

# Discussion of “Household Leverage and the Recession of 2007-2009” by Atif Mian and Amir Sufi

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10th Jacques Polak Annual Research Conference  
International Monetary Fund  
November 5, 2009

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<sup>1</sup> Any opinions expressed here do not necessarily reflect the views of the management of the Federal Reserve Bank of San Francisco or of the Board of Governors of the Federal Reserve System

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- This paper: U.S. counties with the largest increases in household leverage from 2002 to 2006 experienced the most severe recessions in subsequent years.

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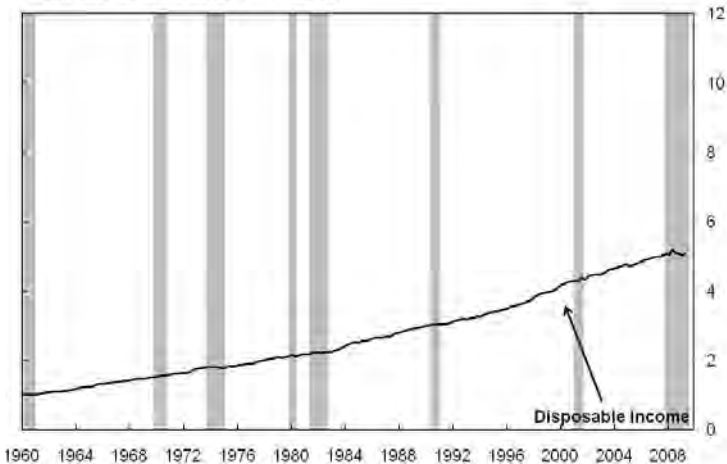
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⇒ Recession severity in a given area reflects the degree to which prior growth in that area was driven by an unsustainable borrowing trend.

# An unsustainable borrowing trend: U.S. aggregate data

## Real Household Income, Debt, and Assets

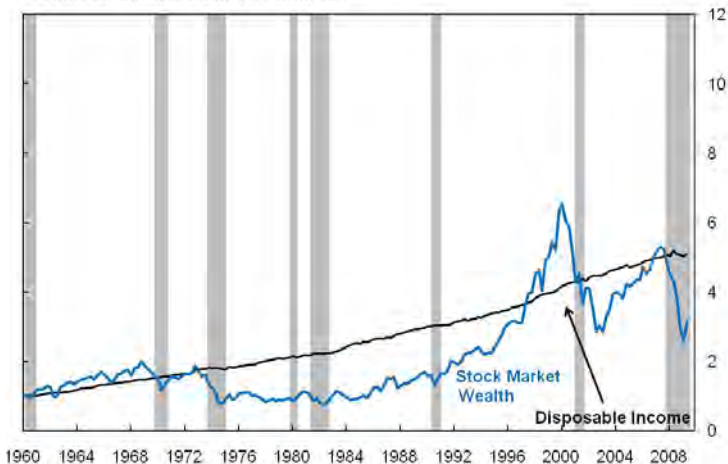
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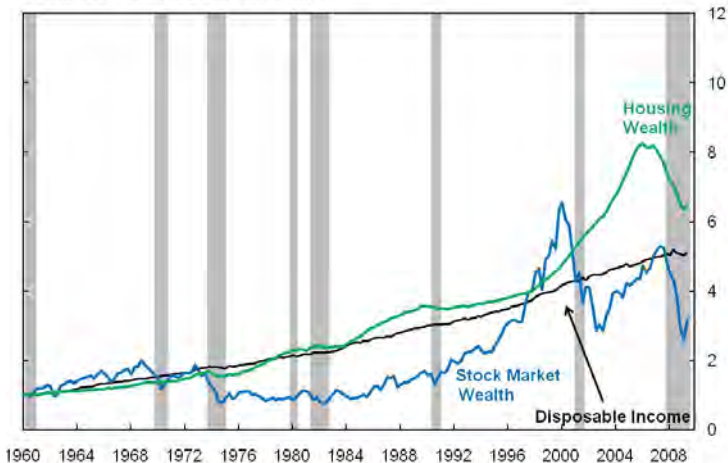
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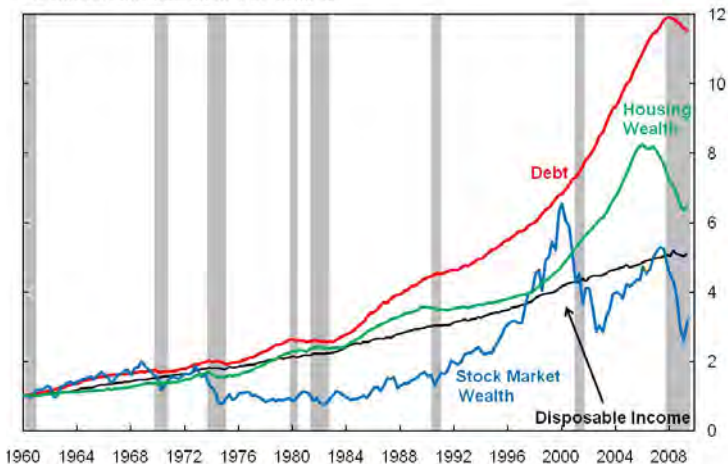
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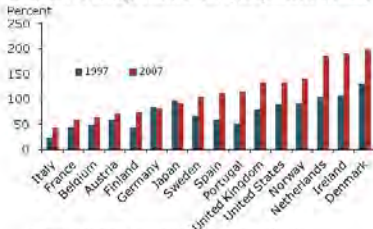




# Household leverage and house prices: Country-level data

From Glick and Lansing, FRBSF Economic Letter, forthcoming.

Household Leverage Ratios: Debt/Disposable Income\*

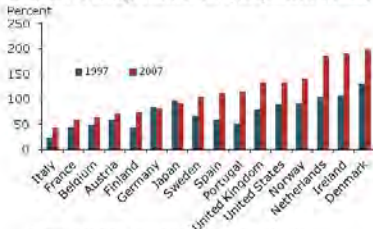


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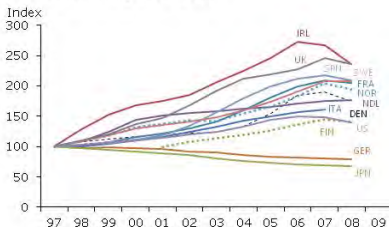
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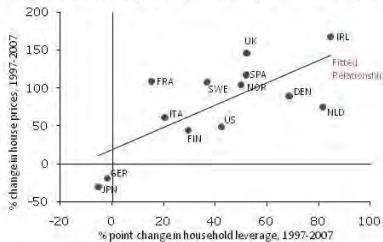


\* All series indexed to 100 at 1997 except Finland indexed to 100 at 2001

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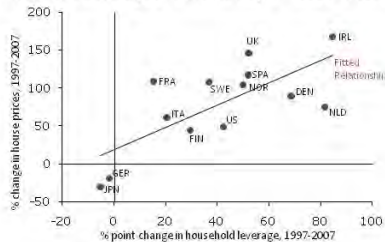
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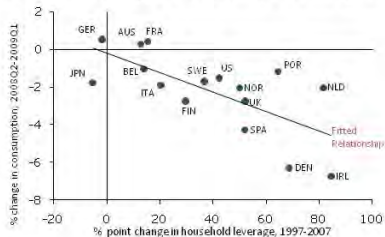
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Fed Governor Frederic Mishkin, May 15, 2008.



# A new strategy for dealing with bubbles?

Q&A after speech "Stabilizing the Financial Markets and the Economy," 10/15/2008

Question: "Mr.Chairman, what are the lessons of the last few years from the economy and from the financial markets for the conduct of monetary policy."

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