

Economics, MS 267
Referee report

The paper analyses the financial crisis and outlines a series of challenges for the financial system and the regulatory environment. Graphical illustrations are used to support a number of arguments.

The paper contains a detailed description of the US housing market developments and the issues surrounding the securitization of loans. It also considers in detail the techniques underlying the originate-and-distribute model of intermediation.

The author considers a number of potential theoretical foundations of the crisis, but only provides anecdotal evidence to support the claims.

In sections VI and VII, the paper identifies a number of challenges for banks and outlines potential regulatory responses. The author offers a critical assessment of a series of suggestions.

As a description of the crisis, the identification of its causes, the challenges for banks and potential regulatory responses, the paper offers a very useful summary with relevant graphical illustrations of the arguments. The main thesis, that the five stages of the crisis represent a 'wandering asset price bubble', is an interesting idea, but should receive more analytical foundation. Can the author make the argument that the chain of events represents causality more convincing? This should also allow the author to identify which regulatory responses are indispensable to make the financial system less vulnerable.