

FINANCIAL LITERACY AS A TOOL FOR CRISIS PREVENTION

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Abstract: This paper examines the impact of financial literacy on a country's economic development and its relationship with GDP growth. Particular attention is paid to the consequences of the global financial and economic crisis of 2008.

Keywords: global crisis, mortgage bubble, financial literacy, investments, savings.

Introduction

Today, many countries are increasingly focusing on improving the financial literacy of their populations. This trend has not emerged by chance!

The main driving force behind this trend is the correlation between GDP growth and the level of financial literacy among the population. Although this relationship is not absolute, it raises concerns among many countries, prompting them to explore its implications. According to OECD data, the higher the financial literacy of the population, the greater the country's investment potential and the higher the level of savings, which in turn leads to improvements in GDP indicators.

Another key reason for the growing demand for financial literacy is the **global financial and economic crisis of 2008**. This crisis was triggered by the large-scale issuance of **subprime mortgage loans** in the United States. Banks granted mortgage loans to borrowers, many of whom had low incomes or poor credit histories, enabling them to buy homes. However, this practice led to the formation of what economists later called the **"mortgage bubble."** Additionally, banks and investment firms repackaged these mortgages into **mortgage-backed securities (MBS)** and sold them as highly secure assets. This created a **"domino effect,"** which culminated in the collapse of one of the largest

investment banks in the United States, **Lehman Brothers**, due to massive losses on mortgage-backed assets. **The key takeaway from this crisis is that both** ordinary citizens and highly educated financial professionals played a role in its emergence. **The primary cause was a** lack of financial literacy or insufficient understanding of fundamental financial principles.

Conclusion

Looking back at the recent past, it is evident that the development of financial literacy among the population can help prevent similar financial and economic crises in the future. Recognizing this, **President Shavkat Mirziyoyev has placed special emphasis on fostering financial literacy among the younger generation.**

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