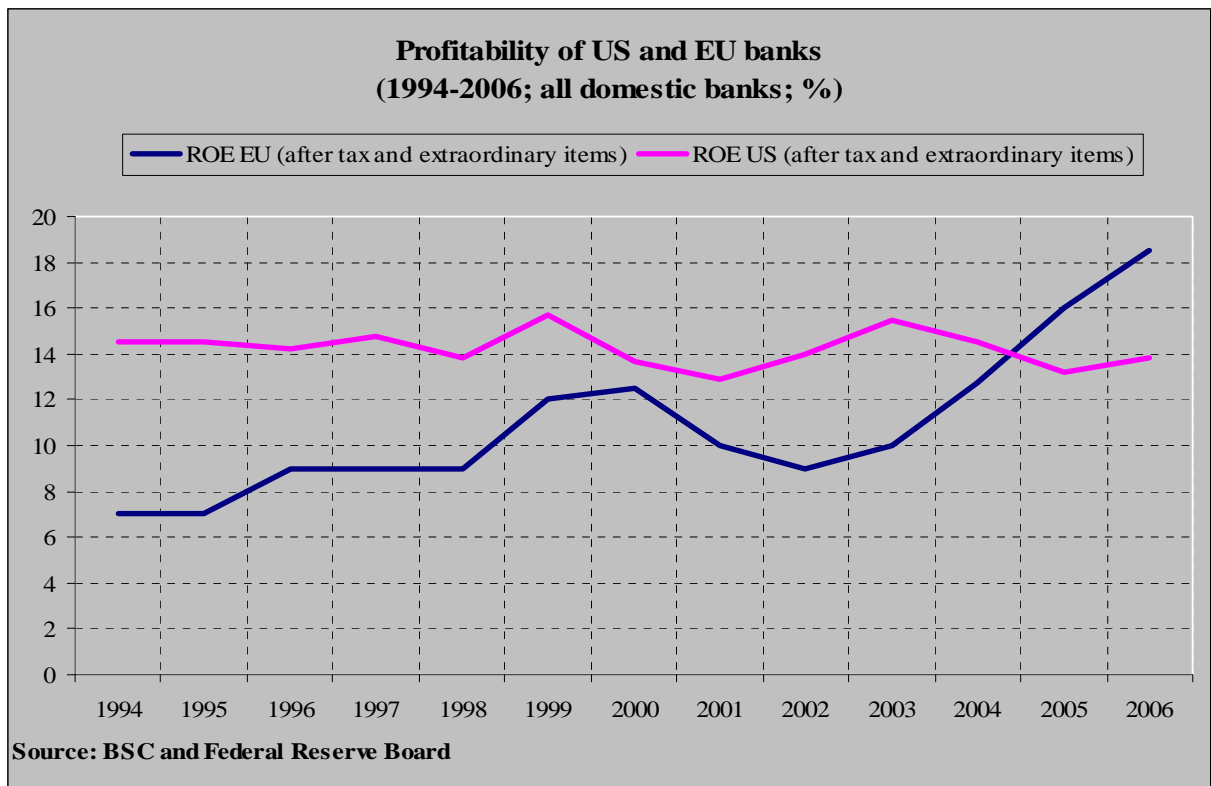
Source: European Commission, Occasional papers. 49, Jun. 2009 by Hobza, Mc Morrow and Mourre

Figure 2:
GDP, wage, and employment share of the financial sector in the US



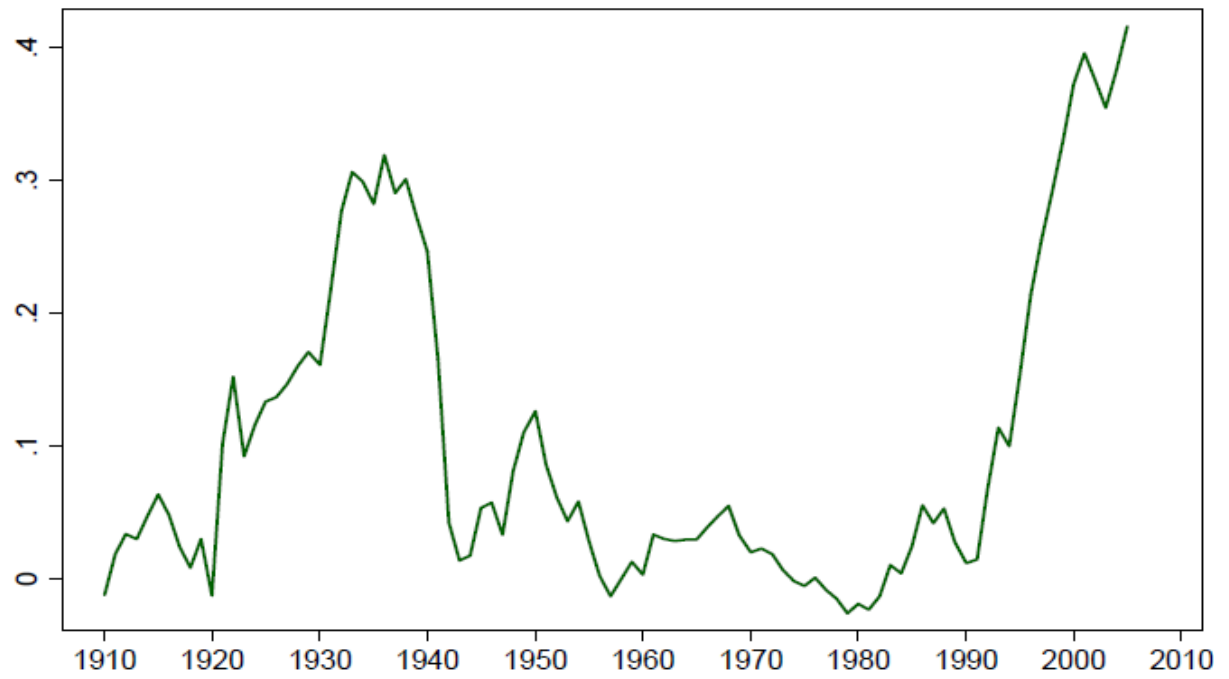
Source: Philippon and Reshef, 2007, "Skill biased financial development: Education, wages, and occupations in the US financial sector", NBER working paper 13437

Figure 3:
ROE for EU and US banks, 1994-2006



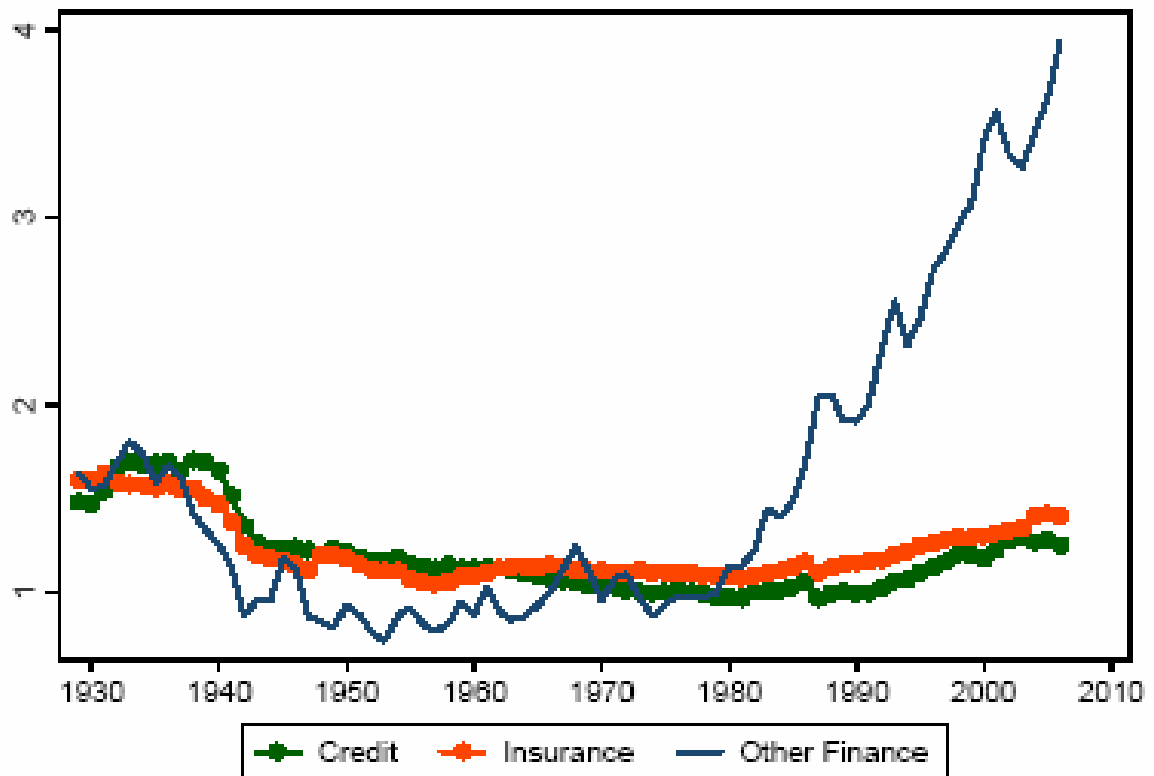
Sources: BSC, the "EU Banking Stability Report", 2004-2007, and the Federal Reserve Board

Figure 4:
Excess wage in the US financial sector relative to non-farm private wage



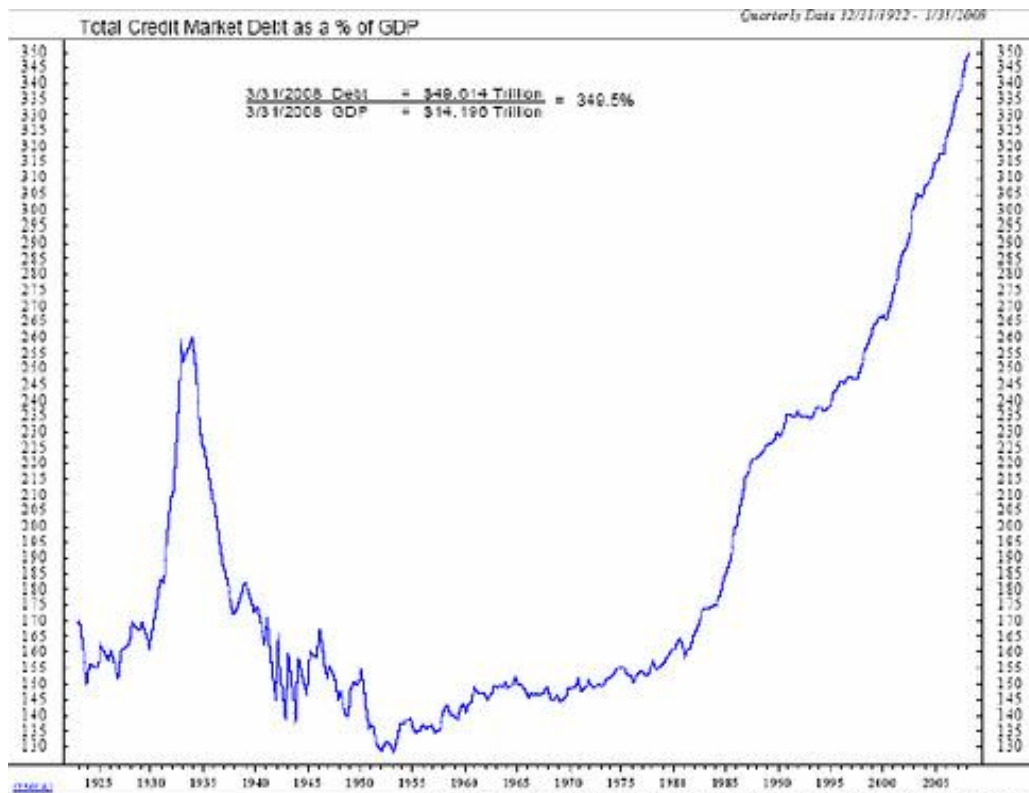
Source: Philippon and Reshef, 2009, "Wages and human capital in the US financial industry: 1909-2006", NBER working paper 14644

Figure 5:
Excess wage in the US financial sector relative to non-farm private wage, by type of financial industry



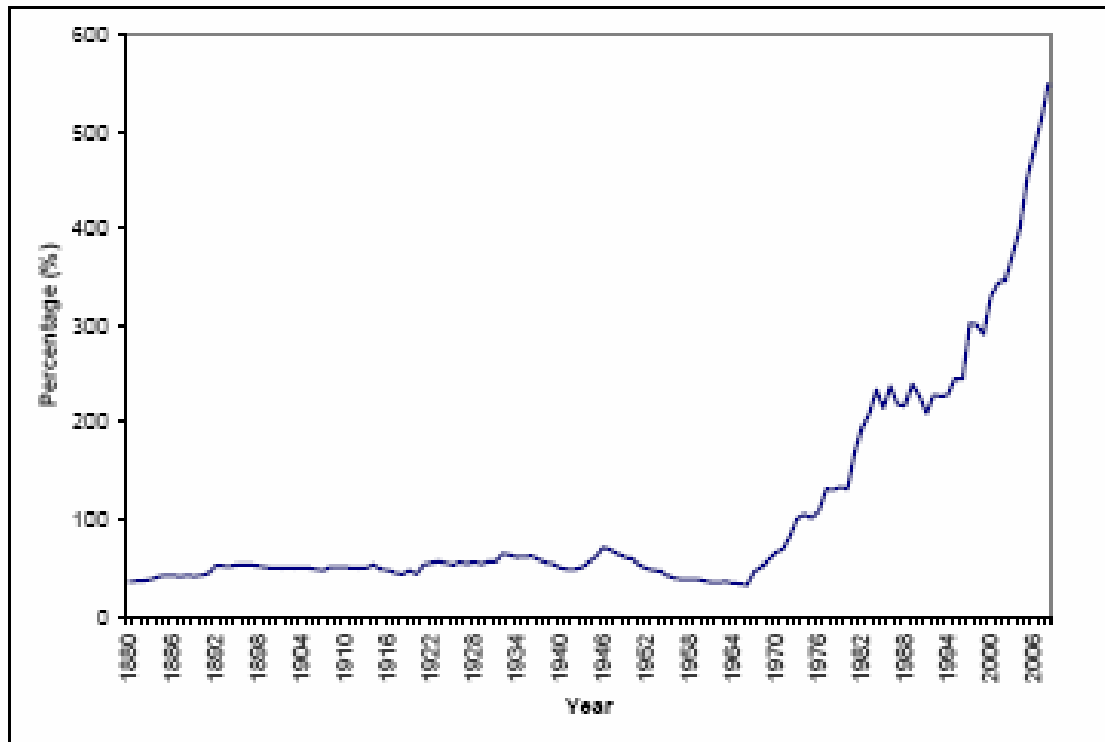
Source: Philippon and Reshef, 2009, "Wages and human capital in the US financial industry: 1909-2006", NBER working paper 14644

Figure 6:
Total US credit market debt as % of GDP



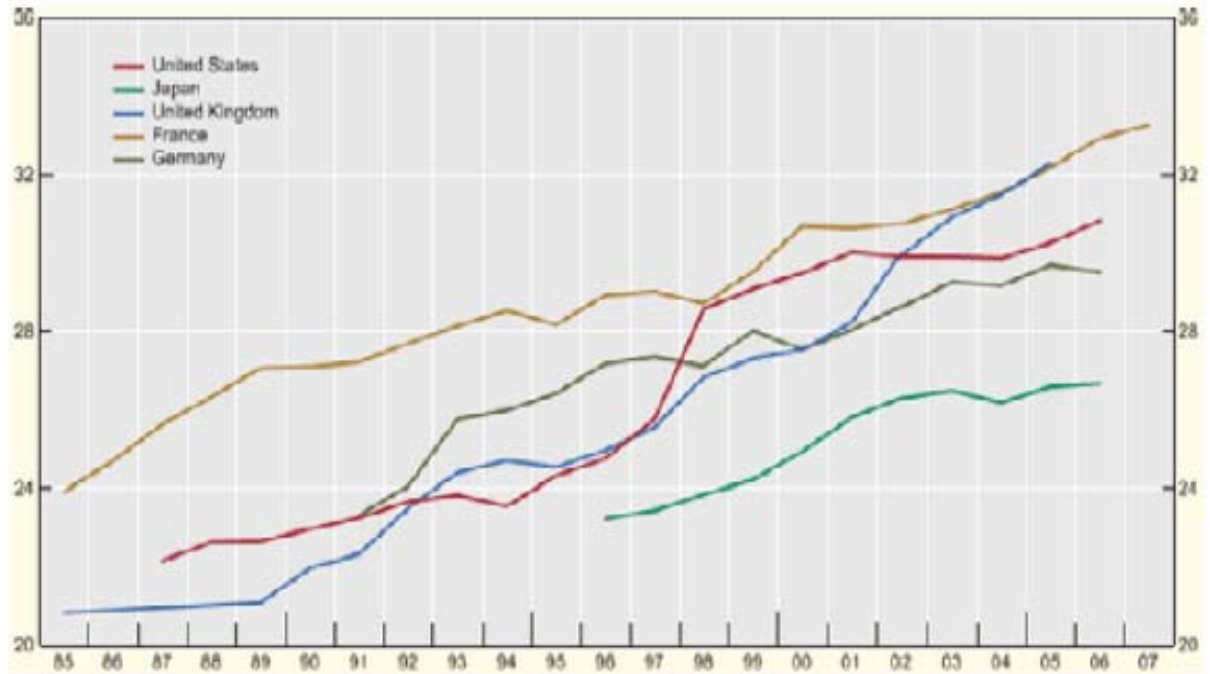
Source: www.Austrianengonomics.com

Figure 7:
UK banking sector assets as % of GDP



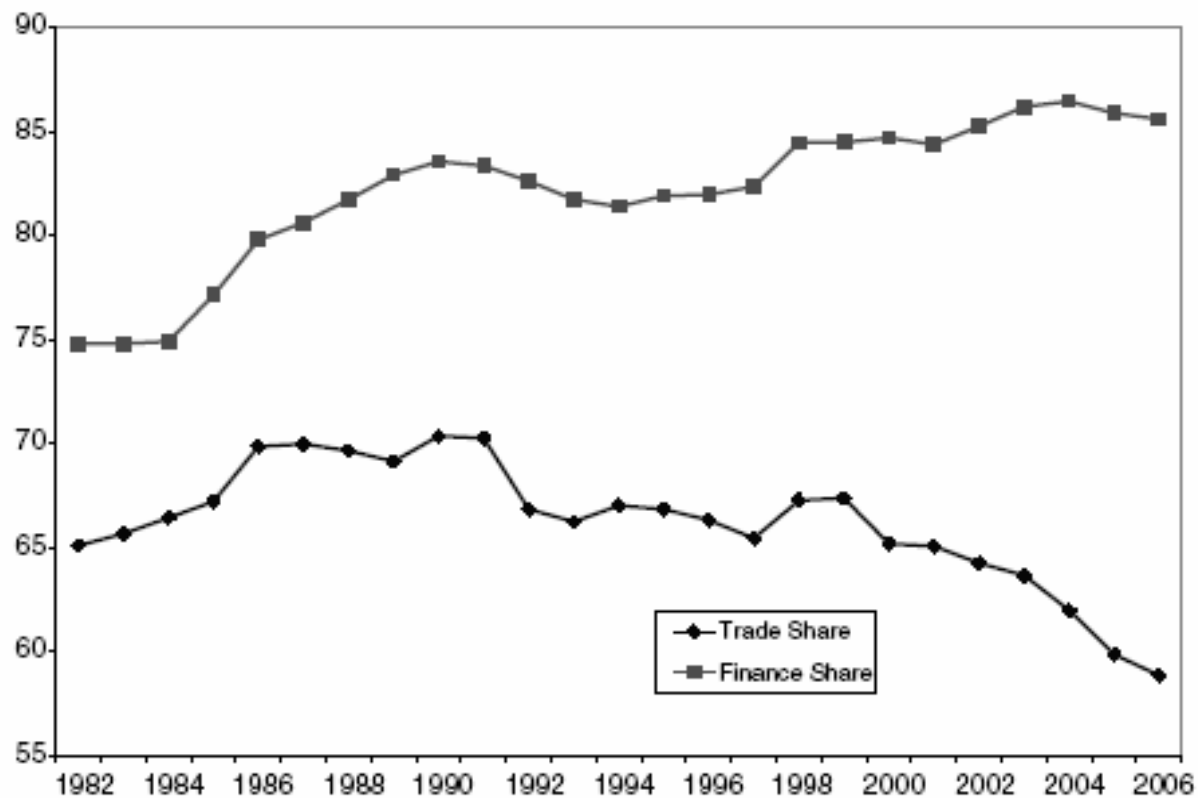
Source: Alessandri and Haldane, 2009, "Banking on the state", Bank of England mimeo

Figure 8:
Broad financial sector as share of GDP in US, UK, Japan, and selected European countries



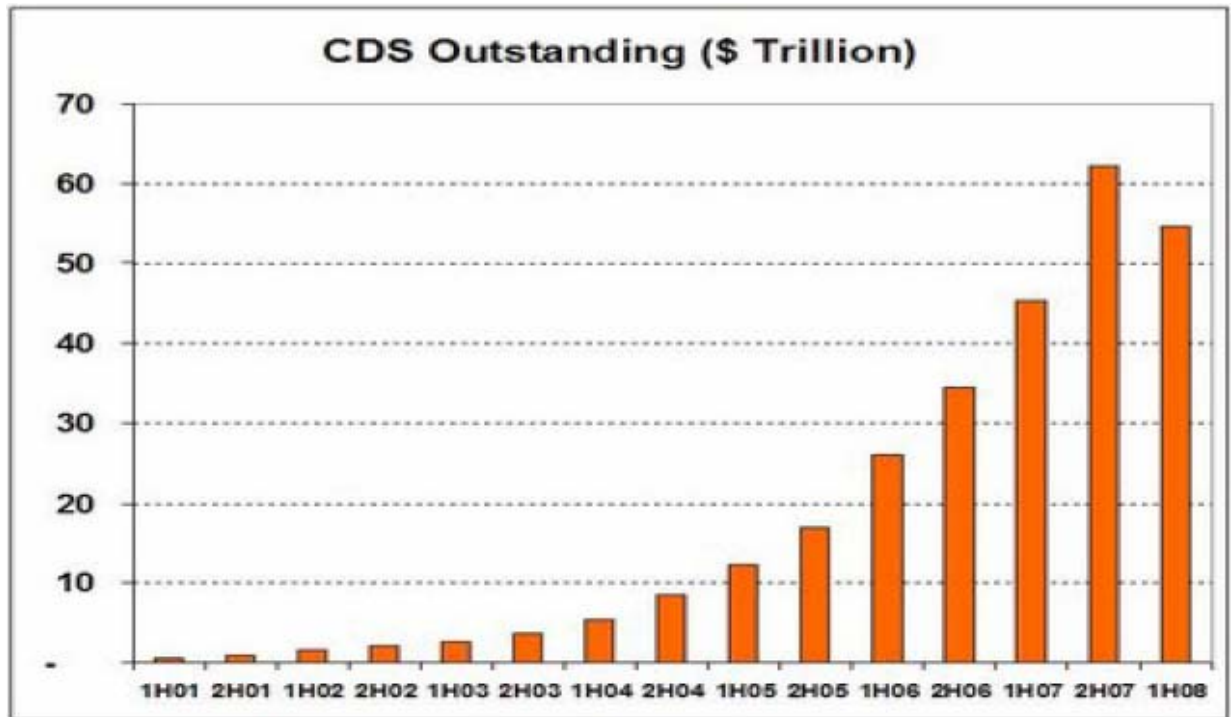
Source: OECD (2009)

Figure 9:
Share of advanced economies in world trade and gross cross-border financial position



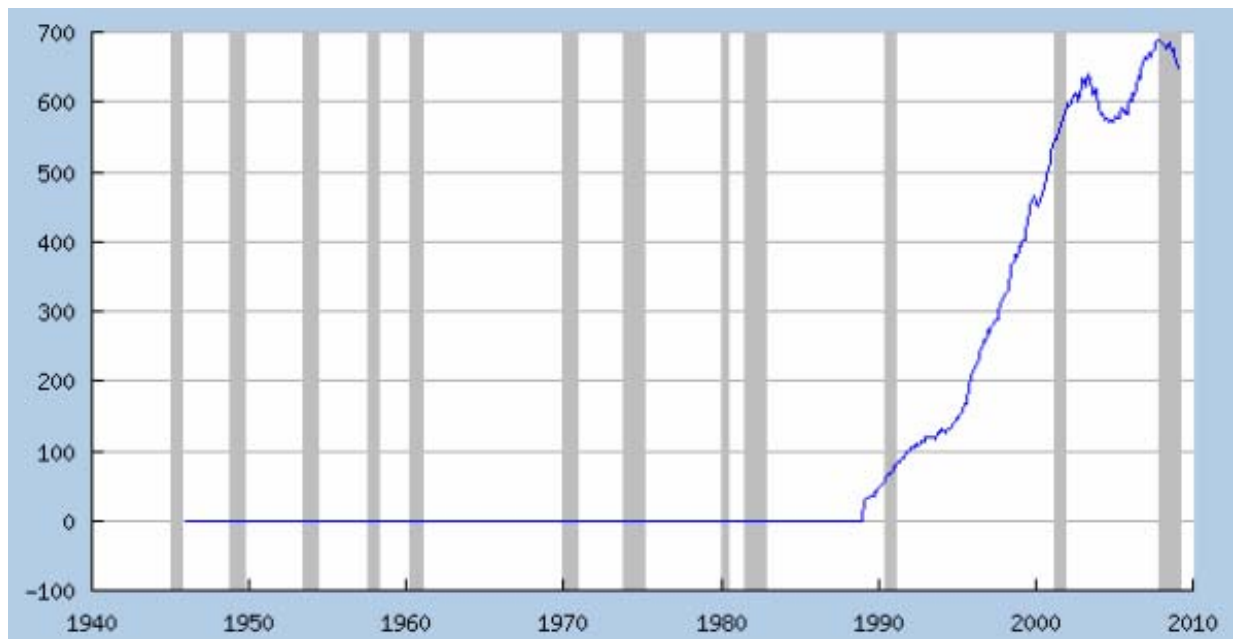
Source: Lane and Milesi-Ferretti, 2008, "The drivers of financial globalization", *American Economic Review Papers and Proceedings*, 327-333

Figure 10:
CDSs outstanding



Source: International Swaps and Derivatives Association (2009)

Figure 11:
Securitized loans in the US, in billions of dollars



Source: Federal Reserve Board (2009)