

It was never different. Analysis of institutional root causes of four centuries of financial crises

Kamil Pruchnik (Warsaw School of Economics & National Bank of Poland, Poland)

The main goal of the paper is to investigate the root causes of financial crises. The Author will investigate literature (both historical and economic) to unveil the forces that resulted in the built up of bubbles that eventually bursted, resulting in financial crises.

In the article the Author will define his interpretation of booms, bubbles, economic and financial crisis. Base on this, he will then identify the 20 most significant financial crises since XVI century (for the preliminary list of 20 crises with basic literature please see Annex 1. below). Each time he will investigate the following:

- was there a change in law that misguided investors which resulted in the build up of the bubble?
- was there monetary policy at that time too loose which resulted in the built up of the bubble?
- was there any other force that resulted in the built up of bubbles?
- what was the precise (if possible to pinpoint) event that bursted the bubble?
- what was the size of the bubble (if possible to show reliable data)?
- what was the cost of the crisis (if possible to show reliable data)?
- how many countries it affected and how long it lasted (and did the crisis affected more countries than the bubble)?

The value added to the literature are the following. First, while there are publications on the history of financial crises, in most cases while they analyse them, they do not use the same analytical framework to each. Here, the Author will follow carefully his framework and analyse each crisis asking the same set of questions. Thus, the analysis will be standardized. Second, most publications (especially historical) concentrate on the free market causes of economic crises (such as irresponsible private investments, braking the low, building financial ponzi schemes, etc.). However, in the introduction of the paper, the author will point out, that he will try to investigate the institutional causes of financial bubbles (he will present a model of a typical bubble-burst scenario). In his research, He will focus on public policies (monetary policies and legal policies) that might have misguided investors and business owners which resulted in he the built up of bubbles. Third, the Author will use expanded data sets from various source.