

Financial crisis in the year 2008

[Finance](#)



of the of the Roll: Three essays Essay Introduction The graph given in the figure shows the rise and fall of unionized workers from 1930 to the period of 2003. As is seen from the graph there was a gradual increase in the number of unionized workers in between 1930 and 1948 and a gradual decrease of unionized workers after the period. The following essay explores the probable reasons behind the same.

Discussion

As seen from the above diagram there has been a rise and fall in the union membership in between 1930 and 2003. In capital moves Cowie argues that system is not regionally segmented as production is shifted by the corporations from first world to third world countries. In his book a bold thesis is presented by Cowie in order to challenge the orthodoxy theory of the theorists of globalization. The author does this by dealing with the theory of globalization. The author does this by taking the example of Radio Corporation of America (Cowie 150). The author points to the fact that RCA shifted its locations to four different areas over the course of its history. He first takes to Camden, New Jersey which is the site of the largest factory complex in the whole world. Workers of RCA in Camden appeared to be uncomplaining and malleable. They were willing to work for long hours on production lines and received wages that were far below the normal level applicable for the male counterparts. It was believed by RCA that the division of labor on the basis of gender would result in the company having a greater control over its workforce. It was during the 1930s however, that Camden was turned into a major battle ground for the unionization of the electronics industry. In response to the strikes RCA moved its operations from Camden to Bloomington (Romero 175). The same argument can be used to argue for <https://assignbuster.com/financial-crisis-in-the-year-2008/>

the reason behind the dramatic changes in the number of unionized workers over the period from 1930 to 2003. During the early period of the 1930s and 1940s most of the American companies set up their manufacturing hubs in different parts America. Initially the corporations paid less salary to the members and extracted greater output from them. However, with the formation of unions, the workers started demanding more wages and this resulted in the fact that the manufacturing bases were often shifted from one place to another. However, with the rise of pressure from the workers unions the management started getting cornered and were forced to comply with the demands of the workforce. However, with the start of globalization the companies realized that they could get the same level of output as they were presently getting if they shifted the manufacturing bases to countries like India and China. As the companies started to shift their manufacturing bases to third world countries the number of workers in America got reduced and this resulted in the fall of unionized workers in the USA.

Conclusion

The above essay tries to provide an explanation behind the rise and fall of the number of unionized workers in America over the period from 1930 to 2002. The probable explanation is the shift of the manufacturing bases to third world countries.

Essay: 2

Introduction

Two promising economists of the great depression era were John Maynard Keynes and Fredrick August Hayek. However, the views of these two economists sharply contrasted each other. In the wake of great depression these two economists argued with each other regarding the probable course

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of action to be taken. The following essay presents the differences in between the ideas of these two prominent economists.

Discussion

The revolutionary proposition by Keynes was that after a big shock like the collapse of investment there were no forces in the market for automatic recovery (NANCY). According to Keynes in this situation the economy would go on sinking until some sort of stability at lower level was reached. This lower level was referred by Keynes as underemployment equilibrium. The reason that was cited by Keynes for such a behavior of the economy was that the level of employment and output in an economy or in other words the level of activity in an economy was dependent upon the level of spending power or aggregate demand in the economy. Thus a shrink in the spending power would lead to a shrink in the output. In such a situation the job of the government was to increase its own spending so as to offset the decline the spending by the public. According to Keynes the wrong policy in a slump was to cut the spending of the government (BBC). As opposed to the belief of Keynes, Hayek had the belief that in order to recover from a boom crash the solution was not just adequate spending but also a return to the sustainable production at the same time. The production that had been purged by distortions in the boom era due to the availability of easy money needed to return to level of sustainable levels so as to recover financially. The theory of Hayek was dismissed as many held the belief that he tried to liquidate labor, stocks and the farmers. However, it seems that the Hayek was right due to the fact that after there has been unsustainable boom period it is really required to liquidate the thinks so that the distortions can be removed. For instance after the financial crisis of 2008 the recipe for straight forward <https://assignbuster.com/financial-crisis-in-the-year-2008/>

revival would be to liquidate all the assets which led to the subprime bubble due to the easy monetary policy. In short Keynes gave a recovery that seems painless for the economy by giving the economy extra money. However, the believers of Hayek's theory understand that there is no painless recovery option that is available for recovering from an unsustainable boom. The only way an economy can recover from such a period is to try and avoid the boom itself.

Conclusion

In light of the great depression the two economists Keynes and Hayek held different views and options that could be used by the economy to recover from the recession. The views of the two economists differ substantially and offer different explanations to the cause of the economic crisis.

Essay: 3

Introduction

The world suffered from the global financial crisis in the year 2008. The crisis which started in the subprime mortgage crisis in 2008 dragged different nations across the globe in the crisis and soon the crisis turned into global financial crisis. The following pages give a brief history of the crisis and provide a brief understanding of the change in economic policy since great depression.

Discussion

After the World War II, the architects of the post war economic order operated in the context of post war economic power and shadow which was emerging from the cold war period. At the same time economists of this era were eager to draw lessons from the past. They were sure that capitalism if unchecked will lead top ruins. Then after a period of 30 years the high cost of <https://assignbuster.com/financial-crisis-in-the-year-2008/>

deflation which was responsible for burying the demons of inflation which seemed untamable at first had now created a new demon. The new challenge for the policy makers was that the policy makers needed to be extra vigilant for any hint of inflationary pressure. The economic policies that were undertaken in the subsequent years can be understood in the light of this policy and these early episodes or turning points. In the mid 1990s US embraced financial globalization as the touch stone for the grand strategy in the post cold war period. In those periods it was common to talk about the decline of the US economy. However, the unexpected collapse of the Soviet Union and the stool of the Japan as an economic super power brought American economy to the centre stage in the world order of business (Kirshner). The financial crisis of the year 2008 had multiple reasons behind its occurrence. The most important are perhaps the financiers themselves. The financiers claimed that they had found a way to banish the risks although in reality they had actually lost the track of the same. The central bankers and the regulators tolerated and let these things continue under their very noses for years. The macroeconomic environment too played an important role in the build up to the crisis (The economist). The great moderation which was characterized by years of low inflation and stable rate of growth had fuelled risk taking desires in individuals. People became complacent and this increased their risk taking ability and desires. The glut in savings in the Asia turned interest rates down. Even European banks which greedily borrowed from the American banks before the financial crisis used the funds so as to purchase dodgy securities.

Conclusion

The above essay finds that there were several factors that led to the <https://assignbuster.com/financial-crisis-in-the-year-2008/>

financial crisis in the year 2008. Some of the reasons behind the crisis were related to the economic policies pursued over the years. The long periods of moderation and the extra funds in Asian countries led ultimately to the crisis.

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