Macro Roundup Artcile

Headline: Four Ways To Fix The Bank Problem

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Tweet: Chart from @martinwolf_ shows in nominal terms bank failures in 2023 at $330b are on par with 2008's $374b if you net out Bear Stearns and Lehman's assets.

Summary: Banks are designed to fail. And so they do. Governments want them to be both safe places for the public to keep their money and profit-seeking takers of risk. They are at one and the same time regulated utilities and risk-taking enterprises. The result is costly instability. Yes, leverage of banking systems has fallen since the crisis. But it remains dangerously high. According to the Federal Reserve, on March 8 2023, the difference between the book value of the assets and debt liabilities of US commercial banks was $2,137bn. This slice of equity backed assets that were notionally worth $22,800bn. At this stage, it is still not clear how bad this crisis is going to be. But it is already evident that the reforms after the last one, though vastly better than nothing, were not enough. They have not guaranteed a crisis-proof system. They have not provided a smooth way to resolve a bank in crisis, especially if the latter risks becoming systemic.

Primary Topic: Banking

Topics: Banking, Op-Ed/Blog Post

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