# Call for Papers

The rise (and decline) of retail banking. 1960s to 2020s

Frankfurt am Main

24/25 November 2016

On November 17-18 2016 GUG, in cooperation with the *eabh*, will hold a joint retail banking conference in Frankfurt. The theme is: “The rise (and decline) of retail banking? 1960s to 2020s”.

In 1967 the American economist Raymond Goldsmith forecast the imminent decline of commercial high street banks. According to him, these banks had had their day. While necessary in the early stages of modern economic growth as a means of mobilizing savings and allocating capital, they would lose their usefulness as the financial structure of maturing economies diversified and new, more specialized financial institutions assumed their core functions. Goldsmith’s argument looked convincing. By the mid-1960s commercial banks’ assets to GDP ratio was at a postwar low in many western countries, that is to say, economies were growing faster than the banks. At the same time that diversification did happen as countries started relaxing capital market controls and new institutions seized the opportunities. However, Goldsmith was fundamentally wrong. From its mid-1960s nadir, bank assets to GDP more or less exploded, to reach new, unprecedented peaks around the turn of the millennium (Figure 1). Commercial banks completely reinvented themselves as retail banks.

*Figure 1, Bank assets to GDP in five countries, 1950-1998*

**Banking assets : GDP in five countries, 1950-1990**

**Source : IMF (assets) Maddison (GDP)**

They did this by developing entirely new service patterns to serve customers, which they had previously spurned. That growth phase lasted some thirty years. By the mid-1990s the retail banking model started showing signs of strain in the form of declining profitability, while banks found it increasingly hard to pass on the rising costs of services previously given away for free to attract customers. Some banks sought a way out by increasing scale through rapid internationalization; others through building up other profit centres such as wealth management or investment banking, with varied results at best. Following the 2008 financial crisis retail banking entered a deep identity crisis. Leading banks cut staff by the thousands and tried to sell off retail operations that had turned from profit centres into core problems. Complicated administrative structures and legacy IT systems prevented the banks from responding flexibly to the threat of new forms of intermediation that used nimble IT solutions to solve the mismatch of supply and demand. Is there a way out for retail banking? If so, where should it go?

Possible research questions are:

* Why did the turn towards retail banking happen across all of Europe at more or less the same time? Is it fashion, or simply rising incomes crossing a particular threshold at the same time? If so, what is that threshold?
* Wealth research: retail banking only becomes viable if there are a certain number of people with sufficient income who the banks can recruit as clients. There must be fiscal data in existence, which provides insight into that threshold, and there must be people who've worked with these data.
* Is retail banking losing ground with the individualization of society, growing competition and new cheap technical possibilities that allow easier access to cheap money for everyone (crowd funding, PayPal, Transferwise)?
* More to the point: are retail banks like ‘beached whales’, unable to go back to sea? Should we help them back or let them wither away under the sun of new technology?
* How do today’s banking strategists see the future?

Each paper proposal should include a one page abstract, a list of 3 to 5 keywords, and a one-page CV.

The programme committee consists of: Joost Jonker (Amsterdam University), Dieter Ziegler (Ruhr-University Bochum), Carmen Hofmann (*eabh*) and Andrea Schneider (GUG).

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The deadline for submissions is 15 August 2016. Please send them to Andrea

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