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Switzerland

Banking crisis in Switzerland: socialization not monster colossus!

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Since Sunday, 19 March 2023, it has been clear that the ailing Swiss bank Credit Suisse will be taken over by its competitor UBS. However, this new monster colossus has only come about because once again the Swiss state is stepping into the breach and thus the wage earners are being obliged by the government to pay for part of the losses of a big bank. The population is thus paying for the failure of the banks and securing the bonuses and dividends of those responsible for the collapse.

No socialization of losses: We won't pay for your crises!

On Sunday evening [19 March 2023], the Swiss Federal Council, the heads of the National Bank and the Financial Market Authority (Finma) as well as the two presidents Axel Lehmann (CS) and Colm Kelleher (UBS) announced that Credit Suisse would be swallowed for three billion francs. However, the takeover was only possible because the Swiss Confederation issued guarantees to UBS amounting to 209 billion francs. The public sector will contribute nine billion to the losses of CS and 200 billion will be made available to the two banks in the form of loans, half of which will be guaranteed by the federal government and half by the SNB. This means that any loan defaults will be taken over, which will become particularly likely if the financial crisis that began in the USA after the bankruptcy of the Silicon Valley Bank continues to spread. The consequences of private rip-offs will thus once again be paid by wage earners with their tax money. In addition, more than 10,000 bank employees will be laid off in the next few months, including dozens of CS trainees who will not be taken on by UBS.

The board of directors and the managers of CS, on the other hand, have nothing to fear, even though they have run a global financial group into the ground and made losses of 3.2 billion Swiss francs in the last ten years. In the same period, CS has paid out dozens of billions in bonuses. So much for "corporate responsibility". The height of cheek is that CS announced immediately after the takeover by UBS that it would continue to pay out bonuses. The next round of "enrichment at the expense of the general public" is already scheduled for 24 March.

The bourgeois rule of law is a farce

It is also remarkable how little regard the Swiss authorities have for their own rule of law when their friends in the private sector are in trouble. As in the case of the rescue of UBS in 2008, the Federal Council decided to bail out CS by means of emergency law, overriding parliament and the population. The Competition Commission, which in liberal logic should control such mergers and combat the formation of monopolies, was demoted to observer status. And the shareholders' right was unceremoniously cancelled in order to prevent a veto by the bank shareholders.

The protagonists and the bourgeois politicians justify this undemocratic manoeuvre by the need for stability of the financial market, which would be endangered by an uncontrolled collapse of CS. The Swiss authorities would have had no other option than to save CS with public money, because otherwise they would have risked a global earthquake on the financial markets.

Capitalist constraints - and not vague elite circles, as conspiracy narratives would have us believe - are taking the population hostage, as they did when UBS was rescued in 2008. Financial market stability is also just another word

for guaranteeing corporate profits and enriching the rich.

A long-announced downfall

The downfall of CS is the end of a long chain of scandals, corruption and self-inflicted speculation in recent years.

- In the Spycgate affair of 2019, it became known that the then CS CEO Tidjane Thiam had the head of asset management Iqbal Khan spied on for fear that he would take confidential information to his new employer (UBS).
- In 2021 and 2022, CS speculated and made billions in losses when the US hedge fund Archegos (2021) and the financial firm Greensill (2022) went bankrupt.
- In the “Suisse Leaks” of 2022, journalists revealed how CS to this day courted dictators and criminals as clients and helped them hide and launder their money.
- Finally, CS's criminal practices led to it being convicted in several cases and ordered to pay fines and damages amounting to billions of euros because it had neglected its duty of care and thereby enabled money laundering and tax evasion.

All this led to clients withdrawing their money from CS, to the bank having liquidity problems despite its existing equity capital, and finally to the danger that it would no longer be able to meet its current obligations. And despite all these scandals, both CS president Lehmann and the Swiss authorities had the cheek to claim at the press conference on 19 March that it was mainly “rumours on social media” that were to blame for the collapse of CS.

Concentration of capital

It is not only the socialization of losses that is typical of how economic crisis situations are dealt with in capitalism. Every crisis also leads to a further concentration and centralization of capital. Dying industries and companies are eliminated, but at the same time new investments are made by means of direct or indirect state aid. Companies are bought up and their market shares absorbed. This allows the “rulers of the market” (here: UBS) to concentrate even more wealth and power in their hands. They constantly try to increase their productivity (increase in the production of goods or services within a given time) as well as their profitability (profit rate).

The takeover of CS will now create a financial colossus that will be all the more “too big to fail”. The assurances of the Swiss authorities that the enlarged UBS will have to increase its equity capital again and that the state regulations of the financial market should be tightened once more do nothing to change this. The fact that these regulations remain paper tigers for big banks is shown precisely by the collapse of CS, which, according to the requirements imposed on banks since the financial and economic crisis of 2007/08, should not have happened at all.

For the socialization of the financial sector!

The Federal Council has shown that it is in principle possible for a government to act quickly and raise billions when there is a fire and, for example, the demise of one of the country's biggest climate sinners, CS, is looming. Climate Strike Switzerland therefore rightly asked in the social media whether our livelihoods are not also “too big to fail”? At the same time, the behaviour of the Swiss state shows that it is not a neutral entity that can be used to bail out banks or save the climate. Civil states, including parliament and government, came into being in the 19th and 20th centuries

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to enable private companies to compete as profitably as possible, and not to provide wage earners with a life that is as carefree and work-free as possible, in harmony with the environment. This is still the case today.

Therefore, it is the completely wrong approach when left parties now call for getting even with the bourgeoisie in the National Council elections - i.e. within the bourgeois parliament - in autumn. What we need is the building of a social counter-power: we need a broad social movement that breaks with the rules of the game of the ruling classes and strategically targets the private property of the corporations.

UBS and CS have invested billions in fossil fuel, climate-damaging companies and projects. As a result, the two big banks have caused twice as much CO2 emissions as the rest of Switzerland. The banks must therefore be deprived of their decision-making power over investments. The banking sector must be expropriated and put at the service of society and the socio-ecological restructuring of the economy.

We will not pay for your crises: Expropriate CS and UBS!

For the socialization of the financial sector and an ecological-social restructuring of the economy and society!

20 March 2023

Translated from sozialismus.ch.

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