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III. Conclusion: Investment Banks as the Fulcrum 12. In Summary; References

Sommario/riassunto

This paper questions the view that leverage should have forewarned us of the global financial crisis of 2007-09, pointing to several gearing indicators that were neither useful portents of the onset of the crisis nor of its ferocity. Instead it shows, first, that the use of ill-suited collateral in the secured funding operations of U.S.-based investment banks was the fatal link between the collapse of structured finance and the global malfunction of funding markets that turbocharged the downdraft; and, second, that this insight (and others) can be decrypted from the Flow of Funds Accounts