The Biden Administration has proposed a rollback of 2018 midsized bank regulatory reform with a view to preventing the collapse of another Silicon Valley Bank (SVB). In a new insight, Director of Financial Services Policy Thomas Kingsley makes the case that undoing this reform would have done nothing to prevent SVB’s collapse, nor would it prevent similar bank failures in the future.

Kingsley concludes:

Silicon Valley Bank collapsed because of the difficulties of an inflationary macro-economic environment, egregious risk management, and light-touch supervision. These are not problems readily solved by Congress, the financial regulatory agencies, or the Biden Administration. That there is even a “problem” to solve is a debate that we seem to have skipped entirely. Why should a poorly managed bank be saved, when the weakest performers in every other industry are allowed to fail? The 2018 deregulatory efforts would not have prevented the collapse of SVB and reinstating them will not prevent another bank run. The Biden Administration should not assume that just because it can, it should; if you are wielding a hammer, don’t assume everything is a nail.

Read the analysis