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CATO: Sub-Prime, Rates, Leverage Did NOT Cause Crisis

Posted By Barry Ritholtz On October 9, 2009 @ 1:41 pm In Bailouts, Psychology/Sentiment, Really, really bad calls, Regulation | 49 Comments

You gotta love the hard core ideologues: Its almost *cute* they way they stick to their theories, facts be damned. Cute, except for the amount of damage they caused.

(*Hmmm, this Kool aid is delicious!*)

Case in point: The latest work of fantasy from the CATO Institute. They are now insisting that a stricter fed policy wouldn't have helped, nor regulation, nor less leverage:

> "Many commentators have argued that if the Federal Reserve had followed a stricter monetary policy earlier this decade when the housing bubble was forming, and if Congress had not deregulated banking but had imposed tighter financial standards, the housing boom and bust—and the subsequent financial crisis and recession—would have been averted. In this paper, we investigate those claims and dispute them . . ."

Their name may be CATO — but that's only because OUR UNIVERSE IS NOTHING BUT COGNITIVE DISSONANCE UNFETTERED BY REALITY wont fit on their letterhead!

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Hat tip Paul [1]!

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Source:
Would a Stricter Fed Policy and Financial Regulation Have Averted the Financial Crisis? [2]
by Jagadeesh Gokhale and Peter Van Doren
CATO, October 8, 2009
http://www.cato.org/pubs/pas/pa648.pdf

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URLs in this post:

[1] Paul: **http://paul.kedrosky.com/**
[2] Would a Stricter Fed Policy and Financial Regulation Have Averted the Financial Crisis?: **http://www.cato.org/pubs/pas/pa648.pdf**