

FINANCIAL CRISES, LIQUIDITY,,
AND THE INTERNATIONAL
MONETARY SYSTEM

Jean Tirole

<i>Acknowledgments</i>	vii
<i>Introduction</i>	ix
1. Emerging Markets Crises and Policy Responses	1
<i>The pre-crisis period</i>	1
<i>The crisis</i>	7
<i>IMF reforms, regulatory changes, and private sector innovations</i>	18
2. The Economists' Views	23
<i>Consensus view</i>	23
<i>Conflicting advice and the topsy-turvy principle</i>	29
<i>"Unrealistic" encroachments of sovereignty</i>	36
<i>Theories</i>	36
3. Outline of the Argument and Main Message	47
<i>The problem of a standard borrower</i>	48
<i>Why is external borrowing different?</i>	48
<i>Institutional and policy responses to market failure</i>	50
4. Liquidity and Risk-Management in a Closed Economy	53
<i>Corporate financing: key organizing principles</i>	53
<i>Domestic liquidity provision</i>	70
5. Identification of Market Failure: Are Debtor Countries Ordinary Borrowers?	77
<i>The analogy and a few potential differences</i>	77
<i>A dual-agency perspective</i>	81
<i>The government's incentives</i>	86
<i>Discussion</i>	88
<i>A common-agency perspective</i>	92

6. Implications of the Dual- and Common-Agency Perspectives	97
<i>Implication 1: the representation hypothesis</i>	97
<i>Implication 2: policy analysis</i>	102
<i>Cross-country comparisons</i>	108
<i>Is there a need for an international lender of last resort?</i>	110
7. Institutional Implications: What Role for the IMF?	113
<i>From market failure to mission design</i>	114
<i>Governance</i>	116
8. Conclusion	129
<i>References</i>	131
<i>Index</i>	145