Student’s Name

Instructor

Course Code

Date

**Too big to fail**

1. **What has the treasure Dept done to Bears and JP MORGAN?**

The Treasury department instructed the JP Morgan to find out the best deal with Fed so that the Fed would provide billions of dollars in credit form to the Bears and therefore, hold on some collateral damage on the mortgages which the Bear Steams owed. It was a strategy to safe the failing company, something, which the treasury has done to few companies. This could mostly be done in a situation where the company’s collapse would be of a great impact to the company and therefore, Bank of American would wish for the same treatment.

1. **what is the significant of the conversation of secretary Paulson had with Chinese finance minister at the Beijing Olympic**

The significant of the Secretary Paulson conversation with Chinese Finance Minister in Beijing is that it strengthens the economic ties within China which was very significant at the time when the economic was under pressure. The conversation led to several deals, which improved the business partnership between the two countries. It also meant to convince the Finance Minister to allow the yuan to appreciate faster as it expected since capping the rate of yuan was disadvantaging the American businesses and therefore, increased the trade deficits between the two countries.

1. **a. Why did the proposed deal to have Barclay’s Bank buy Lehman Brothers fall apart?**

There was a proposed delay to permit Barclays to purchase Lehman Brothers. The delay was caused by the lack of guarantee from the U.S. government over the losses incurred by Lehman and therefore, U.S. government declined to provide guarantee because Barclays Bank is one of the largest British banks.

**b. What was the objection the British had to the deal?**

The objection was because the United Kingdom had rules, which would require the bank to ask shareholders to shade off some shares. This made the fed to take long and raised serious issues regarding the takeover.

1. **Why did the negotiations between Lehman and “the Koreans” break down**

The negotiation between Koreans and Lehman broke down because of the toxic mortgage which the two parties failed to agree on.

1. **Why didn’t the Chairman of the SEC instruct/direct/order Lehman to file for bankruptcy?**

The chairman of SEC did not order the Lehman to file for the bankruptcy because he believed he did not have power to do so.

1. **A. What does it mean when a company files for bankruptcy?**

The bankruptcy occurs when a company is unable to honor its financial obligations, and when that happens, the company is valued and paid for its assets. In some cases, the company is placed under the receivership for a specific time.

1. **Why would that be beneficial to the company?**

The company would be able to get a window to reorganize itself and therefore, it will not be required to pay off its debts until it has recovered. It is beneficial to the company.

1. Why was A.I.G. in so much financial trouble? What had they been doing that was so risky and dangerous?

The AIG was so much in need of financial bailout due to trouble with its investment. The company experienced a lot of decline in sales and profit and the share in the stock market reducing. This caused a lot of problems in a major company in the U.S. and as a result the Fed reserve bailout it to save jobs and make the company viable again. However, AIG had a problem with its sales, accounting divisions, which exposed the company to a lot of financial problem.

1. **a. What is meant by the statement “the economy runs on credit?**

The economy run on credit means that the company spends on borrowed finances to run the government. The country does not generate enough levy which can be enough to for both expenditure and infrastructure development.

**b. How do big companies use the revolving credit lines they maintain with banks?**

Big corporations utilize them by revolving the credit lines they credit they maintain with the bank and investing them into the various stock and bands in order to earn profits.

1. **Why is the ability to secure “credit” so important to even the average person?**

Good credit rate is essential for getting credit or loan from bank. And loan is essential for everyone

1. What do they indicate they will use the money for?

They will use the money to invest into the market by giving the public loans.

1. What are the banks supposed to do with the money from the government, and what happens?

The money, which the banks asked from the government, is a bailout being used by the banks to invest in order to create jobs and also to offer credit facilities to the public. However, the banks do not issue loans to the public as required a lot of them get lost.