ECO3223 Notes

4/1/10

Announcements:

1. Exams have been graded and the average was a 68.

2. 30 people got above a 70

3. She is waiting to put up the grades because she said a curve is not out of the question.

4. Someone got a 100% and someone else got a 99% so we will see if she curves the test.

5. She mentioned that it may be people are not putting in enough effort

She took questions from the class about why we thought the test was so hard and people said things like:

1. The test came at a bad time when they had multiple tests from other classes.

2. There were too many chapters covered, the test covered 7 chapters

Chapter 9: FINANCIAL CRISIS & THE SUBPRIME MORTGAGE MELTDOWN

We have been in the midst of a financial crisis since late 2006

What is a financial crisis?

What causes financial Crisis?

Financial Crisis: sharp declines in asset prices which leads to a major disruption in financial markets

Disruption in financial markets is the inability of financial markets to link savers with borrowers, i.e. the flow of credit which causes a slowdown in output, increase in unemployment and sometimes even deflation

Recession: no official definition but 2 successive quarters of declining GDP growth is the convention

Recessions and Financial crisis are NOT the same

You can have a recession without a financial crisis

If you have a financial crisis you will always have a recession as a result

Financial crisis are also characterized by financial institution insolvency

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