Documentary film,‘Meltdown’ and readings:“How a Perfect Storm led to the Financial Crisis” and “The Housing Market Crash of 2007”

Tuesday, April 17, 2018

In-class group assignment Econ 1101

Prof. S. MacDonald

**“Meltdown” episode 1 (20 min.):** [**https://www.youtube.com/watch?v=0yZ5mjbB11I**](https://www.youtube.com/watch?v=0yZ5mjbB11I)

 **Episode 2 (18 min.)** [**https://www.youtube.com/watch?v=QVU2jUFb3Q8**](https://www.youtube.com/watch?v=QVU2jUFb3Q8)

**I. While viewing the first part of the film, briefly answer the following:**

1. What were some of the consequences of the 2008 financial collapse?
2. What was the Financial Crisis Inquiry Commission? What did the commission investigate in 2009?
3. Why were lenders not so concerned about whether borrowers could repay their mortgages?
4. Who had the authority to regulate subprime lending?
5. What were the public views of lenders about the subprime mortgages they were offering? What were their private beliefs about those loans?
6. Why were the mortgages that were repackaged and sold as securities (investments) toxic?
7. How did the lack of regulation in the U.S. and Britain factor into the financial crisis?

**II. Following the film and discussion, the in-class group assignment will address the following questions.**

1. What were the public views of lenders about the subprime mortgages they were offering? What were their private beliefs about those loans?
2. Explain why risky lending lead to a credit crisis. What characterized many of the mortgage loans made to borrowers during the housing bubble.
3. Why did government funds need to be funneled to banks as the crisis unfolded and more banks failed?
4. Explain the circumstances that led to the big banks having to be “bailed out”. Why did Federal Reserve chair Bernanke and Treasury Secretary Paulson argue that it was urgent that government allocate $700 B to the biggest banks in fall 2008?
5. Were these actions necessary to prevent an economic collapse? Clearly explain your reasoning.