Addressing Too Big to Fail

I think Mr Bernanke the then chair of the Federal Bank summed it up when he made these 3 points

1. These firms generate severe moral hazard: "If creditors believe that an institution will not be allowed to fail, they will not demand as much compensation for risks as they otherwise would, thus weakening market discipline; nor will they invest as many resources in monitoring the firm's risk-taking. As a result, too-big-to-fail firms will tend to take more risk than desirable, in the expectation that they will receive assistance if their bets go bad."
2. It creates an uneven playing field between big and small firms. "This unfair competition, together with the incentive to grow that too-big-to-fail provides, increases risk and artificially raises the market share of too-big-to-fail firms, to the detriment of economic efficiency as well as financial stability."
3. The firms themselves become major risks to overall financial stability,