

Accepted Manuscript

Title: The Way We Live Now: Financialization and Securitization

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PII: S0275-5319(15)30061-1

DOI: <http://dx.doi.org/doi:10.1016/j.ribaf.2015.11.019>

Reference: RIBAF 473

To appear in: *Research in International Business and Finance*

Received date: 25-7-2015

Revised date: 31-10-2015

Accepted date: 23-11-2015

Please cite this article as: Buchanan, B., The Way We Live Now: Financialization and Securitization, *Research in International Business and Finance* (2016), <http://dx.doi.org/10.1016/j.ribaf.2015.11.019>

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The Way We Live Now: Financialization and Securitization

Abstract

Securitization is a global multi-trillion dollar market that embodies financialization. Prior to the recent financial crisis, securitization fueled an unsustainable increase in mortgage credit. As the recent financial crisis reveals, securitization increased credit market volatility and was heightened by a reliance on debt and incentive schemes that focused on short-term profits. As extensive global reform of the securitization market takes place, there are serious reservations about the sustainability of securitization. In this paper I provide a critical perspective on securitization through a number of lenses. The story of securitization comes down to the globalization of finance and the declining importance of banks. I provide an historical assessment of securitization as well as its rise and fall over the last four decades. I also provide a critical perspective on the role of ethics and risk management in securitization in the context of the recent financial crisis. Finally, as many agencies reconsider the future of securitization, I discuss whether all assets are necessarily suitable candidates for the process.

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