Financial Crises and Responses: Then and Now

The goal of this report is to provide policy implications and economic overview to the recent financial crisis that erupted the world’s financial market and economy by studying the past financial crises.

This report has reviewed the origin, transmission effect, and policy responses of the five big financial crises in the history including the Great Depression and the Savings and Loan Crisis in the U.S., the financial crisis in Asia, Japan, Sweden, Norway, and Finland in 1990s, and the debt crisis in Latin America and the current crisis.

After reviewing the current and past crises, this report conducts a quantitative analysis, that is, a cluster analysis and a regression analysis. Our findings suggest that the pattern of the impact of the current crisis in Korea is similar to the pattern of the crisis in Norway in 1991, in Chile in 1981, and in Japan in 1997.

Also, our analysis predicts Korea will recover from the current crisis faster than other countries although the depth and output loss of the current crisis of Korea is almost same as those of the U.S. and European countries.