

Preface

WHAT CAUSED THE FINANCIAL CRISIS? What prolonged it? What worsened it dramatically more than a year after it began? Rarely in economics is there a single answer to such questions, but the empirical research I present in this book strongly suggests that specific government actions and interventions should be first on the list of answers to all three. I focus on the period from the start of the crisis through the fall of 2008, when market conditions deteriorated precipitously and rapidly. Simply put, when policy started getting off track—especially when compared with the period of good performance during the previous two decades—financial and economic conditions turned sour.

This book integrates a series of research papers, speeches at central banks, and congressional testimony I have written on the financial crisis during the past two years. That work is detailed in the reference section at the end of the book; bracketed numbers in the text refer to the specific works. I have used