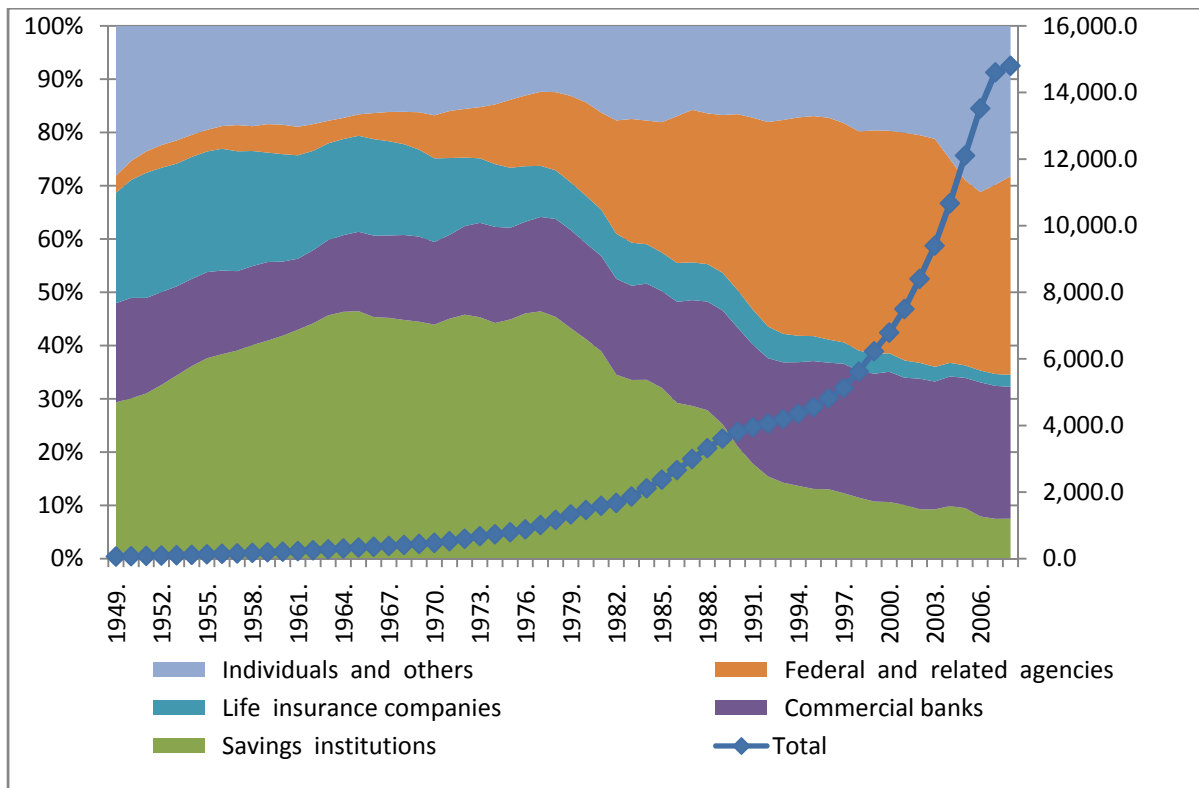
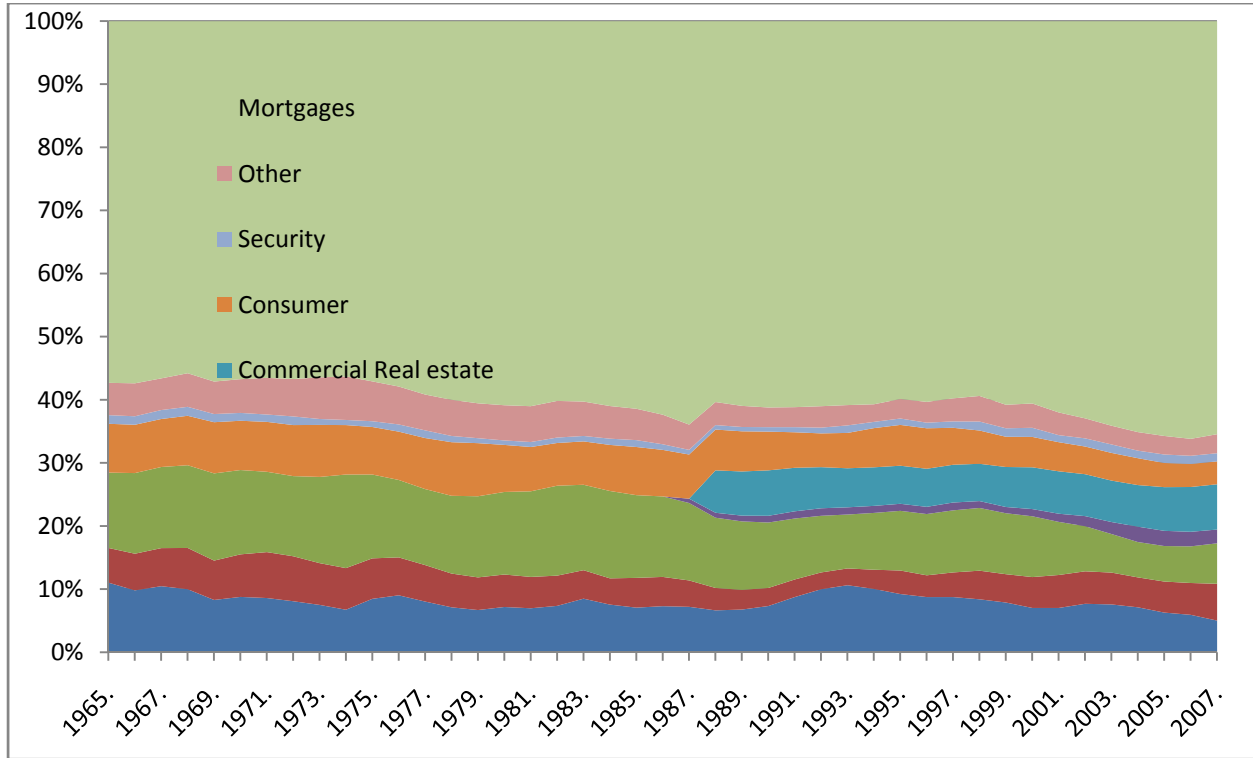
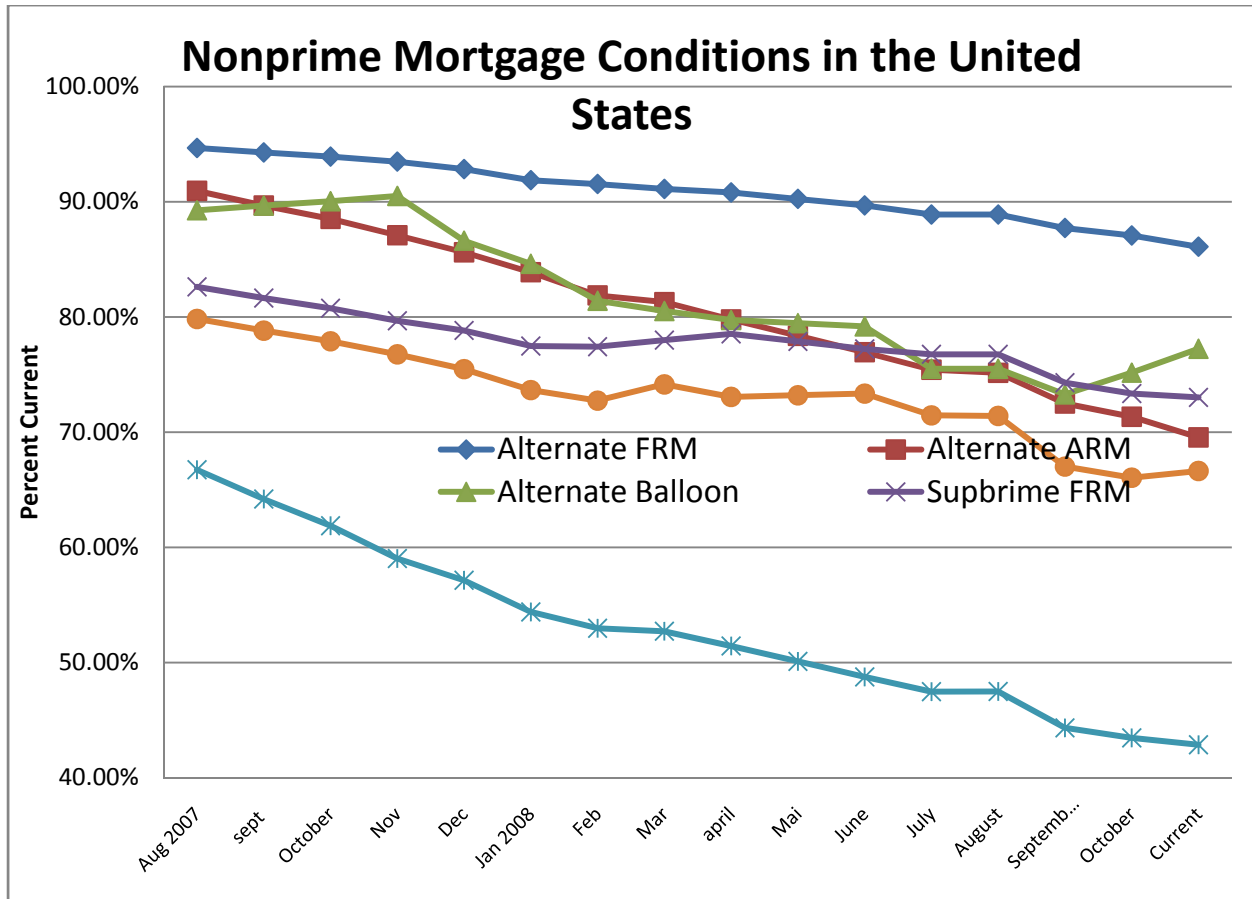


# SS 129: Capital Markets over time

## A few pointers on the US Financial sector





### Credit Market borrowing ALL SECTORS, BY INSTRUMENT

	2000	2002	2004	2006	2007
Total.	1,721.6	2,387.6	3,141.8	4,065.2	4,394.9
Open market paper.	211.6	-99.1	106.2	317.1	-169.4
Treasury securities.	-294.9	257.1	362.5	183.7	237.5
Agency- and GSE-backed securities <sup>1</sup> .	433.9	547.2	122.3	330.6	908.3
Municipal securities.	23.6	159.4	130.5	177.3	215.4
Corporate and foreign bonds.	358.2	559.2	845.7	1,256.1	1,145.2
Bank loans n.e.c. .	113.3	-80.2	72.7	123.1	330.2
Other loans and advances.	137.8	32.0	128.6	157.2	508.9
Mortgages.	561.5	904.1	1,258.1	1,415.6	1,083.0
Consumer credit.	176.5	107.9	115.0	104.4	136.0

## Credit Market borrowing .

Item	2000	2002	2004	2006	2007
<b>NONFINANCIAL SECTORS</b>					
Domestic.	864.8	1,414.5	1,999.4	2,428.4	2,515.5
By sector.	864.8	1,414.5	1,999.4	2,428.4	2,515.5
Household sector.	583.5	832.8	1,066.8	1,204.6	880.6
Nonfinancial business.	560.3	180.1	455.4	889.4	1,211.6
Corporate.	361.9	23.1	204.8	521.1	787.0
Nonfarm noncorporate.	196.4	149.8	244.5	349.9	415.9
Farm.	2.0	7.1	6.0	18.4	8.7
State and local governments.	16.9	144.1	115.4	151.1	186.1
Federal Government.	295.9	257.6	361.9	183.4	237.1
Foreign borrowing in the United States.	63.0	93.4	154.7	331.3	124.3
Commercial paper.	31.7	58.8	68.7	97.1	-67.4
Bonds.	21.2	31.6	85.8	227.8	170.7
Bank loans n.e.c. .	11.4	5.3	3.8	13.8	24.1
Other loans and advances.	-1.3	-2.3	-3.6	-7.4	-3.2
Nonfinancial domestic and foreign borrowing.	927.8	1,507.9	2,154.2	2,759.8	2,639.7
<b>FINANCIAL SECTORS</b>					
By sector.	794.1	879.2	987.0	1,304.7	1,753.4
Commercial banking.	60.0	49.7	78.4	177.4	263.2
U.S.-chartered commercial banks.	36.8	29.9	18.7	107.5	131.8
Foreign banking offices in the United States.	0.0	-.4	.1	-.3	.0
Bank holding companies.	23.2	20.3	59.5	70.2	131.3
Savings institutions.	27.3	-23.4	89.0	-111.9	105.2
Credit unions.	0.0	2.0	2.3	4.2	13.4
Life insurance companies.	-0.7	2.0	3.0	2.7	14.5
Government-sponsored enterprises.	235.2	219.8	75.0	35.6	282.4
Agency- and GSE-backed mortgage pools <sup>1</sup> .	199.7	326.8	47.9	295.4	626.3
Asset-backed securities issuers.	169.5	221.7	446.2	807.9	332.1
Finance companies.	86.3	66.2	134.3	34.8	24.9
REITs <sup>2</sup> .	2.6	27.3	98.3	22.9	-3.5
Brokers and dealers.	15.6	-1.7	15.2	6.4	-4.0
Funding corporations.	-1.6	-10.7	-2.2	29.9	100.7

Notice (1) the size of different sectors matters (no equity yet)

So now to Rajan and Zingales

Traditional story: markets are big in Common law country?

Why?

But how large is the bias?

Today?

But is this true over time?

Look back in the 1970s (common law countries have a big advantage)

Look further back to 1913 (they no longer have the advantage)

What is going on?

First phase of Financial development runs 1800-1860. Focused on banks and local exchanges (true in many industrializing countries)

Then starting in the 1860s a second phase. More focused on national exchanges and international capital flows.

That phase ends with WWI and these types of institutions are less important than national government funding until the 1970s when we return to more important equity markets and more international capital flows

How is this connected to common law civil law?

How is this connected to wars?

How is this connected to international trade

How is this connected to political change