

The reason for the crisis



The Reason of the Crisis I believe that if there's to blame for the United States financial crisis, these would be the policies that the U. S. government had taken. It is terrible for them to blame the uncontrollable external or outside forces about the crisis. It should be noted that the U. S. dollar is an international currency which shows how powerful the country is over the world. This means that whatever is happening with the U. S. economy, the result will be felt by the countries all over the world. It is unlikely to have it the other way around. It can be said that the United States government failed and one of the reasons why the crisis happened is on the policies that they had engaged. The "easy money" policy can be said to have contributed to the U. S. crisis but cannot be blamed solely for what happened. "Easy money" policy created the U. S. housing bubble that can be said to have a very important effect on the U. S. economy. The United States housing bubble is an economic bubble which affects many parts of the United States housing market. In early 2005, the housing market reached its peak. There has been unprecedented rise in the average price of housing globally. There was a huge price hike of the housing. Though there were intermittent cooling effects of prices, these were not enough to off-set the price hike. This can be said to have contributed to the financial mess of the United States. Any collapse of U. S. housing bubble has a direct effect not only on home valuation but also on the nation's mortgage market such as real estate. The lower interest rates for the long term, fixed-rate mortgage also contributed to the U. S. financial crisis. I dissent about how Mr. Greenspan blamed the outside forces, which the government cannot control, as the reason of the U. S. financial crisis. Interest rate is a very influential and dominant factor in economics. If the United States government failed to address this issue on <https://assignbuster.com/the-reason-for-the-crisis/>

interest rates, this, for me is the more convincing reason or explanation why the U. S. financial crisis took place. Interest rates have many direct and indirect effects on U. S. economy and these effects are under the umbrella of monetary policy. The interaction of interest rates and the economy can be drawn either from the Federal Reserve or Federal Budget. Therefore, if there are important actors who contributed to this problem, these are those who are from the Federal Reserve or budget. I believe that Mr. Greenspan wrote the article to save the Federal Reserve from the blame of which he was the former chairman. He does not want to take the blame of what happened. What he did was to blame the external forces instead. For me, the Federal Reserve is the most important actor or department in the U. S. government to influence the economy. The “ easy money” policy which he said to have contributed to the financial mess and the lower interest rate are under their program or control. Thus, I believe that it was the failed policy adopted by the Federal Reserve that caused the United States financial crisis. Reference: Greenspan, Alan. The Fed Didn't Cause the Housing Bubble, (2009). Web. 28 April 2011