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CAUSES OF THE FINANCIAL CRISIS

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ABSTRACT

Why did the popping of the housing bubble bring the financial system—rather than just the housing sector of the economy—to its knees? The answer lies in two methods by

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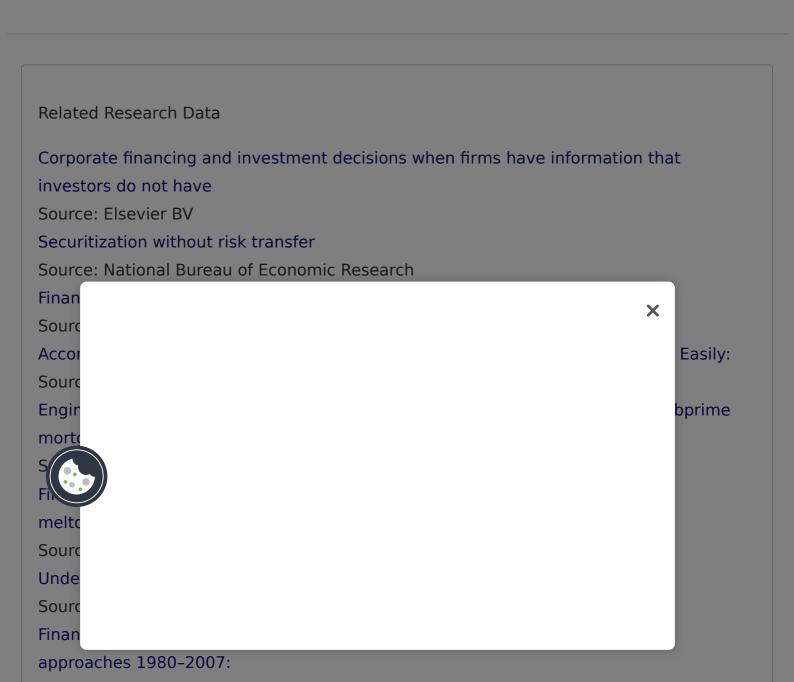
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Notes

- 1. Coval, Jurek, and Stafford <u>2009</u>, therefore, calls these kinds of tranche products "economic catastrophe bonds."
- 2. See Rajan <u>2008</u> for an early hint of this problem with bankers' pay. Acharya and Volpin <u>2009</u> provides a model explaining why pay may have risen in the banking industry, and why at the same time risk-management (governance) quality deteriorated, due to greater mobility of risk-takers across financial institutions. Acharya and Richardson <u>2009</u> provides a detailed account of such governance failures (see, especially, chs. 7 and 8).
- 3. The following account is taken from UBS's "Shareholder Report on UBS's Write Downs," prepared for the Swiss Federal Banking Commission, 18 April 2008.



Source: SAGE Publications

Determinants of corporate borrowing

Source: Elsevier BV

Banking Sector Reform, Competition, and Bank Stability: An Empirical Analysis of

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Source: Oxford University Press (OUP)

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