Converting Failed Banks into Nonprofit Public Banks

A Path Towards Economic Stability and Fairness

Executive Summary

The recent failures of Silicon Valley Bank, Signature Bank, and First Republic Bank have once again exposed the vulnerabilities and disparities of the U.S. banking system. With a combined total of $532 billion in assets, these failures surpass the inflation-adjusted $526 billion held by the 25 banks that collapsed during the 2008 Global Financial Crisis.[1] In response to the seismic consequences of these events, and in anticipation of additional bank failures in the future, this white paper proposes a policy for converting failed banks into nonprofit public banks to promote the reality and perception of fairness in the economy, prevent the further concentration of banking, create a more resilient financial system, and promote economic development across all U.S. communities.

This policy will deliver three main benefits to the U.S. banking system and economy:

1. Restoring both the reality and perception of fairness by ending the practice of consequence-free government bailouts of wealthy bank shareholders and executives.
2. Preventing too-big-to-fail banks from growing even larger, thereby reducing the risk of future bailouts and increasing financial stability.
3. Establishing a vibrant public bank sector charged with providing investment capital to support economic development, including re-industrialization, and deliver credit and essential banking services to underserved communities.

To implement this policy, new legislation will be required that empowers regulatory bodies such as the FDIC and the Federal Reserve to oversee the conversion of failed banks into public institutions. Financing for these conversions will come from new FDIC insurance fees paid by both private and public banks.

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[1] Russel, K. & Zhang, C. (2023, May 1). *3 Failed Banks This Year Were Bigger Than 25 That Crumbled in 2008.* The New York Times.
https://www.nytimes.com/interactive/2023/business/bank-failures-svb-first-republic-signature.html

Introduction

The U.S. financial system is at a critical juncture. The recent failures of Silicon Valley Bank, Signature Bank, and First Republic Bank have demonstrated that the vulnerabilities and unfairness that drove the 2009 financial bailouts have not gone away. As the federal government, FDIC, and Federal Reserve have alternated between hesitation and scrambling to orchestrate rescues for these banks, it has become clear that the U.S. needs a comprehensive and sustainable system for dealing with inevitable future bank failures. Instead of rescuing private banks without consequences, or merging them into larger banks while using public dollars to cover losses, we propose that failed banks should be converted as a matter of policy into independent, nonprofit, public banks. The mission of these newly constituted banks will be to support economic development and financial stability in their communities, regions, and the nation as a whole. In addition to providing the same banking services to the same customers as before, their new banking charters will add to their mission providing credit for worthy investments in their markets that add value to the U.S. economy.

This white paper examines the benefits of converting failed banks into nonprofit public banks as a means of creating a more stable, fair, and resilient financial system that promotes economic development and better serves the needs of all Americans. By applying lessons from the successes of public banking systems abroad, and from the record of public banks in our own history, we attempt to outline a comprehensive policy framework and provide a roadmap to creating a strong public banking sector in the United States.

The first section of the paper offers a brief overview of the current challenges facing the U.S. financial sector, including the concentration of banking power, lack of access to affordable credit for underserved communities, and the ongoing threat of financial crises.

The second section delves into the benefits of public banking, drawing on the experiences of successful public banking systems in countries as different as Germany and China, as well as the unique example of the Bank of North Dakota and the rich history of public banking in U.S. history.

The third section offers a set of policy recommendations that aim to facilitate the implementation of this policy framework, including the development of new legislation empowering the FDIC and other relevant regulatory bodies to oversee the conversion process, the establishment of new FDIC insurance fees to finance the conversions, the promotion of public awareness of the benefits of public banking, and the encouragement of state and local governments to explore the establishment of their own public banks.

We then provide the outline of a detailed legislative framework for the conversion of failed banks into nonprofit public banks, including key components such as conversion authority, capitalization and loss coverage, governance and transparency, mission and lending criteria, regulatory oversight and coordination, state and local public bank support, and evaluation and reporting.

Finally, we recommend two important supporting policies, which many others are calling for at this moment as well: Providing backup banking capacity through individual and business

Federal Reserve accounts, and modifying the FDIC insurance program to fully cover all deposits.

Weaknesses of the Current U.S. Banking System

Over the past few decades, the U.S. banking system has witnessed a significant consolidation of power, with a small number of large banks dominating the market.[2] This concentration in banking has led to less competition, reduced access to affordable credit for underserved communities, and a heightened risk of financial crises. Consolidation has also diminished the ability of smaller community banks to effectively serve the needs of their local communities, as they struggle to compete with the economies of scale and resources of the larger institutions.

The lack of access to affordable credit for underserved communities is another major weakness of the current U.S. banking system.[3] Low-income communities, rural areas, and minority populations often struggle to secure loans and other financial services at reasonable rates, if at all. This disparity in access to credit has contributed to growing wealth inequality and has hindered economic development in these communities.

The ongoing threat of financial crises is a persistent weakness of the U.S. banking system. The 2008 financial crisis exposed numerous vulnerabilities in the regulatory framework, leading to a wave of reforms aimed at strengthening financial stability. However, as recent bank failures have demonstrated, the risk of financial instability has not been eliminated. The interconnectedness of the global financial system and the complex nature of modern financial instruments continue to pose challenges for regulators in ensuring the stability and resilience of the banking sector.

The U.S. banking system's emphasis on short-term profits has weakened its stability. Banks, prioritizing immediate gains, engage in often risky speculation and overlook ordinary business lending that fosters economic development.[4] With federal policy supporting financial asset inflation,[5] private banks find it more attractive to invest in asset bubbles, which offer significant returns, rather than in regular businesses with moderate risk and lower potential gains.[6] Despite the potential to create jobs and add value to vital sectors such as manufacturing and clean energy, banks often shy away from these investments. Instead, they focus their resources on financial speculation in assets that carry implicit or explicit government guarantees, such as

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[2] Edlebi, J. et al. (2022, February). *The Great Consolidation of Banks and Acceleration of Branch Closures Across America: Branch Closure Rate Doubled During the Pandemic*. National Community Reinvestment Coalition. https://ncrc.org/the-great-consolidation-of-banks-and-acceleration-of-branch-closures-across-america/

[3] Reeves, K.N.et al. (2021, February 2). *Racial Equity in Banking Starts with Busting the Myths. Boston Consulting Group.* https://www.bcg.com/publications/2021/unbanked-and-underbanked-households-breaking-down-the-myths-towards-racial-equity-in-banking

[4] Foroohar, R. (2016, August 1). Makers and Takers: The Rise of Finance and the Fall of American Business.

[5] El-Erian, M. A. (2017). The only game in town: Central Banks, instability, and avoiding the next collapse. Random House.

[6] Olesiński,B. Et al. (2014). *Short-termism in business: causes, mechanisms and consequences.* Ernst & Young, EY Poland Report. https://assets.ey.com/content/dam/ey-sites/ey-com/en_pl/topics/eat/pdf/03/ey-short-termism_raport.pdf

treasuries, securitized mortgages, and real estate. This preference for low-risk, government-backed assets diverts resources away from projects that could foster economic growth, innovation, and job creation. As a result, the banking system fails to support the broader public interest, prioritizing short-term gains and stability over long-term economic development and societal benefits.[7]

Addressing all of these challenges will require a fundamental change in the structure of the banking industry that promotes a more equitable and resilient financial system. The conversion of failed banks into nonprofit public banks, as explored in this white paper, will over time provide a change that holds the potential to transform the U.S. banking landscape.

The Public Banking Solution

The policies we are proposing build upon the proven strengths of public banking models abroad and in our own history. By transforming failed private banks into independent, nonprofit institutions that serve a public mission, this policy will not only address the immediate challenges faced by the banking system but also create a lasting, positive impact on our financial system and broader economy. Over time, this policy will reshape the banking landscape in the United States, creating a robust public banking sector, and ensuring that financial resources are channeled towards projects and initiatives that truly benefit the American people and contribute to long-term, equitable growth. This approach would achieve several key outcomes:

1. **Restoring fairness:** Converting failed banks into public institutions would end the repeated spectacle of the government bailing out wealthy depositors and bank shareholders while leaving ordinary citizens to bear the brunt of the consequences. This would help restore public trust in the financial system and address growing wealth inequality.
2. **Preventing further concentration of banking power:** Allowing already too-big-to-fail banks to become even larger only exacerbates the risk of future bailouts and undermines financial stability. Converting failed banks into public institutions would help prevent this dangerous consolidation of power and create a more diverse and resilient banking system.
3. **Establishing a vibrant public bank sector:** The U.S. lacks a public banking sector–something that almost every other industrialized nation relies on to maintain competitiveness and to drive economic development. By converting failed banks into public institutions as a matter of policy, over time the U.S. will create a network of public banks that can provide essential banking services, promote local economic growth, and foster greater financial stability.

We are proposing that failed banks should be converted into nonprofit organizations that have an explicit public mission. All banks receive charters from the government that come with certain conditions and public responsibilities. Maximizing profits, however, remains their primary goal. Under our proposal, when a private bank is converted into a nonprofit institution, it will continue

[7] Ibid.

to serve all of the public-facing functions as before, and it will continue to aim to be profitable. The difference will be that profit will no longer be its primary objective, but rather a basic requirement of existence alongside so many others, such as having physical branches and offices. The primary objective of these nonprofit banks will be to serve the public and the cause of economic development of their localities, regions, and the nation at large. We are calling these "public banks" even though they will not be owned by governments. They are public in the sense that they are nonprofit institutions with public responsibilities. Their mission, which will be attached to their new banking charter, will be set by the federal government, and they will be overseen by the federal government, just as all banks already are.

nonprofit banking systems in other wealthy, industrialized nations, whether they are state-owned, private nonprofit organizations, or cooperatives, offer valuable lessons for the United States as it considers the conversion of failed banks into nonprofit public banks. Networks of small, medium, and large public banks in many countries have demonstrated their ability to support local economies, finance critical infrastructure projects, and foster innovation and entrepreneurship–all while achieving consistent profitability.[8,] Equally, large public national banks in many countries have contributed to processes of rapid industrialization and the maintenance of industrial competitiveness.[9] Examining successful public banking systems from around the world can offer valuable insights into the potential benefits of converting failed banks into nonprofit public banks.

Germany's Sparkassen and Landesbanks: Germany's extensive network of public banks, including the local savings banks (Sparkassen) and state-owned banks (Landesbanks), has been instrumental in supporting small- and medium-sized businesses, financing infrastructure projects, and promoting regional economic development.[10] These public banks have also demonstrated remarkable stability during financial crises, helping to shield the German economy from the worst effects of global downturns.

Japan's Shinkin banks: Japan has a network of cooperative banks known as Shinkin banks, which are member-owned, nonprofit financial institutions that provide financial services to local communities and small and medium-sized enterprises.[11] These banks played a crucial role in Japan's post-war economic growth and development by financing local industries and businesses. Additionally, Japan has government-affiliated financial institutions, such as the Japan Bank for International Cooperation (JBIC) and the Development Bank of Japan (DBJ),

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[8] Siripurapu, A. & Berman, N. (2022, November 18). *Is Industrial Policy Making a Comeback?* Council on Foreign Relations. https://www.cfr.org/backgrounder/industrial-policy-making-comeback ; Brennan, M. & Keliher, M. (2023). *Public Banks.* Democracy Policy Network. https://www.fastcompany.com/90364616/public-banking-can-finance-the-green-new-deal

[9] Kim, J.-K. et al. (1995, January). The Role of the Government in Promoting Industrialization and Human Capital Accumulation in Korea. In Ito, T. Editor & Krueger A.O. Editor (Eds.), Growth Theories in Light of the East Asian Experience, NBER-EAS 4. (pp. 181-200). *University of Chicago Press*. ISBN: 0-226-38670-8. https://www.nber.org/system/files/chapters/c8549/c8549.pdf

[10] International Trade Administration. *Germany - Banking Systems.* Privacy Shield Framework, Department of Commerce. https://www.privacyshield.gov/article?id=Germany-Banking-Systems#:~:text=The%20country's%20so%2Dcalled%20%E2%80%9Cthree,owned%20banks%2C%20or%20Landesbanken).

[11] Shinkin Central Bank. (n.d.). *Financial Information*. https://www.shinkin-central-bank.jp/e/financial/#fi04

which have provided long-term financing for domestic and international projects that contribute to Japan's economic development.[12]

Other examples of public banking networks: Many other prosperous nations rely on networks of public banks to maintain healthy economies. Switzerland has a network of cantonal banks, which are owned by the individual cantons (states) and provide financial services to local businesses and households.[13] Cantonal banks may be regional in nature but they are some of the largest financial institutions in the country in terms of total assets. Similarly, France has a cooperative banking sector, including Crédit Agricole and Banque Populaire, which are owned by their customers and focus on serving the needs of local communities and small businesses.[14] In Italy, there are several cooperative banks, which cater to the financial needs of local communities and promote regional economic development.[15] Finland has 180 cooperative local banks that make up the OP Bank Group, Finland's largest financial institution.[16] These networks of smaller public banks have played a significant role in promoting financial inclusion, supporting local economies, and maintaining stability in the financial systems of their respective countries.

National public banks: In addition to networks of smaller public banks, most industrialized nations have large national public banks that play significant roles in their economies. In Canada, the Business Development Bank of Canada (BDC) is a government-owned financial institution that supports small and medium-sized businesses by providing financing, advisory services, and capital investments.[17] The Nordic countries, including Norway, and Iceland, have state-owned banks like DNB and Íslandsbanki, which contribute to economic growth and stability by financing large-scale infrastructure projects and supporting strategic industries.[18] South Korea's Korea Development Bank (KDB) is a government-owned bank that has played a crucial role in the country's rapid industrialization by providing long-term financing to key industries such as steel, chemicals, and shipbuilding.[19] These large national public banks demonstrate the potential for public banking to promote economic development, financial stability, and the public interest on a broader scale.

China's state-owned banks: China's state-owned banks have played a central role in financing the country's rapid economic growth and development.[20] By directing credit towards strategic industries and projects, these banks have helped China become a global economic

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[12] Global Infrastructure Hub. *Japan - Development Bank of Japan (DBJ).* https://cdn.gihub.org/umbraco/media/2626/japan-case-study.pdf

[13] *Cantonal Banks*. (2016, August 21). TheBanks.eu. https://columbiacollege-ca.libguides.com/apa/websites

[14] Poli, F. (2019). *Co-operative Banking Networks in Europe.* Palgrave Macmillan. Pg. 193-252

[15] Ibid. Pg. 295-346

[16] OP Financial Group. (n.d.). *OP Financial Group in brief.* https://www.op.fi/op-financial-group/about-us/op-in-brief

[17] Kenton, W. (2022, September 29). *Business Development Bank of Canada (BDC).* Investopedia. https://www.investopedia.com/terms/b/bdboc.asp

[18] Landsbankinn. (n.d). *Ownership of Landsbankinn.* https://www.landsbankinn.is/en/the-bank/about-us/strategy-and-organisation/ownership

[19] Kim, K. (1991). THE KOREAN MIRACLE (1962-1980) REVISITED: MYTHS AND REALITIES IN STRATEGY AND DEVELOPMENT. The Helen Kellogg Institute for International Studies. Working Paper 166

[20] He, Z. & Wei, W. (March 26, 2023). *China's Financial System and Economy: A Review* University of Chicago, Becker Friedman Institute for Economics Working Paper No. 105, 2022.

powerhouse.[21] While concerns about transparency and governance persist, the success of China's state-owned banks in supporting economic development is undeniable. The United States is severely hobbled in its capacity to compete with China due to its lack of both a network of local and regional public banks as well as large national, public investment banks.

U.S. History of Public Banking: The United States has its own history of public banking, including the First and Second Banks of the United States, which played important roles in the nation's early economic development.[22] These federally-controlled banks helped stabilize the U.S. financial system, managed the national debt, and promoted economic growth. While they were eventually dismantled due to political opposition, their legacy demonstrates the potential benefits of public banking in the U.S. context.

Early American State-owned Banks: In addition to the First and Second Bank of the United States, it is important to note the significant role played by state-owned banks in the U.S., particularly during the early years of the nation leading up to the Civil War. These state-chartered banks were instrumental in providing capital for various infrastructure projects and supporting local economic growth.[23] The state banks issued their own currency, which was backed by the state's credit, and functioned as a critical source of funding for emerging industries, agriculture, and transportation infrastructure.[24] They were also closely involved in the economic life of their respective states, providing valuable financial services to local businesses and communities. While these state-owned banks eventually gave way to a more centralized banking system, they played a crucial role in the nation's economic development during their time, demonstrating the potential of public banks to contribute to a thriving and prosperous economy.

Policy Recommendations

We have examined successful public banking systems around the world, taking into account their ability to promote economic development, financial stability, and social equity. Public banking sectors can play a crucial role in addressing market failures, providing much-needed capital for underserved communities, and fostering long-term investments in infrastructure, clean energy, and other areas that contribute to a more sustainable and prosperous society. We have identified the current challenges facing the U.S. financial sector, including the ongoing concentration of financial power, lack of access to affordable credit for marginalized communities, and the risks associated with financial speculation and short-termism.

To address these challenges and build a more resilient, equitable, and robust financial system for all Americans, we propose a set of policy recommendations that draw on the best practices

[21] Ibid.
[22] Hill, A. T. (n.d.). *The Second Bank of the United States*. Federal Reserve History. https://www.federalreservehistory.org/essays/second-bank-of-the-us ; Beck, R. H. (2022, November 22). *The First Bank of the United States*. Investopedia. https://www.investopedia.com/first-bank-united-states-5217537
[23] Holdsworth, J. T. (1911). Lessons of State Banking before the Civil War. *Proceedings of the Academy of Political Science in the City of New York*, *1*(2), 210–224.
[24] Hoffmann, S. (2001). *Politics and Banking: Ideas, Public Policy, and the Creation of Financial Institutions.* Baltimore: Johns Hopkins University Press, 2001.

and lessons learned from public banking systems both in the United States and abroad. By implementing these recommendations, we believe that the U.S. can harness the potential of public banks to not only strengthen its financial system but also create a more just and inclusive economic landscape that serves the needs of all citizens, regardless of their socioeconomic background. By promoting the public interest over private gains, public banks can help to counterbalance the negative effects of financial concentration and ensure that capital is allocated in ways that promote long-term growth, stability, and shared prosperity.

Based on the analysis of successful public banking systems and the current challenges facing the U.S. financial sector, we offer the following policy recommendations:

1. The president and other national leaders must call for an end to consequence-free bailouts of private banks. They must set a new standard and public expectation that if a private bank becomes insolvent that it will not be rescued with any public funds, and that it will instead cease to exist as a private bank. Bank bailouts happen because society needs a banking capacity. If private banks can't provide that capacity without the public taking on all the downside risk, then executives and shareholders of private banks will no longer enjoy the upside profit. It's only fair.
2. Congress must pass new legislation empowering the FDIC and other relevant regulatory bodies to oversee the conversion of failed banks into nonprofit public banks. This legislation should include provisions for replacing top executives responsible for bank failures to ensure accountability and public confidence in the new institutions. By doing so, the converted public banks can better serve their communities with a focus on long-term financial stability, economic growth, and the public interest.
3. The burden of financing these conversions should not fall on taxpayers. Conversion of failed private banks into nonprofits requires covering losses incurred by leaders of the private banks. These losses must be covered by private banks as part of the already-existing system of FDIC insurance. The legislation must establish a new fund, and new FDIC insurance fees to finance the conversion of failed banks into public banks. Both private and public banks should contribute to this fund, ensuring a sustainable source of financing for future conversions. This shared responsibility will create a more level playing field and provide the necessary resources for public banks to thrive and support local economies.
4. Promote public awareness of the benefits of public banking, drawing on the successes of public banks both in the United States and abroad. This should include highlighting the role of public banks in supporting economic development, fostering financial stability, and ensuring greater fairness in the financial system. By raising awareness of the advantages of public banking, policymakers and citizens alike can better understand the potential for public banks to address systemic issues in the financial sector, promote inclusive growth, and strengthen community resilience.

Legislation and Implementation

To facilitate the conversion of failed banks into nonprofit public banks, comprehensive legislation and effective implementation mechanisms are needed. It is essential to create a robust legal framework that takes into account the unique challenges and requirements of transforming private banks into public entities, while ensuring that the new public banks remain accountable, transparent, and focused on the goals of economic development and financial stability.

The following components aim to establish clear guidelines for the conversion process, outline the roles and responsibilities of various stakeholders, and provide a roadmap for building a strong and resilient public banking sector that serves the best interests of the American people and the national economy. By carefully considering the lessons learned from past banking reforms, both domestically and internationally, this legislative framework can lay the foundation for a new era of public banking that fosters innovation, growth, and shared prosperity.

Drawing on the experiences of previous banking regulations and reform efforts, we propose the following components for inclusion in the legislative framework:

1. **Conversion Authority:** The legislation should grant the FDIC and other relevant regulatory bodies the authority to convert failed banks into nonprofit public banks. This authority should include the power to remove and replace top executives who are responsible for bank failures, ensuring both accountability and public confidence in the newly-formed public banks.
2. **Capitalization and Loss Coverage:** To finance the conversion of failed banks into public banks, the legislation should establish a dedicated fund, sourced from new FDIC insurance fees paid by both private and public banks. This fund would be used to cover losses incurred during the conversion process and provide the necessary capital to establish the new public banks. The fund should be designed to ensure sustainability, with provisions for periodic assessment and adjustment of the fee structure.
3. **Governance and Transparency:** The legislation should mandate strong governance and transparency standards for the newly-converted public banks. This may include establishing independent boards of directors, setting strict rules for executive compensation, and requiring regular public reporting of financial performance and lending activities. These measures would help ensure that public banks operate in the best interests of the American people and maintain public trust.
4. **Mission and Lending Criteria:** The legislation should define the mission and lending criteria for the newly-converted public banks. This may involve prioritizing specific sectors or types of projects, such as infrastructure development, affordable housing, clean power projects, support for small-, medium-, and large businesses seeking to invest in the U.S., and investments of any type that create value-creating, economically and environmentally sustainable jobs. By clearly articulating the social and economic goals of the public banks, the legislation can ensure that these institutions contribute to the broader public interest. Public banks must continue to seek profitability, but will have an additional mandate that specifies the kinds of profitable activities that should be prioritized. Their mission is not to maximize profits, but to support economic development in financially sustainable ways.

5. **Regulatory Oversight and Coordination:** The legislation should establish a framework for ongoing regulatory oversight and coordination between the newly-converted public banks, existing financial institutions, and federal and state regulators. This may involve regular examinations, stress testing, and coordination on macroprudential policies to ensure that the public banks contribute to overall financial stability.
6. **State and Local Public Bank Support:** The legislation should encourage and provide guidance for state and local governments interested in establishing their own public banks, building on the successful model of the Bank of North Dakota. This may include technical assistance, grants, or other support to help state and local governments navigate the complex process of creating public banks.
7. **Evaluation and Reporting:** The legislation should require periodic evaluation and reporting on the performance of the newly-converted public banks, their impact on the financial system, and their contribution to economic development and social goals. This information should be made publicly available, allowing for ongoing assessment of the effectiveness of the public banking system and informing any necessary adjustments to the legislative and regulatory framework.

By incorporating these components into the legislative framework, the conversion of failed banks into nonprofit public banks can be effectively implemented, promoting a more stable, fair, and resilient financial system that better serves the needs of all Americans. The resulting public banking sector would be well-equipped to address the unique challenges of the U.S. economy and contribute to sustainable, inclusive growth.

Expanding Public Banking Capacity through Fed Accounts

Robert Hockett, a New Consensus fellow and Professor of Law and Finance at Cornell University, has been a strong advocate for a more inclusive and democratic financial system. His proposals, such as the Democratic Digital Dollar and the Inclusive Value Ledger (IVL), aim to create a more equitable and efficient payment infrastructure. In this context, the implementation of Fed Accounts can significantly expand banking capacity for the public.

By establishing a system that allows citizens to hold accounts directly with the Federal Reserve, the government can provide an additional source of banking capacity to the public. This supports the goal of converting banks into public institutions, ensuring that the public has access to essential banking services.

Fed Accounts would offer basic banking services, such as deposits, withdrawals, and electronic transfers, to all citizens and businesses. By leveraging the existing infrastructure of the Federal Reserve, these accounts would provide a secure and reliable means for the public to access financial services. This public banking option would complement the existing network of public banks, extending their reach and providing additional capacity for the public to manage their finances.

By building on Professor Hockett's proposals, the adoption of Fed Accounts would promote financial inclusion, reduce the reliance on traditional banking institutions, and ensure that the public has access to crucial banking services. This expansion of public banking capacity ultimately supports the broader goal of creating a more resilient and equitable financial system.

Enhancing Financial Stability through Full FDIC Coverage

At present, the FDIC insures deposits up to $250,000 per depositor, per insured bank. However, this coverage limit has proven insufficient to prevent large-scale deposit withdrawals during periods of financial uncertainty, leading to bank runs and failures. As seen with the recent case of Silicon Valley Bank, the government had to step in to insure the full amount of deposits in order to prevent a collapse.

By providing full FDIC coverage for all deposits, we can significantly reduce the risk of bank runs and ensure a more stable financial system. This measure would also offer increased protection to account holders, regardless of their deposit size, and bolster public confidence in the banking sector.

Our proposal presents a balanced approach to safeguarding the financial system while promoting public interests. By combining full FDIC coverage with the prospect of converting troubled banks into nonprofit institutions, we aim to create a more resilient and equitable financial landscape that benefits all stakeholders.

Conclusion

The recent failures of Silicon Valley Bank, Signature Bank, and First Republic Bank have exposed deep vulnerabilities and unfairness in the U.S. financial system. By converting failed banks into nonprofit public banks, we can create a more stable, fair, and resilient financial system that supports economic development and serves the needs of all Americans. Drawing on the successes of public banks both in the United States and abroad, this white paper has outlined a policy framework for achieving this goal, offering a path towards greater financial stability and fairness in the face of ongoing challenges.