Global Financial Crisis

The Great Financial Crisis

The Financial Crisis Inquiry Report, Authorized Edition

The Global Crash

British Financial Crises Since 1825

Financial Crises: Causes, Consequences, and Policy Responses

This Time Is Different

The Financial Crisis of Our Time

Financial Crises: Causes, Consequences, and Policy Responses

This Time Is Different

The Asian Financial Crisis

Systematically exploring the consequences of the global financial crisis, this text focuses primarily on the impact on policy and politics. It asks how governments responded to the challenges that the crisis has posed, and the policy and political impact of the combination of both the crisis itself and these responses. Consider two views of the global financial crisis. One view looks across the border: it blames external imbalances, the unprecedented current account deficits and surpluses in recent years. Another view looks within the border: it faults domestic financial systems where risks originated in excessive credit booms. We can use the lens of macroeconomics and financial history to confront these dueling hypotheses with evidence. The credit boom explanation is the most plausible predictor of crises since the late nineteenth century; global imbalances have only a weak correlation with financial distress compared to indicators drawn from the financial system itself. For much of the second half of the twentieth century, the Asian economic “miracle” has fueled the greatest expansion of wealth for the largest population in the history of mankind. In the summer of 1997, thirty years of economic boom came crashing back to earth. The reality of unrestrained speculation, misallocated private investment, fixed exchange rates, and inadequately supervised banks has struck the much-vaulted “Asian Tigers” like Thailand, Indonesia, Korea, and finally, Japan, casting a shadow of uncertainty on a region recently at the forefront of the world economic system. Recovery depends largely on reform within the Asian economies themselves and a cold assessment of the structural weaknesses that lay under the surface, but only now have come to light. The implications for world economies and, more broadly, the dynamics of world politics, are tremendous. In Asian Contagion: The Causes and Consequences of a Financial Crisis, Karl D. Jackson, director of the Southeast Asia Studies Program at the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University, has commissioned a group of leading experts on business and economic policymaking in Asia in an effort to provide the most up-to-date overview available on the Asian downturn. Each author considers one nation—Japan, China, India, Thailand, Indonesia, Korea, the Philippines, and Vietnam—and the country analysis is framed by an introductory chapter on the roots of the crisis. The chapters consider the most current economic statistics, but view them with an overriding attention to contextualization rather than a more perishable micro focus. We identify current challenges for creating stable, yet efficient financial systems using lessons from recent and past crises. Reforms need to start from three tenets: adopting a system-wide perspective explicitly aimed at addressing market failures; understanding and incorporating into regulations agents’ incentives so as to align them better with societies’ goals; and acknowledging that risks of crises will always remain, in part due to (unknown) unknowns – be they tipping points, fault lines, or spillovers. Corresponding to these three tenets, specific areas for further reforms are identified. Policy makers need to resist, however, fine-tuning regulations: a “do not harm” approach is often preferable. And as risks will remain, crisis management needs to be made an integral part of system design, not relegated to improvisation after the fact. This paper reviews the literature on financial crises focusing on three specific aspects. First, what are the main factors explaining financial crises? Since many theories point to the sources of financial crises, we focus on the importance of sharp fluctuations in asset and credit markets, the paper briefly reviews theoretical and empirical studies on developments in these markets around financial crises. Second, what are the major types of financial crises? The paper focuses on the main theoretical and empirical explanations of four types of financial crises—currency crises, sudden stops, debt crises, and banking crises—and presents a survey of the literature that attempts to identify these episodes. Third, what are the real and financial sector implications of crises? The paper briefly reviews the short- and medium-run dynamic implications of crises for the real economy and financial sector. It concludes with a summary of the main lessons from the literature and future research directions. In 2006 residential real estate prices peaked and started to fall, then threatened the world’s financial institutions in 2007, and confronted the global economy with disaster in 2008. In the past few years, millions of people have lost very substantial portions of their wealth. And while the markets have rebounded considerably, they are still far from a full recovery. Now, professional economists, policy experts, public intellectuals, and the public at large are all struggling to understand the crisis that has engulfed us. In The Financial Crisis of Our Time, Robert W. Kolb provides an essential, comprehensive review of the context within which these events unfolded, arguing that while the crisis had no single cause, housing finance played a central role, and that to understand what happened, one must comprehend the mechanism by which the housing industry came into crisis. Kolb offers a history of the housing finance system as it developed throughout the twentieth century, and especially in the period from 1990 to 2006, showing how the originate-to-distribute model of mortgage financing presented market participants with a “clockwork of perverse incentives.” In this system, various participants—simply by pursuing their narrow personal interests—participated in an elaborate, complex, and deliberately misleading system of financial risk transfer that led to disaster. All of the participants in the housing market, from the home buyers to investors in collateralized debt obligations (CDOs). At each step, the book explains in a nontechnical manner the essential relationships among the market participants and zeroes in on the incentives facing each party. The book also includes an extensive glossary and a detailed, authoritative timeline of the subprime financial crisis.
financial crisis. Offering a unique look at the participants and incentives within the housing finance industry and its role in the biggest financial catastrophe in recent history, Robert W. Kolb provides one of the most comprehensive and illuminating accounts of the events that will be studied for decades to come as the financial crisis of 2008. The recent upsurge of financial crises and the unprecedented global financial crisis that emerged in the 1930s. Europe is the most affected region in the world as a result of this crisis, and, as such, the sovereign debt crisis remains the most important issue in the Eurozone and threatens the future of the EU. This book provides answers, from both theoretical and empirical perspectives, to the following questions: What caused the global and European debt crises? What are the consequences of these crises? Why, despite the implementation of several policy measures, are these crises still affecting the world economy? What are the solutions to end the on-going crisis situation in the Eurozone? How can future crisis episodes in the world economy be prevented? Eleven quality papers from both academics and professionals are included in this volume, each of which provides a significant source, reference, and teaching supplement for researchers, policymakers and advanced graduate students. In addition, the papers collected here will also provide supplementary readings for advanced courses for graduate students in economics and European studies. Even after one of the most severe multi-year crises on record in the advanced economies, the received wisdom in policy circles clings to the notion that high-income countries are completely different from their emerging market counterparts. The current phase of the official policy orthodoxy is predicated on the wholesale assumption that low interest rates, forbearance and other forms of financial repression will be enough. Advanced countries do not need to resort to the standard toolkit of emerging markets, including debt restructurings and conversions, higher inflation, capital controls and other forms of financial repression. As we document, this claim is at odds with the historical track record of most advanced economies, where debt restructurings or conversions, financial repression, and a tolerance for higher inflation, or a combination of these were an integral part of the resolution of significant past debt overhangs. The world's best financial minds help us understand today's financial crisis, with so much information saturating the market for the everyday investor, trying to understand why the economic crisis happened and what needs to be done to fix it can be daunting. There is a real need, and demand, from both investors and the financial community to obtain answers as to what really happened and why. Lessons from the Financial Crisis brings together the leading minds in the worlds of finance and academia to dissect the crisis. Divided into three comprehensive sections—The Subprime Crisis; The Global Financial Crisis; and Law, Regulation, the Financial Crisis, and The Future—this book puts the events that have transpired in perspective, and offers valuable insights into what we must do to avoid future missteps. Each section is comprised of chapters written by experienced contributors, each with his or her own point of view, research, and conclusions. Examines the market collapse in detail and explores safeguards to stop future crises. Encompasses the most up-to-date analysis from today's leading financial minds. We currently face a serious economic crisis, but in understanding it, we can overcome the challenges it presents. This well-rounded resource offers the best chance to get through the current situation and learn from our mistakes. The global economy has experienced four waves of rapid debt accumulation over the past 50 years. The first three debt waves ended with financial crisis. However, emerging market and developing economies have added a new, larger, faster, and broader-based than in the previous three waves. Current low interest rates mitigate some of the risks associated with high debt. However, emerging market and developing economies are also confronted with weak growth prospects, mounting vulnerabilities, and elevated global risks. A menu of policy options is available to reduce the likelihood that the current debt wave will end in crisis and, if crises do take place, will alleviate their impact. One of the great strengths of Tooze's book is to demonstrate the deeply intertwined nature of the European and American financial systems.—The New York Times Book Review From the prizewinning economic historian and author of Shutdown and The Deluge, an eye-opening reinterpretation of the 2008 economic crisis (and its ten-year aftermath) as a global event that directly led to the shockwaves being felt around the world today. We live in a world where dramatic shifts in the domestic and global economy command the headlines, from rollbacks in US banking regulations to tariffs that may ignite international trade wars. But one thing remains—both at home and abroad—the key to navigating our current financial crisis and gaining an understanding of the 2008 crisis and its aftermath. Despite initial attempts to downplay the crisis as a local incident, what happened on Wall Street beginning in 2008 was, in fact, a dramatic caesura of global significance that spiraled around the world, from the financial markets of the UK and Europe to the factories and dockyards of Asia, the Middle East, and Latin America, forcing a rearrangement of global governance. With a historian's eye for detail, connection, and consequence, Adam Tooze brings the story right up to today's negotiations, actions, and threats—a much-needed perspective on a global catastrophe and its long-term consequences. The impact of the Global Financial Crisis was felt in the United States and its reverberations are still with us. The book concludes with a look back at the crisis that preceded it—known as the Global Financial Crisis—which emerged a decade earlier but whose lessons about financial fragility were soon forgotten. The authors then move to the present and discuss the views of a number of economists who to various degrees predicted or forewarned of the impending crisis. In the second chapter, the elements that caused the latest and current problems in the U.S. and consequently to all economies of the world, due to the systemic risk of globalisation, are determined. The third chapter advocates the intangible and tacit knowledge in the knowledge based society of the 21st century, exacerbates the problem of moral agency in today's organisations, making the boundaries and accountability of decision making especially vague and ambiguous. The authors apply this concept as a means to enhance the moral agency to organisations in the context of the knowledge based society, and as a key part of responsible leadership after the global financial crisis of 2008. The fourth chapter reviews aspects of the new rules that apply to investment firms and to banks, making comment on individual provisions as necessary. In the last chapter, the serious effects of a bubble and its burst in small countries in Central and Eastern Europe are looked at and discussed in detail. A history of British financial crises since the Napoleonic wars, providing an account of the main crises from 1825 until the credit crunch of 2007-8. The book examines role of the Bank of England as lender of last resort and the successes and failures of policy approach is predicated on the assumption that debt sustainability can be achieved through a mix of austerity, forbearance and growth. The claim is that advanced policy circles clings to the notion that high-income countries are completely different from their emerging market counterparts. The current phase of the official policy orthodoxy is predicated on the wholesale assumption that low interest rates, forbearance and other forms of financial repression. As we document, this claim is at odds with the historical track record of most advanced economies, where debt restructurings or conversions, financial repression, and a tolerance for higher inflation, or a combination of these were an integral part of the resolution of significant past debt overhangs. The world's best financial minds help us understand today's financial crisis, with so much information saturating the market for the everyday investor, trying to understand why the economic crisis happened and what needs to be done to fix it can be daunting. There is a real need, and demand, from both investors and the financial community to obtain answers as to what really happened and why. Lessons from the Financial Crisis brings together the leading minds in the worlds of finance and academia to dissect the crisis. Divided into three comprehensive sections—The Subprime Crisis; The Global Financial Crisis; and Law, Regulation, the Financial Crisis, and The Future—this book puts the events that have transpired in perspective, and offers valuable insights into what we must do to avoid future missteps. Each section is comprised of chapters written by experienced contributors, each with his or her own point of view, research, and conclusions. Examines the market collapse in detail and explores safeguards to stop future crises. Encompasses the most up-to-date analysis from today's leading financial minds. We currently face a serious economic crisis, but in understanding it, we can overcome the challenges it presents. This well-rounded resource offers the best chance to get through the current situation and learn from our mistakes. The global economy has experienced four waves of rapid debt accumulation over the past 50 years. The first three debt waves ended with financial crisis. However, emerging market and developing economies have added a new, larger, faster, and broader-based than in the previous three waves. Current low interest rates mitigate some of the risks associated with high debt. However, emerging market and developing economies are also confronted with weak growth prospects, mounting vulnerabilities, and elevated global risks. A menu of policy options is available to reduce the likelihood that the current debt wave will end in crisis and, if crises do take place, will alleviate their impact.
and in other countries and regions of the world. Students learn the principal causes, consequences, and policy responses that emerge as a result of financial crises and build an understanding of the similarities of occurrences across nations. The articles within this volume are organized into four parts. In Part 1, students are presented with an overview of financial crises throughout the United States and the world in the 1990s. In the third part, students examine country-specific crises, including Bolivia and its experiences with inflation, Iceland's banking crisis, Mexico's trade issues and fiscal reform, and crises that befell Thailand and Argentina. The text closes with a section dedicated to explaining the causes and consequences of the 2007–2009 financial crisis in the United States. Emphasizing the commonalities in financial crises on a global scale, An Overview of Financial Crises Around the World is an ideal textbook for undergraduate courses in economics and finance. The trajectories of increasing household debt are studied in the contexts of the US and the UK, Germany, the Netherlands, Finland, and Norway. Household Debt and Economic Crises examines remedies to prevent and alleviate the over-indebtedness epidemic, creating a conceptual framework with which to analyse the causes and consequences of debt. Hilamo argues that social policies are needed to tackle the current borrowing crisis that endangers the full participation in society of individuals with excessive debts. Examines financial crises of the past and discusses similarities between these events and the current crisis, presenting and comparing historical patterns in bank failures, inflation, debt, currency, housing, employment, and growth. The enlightening impacts of the sudden stop on our understanding of financial crises in the future. This book surveys a wide range of crises, including banking, balance of payments, and sovereign debt crises. It begins with an overview of the various types of crises and introduces a comprehensive database of crises. Broad lessons on crisis prevention and management, as well as the short-term economic effects of crises, recessions, and recoveries, are discussed. What causes a financial crisis? Can crises be anticipated or even avoided? Should governments and international institutions intervene? Based on ten years of research, the authors develop a theoretical approach to analyzing financial crises and use the latest economic theories to begin to understand the causes and consequences of financial crises. What causes a financial crisis? Can financial crises be anticipated or even avoided? What can be done to lessen their impact? Should governments and international institutions intervene? Or should financial crises be left to run their course? In the aftermath of the recent Asian financial crisis, many blamed international institutions, corruption, governments, and flawed macro and microeconomic policies not only for causing the crisis but also unnecessarily lengthening and deepening it. Based on ten years of research, the authors develop a theoretical approach to analyzing financial crises. Beginning with a review of the history of financial crises and providing readers with the basic economic tools needed to understand the literature, the authors construct a series of increasingly sophisticated models. Throughout, the authors guide the reader through the existing theoretical and empirical literature while also building on their own theoretical approach. The text presents the modern theory of intermediation, introduces asset markets and the causes of asset price volatility, and discusses the interaction of banks and markets. The book also deals with more specialized topics, including optimal financial regulation, bubbles, and financial contagion. - Before 2007, the world thought that financial crises were a thing of the past. Gary B. Gorton, a prominent expert on financial crises, argues that economists fundamentally misunderstand what they are, why they occur, and why there were none in the U.S. from 1934 to 2007. Misunderstanding Financial Crises offers a back-to-basics overview of financial crises, and shows that they are not rare, idiosyncratic events caused by a perfect storm of unconnected factors. Instead, Gorton shows how financial crises are, indeed, inherent to our financial system. Economists, Gorton writes, looked from a certain point of view and missed everything that was important: the evolution of capital markets and the banking system, the existence of new financial instruments, and the size of certain money markets like the sale and repurchase market. Comparing the so-called "Quiet Period" of 1934 to 2007, when there were no systemic crises, to the "Panic of 2007-2008," Gorton ties together key issues like bank debt and liquidity, credit booms and manias, moral hazard, and too-big-to-fail—all to illustrate the true causes of financial collapse. He argues that the successful regulation that prevented crises since 1934 did not adequately keep pace with innovation in the financial sector, due in part to the misunderstandings of economists, who assured regulators that all was well. Gorton also looks forward to offer both a better way for economists to think about financial crises, and a description of the financial crises that we can expect. - An Overview of Financial Crises around the World is a fascinating close-up analysis of the causes of the 2007/8 financial crisis and its consequences placing the world of finance under the microscope, bringing together evidence of the involvement of banks, governments and regulators. It questions some of its most dangerous and dubious practices, witnessed while searching for the answer to the question: What really caused the financial crisis? In a world of increasing uncertainty it is vital that managers within the tourism industry are equipped with superior decision making skills and expertise necessary to deal with crisis conditions. Tourism Crises provides an effective synthesis of crisis management and tourism industry. Using up to date international case studies, it tackles the following areas: - Political disturbance: the relationship between politics and tourism and political inspired tourism crises. - Social unrest: host-guest relations and tourists as targets of unrest. - Economic instability: crises arising from fluctuating exchange rates and lack of investor confidence. - Environmental conditions: natural disasters and health crises. - Technological crises: transport accidents and crises arising from technical failure. - Corporate crises: human resource issues and questions of finance. Each chapter will assess the presence and tendency towards particular types of crisis, supported by a series of examples and cases, which describe organisational situations, challenges and responses. Approaches to managing crises will be assessed and appropriate tools and techniques of crisis management are explored, enabling readers to gain an insight into this critical aspect of tourism decision making and equipping them with the skills and expertise necessary to deal with crisis conditions. - The first student focused textbook to coherently tackle this significant and important area. * Examines the principles and practices of crisis management within the context of the tourism industry * Uses up to date international case studies involving terrorism, environmental crises, health crises and technological crises, which have had major impacts on the industry. * Preface --Introduction --pt. 1. Causes --1. The household debt bubble --2. The explosion of debt and speculation --3. Monopoly-finance capital --4. The financialization of capitalism --pt. 2. Consequences --5. The financialization of capital and the crisis --6. Back to the real economy --Notes --Index.
Instruments prevalent in the financial spectrum, of which the main instruments that contributed to the triggering and propagation of the financial turmoil are demonstrated and explained. Chapter Two exemplifies the pre-cursors of the crisis which began in the sub-prime sector of the United States. The vital triggers that caused the subprime crisis to spread to the global scale are further highlighted. Chapter Three explores the instruments that spread the rapid propagation and displays the connecting link between the Structured Finance Instruments and the very source of the turmoil. Chapter Four illustrates in depth the involvement of the three vital players (the Rating Agencies, Banks and the Regulatory/Supervisory Institutions) and their effect on the propagation of the crisis.

Chapter Five analyses the two main regulatory catalysts that contributed to the crunch through Pro-cyclicality and will also examine the role and consequences of market-to-market Fair Value Accounting and Minimum Capital Adequacy Requirements (Basel II Accord). Chapter Six will present a post crisis status quo with recommendations and remedies for relevant counter-cyclical mechanisms. Inhaltserzeichnis:Table of Contents: TABLE OF CONTENTS ABSTRACT INTRODUCTION AND CHANNELING OF THE RESEARCH1 1.CHARACTERISTICS OF CREDIT RISK TRANSFER INSTRUMENTS1 1.1Securitization1 1.1.1Mortgage Backed Securities (MBS)16 1.1.2Asset Backed Commercial Papers (ABCP)17 1.1.3Cash Flow Collateralised Debt Obligations (CDOs)19 1.2Credit Derivatives and Hybrid Products20 1.2.1Single Name CDSs20 1.2.2Synthetic CDOs23 1.3Re-Securitization24 1.3.1ABS CDOs24 1.3.2CDO2C26 2 THE FACRATORS AND TRIGGERS OF THE CRISIS29 2.1Soft Macroeconomic Environment in the United States and the Vulnerability of Banks29 2.2The Augmentation of Subprime Mortgages30 2.3Increased The definitive report on what caused America's economic meltdown and who was responsibleThe financial and economic crisis has touched the lives of millions of Americans who have lost their jobs and their homes, but many have little understanding of how it all happened. Now, in this very accessible report, readers can get the facts. Formed in May 2009, the Financial Crisis Inquiry Commission (FCIC) is a panel of 10 commissioners with experience in business, regulations, economics, and housing, chosen by Congress to explain what happened and why it happened. This panel has the power that enabled them to interview people and examine documents that no reporter had access to. The FCIC has reviewed millions of pages of documents, and interviewed more than 600 leaders, experts, and participants in the financial markets and government regulatory agencies, as well as individuals and businesses affected by the crisis. In the tradition of The 9/11 Commission Report, "The Financial Crisis Inquiry Report" will be a comprehensive book for the lay reader, complete with a glossary, charts, and easy-to-read diagrams, and a timeline that includes important events. It will be read by policy makers, corporate executives, regulators, government agencies, and the American people. The world's best financial minds help us understand today's financial crisis With so much information saturating the market for the everyday investor, trying to understand why the economic crisis happened and what needs to be done to fix it can be daunting. There is a real need, and demand, from both investors and the financial community to obtain answers as to what really happened and why. Lessons from the Financial Crisis bring together the leading minds in the world of finance and academia to dissect the crisis. Divided into three comprehensive sections-The Subprime Crisis; The Global Financial Crisis; and Law, Regulation, the Financial Crisis, and The Future-this book puts the events that have taken place in context. The book offers valuable insights comprised of the diverse perspectives of the contributing contributors, each with his or her own point of view, research, and conclusions Examine the market collapse in detail and explores safeguards to stop future crises. The medium-term effects of financial crises on economic growth, as well as policy measures to prevent booms, mitigate busts, and avoid crises are analyzed. Finally, policy measures for mitigating the adverse impact of crises and ways to restructure banks, households, and sovereigns are presented. The collection of research in this book offers an excellent overview of critical paths and potential solutions for financial and political crises, penned by Adrian Buckley, offers a fascinating close-up analysis of the causes of the 2007/8 financial crisis and its consequences placing the world of finance under the microscope, bringing together evidence of the involvement of banks, governments and regulators. It questions some of its most dangerous and dubious practices, witnessed while searching for the answer to the question: What really caused the financial crisis? The condition of banking systems in developing countries strongly influences the design and effectiveness of economic adjustment policies. Bank portfolio weakness can limit the flexibility of interest rate policy, the scope of exchange rate policy, and the conduct of monetary and fiscal policy. The structure of payment and clearing systems is also relevant for IMF economists. It examines the link between financial problems and macroeconomic policy and highlights the need for prudent regulations and the appropriate institutional framework to deal with problem banks and borrowers. Presents the first theoretical analysis of the Asian financial crisis and draws out the general lessons of an event whose potential long term effects are likened to those of the Crash of 1929. Part I presents a factual and analytic overview of what happened: the role of "vulnerability"; the interconnection between currency crises and financial crises; and why crises turned into collapse. Part II considers more detailed issues, including how the inflation of non-traded goods prices created vulnerability, welfare-reducing capital inflow owing to under-regulated financial markets, and the onset of speculative attacks. Part III assesses all aspects of contagion, in particular the role of geographic proximity. The final section policy issues. Joseph Stiglitz argues that there is more that can be done to reduce the frequency of crises and to mitigate the severity of crises when they happen. The book finishes with a round-table discussion of policy issues. This book offers commentary and analysis on the catastrophic events which have recently confronted the international economy in the modern era and contrasts the current situation with other financial crises. It includes case studies on Lehman Brothers in the US, Babcock & Brown in Australia, and Northern Rock in the UK. Asking many pertinent questions about the causes of the crisis and its effects, the book examines four fundamental themes such as: asset bubbles and speculation in the financial and non-financial markets, systemic risks and the role of regulation, and regulators. It also reviews the response of international institutions such as the IMF, the World Bank, the US Federal Reserve, the EU Central Bank and the G20. The book assesses the triggers of the crisis and evaluates rescue packages and policy responses as well as suggesting reform of regulatory and supervisory frameworks to maintain banking and modern financial systems in the future.

Copyright code: d5d1879907f638995c280777a2ed8df