

The Recent Turmoil of US Banks – A Clear Indication of the Present Day Crisis of Capitalism!

The Silicon Valley Bank (SVB), and the Signature Bank of the US have collapsed. The second largest bank in Switzerland, Credit Suisse has tumbled down and to shore up liquidity and restore the confidence of investors and depositors has thrown an emergency lifeline. The Silvergate Bank of New York and the First Republic Bank too seem to be heading the same way.

This turmoil created by the collapse of these banks raised global uncertainty. The spectra of the wider contagion of these failures are looming. This is the second banking crisis in 15 yrs; after the banking crisis in 2008. Though at the time after 2008 crises, the bank for international settlements issued more guidelines regulating banks, it could not avert the present crisis. Now new Basil guidelines are being expected from the bank for international settlements for better management of banks to avoid collapses.

Silicon Valley Bank has the depositor base comprising start-ups and venture capitalists mostly from the tech hub Silicon Valley. 21 start-ups of India too are its depositors having an exposure of \$ 1 billion in funds. The bank invested in a portfolio of US treasuries and mortgage bonds which are reputed to be the safest asset in the world. Still it had collapsed due to cash crunch. Many start-ups including of India are seriously impacted due to the collapse of SVB.

Signature Bank has exposed itself to highly volatile crypto currencies by providing services to those investing in digital assets. Besides these services along with a run on deposits, this bank had collapsed.

Credit Suisse met the capital and liquidity of SV Bank, Signature Bank in the US that led to the bank share sell-off after its largest investor said it could not provide more funds, and for throwing an emergency life line.

The Federal Deposit Insurance Corporation (FDIC) took over the Silicon Valley Bank, 60% of the depositor of which are not insured; and took the control of Signature Bank in concert with Federal Reserve and Treasury Department and announced that depositors in both the banks would be repaid in full.

The Swiss Central Bank is bailing out Credit Suisse, by lending it around \$54 billion.

With such bailouts the policy makers of US and Switzerland intend to avoid impending global financial crisis. Now they are showing the raise (sharp) of interests by the

Federal Reserve to contain the inflation as the culprit for the present turmoil of banks and are vowing that they would tighten regulations for banks to avert their likely failures again.

However, the inflation, particularly the core inflation is persisting from 2020 onwards in the advanced economies as well as in developing economies. The panacea for containing inflation according to the capitalist economic discipline is raising rates of interests only. They (the capitalist systems) have no other tools to contain inflation. The capitalist world has been unable to contain the persistence of inflation, though it has been raising the rates of interests. They were unable to stabilise prices. In fact they do not intend to do so. That is why they are talking about tightening banking regulations and resilient banking system etc. But on the other hand even after the present turmoil of banks, the Federal Reserve of US logged another quarter point increase. Following the Federal Reserve, the European Central banks raised rates. The Bank of England and the Swiss National Bank raise the interest rates.

In actuality the turmoil of banks is not a symptom of mere global banking crisis. It is an indication of impending crisis of the very capitalist system and its inevitability, due to the intrinsic nature of the very capitalist system, be it a classical or a neo-liberal capitalist system. These systems cannot avoid crises from time to time. At the most they can come out of them, by throwing the burden of economic crises on to the workers and toiling masses in the form of wage cuts and job cuts and ruthlessly exploiting the labour power of the working class, globally with cunning machinations.

The recent economic data is clearly indicating that the major economies worldwide including India are heading towards a spell of debilitating stagflation. The risk of an economic recession is heightened in advanced economies. All these are the clear indications of crisis of the capitalist system and the failures of neo-liberal economic capitalist system that cannot be avoided and the inevitability of recurring crises of the system.

The present turmoil of banks is clear cut indication that the present day capitalist (imperialist) system is reeling under crises. This crisis is the consequence of stagflation to which the world major economies are heading.

Only the demise of capitalist system, of any name after its overthrowing by the working class and establishing the system of dictatorship of the proletariat to establish socialism can remedy and arrest the recurring crises of the capitalist system and the repeated global uncertainty!