Hi, I'm Erica Ramirez, founder of Ili and host of What About Your Friends, a brand new show on the Ringer podcast network dedicated to the many lives of friendship and how it's portrayed in pop culture.
Every Wednesday on the Ringer Dish Feed, I'll be talking with my best friend, Stephen Othello, and your favorites from within the Ringer and beyond about friendships on TV, in movies, pop culture, and our real lives.
So join me every Wednesday on the Ringer Dish Feed where we try to answer the question, the LCS, back in the day, what about your friends?
Today, the death of Silicon Valley Bank, we're going to break down the implications, Washington's muscular response, the risk of a broader banking crisis, and how some very outspoken Silicon Valley luminaries are covering themselves in dishonor in this fragile moment.
But first, what the hell just happened?
How did the nation's 16th largest bank, armed with the deposits of startups, wineries, and other California businesses, mess up so badly that it became the second largest bank to fail in American history?
I think we have to tell this story chronologically.
For many years, Silicon Valley Bank earned its reputation as the bank for startup founders.
You start a company, you raise some money from venture capital, which is concentrated in and around Silicon Valley in California, you close your Series A, you need a bank to hold that money.
Where do you go?
For many, the answer was you go where most other early stage startups, like you, have already gone.
You go to SVB.
And so Silicon Valley Bank had a lot of experience structuring loans to risky early startups, and these startups were often encouraged by their boards and their VC funders, hey, put the money in SVB, plus, you know, SVB had some clever strategies to maximize deposits.
They'd say, if you want to do business with us, if you want to take loans from us and you should, you have to bank here, you have to deposit your cash here.
So SVB establishes this extremely valuable inside track on early stage startups.
It has an excellent relationship within the community.
And when it's boom times in tech, it is boom times for SVB as well in the early pandemic period was absolutely incredible, not only for the broader ecosystem, but for this bank in particular.
Deposits in Silicon Valley Bank tripled during the pandemic, tripled, growing from $60 billion in 2019 to more than $180 billion in 2022, who faster than any other bank in America, according to one estimate by JP Morgan.
So you're a banker, you're in charge of SVB.
What do you do with all this new cash?
The answer that SVB came up with was we put it to work in mortgage backed securities.
They buy $80 billion in mortgage backed securities, that seems like the safest, most vanilla way to get a little yield on all this cash that's flowing into the bank during the pandemic.
And honestly, if you stop the tape in 2021, everybody is loving it.

In 2021, the esteemed finance journal Barron's published an article entitled, quote, Silicon Valley Bank has found a niche in tech startups.
The stock is a buy.
Here's the lead SVB financial group, also known as Silicon Valley Bank stands out in the stodgy world of banking because of its unusual role as a leading lender to innovative tech startups, quote, it's growthy in a sector that's not growthy, says Chris McGrady, analyst with Keith Priet and Woods.
So again, if you stop the story here on the surface, SVB looks like a Titanic winner in the pandemic.
But as we've discussed in the show, the pandemic was not a pure accelerant of economic and tech trends.
It was more like a bubble.
And kind of like the actual Titanic, SVB was at this moment very possibly doomed.
If you looked closely at its strengths, you would have seen that each of them had a fatal weakness because Silicon Valley Bank might have nominally been in the business of startups, but it was substantively in the business of betting on interest rates.
On the depositor side, low interest rates had been a tailwind behind the early pandemic startup boom.
But when inflation struck, the Fed started to raise rates.
VC money was drying up.
startups were taking out more cash than they were putting in.
The inflows became outflows, deposits are drying up.
So that's squeezing Silicon Valley Bank on one end.
But on the other end, SVB, remember, had locked up $80 billion in securities that would get less valuable as rates increased because bond prices and rates move in opposite directions.
So in the big picture here, SVB doubly screwed itself with a double sensitivity to higher rates.
The writer Matt Levine put it, on the asset side, higher rates decrease the value of this huge position in long-term debt securities, and on the liability side, higher rates mean less money for tech and as such a lower supply of cheap deposit funding.
So every time the Fed is raising rates, it's like it's squeezing the belt loop one more notch, one more notch, one more notch, SVB is getting pinched from both sides.
Some people might think, oh, this poor bank, this poor bank caught flat-footed.
Its executives had no way to know that the Fed would raise rates and doubly fuck its investment strategy, except anybody saying that is completely out of their minds.
Not only was the Fed broadly and loudly proclaiming to the entire universe, hey, everyone, interest rates are going up until inflation is crushed.
That's the deal.
But also, the CEO of Silicon Valley Bank, Greg Becker, was on the board of directors of the Federal Reserve Bank of San Francisco.
The SVB team had taken out a long position on low interest rates, while its CEO was a core member of the group in charge of raising interest rates.
So after a while, because these people aren't actually completely stupid, the executives

at SVB realized they have to unwind a bit of their position.
SVB's deposits have been dropping for a full year by the end of 2022.
So the executives decide to sell some bonds at a loss in order to give themselves a little bit of breathing room.
That sale means taking a hit, a big hit, $1.8 billion.
And investors look at this and they go, this is huge.
This is terrible.
Maybe we should get a little closer look at the SVB books.
And of course, what they see is exactly the horror show that I've just described.
In March 2023, the stock plummets by 60% in less than a week.
Now at this point in the timeline, we've taken you up to around lunchtime last Thursday.
Silicon Valley financiers are desperately trying to avoid a collapse.
And Silicon Valley bank financiers, I should say, and they just might be able to eke out of survival.
All they need is to avoid a bank run.
And like most banks that do fractional banking, they don't have enough cash in hand to redeem all of their depositors at once.
And so if a ton of their clients try to grab the money and run, the bank is dead.
Now remember what I said about this bank, Silicon Valley bank's clientele.
This is not a normal bank.
It's a bank whose customers aren't like you and me who typically keep a couple thousand dollars, a couple hundred dollars in a checking account at once.
This is an ecosystem of companies.
Companies with hundreds of thousands of dollars in their accounts way over the FDIC insured limit of 250K.
So its customers are interconnected.
Everybody is talking to each other.
This is by design.
And if one influential person within this ecosystem says, take the money and run, you're going to have one of the most aggressive bank runs in human history.
And that's exactly what happens.
Some large venture capitalists, Peter Thio, Founders Fund, tell their companies to pull their money from Silicon Valley bank.
Those companies text other companies who text other companies who tweet and text and tweet and text.
And before you know it, you have a bank run operating with the aerodynamism of a viral social media phenomenon.
As Axios reported, Silicon Valley bank's customers withdrew $42 billion from their accounts on Thursday.
That's $4.2 billion an hour or more than $1 million per second for 10 hours straight.
This was the largest bank run in history.
And by Friday, Silicon Valley bank was dead.
By Sunday, two more banks had failed and the US appeared on the brink of a banking crisis.

To talk about what happened next, what it means and where we go from here, today's guest is Liz Hoffman, business and finance editor at SEMA4 and the author of the forthcoming book Crash Landing on the Fed's response to this pandemic, which in retrospect may have been the spark that started this whole damn fire.
I'm Derek Thompson.
This is Plain English.
Liz Hoffman, welcome to the podcast.
Thanks for having me, Derek.
How have the last 72 hours been for you?
I'm pretty tired.
No, it's my first real bank run.
I started as a financial reporter just after the 2008 crisis.
And so you'd sort of hear about these things and old-timer bankers would pull up a chair.
Let me tell you some stories, but this is wild.
It is the largest bank run in American history.
So yeah, this is a good way to be inaugurated into that ancient tradition.
In my open to the podcast, I walked through how Silicon Valley Bank actually died.
That was breaking news as of Friday, early Saturday.
Now it's Monday morning.
We are talking in the 11 o'clock hour AM, Eastern Standard Time, and the news is moving at the speed of light.
So I want to just tick off a few things that have broken slash are breaking.
Two more banks have been closed, Signature and Silvergate.
The news leading the Wall Street Journal right now is that first Republic bank stock is crashing down 75%.
Are we on the verge of a bona fide banking crisis here?
I think not, and I'll explain why.
It's very scary out there.
People are very panicked.
The Fed did a bunch of things last night that have helped and should help, though clearly not quite enough yet.
So yeah, as you say, first Republic, a bunch of other PAC West, Western Alliance, their stocks have been halted, but the real problem with these guys is not the stock price.
That's the thing you can look at and say, oh, this is scary.
It's actually our people pulling their money out of the bank.
And what the government did last night is say, we're not going to end this run, but we are going to fund it.
The FDIC could have, though the legal authority is a little unclear, said every deposit dollar in America is now insured a hundred cents on the dollar.
They didn't do that.
They said that for Signature and for Silicon Valley Bank, that is true, you will get all of your money back beyond that $250,000 cap, and they stopped talking there.
So what they did do is they said, we are going to make a ton of money available to basically

any bank that needs it.
They can bring us their stuff, their treasury bonds, and their Fannie and Freddie debt, and their mortgage bonds, and we will give them cash for it, which they can turn around and give to depositors.
So they are going to fund this panic, but they haven't yet said, we're going to end it.
I want to ask you a question that sort of lives behind the news headlines, which is the question of blame, whose fault is this?
I first want to look at Silicon Valley Bank leadership.
The 2008 financial crisis was caused by the collapse of the housing market, which involved all of these incredibly complicated securities and derivatives that basically no one understood.
Am I wrong, or did SVB basically screw itself because they bought basic treasury bonds that got smoked by widely telegraphed rate hikes?
Highside is always 2020, but it's kind of astonishing looking back and seeing just how obvious their balance sheet problems were.
You are not wrong.
If you had told me six months ago that Silicon Valley Bank would have failed, I would have said, well, sure, they probably did something dumb in Silicon Valley, but nope, they did something dumb with treasury bonds.
The basic math here is that they got a lot of money in 2020.
If you were a startup and you got a check from Andreessen Horowitz, you walked it over the Silicon Valley Bank, you said, hello, I am a funded startup founder.
Here is my money.
What Silicon Valley Bank did with that, what you have to remember is these are deposits, which means that they have to give it back to you anytime you ask for it.
What they should have done is put it in really short dated things.
They could have lent it overnight to another bank.
They could have bought one month or three month treasury bills, but nope, they bought long dated bonds, which means that they cannot access that money for a while.
This is where I'll bore your listeners for a minute with an accounting diversion, but if you're going to buy these bonds and you say, I have no intention of ever selling them, I'm just going to hold them until they mature.
These are five, 10, 20 year treasury bonds.
You can put them in a stock drawer the way your parents gave you savings bonds when you were a baby, and then you found them 20 years later and took them to the treasury, right?
You can keep those in a stock drawer, collect the interest, and never have to decide every day what they're worth based on what's happening in the market.
That's fine.
The other problem is that all those deposits in Silicon Valley Bank had gotten started to dwindle because startup fundraising dried up.
Companies couldn't go public, so they started to spend down that money that they had raised.
So you've heard about a balance sheet.
Those are the two sides of the balance sheet, and they got out of balance, which is that

deposits started to go away, and they have these assets that they had decided they were never going to sell, so they didn't need to value them.
But then they started to have to sell them.
What had happened in the meantime is that interest rates had gone up very quickly.
Again, there's some boring bond math, but what happens is that when interest rates go up, the value of bonds that you bought at a fixed rate from a year ago are not worth as much.
They have this huge hole, and they were functionally insolvent really fast.
This was terrible risk management.
What they did with the bonds is inexcusable, and they will obviously all be fired because the bank is going out of business, but inexcusable and utterly boneheaded.
A lot of people, I won't necessarily put myself in this category, are blaming the Federal Reserve for this.
But the cases, the Federal Reserve kept interest rates at or around zero.
We had ZERP, Zero Interest Rate Policy, for way too long.
It created a whacked out ecosystem of awful, weird bets that, yes, made lots of people in Silicon Valley very rich, but also misallocated a ton of money, and that at the end of the day, this is a fire that the Fed started.
You are a great person to ask about this particular theory because you are the author of the book Crash Landing, which is about the Fed's response to the pandemic, which may have been the spark that lit the whole fire.
How do you evaluate the claim that this is the Federal Reserve's fault?
Yeah.
Coming out of the panda, let me say, I don't think this was the Fed's fault, but it was certainly a problem of the Fed's making, which is that coming out of the pandemic, so they had lowered interest rates to zero after 2008.
They had tried a couple of times to raise them, and the market always freaked out when they did, which boxed the Fed into this, as you called it, ZERP.
Money was free, and when money is free, people do dumb things.
Coming out of the pandemic, you had this dual supply and demand shock where we've all been at home for three years, most people came out of the pandemic richer than they went into it because of all those stimmy checks, and then they want to spend that money, and then supply chain, there just wasn't enough of the stuff they want to spend it on, so prices went through the roof, inflation, you know where we are there.
The way to get out of inflation is to raise interest rates really fast.
It cools the economy, it acts as a bellows that sucks the oxygen out of a fire and tamps everything down.
The Fed was clearly too slow to start raising rates.
They started about a year ago in the spring of 2022, they almost certainly should have started in the fall of 2021.
It required them to raise interest rates faster than they might otherwise have, and that put all of these investment portfolios at Silicon Valley Bank, but also elsewhere, totally underwater.
I don't think there was no choice.

You cannot have runaway inflation, you have to get it under control, and that means turning off the spigot, taking away the punch bowl, but there's not going to effects of that.
Risk doesn't go away, it just moves, and a combined shock of having these deposits go poof, and having to account for the true value of the stuff you've spent it on means that there's a lot of pain out there.
The other thing is this complicates the Fed's path going forward because there's some pressure now to take their foot off the gas, and they already had a little bit, the interest rate increases have slowed a bit, but it was only a week ago that Jerome Powell, the chair of the Fed, was in front of the Senate taking some heat for having eased up on the fight against inflation.
It complicates that picture, there's some cross currents fighting what the Fed is trying to do, which makes this very tricky going forward.
I have sympathy for the startups that pulled their cash out of Silicon Valley Bank.
If I were a startup and I had way over the FDIC insured limit at SVB, I would absolutely, I think, have taken my cash out of the bank.
But now in retrospect, that the Treasury and the Fed and FDIC have essentially said that all these deposits are guaranteed and insured, and all the deposit is going to be made whole.
It does kind of seem like venture capitalists sparked a bank run that destroyed this critical business partner in Silicon Valley, and unlike a typical prisoner's dilemma where some prisoners win and some prisoners lose, in fact, all the prisoners, in this case, the depositors, are going to end up the exact same.
No one is going to lose their deposits.
Their startups, the ones that move first, aren't going to be materially better off.
And I wonder at the equilibrium that we're left with in Silicon Valley just does not seem better.
It does seem like they are down a major partner in this ecosystem.
This was definitely a self-own in retrospect.
I think it wasn't obvious, even to me last week, and I've covered the banking system for a long time, that the government would decide that this bank was systemically important and would step in.
But yes, this was a self-own, but that's the thing about panics is it's hard to know where they're going to land.
The central banking policy for the last 15 years has sort of consistently said, yeah, we're going to step in, and yet no one quite believes them all the time.
And we can talk about moral hazard if you want, but that's the trade-off because people think, wow, I just don't see the government stepping into bailout a bunch of tech bros, and so they panic.
And ultimately, the government decided that this wasn't going to stop with Silicon Valley, and in fact, it hasn't, and that they needed to step in and backstop huge chunks of the banking system.
As you say, this hasn't stopped with Silicon Valley Bank.
There's Signature, Silvergate, both failed, First Republic Bank is in trouble.
Let's move the conversation from the Silicon Valley Bank disaster to federal policy.

On Sunday night, to reiterate, the Treasury, the Fed, FDIC come together to put out this fire by guaranteeing all deposits at a handful of banks, not just deposits under this 250K limit.
What does the government want ordinary depositors to think if they're at regional banks?
What does the government want ordinary depositors to do here?
It's been a little muddled.
It really wants you to leave it there, but it didn't say it's insured.
So that's the question that I am trying to answer today.
And smart people that I talk to say, well, here are your options.
The guarantee is either explicit, it's implicit, or it's non-existent.
And it seems now that the guarantee is implicit, and I wouldn't be surprised to see the FDIC add more banks to that list of your money is safe, but they haven't done it yet.
So we could be slow walking toward a very important change in not just practice but also policy.
Current policy says that the FDIC insurance limit is 250K, and the Federal Reserve seems to be on the slippery slope at the bottom of the slope of which is the announcement that now all deposits are funded up to the number infinity.
I mean, I'm not making that as a prediction necessarily, but that is the reasonable implication of this series of announcements, right?
Yeah.
And the FDIC doesn't necessarily have the money to do it.
Like it's an insurance company.
Insurance companies go bankrupt if they don't have it.
If everybody gets sick at the same time, no health insurance company can remain solvent.
So this idea that the FDIC itself can pay for all of this, I think is a little simplistic, but the Fed can, and they can continue to add banks to the list, and they can continue to say, we will lend against whatever you have.
But the moment they've said we'll lend against treasury debt, we'll lend against other super safe debt, at some point they could say, bring us your desks and your chairs and your air conditioners and we'll give you money.
That is like the other end of the policy slippery slope, and we might end up there.
You made an illusion to the fact that the FDIC is an insurance company, and so you could think about this like insurance, where if everyone gets sick at the same time, then the insurance company goes broke.
There's a way in which, and tell me if you think this is wrong, insurance as it is classically understood or health insurance is not the right metaphor here, because this is not a situation where these banks are likely to all catch a cold at the same time.
The cold in this case is human psychology itself.
It is fear.
It's the fear that the money won't be there when people go to pick it up.
What the Fed is trying to do here is not just be an insurance company, but also be a vaccine against that fear.
They're trying to say, you shouldn't even try to take your money out of these regional

banks.
There's no point in trying to move them, because there's no advantage to you moving it.
If you have 350K in First Republic or some other regional bank, it's going to be okay.
Even if that bank fails, even if there's a bank run and you're the last person to try to get out your 300K, you're going to be fine.
As a result, no one who's banking there should even try to take their money out.
That's really what the Fed is trying to do here.
It's trying to prevent the kind of prisoner's dilemma psychology that leads to bank runs in the first place.
Yeah.
Though I would argue they have not been quite as explicit as the market would like them to be about that.
The market really needs to hear it's all safe, and they haven't quite said that yet.
Do you think this is forthcoming?
Do you think if we talked on Wednesday this week, in the next 48 hours, that the Treasury and the Fed and the FDIC, this triumvirate that's coming together to say we're going to be the Avengers that stop the bank runs and these regional banks, they will have added so many names to that list that functionally it would be broadly understood that the FDIC limit now is just infinity?
I think probably yes.
Again, there are some legal nuances here that I won't bore your listeners with.
I think yes.
Then we get into this incredibly thorny discussion about moral hazard and risk and all of that stuff.
That is a place that the Fed really doesn't want to be because that's a political argument.
The Fed at its heart tries very hard to be in a political institution.
I want to go back to Silicon Valley Bank because this really was such a fascinating phenomenon.
In a way, this was the first Twitter bank run or the first social media viral bank run in American history.
It was a real perfect storm.
Look, on one level, the world moves a lot faster than it used to.
These things catch fire more quickly.
Secondly, the customer base of this bank is on group chats all day anyway.
If we're talking about small community banks in the Midwest, I think it would be a different story, but you have to remember a bank run, the reason that the bank buildings that you think of, the big ornate bank buildings have these huge lobbies is that the thing you really don't want in a bank is a line out the door because people see that and then they join it and then it becomes a problem.
They have these huge lobbies and a million teller windows so that you can always go up to the window and find someone to give you cash.
It used to be that you would have to see a line out the door physically and be like, oh, God, I should get in that line, now you can, A, see a picture on Twitter of that line out the door.

You can hear about the line out the door on your group chats and you can just get this fear that you're talking about just spreads virally in the same way that everything else does these days.
So, unbelievably quick, I am floored at how quickly this bank went under.
And it's not just the bank went under.
It's also that I feel that something more broadly about Silicon Valley may be implicated by this bank failure.
The writer Ben Thompson in his trajectory newsletter made an interesting point that Silicon Valley likes to impress upon people the idea that they're all part of an ecosystem.
They are looking out for each other.
They are creating a kind of jungle of interconnected parts that breed innovation.
But when the shit hit the fan, Peter Thiel and Founders Fund just said, we know that if we tell our customers, excuse me, our startups to grab money from Silicon Valley Bank, it could trigger a bank run that could destroy this important partner in this ecosystem of innovation, we're still going to tell them to do that.
People seem to act in their own self-interest when they were in the trenches.
To what extent do you think this moment sort of exposed something about the true nature of Silicon Valley?
Silicon Valley Bank convinced Silicon Valley that it was one of them.
And the reverse is also true.
Startups convinced Silicon Valley Bank that it was one of them.
And you would hear bank executives use words like innovation and burn rate.
And I'm a banking reporter, and I'm thinking, no, you're a bank, you want to be saying words like capital and held to maturity and mark to market, things that just don't mean anything to a lot of this community.
The other thing is so much of this innovation entrepreneurial economy.
And I think there's echoes here of the crypto crash and of Elon Musk walking into the leverage by Buzzsaw math at Twitter is that they were so disdainful of the traditional system.
They said, you're a schmuck, you're being used by the man, and you're living in this prison of less the analog economy, and we're going to build a new system, and it's going to be trustless and digital.
And no, there are gravitational laws that apply, and I think that's what you're seeing now is gravity reasserting itself, which is central counterparties are important.
You have to have the money when people ask for it.
The very basic rule of a balance sheet is that it has to be balanced.
And look, there's no shouting for it here.
Banking crises are bad for everyone, and I don't know when I've talked to you on Wall Street today is like, oh, I come up, but I do think there's something to be said for just the huge amount of hubris in Silicon Valley over the last decade.
And so much of it was enabled by Silicon Valley Bank.
The tech sector would not be what it is today without this bank.
I really like the way that you put that, because I've been struggling to think about what exactly this means for the culture of Silicon Valley.

And the truth is that it might just mean that startup founders and venture capitalists are people too, and people in times of fear act in ways that are self-interested.
They take out money from a bank even when they know that their behavior is contributing to a bank run that might hurt people who are their friends or who are a part of this ecosystem.
I also think another implication is that you're absolutely right that especially since the pandemic really poured gasoline on the startup boom, there was this idea that we were entering into a world that would be frictionless, that would take down the old, crusty institutions of the 20th century, and it would build something better in their place.
And the fact that the first three banks to fail were, number one, the startup bank of Silicon Valley, and numbers two and three, crypto banks, shows that actually we need these institutions of the 20th century.
They may be screwed up in all sorts of ways.
We should be interested in reforming them.
But there's all sorts of institutional bedrock ideas from the 20th century like banking insurance, like having a federal reserve, like a central bank that are unbelievably important, not in the good times when you may not need them, but in the bad times when the shit is really hitting the fan.
The, I don't think, signature bank, I would not call a crypto bank.
They are actually weirdly, they're sort of an odd bank.
They really were the bank of like the New York mercantile class.
Like they funded like the Garmin district.
So they're a very strange bank.
And also, I checked the timing.
I think Silvergate failed first.
I didn't, I was actually, as you know, launching a book last week, and so there was some news that I missed.
Silvergate, I actually think, is the Lehman here, and Silicon Valley Bank is the AIG, which is to say, you can remember, you can imagine Dick Fould, the CEO of Lehman, watching AIG get saved and thinking, you've got to be kidding me, I failed three days ago.
And no, I mean, look, there's an old financial axiom, which is when the tide goes out, you see who's been swimming naked.
And clearly all of the froth in the financial system has been on these outer edges.
And you're right, it is not a coincidence that the trouble has been concentrated in what I will very casually call the innovation economy.
Because banking is one of those things that is hard to innovate.
Like, yes, you can get a better app, and Zell is great, and Venmo makes paying your friends for dinner easier.
But those transactions, that user interface is still sitting on top of incredibly immovable forces that are just, you cannot, you cannot disrupt them, they cannot be disrupted, certainly not for long, because they'll catch up with you.
I thought this was an interesting observation from Felix Salmon.
He said, if you look around the world, most countries are dominated by three or four banks.
The US in this regard is actually an outlier.

We have thousands of banks, and the FDIC's job is to shore up confidence in all of those banks.
Is it possible that maybe the US is just overbanked in terms of just having way too many banks that live in this weird nether world of you aren't too big to fail, but if you do fail, it might trigger a cascade of fear that rises to a threshold level that means that we actually have to save you.
Maybe we should only have too big to fail banks.
I totally agree.
There are way too many banks in the US.
Some of that is cultural.
Some of that is sort of this frontier mentality.
We're always constantly pining for a, it's a wonderful life, bailee savings alone bank that kind of doesn't exist anymore.
The knock-on effect of that, I think, are two things.
One, in times of crisis, you want too big to fail because you want to be able to, as the Fed did in 2008 and 2020 and presumably over the weekend, get 10 people in a room and say, here's what's going to happen.
We have a lot of authority over you for a bunch of reasons and we are going to make you do it and we're going to put an end to this.
The long tail of risk is really hard because you just don't have, you're kind of pushing on a string when you're trying to solve problems at thousands and thousands of small banks.
The other way I think it's problematic is a talent game.
It is, risk management is hard and there's just not enough people who want to do it for the salaries that you can get paid at a small bank and so you end up with frankly like B teams running a lot of these institutions and you just don't know exactly what they have gotten up to.
Banking is an incredibly scale business increasingly.
These big banks spend billions of dollars a year on compliance and technology and software and smaller banks just can't afford it and so you end up with this real talent and risk management gap and I do think there's too many banks.
This has not been a particularly, God I don't want to get yelled at by like Elizabeth Warren here, there hasn't been a huge appetite certainly post-2008 to let these banks merge and so you end up with a really, really long tail of small sort of thinly capitalized, thinly regulated banks that you don't quite know what they've been up to until the tender gets lit.
Liz Hoffman, thank you very much.
Thank you for having me.
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