

# [Financial crisis 2008-2009 prevention essay](https://assignbuster.com/financial-crisis-2008-2009-prevention-essay/)

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## Control of imbalances in the global financial markets

Disturbances in the financial markets started before the year 2008. These imbalances were based on some factors that were not effectively addressed before that year. These factors caused imbalances in the sector that relatively brought about instability in the same sector. Global markets around the world moved down the ladder while other financial institutions were at the risk of collapsing. The factors were relatively ignored and consequently brought about instability in the financial markets can be divided into three.
The first factor is that, the monetary authorities must regulate the financial institutions in the country. It is also important to note that financial institutions accrued excessive risks in the period before the year 2008, so that an effect of an imbalance was created in the entire banking sector. This spread out to the larger economy by the year 2008. Regulation of the financial institutions could have avoided the crisis. The monetary authority should have ensured that the financial sector only took on the risks that they could manage other than taking on risks excessively (O. E. C. D 100).
The second disturbance in the economy resulted from the imbalance in the larger macro economy. Macroeconomic mismanagement gave rise to the imbalances. Avoiding these imbalances could have scrap off the entire financial crisis in the year 2008-09.
Finally, structural changes in the financial markets contributed to the rise of the crisis. The reason behind this was that, when these changes were meant to achieve innovativeness in the sector, such changes did not match the level by which resulting risks were internalized. Internalization of risks would have been balanced to match the innovative changes that were being experienced in the financial sector (Howard 130).

## Proper mortgage management systems

Following the collapse of the United States mortgage market and specifically the sub-prime, a financial crisis was inevitable. This particular problem resulted from handlers of securities who pooled their loan able funds into assets of sale. A boom in this market was experienced in the periods before the year 2008. The financial crisis was foreseen from that instance. Proper mortgage management should have been put in place way before the boom was experienced. Effective and efficient policies that were based on such predictions as the boom occurrence could have helped contain the effects of the boom when before it was actually realized, thereby minimize the chances of the 2008-09 financial crises from taking place (James 150).

## Works cited

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