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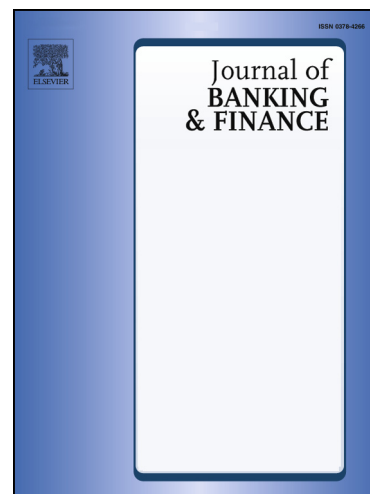
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ARE EUROPEAN BANKS TOO BIG? EVIDENCE ON ECONOMIES OF SCALE

Elena Beccalli^{1*}Mario Anolli²Giuliana Borello³**Abstract**

In light of the policy debate on too-big-to-fail we investigate evidence of economies of scale for 103 European listed banks over 2000 to 2011. Using the Stochastic Frontier Approach, the results show that economies of scale are widespread across different size classes of banks and are especially large for the biggest banks. At the country level, banks operating in the smallest financial systems and the countries most affected by the financial crises realize the lowest scale economies (including diseconomies) due to the reduction in production capacity. As for the determinants of scale economies, these mainly emanate from banks oriented towards investment banking, with higher liquidity, lower Tier 1 capital, those that contributed less to systemic risk during the crises, and those with too-big-to-fail status.

JEL codes: G21

Keywords: Bank, Economies of scale, Regulation, Too-Big-To-Fail, EU.

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