

The Dawn of a New World Order

The rollercoaster ride taken by the global stock markets in recent weeks is enough to scare the pants off even the most **seasoned** investor. Governments stepped in and provided banks with huge bailout packages in the hopes of preventing an economic meltdown last experienced during what history now calls the Great Depression.

More government regulation of the securities markets is needed, we are now told. We've come to find out that the stocks and bonds the average investor may purchase are heavily regulated, but different rules apply for exotic securities and the "shadow economy" dominated by big money players.

Derivatives, credit-default swaps, **securitized** bonds ... we were led to believe that sophisticated investors understood the risks of fancy securities that the rest of us were not allowed to buy. Ends up, they didn't know what they were getting into either.

A **mortgage** sold to a guy in Des Moines, Iowa – who, in retrospect, probably didn't have the credit, let alone the **collateral** needed to get a housing loan – was bundled with mortgages granted to other low-credit home buyers and sold as a bond. The local bank got immediate cash and got the loan off its books. Suddenly an investor in Norway owns a piece of a house in Iowa.

All of this went **swimmingly** until the guy in Des Moines stopped making mortgage payments.

We can all agree that putting our money under a mattress is not the best idea – but perhaps the lesson of October 2008 is just how **intertwined** we all have become.

One thing is clear: we're all in this together and will have to find a solution together, too.

Glossary

collateral	säkerhet
derivatives	derivater
intertwined	sammanflätade
mortgage	inteckning
seasoned	erfaren, luttrad
securitize	omvandla till värdepapper
swimmingly	som smort