

ROOTS OF FINANCIAL CRISIS

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- RECESSIONS X DEPRESSIONS
- DEPRESSION: ABNORMAL BREAKDOWN OF HOMEOSTATIC MECHANISMS
- NORMAL WORKING OF MARKET ECONOMIES
 - INSTITUTIONS AND RULES OF THE ROAD
 - BUFFER STOCKS (WEALTH, LIQUIDITY, PRODUCTIVE CAPACITY, ETC)

ROOTS OF FINANCIAL CRISIS

- DEREGULATION
- INCREASING DEBT/INCOME RATIO
- FINANCIAL INNOVATION
 - SECURITIZATION
 - DERIVATIVES
 - INSUFFICIENT DEVELOPMENT OF ACCOUNTING METHODS
 - DECONSTRUCTION OF REGULATORY ENTITIES

ROOTS OF FINANCIAL CRISIS

- OVEREXTENSION OF BUSINESS LINES
(SUBPRIME MORTGAGE SECURITIES)
- DEBT DEFLATION AND DESTRUCTION OF
FINANCIAL WEALTH
- INSOLVENCY OF FINANCIAL INSTITUTIONS
- COLLAPSE OF CREDIT
- OUTPUT CONTRACTION AND
UNEMPLOYMENT