

Economic crisis in america: causes and consequences



22 February Economic crisis in America Since 2008, the global economy has been facing an economic crisis that is comparable to the Great Depression that occurred in the 1930's. Some of the world's leading economies, such as America, have been affected the worst. This economic crisis has not taken the world by storm. In fact, it has been building up for many years, particularly in America (Acharya, 9) There are many reasons why the American economy is in recession. The long lasting boom in the housing market in the U. S., the deficit on the balance of payments in America, the lending of capital by the U. S., the loose monetary policy that the central bank of the U. S. implemented, the high ratio of the debts the U. S. had in comparison to its income, coupled with many other reasons, brought about the recession that the U. S. faces today (Acharya, 9). Furthermore, the U. S. follows the capitalist system. Lenin had foreseen that the capitalist system was bound to be doomed. He said that by transferring capital to underdeveloped countries, investing countries (in this case the U. S.) will create rivals for itself. Even more so, this may lead to a war over market share between America and the underdeveloped country which has benefitted from the flow of capital into its industries. This has been proved. With the advancement of technology in America, countries such as China and Japan have learnt the tricks of the trade and have developed a competitive advantage for themselves in this field (Clemens, 422). Countries like China and India have played their part in this economic crisis in America. The pegged exchange rate that China follows has developed a significant deficit in the current account of America's balance of payments, which has slowed down the growth of America's economy. China's progress in technology has also contributed to this crisis, since it is a cheaper alternative <https://assignbuster.com/economic-crisis-in-america-causes-and-consequences/>

to the products of America. India too has a role to play in this crisis. India imports few goods from America and has the scope to increase its consumption. Since America needs to increase its exports to gain relief from the economic crisis, India could be an aid in this process (Hindustan Times). Furthermore, Indian people are investors. By investing in America, both countries could find their economies growing, side by side. The capitalism approach that the U. S follows promotes free flow of labour, capital and technology. This process can affect America negatively and positively. Every country wants to grow and excel in fields of technology and economic growth. If America wants to maintain its position as the leading economy in the world, it needs to compete head to head with its rivals, striving to improve itself in every aspect. If it fails to do so quickly, it may find one of its rivals, such as China, India or even Japan, at the top of the list, with itself as a competitor that needs to step up its game, if it wants to win the race of the leading economy in the world. Work Cited “ India has a critical role in new world economic order: Gordon Brown”. Hindustan Times. 20 November 2010. Web. 22 February 2011. Acharya, S. India and Global Crisis, New Delhi: Academic Foundation, 2009. Print. Clemens, W. C. Dynamics of international relations: conflict and mutual gain in an era of global interdependence; Maryland: Rowman and Littlefield, 2004. Print.