

Not looking for the bleedin' obvious

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I [was not surprised by this comment in the FT this morning](#):

Bank stress tests are failing to take account of the potential systemic risks of large counterparties failing, the US government's financial stability watchdog has warned.

I have long wondered why bank stress tests seem so easy to pass. In 2008 it was clear it was the whole banking system that was under threat of collapse. There were, undoubtedly, weaker links but even those banks that smugly survived without injections of new state capital only did so because others were bailed out. The injections were always into the system as a whole, not just the individual banks.

But now we know the microeconomic siloed thinking that sees each entity in a market as an individual, standing or falling on its own, and not part of a networked whole, has invaded the logic of those checking that 'it can never happen again'. Except that, as their poverty of analysis shows, it would be all too easy for it to do so.

The curse of mainstream microeconomics continues.