

Index

- accountability 202
- AIG 44–5, 58
- anti-trust laws 7–8, 58
- Argentina 117
- Asian financial crisis (1997) 99, 102, 110, 116–19
- asset bubbles 38, 113, 127, 143, 182
- asset concentration 64, 66, 68–9, 78, 80, 156
- asset prices 6, 12, 51, 56, 61, 77, 97, 107, 128–9, 140, 143, 159, 165, 180, 182, 194, 196, 209
- Asset-Backed Commercial Paper
 - Money Market Mutual Fund Liquidity Facility 158
- asset-backed securities 45, 48, 58, 135
- asset-based reserve requirements 152, 161, 165, 167–8, 171–4, 177, 179
- ATMs 147
- Australia 102

- bailouts 44–5, 79, 128, 188, 195
- balance of payments accounts 9, 10, 21–2, 92, 94, 117
- balance sheet 4, 7, 12, 14, 26, 31, 37–8, 43, 52, 58, 60–62, 70, 77, 85, 93, 100, 107, 109, 146, 153, 157, 161, 166, 168–74, 176–9, 187, 194, 201, 205–6, 212, 214, 222
- Bank for International Settlements 5, 14, 25, 37–8, 44, 53–6, 61, 77, 95–6, 107–9, 116–17, 122–3, 141, 143, 151, 165, 195–6, 219, 222
 - Fisher II working group 62
- Bank Holding Company Amendments 30, 67

- Bank of America 44
- Bank of England 21, 73, 94, 159
- Bank of Japan 159
- Bank of Mexico 113
- bank-based systems 2–4, 13, 17, 34, 37, 44, 160, 169, 172, 180, 193
- Banking Act (1935) 155, 166
- bankruptcies 34, 44, 55–6
- Barings 27
- Basel Agreement 153
- Basel Capital Accord 53
- Basel Committee on Banking Supervision 24–5, 61
- Basel II 62, 73
- Basel III 153
- Bear Stearns 44, 54, 58–9, 66, 77, 128
- Bernanke, Ben S. 128, 159–60
- bidding wars 134
- borrower of first choice 103
- Brazil 117–19, 196
- Bretton Woods 15–16, 22, 168, 187, 192, 194, 200–201, 204, 214–15, 222
- Brimmer, Andrew 152
- Burns, Arthur 27, 69
- buyer of last resort 2, 16, 103

- Canada 114–15, 193
- capital accounts 10–11, 93, 112
- capital flows 2, 11, 15, 22, 25, 93–4, 101–2, 107, 113, 115, 117, 143–4, 149, 155, 167, 181–2, 187, 192, 194, 196, 209, 213
- capital ratios 13, 73, 153
- capital requirements 6–7, 12, 24–5, 47, 53, 62–3, 69, 72, 77–8, 111, 127, 142, 150–55, 177, 182

- carry trade 8–9, 11, 53, 123, 129, 143–4
- Carter, Jimmy 142
- CATO Institute 96, 107
- central banks 5–6, 11, 13, 15–16, 21–4, 34, 37, 53, 55, 65, 79, 94, 98–100, 108–10, 115, 122, 127–30, 140–41, 143, 145–7, 149–50, 154–5, 157, 160, 165–9, 171, 174, 177, 179–81, 189–90, 194–5, 200–206, 209–14, 222–3.
See also Federal Reserve
- certificates of deposit 23, 29–31
- Chile 118, 196
- China 101–2, 116–17
- Citigroup 44
- clearing houses 26, 45, 59, 200–201
- Clinton, Bill 195
- closed-end fund 197–9
- collateralized debt obligations 6, 43, 53, 60, 66, 122–3
- Colombia 118
- Commerce Department's Bureau of Economic Analysis 92, 121
- commercial banks 5, 32, 53, 60, 77–8, 82, 149, 202, 204–5, 207, 211–13
- commercial paper 4, 8, 29–33, 51–2, 59–61, 65, 139, 147, 157–8, 171, 202, 204
- Commission of Experts of the President of the UNGA on Reforms of the International Monetary and Financial System 190–91, 223
- Commodities Futures Trading Commission 61
- Community Reinvestment Act 32
- competitiveness 24–5, 32, 79, 95, 146
- Comptroller of the Currency 6, 54, 75
- concentration 7–8
- conflicts of interest 7, 35, 43, 48–9, 72, 86
- Congress 7–8, 24, 46, 48, 80, 128, 130, 142, 161, 173, 196
- Consumer Financial Protection Bureau 74
- Continental Illinois Bank 8, 30, 65, 157
- contingency lending 4, 29–30, 59–60, 62
- corporate bonds 135, 171, 181
- corporate governance 35–6, 85–6
- countercyclical policy 12–14, 16–17, 23, 34, 37, 127, 144–50, 154–5, 161, 165–7, 170, 178, 182, 191, 194, 200, 222–3
- Credit Control Act (1980) 142, 152
- credit crunches 22–3, 178, 182
- credit default swaps 6–7, 43, 45, 53, 56, 58, 66, 122
- credit freeze 127
- credit markets 7, 24, 30, 32, 38, 44–6, 48, 72, 76, 113, 115, 132, 134, 136–7, 142, 150, 161, 179
- credit rating agencies 7, 48–9, 139
- creditworthiness 56, 139, 166
- cross-border flows 11, 15, 94, 144, 150
- cross-border loans 116–18
- cross-border payments 201, 204
- cross-border transactions 1, 93, 123, 193, 200, 203, 222
- Crotty, James 54–5, 73, 79, 219
- currency manipulation 92
- current accounts 11, 16, 95, 100, 102–3, 108–9, 111, 123, 137, 149–50, 195, 198, 200
- Daiwa 27
- DAX 117
- debt bubble 127–31, 137–41
- debt-fueled growth 1–2, 17
- deflation 97, 109, 143, 178, 203
- delinquency rates 139
- democratization of stockholding 138
- Department of Labor 86
- deposit insurance 5, 21, 23–4, 30–31, 39, 67, 82–3
- deregulation 2, 5, 12, 23, 25, 43, 60, 77, 91, 110, 127, 142, 151, 165, 169, 222
- disclosure 73

- discount window operations 27, 29, 147–8, 157
- disinflation 128, 159
- diversification 68–9, 85, 156
- Dodd, Christopher 76
- Dodd-Frank Act (2010) 2–3, 9, 49, 59, 61–2, 72–6, 78, 81, 153
- dollar (US) 1, 10–11, 22, 53, 98, 111, 115–16, 121, 123, 141, 187–9, 193–4, 203, 214, 221–2
- dollar crises 94, 187
- dollar glut 214
- dollar hegemony 10, 91–7
- dollar reserves 11, 16, 21, 24, 98–9, 121, 150, 214
- due diligence 48, 74
- dumping 92
- Economist* 96, 107
- education 38, 121
- efficient markets hypothesis 127
- Emergency Relief and Construction Act (1932) 148
- Employee Retirement Income Security Act (1974) 4–5, 34–5, 66, 86
- Enron 86
- Epstein, Gerald 73
- euro 2, 51, 53, 98, 101, 107, 115–16, 123, 143, 189–90, 203, 214
- Eurobond market 112
- Eurocurrency market 21–5, 27, 94, 130, 205
- Eurodollar market 11, 21, 23, 46, 187
- Euromarkets 23, 25
- European Central Bank 98, 159
- European Community 25
- European Currency Unit 189, 214
- European Monetary System 189, 193
- European Parliament 62
- European Union 2, 62–3
- exchange rate 10, 22–5, 66, 92, 95–7, 113, 117–18, 191, 195–6, 201, 204, 208–9, 221
- exorbitant privilege 93
- export barriers 92
- export-led growth 1–2, 12, 15, 17, 103, 107, 223
- Fannie Mae 10, 36, 44, 46–7, 98–9, 111, 116, 177
- Federal Deposit Insurance Corporation 9, 31–2, 65, 67–8, 79
- Bank Insurance Fund 31
- Federal Deposit Insurance Corporation Improvement Act (1991) 8
- federal funds rate 149, 160, 173
- Federal Reserve 4–9, 13–15, 21–2, 24–5, 27, 29–30, 32–3, 38, 43–6, 51–5, 61, 65–6, 69, 76, 80, 85, 93, 99, 108, 121, 127–30, 132–3, 136, 138–49, 151–2, 155–62, 166–9, 171–4, 176–82, 195–6, 220–22
- Federal Reserve Act (1913) 145–7, 155
- Federal Reserve System 128, 145–8, 155
- fiat currency 204
- financial crisis (2007–2008) 1–3, 5, 11, 13–15, 27, 37, 43, 48–9, 51–2, 54, 58, 61, 64–6, 69, 72, 78–9, 82, 93, 97–8, 100, 127–8, 137, 140, 151, 154–5, 157, 166, 178, 188, 203, 215, 219–20, 222
- financial guaranty programs 79, 83–5
- Financial Stability Forum 59, 61, 73
- First World War 148
- Ford Motor Company 29
- foreign exchange reserves 10, 91, 94, 98–103, 121, 172, 174, 188–9, 191, 203, 221. *See also* international reserves
- foreign investment 11–12, 97, 100, 113, 121, 130, 132, 135–6, 139, 141, 150, 181, 192, 195, 198, 220–21
- France 98
- Franklin National Bank 8, 27–8, 52
- fraud 86
- Freddie Mac 10, 36, 44, 46–7, 98–9, 111, 116
- free market ideology 5, 13, 131, 151, 165, 222
- FTSE 100 117

- Geithner, Timothy F. 61
- General Electric Capital Corporation 29
- General Motors 29, 34
- Germany 22, 27, 98, 102, 117, 193
- Ginnie Mae 46
- Glass-Steagall Act (1933) 5, 32, 43, 51, 54, 68, 71, 80, 148
- global greenbacks system 190
- globalization 9, 21, 91–2, 108
- gold 93–4, 146, 148, 187–8, 194, 204
- government securities 16, 22, 24, 83, 98–9, 116, 118, 139, 148, 171–4, 176, 197, 201, 208–9, 211–12
- government-sponsored enterprises 10, 33, 36, 44, 46–8, 98–9, 111, 116, 132, 134–5, 137, 139, 171, 181
- Gramm-Leach-Bliley Act (1999) 54, 68, 167
- Great Depression 6, 16, 69, 82, 159, 161, 166
- Great Recession 97, 166, 220
- Greece 123
- Greenspan, Alan 69, 96–7, 107–8, 128, 140, 142–3, 149
- gross domestic product 2, 12, 17, 54, 69, 76, 95–6, 98, 101–2, 113–15, 119, 121, 130, 193, 195, 201, 219–20
- Group of Thirty 61–2, 77–9
- haircuts 13, 15
- hedge funds 62–3, 73, 77, 116, 121, 161, 194
- Herstatt 27
- higher capital requirements 72–3
- holding companies 30–31, 43, 60, 65–6, 157
- home bias 108
- hot money 194
- House and Senate Banking Committees 47
- House Committee on Banking and Financial Services 78
- House of Representatives 77
- household borrowing 11, 71, 132
- household debt 17, 38, 44, 69, 121, 129–30, 133, 138, 141
- household savings 9, 34, 44, 49, 73–4, 82–3, 107, 109
- housing bubble 7, 49, 55, 69, 99, 129, 134, 140, 168
- housing prices 6, 51, 137–8, 140
- housing sector 22, 46, 48, 137, 141, 168, 180
- Humphrey-Hawkins report 130
- Iceland 54
- India 101
- individual retirement accounts 36–7, 39, 83, 86
- Indonesia 117
- inflation 11, 13, 23–4, 31, 94, 107, 110, 114, 128, 142, 147, 152, 159, 165
- innovation 2, 4, 15, 29, 43, 46, 58, 91, 153, 197
- insolvency 31, 153, 158, 161
- institutionalization 112
- insurance 59–61, 65
 - companies 71, 82, 112, 167, 171
 - deposit insurance 5, 21, 23–4, 30–31, 39, 67, 82–3
 - funds 24, 67, 82–3, 86
 - regulation 168
- interbank market 11, 27, 116
- interconnectedness 8–9, 43, 51–6, 62, 72, 75–7
- interest rate 5, 8, 11, 21–2, 24–5, 29, 31–2, 38, 46–7, 52–3, 55, 58, 66–7, 75, 97, 109–10, 113, 122–3, 130, 132–3, 136, 138, 140–41, 143–6, 148–50, 158–61, 180–82, 193–5, 209, 221. *See also* federal funds rate
- interest rate ceilings 21, 23, 29, 46–7, 67, 142, 146, 151
- International Bank for Reconstruction and Development. *See* World Bank
- international banks 11, 97, 110–12, 116–18, 192

- international clearing agency 16,
200–14, 222
- International Monetary Fund 15–16,
24, 38, 53, 111, 122–3, 141,
188–91, 196, 201, 214, 220–21,
223
- international reserves 16–17, 98–100,
121, 173–4, 181, 188–9, 195,
198, 200–201, 205–14, 221–2.
See also foreign exchange
reserves
- investment banks 5, 8, 47, 52, 54, 77,
80, 149, 158, 171
- IRS 86
- Isaac, William 68
- Italy 98
- Japan 53, 68, 102, 107, 109, 116–17,
123, 143–4, 159, 193
- JPMorgan Chase 59, 177
- Kaldor, Nicholas 10, 94–5, 200
- Kaufman, Henry 47–8
- Keogh plans 86
- key currency 1, 16–17
- Keynes, John Maynard 16, 188, 200
- King, Mervyn 160
- Kohn, Donald L. 159–60
- Korea 116, 193
- labor unions 85
- Latin America 99–100, 110–19
- Lehman Brothers 3, 7, 44–5, 55–6,
58, 66, 160
- lender of last resort 15–16, 30, 33, 60,
128, 147–8, 158, 161, 171, 182,
201, 211, 213
- lending limits 25, 37, 81
- letters of credit 29, 59
- leverage 3, 6, 8–9, 32, 43, 51–2,
54–5, 62–3, 69, 72, 76–8, 122–3,
134–5, 143, 151, 153, 156, 161,
165, 169, 202, 220
- Levy Economics Institute 220
- liberalization 25, 101, 119, 196
- liquidity 6, 11, 23, 25–7, 37–8, 53,
55–6, 58, 62, 77–9, 93–4, 109,
121–4, 127, 129–30, 142–5,
147–8, 150, 154–6, 158, 160–61,
165, 168, 174, 178, 180, 188,
203–4, 206, 209, 211–12, 220
- loan-to-value ratios 74, 142, 151, 165
- London Interbank Offered Rate 27
- Long-Term Capital Management
(LTCM) 52–3, 62, 77, 116
- macroprudential policy 13, 74, 78, 87,
127, 142, 150–52, 155, 160, 165,
222
- Madoff Ponzi scheme 43
- market-based systems 3–5, 13, 17, 28,
34, 44, 46, 160, 193
- Marshall Plan 187–8
- Martin, Preston 47
- Matthews, Nicola 158
- McChesney Martin, William 69, 145
- McFadden Act (1927) 67
- mergers and acquisitions 66–7, 79,
134
- Met Life 177
- Mexico 110, 112–19, 144, 193–6
- Minsky, Hyman 44, 151
- Monetary Control Act (1980) 46–7,
142
- Monetary Policy Report to Congress*
138
- money market mutual funds 30–32,
61, 83–4
- Moody's 139
- moral hazard 28, 84
- mortgage lenders 32–3, 36, 48, 52,
54, 68, 134, 151, 167–8
- mortgage lending 168–9
- mortgage-backed securities 5, 7, 14,
33, 43, 47–9, 52, 56, 58, 69,
73–4, 99, 135, 159, 169, 171,
181
- mortgage-related derivatives 169
- mortgages 7, 36, 46–7, 68–9, 71–4,
133–40, 169, 171, 173
sub-prime mortgages 48–9, 52
- mutual funds 7–8, 15, 34–6, 38, 44,
66, 84, 112–13, 138, 158, 169,
171, 180, 194, 197

- NASDAQ 141
- National Bank Act (1865) 6, 53, 68–9, 75, 151
- National City Bank 29
- New Deal reforms 69
- Nixon, Richard 93, 187
- North American Free Trade Agreement 114–16
- Ocampo, José Antonio 119
- off-balance sheet 4, 24, 52, 58, 60–62, 76–7, 129, 147, 177. *See also* shadow banks
- Office of Financial Research 151–2
- oil prices 23, 194
- opaque markets 5–6, 26, 58–63, 165
- Open Market Committee 159
- open market operations 14, 24, 46, 127–8, 146, 148–51, 157, 161, 171–2, 176–7, 179–80, 201–2, 211–13
- open-end funds 197
- Organisation for Economic Co-operation and Development 36, 112, 193
- Organization of Petroleum Exporting Countries 11, 23, 110–11, 192
- over-the-counter derivatives 4–5, 7, 26, 43–5, 55–6, 58–61, 122, 197
- Palley, Thomas 161, 167–8
- parallel banking system 31
- Penn Central Railroad 4, 29
- pension funds 5, 7–8, 15, 34–9, 44, 73, 82–7, 112–13, 133, 135, 138, 167, 171, 180, 192, 194, 197
- peso 114, 118, 195
- Pollin, Robert 160
- portfolios 25–6, 33, 36, 46, 48, 60, 85, 99, 112–13, 118, 174, 180–81, 192–5, 197–8, 203
- Portugal 102
- pound sterling 94, 96, 98, 203
- poverty 11
- Primary Dealer Credit Facility 158
- private banks 94, 145, 194
- private sector 2, 10, 100, 109–10, 130, 132, 143, 173, 178, 188, 190, 205
- privatization 16, 26, 29, 96, 191, 193–4
- proprietary trading 8–9, 52–3, 72, 76–8, 129
- public sector 16, 33, 60, 94, 130, 195, 197, 200, 202, 204, 213, 222
- purchasing power parities 101
- quantitative easing 14, 149, 152, 158–61, 220–22
- Reagan, Ronald 12
- real* 118
- recession 53, 91, 97, 107, 109, 112, 116, 122, 130–33, 135, 137–40, 144, 157, 162, 166, 178, 194–5, 214, 220. *See also* Great Recession
- renminbi 98
- reporting requirements 60, 62
- repos 5, 14–15, 51–2, 54, 75–6, 123, 135, 147, 152, 155, 161, 171–4, 176–9, 181–2
- reverse repos 51, 75, 179
- repurchase agreements. *See* repos
- reserve accounts 146, 155, 166, 173, 177, 179, 181, 201, 204–6, 209, 211
- reserve balances 98, 148–9, 155–6
- reserve currency 93, 96, 98, 189–90, 203, 222
- reserve requirements 5, 14, 21, 23–5, 32, 37, 43, 54, 76, 127, 130, 142, 145–7, 150, 152, 155, 161, 165–71, 173, 178, 180, 195–6
- asset-based reserve requirements 152, 161, 165, 167–8, 171–4, 177, 179
- restructuring 64
- retirement savings 35–6, 38, 81–4, 86, 133. *See also* pension funds; individual retirement accounts

- Reuss, Henry S. 27
reverse repos 51, 75, 179
Rio Agreement 188
round tripping 23–4
round-robin strategies 122, 150, 221
rules of the game 204–5
Russia 52, 116, 196
- S&P 500 117
savings institutions 46, 82
Secondary Mortgage Market
 Enhancement Act (1984) 44, 47
securities 5, 26, 35, 38, 47–9, 52, 54,
 65–6, 68, 71, 74–5, 82, 99, 112,
 115, 130, 135, 146, 148, 158,
 160, 166, 172–3, 177, 192–7,
 201, 221
 asset-backed securities 45, 48, 58,
 135
 government securities 16, 22, 83–4,
 98–9, 116, 118, 139, 148,
 171–4, 176, 197, 201, 208–9,
 211–12
 mortgage-backed securities 5, 7, 14,
 33, 43, 47–9, 52, 56, 58, 69,
 73–4, 99, 135, 159, 169, 171,
 181
 Treasury securities 10, 14, 95, 121,
 135, 139, 148, 155–6, 159, 181
 underwriting 68, 71
Second World War 21, 34, 93, 166
Securities and Exchange Commission
 43
Securities Investors Protection
 Corporation 79
securities repurchase agreements. *See*
 repos
Securities Subcommittee of the House
 Energy and Commerce
 Committee 47
securitization 7, 24, 36, 44, 46, 48–9,
 58, 69–70, 72–5, 134, 168–9
self-dealing 3
self-regulation 3
Senate Banking Committee 61, 142
September 11 116
 shadow banks 4, 62, 129, 161. *See*
 also off-balance sheet
 short-termism 35
 skin in the game 74
 small businesses 7, 22, 32, 70, 84, 87,
 133–4, 137, 139–40
 Smithsonian Agreement 94
 social security 9, 35–6
 sovereignty 22, 93, 189, 202
 Spain 61–2, 118
 special drawing rights 15, 188–91,
 198, 214
 stagnation 122, 130, 178
 sterilization 11
 Stiglitz, Joseph 74, 190
 stigma problem 158
 stock exchange 197
 stock markets 5
 Strong, Benjamin 148
 structured investment vehicles 60–62
 sub-prime mortgages 48–9, 52, 69
 surveillance 26–7
 Survey of Consumer Finance 138
 sustainable growth 9, 15, 141, 192
 Switzerland 22
 synchronous crisis (2002) 110,
 117–19
 taxation 9, 36–7, 80, 83, 151, 193,
 220
 tech stock crisis 129, 133, 140, 168
 Term Auction Facility 158
 Term Securities Lending Facility 158
 tesobonos 195
 Thailand 116–17
 Thatcher, Margaret 193
 Third World Debt Crisis 12, 194
 thrifts 46–7, 71
 TIAA-CREF 86
 too big to fail 8, 28, 65–6, 68, 78–80,
 84, 128
 TOPIX 117
 Toporowski, Jan 154
 tourism 168
 toxic assets 74
 trade deficits 1, 10–11, 17, 92, 220

- transparency 3, 5, 26, 43, 56, 58, 62, 73, 157, 202. *See also* opaque markets
- Treasury 43, 66, 128, 141
- Treasury bills 30, 46, 98
- Treasury bonds 35, 111
- Treasury securities 10, 14, 95, 121, 135, 139, 148, 155–6, 159, 181
- Triffin, Robert 187–9
- unemployment 23, 128, 158, 180
- United Kingdom 14, 21, 96, 101, 159, 189, 193
- United Nations 119
- Value-at-Risk models 151
- Venezuela 118
- Volcker, Paul 9, 77–8
- Voluntary Foreign Credit Restraint 21
- wages 12, 97, 220
- Washington Consensus 196
- weights and measures 71
- White, Harry D. 201
- White, William R. 14, 160, 165
- World Bank 192, 198
- WorldCom 86
- Wriston, Walter 29
- yen 53, 98, 121, 123, 149, 187
- Zedillo, Ernesto 195