

# Resolving Systemic Crises: Policies and Institutions

Discussant comments by

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# What does the paper do?

- Further evidence that different crisis resolution policies have an impact on the fiscal costs of resolution.
- Main findings:
  - that the more lenient the policy, the greater the fiscal cost of resolution
  - These costly policies do not accelerate recovery either

# The paper builds on Honohan and Klingebiel JBF (2003)..

- narrower set of crisis resolution strategies
- Use the same data set on fiscal costs, but also industry level data
- more careful with the way they define output loss and recovery time
- focus on institutional variables –corruption, rule of law, quality of bureaucracy, and efficiency of the legal system – and how these variables may affect crisis cost and recovery

# Issues..

- The crisis resolution strategy is likely to be a function of the underlying institutional structure.
- Possible reverse causality. Countries that are experiencing the most severe cases are the ones that adopt more lenient ones.
- Quibbles ..value added of industry level regressions..investigating strict policy responses

# Suggestions

- Estimate a two-stage regression – explicitly model policy choice conditional on the underlying institutional structure
- Attempt to deal with simultaneity. Instruments? Legal origin variables
- Industry level part – either expand or drop