

Frank Gaffney ([00:10](#)):

We're back. Bill Walton is in the house virtually, I'm very pleased to say. And he is explaining to us what is going on with both Silicon Valley Bank and two cryptocurrency financing banks, all of which are in trouble. And President Biden and his team have professed that actual creditors at places like Silicon Valley Bank are going to be able to get their money. And it's said, but it's not a bailout. So Bill, what do you make of all that? Is it a bailout?

Bill Walton ([00:46](#)):

Well, you need to break it down. No, in fact, all the creditors of these banks are not going to get their money back. Who is going to get their money back are depositors. And roughly, Silicon Valley had about \$200 billion in assets and about a \$150 billion in deposits, roughly. Those are not the exact numbers. So what the Feds have done is they've stepped in and they said, "Well, depositors normally insured up to \$250,000. We're going to go over and above that and we're going to ensure all deposits." So if you have regular deposits in the bank, you'll get your money back and they're going to get some special certificate today and tomorrow. The rest of the creditors though, and especially the equity holders, a great term here. They're going to be bailed in. So you know what bailed in means? It means they don't get-

Frank Gaffney ([01:36](#)):

No.

Bill Walton ([01:36](#)):

Any money. They're going to be wiped out.

Frank Gaffney ([01:40](#)):

Wow. But just hold-

Bill Walton ([01:42](#)):

That's capitalism. I mean, you take your risk as an equity holder and if you're not paying attention that the chief risk officer is the most woke person on the planet, you deserve to lose your money.

Frank Gaffney ([01:54](#)):

All right. But what about those creditors that distinguishes them from those depositors? The depositors are apparently going to get all of their money back. And if that's \$150 billion, that's a fairly substantial hit. Well above, obviously, what they would get back if they were just getting \$250,000.

Bill Walton ([02:15](#)):

Well, it's well above the \$250,000. And I hate to give credit to the Feds, but in this case, I think they're doing it the right way. They're using the Federal Deposit Insurance Fund to bail these people out above the amount of their \$250,000 limit. And that'll preserve some sense of security that people have in their bank deposits. And there's a fee that they charge every year or every quarter to the banks to pay for the insurance fund. And they claim that the rest of the banks in the system are going to ship in fees so that this extra money that goes to depositors will come from the banking system and not from the taxpayers.

Frank Gaffney ([02:57](#)):

Not from the taxpayers. Hence, not a bailout. But Bill, as a practical matter, I can only imagine that there will be a time, if not very quickly, soon, when that insurance fund is depleted. And if any other bank gets into trouble, even those who have \$250,000 that are guaranteed are going to be in trouble and [inaudible 00:03:25]-

Bill Walton ([03:24](#)):

Well, yeah. The three banks that have been bailed or the deposits have been bailed out are special circumstances in many ways. But what's not a special circumstances, all banks in the system are holding a lot of bonds, treasuries, and other kinds of bonds, fixed rate bonds. And when interest rates rise, the value of those bonds goes down. And so they're looking at a lot of losses because of high interest rate environment and high inflation. That's a systemic risk that is not being addressed by this. And no, there's not enough money in the Federal Reserve, FDIC Deposit Insurance to cover that risk. And the other thing that's happening here, Frank, is this is another step down the path towards Central Bank digital currencies, because-

Frank Gaffney ([04:14](#)):

Yeah, I wanted to go there next.

Bill Walton ([04:15](#)):

And in effect what we're seeing-

Frank Gaffney ([04:16](#)):

Remind us why.

Bill Walton ([04:17](#)):

This is just one step towards nationalizing all the banks. In this case, there're three smaller banks. It's clear that at least Silicon Valley's probably going to go out of business, although they move the assets into another entity. I'm not sure what that's going to be called. But these assets are a drop in the bucket when you look at the whole system and the whole system's incredibly exposed to the inflation which Congress caused by its 5 or 6 or 7 or \$8 trillion of extra spending. And that Piper's have to be paid sometime, maybe not this month, but it's going to happen unless we can get the interest rate situation, high interest rates and high inflation turned around. And I don't see that the Fed is going to be able to do that.

Frank Gaffney ([05:06](#)):

Yeah, no, it's a hat trick of major proportions. But Bill, remind us why we should be concerned about the Central Bank digital currency to say nothing of the idea that every bank in the country is going to be on by the [inaudible 00:05:21]-

Bill Walton ([05:20](#)):

Well, here's what happens. Let's say you hold a deposit at Silicon Valley Bank to take an extreme example, and the Feds come in and they say, "Well, you're going to get your money back, but instead of having a deposit with another commercial bank, why don't you just leave it with the Federal Reserve and we'll provide your banking, your credit, your you're checking services for you. And to the extent that

begins to happen throughout the system, pretty soon most of Americans are going to see their checking with the federal government.

[\(05:53\)](#):

And of course, if you get a benign federal government that has no intentions to try to monitor your behavior in any other way. For example, if you want to buy guns or buy diesel fuel, which spring to mind, or you want to do something that's not woke, they've got an ability to monitor what you spend money on and then, if not just monitor, block payments for things like that. That's where central bank currency looms on the horizon when we look at this bailout, but not bail in.

Frank Gaffney [\(06:25\)](#):

We've been talking about this for some time with you and other guests, of course, in the context of digital, not just currency, but documentation, passports, smart IDs, what have you, that driver's licenses for that matter, that become platforms for the Chinese Social Credit System style monitoring and control. And if your bank account is tied into that as well, well, you get the full on Chinese model. You get the ability by the government to say, "No, no. You're not going to spend the money, whether it's on guns or whether it's on diesel, or whether it's on food, or whether it's on travel or on anything else. They don't approve of given your conduct as they see it.

Bill Walton [\(07:15\)](#):

Well, the other risk here for Frank-

Frank Gaffney [\(07:16\)](#):

For short.

Bill Walton [\(07:17\)](#):

Remember it's Monday morning after the weekend or week before when Silicon Valley and the other two banks were taken over, there's still a risk right now that people won't trust the Federal Government to do the right thing. I think largely-

Frank Gaffney [\(07:32\)](#):

They would be right to be worried. Bill, we are hard out of time. We're going to come back to that topic for sure.

Bill Walton [\(07:37\)](#):

That could actually cause a contagion that I don't think they can control.

Frank Gaffney [\(07:40\)](#):

Big time. Bill Walton, as always, thanks for your expertise on this particular topic. We're delighted to have an insight from you on it and the way forward. Come back to us soon. I hope the rest of you'll do the same next time. Till then, go forth and multiply.