



Haym Salomon @SalomonCrypto

Aug 11 · 19 tweets · [SalomonCrypto/status/1557565471020294144](https://twitter.com/SalomonCrypto/status/1557565471020294144)

Tr

(1/18) The Global Financial Crisis - Chapter 1

From the 1980s to 2008: the context, causes and stakes that created the economic catastrophe that still shapes the planet to this very day

To understand history is to see the future

(2/18) At the turn of the 21st century, American-brand capitalism was at its peak. The USSR had fallen, inflation was domesticated and technology was promising increasingly accelerated returns.

The global economy, priced in USD, flowed through the American financial system.

(3/18) The American economy, always centered on one's home as the primary tool for wealth building, had been liberated by a series of laws and (de) regulations.

This was fueled by complex financial tools allowing increasing amounts of leverage.

(4/18) Over time, bankers aggregated and packaged groups of mortgages into investment vehicles called Mortgaged-Backed Securities (MBS), which they could sell off to investors.

Instead of going to a bank, mortgage payments would be channeled MBS providing yield for shareholders.

(5/18) In good times, MBS increased liquidity and attracted huge amounts of capital into the housing market. Investors threw money at banks to get them into the hottest MBS.

Banks, never ones to turn down money, did everything they could to deploy this capital... everything.

(6/18) Banks and other lenders would extend credit to anyone with a pulse. 0% down, no credit checks just sign on the dotted line. Just get the money out there

What do they banks care? They make money selling a mortgage and again selling the security, all without taking any risk

(7/18) "ThE iMpORTaNt THiNg iS pRInCIPAL GROWth," they said. "Buy a house, capture some equity, hold it over time, build wealth."

These insane lending conditions encouraged tons of people to buy property, increasing buy pressure.

You De-Fi folks seeing it yet? It's a flywheel!

(8/18) The US Home Real Estate Flywheel:

- Investors buy MBS, giving cash to banks
- Banks deploy capital to earn yield (mortgages), improving borrowing conditions
- People buy homes, increasing home price
- Increased home price creates investable equity
- Investors buy MBS

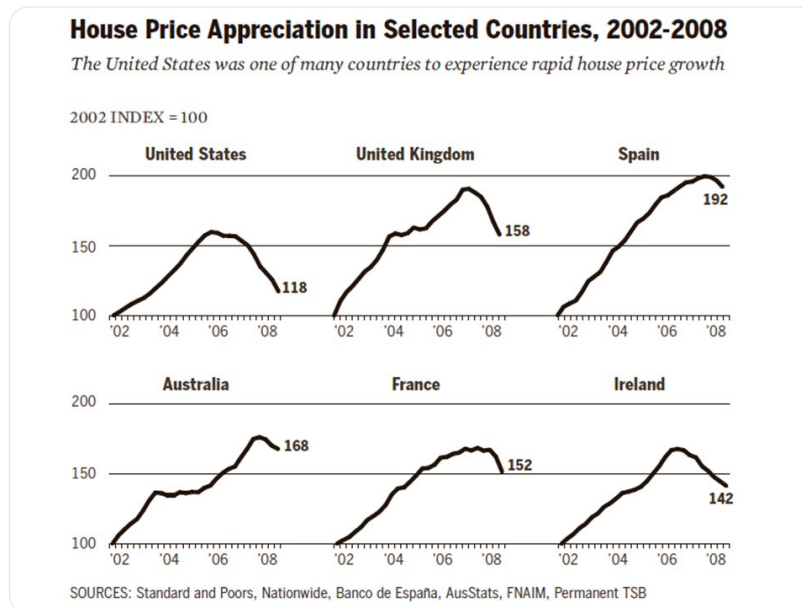
(9/18) Fast forward to 2006, there are so many bad loans out there!!

Some were unaffordable in the first place - they shouldn't have been made.

Others were downright predatory: maybe you got a 30-year 3% APR loan, only to realize that after 3 months it goes to 15% APR.

(10/18) We've all learned it one time or another... flywheels are reflexive; hyper-fast growth means a hyper-fast crash.

By late 2006, the system is beginning to crumble under its own weight. Home price growth has not only slowed down, it's beginning to decline. Dramatically.



(11/18) When promotional APRs expired, people couldn't afford mortgage payments. At the same time, equity was being destroyed as housing prices plummeted.

While millions of real Americans dealt with the wealth destruction and possible eviction, an even bigger crisis was brewing.

(12/18) Over the last few decades, the American mortgage-backed security (packed in Collateralized Debt Obligations, CDOs, and their derivatives) market grew to dominate the global economy.

The mortgage crisis was about to become something far larger.

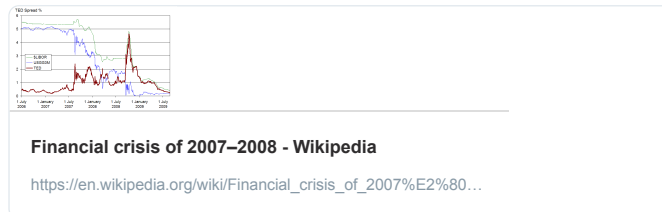
(13/18) By Fall 2008, CDOs were valued at ~\$7 trillion

Another ~\$5 trillion in synthetic MBS

And the insurance/speculation (Credit Default Swap) market? ~\$40 trillion

For reference, the total American credit market was ~\$25 trillion

Source:



(14/18) In 2005, CDOs were seen as the safest, most conservative security on the planet. Millions of mortgages, dynamically packaged to make them like gold. AAA.

Bear Stearns promised! Merrill Lynch promised!

[@MoodyInvSvc](#) PROMISED! [@SPGlobal](#) PROMISED! [@FitchRatings](#) PROMISED!

(15/18) It was these promises that brought everyone in, that grew they bubble so large.

Pensions, mutual funds, hedge funds, corporations, states, cities, countries, continent-wide economic EUnions... everyone.

Though, to be fair, it wasn't just their promises.

(16/18) For AT LEAST 500 years, society has been trending in one direction: the concentration of wealth & power. The coordination of state, wealth & industry

The system seems to repeatedly crescendo like this:

The Global Finance Crisis

World War I & II

The French Revolution



Haym Salomon
@SalomonCrypto · Follow

(1/28) The History of Modern Finance: From 1492 to 2022

In the 16th century, Europe catapulted from the backwater of Eurasia into the forefront of global dominance. The secret? The invention of modern finance.

Read on to learn why the world needs **@ethereum**. ASAP.

3:46 AM · Aug 6, 2022

[Read the full conversation on Twitter](#)

499 likes · Reply · Copy link

[Read 38 replies](#)

(17/18) We'll end this chapter here, in 2008. The house is collapsing, the foundation (junk mortgages) has long rotted

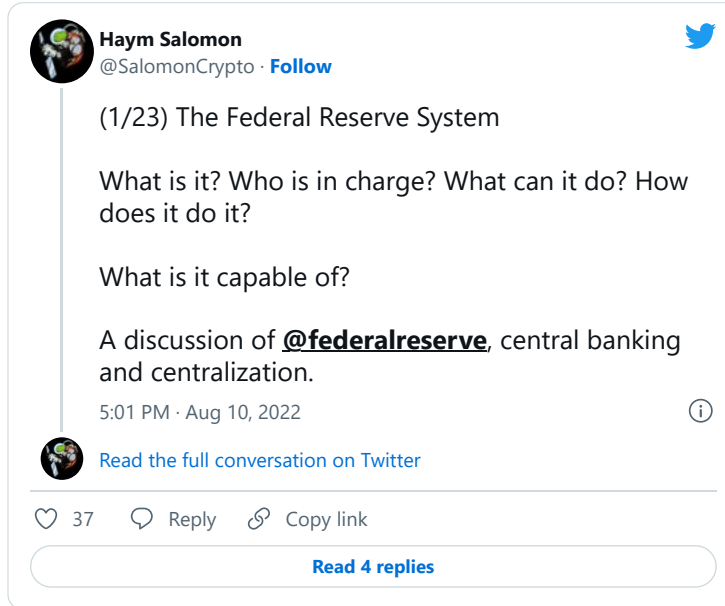
All of Western finance, economics, personal finance, and so much more have built up to this... and it's crumbling around us

And it's taking EVERYTHING with it

(18/18) Tune in next time for our white wizards! Our knights in shining armor!
[@federalreserve](#) and the Central Banks of the world!

To understand history is to see the future. Soon, it will be clear these are the exact reasons
[@ethereum](#) is not only necessary...

It's inevitable!



Haym Salomon
@SalomonCrypto · [Follow](#)

(1/23) The Federal Reserve System

What is it? Who is in charge? What can it do? How does it do it?

What is it capable of?

A discussion of [@federalreserve](#), central banking and centralization.

5:01 PM · Aug 10, 2022

[Read the full conversation on Twitter](#)

37 Reply Copy link

[Read 4 replies](#)

Like what you read? Help me spread the word by retweeting the thread (linked below).

Follow me for more explainers and as much alpha as I can possibly serve.



Haym Salomon
@SalomonCrypto · [Follow](#)

(1/18) The Global Financial Crisis - Chapter 1

From the 1980s to 2008: the context, causes and stakes that created the economic catastrophe that still shapes the planet to this very day

To understand history is to see the future

3:12 AM · Aug 11, 2022

[Read the full conversation on Twitter](#)

60 Reply Copy link

[Read 2 replies](#)

...