



The Daily Dish

Is Private Credit the Next Financial Crisis?

DOUGLAS HOLTZ-EAKIN | MARCH 18, 2026

There's no better way to start your day than with a little doom and gloom. The threat *du jour*? Private credit. How much of a threat? You can face it as a single shot (*The Wall Street Journal* [discussion](#) of Cliffwater Corporate Lending Fund), a fusillade (the *Financial Times* [coverage](#) of the private credit industry shakeout), or in the carnage format ([this New York Times](#) op-ed).

Fortunately, a while back AAF's Fred Ashton offered some guidance in the form of [Private Credit: What's the Fuss?](#) Private credit is debt or securities that are not publicly traded. In the simplest example, it is the mirror to a private equity investment. Investors' dollars are loaned out instead of taking equity positions. Private credit has garnered a lot of attention in part because it has expanded rapidly in recent years. The asset class surpassed \$1.7 trillion as of June 2023, a 10-fold increase since 2007. Nevertheless, it remains a small fraction of the overall fixed-income market.

Some remain skeptical because of its illiquidity and opacity, however. Investments in private credit are not like a checking account. Redemptions are withdrawals, are limited, and can only occur at specified times (every fund is different). Because of the lack of public trading and related price discovery, it can be hard to put a value on the loans that are being made. Indeed, there is the phenomenon of loans being reported at face value, but suddenly being written off entirely.

That's clearly a blow to individual investors. And given the trendy enthusiasm for private credit, there's no doubt that some of the loans will go bad, some funds may even go under, and money will be lost. But because of the withdrawal limitations, there won't be a run on funds. And because the loans are 100 percent backed with equity from investors, there will not be the contagion and systemic risk that characterizes a financial crisis.

In short, there may be a big credit cycle, but that is all. Moreover, at least since the stock market crash of 1929, there has not been a systemic threat to the financial sector that did not involve real estate. (Real estate is practically synonymous with system risk.)

Buckle up if you are a private credit investor. Enjoy the doom and gloom if you are not.