

Activities/Critical Thinking Questions/Research Suggestions

The Global Economy: Connecting the Roots of a Holistic System

Dr. Denise R. Ames, Center for Global Awareness

Chapter 8. The Financial Sector: Crisis and Its Aftermath

Section 8.1 Introduction

1. John Maynard Keynes
 - a. Compile a list of famous John Maynard Keynes quotes.
 - b. Do you think John Maynard Keynes still has relevance today? Explain.

Section 8.2 Patterns of Financial Crises

1. Transforming
 - a. Do you feel that the global economy needs transforming, or is fine that way it is?
 - b. Jot down some answers to this question; share your answers with the group, with the class.
 - c. Keep your answers to this question and compare with your answer at the end of this book.
2. Black Swans and White Swans
 - a. Think of some black swan events in your everyday life.
 - b. What makes them black swan events?
 - c. What would make them white swan events?

Section 8.3 Financial Crises

1. Tulip Mania
 - a. Conduct more research on Tulip Mania in the 1600s.
 - b. Create your own reenactment of the Dutch Tulip Mania in your classroom. Have a more contemporary twist to the mania, such as a run-up in prices of your favorite phone or game.
 - c. Make sure all the parts of the setting that lead to the mania are in place.
 - d. What happens at the end of the mania?
 - e. Why do you think people get so caught up in this type of mania?
2. The Roaring 1920s and the Stock Market Crash of 1929
 - a. If you were Secretary of the Treasury Andrew Mellon, what policies would you have tried to enact when the stock market crashed in 1929 and the country was headed towards a depression.
 - b. What was the government's response to the crash and following depression? Is this a similar response by the government today?
3. Dot-Com Bubble
 - a. Conduct some research to find some of the companies that were formed and then went out of business during the Dot-Com Bubble.
 - b. Conduct some research to find some companies that were formed during this period and have continued in business to the present.
 - c. In your estimation, what was/is the difference between the companies that survived and failed?

4. Japan's Asset Price Bubble (1980s onward)

- Conduct additional research and create a comparison chart showing the strengths and weaknesses of the Japanese and U.S. (Western) economic models.
- Which model do you think should be adopted in your country?
- Devise a model that depicts the strengths of both models.
- Conduct research to find out the lingering effects of the 1980's problems in the Japanese economy today.
- Conduct research to find out the plight of young people in Japanese society today.

5. The East Asian Financial Crisis of 1997-98

- Make a diagram or mind map of the different events and how they connected in the East Asian Financial Crisis of 1997-1998.

6. Ten Patterns

- Identify the 10 patterns found in each of the financial crises described in the book.
- Could any of these financial crises been avoided? How?

Section 8.4 Financial Crises of 2007-2008

1. The Fall of Lehman Brothers

- What is the most interesting part of the rise of the Lehman Brothers story to you? Explain.
- Why do you think the firm was so successful prior to its collapse?
- Can you write about similar stories? (you may have to do some research)
- What was it about Dick Fuld's personality that contributed to the collapse of Lehman Brothers?
- How would you evaluate the role the government played in trying to avert the disastrous consequences of the collapse of Lehman Brothers?
- If you were Hank Paulson, Secretary of the Treasury, would you have done things differently?
- If you were Dick Fuld, how would you have handled the impending collapse of Lehman Brothers?

2. Finance: The Circulatory System

- Write a story about the financial system and use a metaphor (beside the circulatory system) to describe the situation around the time of 2007-2009.

3. The Financial Crisis: Setting the Stage

- What does the quote by CEO Sandy Weill of Citigroup in 2007 say about the philosophy of those running the Wall Street financial sector?
- What was their philosophy?
- Do you think this philosophy contributed to the financial crisis? Explain using evidence.
- What philosophy do you think would be better for Wall Street players to follow?

4. Ameriquest

- Research to find other stories about scandals such as Ameriquest's leading up to the financial crisis.
- What is your reaction to these stories?
- What would you do if you were Slickdaddy G shoes?
- Has your attitudes towards those involved in the financial disaster changed after reading the story about Ameriquest? Describe your feelings.

5. Events of the 2008 Financial Crisis

- If you were President George W. Bush what would you have done on July 30, 2008 about the failing Fannie Mae and Freddie Mac?

b. If you were Secretary of the Treasury Hank Paulson, what would you have done at the September 13, 2008 meeting at the Federal Reserve in Lower Manhattan?

6. Six Developments

- How would you have felt or how did you feel (if you are old enough to remember) about all the developments and catastrophes happening at once during the period around 2008?
- Interview people and see how they felt.
- How did these developments affect Main Street? Wall Street?
- If you were a congress person during the financial crisis of 2008 and were asked to vote on the TARP bill, how would you have voted? How would you explain your vote to your constituencies?
- Have a debate about the merits of the TARP bill.

7. Insights: The 2008 Financial Crisis

- Do you think the financial crisis of 2007-2008 was a black swan or white swan event? Explain.
- What was the attitude of Wall Street financiers as the crisis unwound?
 - Did your attitude towards Wall Street change after reading about the Wall Street financiers?
 - What are your feelings about their attitude and actions?

Section 8.5 The Aftermath of the 2008 Financial Crisis

1. The New Normal: The 5 Rs

- Why haven't our political leaders been able to solve the problems we face?
- Do you think they are capable of solving critical problems?
- What stymies their ability to solve problems?
- If you were a political leader today, how would you solve these problems?
- Where will solutions come from?
- Can you add or subtract from the 5Rs mentioned in your book. What would you change?

2. Response #1. Revolution

- Update the problems that Greece faces.
- What solution do you propose for Greece's problems?
- If you were a person living in Greece, how would you respond to its mounting problems?
- Conduct research to find other countries that are facing widespread problems, turmoil, and possible or actual revolution.
 - What are they attempting to do to avert disaster?

3. Response #2. Restore

- Conduct research to find out why people react as they do when they face an unknown future.
- If you were political candidate following a "restore" agenda, what would be some of the things you would want to restore?

4. Response #3. Reaction

- Do you think reactionary policies are the right approach to solving global economic problems?
- Make a chart to compare the benefits and drawbacks of reactionary policies.
- If you were a politician, what part of the reactionary agenda would you support and try to implement? Explain.
- If you were a working class person, would you support the reactionary agenda? Explain.

5. Response #4. Reform

- How can reformers institute changes in the economy when confronted with obstacles described in the book?
 - Conduct research to find other obstacles that thwart reform.

- b. If you were a politician, what part of the reform agenda would you support and try to implement? Explain.
- c. What politicians in your country are trying to carry out a reform agenda? Do you agree with their positions?
6. Response #5. Rebuild
- a. What do you think should be the mix in a mixed economy?
- b. What do you think should be the 5 rebuilding actions? (Rank them in order of importance or disagree with them.)
7. Response #5. Rebuild -- #1 Emphasizing the Small and Local
- a. Find out examples and visit businesses or organizations in your community that are emphasizing a small and local economy.
- b. Do you or your family give your business to these groups? Why or why not?
8. Response #5. Rebuild -- #2 Challenging the Consumer Growth Model
- a. Find out examples and visit worker owned businesses in your community.
- b. Find out examples and visit the site of social enterprises in your community.
- c. Conduct research to find how many different kinds of democratized ownership are located in your community.
1. Visit these enterprises.
- d. Conduct interviews of the people involved in the business. Perhaps you can volunteer.
- e. Start a Facebook or other social media platform to show how many forms of democratized ownership are located in your community.
9. Response #5. Rebuild -- #3 Renewing Public Ownership
- a. Conduct research to find out what publicly-owned enterprises are located in your community. Are they well-run and cost effective?
- b. Conduct research to find some of the state-owned corporations throughout the world.
1. Make a list according to countries.
 2. How does your country compare in public ownership to others on the list?
10. Response #5. Rebuild -- #4 Healing our Planet
- a. In order to heal the planet, do you think we need a new civilizational paradigm that author Naomi Klein talks about in the book?
- b. Write a story, poem, paint a picture, make a collage, draw a cartoon, or put together a slide presentation to describe what you think this new paradigm should be like.
11. Response #5. Rebuild -- #5 Changing to Shared Values
- a. What do you think your country's core values are?
- b. What kind of values do you think are necessary to rebuild the economy?
- c. Make a comparison chart to show your findings on values.
12. Concluding Insights: The Aftermath of the 2008 Financial Crisis
- a. What do you think about the rebuild ideas the author presented in this short section?
- b. Do you think they are a viable alternative to neoliberalism?
- c. What other rebuild ideas would you include?
- d. Write a story or other creative activity about what you think are the choices we need to make if we are to heed the call of the planet.
- e. Did your attitude about having hope for the future change after you read this rebuild section? Explain.
13. Transforming the Global Economy (from chapter 1)
- a. Do you feel that the global economy needs transforming, or is it fine the way it is?

1. Look up your answer/s to the question from Chapter 1.
2. Did you add to the list of ways in which the global economy needs transforming. If so, what did you add? If not, do you think things are fine the way they are?
3. Did your attitude about the global economy change or remain the same after reading and studying this book?
4. Elaborate on your response and share with others.