

# **The financial Crisis and the financial literature**

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## **Abstract**

This work presents a textual analysis of financial crisis in the financial literature by analyzing 4,085 papers that were published at the three top financial journals between 2004 and 2018. We find low attention to the topic of crisis at the years preceding the 2007-2009 financial crisis. However, the percentage of papers that deal with crisis increases linearly and significantly from 2009, reaching its pick in 2014, where the number of 'crisis' papers is more than three times larger than in 2009. These levels stay almost constant till 2018. Moreover, the intensity and the speed in which the top financial journals refer to the crisis is almost identical.

We find that the connections between the housing market and financial crisis is heavily studied only at the post crisis period, where in contrast, the study of currency and sovereign crisis stayed at almost at the same level as in the pre- crisis period. Moreover, the percentage of papers that refer to both banking crisis and panic significantly increases at the post crisis period. Nonetheless, the percentage of papers that refer to an integrated crisis, as occurred recently, where the crisis affects the housing, banking sector and the sovereign debt market, stays low at both the pre and the post crisis period.

## **Introduction**

The 2007-2009 financial crisis and the following European debt crisis lead to major debate regarding the functionality and the effectiveness of the financial and economic literature that focuses on the different aspects of financial and economic crisis. Several major queries relate to the degree in which financial crisis were studied in this literature before and during the crisis as well as the intensity of studies among the different fields of economics and finance.

The first question, relate to the ability of the academic community to predict the crisis, to provide early warning signs for such event or, maybe more important, to suggest measures that would avoid such a severe crisis. A high volume of papers that were published at the years preceding the crisis, can testify that the consensus among researchers and editors was that there is a high probability for a financial crisis and/or

that the existing literature at that time is insufficient to cope with such a potential crisis or to avoid the occurrence of such a crisis.

The second question, relates to the speed of reaction of the academic literature to the occurrence of the global crisis. While it may be claim that high quality research demands a long incubation period and several revisions, it is clear that timing is steel essential for delivering effective policy guidelines and the cost of having an additional global crisis is far beyond the potential downside of a fast review process. Therefore we will identify the point in which the financial literature start to react to the crisis by finding structural breaks in the intensity of papers that deals with the crisis.

Third, while a significant increase following the crisis, of related literature tells about the importance of the subject, the trend at the following period, where the global economy has recovered, can tell us if the community believes that sufficient solutions have been found. Thus, if the community is still dealing with the crisis in the same intensity, and no structural break is observed at the following years, we can study that there is still no consensus and sufficient remedies for such a crisis in the financial literature.

1. The data
2. What is a “crisis paper”- robustness checks
3. Crisis over time and the effect of the financial crisis
4. Does top-3 journals behave differently?

5. Pattern in macro-finance journals
6. Does the journals react differently?
7. Conclusion