Inside job essay

Business, Industries

Through extensive research and interviews of major journalists, politicians, academics, and financial insiders, the film tries to find out the route causes of this financial crises, the corruption in the financial and political system Of US, impact Of this corruption on global economies. Five-Parts of the Documentary The documentary has been divided into five parts which are: Part-I : How We Got There Part-II: The Bubble (2001-2007) art-ill : The crisis Part-IV : Accountability Part-V: Where Are We Now Part-I: How We Got There The Part one of the documentary explain that how this Financial took place. From where did it started. The main cause of this Financial crisis was deregulation in asses of Financial Institutions which include Banks, Insurance Companies, Credit Rating Agencies etc. As a result of this deregulation, the Financial Institutions started playing in their own ways to get maximum personnel benefits.

This documentary also explained that due to deregulation the three major banks Sealskin's, Skipping, and Glinting) in Iceland created bubble in economy that burst at the end of 2008. In 1 982 the Reggae's Administration allowed banking industry to making risky investment with the saving deposit of public and by the end of decade several loan companies failed this cost taxpayers $124 billions. The financial lobbies and economists captured political system.

By late asses the Financial Institutions consolidated into few gigantic firms, as a result the economic system was correlated with the decision of these large firms. 99 Isotropic and Travelers merged together to form Citreous, this merger violated the Glass-Steal act, which prohibit making risky investment with customer deposits. In the same year the congress passed Grammar-

Leach- Bailey-Act, this act was passed to facilitate the said merger, but on the basis of this new act many other mergers took place, which latter became the cause of Financial Crisis. Before the Financial crisis of 2008, therefore short-term financial crisis in 2001, which was bubble created by Financial Institutions in Internet Companies, which latter burst in 2003, but US Gobo. Id not learn from this crisis and did not put the regulation on these institutions, as a result we were faced with the Global Financial Crisis in 2008. After the deregulation, many financial companies were caught in frauds, like money laundering, bribe, cooking books, showing wrong financial performance etc. In early asses, the economics and banker with the help of advancement in technology created financial products, the major innovation was derivatives. The Derivative instruments are basically speculation or betting on stock prices, bankruptcy of companies, interest rates etc.

In 2000, the law was passed and derivatives were led unregulated, as a result, the unregulated derivatives market boomed after 2001. After 2001 the financial institutions were more powerful, profitable and concentrated. The Financial industry was dominated by: Investment Banks Financial Conglomerates Securities Insurance Coos. Goldman Cash Citreous Alga Morgan Stanley JP Morgan IAMBI Lehman Brother MAMBA Merrill Lynch Bear Stearns The above financial institutions created Characterization Food Chain, which is as follows: The lenders started to make mortgage loan to home buyers and they sold hose mortgage loan to investment banks and the investment banks make a new product called COD (Collateralized Debt Obligation), the investment banks paid Rating Agencies for rating COD and these COD received AAA rating the highest possible rating, the investor invested huge fund on these COD because of their highest ratings. The financial bubble was created from 2001-2007, everyone could get house mortgage loan, even if they can not afford to pay it back, as a result the house price skyrocketed.

In this period of bubble the US Gobo and Security and Exchange Commission f LIST did not monitored the banks closely. And bank also heavily borrowed in this period, the ratio of loan versus actual deposit was 33 to 01 . Another ticking tomb was credit default swap, these were derivative issued by GIG, Security Insurance Company to the investor who purchased COD, in other world the company insured COD, due to this investor felt more secure, however the GIG also issued these derivatives to those who did not own COD. Those financial institutions which were selling COD were also betting against them because they knew that they will be unable to pay them back. So the Cods were actually a fraud to the real investors and these COD were shown as safe investment, whereas in actual, they were very risky. The rating agencies like Moody’s, Standard & Poor and Fitch made billions of profits by rating these COD as ‘ AAA’ rating. Part-Ill: The Crisis Various warning were given by economist, journalist through their articles and reports in the bubble period. In 2008, mortgage loan holders failed to payback their loan to lenders, as a result the Characterization Food Chain imploded.

The default on the part of mortgage borrowers were already clear, cause loans were issued even to those house holders who could not afford to pay the loan back. From the mid of 2008, major Financial Institution started to collapsed and bankrupt. The major bankruptcy was of Lehman Brothers in September, 2008 and this bankruptcy caused major disruption in the global financial markets. On September, 17 2008, the Alga was taken over and bailed out by the Government; $14 billions were only paid to Goldman Cash out $160 billions total paid by Alga through Government bailed out. On October 14, 2008, the President Bush signed $ 1400 billion bailed out cage, but the market continued to fall. This crisis did not only hit US but it hit major economies Of the world. Nearly every house was put on sell due to default in payment of mortgage loan and the people has to live on temporary shelters.

Part-IV: Accountability Many CEO and major decision makers who were responsible for this crisis just walked away. Top five executives of Lehman Brothers made millions of dollars between 2001 to 2007 (Bubble period). In march of 2008, the Gig's Financial Product Division lost 11 Billions US dollars, instead of being fired, Joseph Cancans, the dead of GIFT was kept on as a consultant for a millions dollars a month. Many economists academics and professors were in favor of deregulation and they were appointed as advisors in economic affairs of the country and many were elected as directors of major financial institution and they made lots of money and they are also supposed to be held accountable for this financial crisis.

The American economy is now weak as compared to what it was before the financial crisis, the competitor like China is flourishing. Unemployment and inflation has increase in US now. The construction industry is falling, however I. T industry in US is still strongest worldwide. But getting job in IT industry require high qualification and getting good qualification is very expensive now in US.

The difference between rich and poor is higher in United State than in any other company. The Barack Obama in 2008 election campaign promised changed and assured the regulation of financial industry so such financial crisis could not take place again.