THE CHANGING FINANCIAL INDUSTRY STRUCTURE AND REGULATION: BRIDGING STATES, COUNTRIES, AND INDUSTRIES
36TH ANNUAL CONFERENCE ON BANK STRUCTURE AND COMPETITION

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Welcoming Remarks

I'd like to welcome you to the 36th Annual Conference on Bank Structure and Competition. Once again, we have an outstanding turnout. And I'm not surprised. This year's topic, the Changing Financial Industry Structure and Regulation, is of interest to everyone in the industry, affecting institutions of all sizes.

This, of course, is an especially dynamic time for the financial services industry. Many of the traditional barriers — both geographic and product — have been dismantled and the old distinctions have become increasingly blurred. Back in the '50s and '60s, banking could be compared to a work of art rooted in realistic images — a Norman Rockwell painting with sharply defined and clear subject matter. Today, banking is closer to a modern abstract piece: challenging — often provocative — with fewer easily recognized images and less traditional orderliness.

This year's conference theme returns us to the original purpose of the conference: the analysis of financial industry structure and competition. Our first Bank Structure Conference in 1963 was held to discuss recent developments within the banking industry. In particular, that first conference focused on the passage of the Bank Merger Act of 1960 — which required regulators to consider competitive factors when evaluating mergers — and a Justice Department suit to stop a merger by the Philadelphia National Bank, a suit that is now recognized as a pivotal case in U.S. banking history.

Although the origins of the conference are linked to competitive issues, we've covered the gamut since then. For example, we examined the costs, benefits and risks of deregulation in the 1970s, moral hazard and deposit insurance in the 1980s, and global financial crises in the 1990s. Today, the Bank Structure Conference is generally acknowledged to be the nation's leading forum for discussing public-policy issues facing the financial industry. The changing nature of the financial services industry has been an increasingly important topic over the past decade, and I have no doubt it will continue to be in years to come. As you well know, the recent elimination of geographic barriers has triggered a significant increase in the number and size of bank mergers, both in the U.S. and abroad. We're also seeing cross-industry mergers and affiliations — a convergence of commercial banks, investment banks and insurance firms into modern financial service providers. With the passage of the Gramm-Leach-Bliley Act, this trend is expected to increase.

One quick example that illustrates the blurring of these traditional distinctions can be found in a recent article in the American Banker. The article quoted Amazon.com's Director of Global Payments — not a common job title in a company that just a few short years ago did nothing but sell books.

Over the next few days we will consider how the many changes in the financial services industry are affecting all of us — as industry participants, regulators, observers and consumers. Among the key questions that we'll be discussing are:

- What opportunities and challenges do these changes present for financial services providers?
- What is driving the merger trend?
- What are the implications for current antitrust methodologies and for industry competition?
- Are there significant efficiency gains from universal banking or one-stop shopping?
- What impact might Internet banking have on industry structure and competition, or on market definitions and related regulatory issues such as CRA?
- With all these changes, has the role of small banks been enhanced or diminished?

The answers to these questions will have an enormous impact on the future of the financial services industry. To launch these discussions, I'd now like to introduce our keynote speaker, Alan Greenspan. Alan's outstanding reputation and extraordinary talents are well known to everyone in this audience. It's widely acknowledged that Alan has done a superb job in carrying out the very complex responsibilities of Federal Reserve Chairman. So much so that Alan's reputation for excellence has spread to the popular culture — not a typical occurrence for a central banker.

Earlier this year the A&E TV network bestowed its "Biography of the Year" title on Alan. Both Jay Leno and David Letterman have consistently worked Alan's name into their monologues. On a local note, Barron's reported that a Chicago restaurant boasted in its ads that "Alan Greenspan dined here." Alan was even called the "Babe Ruth of our economic policy" during a recent public appearance, but I think you can make a case for another sports hero who earned his reputation right here in Chicago — Michael Jordan.

Both Alan and Michael have superb leadership ability but are also great team players; both head up organizations based in Washington — although I would say that the Fed has a had much better record of success than the Washington Wizards have had in recent years. Both are willing to do the less glamorous work that's necessary for success — Michael played tough defense on the court; Alan studies dry statistics in his bathtub; and both Alan and Michael have an unparalleled ability to rise to the occasion in times of crisis. However, one significant difference between the two is that Michael Jordan, at 6'6", can dunk a basketball. And though I've never asked him, I seriously doubt that Chairman Greenspan can.

Height differences aside, though, Alan is to central banking what Michael is to basketball — the very best at what he does. I was poking fun at that Chicago restaurant for boasting that "Alan Greenspan dined here," but I have to admit that all of us here at the Chicago Fed take great pride in the fact that Alan has spoken here at the Bank Structure Conference—and has done so for the past decade. His perceptive remarks have always been the highlight of the conference. We greatly appreciate his willingness to join us once again. Please join me in welcoming Alan Greenspan.