

**Title: "Analysis on the Cost of Financial Crises and  
the Determinants for Post-Crisis Recovery"**  
**Research Proposal for the 2009-10 Faculty Enhancement Grant**

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February 10, 2009

**Abstract of the Research Proposal**

This project will be an empirical study on the determinants of the cost of financial crises and of post-crisis recovery while focusing on the effect of financial globalization. Currently, we are experiencing the most severe economic crisis since the Great Depression. While economic crises are not uncommon in history, what makes the current crisis very different from the past ones is the high level of interlinkages between financial markets in the world. Hence, when investigating the determinants of the crisis and its post-crisis recovery, one must look into the effect of financial globalization that has accelerated in the last two decades. In this study, I first measure the output cost of financial crises in the post-1973 period. Secondly, I will examine how the cost of crises and the speed of post-crisis recovery are linked with openness to international trade and to financial assets trade. Thirdly, I will examine how institutional development can interact with financial openness. These analyses should provide us with much knowledge about how the economies currently afflicted with crises can move out of economic stagnation. This project will make a substantial contribution to the international macroeconomic literature as well as to my teaching and research activities at PSU.