

Large parts of the paper are trivial and have been pointed out before many different times. Part 2 is anecdotal and repeats all the quotes we have heard many times before. There are also many unclarities and very unclear loose descriptions. In later parts the author provides a mechanical ad hoc analysis of what leverage would be optimal and shows that leverage was too high, but that is something everyone could see from just eyeballing the raw numbers. The point is that no-one wanted to control raw leverage and that the control mechanisms that were created to keep leverage under control, the Basle I and II frameworks, had perverse side effects that lead to exactly the opposite result. In many ways it is the avoidance of the Basle limits that lead to the creation of all the derivatives, structured finance and off-balance sheet structures that brought us in this mess. The analysis completely misses all these points and tries to reduce the to an engineering problem, what really is an incentive and governance problem.