

# [Credit crunch](https://assignbuster.com/credit-crunch-essay-samples/)

Credit Crunch Introduction These days the world is facing severe credit crunch and because of this the economic recession has appeared in entirety. People have lost jobs, banks have come down, financial companies seen the worst of times and so on. The entire fabric of the world has been hit by this credit crunch, which surely projects a very gloomy picture of how things are in the present times (Elliott 2008). Suddenly people have become unemployed, house prices have risen and banks have stopped helping the common man and woman on the street. It looks like a war; however the scale is of a magnanimous effect. Credit crunch can be thwarted by sound efforts on the part of the people who brought this credit crisis about in entirety. This would mean that these people are asked to do things against the norms which have already made the rounds in the last year or so. There is a need to address the issues that the credit crunch has brought with it since these have magnanimous effects on the world, and not just financial institutions alone.   
Economic World has changed   
The economic climate all over the world has changed and that too in a very negative way. The manner in which states have been able to change the behaviors of the people from a futuristic angle comes directly under the aegis of moral hazards. The solution for the same is to bail out the banks so that these could avoid the short term issues and problems and hence benefit the common man. There must be stop gap solutions so that people do not suffer on the same count, however little was done to address the issues that plagued the life of commoners. The financial companies have a responsibility to meet the needs of the people and to regulate the banking sector and the government cannot be allowed to have its own under such extreme circumstances (Pettinger 2008). The credit crunch came about because banks made loans of serious amounts and had little respect for the proposition of repaying. The mortgage loans were increased since a number of different ways were devised and hence these strategies did not benefit the common man when the credit crunch came down quickly. The homeowners are now at a severe risk of mortgage defaults and hence they cannot fathom something sane to happen within their respective ranks. The entire financial system of the world has suffered due to the steps undertaken by the people who are at the helm of affairs within these financial institutions. The consumers for mortgage have suffered on the same count, if not less. The sales pitches given by mortgage people were very aggressive and this led people into believing that everything will turn out to be rosy in the future, which was just not going to be the case. The credit crunch came about as a result (Pettinger 2008). The credit crunch has made one of the biggest names within business look dismal because it has asked of these organizations to manifest ways and means that are not worthy of their stature. What is even worse is the fact that these organizations have suffered on most counts due to the credit crunch being at the helm of destruction in most parts of the world. Credit crunch provides problems for the people because it brings up issues and things that are unpopular, which seem unrealistic and have a very illicit feel to the whole scheme of work that is indeed associated in the time and age of today.   
Conclusion   
The world’s paradigm has been shifted immensely. Instead of launching new space missions for NASA, it would be a comprehensible act to allow the poor men and women housing and food. The financial innovations in the last few months have helped the cause of no one (Davis 2009). Nearly everyone has been at a loss due to the same. Proper policies and measures need to be adopted which could take care of this credit crunch once and for all. More than anything else, there is a need to make sure this does not happen ever again. Essentially there is a need to counter the problems that credit crunch has brought about and these could only be solved when there are concerted efforts made by the people sitting at the helm of affairs. Indeed this is one important aspect that needs to be resolved in the days to come as it could mean much wrath for the world.   
Works Cited   
Davis, Evan. The rocket scientists of finance. URL: http://news. bbc. co. uk/2/hi/business/7826431. stm 2009   
Elliott, Larry. Credit crisis - how it all began. URL: http://www. guardian. co. uk/business/2008/aug/05/northernrock. banking 2008   
Pettinger, T. Who is to Blame for Credit Crunch? URL: http://www. economicshelp. org/2008/08/who-is-to-blame-for-credit-crunch. html 2008   
Pettinger, T. Bailing Out The Banking Sector and Moral Hazard. URL: http://www. economicshelp. org/2008/07/bailing-out-banking-sector-and-moral. html 2008   
Word Count: 753