

# Good essay on the crash of 2008

[Business](#), [Marketing](#)



The economic downturn of 2008 caused trouble to the whole world as a result of the globalized market. Investors assumed that there was minimal or no risk in the global financial market leading to them adopting moral hazard. What made it even better was that they were investing in the real estate whose value was assumed could only go up. A person would purchase a home and then sell it later at a higher price. This mortgage craze began in the United States and soon spread to Europe and the rest of the world. Financial engineers created loan products that could be sold to investors both locally and internationally. They applied all their skills to minimize the risk, and made sure that the riskier the loan package was, the cheaper its price was. This was in violation of the economic law of risk.

Then, the value of houses began to drop as a result of the market having excess players. The mortgage loans had also been given to persons with small or unstable incomes. Home owners found themselves paying loans on houses that were of a lesser value than the loan itself. Most of them opted to stop making payments. The money used to give loans to these individuals had come from investors spread throughout the world, which made it very hard for the investment banks involved to deal with the defaulted payments. Banks that were deemed to be too big to fail began collapsing and the panic that resulted only worsened the situation. The reason for the economic collapse of 2008, according to the writer, was financial globaloney. The investors assumed that there was no risk, added leverage and pumped lots of money into the system. This is what led to the global financial crisis. The immediate effect of the financial crisis was deglobalization, which affected negatively the countries that rely heavily on exports.