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Ending Over-Lending: Assessing Systemic Risk with Debt to Cash Flow (Digest Summary)

Bruce A. Ramsay and Peter Sarlin

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 Summarized by [Sonia Gandhi, CFA](#)

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Abstract

The debt to cash flow (D/CF) measure provides a useful metric for assessing systemic risk and overall vulnerability of nations and their economic sectors. The authors find that the ratio is an important determinant of banking and debt crises but is less so for currency crises. D/CF also performs better than or on par with more conventional measures, such as public debt to GDP and credit to the GDP gap.

Original Author Information

Bruce A. Ramsay is at Cascadia Monetary Research.

Peter Sarlin is at the Hanken School of Economics.

Author Information

 The summary was prepared by [Sonia Gandhi, CFA](#).

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