

## Macro Roundup Article

**Headline:** [Thoughts on the Bank Bailouts](#)

**Article Link:** <https://theovershoot.co/p/thoughts-on-the-bank-bailouts>

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**Tweet:** [.@M\\_C\\_Klein questions the policy of unlimited deposit insurance, and suggests that the public would be better off "If instead we maintain the \\$250,000 deposit insurance limit and let uninsured deposits migrate to money-market funds."](#)

**Summary:** For the FDIC-insured banking system as a whole, uninsured domestic deposits were worth \$7.7 trillion at the end of 2022, while insured deposits were worth \$10 trillion. Uninsured deposits have been leaving the banks since the end of 2021, down about 9% (\$780 billion) whereas insured deposits continue to rise. As it happens, insured deposits in the banking system correspond almost perfectly to banks' outstanding loans to the real economy. If, hypothetically, all of the uninsured deposits in the U.S. left the banks and went into money funds, the banks could still do the valuable work that they ostensibly do. Moreover, the holders of those uninsured deposits would end up with safer and higher-yielding assets that do not require implicit and explicit transfers to bankers and bank shareholders. The transition could be disruptive if it happened all at once, but there is no inherent reason to fear a world where the banking sector has shrunk substantially.

**Primary Topic:** Banking

**Topics:** Banking, Business Cycle, Financial Markets, Op-Ed/Blog Post

**Permalink:** [https://www.edwardconard.com/macro-roundup/m\\_c\\_klein-questions-the-policy-of-unlimited-deposit-insurance-and-suggests-that-the-public-would-be-better-off-if-instead-we-maintain-the-250000-deposit-insurance-limit-and-let-uninsured?view=detail](https://www.edwardconard.com/macro-roundup/m_c_klein-questions-the-policy-of-unlimited-deposit-insurance-and-suggests-that-the-public-would-be-better-off-if-instead-we-maintain-the-250000-deposit-insurance-limit-and-let-uninsured?view=detail)

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