IndyMac Bank's Ominous Failure

While bank failures are not particularly unusual even in the best of times, the IndyMac implosion has raised eyebrows worldwide for several reasons. One is that the California bank is the second largest ever to fail under the FDIC-insured system. Another, far more ominous, is that the factors that brought down IndyMac — asset depreciation stemming from the mortgage crisis, combined with plummeting stock values — threaten to undo other major U.S. regional banks as well. On the Monday following IndyMac's collapse, stocks from a number of well-known regional banks fell by 20 percent or more. Utah-based Zions Bancorp dropped 23 percent, while Washington Mutual, Inc. lost 35 percent. Spooked investors and depositors are beginning to sense that the credit crisis that began with last year's mortgage fiasco is likely to last longer and hit much harder than happy-faced analysts were promising only weeks ago, with more financial institutions like IndyMac probable casualties of the brutal ongoing economic correction.

The failure of IndyMac and the instability of the entire financial sector has been brought about by years of misallocated credit under America's inflationary Federal Reserve-centered financial system. Just as the drunken partygoer always endures a hangover the morning after, American investors and borrowers, addicted to years of the unnaturally easy credit that inflationary policymaking creates, are now experiencing the inevitable long-term consequences of such financial mismanagement.