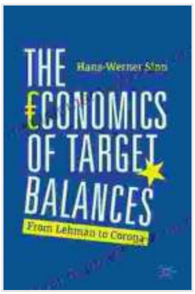
From Lehman to Corona: A Comparative Analysis of Two Global Financial Crises



The Economics of Target Balances: From Lehman to Corona by Hans-Werner Sinn

★★★★★ 5 out of 5

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The global financial crisis of 2008, triggered by the collapse of Lehman Brothers, and the COVID-19 pandemic of 2020, are two of the most significant economic events in recent history. Both events caused widespread economic disruption and uncertainty, and they both had a profound impact on the global financial system.

In this article, we will compare and contrast the two crises, examining their similarities and differences in terms of causes, impacts, and policy responses. We will also discuss the lessons that can be learned from these events in order to better prepare for future financial crises.

Causes

The Lehman Brothers collapse was caused by a number of factors, including subprime lending, the housing bubble, and the collapse of the credit markets. Subprime lending is the practice of making loans to borrowers with poor credit histories and low credit scores. These loans are often made at high interest rates and with little or no documentation. The housing bubble was a period of rapid price increases in the housing market, which was fueled by low interest rates and easy access to credit. When the housing bubble burst, the value of these loans plummeted, and many borrowers defaulted on their mortgages.

The COVID-19 pandemic was caused by a novel coronavirus that was first identified in Wuhan, China, in December 2019. The virus spread rapidly around the world, causing widespread illness and death. In order to contain the spread of the virus, governments around the world implemented lockdowns and other social distancing measures. These measures led to a sharp decline in economic activity, as businesses were forced to close and people were unable to work.

Impacts

The Lehman Brothers collapse had a significant impact on the global financial system. The collapse of a major investment bank led to a loss of confidence in the financial markets and a sharp decline in lending. This, in turn, led to a recession in the United States and other developed economies.

The COVID-19 pandemic has also had a significant impact on the global economy. The pandemic has led to a sharp decline in demand for goods and services, as people have been forced to stay home and avoid public places. This has led to a recession in many countries around the world.

In addition to their economic impacts, both the Lehman Brothers collapse and the COVID-19 pandemic have had a significant impact on society. The Lehman Brothers collapse led to widespread job losses and foreclosures. The COVID-19 pandemic has led to widespread illness and death, as well as job losses and social isolation.

Policy Responses

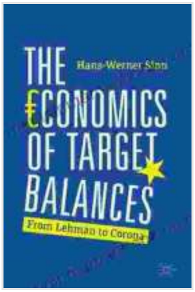
In response to the Lehman Brothers collapse, governments around the world implemented a number of policy measures to stabilize the financial system and stimulate economic growth. These measures included:

- Monetary policy easing: Central banks lowered interest rates and implemented quantitative easing programs to increase the money supply and encourage lending.
- Fiscal policy stimulus: Governments increased spending and cut taxes to boost demand and stimulate economic growth.
- Bailouts: Governments provided financial assistance to banks and other financial institutions to prevent them from failing.

In response to the COVID-19 pandemic, governments around the world have also implemented a number of policy measures to stabilize the economy and mitigate the impact of the virus. These measures include:

- Monetary policy easing: Central banks have lowered interest rates and implemented quantitative easing programs to increase the money supply and encourage lending.
- Fiscal policy stimulus: Governments have increased spending and cut taxes to boost demand and stimulate economic growth.

- Income support



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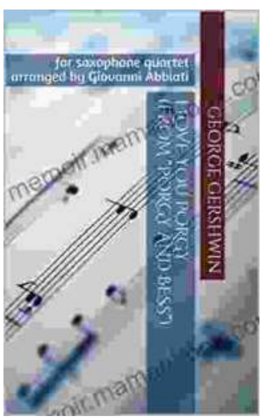

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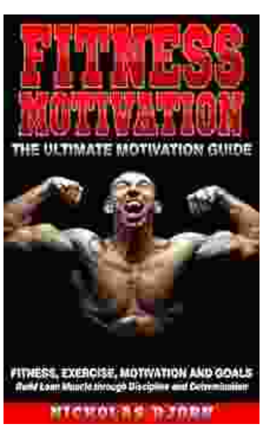

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