

Economics 204, Intermediate Political Economy, Fall 2022
Homework Assignment #14
Due by 1:00pm on October 20

MACROECONOMICS FROM PE PERSPECTIVE

Required Readings: 1) Cassidy, John "The Lure of Real Estate", Ch 18 in "How Markets Fail, Moodle
2) Cassidy, John "The Subprime Chain", Ch 19 in "How Markets Fail, Moodle
3) Bowles et.al. Chapter 18

Write a one-page (typed, 1.5-spaced) essay on the developments in the "Real Estate Market" (as is described in these two chapters by Cassidy and the chapter by Bowles et. al.) and how these developments might have created the fragile financial environment which eventually led to the great recession of 2007. Please read the following note.

Note: Your next assignment (#15), which is based on the same readings, will be on the **wrong incentives** that helped drive the financial market to the brink in 2007-2009, precipitating the crisis. Thus, this assignment should focus on the developments other than the **wrong incentives**.