

# [Financial crisis in kazakhstan](https://assignbuster.com/financial-crisis-in-kazakhstan/)

[History](https://assignbuster.com/essay-subjects/history/)

Introduction The purpose of this paper is to describe 2007-2009 global financial crisis reasons and define its consequences for Kazakhstan economy. From the very beginning of year 2007 global economies faced series major economic and financial problems. Many economists consider events started in 2007 as the worst financial crisis since theGreat Depressionof the 1930s and the latest phase of the evolution of financial markets under the radical financial deregulation process that began in the late 1970s.

Since the GreatDepressionin 1930s almost everyone believed that financial arkets need to be regulated to be stable, avoid fraud and manipulation. The strict financial regulatory system was created by US government to protect the country from mentioned dangers. It worked effectively through the 1960s. Economic and financial turbulence in the 1970s and early 1980s led to both a paradigm and a policy regime shift.

Efficient financial market theory and new classical macro theory replaced the existing system of tight financial regulation. Such developments facilitated the transition to a new globally-integrated deregulated neoliberal capitalism. As a result the world faced the threat of total collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. In many areas, the housing market also suffered, resulting in evictions, foreclosures and prolonged unemployment.

The crisis played a significant role in thefailureof key businesses, declines in consumer wealth estimated in trillions of US dollars, and a downturn in economic activity leading to the 2008-2012 global recession and contributing to the European sovereign-debt crisis. 2. Reasons Attempting to identify the factors that caused the global financial crisis is a discussion which has been raging over the last few years, with some people pointing to one area, and others looking at other guilty ones for what has been one of the most devastating and groundbreaking events of the economy in recent memory.

The global financial crisis might seems to be that it hasn't affected ordinary people, but this certainly isn't the case, as regular workers in some of the massive companies that have been bankrupted have become unemployed, and cities and towns across he United States have been decimated if a major employer in the area has gone out of business. There are a number of factors which are generally pointed to when looking at the reasons that triggered the global financial crisis.

One of the main reasons which is often pointed to as one of the main triggers of the global financial crisis are the mortgage derivative products, where risky mortgages were packaged with more traditionally secure mortgages and sold to corporate investors and other banks as secure investment products. This packaging of mortgages is generally ccepted to have masked the real risks that were linked with such a product, which gradually grew as lending criteria were loosened in the first five or six years of the twenty first century. Between 1997 and 2006, the price of the typical American house increased by 124%.

During the two decades ending in 2001, the national median home price ranged from 2. 9 to 3. 1 times median household income. This ratio rose to 4. 0 in 2004, and 4. 6 in 2006. This housing bubble resulted in quite a few homeowners refinancing their homes at lower interest rates, or financing consumer spending by aking out second mortgages secured by the price appreciation. By September 2008, average U. S. housing prices had declined by over 20% from their mid-2006 peak. Easy credit, and a belief that house prices would continue to appreciate, had encouraged many subprime borrowers to obtain adjustable-rate mortgages.