Financial crisis

Linguistics, English

Financial Crisis An argumentative paper [Type the [Pick the Introduction

Towards the end of the first decade of the year 2000's, the United States economy suffered a financial meltdown, which was reported to be the worst of its kind since the Great Depression of 1930's (Foster & Magdoff, 2009). The financial meltdown led to people losing their jobs and their homes. This paper argues that due to ill-advised economic policies, businesses suffered, the housing market failed, and financial institutions were in disarray after the stock market plunged to new lows.

Discussion

A number of issues were pointed out to be causes of the financial crisis that shook the US economy. Researchers point to missteps by the government, starting from a loose-fitting economic policy and a deviation from the historical principles for putting interest rates in place (Taylor, 2008). Some experts believe that such a financial meltdown was bound to happen as a result of the unpreventable problems brought about by capitalism (Foster & Magdoff, 2009). Still, others blame the financial crisis to a domino effect caused by financial mismanagements in other parts of the world (Obstfield & Rogoff, 2009). At any rate, there is a general agreement that the financial crisis was caused and even prolonged by lapses in the economic policies set forth by the government (Taylor, 2008; Foster & Magdoff, 2009).

History serves a lesson that was not well-learned from the time of the Great Depression. John Maynard Keynes, one of the foremost economic minds of history, argued that underemployment was inevitable in a capitalist economy as it results from a savings-and-investment mentality of market players (Foster & Magdoff, 2009). Despite these earlier warnings, the US

government still championed the capitalist environment, employing free market at most levels of the economy. Unfortunately, such a scenario led to misdiagnosis of bank credit markets which consequently led to an inappropriate liquidity-focused rather than risk-focused response (Taylor, 2008). Moreover, the government further made a series of wrong decisions by raising real estate values, tightening credit qualifications and inequitable support to financial institutions (Obstfield & Rogoff, 2009).

Undoubtedly, the financial crisis of the 2000's affected not only the US but worldwide economies as well as it continued a chain reaction which started off around the 1980's (Foster & Magdoff, 2009). The disastrous effect was felt in the whole country as businesses started to close and mass layoffs occurred. People were driven out of their homes and found it extremely difficult to find one. Stock prices plummeted, turning trade into topsy-turvy (Puri, Rocholl, & Steffen, 2011).

Conclusion

As these economic horrors were undoubtedly caused by a government that presented itself lacking in economic capacities, certain actions must be done to prevent another meltdown in the future. Taylor (2008) suggests the establishment of a set of principles that, when followed, will prevent ill-advised decisions and provide timely interventions. It is certain that the latest financial hullaballoo could have been prevented had lessons taught by history been learned. Hopefully, this particular lesson has been reinforced by the recent turn of events so that such a problematic scenario will be avoided in the future.

References

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