The warning video about financial crisis

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The unregulated over-the-counter derivate fund was the major cause of the financial crisis that was experienced in 2008, causing the economy of the USA and the operations of the major financial institutions to be adversely affected (Kirk, n. p.). Nevertheless, the warning was already there long before the financial crisis occurred, and the second half of the Clinton administration saw a wide struggle by Brooksley Born, to have the over-the-counter derivatives market regulated, which unfortunately did not happen, since her efforts were frustrated by the then Treasury Secretary, the President Chief Financial Advisor, and the head of the Fed (Kirk, n. p.).

The move to have the unregulated derivative fund regulated was countered by the introduction of the Commodity Futures Modernization Act, which then took away the power of Commodity Futures Trading Commission (CFTC), the federal agency that oversees the trading of derivatives, thus making it impossible for the over-the-counter derivatives market to be regulated (Kirk, n. p.). Although the CFTC is meant to play the role of government oversight in the financial market operations, the attempts by the agency to have the derivative market regulated were thwarted by the closest administrators of President Clinton, who argued that an attempt to regulative the lucrative multi-million dollar market would certainly cause a financial crisis, while in reality it is the deniability of the administrators to act on the fundamental aspects that would have helped prevent the crisis, that ended-up blocking the necessary financial reforms that would have streamlined the financial markets, as proposed by the CFTC (Kirk, n. p.).

The major problem with the over-the-counter derivatives market is that; it was operating as a black market, and thus lacked transparency. This way, the operations of the markets were able to continue under cover, until when the market collapsed, triggering a depression of the financial market and the consequent recession of the USA economy (Kirk, n. p.). While the Commodity Futures Trading Commission was empowered to regulate the trading of derivatives in the market, the powerful administrators in the Clinton administration stripped the agency those powers, through imploring on the congress to pass the Commodity Futures Modernization Act, which took away the powers of the agency to control the derivative market, thus leaving the market to care for itself (Kirk, n. p.). This was the beginning of the regulatory failure that has seen the rise of the 2008 financial crisis. The move to block the powers of the CFTC to regulate the derivative markets was meant to eliminate the accountability of the derivative market operators and participants to the committee, so that they could continue to operate without being regulated, which in turn would give them the undeserved financial market advantage.

However, the most alarming aspect is that despite the occurrence of the 2008 financial crisis, the USA does not seem to have learnt the valuable lessons, since the same trend to empower the close administrators of the President to dominate over the government oversight agencies is still eminent in the current administration, which raises a concern, that the country is headed for another financial crisis, which could be even worse. Thus, to prevent yet another meltdown of the world economy, financial regulatory reforms are not an option for the current administration, especially in the lucrative multi-million dollar derivative market, which currently operates more or less as a black market (Kirk, n. p.).

Works Cited

Kirk, Michael. The Warning (2009). Frontline PBS production, 2010. DVD.