# Research Record for the Project "Too Big to Fail"

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## 1. Main Idea

This project aims to study the relation between the size of a bank in terms of its balance sheet and the probability of the bank run occurring. And, if the larger the bank, the more can a bank immune itself from the bank run, then what is the implication of this result?

Suppose that the banking market is oligopolistic, then there is a dead weight loss in the market (under some kind of oligopolistic competition), and the larger the bank, the more oligopolistic the market is. However, if the size also prevents the bank from the crisis, then the limitation of the size of the bank can increase the financial fragility of the banking system. This is the trade-off between the oligopoly and the financial fragility. Consider the limitation of the size of the bank and the federal deposit insurance.

## 2. To Do

- See how to incorporate the bank run from Diamond and Dybvig (1983).
- How to write a model having the feature that the bank size affects the probability of a bank run.
- Evidence of the bank size-bank run relation.

## References

Diamond, D. W., & Dybvig, P. H. (1983). Bank runs, deposit insurance, and liquidity. *Journal of Political Economy*, *91*(3), 401–419.

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