

# The Financial Crisis, the Great Recession, and Future Economic Prospects

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    - and effect of Ebola crisis in West Africa will remain for many years

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- For rest of talk, will try to provide answers

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    - \$300 profit -- 200% return!

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- but, because of leverage, system also potentially more vulnerable to collapse than more primitive systems, such as in BRIC countries.



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  - highly leveraged bank may fail if loses bet or two

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    - systemic risk

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- *externality* provides rationale for regulation

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  - limit leverage (impose capital requirements)

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- if doesn't happen, severe financial crises will probably continue

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  - central bank should create liquidity by buying securities

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- Europe has not made a good recovery

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