



The Daily Dish

Banking Follies

DOUGLAS HOLTZ-EAKIN | OCTOBER 21, 2025

The humorist Will Rogers used to say: “I don’t make jokes. I just watch the government and report the facts.” Well, Eakinomics is going to report a few facts; readers get to decide for themselves whether to laugh or cry. First up is efforts to raise the maximum amount of checking accounts subject to deposit insurance. AAF’s Thomas Kingsley has a nice [review](#) of deposit insurance, its history in the United States, and *sensible* ideas about reforms.

Simply jacking up the limit on deposit insurance - currently \$250,000 - is not among reforms. As Kingsley notes, the current limit covers 99 percent of all checking accounts, and 40 percent of the dollar value of the deposits. That fits the purpose of deposit insurance. Small-dollar depositors need not fear the loss of their deposits, and thus are not incentivized to panic at any rumor of trouble and start a bank run. Avoiding bank runs was the initial impetus for deposit insurance.

Big dollar depositors - the smart money - *should* be concerned about their deposits, which is their incentive to monitor the safety and soundness of their bank. The threat of those funds being withdrawn is simultaneously the discipline that keeps banks managing their risks effectively.

There is no problem to which raising the deposit limit is the solution.

Indeed, the last major problem in banking was the March 2023 [failure of Silicon Valley Bank](#) (SVB). The demise of SVB left a real void at the top of the Worst-Managed-Bank-in-America category. Up second in today’s fun government facts is [this](#) from Politico:

The Office of the Comptroller of the Currency granted preliminary approval to Erebor Bank for a national bank charter. The bank plans to cater to technology companies focus on crypto and artificial intelligence, among other businesses that comprise the “innovation economy.” It also plans to offer stablecoin-related services, according to its

OCC application.

The bank's business plan is aimed in part at filling a void left by Silicon Valley Bank, which counted many fintech and crypto firms among its customers before it collapsed in March 2023.

Terrific. Eakionomics' vote is in.

Laugh Cry