ARTICLE REVIEW

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Europe's Debt Crisis, the Free Market Verses the Total State

SUMMARY

The article entitled Europe's debt crisis, the free market verses the total state was published in the Market Oracle Magazine. The author faulted Europe's relationship with the banking industry. The article further criticized weak financial management laws in most European states. According to the article, most European banks owed foreign banks vast sums of money. This scenario depicted Europe as a continent that was on the brink of financial collapse. The article pegs the current euro zone financial crisis the issues highlighted.

REVIEW

The article mainly focused on the perpetual faults that have existed in the euro-zone since the beginning of the 19th century. Banks in most European countries operate on weak laws. There is no strict legislation governing long term debt and lease financing. According to the author, Europe main financial problems are founded in the 1990 European treaty. The author seems to believe that the euro-zone crisis can be mitigated through amending the treaties concerned with time value of money in the euro-zone. The other solution would be to consolidate the euro zone into an amorphous one state and enact legislation to allow the European central bank monitor activities of capital markets and investment banking in the euro-zone.

The article's views in regard to the euro-zone crisis are valid in my opinion. The current financial crisis being witnessed in most European countries came as a result of expanding government debts. Just as the author pointed

out, most governments haphazardly borrowed from the financial sector. Furthermore, most euro-zone governments invested in projects that could not generate resources instantly. This situation made most countries in the European Union unable to repay their debts. Greece is a classic case; the country was plunged into serious dept that made it unable to finance its recurrent expenditure. The author lists the issue of trade imbalances within the European Union as the other factor that contributed to the current financial crisis in Europe. Indeed the question of trade imbalances need to be dealt with conclusively if Europe wants to attain economic superiority. Trade imbalances coupled by stiff financial policies disadvantaged some countries within the European Union. This issue exposed countries like Greece, Portugal and Ireland to debts.

The euro zone crisis is majorly caused by other external factors and not just internal problems as suggested by the article. Most countries in the world are facing economic hardships occasioned by high fuel cost and poor economic conditions. Although, Europe need to collapse into one state in order to benefit from economies of scale, most economies in the euro zone are fundamentally sound. The other factor that has contributed to the European financial crisis is suspicion among member countries. Most countries have not fully liberalized their markets because of the fear of losing sovereignty. There is a lot of suspicion among member countries. The current crisis has left many people without jobs and the means to make a living. Greece, for instance, retrenched many people in order to boost economic growth.

WALL STREET COOLS THE GROUPON

Wall Street cools the Groupon is an article in the wall street journal. The article explains how underwriters in a company called Groupon initiated coverage in the companies' initial public offer. Such actions had an impact on the

company's valuation and rates of return. The article castigates journalist who creates hypes about companies poised to issue initial public offers with the aim of influencing buyer decisions. Such actions are against dividend policy and retained earnings as stipulated in the capital markets act. The article further criticizes Gold Man Sachs for trying to fix the company's share index. Ordinarily, shares are supposed to regulate spontaneously.

REVIEW

The above article relates to business in many aspects. The first business aspect in the article is the question of companies using the media to sway public opinion. In the current, competitive world, businesses are out looking for every means possible to out do each other. The article explains how unscrupulous businesses use the media to disseminate false information about their balance of payments. In most cases, companies that intent to launch an initial public offer exaggerate their profit margins to attract many investors. After their listing, it later turns out that the company's profit levels are not as strong as earlier thought. It becomes difficult for people to plough back profits.

Most journalists and media houses in the United States openly popularize companies that intent to issue initial public offers with the aim of influencing investors' decisions. The article gives an example of Groupon, a company that was given positive coverage by the media prior to its launch on Wall Street. The fair media coverage was meant to give the company undue advantage in the market. Authors of the article reckon that the practice is rampant in many economies especially in competitive industries like banking. According to the article, companies need to honest about their financial positions. Companies intending to cross list must pass relevant information to investors to ensure that every person partners with the company in good

faith. The article urges Wall Street to impose strict conditions on companies that use the media to influence investor decisions.

I have a different opinion in relation to the article’s point of view. Investors ought to be cautious when buying into companies stokes. People need to carry out careful analysis before making final decisions. This means that one must not just base on media reports. Media houses have vested interests in their reporting. This means that one must examine the financial status of the company he wants to partner with before drawing conclusions. Media reports need to be analyzed critically by any person intending to buy stocks in a company. Investors often have cross cutting interests and, therefore, one needs to make a careful analysis before investing in a company. I submit that the author needed to have been objective on this issue because it hurts the public, unlike the private sector.

Most people have incurred phenomenal losses as a result of investing in stocks whose shares were exaggerated. Instead, of focusing on the role of the media, the article needed to have offered advice to unsuspecting investors. The media exist as a business entity and; therefore, it should not be blamed when people are misinformed on certain issues. The author should have directed his anger at the public for lack of foresight. However, this should not be construed to mean that the media operates without guidelines. The media, just like any other institution operates within established legal frameworks. Any media house that propagates false information about a certain enterprise must be firmly dealt in accordance with media law. Irresponsible media actions have caused many people jobs and other valuables. Customers and investors in general have suffered in many ways because of lack of openness. There have been incidences where customers have lost billions of dollars through investing in companies whose values have been exaggerated.