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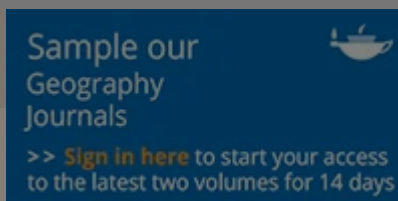
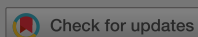
Original Articles

A Fetish and Fiction of Finance: Unraveling the Subprime Crisis

Erica Pani & Nancy Holman

Pages 213-235 | Published online: 22 Oct 2015

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Abstract

As the moderately strengthened financial regulation of Basel III comes into effect over the next

needs to do so, the municipalities that had no immediate Focusing on the article “A Fetish and Fiction of Finance: Unraveling the Subprime Crisis” by Erica Pani and Nancy Holman, this paper explores the authors’ argument that the financial system’s reliance on “fiction” to manage risk is a concrete

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and finance that make up the global financial system, the fetishes and fictions of finance cannot be ignored.

financialization securitization risk subprime crisis fictions of finance financial regulation

Notes

Our thanks to Francis Longstaff for his feedback on the magnification of losses across connected structured instruments. See also IMF (, Box 2.2) for a useful analysis.

Haugesund was a plaintiff only in the court case against DEPFA Bank, not in the case against Citigroup.

TOBs carry a “put option” that allows the lender to ask for his or her capital back at par value at any reset date. The floating rate certificate is the borrower’s promise to repay both the interest and capital to the lender. This option effectively protects the lender from value fluctuations of the bond, and risk is, therefore, carried by the borrower.

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