

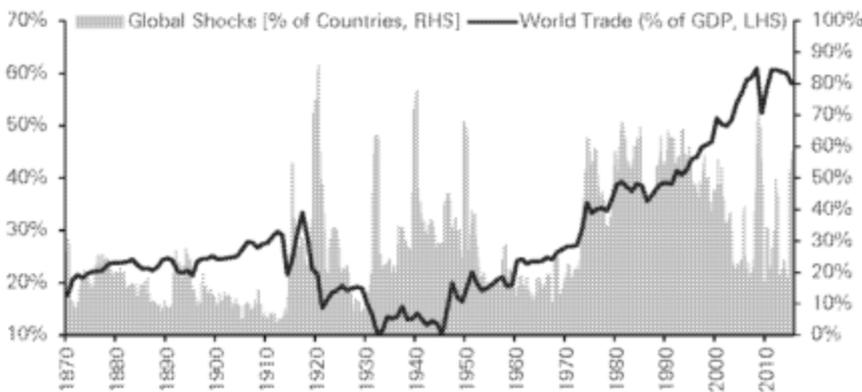


Why has the frequency of financial crises increased?

Financial crises have been around since the Dutch Tulip Crisis in 1637 at the very least but it wasn't until the latter part of the nineteenth century that their frequency increased and they became more global.

As the twentieth century approached, globalization was witnessing its first major push and as such, finance became more international with cross border trade and lending increasing. As such, there was opportunity for crises to have wings outside their country of origin.

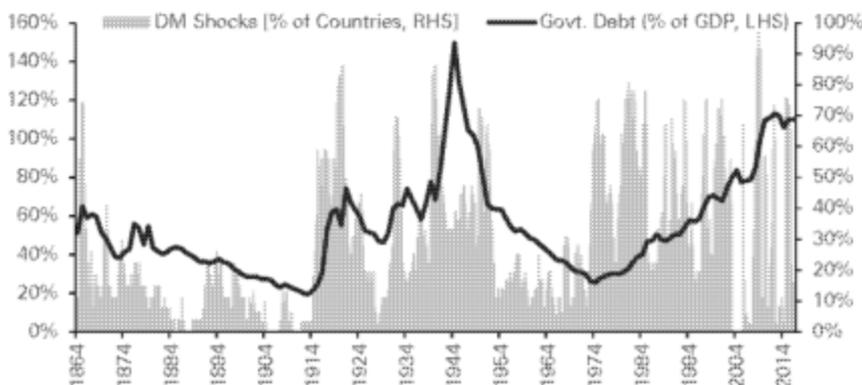
Figure 21: World Trade to GDP (LHS) and Global Financial Shocks (RHS)



Source: Deutsche Bank, Haver, Global Financial Data, Penn World Tables

As we also saw earlier the two main periods of more concentrated global crises were between WWI and WWII, and secondly the period post 1971 after the collapse of the Bretton Woods system. As Figure 22 shows both these periods saw increasing Government debt.

Figure 22: G7 Government Debt to GDP (LHS) and DM Financial Shocks (RHS)



Source: Deutsche Bank, Haver, Global Financial Data

It's safe to say both periods saw other parts of the economy lever up as well. We can show this aggregated for the latter period (see Figure 23 but there's less data available globally for the former period for non-government debt.