Politics and Globalization- October 27th

Home Buyers and Banks

-Homebuyers get loan to buy house (called a mortgage)

-Even half a million will not get you a very nice home

-Bank normally considers the expected payback capacity and whether or not its worth the risk to lend ya moneys

More loans, more risky loans

-Banks looking for more customers

-Factors towards loaning

* Credit check
* Income of homebuyers
* Price of house Expected ability to repay

Changes in US gov policy (relaxation towards lending laws)

-Fanny Mae and Freddy Mac gave out more risky loans

-Private bank loans and teaser rates (bs prices to reel you in): sub-prime lending

-“For first two years you won’t pay any interest on your home” YAY? NAY

-“PREDATORY LENDING”

Most complicated part of crisis-Banks relations

-Mortgage backed security (MBS): Have values that correspond to all the mortgages that the loan has given to homebuyers

-MBS then sold to other banks🡪I’ll give you the security and in a certain time slot you will pay me back

-Banks kept selling MBSs to other banks

Effects on the rest of society and the economy

Banks play several roles

-Loans to small businesses -Student loans

-Loans to contractors -Car loans

**When homebuyers can’t pay back BANK 1, Bank 1 can’t pay back BANK 2, 3, 4…N**

**Ripple effect and cascade of bankruptcies**

Bailout of banks by US governments

-You cannot afford to let large ass banks to go bankrupt, 40% of money lent disappears

-“Too big to fail” except for Lehman Brothers ayy lmao

-Stopping the cascade of bankruptcies

-Other major banks bailed out

* Troubled Assests Recovery Program (TARP)
* Money from taxpayers given to banks
* Money borrowed by US government given to banks
* Allowing banks to resume lending

-WTF M8, banks that were given loans used their loan money to buy out other banks

**Bailout of US car companies by US and Canadian governments**

-General motors, Chrysler, Ford

-A separate problem…made worse by the crisis

- Nobody wanted to buy the gas-guzzling big cars

-Job losses, pay and benefits cuts for workers

-Gave murican car companies billions to boost

**Economic Stimulus: Restarting the economy**

-Banks and car companies survive, but consumers ain’t spending

-Government spending makes up for lack of spending

-Until private spending resumes

**Meanwhile wtf.**

-Banks and car companies profits highest ever, surviving banks buy failing ones

-Salaries and bonuses for executives highest ever

-Stimulus $=borrowed money= gov. debt

* Must cut spending to pay back debt
* Reduce burdens on business
* People mad af

**The occupy movement**

-Origin: Adbusters Magazine “We are the 99%”

🡪The many are sacrificed for mistakes of the wealthy

-The limitations

* Illusion of being one united group
* The 99% are very diverse Not one alternative set of policies

Conclusion:

Global Trade

* Inclusion in the global economy is a way to find markets for a country’s companies’ products
* Inclusion in the global economy is a way to obtain products not made in one’s country
* A mixed bag at best

Global Finance

* Inclusion in the global economy is a way to find places to invest
* Inclusion in the global economy is a way to obtain investment from outside

**Poverty and Development Oct 27**

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