

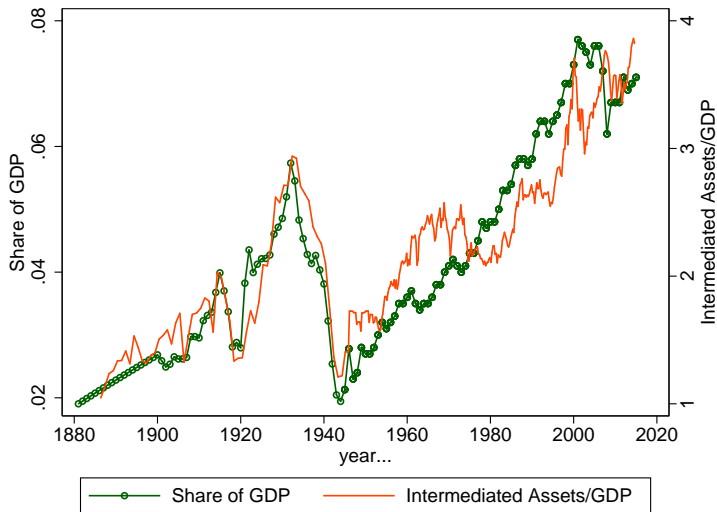
# The FinTech Opportunity

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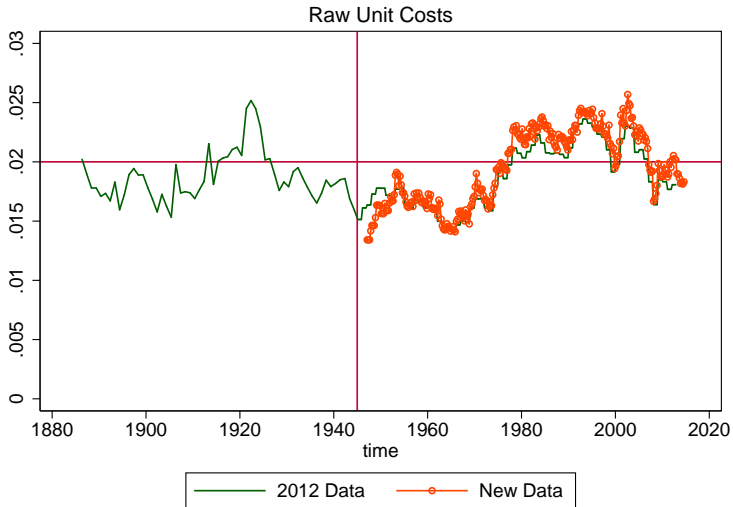
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## Financial Intermediation (in the U.S.)



Source: Philippon (AER, 2015)

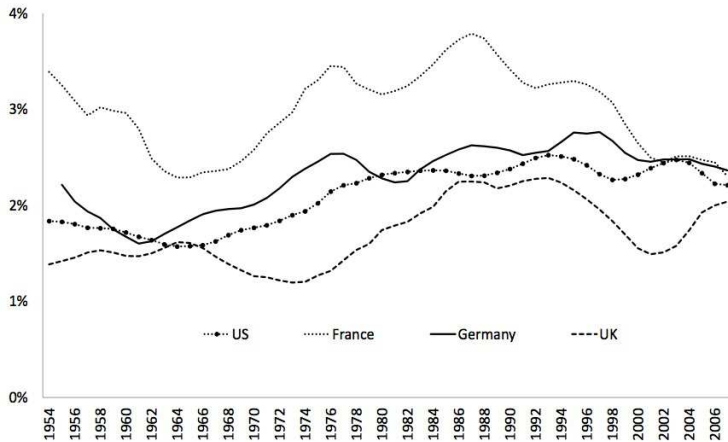
# Expensive Finance: Unit Cost in the U.S.



Source: Philippon (AER, 2015)

# 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)

# What did NOT happen in Finance



# What Can FinTech Do For Us?

- Lower costs
  - e.g. robo advisors (Fisch, Labouré & Turner)
- Democratize access & Improve decisions
  - Poors (Klass & Perelman; Callaway)
  - Olds (Munteanu, Axtell, Rafih, Liaqat & Aly)
  - Steven Polansky, Peter Chandler, and Gary R. Mottola (2018)
  - Lapse in insurance coverage
- Lower risk, rely less on debt
  - Tech solutions more equity friendly
  - Square, PayPal loans, Holberton School tuition

# Challenges

- Separate hype from value
  - big data is .. data; AI/ML is .. lots of regressions
- Data
  - Cyber risk (Rouse, Levine, Itami, & Taylor)
  - Ethics & genetic information (Klitzman)
  - Who owns the data? GDPR
  - API and data sharing: bilateral agreements to protect rents
  - Europe, China
- Legal framework
  - Investment advisors (Baker and Dellaert)
- Dealing with Mistakes
  - Driverless finance?