

Date of the event:

On Thursday 04th November 2010
From 01:00 PM to 2:00 PM

Location:

Luxembourg School of Finance
University of Luxembourg
4 Rue Albert Borschette
2nd Floor
Modigliani Miller Auditorium (E02-003)
L-1246 Luxembourg

Registrations:

- Free seminar (with lunch included)
- Registrations by email before November 2nd, 2010
- At the following address : lsf-events@uni.lu

Information:

Ms Caroline Herfroy
Tel : +352 46 66 44 6335

<http://www.lsf.lu/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following
lunch seminar:

*International Propagation of
the Credit Crisis*

*By Prof. Ian Cooper
London Business School*



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International Propagation of the Credit Crisis

By Ian Cooper*

The **Luxembourg School of Finance**

Is pleased to invite you to the

LSF Seminar

The recent international economic crisis has brought forth a flood of policy recommendations for reform of the international banking system. Many of these recommendations appear to be based on an understanding of the mechanism which caused the crisis and led to its international propagation. Yet recent studies fail to find a strong link between the ex-post cross-country impact of the crisis and ex ante variables. If we do not understand the international transmission mechanism of the crisis there is a danger that the various policy recommendations are at best based on conjecture and at worst based on prejudice rather than evidence.

This study examines the international propagation mechanism of the crisis in detail. It measures the transmission through the banking systems of different countries and the US, the country of origin of the crisis. We develop a simple model and find a parsimonious specification which can explain more than 60% of the cross-country impact of the crisis using a few variables. The key measures are: (1) links to the US, (2) leverage and fragility of the banking system, (3) internationalism of the banking system, (4) the importance of banking in the economy.

Our work has potentially important implications for reforms of the banking system, since not all the measures which we find to be important are included in recent proposals for reform.

* Article by Richard A. Brealey, Ian A. Cooper, Evi Kaplanis

