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The Fall of the House of Credit: What Went Wrong in Banking and What Can Be Done to Repair the Damage?

Alistair Milne

Summary

How was it possible for problems in one relatively small sector in the global financial system - the American subprime mortgage market - to lead to the most serious economic crisis in living memory? In this book, Alistair Milne untangles the complex world of modern banking and examines solutions to the crisis. He shows how the banks misused their ability to securitize loans and, by borrowing short and lending long, exposed themselves to exceptional risks when asset prices started to fall. But it has been above all a collapse in trust and confidence, rather than poor lending decisions, which has fuelled the crisis. Despite all the talk of 'toxic' assets, the book argues that most assets are sound and can be repaid. The imperative is to restore confidence through collective action involving asset purchases, guarantees and recapitalization. Failure to do so will mean that taxpayers will be carrying a crippling tax burden for generations to come.

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