

Excessive risk-taking in a favourable macroeconomic environment In the years leading up to the GFC, economic conditions in the United States and other countries were favourable. A large share of such risky borrowing was done by investors seeking to make short-term profits by 'flipping' houses and by 'subprime' borrowers (who have higher default risks, mainly because their income and wealth are relatively low and/or they have missed loan repayments in the past). Economic growth was strong and stable, and rates of inflation, unemployment and interest were relatively low.