Too BIG TO FAIL The Hazards of Bank Bailouts

Gary H. Stern Ron J. Feldman

BROOKINGS INSTITUTION PRESS *Washington, D.C.*

Contents

Fore	Foreword by Paul A. Volcker			
Preface		xi		
1	Introduction: Our Message and Methods	1		
<u>ONE</u>				
WARNINGS		9		
2	What Is the Problem?	^1F)		
3	Why Protection Is Costly	r2^		
4	How Pervasive Is TBTF?	29		
5	Why Protect TBTF Creditors?	JiS		
6	The Growth of TBTF Protection	60		
7	Testing Our Thesis: The Cases of Not Too Big to Fail	80		

vi CONTENTS

TW	0	
OPTIONS		87
8	Can the Problem Be Addressed?	89
9	Creating the Necessary Foundation	98
10	Reducing Policymakers' Uncertainty	111
11	Limiting Creditor Losses	124
12	Restricting Payment System Spillovers	132>
13	Alternatives for Managing Too Big to Fail	141
14	Summary: Talking Points on Too Big to Fail	146

APPENDIXES

Index

А	FDICIA: An Incomplete Fix	149
В	Penalizing Policymakers	159
С	Supervision and Regulation	168
D	Increasing Market Discipline	179
References		197

223