

# [The next financial crisis](https://assignbuster.com/the-next-financial-crisis/)

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The new Global Financial Crisis was initiated from the US subprime mortgage crisis from 2007, which proliferated the entire global financial markets. Igniting a full-blown global financial and economic crisis (Vardy, 2008). Drastic drops in the real GDP took place in the US, Europe, and other economies, which were due to the sudden stoppage and in some cases reversal of capital flows, and aggregated by drastic declines in exports.

The main difference between the Asian Financial crisis of the 1997-1998 and the current Global Financial Crisis is that one of global, affecting almost all countries in the world, with overwhelming impact. The problem started from largest and most influential economy in the world the United States, owner of the international traded currency the US dollar.
In my view, governments have in most part just made temporary fixes in managing the global financial crisis. The problem will definitely return with a vengeance, with a massive increase in public debt in almost all developed economies, which can definitely initiate the next phase of the global economic crisis. We are in the middle of a full-blown sovereign debt crisis that will create more mayhem on the global financial system than the problem that started 3 years ago. Global economic climate changes too rapidly and the circumstances are complex, providing a real challenge for those who intend to effectively resolve and police these problems (Torbat, 2008).

As most of these economies have been able to withstand the financial crisis, and in fact have been to grow at high single digits. As China and India weren't fully integrated into the global financial system and followed stricter guidelines and regulation, which we can see, have helped them tremendously.