

Kenneth C. Griffin

US capitalism is 'breaking down before our eyes', says Ken Griffin

Citadel founder argues that refusing to bail out SVB depositors in full would be 'great lesson in moral hazard'



Ken Griffin, left, said the US economy was strong enough for the government not to have stepped in the way it did, though Bill Ackman, right, another high-profile hedge fund manager, urged the FDIC to 'explicitly guarantee all deposits now' © FT montage/Reuters/Bloomberg

Harriet Agnew, Laurence Fletcher and Patrick Jenkins YESTERDAY

Ken Griffin, founder of hedge fund Citadel, said the rescue package for Silicon Valley Bank unveiled by US regulators shows American capitalism is “breaking down before our eyes”.

Griffin told the Financial Times that the US government should not have intervened to protect all SVB depositors following the collapse of the Santa Clara-based bank on Friday.

“The US is supposed to be a capitalist economy, and that’s breaking down before our eyes,” he said in an interview on Monday, a day after US regulators pledged to protect all depositors in SVB — even those with balances above the \$250,000 federal insurance limit.

“There’s been a loss of financial discipline with the government bailing out depositors in full,” Griffin added.

[SVB](#) was shut down by US regulators on Friday after customers raced to withdraw \$42bn — a quarter of its total deposits — in one day and a failed effort to raise new capital called into question the future of the tech-focused lender.

Critics of the rescue package have pointed to the risk of moral hazard that comes from making all depositors whole on the money they have with SVB, while regulators have [faced questions](#) over missed warning signs.

“The regulator was the definition of being asleep at the wheel,” Griffin said.

The billionaire Citadel founder, whose fund this year became the [most successful hedge fund](#) firm ever, said the strength of the US economy meant the US government did not have to take such forceful action.

“It would have been a great lesson in moral hazard,” he said. “Losses to depositors would have been immaterial, and it would have driven home the point that risk management is essential.”

“We’re at full employment, credit losses have been minimal, and bank balance sheets are at their strongest ever. We can address the issue of moral hazard from a position of strength.”

Griffin’s stance contrasts starkly with that of Bill Ackman, another high-profile hedge fund manager, [who on Monday called](#) for the Federal Deposit Insurance Corporation to “explicitly guarantee all deposits now”, warning that “hours matter”. Ackman said on Twitter that “our economy will not function effectively without our community and regional banking system”.

He said that neither he nor his hedge fund Pershing Square had any exposure to Silicon Valley Bank, adding that his personal exposure to the venture capital industry was “less than 10 per cent of my assets”.

Last year Griffin moved Citadel and his market-making firm Citadel Securities [to Miami](#) from Chicago after threatening to leave the city over rising crime. Griffin, who relocated to Miami with his family, has described the city as a “growing metropolis that embodies the American dream” and has said he wants Florida’s Republican governor [Ron DeSantis](#) to run for president in 2024.

Citadel, which Griffin set up in 1990, has grown to manage \$54bn in assets.

This article has been amended since publication to clarify the nature of Griffin’s criticisms

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