The financial crisis

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The Financial Crisis: A Government Failure The responsibility for the current US economic crisis is summed up in a recent headline that read, " Success has many fathers, but failure has the US taxpayer" (Iang). One of the major charges that the US government has is to safeguard the US taxpayer's money from waste, abuse, and corruption. In the case of the failure of the banking system and the deepening economic downturn the government failed miserably on all three fronts. There is certainly enough blame to go around. Congress blames the banking industry for taking excesses that hid their looses and shielded then from harm. Bankers blame the public for their exuberant enthusiasm that created the fragile real estate bubble that was destined to burst. The people blamed the Congress for their inaction, while Democrats blamed Republicans and Republicans blamed the Democrats. No matter where the weakness in the system was, it was the government's failure to act in a prudent and timely fashion to stem the rising tide of waste, abuse, and corruption.

At the core of the economic problems that are facing the US today is the weakness caused by an escalating national debt and the political reality of a public that has a growing concern over their scarce tax dollars. Had the government implemented a balanced budget in the recent years, or if money had been wisely invested to create jobs in the economy, taxpayers and conservatives might be more willing to manage a multi-billion dollar loan to the auto industry. However, a failed policy in Iraq has left the people with a bill that could top $3 trillion in the near future (Bilmes and Stiglitz B06). This is money that can't be used for building infrastructure or investing in much needed education. The government has failed by squandering trillions of dollars on what amounts to a handful of magic beans.

The government further allowed the economic system to go into decline by failing to adequately regulate the banking and insurance systems that had become rife with abuse and excess. A major portion of the problem is the limited credit availability that has come as a result of the sub-prime loan industry. The government failed to enact and enforce banking rules that would have limited these high risk loans that were " built on straw: cheap housing loans to the poor, funded not through the deposits of bank customers, but by reckless forays into the bond market" (" Foolish bankers, scared politicians" 4). A free market economy does not mean an anything goes market. The government has failed to exert their authority to oversee and monitor a banking system that had gotten out of control, and left the taxpayer holding the bill.

The government was also complicit in the corruption that has left the credit system dry and the treasury on the brink of failure. The economic crisis did not suddenly erupt one day in September to the surprise of our political leaders. It had been brewing for years and there were ample warning signs along the way. There were signs five years ago when Cohn warned, " the easy credit party could be called off if interest rates jump, if the housing market cools, or if personal income levels dip" (Cohn). All these events took place while Congress failed to take any action. The political cost of dealing with the problem may have been too high for a banking committee whose biggest campaign contributors are banks and insurance companies. Corrupt politicians turned a blind eye while the economy slowly melted down.

In conclusion, the government's failure was the total breakdown of good governance in favor of greed and political convenience. Wasteful spending prevented the government to act and intervene in the economy to create jobs. Abuses in the banking system were routinely overlooked as riskier investments were made to cover the previous bad business decision. It may have been the people, the investors, or the banks that acted, but it was the government that failed to live up to its basic obligations to the people of the United States.

Works Cited

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