mell innovation in financial products and excessive bank leverage into lethal phenomena. The pithiest explanation I've seen comes from

columnist and Nobel Laureate Paul Krugman, who noted in one interview: "Regulation didn't keep up with the system." In this view, the emergence of an unsupervised market in more and more exotic derivatives—credit-default swaps (CDSs), collateralized debt obligations (CDOs), CDSs CDOs (the esoteric instruments that wrecked AIG)—allowed heedless financial institutions to put the w hole financial system at risk. "Financial innovation + inadequate regulation = recipe for disaster is also the favored explanation of Greenspan's successor, Ben Bernanke, who downplays low interest rates as a cause (perhaps because he supported them at the time) and attributes the crisis to regulatory failure.

A bit farther down on the list are various contributing factors, which didn't fundamentally cause the crisis but either enabled it or made it worse than it otherwise might have been. These include: global savings imbalances, which put upward pressure on U.S. asset prices and downward pressure on interest rates during the bubble years; conflicts of interest and massive misjudgments on the part of credit rating agencies Moody's and Standard and Poor's about the risks of mortgagenature somehow changed in the final decades of the 20th century to make people greedier or more foolish than they were previously. This isn't impossible, but it's hard to support. A subtler psychological argument is that the

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