

THE ECONOMIC CRISES OF 2008

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The 2008 financial crisis is affecting millions of people and is one of the hottest topics in the all world. The global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. Around the world stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems.

On the one hand many people are concerned that those responsible for the financial problems are the ones being bailed out, while on the other hand, a global financial meltdown will affect the livelihoods of almost everyone in an increasingly inter-connected world. The problem could have been avoided, if ideologues supporting the current economics models weren't so vocal, influential and inconsiderate of others' viewpoints and concerns.

So what caused the financial crisis of 2008?

Economic world system is a huge hard mechanism, and USA has moved all this system. The Economic Crisis of 2008 is believed to have occurred because of global inflation, increased unemployment, high oil and food prices, a declining dollar value, a horrible housing market, and a subprime mortgage crisis. Mortgage lenders were happy to lend money to people who couldn't afford their mortgages. But they did it anyway because there was nothing to lose. These lenders were able to charge higher interest rates and make more money on sub-prime loans. If the borrowers default, they simply seized the house and put it back on the market. On top of that, they were able to pass the risk off to mortgage insurer or package these mortgages as mortgage-backed securities.

There were other factors as well, including the cheap credit which made it too easy for people to buy houses or make other investments based on pure speculation. Cheap credit created more money in the system and people wanted to spend that money. Unfortunately, people wanted to buy the same thing, which increased demand and caused inflation. Private equity firms leveraged billions of dollars of debt to purchase companies and created hundreds of billions of dollars in wealth by simply shuffling paper,

but not creating anything of value. In more recent months speculation on oil prices and higher unemployment further increased inflation.

Credit is a great tool when used wisely. For instance, credit can be used to start or expand a business, which can create jobs. It can also be used to purchase large ticket items such as houses or cars. Again, more jobs are created and people's needs are satisfied. But in the last time, credit went unchecked, and it got out of control.

Ukraine was hit heavy by the crisis of 2008. Analysts say the plights of Ukraine are slumping steel prices, local banking problems and a threatened cutting of Russian gas supply. They also say the situation is not as problematic as in is as Iceland, which had banking debts several times the size of its gross domestic product. Key industries such as metallurgy and machine building are laying off workers, and real wages have started to fall for the first time in a decade. This makes it hard for Ukrainians to make payments on loans, many of which, especially mortgages, were issued in dollars. Since most people are paid in hryvnias, they have to buy dollars with the weak hryvnia and are paying back much more on the loans than they had expected. Banks have all but stopped issuing loans, and clients have hurried to withdraw deposits. The majority of buildings in this country with the population in 46,6 million persons do not work. The state doesn't carry out the obligations; the salary doesn't paid in many hospitals and schools.

So, nobody knows, how long present crisis will last. Optimists consider that the financial and share markets are definitively stabilised to autumn of next year. With manufacture sphere all is more difficult. Crisis is a sharp collapse of share prices, mass and severe dismissals, a sharp rise in prices for one goods/resources and the same sharp reduction in price of others, a landslide curtailment of production, but millions people all the same not can sit simply in general without business, they are doomed to make something. But we will hope that the situation in the country will tabilized in the nearest future.