

Hang Together

"We must indeed all hang together, or most assuredly we shall all hang separately." Benjamin Franklin

Involuntary Servitude: Big Bank Edition

Posted on February 26, 2013 by Daniel Kelly



Last week I wrote about how 2/3rds of all federal government expenditures support the institution of involuntary servitude (in which you work for the benefit of another without compensation for your efforts). I thought it might make your servitude a little more palatable if you knew who you were serving.

A few days ago the editors of Bloomberg asked this provocative question:

So what if we told you that, by our calculations, the largest U.S. banks aren't really profitable at all? What if the billions of dollars they allegedly earn for their shareholders were almost entirely a gift from U.S. taxpayers?

Here's their reasoning:

Banks have a powerful incentive to get big and unwieldy. The larger they are, the more disastrous their failure would be and the more certain they can be of a government bailout in an emergency. The result is an implicit subsidy: The banks that are potentially the most dangerous can borrow at lower rates, because creditors perceive them as too big to fail.

The size of that subsidy, they say, is about equal to the banks' regular annual profits. So . . . how do you like spending part of your annual 2.3 months of involuntary servitude ensuring that the banks' owners make a regular profit? I'll check, but I'm pretty sure I didn't see any of that on my bank statements. You?

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ONE THOUGHT ON "INVOLUNTARY SERVITUDE: BIG BANK EDITION"

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