# Article information:

Venture capital’s silent crash: when the tech boom met reality | Financial Times
<https://www.ft.com/content/6395df7e-1bab-4ea1-a7ea-afaa71354fa0>

# Article summary:

1. The venture capital world is experiencing a silent crash, with no daily market indices to broadcast the pain and no individual share prices for anxious tech employees to watch as their personal wealth evaporates.

2. Loose rules that require only sporadic writedowns have made it easy for many investors and entrepreneurs to turn a blind eye to the crash, but companies with an urgent need for capital have been forced into a full reckoning with reality.

3. The scale of the most recent venture boom has dwarfed that at the end of the 1990s, and if bets sour, it could lead to a retreat by many of the newcomers drawn to venture investing, delivering a shock to a tech start-up world that has grown used to ever-increasing amounts of capital.

# Article rating:

Appears moderately imbalanced: The article provides some useful information, but is missing several important points or pieces of evidence that would be required to present the discussed topics in a balanced and reliable way. You are encouraged to seek a more balanced perspective on the presented issues by exploring the provided research topics and looking at different information sources.

# Article analysis:

The Financial Times article titled "Venture capital’s silent crash: when the tech boom met reality" provides a critical analysis of the current state of the venture capital industry. The article highlights how loose rules that require only sporadic writedowns have made it easy for many investors and entrepreneurs to turn a blind eye to the market downturn. The lack of daily market indices and individual share prices for private companies has also contributed to the silent nature of the crash.

The article notes that only companies with an urgent need for capital have been forced into a full reckoning with reality, as investors putting in new money demand an up-to-date valuation. However, many more will have to follow before the full extent of the reset sinks in. Despite some signs that people are getting more realistic about valuations, there is still resistance from investors and company founders who are in denial about the change in valuations until they run out of capital.

The article also highlights how much of the investment poured into venture investing last year, as valuations of private start-ups were hitting a peak. Hedge funds, private equity firms, sovereign wealth funds, corporate VCs, and mutual funds between them supplied two-thirds of all the money that went into venture investing globally last year. If those bets sour, it could lead to a retreat by many of the newcomers drawn to venture investing.

The article notes that Venture Capital's deferred date with reality will be a watershed moment for the start-up world. Investors who put most of their latest funds to work at the peak of the market could be facing negative returns not seen since the dotcom crash at the turn of the century.

While providing insights into potential risks associated with venture capital investments, this article does not explore counterarguments or present both sides equally. It focuses primarily on highlighting how loose rules and lack of transparency have contributed to a silent crash in venture capital investments without exploring other factors such as macroeconomic conditions or regulatory changes.

Additionally, while noting that some start-ups with proven businesses can still look forward to raising money on favorable terms due to cash sitting in existing venture funds, it fails to mention how this may exacerbate inequality within the industry by favoring established players over new entrants.

Overall, while providing valuable insights into potential risks associated with venture capital investments and highlighting issues related to transparency and accountability within the industry, this article would benefit from exploring counterarguments and presenting both sides equally.

# Topics for further research:

* Macro-economic factors affecting venture capital investments
* Regulatory changes impacting the venture capital industry
* Advantages and disadvantages of investing in start-ups
* Impact of the current market downturn on start-ups
* Strategies for mitigating risks in venture capital investments
* Role of venture capital in promoting innovation and economic growth

# Report location:

<https://www.fullpicture.app/item/741c824826d94ca399b89699f5582599>