

Why Capital Markets Matter: A Primer on America's Financial System

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If you ask Wall Streeters what capital markets actually do, they'll say something like, "They allocate capital efficiently." When you nod and smile cluelessly, they'll clarify, "They help make markets." All clear?

In the wake of the economic crisis, many Americans are confused at best—and dubious at worst—about the value that capital markets provide to our economy. Unlike manufacturers or retailers, the financial sector—now 8.4% of our economy—does not produce tangible products, which often renders them an enigma.

This primer seeks to unravel that riddle and explain why capital markets matter. We describe what capital markets do for Main Street, unpack their opaque but important functions, and warn policymakers what problems to look out for.

In short: the good, the complex, and the ugly.

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A PRIMER ON AMERICA'S FINANCIAL SYSTEM

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