Despite Government Claims You Will Be Paying for the Failures of SVB and Signature Bank

March 17, 2023 - About ten days ago, Silicon Valley Bank experienced a bank run. $42 Billion was withdrawn from the bank in less than 48 hours, causing the bank to become insolvent and forcing regulators to take the bank over one week ago today. For most of last weekend, it was unknown whether or not remaining depositors would be made whole by the government or lose most of their funds. But late last Sunday, it was made clear that depositors would be able to get their money and the White House, the FED and Treasury Secretary Janet Yellen all announced that taxpayers wouldn't be footing the bill. That may not be the largest lie ever told but it certainly ranks among them.

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The two banks that collapsed - the second one being Signature Bank in New York - represented the 2nd and 3rd largest bank failures in US history, and they happened within a couple of days of each other. It became very clear, very quickly that there was real fear these banks represented the tip of the iceberg and that other banks would quickly follow them into insolvency. So as in most panic situations over the past twenty or so years, the federal government acted quickly and made what is likely to be viewed by history as a very bad decision. It bailed out depositors by pumping billions of dollars into an already inflation laden economy.

After announcing what they were doing, regulators also proudly made the grand announcement that their decision wouldn't cost taxpayers a dime. And technically, they are correct. Tax money won't be used to repay the money being laid out. That money will be repaid by increasing the fees the government charges banks for FDIC insurance. But what they aren't saying is that banks cover those charges by the fees they charge their customers.

Things like overdraft charges, annual fees for credit cards, minimum balance charges and a wide range of other fees are all born by account holders. So when the fees the bank is charged by the government go up, those increases will ultimately just be passed on to anyone with a banking relationship. It doesn't matter that the government isn't sending us the bill directly. We're still going to be stuck with the charges.

And on top of this, pumping billions of dollars more into the economy will only hurt from the standpoint of inflation. Maybe we should all just consider that another bank fee too.
by Jim Malmberg
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