

The Housing Boom And Bust Revised Edition

The Housing Boom and Bust Revised Edition Basic Books

This year, the NBER Macroeconomics Annual celebrates its thirtieth volume. The first two papers examine China's macroeconomic development. "Trends and Cycles in China's Macroeconomy" by Chun Chang, Kaiji Chen, Daniel F. Waggoner, and Tao Zha outlines the key characteristics of growth and business cycles in China. "Demystifying the Chinese Housing Boom" by Hanming Fang, Quanlin Gu, Wei Xiong, and Li-An Zhou constructs a new house price index, showing that Chinese house prices have grown by ten percent per year over the past decade. The third paper, "External and Public Debt Crises" by Cristina Arellano, Andrew Atkeson, and Mark Wright, asks why there appear to be large differences across countries and subnational jurisdictions in the effect of rising public debts on economic outcomes. The fourth, "Networks and the Macroeconomy: An Empirical Exploration" by Daron Acemoglu, Ufuk Akcigit, and William Kerr, explains how the network structure of the US economy propagates the effect of gross output productivity shocks across upstream and downstream sectors. The fifth and sixth papers investigate the usefulness of surveys of household's beliefs for understanding economic phenomena. "Expectations and Investment," by Nicola Gennaioli, Yueran Ma, and Andrei Shleifer, demonstrates that a chief financial officer's expectations of a firm's future earnings growth is related to both the planned and actual future investment of that firm. "Declining Desire to Work and Downward Trends in Unemployment and Participation" by Regis Barnichon and Andrew Figura shows that an increasing number of prime-age Americans who are not in the labor force report no desire to work and that this decline accelerated during the second half of the 1990s.

His assignment was to write about a real-estate frenzy lighting up the Redneck Riviera. So Ryan Dezember settled in and bought a home nearby himself. Then the market crashed, and he became one of the millions of Americans who suddenly owed more on their homes than they were worth. A flood of foreclosures made it impossible to sell. It didn't help that his quaint neighborhood fell into disrepair and drug-induced despair. He had no choice but to become a reluctant and wildly unprofitable landlord to move on. Meanwhile, his reporting showed how the speculative mania that caused the crash opened the U.S. housing market to a much larger breed of investors. In this deeply personal story, Dezember shows how decisions on Wall Street and in Washington played out on his street in a corner of the Sunbelt that was convulsed by the foreclosure crisis. Readers will witness the housing market collapse from Dezember's perch as a newspaper reporter. First he's in the boom-to-bust South where a hot-air balloonist named Bob Shallow becomes one of the world's top selling real-estate agents arranging condo flips, developers flop in spectacular fashion and the law catches up with a beach-town mayor on the take. Later he's in New York, among financiers like Blackstone's Stephen Schwarzman who are building rental empires out of foreclosures, staking claim to the bastion of middle-class wealth: the single-family home. Through it all, Dezember is an underwater homeowner caught up in the mess. A cautionary tale of Wall Street's push to turn homes into assets, *Underwater* is a powerful, incisive story that chronicles the crash and its aftermath from a fresh perspective—the forgotten, middle-class homeowner.

Not employment or inflation as argued during the Great Depression and years of Reaganomics, the mechanism that drives the business cycle is proven to be the housing and property market in this analysis of the instability of financial markets. The consequences of how neoclassical economics ignores the importance of land are presented in a discussion of the dot-com crash. Agricultural, industrial, and commercial property and the housing market are examined to suggest that policymakers must revise their treatment of land in economic decisions to avoid the next economic crash, predicted for 2010.

Are You Missing the Real Estate Boom? author David Lereah, chief economist for the National Association of Realtors, asks. We are experiencing a historic wealth-building opportunity. To ensure that you don't miss out, Lereah provides the tools, information, and analysis you need to become a savvy real estate investor. And he shows how to integrate real estate into your overall investment strategies and financial planning goals. Among the information you'll find in the book: How to become a master at dealing with real estate agents, brokers, and lenders. Which home improvements will result in the greatest long-term gains. How to identify the vacation homes and regions that will increase the most in value. How to finance a first-time home—with or without a big down payment. Why will the real estate boom continue into the next decade? Low interest rates are part of the story. Although mortgage rates have notched up slightly over the last year, they still remain historically very low. Technological advances from online real estate listings to automated underwriting to an explosion of financing options have reduced home ownership costs and simplified the process of buying and selling. Continued high demand from baby-boomers buying larger homes, second homes, and retirement homes, and a new wave of immigrants and "echo" boomers buying first homes, ensure that the boom will continue into the next decade. The long-term fundamentals for housing remain strong into the foreseeable future, claims Lereah. Far from a real estate "bubble," what we are experiencing today is a phenomenon that takes place only once every other generation: a long-term real estate market expansion. Isn't it time you started taking advantage of it today? Are you missing the real estate boom? Can you increase your wealth from it? For most people—including current homeowners—the answer is a resounding yes. But it's not too late to increase your stake in the greatest real estate boom of our generation. Whether you are a first-time buyer or already own your home, *Are You Missing the Real Estate Boom?* will show you how you can dramatically increase your overall wealth. Author David Lereah, chief economist for the National Association of Realtors, shows why the real estate market is poised to climb higher over the next decade—and explains what you can do to profit from it. Lereah calls today's market a "once-in-every-other generation opportunity." Today's boom is not just driven by low interest rates—there are a host of demographic and economic reasons why real estate will continue to outpace other investments, from the growing needs of the baby-boomer generation and the rise of the "echo" boomer generation to the

new ways real estate is marketed and sold. Are you a first-time buyer? A current homeowner considering whether or not to trade up? There has never been a better time to do so, Lereah convincingly claims. In *Are You Missing the Real Estate Boom?*, Lereah explains what to look for when you're buying a home; which improvements add the most value to your current home; what to consider when purchasing rental properties; how to evaluate real estate investment trusts (or REITs); and the pros and cons of second homes. Full of detailed information on how to work with a real estate agent and a mortgage lender, how to analyze local markets and regional fluctuations, and how to best finance your investment, *Are You Missing the Real Estate Boom?* offers readers the seasoned advice they need to invest with confidence and reap outsized rewards.

Corrupt bankers, FBI investigations, IRS raids, offshore bank accounts and more as an insider exposes those responsible for the housing crisis and explains what's in store for the rest of us.

Volume 32 of the NBER Macroeconomics Annual features six theoretical and empirical studies of important issues in contemporary macroeconomics, and a keynote address by former IMF chief economist Olivier Blanchard. In one study, SeHyoun Ahn, Greg Kaplan, Benjamin Moll, Thomas Winberry, and Christian Wolf examine the dynamics of consumption expenditures in non-representative-agent macroeconomic models. In another, John Cochrane asks which macro models most naturally explain the post-financial-crisis macroeconomic environment, which is characterized by the co-existence of low and nonvolatile inflation rates, near-zero short-term interest rates, and an explosion in monetary aggregates. Manuel Adelino, Antoinette Schoar, and Felipe Severino examine the causes of the lending boom that precipitated the recent U.S. financial crisis and Great Recession. Steven Durlauf and Ananth Seshadri investigate whether increases in income inequality cause lower levels of economic mobility and opportunity. Charles Manski explores the formation of expectations, considering the efficacy of directly measuring beliefs through surveys as an alternative to making the assumption of rational expectations. In the final research paper, Efraim Benmelech and Nittai Bergman analyze the sharp declines in debt issuance and the evaporation of market liquidity that coincide with most financial crises. Blanchard's keynote address discusses which distortions are central to understanding short-run macroeconomic fluctuations. Outlining how the current crisis in housing markets has arisen, this sharp analysis considers the causes of house price bubbles and the reason for the collapse in markets worldwide. It explains the ways in which future booms and busts can be mitigated and how the lessons of this latest housing bubble will be – finally - learnt.

The must-read summary of Thomas Sowell's book: "The Housing Boom and Bust". This complete summary of "The Housing Boom and Bust" by Thomas Sowell, a prominent American economist and social theorist, presents his assessment of the economic and political reasons behind the rise and decline of the housing market during the last decade. He argues that government interventions are not effective, and that political parties created financial dangers that led to the sub-prime mortgage crisis and subsequent economic collapse. Added-value of this summary: • Save time • Understand how creative marketing for mortgages led to financial collapse • Expand your knowledge of economics and American politics To learn more, read "The Housing Boom and Bust" and discover the economic and political reasons behind the rise and decline of the housing market in the last decade.

This is a plain-English explanation of how we got into the current economic disaster that developed out of the economics and politics of the housing boom and bust. The "creative" financing of home mortgages and the even more "creative" marketing of financial securities based on American mortgages to countries around the world, are part of the story of how a financial house of cards was built up -- and then suddenly collapsed. The politics behind all this is another story full of strange twists. No punches are pulled when discussing politicians of either party, the financial dangers they created, or the distractions they created later to escape their own responsibility for what happened when the financial house of cards in the financial markets collapsed. What to do, now that we are in the midst of an economic disaster, is yet another story -- one whose ending we do not yet know, but one whose outlines and implications are explored to reveal some surprising and sobering lessons.

In this concise volume, leading economist John B. Taylor offers empirical research to explain what caused the current financial crisis, what prolonged it, and what dramatically worsened it more than a year after it began. The evidence he presents strongly suggests that specific government actions and interventions are largely to blame and that any future government interventions must be based on a clearly stated diagnosis of the problem and a rationale for the interventions.

This paper presents a new version of MAPMOD (Mark II) to study the effectiveness of macroprudential regulations. We extend the original model by explicitly modeling the housing market. We show how household demand for housing, house prices, and bank mortgages are intertwined in what we call a deadly embrace. Without macroprudential policies, this deadly embrace naturally leads to housing boom and bust cycles, which can be very costly for the economy, as shown by the Global Financial Crisis of 2008-09.

Now in paperback-an inside look at Countrywide Home Loans and the mortgage crisis, from a former mortgage lender executive. In July 2004, Adam Michaelson attended a high-level meeting at Countrywide Financial headquarters about a new loan product that would allow borrowers to pay less than their minimum monthly payment. The "finance jocks" believed that the booming housing market would only get bigger, supporting homeowners in a cycle of borrowing against their houses and refinancing later. They were wrong. And when the bottom dropped out, Countrywide suffered the consequences-as did millions of Americans. With an insider's knowledge and thorough reporting on the impact on American families and the ripple effects on the economy, Michaelson examines the marketing of a mirage and the bad business decisions that destroyed a company, confronts the ethical questions that have arisen in the wake of the foreclosure crisis, and offers creative proposals to prevent such a meltdown from ever happening again.

Christopher Knowlton, author of *Cattle Kingdom* and former *Fortune* writer, takes an in-depth look at the spectacular Florida land boom of the 1920s and shows how it led directly to the Great Depression. The 1920s in Florida was a time of incredible excess, immense wealth, and precipitous collapse. The decade there produced the largest human migration in American history, far exceeding the settlement of the West, as millions flocked to the grand hotels and the new cities that rose rapidly from the teeming wetlands. The boom spawned a new subdivision civilization—and the most egregious large-scale assault on the environment in the name of "progress." Nowhere was the glitz and froth of the Roaring Twenties more excessive than in Florida. Here was Vegas before there was a Vegas: gambling was condoned and so was drinking, since prohibition was not enforced. Tycoons, crooks, and celebrities arrived en masse to promote or exploit this new and dazzling American frontier in the sunshine. Yet, the import and deep impact of these historical events have never been explored thoroughly until now. In *Bubble in the Sun* Christopher Knowlton examines the grand artistic and entrepreneurial visions behind Coral Gables, Boca Raton, Miami Beach, and other storied sites, as well as the darker side of the frenzy. For while giant fortunes were being made and lost and the nightlife raged more raucously than anywhere else, the pure beauty of the Everglades suffered wanton ruination and the workers, mostly black, who built and maintained the boom, endured grievous abuses. Knowlton breathes dynamic life into the forces that made and wrecked Florida during the

decade: the real estate moguls Carl Fisher, George Merrick, and Addison Mizner, and the once-in-a-century hurricane whose aftermath triggered the stock market crash. This essential account is a revelatory—and riveting—history of an era that still affects our country today. While the recent economic crisis was a painful period for many Americans, the panic surrounding the downturn was fueled by an incomplete understanding of economic history. Economic hysteria made for riveting journalism and effective political theater, but the politicians and members of the media who declared that America was in the midst of the greatest financial calamity since the Great Depression were as wrong and misguided as the expansionists of the Roosevelt era. In reality the cyclical nature of market economies is as old as the markets themselves. In a free market system, financial downturns inevitably accompany economic prosperity—but the overall trend is upward progress in living standards and national wealth. While it is helpful to understand what caused the recent crisis, the more important questions to consider are 'What makes the 'boom and bust' cycle so predictable?' and 'What are the ethical responsibilities of the citizens of a free market economy?' In *Boom and Bust: Financial Cycles and Human Prosperity*, Alex J. Pollock argues that while economic downturns can be frightening and difficult, people living in free market economies enjoy greater health, better access to basic necessities, better education, work less arduous jobs, and have more choices and wider horizons than people at any other point in history. This wonderful reality would not exist in the absence of financial cycles. This book explains why.

During the Great Recession, the housing bubble took much of the blame for bringing the American economy to its knees, but commercial real estate also experienced its own boom-and-bust in the same time period. In Chicago, for example, law firms and corporate headquarters abandoned their historic downtown office buildings for the millions of brand-new square feet that were built elsewhere in the central business district. What causes construction booms like this, and why do they so often leave a glut of vacant space and economic distress in their wake? In *From Boom to Bubble*, Rachel Weber debunks the idea that booms occur only when cities are growing and innovating. Instead, she argues, even in cities experiencing employment and population decline, developers rush to erect new office towers and apartment buildings when they have financial incentives to do so. Focusing on the main causes of overbuilding during the early 2000s, Weber documents the case of Chicago's "Millennial Boom," showing that the Loop's expansion was a response to global and local pressures to produce new assets. An influx of cheap cash, made available through the use of complex financial instruments, helped transform what started as a boom grounded in modest occupant demand into a speculative bubble, where pricing and supply had only tenuous connections to the market. Innovative and compelling, *From Boom to Bubble* is an unprecedented historical, sociological, and geographic look at how property markets change and fail—and how that affects cities.

"Forget everything you think you know about the direction of the American economy, about our growing need for foreign oil, about the rise of the service economy and the decline of American manufacturing. The story of the next thirty years will not be a repeat of the last thirty." One of the most respected voices on Wall Street, Meredith Whitney shot to global prominence in 2007 when her warnings of a looming crisis in the financial sector proved all too prescient. Now, in her first book, she expands upon her biggest call since the financial crisis.

Why do stock and housing markets sometimes experience amazing booms followed by massive busts and why is this happening more and more frequently? In order to answer these questions, William Quinn and John D. Turner take us on a riveting ride through the history of financial bubbles, visiting, among other places, Paris and London in 1720, Latin America in the 1820s, Melbourne in the 1880s, New York in the 1920s, Tokyo in the 1980s, Silicon Valley in the 1990s and Shanghai in the 2000s. As they do so, they help us understand why bubbles happen, and why some have catastrophic economic, social and political consequences whilst others have actually benefited society. They reveal that bubbles start when investors and speculators react to new technology or political initiatives, showing that our ability to predict future bubbles will ultimately come down to being able to predict these sparks.

Scary headlines and scarier statistics tell the story of a financial crisis on a scale not seen in decades—certainly not within the lifetime of most Americans. Moreover, this is a worldwide financial crisis. Financial institutions on both sides of the Atlantic have either collapsed or have been saved from collapse by government bailouts, as a result of buying securities based on American housing values that eroded or evaporated. Now completely revised in paperback, *The Housing Boom and Bust* is designed to unravel the tangled threads of that story. It also attempts to determine whether what is being done to deal with the problem is more likely to make things better or worse.

We are experiencing a historic wealth-building opportunity, says David Lereah, chief economist for the National Association of Realtors. As Lereah has predicted, the double-digit appreciation boom—far from a real estate "bubble"—is winding down to a healthy real estate expansion that will keep the long-term fundamentals for housing strong into the foreseeable future. To ensure that you don't miss out, Lereah provides the tools, information, and analysis you need to become a savvy real estate investor. Exploring the forceful renewal of the boom-and-bust cycle after several decades of economic stability, this book is a research-based review of the factors that caused the 2008 recession. It offers cutting-edge diagnoses of the recession and prescriptions on how to boost the economy from leading economists. The book concentrates on the Federal Reserve and its leading role in creating the economic boom and recession of the 2000s. Aimed at professional economists and readers well versed in the basic workings of the economy, it includes innovative proposals on how to avoid future boom-and-bust cycles.

Explains how we got into the current economic disaster that developed out of the economics and politics of the housing boom and bust. The "creative" financing of home mortgages and "creative" marketing of financial securities based on these mortgages to countries around the world, are part of the story of how a financial house of cards was built up—and then collapsed.

The central role of the housing market in the recent recession raised a series of questions about similar episodes throughout economic history. Were the underlying causes of housing and mortgage crises the same in earlier episodes? Has the onset and spread of crises changed over time? How have previous policy interventions either damaged or improved long-run market performance and stability? This volume begins to answer these questions, providing a much-needed context for understanding recent events by examining how historical housing and mortgage markets worked—and how they sometimes failed. Renowned economic historians Eugene N. White, Kenneth Snowden, and Price Fishback survey the foundational research on housing crises, comparing that of the 1930s to that of the early 2000s in order to authoritatively identify what contributed to each crisis. Later chapters explore notable historical experiences with mortgage securitization and the role that federal policy played in the surge in home ownership between 1940 and 1960. By providing a broad historical overview of housing and mortgage markets, the volume offers valuable new insights to inform future policy debates.

The bestselling author of *No Logo* shows how the global "free market" has exploited crises and shock for three decades, from Chile to Iraq. In her groundbreaking reporting, Naomi Klein introduced the term "disaster capitalism." Whether covering Baghdad after the U.S. occupation, Sri Lanka in the wake of the tsunami, or New Orleans post-Katrina, she witnessed something

remarkably similar. People still reeling from catastrophe were being hit again, this time with economic "shock treatment," losing their land and homes to rapid-fire corporate makeovers. The Shock Doctrine retells the story of the most dominant ideology of our time, Milton Friedman's free market economic revolution. In contrast to the popular myth of this movement's peaceful global victory, Klein shows how it has exploited moments of shock and extreme violence in order to implement its economic policies in so many parts of the world from Latin America and Eastern Europe to South Africa, Russia, and Iraq. At the core of disaster capitalism is the use of cataclysmic events to advance radical privatization combined with the privatization of the disaster response itself. Klein argues that by capitalizing on crises, created by nature or war, the disaster capitalism complex now exists as a booming new economy, and is the violent culmination of a radical economic project that has been incubating for fifty years. Scary headlines and scarier statistics tell the story of a financial crisis on a scale not seen in decades - certainly not within the lifetime of most Americans. Moreover, this is a worldwide financial crisis. Financial institutions on both sides of the Atlantic have either collapsed or have been saved from collapse by government bailouts, as a result of buying securities based on American housing values that eroded or evaporated. Now completely revised in paperback, *The Housing Boom and Bust* is designed to unravel the tangled threads of that story. It also attempts to determine whether what is being done to deal with the problem is more likely to make things better or worse.

Now in a newly updated second edition, this guide covers all the ins and outs of buying, renovating, and reselling distressed properties at big profits. Berges shows investors how to excel at every aspect of flipping, from finding great deals to analyzing property values, negotiating sales, and closing deals.

"Essential reading." —New York Review of Books In the spirit of *Evicted*, *Bait and Switch*, and *The Big Short*, a shocking, heart-wrenching investigation into America's housing crisis and the modern-day robber barons who are making a fortune off the backs of the disenfranchised working and middle class—among them, Donald Trump and his inner circle. Two years before the housing market collapsed in 2008, Donald Trump looked forward to a crash: "I sort of hope that happens because then people like me would go in and buy," he said. But our future president wasn't alone. While millions of Americans suffered financial loss, tycoons pounced to heartlessly seize thousands of homes—their profiteering made even easier because, as prize-winning investigative reporter Aaron Glantz reveals in *Homewreckers*, they often used taxpayer money—and the Obama administration's promise to cover their losses. In *Homewreckers*, Glantz recounts the transformation of straightforward lending into a morass of slivered and combined mortgage "products" that could be bought and sold, accompanied by a shift in priorities and a loosening of regulations and laws that made it good business to lend money to those who wouldn't be able to repay. Among the men who laughed their way to the bank: Trump cabinet members Steve Mnuchin and Wilbur Ross, Trump pal and confidant Tom Barrack, and billionaire Republican cash cow Steve Schwarzman. *Homewreckers* also brilliantly weaves together the stories of those most ravaged by the housing crisis. The result is an eye-opening expose of the greed that decimated millions and enriched a gluttonous few. The definitive account of the housing bubble that caused the Great Recession—and earned Wall Street fantastic profits. The American housing bubble of the 2000s caused the worst global financial crisis since the Great Depression. In this definitive account, Adam Levitin and Susan Wachter pinpoint its source: the shift in mortgage financing from securitization by Fannie Mae and Freddie Mac to "private-label securitization" by Wall Street banks. This change set off a race to the bottom in mortgage underwriting standards, as banks competed in laxity to gain market share. The Great American Housing Bubble tells the story of the transformation of mortgage lending from a dysfunctional, local affair, featuring short-term, interest-only "bullet" loans, to a robust, national market based around the thirty-year fixed-rate mortgage, a uniquely American innovation that served as the foundation for the middle class. Levitin and Wachter show how Fannie and Freddie's market power kept risk in check until 2003, when mortgage financing shifted sharply to private-label securitization, as lenders looked for a way to sustain lending volume following an unprecedented refinancing wave. Private-label securitization brought a return of bullet loans, which had lower initial payments—enabling borrowers to borrow more—but much greater back-loaded risks. These loans produced a vast oversupply of underpriced mortgage finance that drove up home prices unsustainably. When the bubble burst, it set off a destructive downward spiral of home prices and foreclosures. Levitin and Wachter propose a rebuild of the housing finance system that ensures the widespread availability of the thirty-year fixed-rate mortgage, while preventing underwriting competition and shifting risk away from the public to private investors.

Shut Out provides a much-needed correction to the causes and consequences of financial crises and secular stagnation. From the author of "The Coming Crash in the Housing Market" comes his newest warning on investing in real estate. We build a model of the U.S. economy with multiple aggregate shocks (income, housing finance conditions, and beliefs about future housing demand) that generate fluctuations in equilibrium house prices. Through a series of counterfactual experiments, we study the housing boom and bust around the Great Recession and obtain three main results. First, we find that the main driver of movements in house prices and rents was a shift in beliefs. Shifts in credit conditions do not move house prices but are important for the dynamics of home ownership, leverage, and foreclosures. The role of housing rental markets and long-term mortgages in alleviating credit constraints is central to these findings. Second, our model suggests that the boom-bust in house prices explains half of the corresponding swings in non-durable expenditures and that the transmission mechanism is a wealth effect through household balance sheets. Third, we find that a large-scale debt forgiveness program would have done little to temper the collapse of house prices and expenditures, but would have dramatically reduced foreclosures and induced a small, but persistent, increase in consumption during the recovery.

Over the past decade, a new mortgage market—offering loans at low interest rates and for little or no money down—has given low-income people an opportunity to pursue the American dream of homeownership. The resulting wave in home buying promised to stabilize neighborhoods and families, boost the economy, and reduce crime. In many ways, the

optimists were correct, but now, less than fifteen years later, the subprime mortgage market is collapsing, threatening to take the rest of the housing sector along with it. *Subprime Mortgages: America's Latest Boom and Bust* analyzes how the subprime market emerged, why it is in crisis, and how we can reform public policy to avert disaster. An attendant examination of the rental market also offers recommendations for shoring up what may be the best housing option for some families.

No area of law and policy is more central to our well-being than housing, yet research on the topic is too often produced in disciplinary or methodological silos that fail to connect to policy on the ground. This pathbreaking book, which features leading scholars from a range of academic fields, cuts across disciplines to forge new connections in the discourse. In accessible prose filled with cutting-edge ideas, these scholars address topics ranging from the recent financial crisis to discrimination and gentrification and show how housing law and policy impacts household wealth, financial markets, urban landscapes, and local communities. Together, they harness evidence and theory to capture the 'state of play' in housing, generating insights that will be relevant to academics and policymakers alike. This title is also available as Open Access.

Payne's book will help students recognize the telltale signs of bubbles and busts, so that they may become savvier consumers and investors. Conventional wisdom held that housing prices couldn't fall. But the spectacular boom and bust of the housing market during the first decade of the twenty-first century and millions of foreclosed homeowners have made it clear that housing is no different from any other asset in its ability to climb and crash. *Housing and the Financial Crisis* looks at what happened to prices and construction both during and after the housing boom in different parts of the American housing market, accounting for why certain areas experienced less volatility than others. It then examines the causes of the boom and bust, including the availability of credit, the perceived risk reduction due to the securitization of mortgages, and the increase in lending from foreign sources. Finally, it examines a range of policies that might address some of the sources of recent instability.

Brazil is at crossroads, emerging slowly from a historic recession that was preceded by a huge economic boom. Reasons for the historic bust following a boom are manifold. Policy mistakes were an important contributory factor, and included the pursuit of countercyclical policies, introduced to deal with the effects of the global financial crisis, beyond the point where they were helpful. More fundamentally, it reflects longstanding structural weaknesses plaguing the economy, that also help explain Brazil's uninspiring growth performance over the past four decades.

[Copyright: 829a21e6ff6a4c7fdd218e6293f04593](https://doi.org/10.1017/9781107304593)