

## Learning objectives

### Chapter 37

#### **In this chapter you will**

- Get an overview of the causes of the financial crisis
- Examine why asset price bubbles occur
- Look at the role of securitisation in financial markets
- See how the financial crisis fed through to the real economy
- Look at how policy makers responded to the crisis
- Look at the role of regulators in the financial crisis
- Consider what lessons have been learned from the crisis and some suggestions for avoiding such a crisis in future

#### **You should be able to**

- Give a definition of deregulation
- Explain how an asset bubble arises
- Explain how and why house prices in both the US and the UK rose
- Explain why banks adopted risk seeking behaviour
- Provide an account of how this additional risk was ‘managed’.
- Describe the process of securitisation
- Provide an account of how the rise in loan defaults led to a banking crisis
- Provide an analysis of how the financial crisis fed through to the real economy
- Describe how policy makers reacted to the crisis and the recession
- Outline the lessons learned by regulators