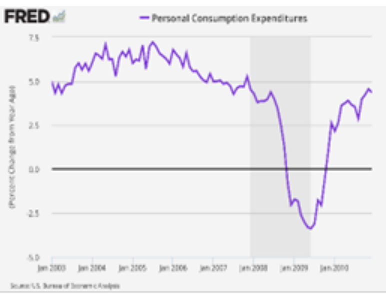
The Financial Crisis- Boom to Bust

The financial crisis refers to a period of economic turmoil characterised by a sharp decline in asset prices, a contraction of credit markets, and a widespread increase in bankruptcies and defaults. The most recent and prominent financial crisis occurred in 2008 and was triggered by the collapse of the U.S. housing market, which caused a ripple effect throughout the global financial system.

The 2008 financial crisis was the result of several factors. The U.S. housing market had experienced a boom in the early 2000s, driven by loose lending standards and low interest rates. This led to a housing bubble, with prices rising to unsustainable levels. When the housing bubble burst in 2007, home prices fell sharply, causing many homeowners to default on their mortgages.



The fallout from the housing market collapse was felt throughout the financial system. Many banks had invested heavily in mortgage-backed securities, which were tied to the value of home loans. As home prices fell, the value of these securities plummeted, causing significant losses for financial institutions.

Additionally, banks had engaged in risky lending practices, such as subprime lending, which meant that many borrowers had taken on loans they could not afford.

The financial crisis had a global impact, with many countries experiencing a recession or economic slowdown. In response, governments and central banks around the world implemented various measures to stabilise the financial system and stimulate economic growth. The U.S. government passed the Troubled Asset Relief Program (TARP) in 2008, which authorised the government to purchase troubled assets from financial institutions. The Federal Reserve also implemented a series of measures to inject liquidity into the financial system, such as purchasing government bonds and providing loans to banks.

> "Whenever there is a financial crisis, it is always the banks that get hit."

The financial crisis highlighted several weaknesses in the global financial system. One of the key issues was the lack of oversight and regulation of financial institutions, which had engaged in risky behaviour without proper oversight. The crisis also exposed the interconnectedness of the global financial system, as the collapse of one market could have ripple effects throughout the world.

In the aftermath of the financial crisis, many countries implemented regulatory reforms to strengthen the financial system and prevent a similar crisis from occurring. The Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in 2010, aimed to increase oversight of financial institutions and reduce systemic risk. The Basel III agreement, which was implemented by the Basel Committee on Banking Supervision, set new standards for bank capital requirements and liquidity ratios.

Despite these reforms, the global financial system remains vulnerable to shocks and crises. The COVID-19 pandemic, for example, caused a significant economic downturn in many countries and highlighted the importance of strong and responsive financial systems. Moving forward, it will be important for policymakers and regulators to continue to monitor and strengthen the global financial system to ensure its stability and

Mandatory Maths?

Prime Minister Rishi Sunak unveiled plans to make studying maths compulsory for students up until the age of 18 to go head-to-head with the best education systems in the world a few months ago. But what exactly was the Prime Minister's rationale behind such a decision?

A variety of professions require some level of mathematical ability especially in financial services, one of the UK's most internationally competitive industries. By keeping students in maths till 18 in the long run assuming they eventually venture into the world of work there would be a surge in productivity levels as they would now be better equipped to do tasks more efficiently. The increase in productivity would cause a rightward shift in long run aggregate supply.

Nowadays more employers are increasingly in demand for those with sound mathematical skill thus, by studying maths, students could potentially find themselves working in high-skilled jobs. This would leave them with greater disposable income which they could then spend on goods and services. In turn we see and increase in consumption leading to a rightward shift in aggregate demand and as a result of a positive multiplier effect we would expect further rounds of spending in the economy.

However, what the Prime Minister did not seem to consider is the shortage of teachers needed to facilitate this idea. According to Chelmsford and Mid Essex Times just 65% of the maths teacher target was met for the school year 2019/20, followed by 84% for 2020/2021, 90% for 2021/2022 and 90% for 2022/2023. Although the shortfall gap has been closing over the four years, the targets themselves have been reduced – from 3,343 in 2019/20 to 2,040 in 2022/2023. Thus until the gap can be closed the idea of making maths compulsory up until 18 would be deemed presently unattainable and would double-down on the already existing pressures on the education sector, reducing the quality of education received and in turn reduce productivity decreasing LRAS