

Financial Crises
ECON 4673
Dr. Keen

Problems

1. How does the concept of asymmetric information help to define a financial crisis?
2. How can a decline in real estate prices cause deleveraging and a decline in lending?
3. What is a credit spread? Why do credit spreads rise significantly during a financial crisis?
4. What particular financial innovation led to the development of the subprime mortgage market?
5. What are the benefits of macroprudential policies that require countercyclical capital requirements?