Occasional Paper
No. 82

The 2008 Financial Crisis
and Its Aftermath:
Addressing the Next Debt Challenge

Thomas A. Russo and Aaron J. Katzel

Published by
Group of Thirty©
Washington, DC
2011
Contents

Abstract 7
Acknowledgments 9
Abbreviations 10
I. Origins 11
II. Causes 20
   A. Overleveraged Individuals 20
   B. Overeager Lenders and Financial Institutions Searching for Yield 21
   C. Complicit Governments: Central Banks, Regulators, and Legislatures 22
   D. The Role of the Rating Agencies 25
   E. Nonfinancial Businesses Also Indulged in Debt 26
III. The Response 28
IV. So Where Are We Today? 35
V. The Future: What Can Be Done? 40
   A. Europe 41
   B. United States 47
   C. Emerging Markets 53
      China 53
      India 57
      Brazil 59
      Russia 61
VI. U.S. Outlook 64
   A. Solutions, or, How Do You Deal with Debt? 71
   B. Does the Obama Commission on Fiscal Responsibility
      and Reform Point the Way to a Solution? 79
   C. Concluding Comments 88
Notes 89
Exhibits 105
References 125
Additional Sources 133
Group of Thirty Members 2011 135
Group of Thirty Publications since 1990 139