

The country probably most severely affected by the current global financial crisis is Iceland. After some initial signs of trouble in spring, it suffered a full blown currency and banking crisis this fall. It's currency at one point lost 80% of its value relative to the euro, all its major banks were bankrupt, and its stock market lost 90% of its value.

Your assignment is to compare and contrast the Iceland crisis of 2008 with the Asia crisis of 1997. Write a short essay (350-500 words) in which you draw a conclusion about the following question: should the lessons from the Asia crisis have told us that Iceland was likely to have a crisis, or was the Iceland case a surprise because it was unique. In your discussion, please cover the roles of the following: the current account and foreign debt, the banking sector, central bank reserves, IMF lending and conditionality, sudden stop recession.

Below are links to some articles to help you. Feel free to do additional research on your own. Be sure to appropriately cite sources for the evidence you use in your argument. (You might need to use a campus computer to have access to some sources.)

“Till debt us do part” (The Economist magazine, April 24)

[http://www.economist.com/world/europe/displaystory.cfm?story\\_id=11090291](http://www.economist.com/world/europe/displaystory.cfm?story_id=11090291)

Background on current account and external wealth in Iceland (Bloomberg, March 25)

<http://www.bloomberg.com/apps/news?pid=20601068&refer=home&sid=aEfn00p1ZITw>

“Cool aid?: Iceland requests a loan from the IMF” (The Economist magazine, October 28)

[http://www.economist.com/agenda/displaystory.cfm?story\\_id=12500312](http://www.economist.com/agenda/displaystory.cfm?story_id=12500312)

“Stunned Icelanders Struggle After Economy's Fall” (New York Times, November 8)

<http://www.nytimes.com/2008/11/09/world/europe/09iceland.html?pagewanted=1&sq=iceland&st=nyt&scp=106>

“Concession by Iceland Clears Path for I.M.F. Aid” (New York Times, November 16)

<http://www.nytimes.com/2008/11/17/business/worldbusiness/17imf.html?scp=112&sq=iceland&st=nyt>