

**CAUSES AND CONSEQUENCES OF FINANCIAL
CRISES IN 2007-2009**

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ABSTRACT

This article provides an asymmetric information framework to understand the nature of financial crisis. It provides the following precise definition of a financial crisis: the best investment opportunities. As a result, a financial crisis could move the economy away from equilibrium with high output, where financial markets perform well to an equilibrium in which output falls sharply.

KEYWORDS: *Financial Crisis, Housing Industry, Collateralized Debt Obligation, International Monetary Fund, MBS, Federal Reserve.*

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