**Modeling Interstate Banking in the United States: the Spatial 3-Stage Least Squares Approach**

**Highlights**

* Account for spatial autocorrelation, outward/inward banking, and temporal effects
* Healthy economic structure, expanding market, lower income encourage inward banking
* Low capital use, low profit, small frim sizes in banking encourage inward banking
* Large and well-capitalized banks from states with healthy economy expanded outward
* Competitiveness issues call for study at the local level and possible policy actions