

Hi Erina, another good effort with this essay, and it's nice to see how much work you're putting in to these essays. It's good to see graphs and diagrams that help the explanation and add interesting visual content. Good work!

As with the other essays, I've marked words that should be deleted in red, words that I have added to the essay are in blue, and general comments about structure, style, and word use etc are in green. I've numbered parts of the essay where I've made comments and added advice or explanations. You can find the comments at the end of the essay.

The Causes and On Going Effects of the Global Financial Crisis

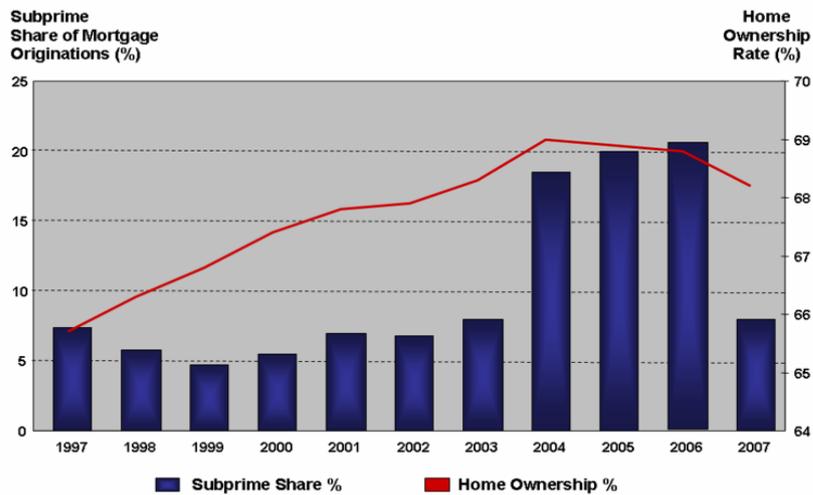
Erina Yamashita

The date was September 15, 2008 when the world's largest stock brokerage and investment firm, the Lehman Brothers, collapsed. The bankruptcy of the Lehman Brothers gave the world a great shock, but this event was only a small part of the global financial crisis. In fact, more than 10 thousand of the companies had already **went gone** out of business in America within 2007 ("Increase of Bankruptcy", par.1); and the recent news of the bankruptcy of General Motors (GM) and the acquisition of Chrysler, both **(1) a major company of automobiles in America major American automobile companies**, told the world that the financial crisis is yet to continue, rather, get worse. **(2) Now**, the ripple of this economic crisis is spreading out to the world; and to the letter, became the "Global Financial Crisis". In this essay, the author makes **a** reference to the causes and the on going effects of the global financial crisis.

How did this financial crisis begin in the first place? The causes are many, but the direct and the immediate cause of the crisis lies in the subprime loan system in America. **A** subprime loan is, "**a A** type of loan that is offered at a rate above prime to individuals who do not qualify for prime rate loans" ("Subprime Loan"). In other words, it is a loan, mainly a housing loan in this case, **lend lent** to people who have **(3) a** lower credit **rating**, **and (4)** thus have a reasonable chance of defaulting their repayment. **Thereof Therefore**, the interest rate is usually set higher than the other loans. At first, many people are attracted by the low interest of the subprime loan, but later suffer from gradually risen interest; which is a distinctive characteristic of **a** subprime loan.

The subprime loan system first prevailed in the mortgage market in America in the

U.S. Subprime Lending Expanded Significantly 2004-2006



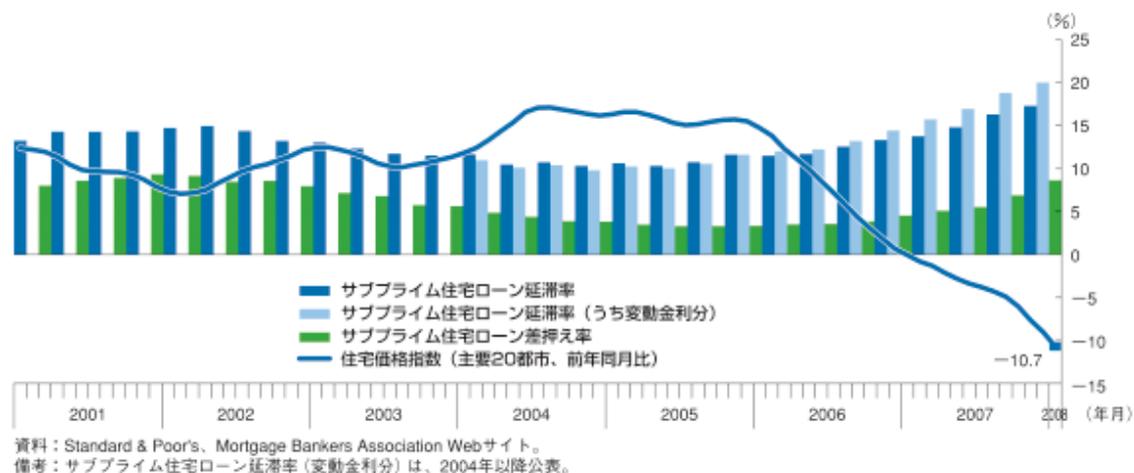
Sources: U.S. Census Bureau; Harvard University- State of the Nation's Housing Report 2008

early 1990s (Danis, Pennington, par.2).

The rate started to decrease at the end of the century, but again showed a remarkable growth in 2003, right in the middle of a housing bubble. It was a time when the housing price (5) has had been constantly

increasing. As the housing price increased, the American civilians began to have difficulty purchasing a house and could also expect to gain a profit from the risen price;. (6) Then, this lead to subprime loan became common among American people. The graph (above) by the U.S. Consensus Bureau shows that the share of the subprime loan more than doubled through 2003 to 2004, and was over 20% in 2006.

Subprime loans was were originally made for people with a lower credit rating; thus, the rate of delinquency is(2) was usually about 10%, which is 5 times larger than other housing loans (Ono, par 3). The graph below shows the rate of delinquency by subprime loan borrowers. Through 2004 to 2005, the rate stays stayed around 13%; however, it starts started to increase dramatically as the interest rise rose and when as the housing bubble busted at last around 2006. As the rate of delinquency increased, the financial institutions that were accommodating the subprime lenders began to hold back their money. Moreover, the housing bubble burst caused a sudden drop of housing price. Once the housing price began to decline, refinance became ever more difficult, and the rate of delinquency soared. Thus, the subprime lenders, and not to mention its borrowers, were met with financial crisis. The bankruptcy of New Century Financial, one of the largest subprime lending institutions in America, is its symbol (Stempel, par.1)



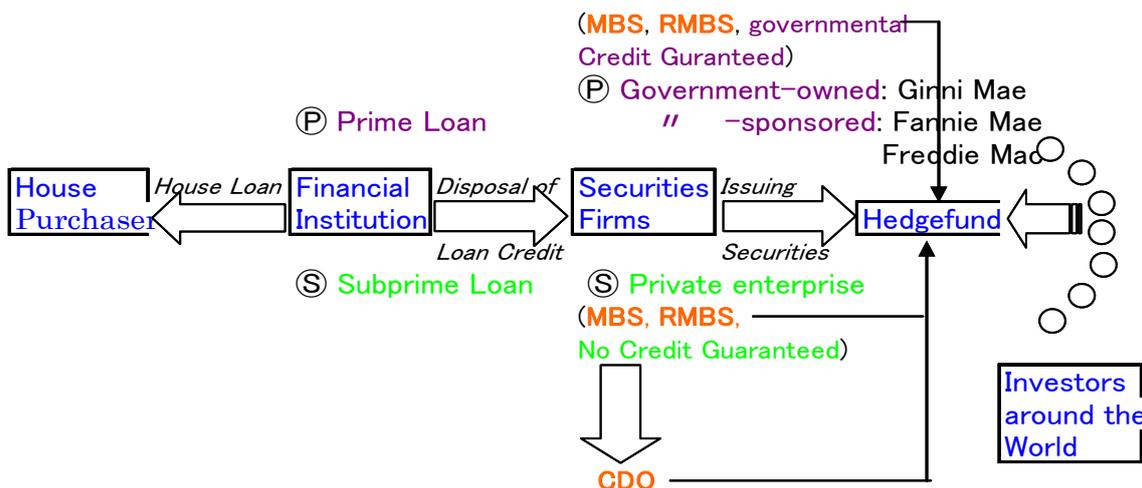
Dark blue: The rate of delinquency in subprime housing loan

Light blue: The rate of delinquency in subprime housing loan (including interest)

Green: The rate of attachment in subprime housing loan

Blue line: The housing price index

(7) It **was would have been** better, if the financial crisis **had** stayed within America; however, because of the system that subprime lending has taken, it became a “global financial crisis”. Subprime lending is a security backed system, and its system is scattered around the world so that risk can also be dispersed. The diagram below roughly explains the how housing loans are securitized in America, and how it involved the financial circles of the globe. As can



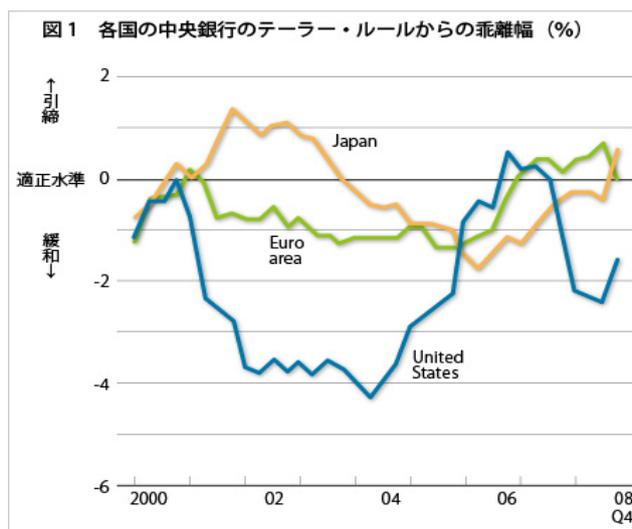
Notes: MBS = Mortgage-Backed Security, RMBS = Residential Mortgage-Backed Security
 CDO = Collateralized Debt Obligation
 Source: KOKUSAI Asset Management Co., Ltd.

be seen in the diagram, loan credits are sold to security firms. Then, the security firms issue securities like MBS, RMBS, or CDO, which are bought by the hedge funds; where,

the securities are,; furthermore, are bought by the investors around the world. Each actor is connected, and if one of them fail; then, others also will, like a chain reaction. In fact, after the financial institutions faced the crisis; security firms; for example, Ginni Mae, Fannie Mae, Freddie Mac, Bear Stearns,(8) all a major security firms in America, fell in to a slump one after another. This, The Divergence from the Nominal Level of Interest rate

not to mention, the spread to the hedge funds and investors,; as a result, became a “global financial crisis”.

We can now see how the subprime loan system had caused the global financial crisis; but it is also important that we look into “the cause of the cause”. In other words, we have to search for indirect causes. The reason why subprime loans excessively increased is because the housing price soared; that is to say, the housing bubble. Then, why had housing price made a sudden upturn? What was the cause of the housing bubble?



Notes: The graph is based on Taylor rule, downward: Cutting interest, upward: Raising interest
 Source: “Global Economic Policies and Prospects”

One of the reasons goes all the way back to the September 11 Attacks. Because of September 11 Attacks, America fell into a chaos. In the destroyed World Trade Center, there were many financial institutions, and its amount of damage was inestimable. Thus, the then Chairman of the Federal Reserve Board, Alan Greenspan, tried to keep the financial order by greatly cutting the interests interest rates. We can see from the graph above how much America was cutting cut their interests interest rates. This policy, first justified by many, now is said to be the hotbed of the housing bubble (Suzuki, par.3).

The Second reason is the excessive inflow of money to America. At a time when America started Iraq War, the worldwide flow of money was concentrated in particular countries; the oil producing countries and BRICs (Brazil, Russia, India, and China). When the war started on 19 March, 2003, Iraq, a country with the second largest oil reserves in the world, were forced to cease its oil exporting. Thus, the OPEC (Organization of Petroleum Exporting Countries) started to control the price of the oil. As a result, the oil price globally increased, bringing excessive profits into oil producing

countries. In addition, BRICs, making a rapid economic growth, increased their amount of foreign reserves (Tamura par. 2). These this surplus money intensively flowed into America including and its housing market; a natural result to a country with the largest economic market and in a the middle of war. This formed the structure of the housing bubble.

When Saddam Hussein, the former president of Iraq, was executed on 30 December 2006, and when others, becoming tired of lingering war, saw this event as a sign of political stability to come in Iraq, the money that was overflowing in America suddenly turned outward. The money started to move to countries with higher interest rates than America, causing the American dollars to rapidly fall (Tamura par. 3). The result was what the author has been explaining up until now; the housing bubble burst, collapse of subprime loan system, and the subprime loan system collapsed leading to the global financial crisis.

The effect of global financial crisis is emerging everywhere. (9) For the financial institutions were the targets of the shock, companies of any with many sections have also been effected. The global financial crisis has caused the world economic market to contract, decreasing the number of jobs and increasing the rate of unemployment around the world.

According to the report by Business Labor Trend 2009, in America, the epicenter of financial crisis, almost all the companies has been conducting an extensive personnel reduction, and its rate of unemployment has reached to 6.5% which (10) is the highest in 14 years (“The Global Financial Crisis” par. 1). The rate of unemployment has also been increasing in Europe and Asia. (11) Britain, and Germany, has have been hit by negative growth, and Korea and France has have been conducting a tax reduction to help the citizens (“The Global Financial Crisis” par 10.). In Greece, the rate of unemployment is high among the youth and is about 21% for under age 25, causing the riot to break out (“Riots in Greek Continue” par. 5). Japan has also been experiencing a difficult time in financial aspect terms. The rate of employment has increased from 3.8% to 4.4% in 2009. Furthermore, many young people who had supposedly have finished their job hunting, are having their job offer withdrawn by the once accepted companies that once accepted them. (12) According to the report by Japanese Ministry of Health, Labour and Welfare, a total of 2125 university or high school students had their job offer taken away (“Withdrawal of Job Offer” par. 1).

In conclusion, global financial crisis was the result of the collapsing subprime loan system in America; however, this was only an immediate cause of the crisis. There were other causes, though (13) indirectly but important, that caused the global financial

crisis: the domestic financial policy in America just after September 11 Attacks and excessive inflow of world's money to America. Now, the world is together facing similar problems such as decreasing number of jobs and increasing rate of unemployment:(14) both a problems that must be solved to make our future brighter.

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Again, this was a great attempt to explain a difficult concept and you've done very well to make it largely understandable. The organization is very good and the support is relevant. You used good examples from a range of sources and in a range of styles to effectively illustrate your main points. You've also used some good vocabulary to express your views. This essay is not without problems, however. Things for you to focus on are punctuation and connecting your sentence clauses. There were a large number of punctuation mistakes especially with semi colons, and a lot of errors with connecting words (thus, as a result, furthermore, and then) which made the meaning a little hard to follow in places. Please take a look at the following text book sections: Chapter 10 about types of sentences has information on this point. Please check pages 216 – 221 about reason clauses etc. Please check appendix B starting on page 280 also refer to parts about punctuating direct quotes on page 45. Also, appendix C starting on page 291 has information about punctuation of connecting words and examples so please check through that section too.

Below are the points I've picked up from your essay.

1. This is a problem of word order where adjectives need to be listed in a certain order when several are put before a noun.
2. **Now**, the ripple of this economic crisis **is spreading** out to the world; and to the letter, **became** the “Global Financial Crisis”. Tenses before and after and need to be the same unless separated by a time subordinator that changes the tense. The correct sentence is Now, the ripple of this economic crisis **has spread** out to the world; and to the letter, **has become** the “Global Financial Crisis”. Please refer to the chapter on parallelism starting on page 179.
3. a lower credit rating is the correct term for this situation.
4. Please look at the text section starting on page 291 to clarify the use of **thus**.
5. “Has been rising” would refer to something that is still rising but you were

referring to a specific time in the past, so you need to use “had been rising”

6. Then is a special case and is never followed by a comma, it is also never used with a semi colon and comma (;then,) correct forms are as follows: .Then... ;then...

, and then... This was often misused and you can see correct usage on page

7. Here you have used the wrong type of if sentence, you need to use the type used for “unreal past situations” please reference a grammar book for clarification of this or look at page 225 on conditional clauses.

8. This mistake you also made in a few places where you referred to both or all of something then used a singular noun after it.

Ginni Mae, Fannie Mae, Freddie Mac, Bear Stearns, **all a** major security firm.

both a major company

9. Sorry, I couldn't really understand what you meant here.

10. This mistake also appeared a couple of times. Don't forget to use **the** when using superlative adjectives eg **the** best, **the** biggest, **the** fastest, etc

11. I think you just overlooked this mistake as you used this correctly later. When the list contains only two items, just connect them with **and** and no comma

12. Again you've used **according to** a couple of times and it's better to vary them please refer to page 43 for some more examples.

13. This is the same type of error as number 2. Please check the part of the text about parallelism in the text book, page 179.

Aside from these mistakes this was a great effort so don't be disheartened. You're writing is good and you have a lot of great potential to become a great writer. Once you've ironed out these minor problems you're writing will be much improved. Also, I

think that some of these mistakes have come from you trying newly studied textbook sections. This is a great sign as it means that you're trying to put into practice new information, and, as always with any new concept, leads to errors. Once you've overcome them however you'll be a much better writer for it. Well done, and keep up the good work!!