

Introduction to business



Introduction to Business The purpose of this paper is to provide some opinions as to what the economic problems are in this country as well as some steps that should be taken in order to remedy the problems. Secondly this paper will provide some personal insight as to some steps I will take in order to shelter myself from the economic crisis.

There is little question that the United States is in the depths of one of the greatest economic crisis's since the great depression. However there are some easily identifiable problems with the United States economy that could be considered contributing factors. Firstly it is the case that there is a strong public debt burden in the United States which can be attributed to the inability of the government to reign in its spending. Building on this point it is the case that according to the U. S. Treasury department approximately 23% and 21% of U. S. treasury securities are held by the central banks of China and Japan respectively. The solution to this problem would be for American voters to press their politicians to practice fiscal discipline.

A second major problem facing the American economy which has negatively affects the economy recently is the American trade deficit which according to the CIA World Factbook (2010) reached a record \$840 billion in 2008, in simple terms more is coming in than is going out. While many people would take a mercantilist viewpoint and argue that people should " Buy American" a simple solution would be for American manufacturers to simply look at what foreign products are filling this consumer gap domestically and look to find new ways to better serve their domestic customers.

As a last major problem affecting the Ameican economy would be the sub prime mortgage market and credit default swaps that have helped fuel the economic downturn from 2007-2010. In terms of how credit default swaps

work, they act as a type of insurance policy that backs investments and the way that they have arguable exacerbated the financial crisis is that the instruments help encourage investment in riskier investments. As far as sub prime mortgages are concerned it is the case that house prices growing every year it made sense for lenders to support buyers whose credit history was questionable (Owing to the fact that the buyers would see favorable returns in their housing prices). However when the bubble burst and the lenders sought their compensation from buyers it was the case that many people defaulted. The obvious solution for this circumstance would be for stricter regulation on the housing and credit industry.

In terms of personal steps that I will take in order to help shelter myself from the economic crisis would be to take a higher degree of control over my personal investments to ensure that none of my money is placed in any high risk instruments. I believe that if investors knew how little transparency was going on with the credit default market that they probably would have avoided these investments owing to the high degree of risk. Secondly it is the case that I will only seek home ownership when I can negotiate a mortgage on favorable terms in a market /neighborhood where I can expect a reasonable return on my investments. Thirdly to help shelter myself from the financial crisis I will seek employment in an area of the country in which I can expect the job and housing market is expected to remain stable. Lastly it is the case that I will probably press my politicians to practice fiscal responsibility rather than simply raising taxes or passing blame. It is only when politicians are held accountable for their spending that we can recognize a fairer opportunity economic stability.

References

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