

‘They’re all just pack animals’: Silicon Valley Bank collapse highlights tech hypocrisy, experts say



Silicon Valley tycoons are famously libertarian. They want the government to keep its paws out of their business so they can conjure tech wizardry free from stifling regulations. But when tech needs help — whether it’s special tax breaks or laws shielding internet companies from lawsuits — suddenly it’s a different story. That played out in real time last week with the implosion of Silicon Valley Bank, **where companies large and small had parked millions of dollars — far above the \$250,000 backed by the Federal Deposit Insurance Corp.**

Suddenly, even the most stalwart libertarian tech bros took to Twitter — and presumably to private conversations with officials — seeking a government bailout. And, indeed, over the weekend, the Treasury Department, Federal Reserve and FDIC said they would backstop all the money in the failed bank.

Observers from late night TV host Seth Meyers to Fox News rushed to comment. Wasn’t this a shining example of hypocrisy? Didn’t it validate the old saw about “Socialism for the rich; capitalism for the rest”? *“It’s incredible how many members of the incredibly wealthy and supposedly self-reliant entrepreneurial set have spent the last 24 hours begging for government bailouts for their friends,”* tweeted author Hunter Walker, linking to tweets from mega investors Bill Ackman, David Sacks and Mark Cuban calling for the government to step in. *“Seeing billionaires beg is just a stunning level of chutzpah.”* *“Just as there are no atheists in foxholes, there are also no libertarians during a financial crisis,”* tweeted Barry Ritholtz, a columnist and founder of an investment advisory firm. Paul Saffo, a longtime Silicon Valley forecaster, agreed that the hypocrisy was flagrant. *“It is irresistible to poke fun at the Silicon Valley gasbags,”* he said. *“This is a reminder that the same laws of gravity apply to Silicon Valley as everywhere else.”*

Underscoring the accusations, prominent venture capitalists themselves helped spark the bank’s rapid undoing by telling their portfolio companies to withdraw funds, setting off a classic bank run. *“The VCs amplified (the crisis) by each running to their own lifeboats,”* Saffo said. He thinks they could have calmed the situation if they’d publicly expressed confidence in the bank. *“If they had stood together and said, ‘We will manage this; we’re all working in close concert; everybody calm down,’ it would have been a different story,”* he said. *“Lack of leadership allowed the panic and hypocrisy to breed,”* Saffo said. Treasury Secretary *“Janet Yellen demonstrated more leadership than the so-called leaders in Silicon Valley.”*

He and others were particularly critical of Peter Thiel, co-founder of PayPal and Palantir, who may have been **the first to pull massive amounts of money from SVB** and urge companies backed by his VC firm, Founders Fund, to do likewise, according to Bloomberg. *“He was an independent libertarian until the chips were down, then all of a sudden he became a socialist,”* Saffo said.

Another telling indication of two-facedness: The CEO of Silicon Valley Bank lobbied hard to reduce government regulations of banks with less than \$250 billion in assets, testifying before Congress that they shouldn’t have to submit to stress testing by the Federal Reserve, nor have to keep certain levels of cash reserves. Unless the government backed off, Greg Becker testified to Congress in 2015, *“SVB and other mid-sized*

banks will face significant burdens that inherently and unnecessarily will reduce our ability to provide the banking services our clients need."

President Donald Trump approved the looser bank regulations in 2018. Paulina Borsook, author of **"Cyberselfish: A Critical Romp Through the Terribly Libertarian Culture of High Tech,"** said she remains perplexed by the Silicon Valley no-government ethos. *No sector has benefited more and suffered less from the government,*

so why are they so damn libertarian?" she asked. She noted, for instance, that the industry successfully lobbied against taxes on ecommerce sales for years, on the premise that it needed to grow and that it would be too complicated to comply with a myriad of local sales taxes. *"How were they able to bamboozle the rest of the world to think they were these poor plucky oppressed underdogs, like the rebels in 'Star Wars'? That's not who these people were,"* she said.

For that matter, she pointed out, there's quite a disconnect between espousing libertarian values and maintaining huge lobbying firms in Washington, D.C., and Sacramento, as many tech behemoths do. *"One of many hypocrisies is that they all see themselves as rugged individuals, but they're all just pack animals,"* Borsook said. *"They follow the trends and are buzzword-compliant."*

Saffo hopes that tech leaders have learned some lessons from the near-disaster, realizing that they aren't as special as all that. *"Maybe this will blunt Silicon Valley's sense of exceptionalism,"* he said. *"Especially coming on top of all the layoffs and idiotic CEO hoo-ha we've seen in the past year, it's clear that it isn't so exceptional anymore."*