# January 12, 2009To: Dr. TrammellFrom: Krystal M. DavisSubject: Assignment One

**Before the Financial Crisis**

There has always been a debate over the pros and cons of free markets versus those of markets that have more government control and regulation, so the question becomes “To be FREE or to NOT be free?” My opinion on this issue before the “great recession” was that we should have free markets with very little government control and regulation. My reasoning behind it was the idea that buyers and sellers being able to conduct business in the market created affordable prices for everyone. Like many others, I felt that government intervention would increase the cost of doing business for everyone. In essence, it would ruin the competition created by the law of supply and demand, which provides the best price. This was the opinion of a teenager that was formed through what she had learned in high school. I did not imagine the damage that a free market with little-to-no government regulation could cause.

**Financial Crisis Impact**

There were numerous things that contributed to the financial crisis that our economy faces today, but the failure to regulate definitely played a major role. My opinion changed after watching the financial crisis unfold. For example, Alan Greenspan was forewarned by many that something catastrophic was going to happen if he didn’t step in and do something, and although he had the authority, ideology clouded those warnings and nothing was done. He was also strongly against strict regulations that could tame the unregulated business of spreading financial risk through derivatives, which heavily added to the crisis. I found out how investment banks were betting on CDOs to fail while selling them to investors. Credit rating agencies were getting paid a lot of money to give securities investment-grade ratings when in actuality they should have been junk-rated. There were no stringent regulations set in place to protect the public from these fraudulent activities. I think the world is unable to wisely use markets that are free from much government control. Now I feel that our markets should not lack government regulation nor should it have total control of it, but somehow find a balance that can protect our economy as a whole.