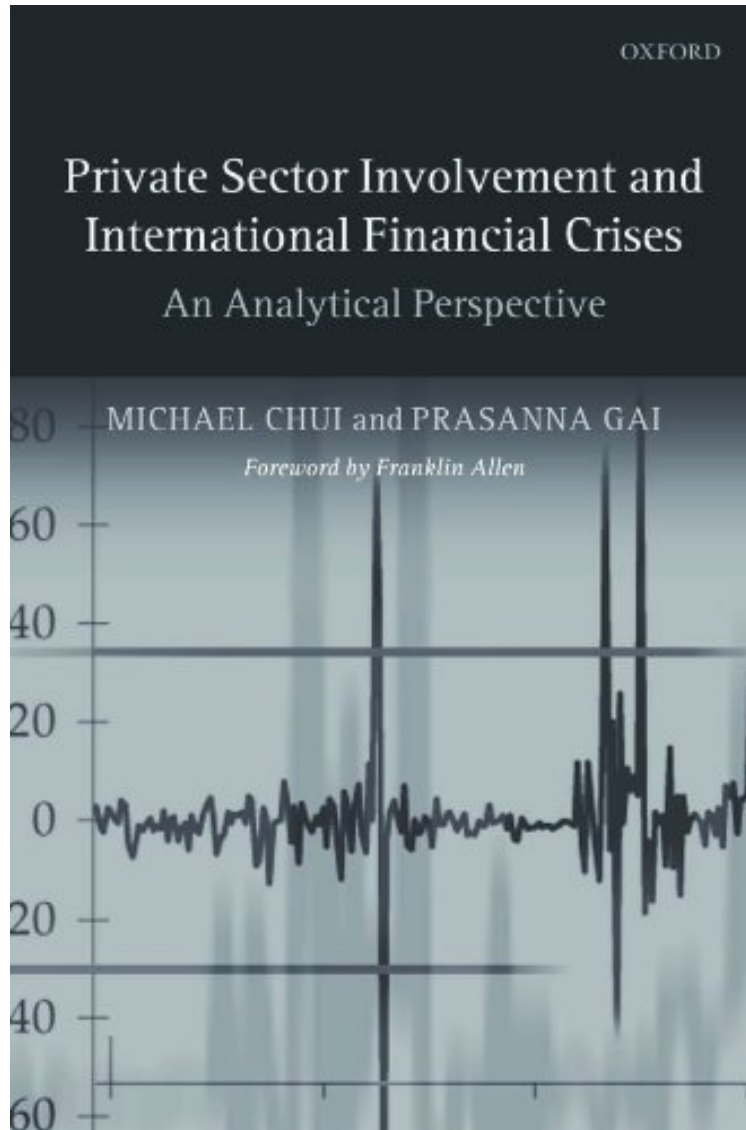


Private Sector Involvement and International Financial Crises: An Analytical Perspective

Michael Chui, Prasanna Gai
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Michael Chui, Prasanna Gai : Private Sector Involvement and International Financial Crises: An Analytical Perspective before purchasing it in order to gage whether or not it would be worth my time, and all praised Private Sector Involvement and International Financial Crises: An Analytical Perspective:

Offering an analytical perspective on the design and reform of the international financial architecture, this book

stresses the important role played by creditor co-ordination problems in the origin and management of crises by relating the insights of the new literature on global games to earlier work on currency crises, bank runs, and sovereign debt default. It examines the design of sovereign bankruptcy procedures, the role of the IMF in influencing creditors and debtor countries, and the currency composition of sovereign debt, and draws on recent research and policy work. The book's first part provides a critical synthesis of the literature underpinning the architecture debate. It reviews the traditional distinction between "fundamentals-based" and "sunspot-based" crises before reconciling the two using global game methods. The role of co-ordination problems in sparking costly liquidation and influencing the debtor's incentives to repay is then examined in depth and shown to lie at the heart of crisis management policy. The empirical literature on leading indicators of crisis is also critically examined and related to the architecture debate. In its second part the book examines key issues in crisis management. Suggesting that optimal reforms must set the inefficiencies of crisis against the inefficiencies of debtor moral hazard, the authors consider the relative merits of statutory and contractual solutions to sovereign debt workouts. They go on to discuss the role of the IMF in influencing private lending and debtor moral hazard, theoretically and empirically. They argue that there is no simple relationship between ex post crisis management and ex ante moral hazard, implying that the handling of financial crises is a delicate affair warranting a cautious approach by would-be architects.

...the authors do an excellent job. The book will appeal to anyone interested in the serious study of financial crises and the design of international financial mechanisms. * Times Higher Education Supplement *
About the Author
Prasanna Gai is a Fellow of the Research School of Pacific and Asian Studies at the Australian National University. He has been a Senior Adviser at the Bank of England (1994-2001), Senior Research Associate in the Financial Markets Group at the London School of Economics, and a Consultant to the Bank of England on international financial affairs (2002-2003). He has held visiting appointments as Visiting Fellow at the Hong Kong Institute of Monetary Research (2003) and Visiting Lecturer at the University of Oxford (2001). Michael Chui is Senior Manager at the Hong Kong Monetary Authority. He has been an Economist in the Directorate General International European Relations at the European Central Bank (2001-2003), an Economist in the International Finance Division at the Bank of England (1998-2001), and a Research Officer in the Centre for Economic Forecasting at the London Business School (1993-98).