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The Mortgage Crisis Critical Analysis of Political Response Before and During The Crisis: USA and Spain

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ABSTRACT

In 2008, world had one of the severe financial crisis and it became even worse just in a year. Causes of this financial crisis and what prolonged it unfortunately have not the only answer. Regulation of banking system, the problem of asymmetric information, government actions and interventions are some of the answers. In this paper, while we investigate some of the reasons of the recent financial crisis such as housing bubble, easy credit conditions, subprime lending and excessive risk taking, we will emphasise that the main cause of it is governments' actions. Particularly, we will provide overview of specific governments' actions before and during the crisis. We will continue with the actions in the US and Spain and conclude our paper while providing some examples about their responds to it, such as monetary excesses and interventions in the private economy.

KEYWORDS 2008; Financial Crisis; government actions; US; Spain