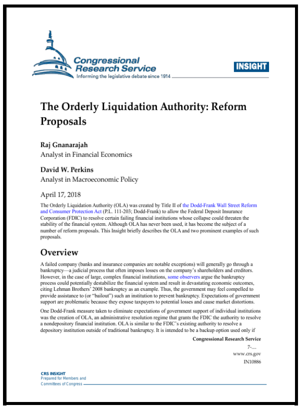
Reform of federal deposit insurance - disciplining the government and protecting taxpayers

HarperBusiness - The Reform Of Federal Deposit Insurance Disciplining The Government And Protecting Taxpayers PDF Book


Congressional Research Service
INSIGHT
The Orderly Liquidation Authority: Reform Proposals
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April 17, 2018
Overview

Description: -
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Tayside Fire Brigade.
Deposit insurance -- Law and legislation -- United States
Deposit insurance -- United Statesreform of federal deposit insurance
- disciplining the government and protecting taxpayers
-reform of federal deposit insurance - disciplining the government and
protecting taxpayers
Notes: Includes index
This edition was published in 1992

The Changing World of Banking: Setting the Regulatory Agenda

The Federal Reserve Board believes that deposit insurance reforms should be designed to preserve the benefits of heightened financial stability and the protection of small depositors without at the same time increasing moral hazard or reducing market discipline. But this latter proposal makes considerable sense, and the Board endorses it.

FDIC Reform: Don't Put Taxpayers Back at Risk

Put differently, the current rule requires the government to give away its valuable guarantee when fund reserves meet some ceiling level. Benefits and Costs of Deposit Insurance Deposit insurance was adopted in this country as part of the legislative framework for limiting the impact of the Great Depression on the public.

FRB: Testimony, Meyer

Quite the opposite: Asset holders now seek out deposits--both insured and uninsured--as safe havens when they have strong doubts about other financial assets. The Reform of Federal Deposit Insurance: Disciplining the Government and Protecting Taxpayers, with R. Swamy and Peter Tinsley, Journal of Economic Dynamics and Control, May 1982.

FRB: Testimony, Meyer

Merging the funds would diversify their risks, reduce administrative expenses, and widen the fund base behind an increasingly concentrated banking system. The thrust of our proposed modifications would call for a wider permissible range for the size of the fund relative to insured liabilities, reduced variation of the insurance premium as the relative size of the fund changes with banking and economic conditions, and a positive premium net of rebates.

FDIC Reform: Don't Put Taxpayers Back at Risk

In short, insured banks and thrifts receive a subsidy in the form of a government guarantee that allows them both to attract deposits at lower interest rates than would be necessary without deposit insurance, and to take more risk without the fear of losing their deposit funding. As a result, the market discipline to control risks that insured depositors would otherwise have imposed on banks and thrifts has been weakened.

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