

The 700 billion bailout

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Why the bailout:

Henry Paulson spelt out the importance of the bailout and stated that the bailout would stabilize the economy, improve liquidity and also improve investor confidence, in my own view these reasons are justifiable given that investors had lost confidence with the market whereby stock prices kept dropping, on the other hand, this was the only way to improve on the liquidity position of banks whereby banks lacked financial capital, if these actions were not undertaken then the cost of borrowing would have increased.

The government has a role to play in stabilizing the free market economy, this one example of government intervention which would aid in stimulating the economy and improving the financial market.

However many individuals disapprove the actions undertaken but in the case of a crisis like the one experienced, immediate actions had to be undertaken to avoid adverse effects such as an unstable financial market, high borrowing rates, and unstable economy.