# Article information:

What really went wrong at Silicon Valley Bank | The Economist
[https://www.economist.com/leaders/2023/03/13/what-really-went-wrong-at-silicon-valley-bank?ppccampaignID=17210591673=](https://www.economist.com/leaders/2023/03/13/what-really-went-wrong-at-silicon-valley-bank?ppccampaignID=17210591673&ppcadID=)

# Article summary:

1. Silicon Valley Bank failed with $212bn of assets due to a bad bet on interest rates staying low, leaving depositors in a financial deep-freeze.

2. The failure of SVB revealed flaws in America's banking architecture as tech firms faced lay-offs and bankruptcies.

3. America's regulators and government judged SVB too big to fail and guaranteed all the bank's deposits, penalising the whole industry for the recklessness of a single institution.

# 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 article What really went wrong at Silicon Valley Bank by The Economist provides a critical analysis of the collapse of Silicon Valley Bank (SVB) and its impact on the financial system. While the article highlights some valid points, it also contains potential biases, one-sided reporting, unsupported claims, missing evidence for the claims made, unexplored counterarguments, and partiality.

One of the main biases in the article is its focus on blaming SVB for its failure without considering external factors that may have contributed to it. For instance, the article does not mention how the COVID-19 pandemic affected interest rates and bond markets, which could have played a role in SVB's downfall. Additionally, the article does not explore whether other banks or financial institutions had similar exposure to long-term bonds and low-interest rates.

Moreover, the article presents a one-sided view of SVB's depositors as rational actors who fled due to their fear of losing their money. However, it fails to acknowledge that some depositors may have withdrawn their funds due to panic or speculation rather than rational decision-making. Furthermore, the article does not provide evidence to support its claim that most of SVB's depositors were Bay Area tech startups with accounts holding well in excess of $250,000.

The article also lacks evidence to support its claim that SVB had enough assets for depositors to get all or almost all of their money back but only after a long wait. It is unclear how The Economist arrived at this conclusion since no information is provided about SVB's asset quality or liquidity position at the time of its collapse.

Additionally, while the article acknowledges that America's regulators and government feared depositor loss of faith in other banks too, it fails to explore why this was a concern or what measures were taken to address it. The article also does not consider potential risks associated with guaranteeing all deposits at SVB or using a fund financed by all banks to bail out depositors.

Finally, while The Economist argues that shareholders being wiped out and bondholders taking big losses is not a failure of the financial system but rather a bad business going bust, it fails to consider how such failures can impact broader economic stability and systemic risk.

In conclusion, while The Economist's analysis raises some valid points about SVB's collapse and its impact on depositors and the financial system as a whole, it also contains potential biases and shortcomings in terms of presenting both sides equally and providing evidence for its claims.

# Topics for further research:

* Impact of COVID-19 on interest rates and bond markets
* Other banks or financial institutions with exposure to long-term bonds and low-interest rates
* Withdrawal of funds due to panic or speculation rather than rational decision-making
* Evidence of SVB's asset quality and liquidity position at the time of its collapse
* Measures taken by regulators and government to address depositor loss of faith in other banks
* Impact of failures of financial institutions on broader economic stability and systemic risk.

# Report location:

<https://www.fullpicture.app/item/ca3babf58f844be4c4a3ace68e3e876d>