Financial Markets and Financial Crises

Edited by
R. Glenn Hubbard
Warnings of the threat of an impending financial crisis are not new, but do we really know what constitutes an actual episode of crisis and how, once begun, it can be prevented from escalating into a full-blown economic collapse?

Contributors to this volume use an innovative framework to analyze financial crises and the conditions that lead to them. The authors examine episodes of breakdown in financial trade, where "trade" refers to the way in which financial contracts, institutions, and markets allocate risk, channel funds from ultimate savers to ultimate investors in the economy, and provide information about and incentives for borrowers' performance.

Using both historical and contemporary episodes, these studies offer insights from theory and empirical data, from the experience of closed and open economies worldwide, and from detailed case studies. The research reports on four main themes: (i) the ways in which problems in contracting in financial markets can magnify economic disturbances; (ii) how historical episodes of financial panic can be used to discriminate among certain hypotheses of the economic role of financial institutions; (iii) what constraints on public policy are posed by the actual or perceived fragility of financial markets or institutions; and (iv) case studies of problems in one contemporary crisis, the sharp contraction of the U.S. savings and loan industry during the 1980s.

Government economists and policy makers, scholars of industry and banking, and many in the business community will find these timely papers an invaluable reference.
Financial Markets
and Financial Crises
R. Glenn Hubbard is professor of economics and finance at the Graduate School of Business at Columbia University, and a research associate of the National Bureau of Economic Research.

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