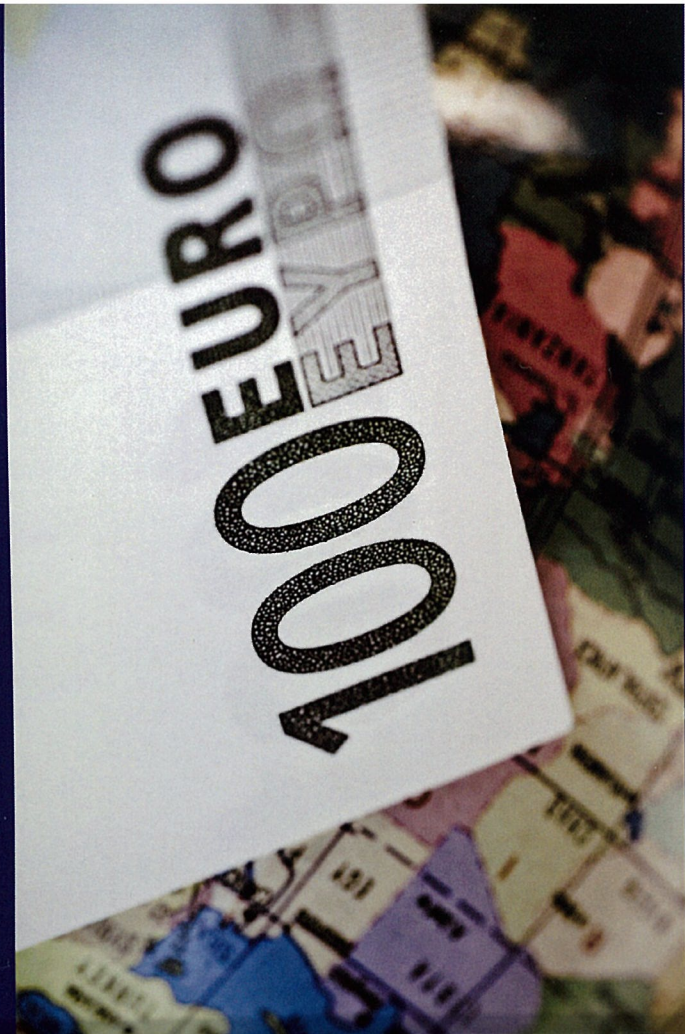


This paper introduces a new finding on the composition of the investor base for government securities in the G20 advanced economies and the euro area. During the last decades, investors from abroad have increased their presence in government bond markets, whereas, the European debt (financial) crisis broke this trend. Furthermore, this paper attempts to address three of the myriad of questions that have arisen from the newly gained attention to the investor base. 1. Which investor groups hold what exposure to government securities? 2. Is there a link between the investor base and bond pricing? 3. What changes will the current European financial crisis catalyze in thinking about economic development? On the mix of market and state in the economy, it reaffirms the value of not relying blindly on the strengths of either. The crisis showed again that both markets and EU governments/ECB can fail spectacularly, and that while markets must ultimately be the drivers of growth, good government is needed to create the conditions for markets to work well and to reduce volatility and vulnerability. Additionally, the global crisis leads to provide new strategic thinking in practical policy especially in EU.



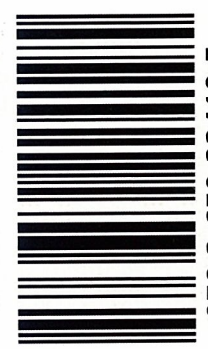
Yuang Shiang Chao

The crisis showed that both markets and EU governments/ECB can fail spectacularly, and that while markets must ultimately be the drivers of growth, good government is needed to create the better conditions for markets to work well and reduce volatility and vulnerability. On macroeconomic management, the crisis has exposed new risks to the EU area now.

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Evidence and Strategic Thinking



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