

# Economic globalization essays example

[Business](#), [Marketing](#)



## **How did 2008 financial made policy makers change their principle of free market with no government interference**

The financial crisis of 2008 exposed the economy to a market environment for which it was wholly unprepared and which seriously affected policy makers' decisions. This made policy makers to change their principle of free market with no government interference to a principle where government intervention was the only solution. The financial crisis led to severe economy wide falls of about 20 percent in output and employment. For instance, unemployment and inflation have increased gradually since the financial crisis. It is vivid that the countries that experienced this economic recession have experienced severe short-term challenges and long-term constraints on their economic development.

The financial crisis made the policy makers to change their principle of free market with no government interference because there was a failure in the market economy which they thought could be solved by government intervention. The economy is associated with financial markets and systems, which are general concern because of the fragility and vulnerability of the economy. Therefore, the government intervention could help to improve the financial markets and economic downturn , which lead to a process of global marginalization where some some sectors, regions and countries have not been able to be integrated into the benefits of the global economy.

Government intervention would help to resolve high level of trade distortions , which led to lower levels of economic growth as a result of the financial crisis. The policy makers thought that government intervention could remove trade barriers which promote trade development. This new approach would

enhance trade liberalization by reducing or eliminating trade barriers. Similarly, the government intervention would support foreign direct investment with incentives such as tax breaks to attract foreign investments, which promote economic development (Frontline, 2008). Government intervention would encourage free capital market flows, which deals with financial assets such as stocks and bonds, to improve the financial markets which were affected severely by the financial crisis. Therefore, the policy makers thought there was a need for government intervention in financial markets to solve the economic issues as result of financial crisis.

## References

Watch The Full Program | Inside The Meltdown | FRONTLINE | PBS [Video file]. (2008). Retrieved from <http://www.pbs.org/wgbh/pages/frontline/meltdown/view/>