CHAPTER 9:
EIGHTY YEARS OF BANK DEPOSIT INSURANCE

This work set out to answer certain questions about the transplantation of a Chinese idea to the State of New York and the further progress of that idea through the adoption of national bank deposit insurance in the United States. The preceding chapters have taken the idea through Manchu officials at the port of Canton, the New York State legislature, and on to Washington, D.C. at the moment of the banking crisis of 1933. This short chapter takes the story forward from then. It is a sketch. The worldwide history of bank deposit insurance is enormously complex. It is also the matter of headlines. The international financial crisis of 2007-2008, which at first seemed to simply be an emergency involving securitized American mortgages, broke as work on this study began. That crisis moved into a new phase, casting a shadow over European public finance, banking and the Euro currency, as this chapter was being written. An international history of bank deposit insurance is thus not only outside of the scope of this study, but it is probably premature as well. That eighty year history -- dull at the outset, and dramatic in its more recent phases -- is outlined in the following pages. This sketch frames the context for consideration of the original questions posed in this study in the next and final chapter.

The eightieth anniversary of the introduction of national bank deposit insurance in the United States in 1933 is imminent. The federal deposit insurance program has now operated for a longer time period than both the New York Safety Fund (1829-1866), which lasted for thirty-seven years, and the Canton Guaranty System (1780-1842), which expired in its sixty-second year. This is ripe old age by any standard, and for much of this period the United States experienced a remarkable calm in the affairs of its insured banks. Starting in the 1960s, and more rapidly in the 1990s and thereafter, many nations have adopted bank deposit insurance programs. The earliest programs were inspired by success in the United States. The accelerating implementations of more recent years have tended to be in response to program initiatives, or market conditions, such as the perceived need to implement bank deposit insurance lest bank deposits take flight from uninsured to insured locales.

An enormous scholarly literature and large amounts of learned journal, newspaper and online commentary have developed regarding bank deposit insurance. Much of this material is technical, concerned with the implementation or operation of deposit insurance programs, or is focused on deposit insurance in the context of economic theory. Some is polemical, produced, for example, in response to the American savings and loan crisis of the 1980s or the international financial crisis that began in 2007. Some history of deposit insurance appears in this literature, but usually only to address or illustrate current operating problems. No general history of bank deposit insurance in the United States has been written. Important early contributions were made by scholars such as Carter Golembe (1960) and Bray Hammond (1957),[1] but most of the history of federal deposit insurance has taken place since those works were published. Much of the work needed for a general history has been done, by scholars such as Charles W. Calomiris and David A. Moss. Their work is primarily found in scholarly journals or in essay collections such as <u>U.S. Bank Deregulation in Historical Perspective</u> (2000).[2] The Federal Deposit Insurance Corporation produced a useful company history to mark its fiftieth anniversary in 1984, but even that official history is now almost thirty years old.[3] The adoption of deposit insurance programs in many nations worldwide is an important further development that also calls for a general history, but it too remains to be written. All of this experience may simply be too young and too much in flux for a useful general history to be written at this time. Valuable work toward an understanding of the international experience with deposit insurance has nonetheless been produced in various languages and formats, some of which is cited below. Perhaps the most useful book produced to date is Deposit Insurance Around The World: Issues of Design and Implementation (2008).[4]

9A. Federal Deposit Insurance in the United States.

The federal deposit insurance law was popular at the time of its adoption and for a long time it had excellent press. This period of calm ran well into the 1960s, carrying with it a generally sunny view of the effects of the 1933 statute. In 1963 deposit insurance was pronounced by leading economists to be "the most important structural change in the banking system to result from the 1933 panic," and "the structural change most conducive to monetary stability since state bank notes were taxed out of existence immediately after the Civil War."[5]

With the United States enjoying relative calm after the Great Depression and World War II, and the deposit insurance system appearing to function well, coverage limits gradually crept up. As noted at pages 193-194 above, the original limit was $2,500 under the temporary plan of 1933, but was promptly raised to $5,000 effective 30 June 1934. The coverage limit was raised to $10,000 in 1950, to $15,000 in 1966, to $20,000 in 1969, and to $40,000 in 1974. The coverage limit was next raised to $100,000 in 1980, and then to $250,000 on 3 October 2008.[6] These figures, which marched ahead of the inflation rate, are somewhat illusory. First, it was always possible to multiply FDIC coverage through simple structuring, even within a single bank.[7] Second, even in the calm early years of deposit insurance, the FDIC was already trying to give 100 percent coverage to all depositors (i.e. coverage in excess of stated limits). The 'no depositor loss' objective was often achieved through some type of merger or purchase and assumption transaction, in which the failed bank was combined with a healthy successor. Depositors were entirely satisfied but the final accounting was necessarily somewhat opaque. Senator Fulbright challenged this policy in Congressional hearings in 1951, asserting that Congress had never intended for the FDIC to provide above limits coverage and that a failure of cost calculation was obviously involved.[8]

It was a short leap from an undeclared policy of seeking to provide 100 percent coverage to all depositors, to an implicit policy of too big too fail. Under a too big to fail policy, all creditors of those select large financial institutions which are considered to be somehow vital to the economy or society are paid in full by the insurer (or by government, i.e. the taxpayer, as a last resort).[9] In the United States, this doctrine rose out of the wreckage of the Continental Illinois National Bank in 1984. Then the seventh largest bank in the United States, and considered indispensable, the bank was allowed to fail only in the sense that its ownership and management were changed. It became an 80 percent owned investment of the FDIC. This very generous treatment was seen as setting a new precedent. Questioning the Comptroller of the Currency in congressional hearings, an exasperated Congressman McKinney said that with this transaction,

> "We have a new kind of bank. And today there is another type created. We found it in the thrift institutions, and now we have given approval for a $1 billion brokerage deal to Financial Corporation of America. Mr. Chairman, let us not bandy words. We have a new kind of bank. It is called too big to fail. TBTF, and it is a wonderful bank."[10]

Now embraced worldwide, and especially in the course of the financial crisis that began in 2007, the "too big to fail" doctrine has been defined as involving grants of "discretionary government support [to] a bank's uninsured creditors who are not automatically entitled to government support."[11] The result has been, per James Grant, that "the government's credit, in the estimation of the average public depositor, [had] superseded the credit of the bank that kept his money. By the 1980s, with the evolution of the doctrine that some banks were too big to fail, the government [has thus] become the silent partner of even uninsured depositors."[12]

As Congressman McKinney indicated in his questioning of the Comptroller of the Currency, a long period of banking calm in the Unites States was spectacularly undone in the savings and loan (thrift) bank crisis of the 1980s. Deregulated, and given a green light to move heavily into speculative real estate and other lending far removed from their traditional home mortgage lending business, the "thrifts" ended up massive losers when real estate values fell. Large numbers of savings and loan institutions failed, and their deposit insurance fund was wholly inadequate. Policies of regulatory forbearance, which permitted insolvent institutions to continue as (what have become known as) "zombie" banks, motivated to employ risky strategies with which to try to return to solvency, only made matters worse. The final bill to the United States government for losses associated with the savings and loan disaster was $153 billion, or about 2 percent of United States gross domestic product, which was raised from taxpayers and the banking industry.[13]

The rise of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Association (Freddie Mac) tracked the decline of the savings and loan industry. These quasi-public corporations, which had been active for many years in support of American home ownership, became increasingly active in buying up residential mortgages in and after the 1980s. Enjoying a set of privileges typically enjoyed only by federal agencies, but actually owned by private shareholders, they could sell bonds and raise money at interest rates significantly less than their private competition. Fannie Mae and Freddie Mac packaged the hundreds of billions of dollars of mortgages they acquired as mortgage-backed securities, and sold them, guaranteeing these mortgages against default. Together with another federal mortgage guarantee program called the Government National Mortgage Association (Ginnie Mae), these corporations owned or guaranteed nearly half of all United States mortgages by the year 2003. Banks became heavily involved with the mortgage related activities of Fannie Mae, Freddie Mac, and Ginnie Mac, which collectively supported a large amount of United States mortgage debt. The close association of these corporations with the United States government and enjoyment of privileges associated with government status led investors to believe that their guarantee enjoyed the implicit backing of the United States Treasury.[14]

This assumption was tested in the financial crisis of 2007-8 when Fannie Mae and Freddie Mac reported crippling losses on guarantees of subprime mortgage loans. They were placed in federal receivership on 6 September 2008 and holders of existing common and preferred stock were largely wiped out. In conservatorship, the claims of bondholders -- which included financial institutions worldwide -- were honored with payment in full due to U.S. government concern about the potential risks to the global financial system posed by their threatened default. "Thus," in the view of Robert Pozen and many other seasoned observers, "the bailout vindicated the widely held perception that the bonds of Fannie Mae and Freddie Mac were indeed the moral obligations of the federal government."[15] While the rescue was not performed by a deposit insurance fund, it supported government interests in keeping deposit insurance solvent, for a failure or a material loss of confidence in these corporations might have had severe effects on mortgages held as collateral by insured banks. The United States Treasury has since provided massive capital support to Fannie Mae and Freddie Mac in conservatorship. As the full extent of their losses depends on the default rates of outstanding mortgage loans, the value of which remains uncertain, the amount of the bill that taxpayers will have to pay is unknown. Total United States government losses from the failures of Fannie Mae and Freddie Mac were estimated as of 2010 in the amount of not less than $160 billion and possibly as much as $1 trillion.[16] In addition, in the financial crisis of 2007-8, the FDIC guaranteed for a period of up to three years 100 percent of over $300 billion in the debts of banks, thrifts, and their holding companies. The final out of pocket cost of these accommodations, and of myriad other extensions of governmental support to financial institutions worldwide in and after these troubled years, is unknown.[17]

9B. The International Progress of Bank Deposit Insurance.

Since its introduction as a national program in the United States in 1933, bank deposit insurance has swept the world. The first national deposit insurance programs, after the United States, were introduced in India and in Norway in 1961. During the long period of bank insurance calm that prevailed in the United States from the 1930s through the 1960s, deposit insurance made slow progress elsewhere.[18] As of 1980, only twenty nations had explicit bank deposit guaranty programs. That number stood at forty-nine by January 1995, had increased to eighty-seven by the end of 2003, and now exceeds one hundred nations. Deposit insurance programs were first implemented in European countries in the 1970s and 1980s, and are now required within the European Union.[19] The EU Directive on deposit-guarantee schemes, adopted in the wake of the 1991 failure of the Bank of Credit and Commerce International and amended in 2009, requires the insurance of individual bank accounts up to a coverage limit of €100,000.[20] Ironically, it was only recently, and just as the bank deposit insurance programs in the originating United States were being wrenched by the budget-busting excesses of the savings and loan crisis and then the subprime mortgage debacle, that the adoption of bank deposit insurance accelerated worldwide.

Deposit insurance has powerful and well-intentioned friends. Since the 1990s, the International Monetary Fund has recommended deposit insurance as part of its crisis management advice. The World Bank supports the introduction of national deposit insurance programs, through advice and by providing adjustment loans for the initial capital of funds in certain countries.[21]

Details of the many deposit insurance programs that have been adopted worldwide vary greatly. Typically, membership is compulsory for chartered banks.[22] Coverage limits differ, but averaged as of 2003 at $20,660 per deposit in all countries, ranging from a low of $120 in the Ukraine to a high of $243,520 in Norway. Limits tend to be higher in more developed countries.[23] Coverage limits have soared worldwide in response to the financial crisis that began in 2007. In The Netherlands, for example, the limit was raised from €20,000 to €40,000 in 2007, after the failure of Van der Hoop bankiers N.V., and to €100,000 in turn as of 7 October 2008, in response to international conditions.[24] Limits within the EU were raised generally to €100,000 under the 2009 amendment to the EU Directive on deposit-guarantee schemes, cited above, which also reduced the permissible delay before funds had to be paid out to depositors. National boundaries mean less in an era of capital fluidity. Weak banks offering high interest rates, in jurisdictions with high amounts of insurance coverage, may draw deposits away from more solvent banks in less heavily insured jurisdictions. The adoption of bank deposit insurance, and increases in the amounts of insurance coverage, have been advocated as means of preventing capital flight.[25]

Explicit deposit insurance programs are not universal. They are not found in the People's Republic of China, Israel, or in many African countries. Asian countries have been slow to adopt deposit insurance. It has existed in India since 1961, in Japan since 1996, and in the Republic of China (Taiwan) since 1985. In China, deposit insurance exists in practice, but it is implicit only. Protection has been extended by the Chinese government to retail depositors on a case by case basis. Australia, New Zealand and Hong Kong held out through the financial crisis of 2007-8, after which each adopted deposit guarantee programs. Hong Kong imposed a blanket guarantee of all bank deposits with the goal of preventing capital from moving to other, perhaps safer, venues. Many previously adopting countries -- over forty -- responded to the 2007-8 international crisis either by sharply increasing coverage limits, or by removing them entirely (said to be on a temporary basis).[26] This spirit proved highly contagious. In Europe, as Robert Pozen writes, "Ireland jumped out ahead of the European Union by quickly announcing a blanket guarantee of all bank deposits. In order to prevent local deposits from moving to Ireland, soon afterward many of the larger European countries like England and Germany offered higher or blanket guarantees of deposits at their banks."[27]

The cost of these extensive guarantees has yet to be tallied. As of early 2012, losses from explicit bank guaranty programs in Asia have been minimal. European guaranty losses may be significant, as the result of the subprime loan crisis that began in 2007, the subsequent Euro debt crisis, and application of too big to fail policies. Ireland will be a big loser, as the state has provided a blanket guaranty of bank debt. The extent of the property-related losses of the Irish banks are unknown, but could be in the range of €106 billion euros ($10.6 trillion.) Of this liability, Michael Lewis recently wrote: "Ireland gave its promise. And the promise sank Ireland."[28] In Iceland, the failure of the tiny nation's three leading banks produced outsized losses reckoned in the range of $100 billion.[29] The amount of private bank and public guaranty fund losses that will result from the financial problems of Greece, Spain, Italy, Portugal and France are unknown. The estimates are disheartening and have tended to grow.

China has its own domestic banking problems -- and not just the recent growth of a shadow banking sector seeking to serve underbanked parts of its populace. The

Chinese people are remarkably thrifty,[30] and that is a virtue. Their banks however have incurred staggering losses, for example in bad real estate loans and in loans made to advance public policy objectives. As of 2008, China had, in effect, recapitalized its four leading banks in the amount of about $350 billion. In the words of Patrick Honohan, "The recapitalization of China's big banks has already entailed one of the largest fiscal or quasifiscal outlays for any banking system in history."[31] Yet this is hardly the end of China's banking problems. The nation's stimulus response to the global financial crisis of 2007-8 saddled provinces and cities with RMB 10.7 trillion ($1.7 trillion) in bank debts which they were not able to pay within a few years as originally planned. Chinese banks were instructed as of February 2012 to undertake a massive rollover of these loans, extending maturities by as much as four years, in order to avoid a wave of defaults.[32]

China has long offered implicit deposit insurance protection[33] The magnitude of the protection extended to its leading banks may be seen as an extension of that policy. At the individual level, household depositors have been protected thus far, but even that protection is not unlimited. The central government, which has used state funds to support the obligations of insolvent institutions under its control, has signaled that failures of local institutions are to be the responsibility of local governments.[34]

Debate has gone on inside China for years concerning the adoption of explicit bank deposit insurance. Although deposit insurance rules are said to have been prepared by the People's Bank of China, the concept remains controversial.[35] China, which provided the regulatory example that inspired American deposit insurance in the nineteenth century, has proven reluctant to explicitly set out on the same road. Its reluctance is somehow fitting. Bank deposit insurance programs -- which have been billed as both "modern" and "American" -- actually carry embedded within them traces of collective responsibility and imperial monopoly regulation from China's own pre-revolutionary past. China is wrestling today with whether this innovation properly belongs in the dustbin of history or whether it might have a role in assuring the orderly continuance of its modern economic miracle.

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1 Carter Golembe, "The Deposit Insurance Legislation of 1933," Political Science Quarterly, Vol. 75, pp. 181-200 (1960); Bray Hammond, Banks and Politics in America from the Revolution to the Civil War (Princeton: Princeton Univ. Press, 1957).

2 Charles W. Calomiris, U.S. Bank Deregulation in Historical Perspective (Cambridge: Cambridge Univ. Press, 2000).

3 Federal Deposit Insurance Corporation, Federal Deposit Insurance Corporation: The First Fifty Years: A History of the FDIC 1933-1983 (Washington, D.C.: Federal Deposit Insurance Corporation, 1984).

4 Ash Demirgüç-Kunt, Edward J. Kane and Luc Laeven, eds., Deposit Insurance Around The World: Issues of Design and Implementation (Cambridge: MIT Press, 2008).

5 Kennedy, Banking Crisis of 1933, p. 214 (quoting Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton Univ. Press, 1963), p. 434).

6 History of the FDIC 1933-1983, p. 69; Grant, Money of the Mind, pp. 238-9, 255-7 and 364; Robert Pozen, Too Big to Save? How to Fix the U.S. Financial System (Hoboken, N.J.: John Wiley & Sons, Inc., 2010), p. 179; Demirgüç-Kunt, Kane and Laeven, "Deposit Insurance Design and Implementation," pp. 18-9.

7 Pozen, Too Big to Save?, p. 180.

8 Gary H. Stern and Ron J. Feldman, Too Big to Fail: The Hazards of Bank Bailouts (Washington, D.C.: Brookings Institution Press, 2004), p. 152; Grant, Money of the Mind, pp. 256-7 and 367.

9 One consequence of "too big to fail" policies is that the favored institutions have tended to grow still larger. This increase in scale, combined with indications that management has not been able to effectively control the risks taken in large-scale complex transactions, has given rise to concern that some institutions have grown so complicated that they simply cannot be safely managed. See Gillian Tett, "How 'too big to fail' banks have become 'too complex to exist,'" Financial Times, 8 June 2012, p. 20.

10 Grant, Money of the Mind, p. 367; Stern and Feldman, Too Big to Fail, p. 13.

11 Stern and Feldman, Too Big to Fail, p. 1; Demirgüç-Kunt, Kane and Laeven, "Deposit Insurance Design and Implementation," p. 3 ("Every country offers implicit insurance because, during banking crises, the pressure on government officials to rescue at least some bank stakeholders becomes difficult to resist.").

12 Grant, Money of the Mind, pp. 238-9, 255-6 and 364.

13 The inadequately capitalized fund of the Federal Savings and Loan Insurance Corporation (FSLIC) was exhausted by the crisis and FSLIC was abolished in 1989. Kroszner and Melick, "Lessons from the U.S. Experience," pp. 199 and 204-8; Stern and Feldman, Too Big to Fail, pp. 23-4; Pozen, Too Big to Save?, pp. 184 and 198; Flood, "Great Deposit Insurance Debate," p. 51.

14 Pozen, Too Big to Save?, pp. 27 and 30; Grant, Money of the Mind, p. 352; Gretchen Morgenson and Joshua Rosner, Reckless Endangerment: How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon (New York: Times Books, 2011), pp. 13, 18-9, 21 and 239.

15 Pozen, Too Big to Save?, p. 38.

16 Pozen, Too Big to Save?, pp. 27-8; Lorraine Woellert and John Gittelsohn, "Fannie-Freddie Fix at $160 Billion With $1 Trillion Worst Case," Bloomberg News, 13 June 2010 7:00PM ET, available at:

http://www.bloomberg.com/news/2010-06-13/fannie-freddie-fix-expands-to-160-billion-with-worst-case-at-1-trillion.html

17 Pozen, Too Big to Save?, pp. xvii, 155 and 169.

18 Demirgüç-Kunt, Kane and Laeven, "Deposit Insurance Design and Implementation," pp. 4 (Figure 1.1, bar graph showing slow progress toward adoption of deposit insurance programs), 6-7 (Figure 1.2, world map showing countries that have adopted deposit insurance) and 18; Ash Demirgüç-Kunt, Edward J. Kane and Luc Laeven, "Adoption and Design of Deposit Insurance," in Demirgüç-Kunt, Kane and Laeven, Deposit Insurance Around The World, pp. 34-9 (Table 2.2, "Explicit deposit insurance system at year-end 2003"); Calomiris, and

White, "Origins of Federal Deposit Insurance," in Goldin and Libecap, The Regulated Economy, p. 145, and also in Calomiris, U.S. Bank Deregulation in Historical Perspective, p. 164 (" . . . until recently it [bank deposit insurance] was strictly an American phenomenon. Many countries adopted deposit insurance in imitation of the United States, . . . ").

19 Demirgüç-Kunt, Kane and Laeven, "Adoption and Design of Deposit Insurance," p. 29; Jessica Cariboni, Karlien Vanden Branden, Francesca Campolongo and Manuela De Cesare, "Deposit Protection in the EU: State of Play and Future Prospects," Journal of Banking Regulation, Vol. 9, pp. 82–101 (2008), p. 84; Gillian Garcia and Henriëtte Prast, "Depositor and Investor Protection in the Netherlands: Past, Present and Future," De Nederlandsche Bank, Occasional Studies, Vol. 2, No. 2 (2004), pp. 8 (The Netherlands was among the first European countries to introduce deposit insurance) and 18-26; Andrew G. Haldane and Piergiorgio Alessandri, "Banking on the State," BIS [Bank for International Settlements] Review 139/2009, pp. 4 and 16 (Chart 6), available at:

http://www.bis.org/review/r091 1 1 le.pdf

20 Cariboni, Vanden Branden, Campolongo and De Cesare, "Deposit Protection in the EU," pp. 83 and 86; Harry Huizinga, "The EU Deposit Insurance Directive: Does One Size Fit All?," in Demirgüç-Kunt, Kane and Laeven, Deposit Insurance Around The World, pp. 253-79; Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes is available at:

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31994L0019:EN:HTML

Directive 2009/14/EC, amending Directive 94/19/EC, is available at:

http://ec.europa.eu/internal_market/bank/docs/guarantee/200914_en.pdf

21 Demirgüç-Kunt, Kane and Laeven, "Deposit Insurance Design and Implementation," pp. 3 and 21; Garcia and Prast, "Depositor and Investor Protection," pp. 21-4.

22 Demirgüç-Kunt, Kane and Laeven, "Deposit Insurance Design and Implementation," p. 11.

23 The cited averages are in United States dollars. Luc Laeven, "Pricing of Deposit Insurance," in Demirgüç-Kunt, Kane and Laeven, Deposit Insurance Around The World, p. 111; Cariboni, Vanden Branden, Campolongo and De Cesare, "Deposit Protection in the EU," pp. 85-9.

24 Cariboni, Vanden Branden, Campolongo and De Cesare, "Deposit Protection in the EU," pp. 86-7; Garcia and Prast, "Depositor and Investor Protection," pp. 42-7 (detailed description of depositor protections in The Netherlands as of 2003); De Nederlandsche Bank, Factsheet, "Obligations Investor-Compensation Scheme and Deposit-Guarantee Scheme, accessed 15 February 2012, available at:

http://www.toezicht.dnb.nl/en/2/51-224859.jsp

Currently proposed deposit insurance reform in the Netherlands is discussed, in Dutch, in a Netherlands government publication available at:

http://www.rijksoverheid.nl/onderwerpen/hervorming-financieel-stelsel/documenten-en-publicaties/kamerstukken/2012/05/31/schriftelijk-beantwoording-naar-aanleiding-van-het-verslag-van-een-schriftelijk-overleg-inzake-de-oprichting-stichting-depositogarantiefonds.html

25 See Andrew Ross Sorkin, "Why the Bailout in Spain Won't Work," The New York Times, 12 June 2012, pp. B1 and B5 ("Ultimately, the only real way to begin to ensure the safety of the banks in Spain -- and all of Europe -- is to create a euro zone deposit guarantee system so that there would be no reason for a depositor to withdraw money. European leaders are expected to address the idea, along with regional banking regulation and a way to recapitalize ailing euro zone institutions, at a summit meeting at the end of the month.")

26 Demirgüç-Kunt, Kane and Laeven, "Deposit Insurance Design and Implementation," p. 5; Pozen, Too Big to Save?, p. 185; Stern and Feldman, Too Big to Fail, p. 100; Jang-Bong Choi, " Structuring a Deposit Insurance System from the Asian Perspective," in Rising to the Challenge in Asia: A Study of Financial Markets, Vol. 2 (Special Issues) (Manila: Asian Development Bank, 1999), p. 73, available at:

http://www.adb.org/Documents/Books/Rising_to_the_Challenge/Special_Issues/3-di.pdf

Haldane and Alessandri, "Banking on the State," p. 4 ("And more than forty countries have increased the coverage limits of their existing schemes, including in the UK, US and Germany. In a few countries, deposit insurance limits have temporarily been removed – for example, in Germany and Ireland. In many others, they have been removed implicitly.").

27 Pozen, Too Big to Save?, p. 185.

28 Michael Lewis, Boomerang: Travels in the New Third World (New York: W. W. Norton & Co., 2011), pp. 84-5 and 114.

29 Michael Lewis, Boomerang, pp. 3 and 23.

30 Juann H. Hung and Rong Qian, "Why Is China's Savings Rate So High?: A Comparative Study of Cross-Country Panel Data" (Washington, D.C.: Congressional Budget Office, Working Paper No. 2010-07) (November 2010), available at:

http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/119xx/doc11958/2010-07-chinasavingrate.pdf

31 Patrick Honohan, "Protecting Depositors in China: Experience and Evolving Policy," in Demirgüç-Kunt, Kane and Laeven, Deposit Insurance Around The World, pp. 335, 337, 342 and 346.

32 Simon Rabinovitch, "Beijing to roll over provinces' loan terms," Financial Times, 13 February 2012, p. 1.

33 Lou Jianbo, "Introducing a Deposit Insurance System Into China," Peking Univ. Journal of Legal Studies, Vol. 1, pp. 233-54 (2008), p. 239.

34 Honohan, "Protecting Depositors in China," pp. 337 and 348.

35 Honohan, "Protecting Depositors in China," pp. 348-9 (proposed coverage limits); Chen Jia, "Time to Launch Deposit Insurance, Economists Say," China Daily, 12 January 2012, p. 13; Wang Xiaotian, "Freeing Up of Rates Not on Agenda for this Year," China Daily, 7 February 2012, available at:

http://www.chinadaily.com.cn/bizchina/2012-02/07/content_14550628.htm