The financial system and the economy

[Literature](), [Russian Literature]()

The Financial System And The Economy The Financial System And The Economy The recent financial crises that were witnessed duringthe period of 2008 clearly depict one of the major failures of the global financial systems. The problem was that the financial crises first struck the United States. Due to United States experiencing financial crises, various nations with whom the United States was in financial exchange experienced a financial crisis. United States based organizations that had their branches located in overseas nations started closing their branches and due to this the overseas nations started experiencing loss of jobs and other financial losses. Various organizations that had invested in the organizations located in United States even suffered a huge loss as these organizations were on the verge of bankruptcy (The Economist, 2013). This depicts that organizations located in one region are highly dependent on organizations in other regions and thus there is a need to protect organizations in one nation to protect organizations in other nations. In order to avert and avoid future similar financial crises the regulators in the United States need to keep a close watch on the organizations in the United States and stop them from indulging in unhealthy practices due to which they may face losses and experience bankruptcy. This in turn will not only protect organizations in US, this will even protect organizations and economies throughout the world.

2. The five determinants that investors take into account while making any investment related decisions includes the expected return which is the return on investment that investors assume or predict they will receive through an investment. The return is the determinant which is the amount of money that a particular security has earned and evens the alterations in the

price of the security in comparison to the value at which the security was initially traded. The third determinant is the capital yield which is the amount of money an investor is able to earn within a specific period of time and its comparison with the value of the investment that was experienced at the beginning of the specific period (Croushore, 2007). The fourth determinant is the capital yield which is a term used to refer to the elevation in the dollar based value of a particular investment over a specific period of time. The last factors is the capital gains yield which is the capital gains that a particular investment has offered in comparison with the value of the investment at the start of the period in which the capital gains is measured. The most important of these five determinants is the expected return that needs to be considered while making an investment decision. The expected return is the most important determinant because it helps an investor differentiate between the expected returns that different options have to provide and guides the behavior of whether to invest or not.

References

Croushore, D. (2007). Money and banking. Boston, MA: Houghton Mifflin Co.

The Economist,. (2013). Crash course. Retrieved 7 April 2015, from http://www. economist. com/news/schoolsbrief/21584534-effects-financial-crisis-are-still-being-felt-five-years-article