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# The Cadence of Crisis

Technology enhancements have increased the speed of panic.



Those of a certain seniority will remember the comic strip “Dick Tracy,” whose hero was a detective in a jaunty fedora. Tracy wore a **two-way radio wrist watch** (which later became a two-way wrist TV) which he used to exchange information with headquarters. It seemed impossibly space-aged at the time.

Nowadays, people can use their watches for just about anything. It’s amazing...and also a bit scary. As we recently witnessed, modern technology can be used to transmit panic more rapidly than responses can be offered.

Banking stress spread with dizzying speed last month. Rumors about Silicon Valley Bank (SVB) moved rapidly through social media and private communication channels. Some SVB depositors apparently rushed to the exits after seeing other depositors engaged frantically with their mobile devices on buses and in coffee shops.



Ultimately, requests to withdraw about 85% of SVB's total deposits were in queue to be executed over a 36 hour period. To stem the tide, the FDIC had to close the bank in the middle of the day, which is outside of normal protocol. The move left transfers in limbo, which only heightened the uncertainty.

Policy makers simply aren't set up to deal with crises that evolve at such a pace. There is a preference for having all the facts at hand, and consulting with the appropriate range of stakeholders. Legal opinions may take time to secure, and more extensive remedies may require legislative approval. There is not time for debate over important topics like moral hazard.

**The recent banking crisis evolved at dizzying speed; responses need to keep pace.**

After the 1987 stock market crash, the team investigating the event recommended a series of circuit breakers during volatile intervals to allow for some cooling off. There may be wisdom in doing something similar for banking frenzies. Universal deposit insurance could be applied at all times, not just in emergencies; this could buy valuable time to consider tactical options. To deal with the next emergency, policy makers will have to up the cadence of their communication and their decisions. Maybe supervisors should issue their detectives a smart watch.

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