

## FACT CHECK

## No, 'Wokeness' Did Not Cause Silicon Valley Bank's Collapse

Blaming workplace diversity or environmentally and socially conscious investments for the firm's downfall signals a "complete lack of understanding of how banks work," one expert said.



By Linda Qiu

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WASHINGTON — A growing chorus of conservative pundits and politicians have said the failure of Silicon Valley Bank was the result of the bank's "woke" policies, blaming the California lender's commitments to workplace diversity and environmentally and socially conscious investments.

These claims are without merit. The bank's collapse was due to financial missteps and a bank run.

Moreover, the firm's policy on diversity, equity and inclusion — also known as D.E.I. — is similar to ones that have been broadly adopted in the banking sector. So is its approach to taking environmental and social considerations into account when investing — referred to as E.S.G. — although that has become a target of conservatives.

In fact, Silicon Valley Bank is considered about average in the industry when it comes to these issues.

Here's a fact check.

## WHAT WAS SAID

*"They were one of the most woke banks in their quest for the E.S.G.-type policy in investing."*

— Representative James R. Comer, Republican of Kentucky, in an appearance on Fox News on Sunday

*"This bank, they're so concerned with D.E.I. and politics and all kinds of stuff. I think that really diverted from them focusing on their core mission."* — Gov. Ron DeSantis of Florida on Fox News on Sunday

**This lacks evidence.** First, experts have broadly agreed that the bank's demise had little to do with "wokeness." As The New York Times and others have explained, the collapse was due to a bank run precipitated by a decline in start-up funding, rising interest rates and the firm's sale of government bonds at a huge loss to raise capital.

The bank's loans to environmental and community projects "were not an important factor behind the collapse of SVB," said Itay Goldstein, a finance professor at the University of Pennsylvania's Wharton School. "There is no immediate indication that these loans precipitated the run by investors."

Silicon Valley Bank also was not an outlier in its diversity goals or its E.S.G. investments. U.S. investments in those assets are expected to rise to \$33.9 trillion by 2026. A 2022 report by the Consumer Financial Protection Bureau found that 59 percent of banks had lending programs specifically for

women- and minority-owned businesses, financing that would fit under the “social” umbrella of E.S.G.

George Serafeim, a professor at Harvard Business School, said that blaming the collapse on such initiatives reflected either “a complete lack of understanding of how banks work or the intentional misattribution of causality for the bank’s failure.”

Maretno Harjoto, a professor of finance at Pepperdine University and expert in E.S.G. investing, agreed that “there is no truth” to the claims. He added that banks will often set E.S.G. and diversity goals due to pressure from investors and stakeholders.

Silicon Valley Bank said in a recent report that it would invest about \$16.2 billion over the next few years to finance small businesses and community development projects, affordable housing and renewable energy. That level of investment was equivalent to about 8 percent of its \$209 billion in assets.

But Silicon Valley Bank was hardly alone in pursuing these types of investments. Of the 30 largest banks in the United States — Silicon Valley Bank ranked No. 16 — all but one (First Citizens Bank) have made E.S.G. investments and released reports on them. And the three largest U.S. banks — JPMorgan Chase & Company, Bank of America and Citigroup — all dedicated 8 percent to 14 percent of their overall assets toward social and environmental investments in 2021. All three have committed to at least \$1 trillion in sustainable investments by 2030.

Among all banking institutions, Silicon Valley Bank actually ranked about average on E.S.G. issues, according to three metrics developed separately by the financial research firms MSCI, Morningstar and Refinitiv. Among the 30 top banks, its middling A rating from MSCI put it on par with 11 banks, while 11 others received the higher AA rating, characterizing them as leaders. The California lender’s score from Morningstar was among the worst of all 30 banks. And its Refinitiv score was worse than all but one financial institution and on par with Signature Bank, which failed this week.

Silicon Valley Bank’s commitment to improving diversity among its leadership was fairly typical as well. The largest 30 banks in the United States all have a stated commitment to more inclusive career advancement.

The bank’s latest inclusion report noted that 38 percent of senior leadership and 42 percent of its board members were women, and that 30 percent of leadership and 8 percent of its board were nonwhite.

By these demographics, Silicon Valley Bank was one of the more racially diverse financial institutions, but not extraordinarily so. Analyses have found that about 19 percent of senior leadership in financial services were nonwhite and 30 percent were women.

While The Times was unable to find data on the demographics of boards of directors in the finance sector overall, the boards of the eight banks in the United States considered systemically important were more racially diverse on average than Silicon Valley Bank. Of the 104 board members who govern these banks, 23 percent were members of a racial or ethnic minority and 39 percent were women.

Linda Qiu is a fact-check reporter, based in Washington. She came to The Times in 2017 from the fact-checking service PolitiFact.

**More from Linda Qiu**