A BEAUTIFUL READ

Posted by Stuart Parkinson

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This article is beautifully written and not particularly technical. It is rather amazing to think - as the authors point out in the opening paragraph - that the "workhorse macroeconomic models [of the early 2000s] assumed frictionless markets" which "were thus not able to anticipate the crisis", particularly when this period was in the direct aftermath of the bursting of the Dotcom bubble.

The authors also fail to mention near-zero short-term interest rates in the list of factors they say triggering the pre-Crash boom in borrowing, which I always think is odd in these kinds of reviews (imagine that: consumers being sensitive in their borrowing decisions to the nominal interest rate being charged). At least they aren't alone in this regard: almost nobody seems to mention it.

By the way, I can't believe there are so few comments (in fact, none) on this website about these articles. Perhaps the "post" button doesn't work... which we are about to find out.

Still a great article, though.