

[Home](#) > [IMF Economic Review](#) > [Article](#)

# Do Global Banks Spread Global Imbalances? Asset-Backed Commercial Paper during the Financial Crisis of 2007–09

| Published: 20 July 2010

| Volume 58, pages 37–73, (2010) [Cite this article](#)



[IMF Economic Review](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:



- > **Store and/or access information on a device**
- > **Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

suffered significant losses. The paper concludes that global banking flows, rather than global imbalances, determined the geography of the financial crisis.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

### Access this article

[Log in via an institution](#) →

### Subscribe and save

✓ Springer+ Basic

€32.70 /Month

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

#### Store and/or access information on a device

#### Personalised advertising and content, advertising and content measurement, audience research and services development

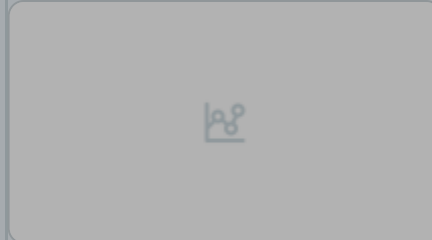
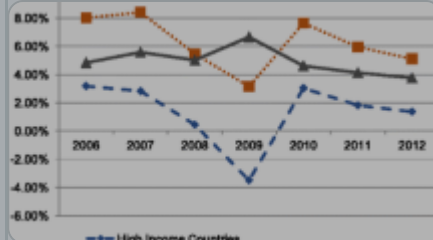
[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

## Many Creditors, One Large Debtor: Understanding the Buildup of Global Stock Imbalances After the Global...

Article | 15 December 2023



## Notes

1. [Bernanke \(2009\)](#) and [Portes \(2009\)](#) also argue that it is impossible to understand the financial crisis fully without appealing to global imbalances and that they are the underlying cause of the crisis. [Jagannathan, Kapoor, and Schaumburg \(2009\)](#) argue that imbalances in labor supply can help to explain the financial crisis.

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

distinction between credit and liquidity enhancements. In 2007, however, the regulatory treatment of ABCP conduits under the internal ratings based approach was still under discussion.

6. To validate these findings, we also consult a market-level report issued by [Moody's Investor Service \(2007\)](#). The report provides summary statistics on assets held by credit arbitrage conduits in March 2007. Based on conduits with assets outstanding of \$196 billion or more Moody's find that 53 percent of assets measured by outstanding principal amount are originated in the United States and that 99 percent of rated assets are rated "Aa" or higher. These results support the findings based on conduit-level data.
7. An alternative measure of the size of the banking sector is bank assets. For our

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Sharpe ratios. This can be considered evidence supportive of a gradual trend in banking to engage increasingly in short-term, speculative activities, a phenomenon only further facilitated by the repeal of the Glass-Steagall Act (separating commercial and investment banking activities) and enactment of the Gramm-Leach-Bliley Act in 1999 (allowing commercial, investment and insurance activities within a single bank).

11. For example, the Swiss bank regulator issued a detail report on how the universal bank UBS suffered huge losses because of its exposure to the U.S. housing backed AAA-rated tranches.
12. The term “manufacturing tail risk” is used by [Acharya and others \(2010\)](#) to describe the evolving model of banks and financial firms as regulation

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

### Store and/or access information on a device

### Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Acharya, Viral V., Thomas Cooley, Matthew Richardson, and Ingo Walter, 2010, "Manufacturing Tail Risk: A Perspective on the Financial Crisis of 2007-09," Foundations and Trends in Finance, Vol. 4, No. 4, pp. 247-325.

[Article](#) [Google Scholar](#)

Adrian, Tobias, Adam Ashcraft, Hayley Boesky, and Zoltan Pozsar, 2010, "Shadow Banking," Federal Reserve Bank of New York Working Paper.

Akerlof, George A., and Paul M. Romer, 1993, "Looting: The Economic Underworld of Bankruptcy for Profit," Brookings Papers on Economic Activity, Vol. 2, pp. 1-74.

[Article](#) [Google Scholar](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Bernanke, Ben, 2009, "Financial Reform to Address Systemic Risk," speech at the Council on Foreign Relations, Washington, (March 10). Available via the Internet: [www.federalreserve.gov/newsevents/speech/bernanke20090310a.htm](http://www.federalreserve.gov/newsevents/speech/bernanke20090310a.htm).

Berndt, Antje, and Anurag Gupta, 2008, "Moral Hazard and Adverse Selection in the Originate-to-Distribute Model of Bank Credit," Carnegie Mellon University Working Paper.

Brunnermeier, Markus, 2009, "Deciphering the Liquidity and Credit Crunch of 2007-08," Journal of Economic Perspectives, Vol. 23, No. 1, pp. 77-100.

[Article](#) [Google Scholar](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to [springer.com](http://springer.com) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Covitz, Daniel, Nellie Liang, and Gustavo Suarez, 2009, "The Anatomy of a Financial Crisis: The Evolution of Panic-Driven Runs in the ABCP Market," Board of Governors of the Federal Reserve Working Paper.

Dell'Ariccia, Giovanni, Deniz Igan, and Luc Laeven, 2008, "Credit Booms and Lending Standards: Evidence from the Subprime Mortgage Market," IMF Working Paper No. 08/106 (Washington, International Monetary Fund).

Diamond, Douglas, 1984, "Financial Intermediation and Delegated Monitoring," Review of Economic Studies, Vol. 51, No. 3, pp. 393-414.

[Article](#) [Google Scholar](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)



Working Paper No. 15404 (Cambridge, MA, National Bureau of Economic Research).

Jensen, Michael C., and William H. Meckling, 1976, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," Journal of Financial Economics, Vol. 3, No. 4, pp. 305-360.

[Article](#) [Google Scholar](#)

Kacperczyk, Marcin, and Philipp Schnabl, 2009, "When Safe Proved Risky: Commercial Paper during the Financial Crisis of 2007-2009," Journal of Economic Perspectives, Vol. 24, No. 1, pp. 29-50.

[Article](#) [Google Scholar](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **partners**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **privacy policy** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

### Store and/or access information on a device

### Personalised advertising and content, advertising and content measurement, audience research and services development

Accept all cookies

Reject optional cookies

Manage preferences

Mendoza, Enrique G., Vincenzo Quadrini, and José Víctor Ríos-Rull, 2008, “Financial Integration, Financial Deepness, and Global Imbalances,” NBER Working Paper 12909 (Cambridge, Massachusetts, National Bureau of Economic research).

Mian, Atif, and Amir Sufi, 2009, “The Consequences of Mortgage Credit Expansion: Evidence from the 2007 Mortgage Default Crisis,” Quarterly Journal of Economics, Vol. 124, No. 4, pp. 1449–1496.

[Article](#) [Google Scholar](#)

Moody's Investor Service, 2007, “ABCP Market at a Glance: ABCP Credit Arbitrage Snapshot,” Special Report (March).

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **[partners](#)**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Account Position Revisited,” in G7 Current Account Imbalances: Sustainability and Adjustment, ed. by Richard H. Clarida (Chicago, University of Chicago Press).

[Google Scholar](#)

Obstfeld, Maurice, and Rogoff, Kenneth, 2009, “Global Imbalances and the Financial Crisis: Products of Common Causes,” Harvard University Working Paper.

Philippon, Thomas, and Philipp Schnabl, 2009, “Efficient Recapitalization,” NBER Working Paper 14929.

Portes, Richard, 2009, “Global Imbalances,” in Macroeconomic Stability and Financial Regulation: Key Issues for the G20, ed. by Matthias Doornik and Yoon

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

Coordinating Investment,” in The Economics of Cooperation, ed. by J. Roumasset and S. Barr (Boulder, Westview Press).

[Google Scholar](#)

Stiroh, Kevin, 2002, “Diversification in Banking: Is Non Interest Income the Answer?” Federal Reserve Bank of New York Working Paper.

## Additional information

\*Viral V. Acharya is a Professor of Finance, and Philipp Schnabl is an Assistant

### Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 **[partners](#)**, also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our **[privacy policy](#)** for more information on the use of your personal data. Your consent choices apply to springer.com and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

**[Accept all cookies](#)**

**[Reject optional cookies](#)**

**[Manage preferences](#)**

## Cite this article

Acharya, V., Schnabl, P. Do Global Banks Spread Global Imbalances? Asset-Backed Commercial Paper during the Financial Crisis of 2007–09. *IMF Econ Rev* **58**, 37–73 (2010).

<https://doi.org/10.1057/imfer.2010.4>

Published

20 July 2010

DOI

<https://doi.org/10.1057/imfer.2010.4>

Issue Date

01 August 2010

## JEL Classifications

[G21](#)

[G28](#)

[G3](#)

[F3](#)

[F1](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

### Store and/or access information on a device

### Personalised advertising and content, advertising and content measurement, audience research and services development

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)

## Your privacy, your choice

We use essential cookies to make sure the site can function. We, and our 96 [partners](#), also use optional cookies and similar technologies for advertising, personalisation of content, usage analysis, and social media.

By accepting optional cookies, you consent to allowing us and our partners to store and access personal data on your device, such as browsing behaviour and unique identifiers. Some third parties are outside of the European Economic Area, with varying standards of data protection. See our [privacy policy](#) for more information on the use of your personal data. Your consent choices apply to [springer.com](#) and applicable subdomains.

You can find further information, and change your preferences via 'Manage preferences'. You can also change your preferences or withdraw consent at any time via 'Your privacy choices', found in the footer of every page.

We use cookies and similar technologies for the following purposes:

**Store and/or access information on a device**

**Personalised advertising and content, advertising and content measurement, audience research and services development**

[Accept all cookies](#)

[Reject optional cookies](#)

[Manage preferences](#)