

# Some historic perspective on the 2023 bank runs

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# Why were the bank runs last year so severe and what should be done about it?



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WaMu



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northern  
rock



# Technology

"Lightning fast removal of large deposits from around the world by electronic transfer"

"Today through an electronic button you can empty out deposits overnight. It's different."

"Runs are caused more often by an electronic phenomenon, the ability to withdraw money electronically."

"Electronic communications make it possible for institutions to raise or lose funds practically instantaneously."

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Continental Illinois  
1984

"Electronic communications make it possible for institutions to raise or lose funds practically instantaneously."

In the wire room "the employees knew what was happening as withdrawal order after order moved on the wire, bleeding Continental to death. Some cried"

# “Old-fashioned” bank run

## Old-fashioned bank runs were invisible too

- Depression
- Continental
- 2008
- Last year - Cipriani, Eisenbach, Kovner (2024)

## Large depositors

- Control outsized portions of deposits
- Are uninsured
- Are more informed
- Act faster
- Have always used best technology

## Versions of the technology argument

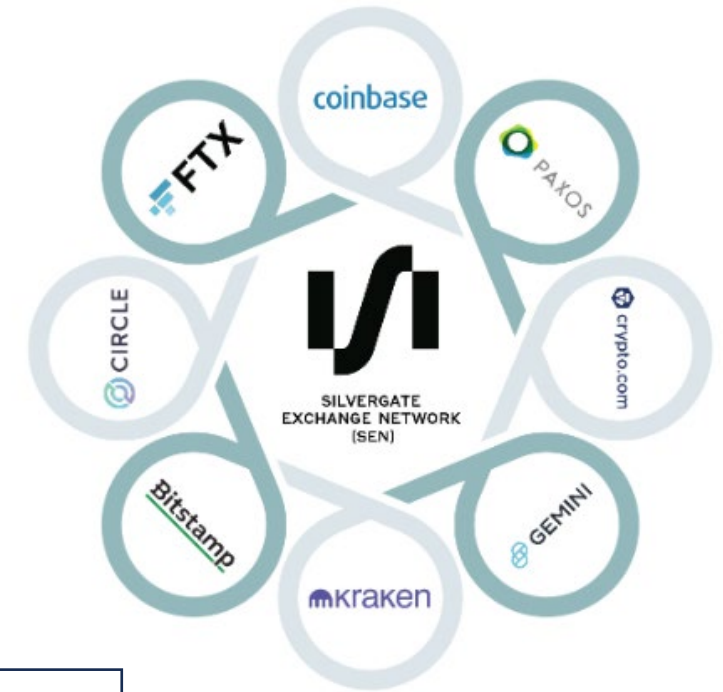
- Speed of withdrawal
- Ease of withdrawal
- Hot money



# Risky depositor bases

## Crypto-asset payment platforms at Silvergate and Signature

- Depositors could directly observe each other running
- Depositors used the bank for the purpose of moving money instantly!
- Primed to react after very volatile 2022



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# What should be done about it?

Understanding what caused the severity of the runs matters:

- If technology is the main problem → calibrate liquidity practices/policies broadly
- If depositor bases are the key issue → more targeted
- But -- some changes may be a good idea regardless, e.g. improving discount window speed

Some historic context on discount window

- 1978 – Borrower in possession
- 1985 – Field warehouses in Ohio + Maryland



**Cleveland Bank Has New  
Motto: Be Ready to React**

- 1991 – Field warehouses at Bank of New England

# Thank you

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 <https://www.federalreservehistory.org>

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