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Opinions

Opinion: We learned from the financial crisis. We can learn from the pandemic.



A shoe store in Buffalo Grove, Ill., last month displays a sign seeking job applicants.

(Nam Y. Huh/AP)



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We are now nearly a year and a half into the pandemic. Enough time has passed to start looking back and drawing lessons, especially when comparing it with the last great jolt to the international system — the [global financial crisis](#). Did we learn any lessons from 2008? Have we handled this one any better?

At first glance, the comparison would seem to favor the present. About 18 months into the 2008 crisis — say, by the middle of 2009 — U.S. unemployment was climbing to its [highest numbers in decades](#), the stock market was struggling back from one of its [worst collapses](#) in history, and housing foreclosures were spiraling to their [worst levels ever](#).

By contrast, with [half the population vaccinated](#) today, the U.S. economy is roaring. [Growth rates](#) rival the Reagan boom. The stock market is at [new highs](#). Even [wages show signs of rising](#). While the United States is doing better than most, the other major industrial countries are also on the road to recovery. The chief reason is everyone learned the lesson of 2008: During systemic collapses, governments need to go big and fast, spending money and providing liquidity. The voices of austerity in the United States and Europe — extremely powerful during the 2008 crisis — have been largely silent this time around.

That is where the good news ends. Back in 2008, policymakers quickly recognized the need for fundamental change. The financial system was risky, poorly regulated and unstable. In 2010, Congress enacted [sweeping reforms](#) to banks — higher capital requirements, lower leverage, less speculation, stress tests — all of which the banks lobbied hard against. But the banks were wrong. During this [pandemic](#), the financial system has performed well — a testament to those reforms. Despite the near-shutdown of the global economy in 2020, banks almost everywhere weathered the storm. That is because central banks supported them but also because they were well capitalized and more tightly regulated.

Yet, during the current crisis, despite our many failures in fighting the disease, we are talking very little about reforms. Early on during the pandemic we watched as governments in many countries failed on basic public health functions, such as testing, tracing, quarantining and clear public communication. Some learned and recovered, but many have simply been saved by the early arrival of vaccines. Almost none have begun to ask how to genuinely reorganize their health-care bureaucracies, to learn from countries that got it right, and to put in place new policies, procedures and frameworks to ensure better performance during the next pandemic — which will surely come.

The divergence between the last crisis and this one has been most stark on the global level. As Daniel Drezner, a professor of international politics at Tufts University, wrote in his book [“The System Worked,”](#) people used to think of global governance the way Woody Allen joked about food at Catskills resorts: so bad and, yet, such small portions! In fact, as Drezner documents, global governance functioned surprisingly well during the financial crisis. Countries cooperated, central banks worked together and a downward spiral was averted. He notes that even China was remarkably willing to go along with major international initiatives. Washington played the central role,

nudging countries to get in line but also acting in ways that helped others. The economic historian Adam Tooze [points out](#) that about half of all the liquidity provided by the Federal Reserve was used by European banks.

This wasn't done out of blind generosity. "We recognized that it was in our enlightened self-interest to save the dollar-based international financial system, and that required helping others, not just ourselves," former treasury secretary Timothy Geithner told me recently. He acknowledged that much of the global cooperation happened because many of the key players around the world were "instinctive multilateralists." He said, "We all knew that we wanted to prevent the nationalism and protectionism that caused so much damage in the 1930s."

Alas, while the response to the 2008 crisis succeeded economically, it failed politically, unleashing the wave of populism and anti-elitism that crippled the response to today's crisis. Men such as Donald Trump, Hungary's Viktor Orban and Brazil's Jair Bolsonaro reacted to the pandemic by hunkering down, consolidating power and blaming foreigners. Liberal-minded politicians enacted [protectionist measures](#) and even [blocked the export of vaccines](#). In China, the epicenter of the pandemic, President Xi Jinping proved to be less open, cooperative and multilateral than his predecessor during the last global crisis.

President Biden has made a start, but Washington needs to lead the world in a fundamentally different direction. Unless we push hard to vaccinate the whole planet, this pandemic will linger and morph and perhaps even widen. The only way to restore and sustain global growth is to help developing countries that are saddled with huge debt burdens. And the best way to prepare for future crises — whether they involve pandemics, extreme weather, or cybercrime — is collectively. This is not dewy-eyed idealism. The system worked a decade ago; it can again.

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