

Causes of Financial Instability and Banking Crises: A Comparative Study of Analytical Approaches

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Abstract : In recent decades, the concern of the monetary authorities has increased because of the instability of the financial sector caused by the crash of speculative bubbles. In fact, the crash of "housing bubble" in U.S. (2007-2008) led the latest global crisis. The aim of paper is to analyze the features and causes of the financial and banking crisis from an historical view. In particular, in this research, a comparative study of some analytical approaches about economic and financial history is discussed. In addition, the role of monetary policy of central banks in managing financial crises, from its origins to today, is analyzed. According to the studied approaches, two types of factors that cause the financial instability were identified: subjective and objectives. In the research, these factors are deeply discussed, in order to noting the agreements and disagreement between the authors. Specially, it is worth noting that all of them recognized that the credit boom and the financial deregulation are the main causes of financial crises.

Keywords : asset prices, banking crises, financial bubble, financial instability, monetary policy

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