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STATE INTERVENTIONISM, "TOO BIG TO FALL", BEHAVIORAL ECONOMICS-A POSSIBLE THEORETICAL ECONOMIC-SOCIOLOGICAL AND POLITICAL-ECONOMIC VIEW

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Abstract

Especially in the period after August 2008, when the bursting of the real estate market bubble in the USA developed into a global financial and overall economic crisis, global economic and global social relations in their entirety are permanently facing quite serious unfavorable and crisis situations. It is also true that the factors of those unfavorable and crisis situations have an external genesis and character. That is, all those factors are not strictly financial and economic market factors. For example, the strongly limiting factors of the pandemic and the developments in and around Ukraine. But academically, in no case can and must not bypass or relativize the factors that are internal, market financial and economic factors. In the closest connection with these internal market factors of generation, production and development of unfavorable and crisis situations, especially from the point of view of economic-sociological and political-economic perception, study and understanding, with all its extremely real and objective force and power is imposed the problem of state interventionism, primarily in terms of its impact on overcoming unfavorable and crisis market situations. The fact is that historically, especially in the period starting with the Great Depression (1929-1939) until today, including the collapse of Silicon Valley Bank (2023 year), state interventionism was practically the only factor powerful enough to overcome unfavorable and crisis situations. In the closest connection with this statement, the extremely realistic and objective statement is naturally imposed that the absenceof a certain optimal level of scope and quality of the state regulation and supervision of the markets, especially the financial markets, both at the national and global level, has a very strong impact as a factor for the emergence, development and a flare-up of unfavorable and crisis situations in the markets.

Keywords : State Interventionism, "Too big to fall", Behavioral Economics, The Financial Crisis, Silicon Valley Bank

Introduction

The collapse and then the rescue of the Bank of the Silicon Valley (SVB), more specifically the rescuing of the Bank's deposits in their entire scope, means regardless of their amount and whether the state previously guaranteed the deposits over 250 thousand US dollars, at a very intense level attracted the attention of the academic and general world public. In this text, the paradigmatic nature of the collapse and rescue of this bank is used as a specific case study in order to direct the research attention to the mutual connection and action of the three elements contained in the title of this text and all of them in fact as the main actors present in the complete thematic context of the text: the anti-inflationary raising of interest rates by the state interventionism, i.e. monetary authorities, causing unrealized loss of assets, loss of bank liquidity, psychological-market withdrawal of deposits, the rescuing of the bank's deposits through the use of the monetary policy of the state interventionism, because the bank-realistically and on the market not a very important bank, market-psychologically became a bank that must not collapse.

And all of that placed, crammed practically in the maximum space determined by the organizer of the scientific conference for which the text was written.[104]

The paradigm of the collapse and rescuing bank deposits invested in Silicon Valley Bank

The collapse of the Silicon Valley Bank (SVB) is in any case a paradigmatic case which must inevitably be used as a concrete example and subject of a case study in this text. The collapse of SVB very vividly shows that the growth of interest rates initiated by the growth of the reference interest rates of the Federal Reserve System additionally devalues the assets, in the specific case of long-term (ten-year) American sovereign bonds, in which SVB had invested, and that in large amount, in addition to their devaluation from side of inflation growth, leading to the phenomenon of unrealized loss which in certain cases can become realized, real loss. Also, this case of the collapse of SVB as a completely paradigmatic case shows how a bank, which in reality in the specific American banking constellations of power is not a large bank, becomes a de facto large bank that must not collapse, i.e. the state must not allow savings deposits in that bank to fail. To rescuing bank deposits above the level of their value, which was previously determined as the level of bank deposit insurance by the Federal Deposit Insurance Corporation. That necessity to rescuing and actually guarantee all deposits of the bank, regardless of the size of their value, is a very concrete expression of the phenomenon and concept of Behavioral Economics. That is, the influence of psychological factors on the markets, including very directly and strongly on the financial markets, through the factors of trust or distrust and expectations, positive or negative expectations, optimistic or pessimistic expectations. And perhaps most of all, the collapse of SVB, but also the rescuing of the bank's deposits showed the unique role, function and power of state interventionism, as truly the only institution that can act against the crisis, when the markets, including the financial markets, are not in a situation-they do not have the power, nor do they have the tools and mechanisms of various kinds, to overcome market crises, regardless of which and what specific type those crises are, with what intensity they manifest and with what and how many serious consequences they threaten the desired and successful functioning of the markets, of the overall national/state economy, of state institutions and bodies, and of the overall well-being of citizens and the social community.[105] It is both a historical and a real fact that the capitalist economy, by definition a free market economy, with its internal, ontological legality falls into cyclical market crises, including in the financial markets, which by default and usually attract the greatest public publicity, crises that cannot be overcome through internal market mechanisms with their anti-crisis power of action, and the history and reality of those crises unequivocally shows and argues this, rather, those crises can be overcome, until the next cyclical market crisis, through the action of the anti-cyclical and anti-crisis power of state interventionism. This fact in an extremely unequivocal and obvious way confirms and reinforces the action of the anti-crisis powers of the state interventionism in the conditions and within the current global market crisis, which manifests itself as a crisis of a serious inflationary wave and a blow, with possibilities for its expansion and deepening as an additional recessionary crisis. This is how the crisis complex known as a stagflation situation would be formed, which would unite in one crisis whole the high inflation and the decline of economic activity, i.e. the recession, accompanied by the multitude of its fundamental and essentially negative, destructive influences on the whole of the state's well-being, of the social community and the citizenship. Whereby, it is necessary to emphasize very strongly the perniciousness of the direct impact of the stagflation crisis as a complex phenomenon, but also separately of the inflation crisis, which we primarily perceive in this place, on the deepening of the unequal distribution of the national income, on the national wealth, on the deepening of economic-sociological divisions and conflicts as fundamental social divisions and conflicts in relation to the entirety of social relations, in relation to the functional integration and cohesion of the totality of social relations as a prerequisite for the sociologically truly successful functioning of the social community in favor of diverse structures and levels of organization of that social community (Roberts, 2020). The social community, including within its framework the state body, the state constitution, exists and

[104] This text was written at the beginning of May 2023.

[105] Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank, Board Governors of the Federal Reserve System, Michael S. Barr Vice Chair for Supervision, April, 28 2023, Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank

functions precisely because man is inevitably a social being, he can live and achieve his overall well-being only by living and acting in community with other individuals, other people, a community established and functionally active on the basis of certain necessary social values, principles, postulates and norms (ethical, legal and traditional norms) determined through a social contract.

Controversies of state interventionism in relation to inflationary pressure and the inflationary state

This anti-crisis, counter-crisis state interventionism was manifested in a very vivid way in the case of the collapse of SVB, and also in the rescuing of the bank's deposits, in a way that was not foreseen at that time by the appropriate regulation of the Federal Deposit Insurance Corporation, but was practically inevitable and necessary in circumstances where psychological, behavioral factors could cause far greater damage to the American banking system and market than SVB's formal market share and power. In this case, it is very vividly shown how the state interventionism, through the increase of the reference interest rate, devalues the specific assets, which the bank owned in a significant amount, bringing the bank to a severe state of insolvency, it shows how the absence of state regulation aimed at the supervision of the situations, the positions and balances sheets of individual banks within the American banking system was manifested it shows how state interventionism, pragmatically and rationally in order not to cause an even greater financial, economic and social crisis, had to rescuing all the savings deposits of the fallen bank, that means those deposits which the existing regulation did not consider as insured (Xiao, 2017).

In this text, we will not dwell specifically on the causes of inflation, we will not talk about its structure, we will not elaborate on its genesis. We will not dwell on analyzing and determining the dilemmas and different perceptions of the nature of inflation as cost or as consumption inflation. We will not focus on a comparative analysis of US inflation, undeniably identified as primarily consumption inflation, and, for example, European inflation, analytically identified primarily as cost inflation. A fact that primarily results from the enormous dependence of European states, societies and economies on imported energy sources. We will not devote ourselves to an analytical insight and understanding of the mechanism of quantitative easing, the loosening of monetary policy and the expansion of fiscal spending, probably as a necessary response to the pandemic crisis and previously to the global financial and economic crisis, that quite clearly began to manifest itself with the shooting of the bubble in the US real estate market. But it was a stagdeflation crisis when the activation of monetary and fiscal policies was a classic, standard and conventional, theoretical and practical, strictly Keynesian response to the nature and structure of that global financial and economic crisis. Then an economic and political situation was created of a radically strong promotion of the necessity of anti-crisis or counter-crisis action of state interventionism as theoretically and practically the only effective mechanism and procedure in conditions of stag-deflation crisis, not a stagflation crisis (Ha, 2022).

In this text, we will treat all that theoretically and practically as an resolved question and dilemma. On the contrary, in this text the interest is directed to the theoretical and research need, from an economic-sociological political-economic point of view, to analytically focus the current crisis situation, which is not stagdeflationary, but is undeniably an inflationary crisis, with very real dangers of developing as a stagflationary crisis. That is, as a crisis situation that will radically develop and be upgraded through the combination of inflation with economic stagnation and recession. In fact, theoretically and practically the classic, standard and conventional anti-crisis and anti-inflationary reaction state interventionism, especially through the tightening of monetary policy, as well as through restrictions on fiscal spending, primarily theoretically and practically defining and treating inflation as a strictly monetary phenomenon, by definition and as a rule it must lead to economic stagnation and recession. With all the imminent, and already seen in previous, same or similar inflationary crisis situations, consequences on overall social relations. So, we have consequences not only on economic relations, but also on overall social relations, while not excluding political relations, primarily as a deep decline of trust in the institutions of democratic political systems and in political-party establishments.

Inflation and the impoverishment of the lower and the middle middle class

For this economic-sociological and political-economic analysis of primary interest and importance is the challenge to perceive the role and power of state interventionism in conditions when economic and overall social relations will face the very real danger of the negativities and perniciousness caused by the action of dynamic and growing inflationary trends and conditions. Especially in this economic-sociological and political-economic subject context, the need to direct the research focus to the economic, political and overall social crisis destabilization as a consequence of the inflationary action on social inequalities, on the growth of the unequal distribution of income, on the growth of the profits of certain economic sectors and the reduction of the profits on other economic sectors, on additional impoverishment of the already poor social strata from the whole of the specific social stratification and, what is even more socially negative and dangerous, on the generating and acceleration of processes of new impoverishment, of course to the social strata that form the middle class. More specifically, rapid impoverishment of the lower middle class, and even the middle middle class, if we stick to the classic sociological, economic-sociological division of the middle class into high, middle and low middle class. And all this as a generator and factor of radical, fast and very difficult opposition and stopping of the processes of total social disintegration and causing a sharp and deep decline of social cohesion and the successful functionality of the social community in its entirety (Hobijn, 2003).

The starting point in this text is the financial, economic, political and overall social situation permeated with a serious growth of inflation, inflation which can in no way be evaluated and treated as a tolerable and even useful level of inflation that would have stimulating effect on economic growth. It is the concept and financial and economic policies of development inflation. It has become common for monetary authorities and their policies to aim for an inflation level of at least 2% as a beneficial inflation for economic activities and economic growth. After all, this problem has two sides: one side is the negative economic, political and overall social effect of certain high inflation rates, but, on the other hand, the appearance of deflation has no less negative effect on economic growth and overall social development. The global financial and economic crisis that began to manifest itself in an egregious manner and level in the summer of 2008 was exactly such a deflationary and recessionary crisis, a crisis of stagdeflation.

In any case, the authorities at the global level, primarily the monetary authorities, faced with the concrete, current inflationary wave with consequences, especially on the lower economic-sociological layers, the layers that actually make the poor class, and on the middle layers, especially the low and middle layers of the middle class, their further impoverishment, reacted in a classic, standard and conventional way. They reacted primarily by increasing the reference interest rates, quite in accordance with the already established treatment of inflation almost exclusively as a monetary phenomenon. A phenomenon resulting from excessive aggregate consumption. Therefore, the money supply must be reduced, the availability of liquidity must be reduced to prevent further significant economic and overall socially negative and harmful price growth and serious devaluation of the national currency. A devaluation of the national currency that cannot possibly be understood and treated as a rational and calculated reduction to help more export-oriented and active economic entities and operators (Sieron, 2017).

The enigma of monetary policy in the Republic of Turkey

Very indicative and provocatively controversial is the attitude of Erdoğan and his government towards the inflationary wave in Turkey, an attitude that is fundamentally opposed to the classical, standard and conventional handling of the inflationary situation by state interventionism. To elaborate very briefly, the Turkish state, by the way, changed four governors in a period of two years, instead of anti-inflationary raising interest rates and tightening monetary policy, it lowered interest rates even more, claiming that raising interest rates actually increases the inflation rate. A possible explanation and rationalization can be sought in several directions. For example, one direction would be to emphasize the nature of inflation predominantly as cost inflation. If so, a theoretical and practical political line of rationalization goes towards highlighting the need to intervene by supporting the supplyside and thus balance the supply side and the consumption side. And that side cannot be supported by

increasing interest rates and by tightening the monetary policy. The other direction, for example, can highlight exactly the phenomenon of unrealized loss of assets and in general of inflationary loss of their value. And, all those economic entities and operators that have an inflationary loss of the value of assets will raise the prices of their products and services, simply to compensate for the inflationary loss of the value of assets. Thus, the Turkish state interventionism, despite the huge inflation, at times even higher than 80%, did not allow a recession to appear, that is, stagflation to appear. In addition to the fact that high inflation had a very favorable effect on Turkish exports, including tourism, as one of Turkey's main exports (Bicen, 2022).

In this sense, the texts of the Neobelian Joseph Stiglitz are very indicative and interesting, who in a series of his texts indicates that the nature of inflation is primarily cost inflation. And, the increase in interest rates and the tightening of monetary policies in conditions of primary cost inflation can be justified through the anti-inflationary effect on the psychological inflationary pressures in the markets, as well as on the speculative and anticipatory inflationary pressures in the markets (Stiglitz, 2022).

And, in general, the increase of the reference interest rates-the rates of the central banks, i.e. of the monetary regulators through which the monetary state interventionism is expressed, inevitably in market financial and economic conditions, must lead to a corresponding growth of all interest rates to a level that the monetary authorities want to be achieved as their goal, which will have the necessary anti-inflationary and anti-crisis impact. This means that liquidity for economic entities becomes more expensive and less available, their spending decreases, as does the total aggregate consumption. That is the point, that is the moment in this entire anti-crisis, that is, anti-inflation procedure, when the severity of the recessionary waves and conditions appears. It is also the point when in the area of finance, the area of the banking industry and markets, the value of their assets decreases and they face the danger of unrealized loss. Or, more precisely, that unrealized loss practically becomes a realized and real loss of the subjects and operators of the financial, banking markets (March, 2023).

The collapse and rescue of SVB deposits as a mini case study

Precisely this situation, the situation of facing not only the financial and economic community but also the entire social community with the danger and challenge of inflation and the specific, inflationary loss of financial and capital values and assets of the multitude of physical and legal social entities, as well as the institutional subjects and actors of the anti-inflationary state interventionism, with their policies, measures and activities, are contained in an extremely egregious and colorful way and are strongly manifested publicly through the case of the collapse of SVB. Therefore, this case, bothfrom a theoretical economic-sociological and political-economic point of view, and from the point of view of analysis and understanding of the specific institutional anti-inflationary policies, measures and activities of state interventionism, but also from the point of view of its public, media frequency, visibility and publicity, is used in this text as a unique and specific case study in which all separate questions from the title of this text are intertwined: the credentials and powers of state interventionism, the content and meaning of the phrase "too big to fall" and the real importance of the concept and practice of behavioral economics in modern financial, economic and overall social relations, circumstances and conditions (Cetorelli, 2018).

In the continuation of this text, the peculiar genesis, anatomy and structure of the case of the collapse and rescue of SVB will be illuminated and exposed, with the primary and central meaning, intention and purpose of saving the bank's deposits, as a case of a specific almost paradigmatic crossing and unification in one closed whole of the mentioned individual issues contained in the title of this text, i.e. the three key components and aspects of the contemporary global confrontation with the danger and challenge of the current emergence of an inflationary financial, economic and overall social crisis situation.

Namely, SVB was practically a bank of Silicon Valley, as a regional center where information technology started and developed to unprecedented capital, technical and technological heights, actually as the third industrial revolution in a row. An industry which quite naturally as a revolutionary industry in every respect, not only technically and technologically but also, for example, in relation to a certain

new organizational and business culture, brought enormous revenues and profits. In such circumstances, it is quite normal for banking industry, as well as for any other industrial branch, perhaps in the first place precisely for the banking industry, given the fact that modern, current capitalist development is characterized precisely by its financialization, investments to be directed exactly there-in the region and in that industry, the IT industry. That's how it was invested in SVB as one of the banks in Silicon Valley. A commercial, business bank, which will collect the deposits of the Silicon Valley industry and invest, lend in that very industry, an industry which has primacy as a fast-growing branch of industry over all other industries which can rightly be considered fast-growing industries. SVB was in fact the bank of the middle and small firms of Silicon Valley. From this fact, which indisputably has its negative and dangerous side from the point of view of the structure of the deposit and credit portfolio of the Bank-the deposits and credit placements of SVB were mostly aimed at only one industrial branch, however much she is highly and primarily a fast-growing industry, with adequate revenues and profits. It must be emphasized very strongly that the deposits in the Bank in a large majority, almost up to 90%, were deposits greater than 250 thousand US dollars, and that amount is actually the amount up to which the Federal Deposit Insurance Corporation fully insures bank deposits. So there was no diversification of the deposit and credit portfolio of SVB, which would reduce the risks of banking operations-the solvency and liquidity of the bank. Obviously, there was a belief, indeed not without a certain level of rationality, about the unstoppable rapid growth of the IT industry, about its revenues and profits, as well as the belief that this IT industry is not threatened by any crisis practically indefinitely. But we will see later, and we emphasize this especially strongly in this text, the danger after the quite positive performance of the Silicon Valley industry happened with the policies, measures and activities of the state interventionism, more precisely of the monetary authorities, through their robust increase of the reference interest rate of the FED, which in the market conditions of the banking industry determined and entailed a corresponding increase in all interest rates. SVB, and this must be emphasized very strongly, was a bank with quite solid balance sheets in its banking positions, according to the standards of the Basel 3 package standards of the Bank for International Settlements in Basel (the "Bank of Central Banks"), primarily in terms of the adequacy of the capital, the of liquidity and the contamination and toxicity of the assets. But in reality the Bank was as a solid bank only formally, as numbers taken out of a wider context-the context that led to a situation where the unrealized loss, through the investment in the quite large amount of long-term US sovereign bonds, became a real, realized loss (Lai, 2023). But on the other hand, it must also be known that during the time of President Trump, the conditions under which American banks are subject to stricter supervision by the monetary authorities, i.e. to stress tests for the safety of banks, were changed, whereas banks with a capital size like SVB found themselves in the zone of less strict supervision. And, even more that this, the fact that at the critical moment for the survival of the bank, SVB did not have a regular head of the risk management department, a department that is crucial for the successful and safe operation of any bank.

SVB invested in US sovereign bonds to a large extend, in fact the same as all other banks, in order to diversify its investment portfolio. Sovereign bonds, quite logically and naturally, are considered the safest securities, this was especially true for US sovereign bonds, and therefore they are the securities that bring the lowest capital return. Even sovereign bonds, primarily American, such as, for example, German ones, even had a capital return in the negative zone, as well as the returns on deposits of commercial banks. Of course, the American sovereign bonds in which SVB invested, if they were not in the negative interest zone, had an extremely low rate of return-just a little more than 0%.

Reconstruction of the collapse and the rescuing bank deposits

This is a very brief and general presentation of the situation with the bank before the monetary authorities faced the danger and challenge of the high level of inflation. In an extremely classical, standard and conventional manner, the monetary authorities reached out to raise the reference interest rate, and thus all other interest rates of commercial banks. That tightening of the monetary policy was really not and still is not at the level at which the now legendary chairman of the FED, Paul Volcker, raised the interest rate at the beginning of the eighties of the last century-even up to an incredible 20%. In general and most of the time, at the global level, interest rates are still below the level of inflation. In those newly created conditions, as a result of the action of state interventionism, the increase in the cost

of capital both for investment and for liquidity, the firms (middle and small) from Silicon Valley, that is, those firms that primarily had deposits in SVB, resorted to withdrawing the deposits, above all to provide liquidity, at the same time, which is very important to emphasize, those firms were also pressured by the decline of their market revenues. Then the management of the bank announces in a meeting with its customers that the bank has "certain, small" problems with liquidity, a fact that, of course, cannot remain a secret. To overcome the liquidity problem, SVB's management, in a completely standard conventional way, used part of the bank's capital and sold an appropriate and at moment necessary part of US sovereign bonds. Those bonds that were bought with a very small capital return of just over 0%, and when they were sold, as a hedge of financial derivatives placed on secondary financial markets, the bank found itself in a situation of giving investors a much higher capital return, in accordance with the seriously higher interest rates on the financial markets-at a level not lower than4-5%, the result of state interventionism with the intention and purpose of acting anti-inflationary. Thenit happened that the phenomenon of unrealized loss became a real, realized loss, during which the bank made serious losses (Dinh, 2023).

At this moment, the phenomenon of behavioral economics is working, as a theory, as a concept and as a practical behavior, that is, the phenomenon of market psychology, even the market hysteria of the financial markets, is working. It is the third element of the title of this text, which will lead to the second element and finally to the moment when the first element-state interventionism will have to rescuing the bank, primarily on its deposits, including those over 250 thousand US dollars, therefore that in the conditions of the created market psychology, the bank, not really a big bank according to its capital and liquid balances, market-psychologically became a bank that is "too big to fail".

Behavioral economics, very briefly elaborated, focuses on the real market impact of factors trust and expectations - trust or distrust and positive and optimistic versus negative and pessimistic expectations (Miller, 2016). In the case of SVB, the release of the information that the bank has “certain” liquidity problems strongly activated the factors of mistrust and pessimistic expectations regarding deposits in the bank, which was followed by the withdrawal of deposits. And, in the end, 25%of the deposits were withdrawn, a situation that no bank, of any capital format, can survive. This psychological state of the market has quite naturally intensified into a completely real danger, this is the crowning and crucial moment in this part of the analysis, distrust to be extended to the entire bankingsystem in the United States. This means that deposits will begin to be withdrawn in significant amounts from practically the entire banking system and a real banking disaster will occur. And this must be strongly emphasized: the importance of the collapse and the rescue of SVB's deposits does not primarilyrefer to the capital size of the bank, but on the market-psychological effect that the collapse of a bank that is not a large bank can produce on the entire banking system. That was the danger that loomed overthe US banking system caused by the collapse of SVB.

At this moment, practically all the conditions for the activation of state interventionism were fulfilled, with the fundamental and essential goal of calming down the financial markets, that is, overcoming and turning in the opposite direction mistrust and pessimistic market expectations. Speaking more concretely, in this situation the state interventionism was placed on two grounds: one related to the deposit guarantee and the other related to the bank's liquidity. Most fundamentally speaking, in terms of guaranteeing deposits, a decision was made by the Federal Deposit Insurance Corporation, necessarily accompanied by a very strong media presence, to provide an extraordinary guarantee of all deposits, so not only those up to 250 thousand US dollars. In terms of the bank's liquidity, the FED made a decision to enter into the bank's liquidity positions a package in the nominal value of the US sovereign bonds that the bank had at that time, noting that at that moment, quite naturally and logically, the nominal value of the bonds was higher than their market price. At the sametime, the FED accepted the mortgages that the bank had, but only those that had some kind of state (super) guarantee. So that’s the collateral of this operation-the bonds and mortgages, and all this with some kind of penalty interest of 4, 5%. The very fact of determining this interest indicates that after a certain, not very long period of time, in fact a period of several months, the bank would again fall intoliquidity problems in terms of servicing the interest. And, at the end of this operation to save the bank,actually its deposits, the bank was merged, losing its legal status, to another bank (Metrick, 2023).

From this analysis and elaboration, it is obvious that only the monetary authority-FED participated in the rescue of SVB's deposits, that is, only monetary assets, assets from the central bank's primary issue, were used in that rescue. This means that the Government, i.e. the Treasury/Ministry of Finance, did not participate in rescuing the deposits, i.e. it means that fiscal, budget assets were not used in rescuing the deposits and the national debt of the USA was not increased, which is already more than 100% of the gross domestic product since many years ago and that debt is only sustainable thanks to the status and power of the US dollar as a global, universal currency.

And, finally, the peculiar and specific paradox of state interventionism in this particular case, that is, the interventionism of the American monetary authorities-FED, is illuminated and focused completely clearly. A paradox because, on the one hand, the monetary authorities intervened by increasing the reference interest rate, that is, by tightening the monetary policy, thus in a standard and conventional way they acted against the crisis in conditions of serious inflationary growth. And on the other hand, when such a policy will cause an accompanying negative effect expressed as a loss of the value of assets-that is the case when the phenomenon of unrealized loss will become a realized loss, the same monetary authority, in order to calm the psychosis in the financial markets, must intervene in the exact opposite of monetary policy tightening-ad hoc to make expansive use the primary emission to inject liquidity into the specific bank, a crisis that quite realistically represented a threat to the loss of confidence in the banking system as a whole, just when a not very large bank in the context of behavioral economics became a de facto large bank, "a bank that must not fail".

Conclusion

The case of the collapse of the Silicon Valley Bank and the rescue of the bank’s depositors has gained global popularity primarily because it demonstrates and reconstructs in an extremely obvious way the necessity of state interventionism to rescue a bank. That is, the necessity for state interventionism to basically rescue all bank deposits regardless of their amount. So, it is a situation where the state has to rescue the deposits that were not guaranteed deposits before the bank crisis happened. It happens at the moment when the problems and crisis of the bank, which does not have to be a large bank in terms of capital and liquidity, based on the behavioral economy, those problems and crisis will cause mistrust and pessimistic expectations in the banking markets in their entirety. Thus, on the basis of market psychology, the not-so-big bank actually becomes a big bank, "a bank that must not fail".

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Documents

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