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Essays

CAUSES OF THE FINANCIAL CRISIS

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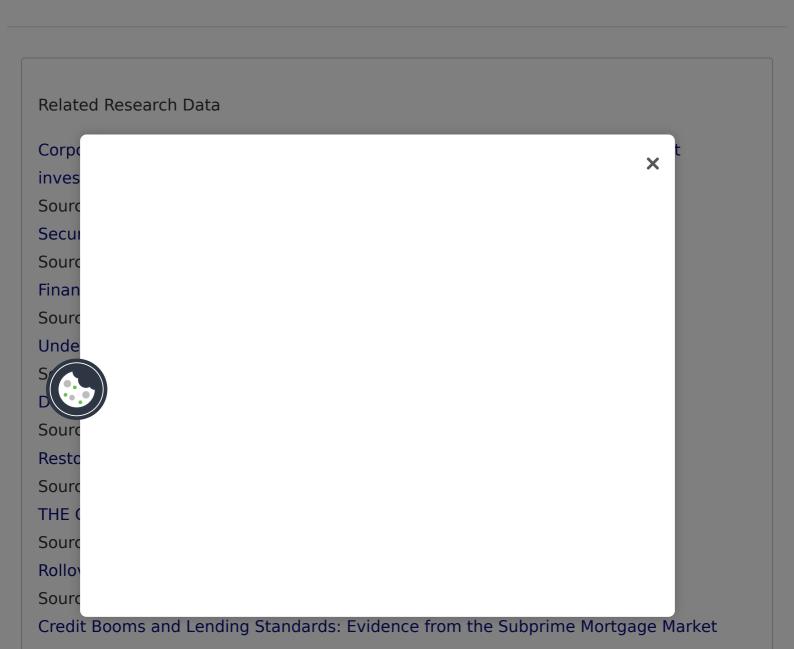
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Notes

- 1. Coval, Jurek, and Stafford <u>2009</u>, therefore, calls these kinds of tranche products "economic catastrophe bonds."
- 2. See Rajan 2008 for an early hint of this problem with bankers' pay. Acharya and Volpin 2009 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 2009 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: Journal of money credit and banking

The Consequences of Mortgage Credit Expansion: Evidence from the U.S. Mortgage

Default Crisis

Source: SSRN Electronic Journal Economic Catastrophe Bonds

Source: The American Economic Review

Moral Hazard and Adverse Selection in the Originate-to-Distribute Model of Bank Credit

Source: SSRN Electronic Journal

Corporate Governance Externalities

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