

# Free critical thinking on politics or economy

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## **Article Used : Economic Crisis Engulfing Developing Countries** **Author Name: Martin Khor**

Publication: Global Geo Politics and Political Economy

Link:

<http://globalgeopolitics.net/wordpress/2014/03/07/new-economic-crisis-engulfing-developing-countries/>

### **Introduction:**

In this article, the writer Martin Khor has mentioned the downfall of currency in many developing countries and its impact on the economies.

### **Statement of topic:**

According to the writer, the stock markets are facing a downfall and thus it results in the fall of a currency (Prins, 15). This downfall has now reached America as well so we can say that this problem has covered not only the developing countries but the whole world is coming in its way.

### **Thesis Statement:**

The depreciation has a direct negative impact upon the economy of a state and it in turn impacts the political scenario of the country.

### **Summary:**

The reason has been put forward by the writer, and stated that America is calling it a disease that has emerged from the developing countries. The developing countries lack in attaining sustainability in policy's and thus lacking procedures to maintain an economy. (Fund, 67) This is resulting in the fall of stock markets, and the currency depreciation is engulfing the

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developing countries. The American economy cut off its monthly purchases in a month of Jan., so that they can increase up the rate of currencies in those markets that are now coming up and so the production level increases in those new markets. As the U. S was thinking to get a higher production by injection more capital into new markets, the investors took out their bonds, and money from a stock market, and it formed a reverse effect and thus put a sizeable effect on the currency. However it also caused many investors to come to the new markets and invest to get higher production. The writer clearly mentioned that the depreciation in the currency in the developing countries needed pumping up economy and capital flows so that the economy may rise, and an economy may not collapse.

### **Interpretation and Evaluation of Response:**

The main point of the writer was that the poverty is greatly affected by recession.( Blustein, 129) Although measures were taken to come out of recession but still the results were not clear. The writer mentioned the uninsured rates, and high level of poverty. It is clear that government took measures on a political basis, on an economical basis, but the poor got poorer and the rich had not effect of recession.

The writer clearly shows the inflation in the affected countries; the foreign reserves are affected, and balance of payments also comes with the negative side. The exports will or may be going high but the prices of imports also increase so eventually the prices in the country increases as a whole and unfavorable terms of trade appear. The political and economic both scenes are unacceptable to the people of that country. These factors also

lead to the destruction in the economies of other countries that have trade relations with the other country.

### **Conclusion:**

The main points of the article are summarized in a way that although U. S tried to form new economies, and put capital inflows, but the developing countries couldn't sustain the pressure, and thus the stock markets collapsed, and the depreciation resulted in a high rate of inflation, increased poverty, lowering living standard of lives, pressure on the government and thus political instabilities arises. The debt service also puts a burden on the economy and local currency falls more, and international currency gets strength.

### **References:**

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Prins, N. (13 Dec, 2013.). Other People's Money: The Corporate Mugging of America. The New Press.