

Contents

Foreword	xi
Acknowledgments	xiii
PROLOGUE: A BIRD'S-EYE VIEW	
The Financial Crisis of 2007–2009: Causes and Remedies	1
<i>Viral V. Acharya, Thomas Philippon, Matthew Richardson, and Nouriel Roubini</i>	
PART ONE	
Causes of the Financial Crisis of 2007–2009	57
<i>Matthew Richardson</i>	
CHAPTER 1	
Mortgage Origination and Securitization in the Financial Crisis	61
<i>Dwight Jaffee, Anthony W. Lynch, Matthew Richardson, and Stijn Van Nieuwerburgh</i>	
CHAPTER 2	
How Banks Played the Leverage Game	83
<i>Viral V. Acharya and Philipp Schnabl</i>	
CHAPTER 3	
The Rating Agencies: Is Regulation the Answer?	101
<i>Matthew Richardson and Lawrence J. White</i>	
PART TWO	
Financial Institutions	117
<i>Matthew Richardson</i>	
CHAPTER 4	
What to Do about the Government-Sponsored Enterprises?	121
<i>Dwight Jaffee, Matthew Richardson, Stijn Van Nieuwerburgh, Lawrence J. White, and Robert E. Wright</i>	

CHAPTER 5	
Enhanced Regulation of Large, Complex Financial Institutions	139
<i>Anthony Saunders, Roy C. Smith, and Ingo Walter</i>	
CHAPTER 6	
Hedge Funds in the Aftermath of the Financial Crisis	157
<i>Stephen J. Brown, Marcin Kacperczyk, Alexander Ljungqvist, Anthony W. Lynch, Lasse H. Pedersen, and Matthew Richardson</i>	
PART THREE	
Governance, Incentives, and Fair Value Accounting Overview	179
<i>Viral V. Acharya and Rangarajan K. Sundaram</i>	
CHAPTER 7	
Corporate Governance in the Modern Financial Sector	185
<i>Viral V. Acharya, Jennifer N. Carpenter, Xavier Gabaix, Kose John, Matthew Richardson, Marti G. Subrahmanyam, Rangarajan K. Sundaram, and Eitan Zemel</i>	
CHAPTER 8	
Rethinking Compensation in Financial Firms	197
<i>Gian Luca Clementi, Thomas F. Cooley, Matthew Richardson, and Ingo Walter</i>	
CHAPTER 9	
Fair Value Accounting: Policy Issues Raised by the Credit Crunch	215
<i>Stephen G. Ryan</i>	
PART FOUR	
Derivatives, Short Selling, and Transparency	229
<i>Viral V. Acharya</i>	
CHAPTER 10	
Derivatives: The Ultimate Financial Innovation	233
<i>Viral V. Acharya, Menachem Brenner, Robert F. Engle, Anthony W. Lynch, and Matthew Richardson</i>	

CHAPTER 11	
Centralized Clearing for Credit Derivatives	251
<i>Viral V. Acharya, Robert F. Engle, Stephen Figlewski, Anthony W. Lynch, and Marti G. Subrahmanyam</i>	
CHAPTER 12	
Short Selling	269
<i>Menachem Brenner and Marti G. Subrahmanyam</i>	
PART FIVE	
The Role of the Federal Reserve	277
<i>Thomas F. Cooley and Thomas Philippon</i>	
CHAPTER 13	
Regulating Systemic Risk	283
<i>Viral V. Acharya, Lasse H. Pedersen, Thomas Philippon, and Matthew Richardson</i>	
CHAPTER 14	
Private Lessons for Public Banking: The Case for Conditionality in LOLR Facilities	305
<i>Viral V. Acharya and David K. Backus</i>	
PART SIX	
The Bailout	323
<i>Thomas F. Cooley and Thomas Philippon</i>	
CHAPTER 15	
The Financial Sector Bailout: Sowing the Seeds of the Next Crisis?	327
<i>Viral V. Acharya and Rangarajan K. Sundaram</i>	
CHAPTER 16	
Mortgages and Households	341
<i>Andrew Caplin and Thomas F. Cooley</i>	
CHAPTER 17	
Where Should the Bailout Stop?	353
<i>Edward I. Altman and Thomas Philippon</i>	

PART SEVEN**International Coordination** 363**CHAPTER 18****International Alignment of Financial Sector Regulation** 365*Viral V. Acharya, Paul Wachtel, and Ingo Walter***About the Authors** 377**Index** 381