

Accepted Manuscript

Title: This Time is Different: Causes and Consequences of British Banking Instability over the Long Run

Author: Gareth Campbell Christopher Coyle John D. Turner

PII: S1572-3089(16)30117-6

DOI: <http://dx.doi.org/doi:10.1016/j.jfs.2016.09.007>

Reference: JFS 485

To appear in: *Journal of Financial Stability*

Received date: 13-1-2016

Revised date: 24-6-2016

Accepted date: 27-9-2016

Please cite this article as: Campbell, Gareth, Coyle, Christopher, Turner, John D., This Time is Different: Causes and Consequences of British Banking Instability over the Long Run. *Journal of Financial Stability* <http://dx.doi.org/10.1016/j.jfs.2016.09.007>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



This Time is Different: Causes and Consequences of British Banking Instability over the Long Run

Gareth Campbell gareth.campbell@qub.ac.uk , Christopher Coyle* c.coyle@qub.ac.uk , John D. Turner j.turner@qub.ac.uk

Queen's Management School, Queen's University Belfast, Riddel Hall, 185 Stranmillis Road, BT9 5EE, N. Ireland

*Corresponding author: Tel: +44 (0) 2890 974518

Highlights

- We use bank share prices to measure British banking instability over two centuries.
- Banking instability in the UK has grown more severe since the 1970s.
- Interest rates, inflation, lending growth, and equity prices are leading indicators of instability.
- There is a long run relationship between UK bank instability and the credit-risk premium.

Abstract

This paper addresses three questions: (1) How severe were the episodes of banking instability experienced by the UK over the past two centuries? (2) What have been the macroeconomic indicators of UK banking instability? and (3) What have been the consequences of UK banking instability for the cost of credit? Using a unique dataset of bank share prices from 1830 to 2010 to assess the stability of the UK banking system, we find that banking instability has grown more severe since the 1970s. We also find that interest rates, inflation, lending growth, and equity prices are consistent macroeconomic indicators of UK banking instability over the long run. Furthermore, utilising a unique dataset of corporate-bond yields for the period 1860 to 2010, we find that there is a significant long-run relationship between banking instability and the credit-risk premium faced by businesses.

JEL classification: G10, G21, N13, N14, N23, N24

Keywords: Banking crises, Cost of credit, Financial instability

Download English Version:

<https://daneshyari.com/en/article/5106562>

Download Persian Version:

<https://daneshyari.com/article/5106562>

[Daneshyari.com](https://daneshyari.com)