

PALGRAVE MACMILLAN STUDIES IN  
BANKING AND FINANCIAL INSTITUTIONS  
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# A Financial Crisis Manual

Reflections and the Road Ahead



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The recent financial crisis has generated many structural changes within the economy.

Many issues are ongoing, and the question of how to recover from the crisis, and how to avoid another one, are continually addressed by scholars and practitioners everywhere.

This book provides a thorough overview of the recent financial crisis from the perspective of both industry practitioners and academics specialising in the area.



**HELLENIC  
OBSERVATORY**

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20<sup>th</sup> Anniversary  
1996-2016

**LSE**

## Lessons learned (not!) from the 1997-1998 Asian financial crisis

*“Nor did we learn the right lessons about how to respond to when crisis strikes. In fact, not only have we been making many of the same mistakes this time around, in important ways we’re actually doing much worse now than we did then”*

Nobel laureate Prof. Paul Krugman (New York Times, 29 August 2013)

# Book structure

**PART I – The Industry Perspective**

**Part II - The Case of Greece**

**PART III - Crisis Economics and the Road Ahead**

**PART IV - Afterword: The Road Ahead**

# “A Retrospective on the Great Recession: Causes, Effects & Prospects”

*Inachos Lazos*

- Macroeconomic & institutional asymmetries in the EA prior to the Great Recession
- Leading indicators and the policy response
- Main effects and sustainable growth prospects
- Investment opportunities during and post the Great Recession

# “European Public Finances through the Crisis”

*Fabrice Montagne*

- The rule and the choice: strict implementation of EU treaties vs. discretionary policies
- Spending composition: why it matters
- Public investment critical for long-term growth
- A new paradigm: towards a real growth strategy in Europe?

# “ECB Monetary Policy and the Euro during the Crisis”

*Athanasios Vamvakidis*

- The ECB monetary policy stance
- Crisis measures and unconventional policies: effectiveness and lessons learned
- The euro puzzle: why it remained supported during the crisis and why it weakened recently

# “The Repression of Financial Markets”

*Ralph Sueppel*

- The rise of non-conventional monetary policy
- Regulatory tightening & implications
- Side effects of market repression: *weakened institutional resilience to future shocks & addiction to long-duration risk*

# “Chasing the Tail of Financial Stability? Solutions to the Last Crisis Are the Seeds for the Next One”

*Marcel Kasumovich*

- Pro-cyclical capital: a common thread
- Response to the latest financial crisis is probably incomplete
- Too focused on rules, not enough on principles
- Need to address pro-cyclical nature of risk allocation & to internalize incentives



# “From the Euro-Crisis to a New European Economic Architecture”

*Michael G. Arghyrou*

- Euro-governance prior to the crisis: *main futures, drawbacks & lessons learned*
- Post crisis institutional reforms have gone some way towards addressing the shortcomings of the pre-crisis euro-governance system
- Nonetheless, progress has so far been limited, without providing a full response
- Proposals to strengthen the new European economic & financial architecture

# **“Greek Fiscal Multipliers Revisited: Government spending Cuts vs. Tax Hikes and the Role of Public Investment Expenditure”**

*Platon Monokroussos and Dimitris Thomakos*

- Empirical documentation of regime-dependent fiscal multipliers in Greece
- Fiscal consolidation through spending cuts or tax hikes?
- The role of public investment in boosting medium-term economic growth

# “The Challenge of Restoring Debt Sustainability in a Deep Economic Recession: The Case of Greece”

*Platon Monokroussos*

- The unpleasant arithmetic of fiscal consolidation
- The role of fiscal multipliers and the risk of self-defeating fiscal consolidations
- A simulation exercise on Greece’s fiscal accounts: *policy implications*

# “The Case for a New Reprofile of Greek Public Debt”

*Fokion Karavias and Platon Monokroussos*

- The case for new debt relief
- Modalities of a new debt restructuring package
- Why a relaxation of the bailout program’s fiscal targets might be a self-financing policy shift

# “An Empirical Study on Greece’s Current Account Determinants Before and After the Outbreak of the Global Financial Crisis”

*Platon Monokroussos and Dimitris Thomakos*

- Pre-crisis external imbalances across EA countries largely overlooked by authorities
- Main drivers of Greece’s external deficit following euro adoption: *accumulated competitiveness losses & pronounced fiscal relaxation*

# “External Debt Evolution When Global Financial Markets are Incomplete”

Alexis Anagnostopoulos & Georgios D. Siourounis

- Output growth and external debt in the presence of incomplete asset markets
- Panel study of 60 developed and developing economies: *external debt is non-stationary, while output growth is stationary regardless of income or region stratum*
- Empirical findings crucial for understanding how domestic financial markets should be structured so as to better hedge liquidity and debt-related problems

# “The Elephant in the Euro Room”

*Alex Patelis*

- Germany’s leading role might be crucial for the future of the EU
- The elephant in the euro room is Germany’s record current account surplus
- No long-term equilibrium can be reached without that being significantly reduced
- Correcting this imbalance will be difficult and risks creating future global vulnerabilities

# “Foreign Direct Investment, Innovation and Brain Drain in Greece: Turning a Problem into an Opportunity”

*Constantina kottaridi*

- FDI, innovation and human capital as growth enhancing factors
- Analyzing the brain-drain phenomenon
- Policy implications: *turning the problem into an opportunity*



# “Globalized Finance in Disarray”

*Shanti P. Chakravarty*

A quite critical and radically different perspective, not only of how the whole economy and financial sector has been operating in the last few decades but more importantly, of how the whole society was affected through the crisis

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**Thank you for your attention**