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Handwritten Notes by Bergsten,Cline, Goldstein, Hufbauer, Johnson, Weisman, Williamson Re: Institutue for International Economics Interview

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- NEED TO WPO OPEN INT IN CDS, E.G. ON A7
W/ IBM YOU CAN SEE OPEN INT.
- THIS ANOTHER REASON FOR REPT'S OF
TRADE VALUES.

- ASK INPUT FIRM

- SVCE PROVIDERS AGGREGATE QUOTES -
MKT PRICE COMMUNICN S VIA
EMAIL. FLOW OF INDICATIVE QUOTES.

- MARK-IT
- CMR
- BLOOMBERG

- MARK-IT REFERENCE CASH FLOW Q/L.

→ WHO WAS ON BOTH SIDES OF TRADES - VY CHALLENGE.

→ LOOK AT REPLCMT VALUE NOT NOTIONAL -
BUT THAT DSN'T INCLUDE P.F.E.
PFE IS CP RISK.

2010-03-16

11E

BERGSTEN, GOLDSTEIN, WILLIAMSON,
WEISMAN

WE / ① DEFINE THE CRISIS - DOES IT INCLUDE VICTIMS?
ARE ^{smaller} SMALLER MKTS VICTIMS?

② SHOCK VS PROPAGATION

③ WHAT DID WE NOT SEE IN 2005-2006?
KNOWN: LOW RATES, CAPITAL ^{flows} FLOWS, ASST BOOB

FBS / TRANSMISSION OF CAPTL FLOWS INTO LOWER MARKETS
SIX NOT NECESS KNOWN.
NECESSARILY

SIMON

→ THIRTEEN BANKERS ROLE OF DEREGULATION

WC

CURRENTLY WRITING BOOK. FINCL GLOBOTAN

- ① THY ALL DID IT *Financial Globalization*
- ② BKG PANIC

WHY? - UNDERLYG ASSUMPTION THY HSG PRICES CO BE FLAT FOR 10 YRS ACCOMPMD BY INFLATION.

- FINCL SYSTEM DEPND ON PRICES NEVER FALLING.

- LACK OF TRSPIRY IN MBS - ONLY WHEN ASX SHOWED DECLINE WAS THERE TRSPIRY.

William Cline

- *symptomatic* SYMI TO SUPP *J Taylor* J TAYLOR.

- CURRT ACCT WAS FINCL $\alpha \frac{1}{3}$ AND NOT THE MAIN FACTOR.

- YOU NEED TO LOOK AT NET FLOWS.

MG

DEFINING CRISIS

- ① CURRENCY - NO. ALTHO IT WS FOR SE EMR.
- ② DEBT - BASED ON CRA *Sovereign* SOURCEN RATIOS NO.
- ③ BRG₂ - FISCAL COST OF RESCUING INSTNS.

TOTAL WILL BE MUCH LOWER ON FIS.

[HIGH IF YOU INCLUDE WRITEDNS] *Financial Institutions*

- ④ ECONC - *substantial* SUSTL MVMT IN GDP.

- W/W SPREAD. UNEMPYT.

- CAUSES - PRKE ON SUP, HSG GOALS, ETC.

- REMEDIES - EXPTY TO BRG BK OLD IDEAS.

E.G. PROP TRADING - NOT A CAUSE.

need
You NO TO
ASK WHY DID
REAL GDP
FALL SO FAR.

Paul Volcker

— 3/30 PVOLCKER AT IIE.

MIKE

/ — WHY DID UNEMP GO UP SO FAST BASED ON USUAL RELSHIP W/ GDP ETC.

JW / — GMN UNEMP RATES UP LESS THAN EXPECTED.

MIKE

/ — US GDP WAS SMALLEST IN G-7, BUT RELLY LGE INCREASE IN UNEMP.

— SERIES OF EVENTS. NOT IGNORE WHAT HAPPD IN THE ROW.

— 2003-2007 BUILD-UP. GLOBAL BUS CYCLE BOOM. EARLY 2007 — HAD STOPPED TGTNG MID-2008; RSDPL STOPPED GROWG LATE 2005.

— SUMMER 2007 — M ^{Turbulence} TURBULCE. ^{Federal Reserve} FR EASES.

— AUG 2007 — BSC. CALMING — VIX SPREAD CALMED DOWN AGAIN.

— NBER RATES PEAK END-2007.

^{NBER}

WORLD ECONOMY BOOM CONTD THRU 1Q08.

^{very}

V4 INFLATION IN 2008. ECB LAST TGTNG MORE IN MID-2008.

— LEM. VIX, TED SPREAD SHOOT UP.

— GLOBAL ECONOMY TURNED NEG SUMMER 08.

DIVES IN ^{H208} 2H08 — INC CHINA.

— ^{2 quarter} LOST 2 Q LARGER DECLINE GRO SEE WILL.

— WASN'T TBTF — THE FINCL SYSTEM WAS TBTF.

WE L10F7 EVERYONE.

— RECOVERY SEE MID-2009. INTSE FINCL DISRUPTION HAS EASED.

— IT'S NOT ALL THE FINCL SECTOR.

FOLLOWG INFLATION OF 2008, A SLOWDOWN WAS INEVITABLE.

- ARS - PART OF PHENOMENON - MAKING \$ BY CREATE LIQUIDTY. LIABILITIES TAKE MORE M LIQUID THAN TAKE UNDERLYG ASSETS.
- DEPEND ON BUYERS. LIQDITY DRIES UP IMMEDIATELY.

- ABCOMMCL INSTRMNTS: SAME PRINCIPLE.
MASSIVE CREATION OF PSEUDO-LIQUIDTY.

- ESSENCE OF BEG IS CREATE WITH BY CREATE LIQUIDTY. ONE ^{has} US TO ^{be} RE CAREFUL HOW YOU LET FIS ENGAGE IN THAT ACTIVITY.



S. WEISMAN / YOU HAVE 2 ROLES:

- ① NARRATIVE
- ② INVESTIGATE - "HAD WE KNOWN, OUTCOME MIGHT HAVE BN DIFFT."

- WC /
- ① CRAB JUST INSISTS KW IT WAS A SCAM.
 - ② AIG EXPOSURES - EVEN TFG DON'T KNOW.

→ JW / DID THEY REALLY?

GARY HUFBAUER / COMPLETE & UTTER REG CAPTURE - WAY M THAN ICC.

- ① - BASEL WAS SO CAPTURED BY BKS. TARULLO BOOK.

- IRS ^{conf} CT DL W/ BIG INTL FIRMS. ^{Singapore} - REGULTRS AVG PMD - COMP SINGAPORE.

- ② ONLY 100 INSTNS COUNT. FED SHD HAVE O/S ON ALL. FED SHDNT ^{should} MVE MISSED HUGE PILE OF SECURITIES.

- ALSO HFB > MMFS

- LEGSLTN WILL COVER THAT.

Greenberg

- AIG - HANK GREENBERG

- They know what they are doing.

③ GOVT C'T STD MASSIVE ASSET & LOSS.

- NEXT CRISIS W'T BE HSG.

MMFS

- SUPPOSE FID / VANG / TRUWE W/ BKRUPT:

TBTF

LK AT POPULTR THEY SERVE.

WE /

- BB WAS LEG AT SUBP & BUBBLE.

WHY WAS HE WRG?

① M BAD STUFF

② DONT USD WHERE IT WAS.

64 / THOUGHT IT WOULD BE LIKE PRVS BUBBLES -
INFLTR W'D TAKE CARE OF IT.

JW / LEVERAGE - SPREAD SHOCK.

WC / GORTON - CONCERN ABT CFARTIES, AFTER LEH.

MG / WHO WILL BE PROTECTED AFTER LEH.

WC / WESSEL - WHY BSC ≠ NOT LEH.

- ARGENTINA FACTOR. NOTHING HAPPENS

WHEN A FAILS.

MIKE /

CASE - SALLR ^{shiller} ^{had} NO MAKE CASE FOR BUBBLE.

- STUPIDITY.

- EXTENT OF RISK UNDERESTIMATED BY GOVT & PROFESSOR.

1981, 1995, 1991 - BKS W'D HVE

BN INSOLUT UNDR MTM.

CAPTL WAS TOO LITTLE THEN.

WE /

IF WE HAD RLY RUN A 20% HSG & DRDP,
WE W'D HAVE CAN OUT GSES, LEH ...

MG / ECONC PRDS - SECURITON WILL REDUCE RISK.

→ RAGHU RAGHU SPEECH AT JACKSON HOLE -
^{Raghu Ragan} ^{Kohn} SAID DT WIKM ^{Jackson Hole}

A G HYPE, RISK UNDT BN SPREAD.

GH /

GONE FALSE SENSE THAT LEVERAGE CD
60 TO 40-1.

→ ^{Australian Canadian} **AUST** & CAN. BKS DID NOT GO ALG

TSPANDAN / AG SAID **SAKD** BKS ^{don't} DT FOLLOW SELF-^{interest} WORST.
GMUF / RISK MGR SHD HAVE **STATUS** / POWER / TENURE.
- RISK MGR SHD LIVE TO SIGN OFF

MORRIS / ^{bring} AG BLF IN SELF-REGULADN.
LIFE CEO UNDER S-OX.

MIKE / - COLL DANCE FROM FAILURE.
- YOU W/ OWNER TO HOLD THE RISK.
- **PLE** ASSUMED THY **CO UNLOAD** RISK.
could unload

2010-03-17

RESCH TEAM MTG

- EMPTY SUBORDINATION?

KIM / - WORST WAS SIGNATURES - THY HAD A MASSIVE BIAS TO PICK THE WORST STUFF

WE / - HYPOTHESES?

GF / - PLE WSTD NATIONWIDE PRICE DECLINE

① WOULD BLOW THEM OUT. THY ASSUMED IT WDN'T HAPP.

→ COMPENDIUM OF QUOTES.

WE / - ② RM WAS INSUFFCT. SCENARIO ANALYSIS. THY HAD THE ANALYSIS BUT DONT ELEVATE IT. OR, DONT WSTD FULL IMPACT.

READING LISTS → MORRIS - SHADOW BKG

PAGE 1 = XS-G, TOTAL 100 PP

PAGE 2 = WORKS GROUP SVU

→ SEND SH BKG SVU TO KIM

→ CONCL: DON'T FORGET ACCTG