the fleet sheet's final word

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Cash is king

By its very definition, a credit crunch means there's a shortage of cash. Banks get tightfisted, cut back on their grandiose expansion plans, and start looking for ways to fill the holes in their balance sheets. The worse it gets at home in the U.S. or Western Europe, the more the banks and other companies hit by the downturn look to their foreign subsidiaries for a cash injection. This leads to a contraction in the money supply on the foreign market, affecting both households and businesses. At the same time, as world leaders increasingly compare the mounting crisis to the Great Depression, depositors start remembering the bank runs and withdrawal limitations that accompanied previous crises, and they start sticking more of their money under their mattresses. This leads to a further contraction in lending, as banks scramble to meet their capital requirements. It's a vicious circle with no obvious way out. Those who see it coming can take steps to protect themselves.