

Household Portfolio and Deposit Insurance: Implications for the Supply of Safe Assets

Discussion for “Terry Fall Finance Conference 2025”

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Disclaimer

The views expressed here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Richmond.

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Estimation

- February 2000: DI limit increased from 100L to 500L
- Study “bunchers” who were maxing out UD; depositor and zip-time FEs
- 1pp increase in DI coverage → 2.1% increase in deposits, driven by those with “brokerage accounts” that sold risky assets

Key Contributions

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- **Clever data and identification:** Clean setup; using bunchers to drive identification is quite neat!
- **Positioning:** Optimal level of DI is still—for me—a puzzle. This paper provides at least one more piece.
- **External validity:** *Net effects* of more DI depend on many things (current limits; relative position of each depositor). Same for *general equilibrium* (TBTF vs other banks; competitive environment)

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 3. In Dramar’s, people way above the limit realize they now have too much ID now and rebalance away

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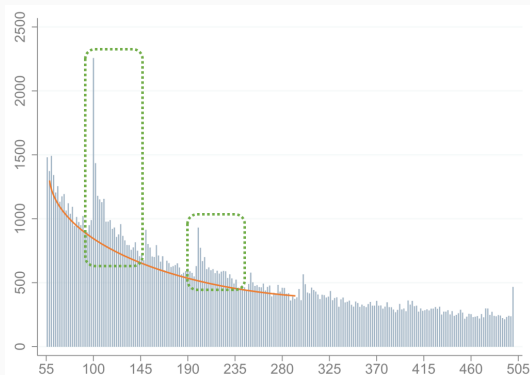
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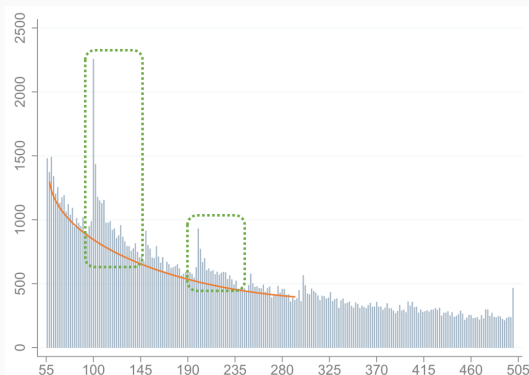
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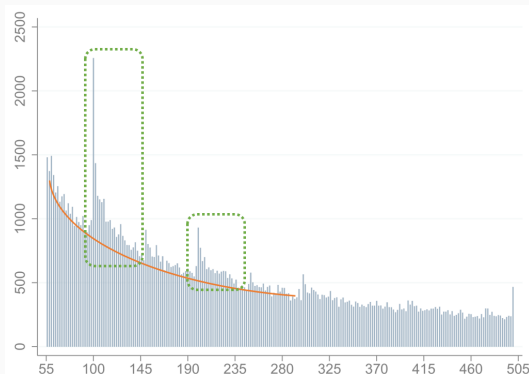
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- What about the smaller bunching at 200?

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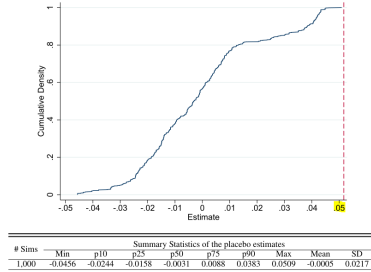
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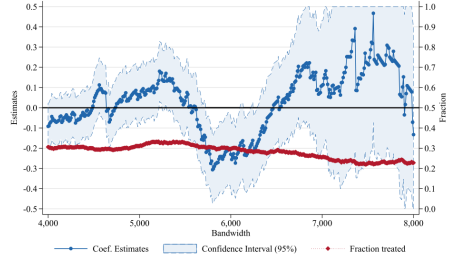
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- **Suggestion 2:** Modify the placebo. Show coefs. of doing $(50 - 75]$ vs $(75, 100]$, $(100, 125]$ vs $(125, 150]$, etc. Don't just start the placebo on the right of threshold.

Figure D.2: Placebo Test



The figure plots the cumulative density of the point estimates of the *Placebo* $\times$ *Buncher* $\times$ *Post* obtained from the 1,000 Monte Carlo simulations. We randomly select a DI threshold between ₹231,000 and ₹600,000 from a uniform distribution. The random threshold thus generated is used to classify depositors into bunchers and non-bunchers. Specifically, the depositors with pre-policy deposits less than or equal to the random threshold and greater than or equal to the threshold minus ₹30,000 are defined as placebo bunchers and all other depositors are defined as non-bunchers. We do not include depositors with pre-policy deposits less than ₹200,000 in our placebo sample. We estimate the coefficient of *Placebo* $\times$ *Buncher* $\times$ *Post* in the baseline specification and repeat this exercise 1,000 times. The distribution of β is centered around 0, with a standard deviation of 0.0216. The red dashed line denotes the location of the coefficient of the interaction term from column 4 of Table 2 with none of the estimates, among the 1,000 simulated placebo β , lying to the right of the red dashed line.



(a) The figure plots the coefficient on varying cutoff dummies $1_{cl}^{pop > X}$, with X varying from 4,000 to 8,000 in incremental steps of 10, when estimating Equation (2) (left y-axis) and the fraction of observations that are right of the varying cutoff (right y-axis).

Figure 1: Current placebo (left) vs suggested one (right)

Conclusion

- Loved the paper; valuable and careful contribution.
- A bit hesitant to draw general conclusions from this event.
- Not sure we can fully tease out who is a buncher.

Thank you!