INTERCONNECTEDNESS, STABILITY, AND THE RESPONSE TO THE CRISIS

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Lehman collapse sends shockwave round world

The Biggest Bailout in U.S. History

Today, taxpayers have paid nearly $200 billion for the bailout of Fannie Mae & Freddie Mac – the biggest bailout in history.

The PATH Act ends the taxpayer-funded bailout of Fannie Mae & Freddie Mac, phasing them out within five years.

Learn more at financialservices.house.gov/blog | Join the conversation on Twitter with #PATHAct
Models

Sources: Albert et al. (2000), University of Bologna
Real Network: Brazil

Source: Cont et al. (2012)
Contagion (1)
Contagion (2)
Clearing models

Sources: FSB (2018), Fiedor et al. (2017)
Clearing and liquidity
CONCLUSIONS

Interconnectedness
  Loss of connectedness is destabilizing
  Topology impact of Type 1 contagion
  is substantial, but wrong question
  Not just a developed-world issue
Post-crisis reforms
  May have increased aridity risk
  Repo market lessons to be digested