Response Essay

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**"Overdose: The Next Financial Crisis, and its link with literary materials**

The United States of America faced the worst economic disaster in 2008 after the Great Depression OF 1992. The Treasury departments and federal reserves were not able to control it and the crisis leads to the Great Recession. The story of this great financial crisis started after the collapse of the twin tower of the World Tread center in the incident of 9/11. Federal Reserve came to rescue the economy and lowered the interest rate as low as 1 percent in 2003. The low-interest rate let people buy big stuff that they cannot afford. Bank paid loans to the one who does not deserve it and housing prices increase twice (“Overdose: The Next Financial Crisis : Full Documentary - YouTube,” n.d.).

The federal government created mortgage companies, Fannie Mae and Freddie Mac. These were government-sponsored enterprises who guaranteed a loan to the people. Politician got the money from these companies and they were unable to spend it properly (“Overdose: The Next Financial Crisis : Full Documentary - YouTube,” n.d.)

However, in 2006 the interest rate became normal and houses prices dropped down. The public was unable to get more loans to pay the debt and the country trapped itself in a great bubble. Various bailout packages were presented by the government but it did not work out. Eventual in 2008 America faced the highest level of the financial crisis and its biggest cooperate companies started collapsing. The financial crisis did spread out to the rest of the countries as well and soon became the Global Financial crisis. The American Recovery and Reinvestment Act were able to control the financial crisis with the help of stimulus economic packages until the end of 2011 (Frank White, n.d.).

Van Slyke, Benson, and Cullen (2016) also talked about the effect of Great Recession on the economy of the United States in particular and the world in general. Housing value was declined, economic mobility was decreased and unemployment was high during this period.

The federal government presented a solution to this problem by financialization (Van Slyke et al., 2016). The government started feeding financial organizations and political arrangement in order to make profits. Banks stated making mortgages loan to the public to buy houses and the government agencies granted theses loan. Thus after the interest rate increased no one was able to pay back those loans and the country faced a financial crisis (Johnston, 2014).

**Summary of “Why isn't Wall Street Fraud Prosecuted, parts 1 and 2"**

However, at the height of the housing bubble, the countrywide financial was the largest mortgage lender in the country and the countrywide official manipulated the general public to get loans. Because incentives were provided to the officer on the provided loan not on excessing the deserving persons for the loan. But the American justice system was reluctant to report the crime against the Wall Street official. The companies also signed the Sarbanes-Oxley Act and promised to provide an accurate report of their financial regulations (The Honest Broker, n.d.).

However, the law was not obeyed by the Wall Street companies like countrywide financial company and the City group company. The City group company bought mortgages from the Countrywide and 60 percent of those were a fraud. The financial statement presented by City group was also a lie and the risk management was in the hands of insufficient authorities. Thus the economic crisis of 2008 was worsened by the corporate crime (The Honest Broker, n.d.).

**Culture could cause a problem to control White Collar Crimes.**

Certain cultural values in organizations create White collar crimes and that could beat problem to handle the increasing White collar crimes. Subsequently, it has been found that countries that have a culture of self-value have less rate of white collar corruptions (Van Slyke et al., 2016).

**Possible solutions to control White Collar crimes**

Moreover, the possible solution to control white collar crimes could be that in- group collectivism should be promoted that will help an individual in an organization to maintain the self-pride and cohesiveness and loyalty. The government should give incentives to those officials who are fair, generous and altruistic. Power should not be concentrated to few hands and justice’s institutes should monitor the power distribution in organizations.

References

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