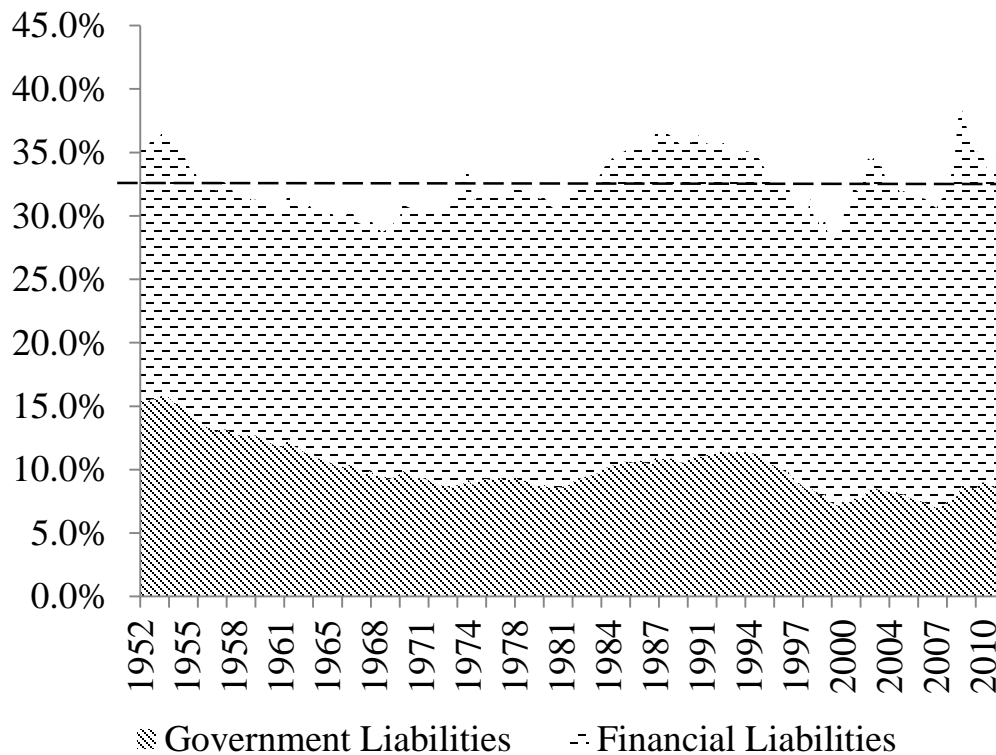


# What Lessons have been Learned from the Financial Crisis?

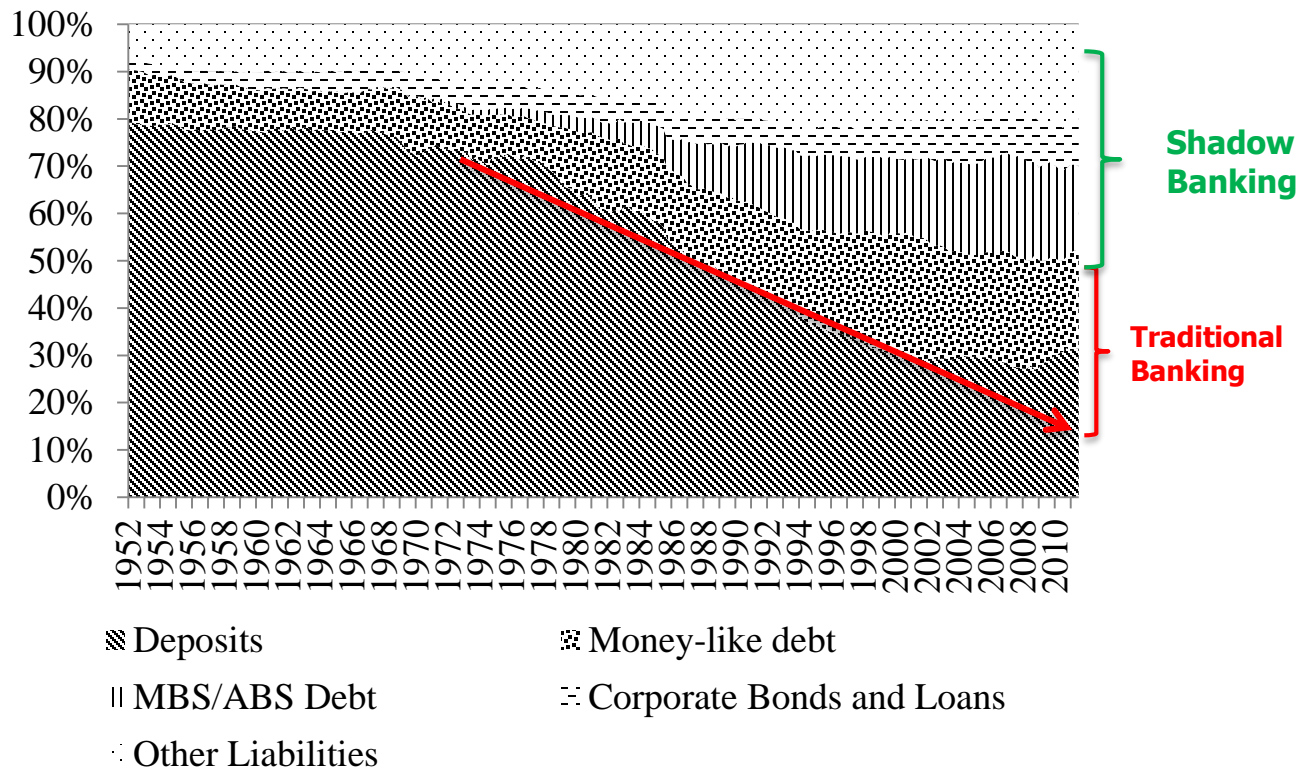
Gorton, Yale



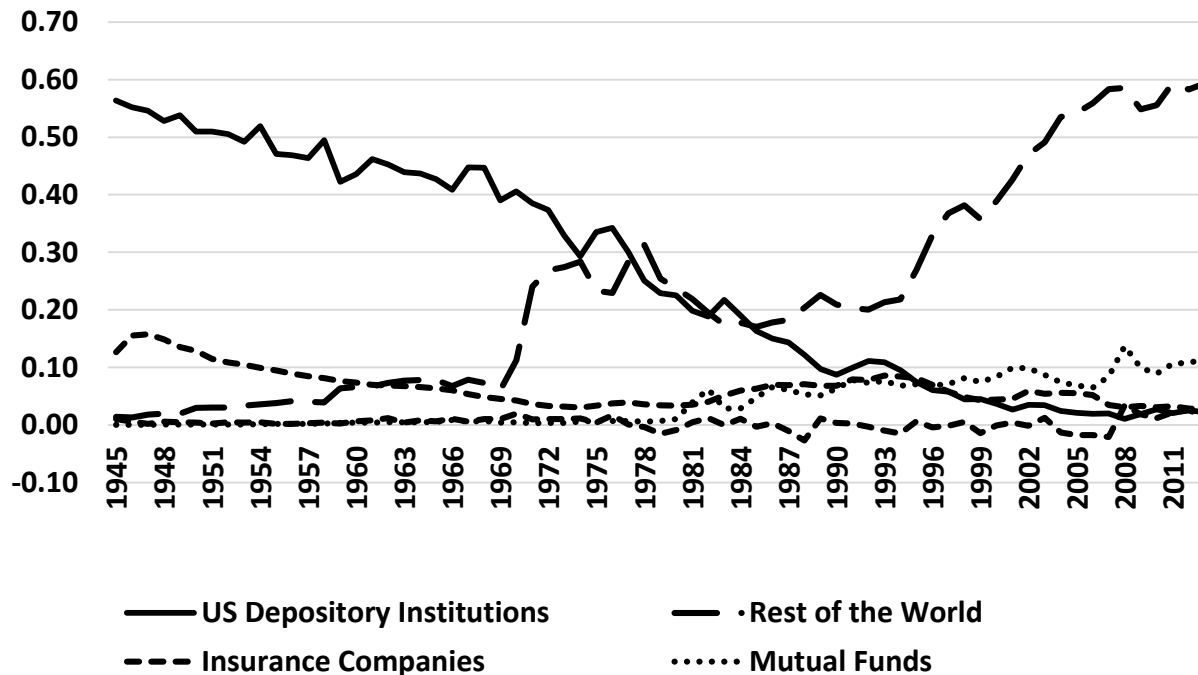
## Safe Debt as a Percentage of Total Assets



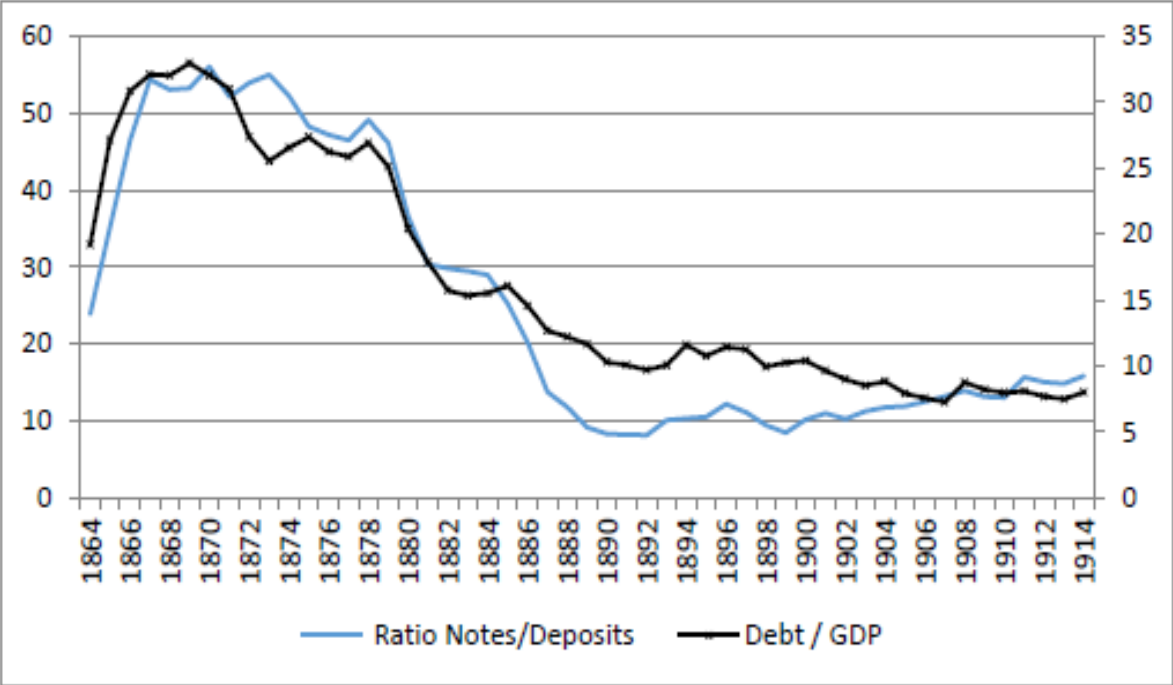
## Composition of Privately-Produced Safe Debt (% of Total Privately-Produced Safe Debt)



## Holders of U.S. Treasury Securities (percent of total outstanding)



# Ratio of Notes to Deposits and US Govt Debt to GDP



# Demand Deposits not Understood

- Bray Hammond (1957), in his Pulitzer Prize-winning book Banks and Politics in America, wrote: “. . . the importance of deposits was not realized by most American economists . . . till after 1900” (p. 80).
- Russell C. Leffingwell, the Assistant Secretary of the Treasury wrote as late as 1919: “All of these people who believe in the quantity theory of money . . . choose to call bank deposits money, but bank deposits are not money.”



“Those who ignore history are entitled to repeat it.”

