

Improving Banking Supervision

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The Financial Crisis of the Early 1990s and its Lessons

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Summary

The accepted analysis of the Nordic banking crises concludes that they were primarily generated by a poorly managed process of financial liberalisation and pushed over the top by a strong economic cycle, only some of whose profile was outside the control of the domestic authorities (for example, see Drees and Pazarbasioglu (1998)). Thus the implication is that the crises were largely avoidable. One of the ways to consider the problem is to examine other countries, such as the United Kingdom, which also had an asset price boom in the 1990s but did not have the financial crisis, and look for the features that distinguished the Nordic experience.

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