The Systematic Risks of the Debt-fueled Economy, Its Localized Impacts, and Examining the Effectiveness of Post-Crisis Monetary Policies, Using the 2009 Spanish Financial Crisis and the East Asian Crisis of 1997 as Case Studies

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Abstract

This thesis evaluates the effects of the Maastricht Treaty and relationship between the financial corporations’ debt to GDP ratio and the real GDP growth rate through multivariate regression analysis. By graphing the macroeconomic patterns, this thesis assesses the extent of the Treaty’s success in containing the crisis and how and to what extent did the Spanish financial crisis pose a systemic risks to the country. Furthermore, it shows a statistically significant negative correlation between high financial corporations’ debt to GDP ratio and the real GDP growth rate by using the annual data from Spain and contrasting those with aggregated data of 11 OECD countries. In analyzing these patterns, this thesis will use the Spanish Financial Crisis as a case study.

Furthering the study includes the regional analysis of the Spanish financial crisis and the East Asian Crisis (South Korean crisis in particular) to examine how S. Korea was able to recover from the asset boom and bust within the two year time frame. Lastly, this thesis studies the EU's monetary policies and examines the future of euro.