

## Start of Next Financial Crises - When: Projections and Expectations

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### 1. Introduction

It is surely a million dollar question that – Has the 2007 financial crises got an end or not. The question is not “if” but “when” the next financial crises will hit. So many luminaries and academicians such as David Stockman, Nouriel Roubini and Raghuram Rajan (Modern Monetary Economists) have pointed to Global Financial Crises of 2007 and started asking: Did the Global Financial Crises (GFC) of 2007 ever end? The methods in hand like quantitative easing, intervention in stocks, bonds and the role played by the central banks of the developed countries like Fed, Swiss National Bank, ECB, Bank of Japan and others, the answer must be rebutted and resounding - NO!

Although world was warned of a looming market liquidity crises- but people had gone deaf and paid no heed. The prime reason for the onset of the GFC in the summer of 2007 was a financial liquidity embargo. Financial liquidity is about the easiness with which the traders can obtain funding to trade one or more classes of assets. The condition for an asset to be of high financial market liquescence, its abundance must be adequate and innocuous to hold, so that it can be exchanged easily in trade perspective. Furthermore the market liquescence of an asset hinges on trader’s capability. Thus market fluidness and currency are interrelated. Financial liquidity in turn is related to the convenience of the money available in the economy. Here a new chapter gets entry i.e. Macro-liquidity: as this is a crucial step regarding increasing or creating of money supply or additional money. Now a noble question needs an answer- “Who creates the money”. There is a wrong notion that central banks do print or create money. As the story continues, the central bank inoculates some seed money it creates to the banks, and the banks multiply that money. By keeping a percentage of seed money as reserves as has been made obligatory by the Central banks and outspreading the rest as loans to the people and to lend, and in this course create guarantees- thus giving birth to additional money. This is the bookish definition of money creation, called as deposit multiplication. *Here it is better to tell you the fact. Had this been the instance, the Central bank might have organized the money the banks can generate by adjusting the seed money it inoculates, which we know it cannot.*

### 2. Role of Central banks

The central banks can only print bank notes and /or mint coins. Yes, they can create assets, but assets are not money that can buy commodities. Now for the Central bank a problem makes a back door entry and leaves everything in shambles. How central bank will be able to create deposits at the banks i.e. adding of macro-liquidity. Three Players do accomplish such type of activity i.e. treasury, NBFC and Banks.

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If we want to enter in quantitative easing by treasury- (Suppose treasury has already issued bonds) and if through NBFC's (Suppose NBFC's require bonds from the coffers (treasury)). Thus the work of quantitative easing is to be done by bank. Banks buy bonds from NBFC's by crafting credits. In turn banks provide bonds to Central bank for reserves and thus Macro-liquidity is added.

Now if the Quantitative easing (QE) fails? One unintentional significance of the unsuccessful QE has been that the Central banks tangled have subscribed undue amounts of innocuous possessions, thus plummeting their quantity and supply. In addition to this, as freezing financial liquescence was one of the causes of the GFC, controllers started challenging that banks and other NBFC's hold large amount of liquid possessions to safeguard in contrary to backing financial liquidity freezes during financial chaos, thus promoting and leading to reduction of viable safe assets and thereby reducing the supply thereof.

### 3. Conclusion

The changing view of the speculators made maximum of the previously liquescent safe possessions like US treasury bonds and German bonds less liquid than afore. *Hence definitely we are fixed up for one more financial catastrophe.* As far we have seen only a few ostentatious smashes and impulsive hedges in interest rates and stock prices, as seen with the U.S. and German 10 year yields and the stocks of NYSE, JSE, Shanghai and Shenzhen just as recently as early Nov 2017.

Once (not if) the ensuing lag of the GFC drive hit remnants to be seen. All we want now is a straw to breach the camel's back which is dead impossible and thus dead end is near.....