



Past Experiences and Current Mindset Reveal Crisis Mechanism and Financial Sustainability Insights. Evidences from Albania

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Abstract

In capitalist economy countries, periodic economic crises have been a well-documented phenomena since the first half of the 19th century. Even in a small country like Albania, the consequences and effects of the worldwide financial crisis of 2007 were certainly felt. It became clear during the crisis that conventional policies that prioritized macroeconomic stability were insufficient, and that decisive action by central banks was required to provide flexibility in monetary policy rules and guarantee recovery from crises. This paper consists of a theoretical explanation of the crisis process and a description of the policy actions used by the Bank of Albania during two distinct crises, namely the Global Financial Crisis and the Covid-19 Pandemic. Through the research, the aim is to contribute to the reflection of policymakers on the course of their policies throughout two distinct moments of crisis, by providing macroeconomic indicators data regarding the Central Bank of Albania's response to the aforementioned crises.

Keywords: Crisis mechanism, Central Bank measures, Economy cycles