Bankers, Brokers, Bubbles & Bailouts

The Causes & Consequences of the Financial Crisis

Trainer's Guide

United for a Fair Economy

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The Causes & Consequences of the Financial Crisis

Workshop Goals:

- To describe the impact of the economic crisis on our jobs, families, and communities.
- To explore the roots of the economic crisis.
- To review the trends and events that created the housing bubble and the financial meltdown.
- To name specific policy and rule changes for an economic recovery that is sustainable and just.
- To identify strategies that will help build a broad-based, inclusive, democratic social movement to create a more equitable economy.

AGENDA OUTLINE

1. **Introduction**
2. **Warm-up: Signs of the Times**
3. **The Roots of the Economic Crisis**
4. **Bankers and Brokers: The Rise of the Casino Economy**
5. **Bubbles and Bailouts: The Housing Market & the Consequences of Market Fundamentalism**
6. **Building a Movement for Social & Economic Justice**

UFE’s Popular Education Approach to Training

We strive to make our approach to training as consistent as possible with the principles and practices of Popular Education.

Popular education:

- Draws on the experience of learners
- Poses problems to encourage dialogue and reflection
- Stimulates action

Unlike the “banking” approach to education where the teacher/expert “deposits” information into the “empty head” of the student, popular education takes the pressure off the trainer to be an all-knowing “expert” and instead emphasizes facilitating dialogue and a more experiential approach to learning.

Challenge by Choice: Recognizing that people learn in diverse ways, this workshop strives to provide a variety of learning activities. Some of these methods may be quite challenging and may require participants to move out of their comfort zone. While we challenge people to engage as fully as possible, we also recognize that the choice of how to participate remains theirs.

> There is more information in this guide than can be presented in one hour. Your challenge is to choose the activities and materials you think will most powerfully communicate the essence of the situation with a particular group of participants. It is not the flood of information that is most significant, but what meaning the learners make of it and and how they can incorporate the ideas and concepts into action.

Bankers, Brokers, Bubbles and Bailouts

The Causes & Consequences of the Financial Crisis

Agenda

I. Workshop Introduction (10 minutes)

Facilitator's Goals:

- ***Review* the workshop goals & agenda**
- ***Facilitate* introductions among group members**
- ***Identify* participants' connection to the topic and expectations**
- ***Establish* principles of participation**

In the opening activity, the facilitator welcomes the participants, conducts brief introductions, reviews the workshop goals and agenda, and gets a sense of the participants' expectations.

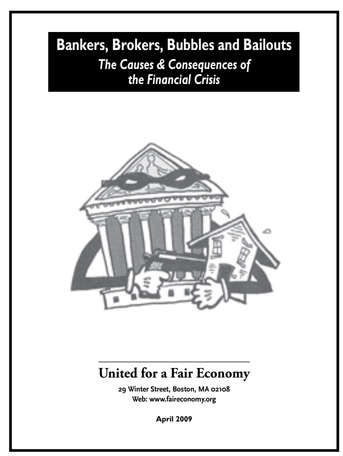
Instructions:

a. Welcome all participants, introduce yourself, and summarize the goals of the workshop:

   - To uncover the causes of the economic crisis: why did this happen?
   - To identify who is to blame.
   - To name responses: what can we do?

b. Review the agenda.

c Review guidelines (see page 6 for a description of the challenge by choice principle).



2. Warm-up: Signs of the Times and a Parable (15 minutes)

Facilitator's Goals:

- ***Engage*** **participants in thinking about the content of the workshop.**
- ***Establish*** **the aim of looking beneath surface events to reveal underlying causes.**

In the warm-up activity, the facilitator engages participants in thinking about the consequences of the economic crisis from the perspective of their own experience. For this activity, the facilitator will need sticky notes and will need to use a white board or make a flip chart with three columns: Jobs/Family/Community.

Instructions:

a. *Signs of the Times* – In small groups or pairs [depending on the amount of time for the workshop and the size of the group], participants are asked to briefly introduce themselves to that partner or the other people in the small group, then name the impacts of the current economic crisis in three areas:
- on their jobs [and/or union, if that is applicable],
- on their family,
- on their communities.

b. The facilitator asks participants to sum up each response on a sticky note and place it on a flip chart in the appropriate category, ***or*** he/she can ask for a sample of responses and write the responses on the flip chart).

Job	Family	Community

Talking Points:

- Through March 2009, a total of 5.1 million jobs have been lost since the recession began in December 2007, and more than 13 million people are receiving unemployment benefits. Moreover, as reported in the *Wall Street Journal* (4/3/09), "When marginally attached and involuntary part-time workers are included, the rate of unemployed or underemployed workers hit 15.6% last month, up from 14.8% in February and more than six percentage points higher than it was one year ago."

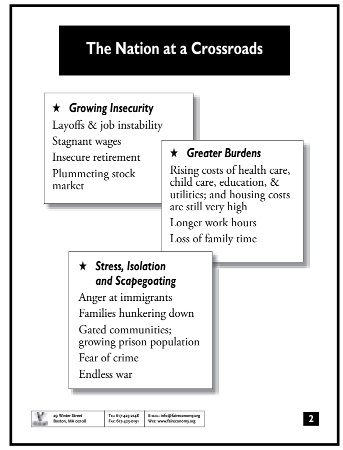
- According to the Federal Reserve (3/12/09), over 19 million Americans work for state and local governments, mostly in education. The pension funds they depend on for their retirement security have lost $108.3 billion, 35 percent of their value, since the meltdown began.

More **Talking Points** on the next page.

Talking Points:

- According to RealtyTrac, a firm that provides research to the real estate industry, in 2006 there were 1.2 million foreclosures in the United States. In 2007 this figure nearly doubled with 2.2 million foreclosures. In 2008, the total number of foreclosers exceeded 3.2 million!

c. The facilitator sums up participants' responses — using *Chart 2: The Nation at a Crosroads* — and indicates that the list they generated will be referenced later in the workshop.



d. *The Parable of the Baby in the River* – The facilitator tells the story below and asks the particiants what they would do if they lived in that village.

> Once upon a time there was a village on the edge of a river. The villagers drew their water from the river each day. One day a villager went to the river bank to draw water and noticed a basket floating by. The villager quickly swam out to the basket and saw that there was a baby in it. He called for help, and the baby was rescued from the swift waters. The following day two baskets with babies were seen floating down the river and they were rescued. And the next day more baskets with babies were discovered and pulled from the river.
>
> The villagers organized themselves quickly, setting up watchtowers and training teams of swimmers who could resist the swift waters and rescue babies. Rescue squads were soon working 24 hours a day. And each day more and more helpless babies were floating down the river. The villagers organized themselves as efficiently as possible. The rescue squads were now snatching many children each day. While not all the babies, could be saved, the villagers felt they were doing what they could to rescue as many as possible. But soon they were overwhelmed by the tasks of saving and taking care of all the babies.
>
> What is this village to do?

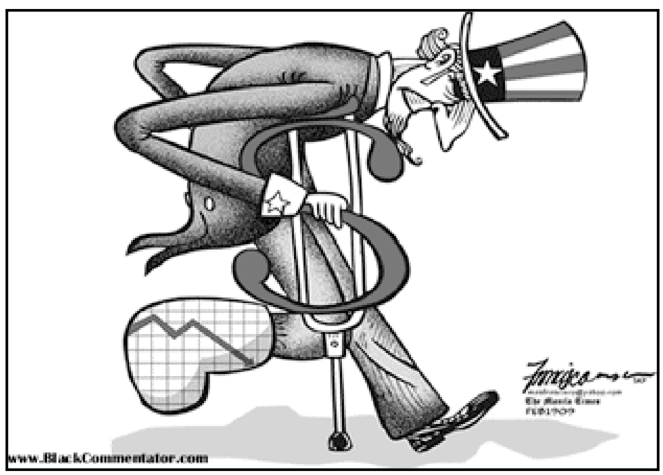
Talking Point:

- Looking up the river to find where the problem is coming from is just plain "common sense." Concentrating on addressing just the symptoms of problems (babies floating down the river, in this story), despite good intentions, hard work, and creative solutions, becomes frustrating and overwhelming. However, that is exactly our response to most of our tough social and economic problems — poverty, unemployment, homelessness, substance abuse, crime, etc. Our humanity compels us to continue to aim at pulling the babies out of the river but unless we get to the roots of the problem we will forever be trying to hold back the tides.

More **Talking Points** on the next page.

Talking Point:

- Similarly, with this economic crisis, much attention is necessarily focused on the symptoms: massive job losses (in March 2009 there were at least 12 million unemployed workers), millions of families losing their homes and millions more facing foreclosure, states facing budget shortfalls totaling $90 billion for 2009, more bank failures than any time since the Great Depression, a decaying infrastructure (transportation, communications, schools, libraries, etc.), rapidly rising costs of food, health care, education, and energy. We need to yank these babies out of the river but we also need to pay very close attention to *why* the things fell apart if we are going to design successul strategies for economic reconstruction.



3. Going up River: The Roots of the Current Economic Crisis (15 minutes)

Facilitator's Goal:

- ***Explore* a framework for understanding the root causes of the current economic crisis: global competition which contributed to a falling rate of profit.**
- ***Examine* the attack on organized labor and on the wages and jobs of most working people, a key response to the pressure of global competition.**

In this section participants first review the relatively comparable growth of wages across the income spectrum after WWII through the 1970s (Income Quintiles). Then participants explore the data in a chart showing the ups and downs of the corporate rate of profit over the last 60 years.

For the Income Quintiles activity, it is helpful to prepare 8.5" x 11" placards for each volunteer participant to hold, identifying the family income range for the respective group (quintile) that they represent (see *Chart 3: Real Family Income Growth, 1947-1979*).

Instructions: a. *Income Quintiles* - The facilitator asks for five volunteers to come to the front of the room and stand should to shoulder. [The facilitator hands each volunteer a placard showing the income range — in pre-tax, year 2006 dollars — of the quintile they represent.]

Talking Point: • Economists often talk about the U.S. population in "quintiles" or "fifths" of the population. They imagine the entire population of the U.S. lined up in order, from the lowest income to the highest. They then divide that line into five equal parts. This activity looks at what happened to family incomes from1947-1979. Later in the workshop we will look at income growth from 1979-2006.

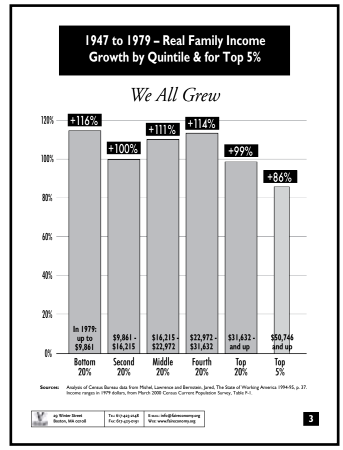
b. The facilitator asks each volunteer, representing a quintile or fifth of the U.S. population, to step forward or back according to whether their income gained or declined. Each step equals a ten percent change, so, for example, two steps forward would indicate an income gain over the time period of 20%. (See table to the right.)

Quintile	Steps	% Change
Lowest	11 1/2 steps forward	116%
Second	10 steps forward	100%
Middle	11 steps forward	111%
Fourth	11 1/2 steps forward	114%
Highest	10 steps forward	99%
Top 5%	8 1/2 steps forward	86%

c. The facilitator then asks for an additional volunteer to represent a portion of the top quintile: the top 5% and directs the volunteer to take steps according to the chart.

Talking Points:

- From 1947 to 1979, family income for each quintile as a whole — from top to bottom — basically doubled. In fact, the greatest increase was experienced by the bottom 20%. And the smallest increase was experienced by the top 5%. In other words, the divide between top and bottom in the U.S. actually narrowed a bit during this period.



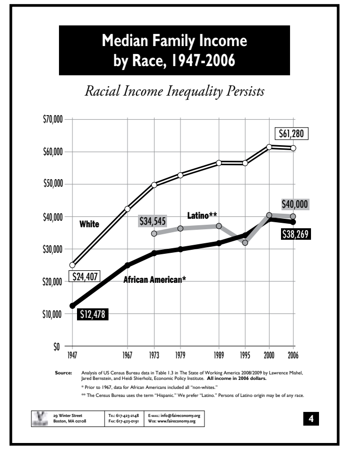
- The U.S. emerged after the end of the Second World War with half the world's output, 60% of its manufacturing, the dollar as the standard exchange currency, and a monopoly of nuclear weapons. At Bretton Woods, NH, the U.S. led negotiations that established the rules and financial institutions that would regulate international trade for the next 25 years. And the U.S. set up the Marshall Plan to aid western European states in rebuilding their economies. Some economists called this the era of "rational capitalism" — an attempt to control the speculation, protectionism, and exploitation that contributed to the Great Depression of the 1930s and the Second World War in the 1940s.

- One of the goals of the government during the early post-war period was to build a middle class. Programs such as the GI Bill of Rights — which allowed hundreds of thousands of returned veterans to go to college and purchase homes — were funded by relatively high taxes on the wealthy (the top tax rate was 88%). However, while the rate of income growth during this period was generally the same across the income spectrum, a significant gap between the incomes of African Americans and white Americans remained wide.

- Throught the 1950s, the U.S. economy experienced high growth. Internationally, U.S hegemony was challenged only by the Soviet bloc, and the Cold War spurred the growth of a "military-industrial complex," In addition, federal support for the rapidly growing auto, steel and construction industries — e.g., building the interstate highway system and financing home ownership through the GI Bill — contributed greatly to the growth of the American middle class.

More **Talking Points** on the next page.

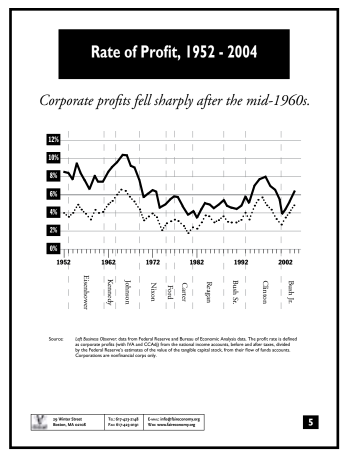
Talking Points:



- The leverage of organized workers was also felt in the implementation of other federal policies. Over $120 billion in housing equity loaned from the late 1940s to the early 1960s helped finance over half of all suburban housing construction in the country during this period. Once again, we need to point out that these programs disproportionally favored white men. For example, the VA and FHA loan programs for housing, both of which utilized racially-restrictive underwriting criteria, assured that less than two percent of the financed housing was lived in by people of color.

- In general, in the immediate post-war period, the industrial sector dominated the economy and maintained a strategy that reinvested much of its profits back into production, as well as tolerating support of a social safety net demanded by labor, through taxation.

d. In small groups or pairs, the facilitator asks participants to look at *Chart 5: The Rate of Profit, 1952-2004*, and to discuss the meaning they draw from the data.



e. The facilitator asks for a sample of responses.

Talking Points:

- In the mid 1960s, competition from the rebuilt economies of Europe and Japan began to challenge the hegemony of the industrial sector in the U.S.

- Because of structural discrimination, disgruntled African American WWII veterans provided impetus to the growing civil rights movement in the 1950s which eventually won hard-fought social, political, and economic reforms in the War on Poverty and Great Society programs in the 1960s and early '70s. Several unions came to grips with their past history of racial discrimination and joined this struggle, forming powerful alliances that challenged the status quo.

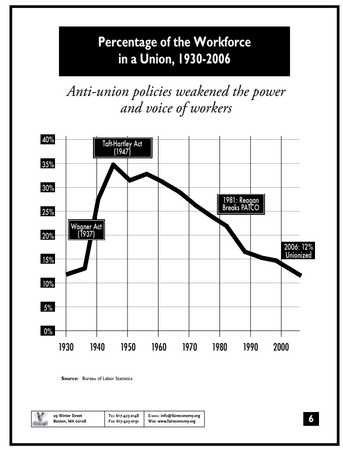
f. The facilitator asks participants to put themselves in the shoes of the corporate CEOs and, in pairs, identify the measures they would take to reduce costs in the face of declining rate of profit.

e. The facilitator asks for a sample of responses.

Talking Points:

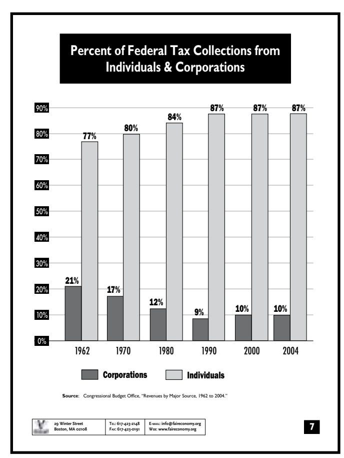
- Gradually, increased attacks on organized labor, withdrawal of support for public entitlements, and engagement in a corporate "race to the bottom" — hallmarks of the Reagan era — replaced the social contract with workers after World War II and the "Great Society" programs of the 1960s.

- Two major ways that corporations sought to cut their costs of production was to reduce the cost of labor and to reduce taxes. To reduce the costs of labor, companies attacked unions, including passing legislation—the Taft-Hartley Act of 1947 and so-called right-to-work statutes—which made it much more difficult for workers to organize. (See *Chart 6: Percentage of the Workforce in a Union, 1930-2006*.) Companies also began to shift production to lower wage and anti-union states and to low-wage countries. Jack Welch, former CEO of General Electric said, "ideally, you'd have every plant on a barge which would go to wherever conditions for business are most favorable."



- Many companies took advantage of the Cold War to launch red-baiting compaigns that often resulted in the removal of some of the most vocal and experienced union leaders.

- Big business also lobbied successfully to reduce their taxes, cutting in half the corporate share of federal tax collections (see *Chart 7: Percent of Tax Collections from Individuals and Corporations*).



- Other strategies included automation, speed up, outsourcing, and diversification, including beginning to expand the financial side of their businesses. A good example is GMAC, the financial arm of General Motors, which provides loans to their car buyers (and in 1985 began selling mortgages to homebuyers).

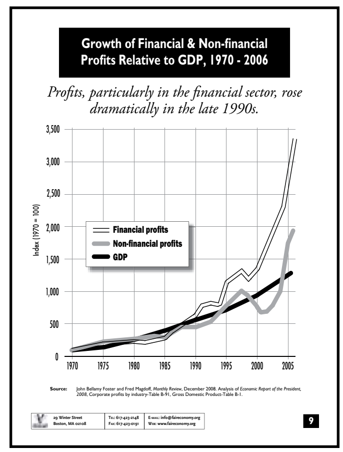
4. Bankers & Brokers: The Rise of the Casino Economy (15 minutes)

Facilitator's Goals:

- ***Describe* the great wealth transfer and the ascendency of the financial sector.**
- ***Review* the ideological justification for Reaganomics, and the myth of the "free"market.**
- ***Explore* what happened to wages as a result of Reagonomics.**

This section looks at the data that describes the rise of the financial sector in scope and power, provides a glimpse into the ideology of Reagonomics through the use of a film clip, and reviews the consequences of these policies for families and workers by returning to the Quintiles activity.

Instructions: a. The facilitator asks participants to look at *Chart #9: Growth of Financial and Non-financial Profits Relative to GDP* and describe what they see.



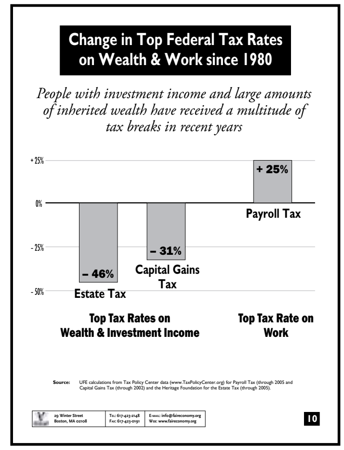
Talking Points:

- Until the mid-1980s, profits in both the financial and non-financial sectors grew in tandem with the Gross Domestic Product (GDP).
- Corporations in the "real" economy — the sector producing and exchanging goods and services actually used by people — faced increasing global competition and slumping growth in the latter part of 1960s and through the 1970s. Corporate managers and investors sought to "leverage" their way out of this problem by expanding debt, stripping "unnecessary" assets, and gaining speculative profits. While the GDP in the U.S. grew from $1 trillion in 1970 to $13.8 trillion in 2007, total debt (government, business—both financial and non-financial—and household) grew from $1.5 trillion in 1970 to $47.7 trillion in 2007!
- Financial sector debt, however, grew at a much faster rate compared to the GDP than did non-financial business debt or household debt. Corporations took on more and more "leveraging" — often investing, actually betting, thirty or more borrowed dollars for every dollar of their own.

More **Talking Points** on the next page.

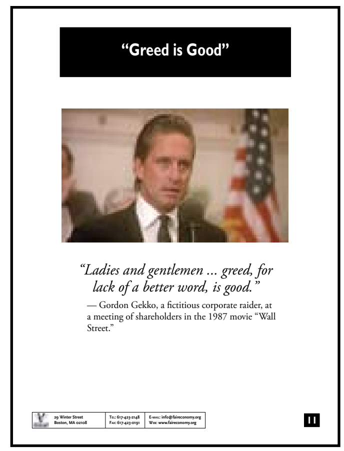
Talking Point:

- Another strategy pursued by corporate managers and big investors was to transfer wealth from both the private and public sectors to themselves, mainly through leveraged investment strategies that stripped assets from the real economy, and significant changes in tax rules (see *Chart 10: Change in Federal Tax Rates on Wealth & Work Since 1980*). While this resulted in massive wealth accumulation at the top, our public infrastructure — everything from schools to bridges to parks to libraries and much more — deteriorated, and our manufacturing base continued to decline.



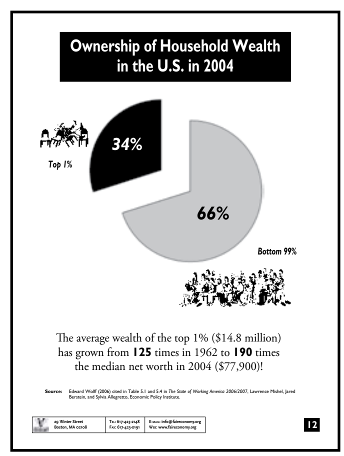
b. The facilitator screens a clip from the film *Wall Street* <http://www.youtube.com/watch?v=5JZp215Bgyk> and asks the participants to comment on Gordon Gecko's statement that "greed is good." How can a statement in support of greed — one of the "seven deadly sins" — be met with such wide acclaim in a nation with a cultural heritage that emphasized equity and fairness?

[If it is not possible to screen this clip from the film, you can describe the scene from the movie and ask participants to look at *Chart 11: Greed is Good*. You can then ask the same question as above.]



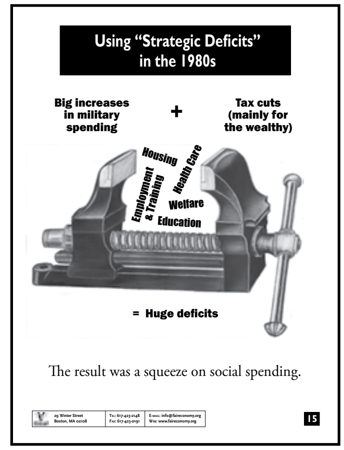
Talking Points:

- In order to implement an economic program that successfully created the greatest concentration of wealth at the top since 1928, several steps needed to be taken. These included establishing think tanks to create an intellectual framework to justify the wealth transfer. A process ensued of defaming government as the provider of public programs, particularly the entitlements of the New Deal and the War on Poverty, as the regulator and watchdog of corporate and investor excesses, and as the pump, priming the economy with jobs, housing and education programs, and investment in infrastructure.



More **Talking Points** on the next page.

Talking Points:



- This struggle for hearts and minds was aided, in great part, by the use of what David Stockman, Reagan's budget director, called "a strategic deficit" (see *Chart 15: Using "Strategic Deficits" in the 1980s*). Grover Norquist, leading right-wing political strategist, admitted that his goal was to use the deficit to shrink government to such a small size that "it can be drowned in the bathtub."

- The conservative think tanks provided a steady diet of messages and phrases is a narrative that gained tremendous power and influence: *tax burden*, *death tax*, *the ownership society*, *government waste*, *special interests*, the *undeserving poor*, etc. While there may be kernals of truth in these messages, they ignore context, holding individuals (blaming the victim) and the public sector accountable for outcomes for which corporate dominance over the rules which shape economy bear responsibility.

- Although the followers of Reagan and his economic mentor, Milton Friedman, claimed that they did not want government interference in the market place, whenever the big financial players got in trouble, the Federal Reserve Bank & other government agencies were asked to step in. Here are two examples:

  \- During the savings and loan crisis of the 1980s and early 1990s, 747 banks were shuttered, the Federal Savings and Loan Insurance Corporation went bust, and the Resolution Trust Corporation swooped in to collect bad (mostly real estate) assets. Ultimately, this rescue cost the American public half a trillion dollars.

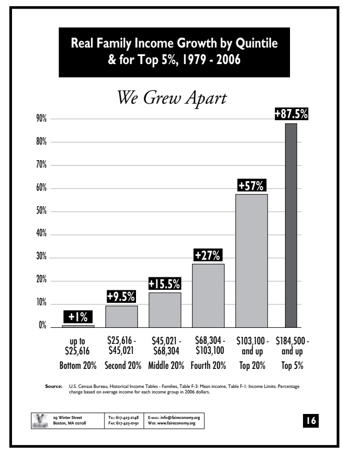
  \- In 1998 when, during the Russian debt crisis, the Federal Reserve bailed out the hedge fund Long Term Capital Management to the tune of $3.65 billion.

- The shift from the "real" economy to the "casino" economy proceeded in earnest with the flight of manufacturing to low-wage countries, the stripping of assets through mergers and aquisitions, and by big investors who sought ever more profitable places to put their wealth.

c. Now, we will return to the Quintiles activity to look at what happened to family income in the last 25 years: 1979-2006. The facilitator again asks for five volunteers, to step forward or back according to whether their income gained or declined. This time each step equals a ***five*** percent change, so, for example, two steps forward would indicate an income gain over the time period of 20%. (See table below.)

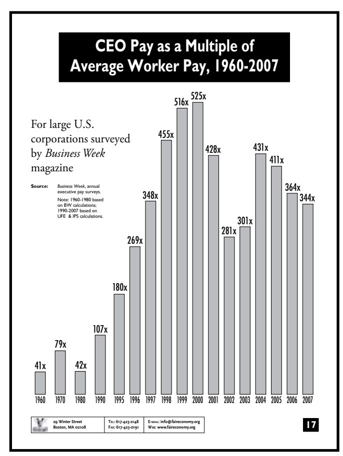
Quintile	Steps	% Change
Lowest	tiny step forward	+ 1%%
Second	2 steps forward	+ 9.5%
Middle	3 steps forward	+ 15.5%
Fourth	5 1/2 steps forward	+ 27%
Highest	11 1/2 steps forward	+ 57%
Top 5%	17 1/2 steps forward	+ 87.5%

What conclusions do you draw about family incomes? What questions do you have?



Talking Points:

- From 1979-2006, income growth was very uneven. Although the top 20% as a whole did well, the ones who really made out were the top 5%, while the bottom 40% saw their wages stagnate.
- Why this skew of income from 1979-2006? At the top, the biggest income growth source was income from assets (rental income, earnings from stocks, bonds and other investments, capital gains from sales of property and investments). Since asset ownership is heavily concentrated in the wealthiest 20%, it is not surprising that that's where the gains went.
- In addition, there was explosive growth in CEO compensation (see *Chart 17: CEO Pay Compared to Average Worker Pay*). And at the same time, a weakened labor movement was less able to prop up the wages of workers at the bottom of the scale. [Recall *Chart 6: Percent of Workers in a Union*.]

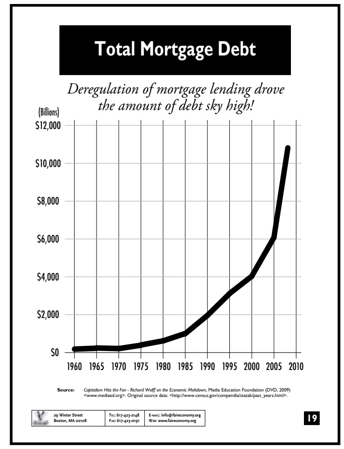


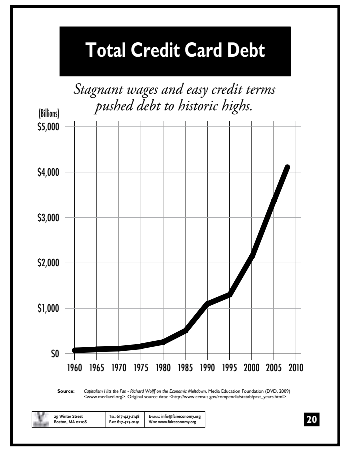
More **Talking Points** on the next page.

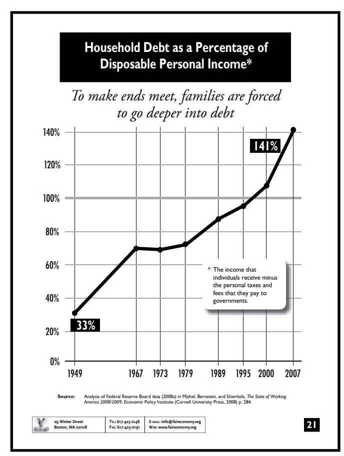
Talking Points:

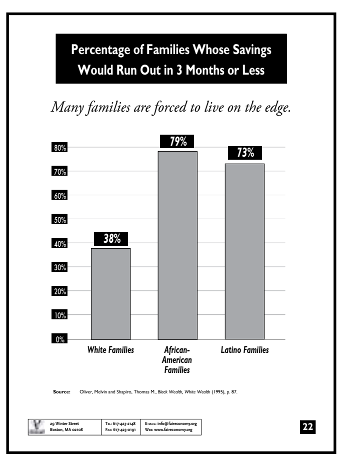
- As wages stagnated and prices climbed, consumers and families financed their purchasing by borrowing (see *Charts 19-21: Mortgage Debt; Credit Card Debt; and Household Debt as a Percentage of Disposable Personal Income*). And they borrowed at interest rates that just a few decades ago would be called usury. The huge profits pouring into financial institutions were in turn invested in financial markets and wealth continued to concentrate at the top.

- With stagnating wages and increasing debt, the savings rate of most workers dipped to zero and put many families in a precarious economic position (see *Chart 22: Percent of Families Whose Savings Would Run Out in 3 Months or Less*).









5. Bubbles & Bailouts: (30)

Facilitator's Goals:

- ***Review* the policy decisions that contributed to the growth of the housing bubble.**
- ***Explore* the economic recovery strategies (bailouts) pursued by the Bush and Obama administrations.**

In this section, the facilitator chooses one of two options: a *Jenga*-type game or an analysis of an editorial cartoon to describe events that contributed to the housing bubble and its collapse. [*Jenga* can be purchased for about $20 from most stores that sell children's games.] The facilitator also presents a critique of the bailout strategies used by the federal government to address the financial meltdown.

Option A: From Blocks to Bubbles

Instructions:

a. The facilitator tells participants that the group will use a popular children's game (*Jenga*) to illustrate key steps leading first to the growth and then the collapse of the housing bubble. The facilitator asks for one or two volunteers to assemble the *Jenga* blocks, as described in the game directions. As the game blocks are stacked up, the facilitator states that the blocks represent various components of the economy: work places such as factories; extracted natural resources such as coal, oil, and timber; institutions such as private banks and government agencies; as well as the rules & policies that govern the economy such as wage laws, budgetary & fiscal policies, and regulations. The facilitator asks the group to name additional "building blocks" of the economy.

b. The facilitator then walks through a brief economic history of the US, asking the volunteers to remove blocks and add blocks as various economic rules, policies, and trends are named (see Talking Points below). The net effect is to build the tower higher (a growing economy) while increasing the instabilty of the structure.

Talking Points:

- Of course, some of the foundational "building blocks" of our current economy were put in place as far back as the colonial period of US history, when the vast natural resources of America were opened up to exploitation by England, France, Spain, and other European nations. The native population was forced off the land or eliminated, and huge numbers of Africans were enslaved and brought to the colonies to work the farms, build houses and roads, and do domestic chores.

More **Talking Points** on the next page.

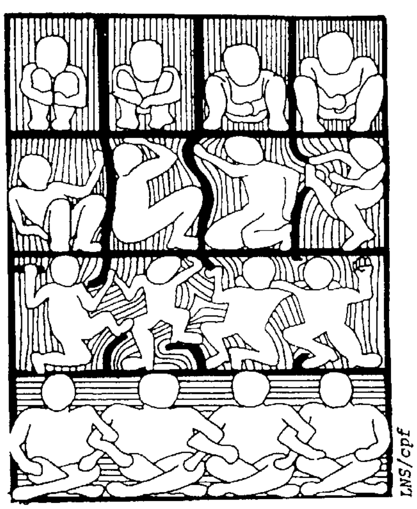
Talking Points:

- Additional foundational building blocks of the economy include tax and other laws regulating commerce (the Constitution), the ability of the federal government to print money, the creation of a national banking system, rules governing how private corporations would function (state charters), rules about property ownership and engagement in political processes (initially for white men only), and immigration laws.

- Over the next century, U.S. territory expanded — through conquest and purchase (Louisiana Purchase, Mexican War) — and the U.S. sphere of influence extended across the Carribean and Latin America (Monroe Doctrine), resulting in a great expansion of the wealth of the nation.

- With the Industrial Revolution of the 19th century and the introduction of the mass production of textiles, steel, steam engines, paper, as well as the extractive industries of coal & oil, the manufacturing, mining, and transportation sectors rose in power. In general, the economy was guided by the concept of *laissez-faire* capitalism, a doctrine that opposed government interference in the economy except to maintain law and order. This resulted in the accumulation and concentration of great wealth and political influence in the "Gilded Age" (1870s to 1890s). Workers in factories and farms fought against their exploitation and sought to establish unions and other forms of organization to counter the growing economic and political power of the "Robber Barons."

- The first transcontinental railroad in the U.S. was built in the 1860s, linking the railroad network of the eastern U.S. with California on the Pacific coast and creating a nationwide mechanized transportation network. The Pacific Railway Act of 1862 authorized both the making of extensive land grants in the western U.S. and the issuance of 30-year, government bonds to the Union Pacific and Central Pacific railroad companies in order to construct the transcontinental railroad. The Act granted 10 square miles of public land on each side of the tracks for every mile laid except where railroads ran through cities and crossed rivers. From 1850-1871, the railroads received more than 175 million acres of public land — an area more than one tenth of the whole United States and larger than Texas.



More **Talking Points** on the next page.

Talking Points:

- During the Progressive Era (1890s to 1920), a variety of rules were passed that tried to limit the power of the owning class. These included the Interstate Commerce Act (1887) regulating the railroad industry, the Sherman Anti-Trust Act (1890) aimed at restricting monopolies, the Food and Drug Act (1906) which tried to address food quality, and the 16th Amendment to the Constitution (1913) which established an income tax.

- In the *Roaring Twenties*, under the leadership of Herbert Hoover, the federal government promoted business cooperation, fostered the creation of self-policing trade associations, and made regulatory agencies allies of "respectable business." The Ford Motor Company dominated auto manufacturing, built millions of relatively affordable cars, and promoted manufacturing efficiency (Taylorism). As wealth once again accumulated and concentrated at the top, investors sought new ways to put their money to work and, lacking government oversight, speculation on Wall Street grew exponentially. In 1929, the stock market crashed and the Great Depression of the 1930s began.

- Franklin Delano Roosevelt was elected in 1932 and immediately responded to the financial collapse and mass unemployment with several policies that strengthened the economy. Bank reform laws allowed the federal government to close then reorganize troubled banks under the supervision of the Treasury Department, the creation of the Federal Deposit Insurance Corporation (FDIC), insured individual deposits for up to $2,500. Under pressure from the ranks of the growing labor movmeent, the National Recovery Act (NRA) was passed which gave employees the right to organize and bargain collectively free from interference from employers, required that no one seeking employment should have to join or refrain from joining a union, and set minimum wages and maximum weekly hours. The NRA also allowed industry heads to collectively set price floors.

- These rules helped but did not go far enough in reducing unemployment or addressing farm and home foreclosures. The unions and unemployed workers councils pushed hard for the government to create jobs. The Works Progress Administration (WPA) was the largest New Deal agency, employing millions of people and affecting almost every locality. Between 1935 and 1943, the WPA provided almost 8 million jobs. The program built many public buildings, projects and roads and operated large arts, drama, media and literacy projects. It fed children and redistributed food, clothing and housing. Almost every community in America has a park, bridge or school constructed by the agency. Expenditures from 1936 to 1939 totaled nearly $7 billion.

More **Talking Points** on the next page.

Talking Points:

- Other New Deal programs included the creation of the Social Security system, which provides benefits for retirement, disability, survivorship, and death, and it is currently the largest social insurance program in the U.S., constituting 37% of government expenditure. PNew Deal programs also aided the agricultural sector and rural areas. These included the Tennessee Valey Authority, a project involving dam construction planning on an unprecedented scale in order to curb flooding, generate electricity, and modernize the very poor farms in the Tennessee Valley.

- The Fair Labor Standards Act of 1938 was the last major program launched, which set maximum hours and minimum wages for most categories of workers. A number of the rules and programs of the New Deal, including Social Security and the FDIC, are important remnants of a formerly much more extensive social safety net.

- In previous sections of this workshop, we looked at what happened to the economy in the aftermath of WW II: increased global competition resulting in falling rates of profit in the mid-1960s, the decline of manufacturing and the rise of the financial sector, stagnating wages and rapidly expanding consumer debt.

b. The facilitator asks the volunteers to remove several blocks from the middle of the structure — representing various rule changes associated with Reaganomics and neoliberalism (e.g., tax cuts for the wealthy, anti-union policies such as the firing of the PATCO workers, the passage of NAFTA, reductions in the social safety net, the repeal of the Glass-Steagall Act) — and add them to the top.

c. Finally, more blocks are removed, representing Bush II-era tax cuts and the steady deregulation of Wall Street [see the Talking Points under Option B, below], and ***at one point the teetering tower will collapse***.

d. The facilitator wraps up the Bubbles and Bailouts section with a short critique of the financial sector bailouts.

Talking Points:

- After the collapse of the subprime mortgage in 2007 and the subsequent financial meltdown in 2008, the responses of the federal government — from the lame duck Bush Adminstration (Treasury Secretary Paulson's bailout bill) to the bailouts in the first hundred days of the Obama administration — have not gone far enough to address either the underlying causes or the devastating consequences of the economic collapse.

More **Talking Points** on the next page.

Talking Points:

- Simon Johnson, former chief economist of the International Monetary Fund, believes that the finance industry, essentially a financial oligarchy, is effectively blocking significant reform (see "The Quiet Coup" in the May 2009 issue of *The Atlantic*). According to Johnson, "elite business interests —financiers, in the case of the U.S.—played a central role in creating the crisis, making ever-larger gambles, with the implicit backing of the government, until the inevitable collapse. More alarming, they are now using their influence to prevent precisely the sorts of reforms that are needed, and fast, to pull the economy out of its nosedive. The government seems helpless, or unwilling, to act against them."

- Johnson describes what he calls "The Wall Street - Washington Corridor." "One channel of influence was, of course, the flow of individuals between Wall Street and Washington. Robert Rubin, once the co-chairman of Goldman Sachs, served in Washington as Treasury secretary under Clinton, and later became chairman of Citigroup's executive committee. Henry Paulson, CEO of Goldman Sachs during the long boom, became Treasury secretary under George W.Bush. John Snow, Paulson's predecessor, left to become chairman of Cerberus Capital Management, a large private-equity firm that also counts Dan Quayle among its executives. Alan Greenspan, after leaving the Federal Reserve, became a consultant to Pimco, perhaps the biggest player in international bond markets.

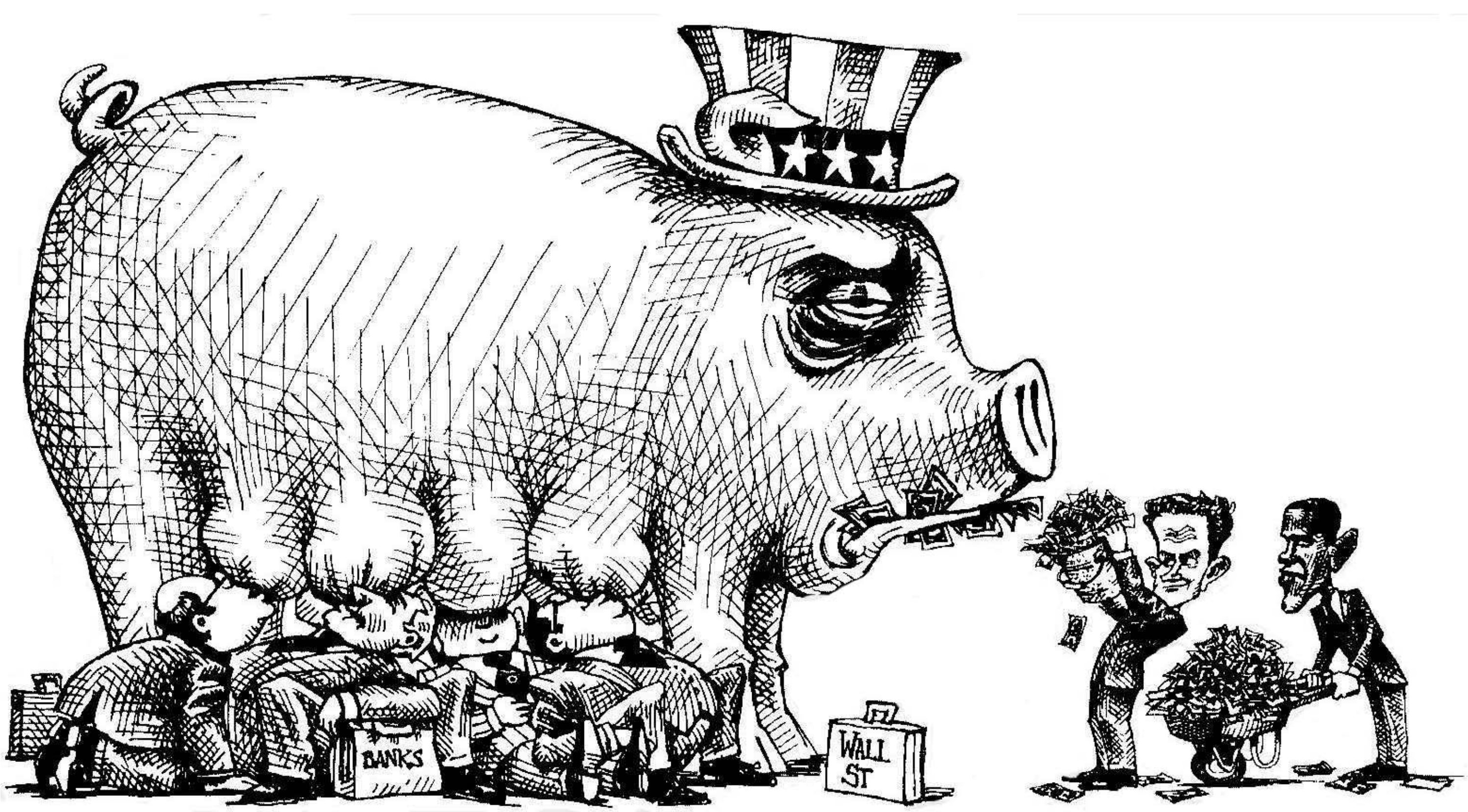
"These personal connections were multiplied many times over at the lower levels of the past three presidential administrations, strengthening the ties between Washington and Wall Street. It has become something of a tradition for Goldman Sachs employees to go into public service after they leave the firm. The flow of Goldman alumni—including Jon Corzine, now the governor of New Jersey, along with Rubin and Paulson—not only placed people with Wall Street's worldview in the halls of power; it also helped create an image of Goldman (inside the Beltway, at least) as an institution that was itself almost a form of public service."

More **Talking Points** on the next page.

Talking Point:

- The financial bailouts thus far, according to Nobel economist Paul Krugman, are subsidizing private investors to take can't-lose "risks" and buy up the banks' "legacy assets." (aka toxic assets), essentially a "cash for trash" plan that "rearranges the deck chairs and in the hope that that will keep us from hitting the iceberg." The bailouts are guaranteeing the liabilities of the big banks and socializing the risks. There is little effort on the part of the Obama Administration to get the banks to acknowledge or take responsibility for the full extent of their losses.

- According to Dean Baker, co-director of the Center for Economic Policy and Research, "the Geithner plan is an effort to rescue the banks by using government funding to prop up the price of these bad loans to levels that will allow the banks to stay solvent. It is not clear that the plan is big enough to accomplish this goal, but that is the basic intention. If it doesn't work, then presumably Geithner will come out with another TARP permutation that involves giving the banks even more money" (TruthOut, 4/6/09).



Option B: The Housing Bubble in Four Panels

Instructions: a. The facilitator asks particpants to look at the Darrin Bell cartoon (Chart 23), and then, in pairs, describe the meaning they draw from the cartoon.

Talking Points:

- "Sold Out - How Wall Street and Washington Betrayed America," by Robert Weissman and Harvey Rosenfield <www.wallstreetwatch.org> (March 2009), documents the deregulatory moves that led to the financial meltdown. These include prohibitions on regulating financial derivatives; the repeal of regulatory barriers between commercial banks and investment banks; a voluntary regulation scheme for big investment banks; and federal refusal to act to stop predatory *subprime* lending.

SUBPRIME refers to a borrower that is not 'prime.' These are borrowers who might be less likely to repay a loan due to bad credit or lack of history, low income or poor debt to income ratios, large loans relative to the securing property, or maxed out credit cards. Referring to somebody as subprime is similar to saying they have "less than perfect credit."

Borrowers in the subprime category often pay more in interest. Because they're a greater risk for a lender, the lender charges a higher interest rate. Subprime borrowers often find themselves with a limited selection of products and lenders. Additionally, subprime borrowers were often the targets of scam artists because a subprime borrower is typically more desperate to get a loan (and they may be less aware of the complexities of the loan agreement).

- The financial sector invested more than $5 billion in political influence-purchasing in Washington over the past decade, with as many as 3,000 lobbyists working to win deregulation and for other policy decisions that led directly to the current financial collapse.

More **Talking Points** on the next page.

Talking Points:

- With little oversight or regulation, the mortgage lending industry began a rapid expansion of subprime lending in the mid-1990s, growing from a small niche market of $35 billion in 1994 to an estimated $1.3 trillion in 2007.

- *NINA* (No Income No Assets) & *NINJA* (No Income No Job and no Assets) loans - Incredibly, these loan programs went beyond "stated income-stated asset" loans, also known as "liar's loans" where lenders made no effort to see if the borrowers were overstating their income or assets. With NINA & NINJA loans, mortgage sellers ***didn't even ask*** if the borrower had any income, job, or assets. But somehow NINA & NINJA loans were classified as prime loans, and purchased and guaranteed by Freddie Mac.

- Because the media generally led homeowners to believe that the run-up in house prices would persist, people acted in a way that was entirely reasonable given this view. If the price of their home had gone from $200,000 to $400,000, many homeowners opted to borrow some of this equity to take vacations, buy a car, pay for their children's education or engage in other spending. They may also have stopped contributing to retirement accounts because their home was saving for them.

- The traditional mortgage model involved a bank originating a loan to the borrower/homeowner and retaining the credit (default) risk. With the advent of ***securitization***, the traditional model gave way to the "originate to distribute" model, in which banks essentially sold the mortgages and distributed the credit risk to investors through ***mortgage-backed securities*** (MBS). Securitization meant that those issuing mortgages were no longer required to hold them to maturity. By selling the mortgages to investors, the originating banks replenished their funds, enabling them to issue more loans and generating transaction fees. This increased focus on processing mortgage transactions rather than ensuring their credit quality.

- Securitization accelerated in the mid-1990s. The total amount of mortgage-backed securities issued almost tripled between 1996 and 2007, to $7.3 trillion. The securitized share of subprime mortgages (i.e., those passed to third-party investors via MBS) increased from 54% in 2001, to 75% in 2006. American homeowners, consumers, and corporations owed roughly $25 trillion during 2008. American banks retained about $8 trillion of that total directly as traditional mortgage loans. Bondholders and other traditional lenders provided another $7 trillion. The remaining $10 trillion came from the securitization markets.

More **Talking Points** on the next page.

Talking Points:

- The bubble began to burst when housing foreclosure rates soared, going from 700,000 foreclosures in 2006 to 1.3 million in 2007 and over 2,350,000 in 2008 (an increase of 225%). The securitization markets started to close down in the spring of 2007 and nearly shut-down in the fall of 2008. More than a third of the private credit markets thus became unavailable as a source of funds.

- "Depression-era programs that would have prevented the financial meltdown that began last year [2008] were dismantled, and the warnings of those who foresaw disaster were drowned in an ocean of political money," according to Harvey Rosenfield, president of the Consumer Education Foundation, and co-author of the "Sold Out" report, "Americans were betrayed, and we are paying a high price—trillions of dollars—for that betrayal. The betrayal was bipartisan: about 55 percent of the political donations went to Republicans and 45 percent to Democrats, primarily reflecting the balance of power over the decade. Democrats took just more than half of the financial sector's 2008 election cycle contributions."

d. The facilitator wraps up the Bubbles and Bailouts section with a short critique of the financial sector bailouts. [See Talking Points and illustrations on pages 24-26.]

6. Building a Movement for Social & Economic Justice (20)

Facilitator's Goals:

- ***Review*** **the importance of building a broad-based economic justice movement as the primary social change strategy for policy reform and structural change.**
- ***Identify*** **the principles of a "solidarity economy" — an alternative to an economy based on competition and the values of a corporate-dominated market, and identify specific rule and policy changes for a just economy.**
- **Have participants** ***name*** **one "takeaway" from the workshop that will help them in their workplaces, communities, schools, religious centers, etc.**

Instructions:

a. There are many ways that societies change and many theoriers of how this is best accomplished. Our understanding of history demonstrates that at times of great economic inequality social movements have led to significant reform. The facilitator asks participants to name social movements that they have benefitted from personally (labor movement: 8-hour day, civil rights movement: voting rights for African Americans, women's movement: Title 9, etc.). Again, a sample of responses is solicited.

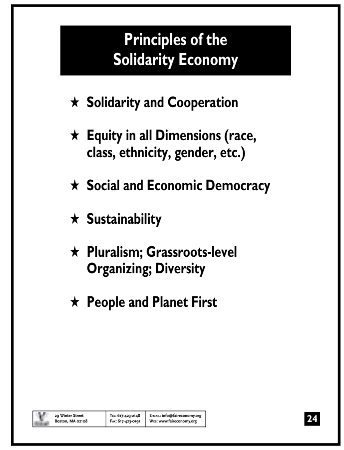
b. If there is substantial time (20 minutes or more), the facilitator can review one of the models describing the stages and/or elements of a movement (starting on page 33) or ask participants to read these documents and then ask questions or offer comments.

Talking Points:

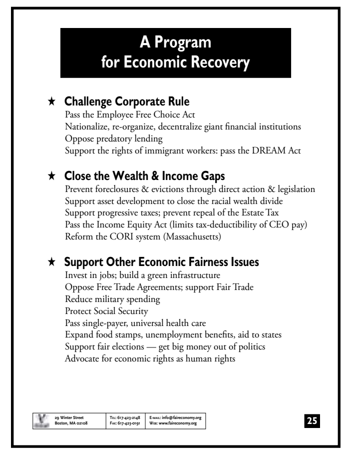
- Social movements are not spontaneous events. Manuel Pastor and Rhonda Ortiz, Program for Environmental and Regional Equity at USC <http://college.usc.edu/geography/ESPE/documents/making_change_executive_summary.pdf> describe several elements of a successful social movement:

  - a vision and frame
  - a base among key constituencies
  - a commitment to the long haul
  - an underlying and viable economic model
  - a vision of government and governance
  - solid research
  - a pragmatic policy package
  - a recognition of the need for scale
  - a strategy for scaling up
  - networking with other movements.

c. The facilitator asks participants to read the list of elements of a Solidarity Economy and to respond with questions and comments (see *Chart 24: Principles of the Solidarity Economy*).



e. The facilitator then asks participants what specific rule changes (laws, policies, budget expenditures and/or cuts) they would recommend that would help create a just economy (see *Chart 25: A Program for Economic Recovery*).



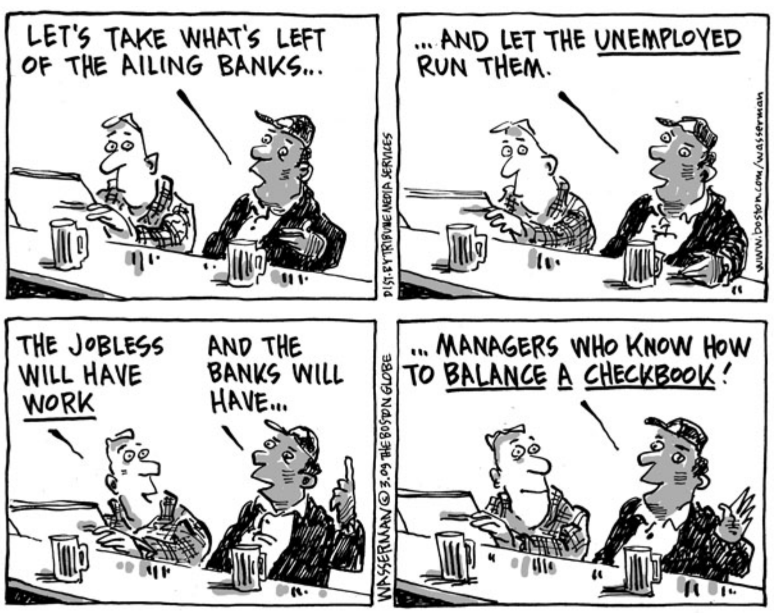
Talking Points:

- According to Dean Baker, co-director of the Center for Economic Policy and Research, "the core problem is that many of our big banks are bankrupt. If they had to acknowledge the losses that they have incurred on their housing related loans (and increasingly their loans in commercial real estate) Citigroup, Bank of America, and many other large banks would be insolvent. Thus far they have avoided reality by keeping these loans on their books at inflated prices.
- Baker suggests that rather than using government money to keep the banks alive, the Obama Administration could force the banks to go through a type of managed bankruptcy process like the one that was forced on General Motors and Chrysler. "The prospect of even an arranged bankruptcy of a major bank will undoubtedly shake up markets," says Baker, "but many safeguards have been put in place since the Lehman collapse. If the stock market goes down for a few weeks or months, who cares? Running the economy to serve the stock market is a sure recipe for disaster. If President Obama fixes the economy, the stock market will do just fine in the long-run."
- Passing the Employee Free Choice Act (EFCA) would begin to restore the balance of power between workers and employers. EFCA would enable working people to bargain for better benefits, wages and working conditions by restoring workers' freedom to choose for themselves whether to join a union. EFCA would remove current obstacles to employees who want collective bargaining; guarantee that workers who can choose collective bargaining are able to achieve a contract; allow employees to form unions by signing cards authorizing union representation.

More **Talking Points** on the next page.

Talking Points:

- Excessive CEO compensation can be addressed by raising taxes on the highest earners (for example, in 1950 the effective federal income tax rate on the top 1% was 88%), restoring the capital gains tax to its level under Reagan (28%), and closing tax loopholes that allow very wealthy people to hide their money in off shore tax shelters.
- Raising revenue by allowing the Bush tax cuts to expire (scheduled for 2010) would help restore funds for investment in our public infrastructure and social safety net. Conservatives claim that this would be devastating for small businesses during this period of economic downturn. However, according to the Center for Busget & Policy Priorities (2/28/09), fewer than one in ten people with any small business income have incomes over $250,000 and, thus, would even potentially be affected by these provisions. And it is likely that ***only 1.9% of taxpayers*** with income from a small business would be affected by a return to the pre-2001 tax rates for high-income taxpayers.
- There are a range of measures that Congress and the Obama administration can take to control financial speculation. For example, Congress should reinstitute the provisions of the Glass-Steagall Act of 1933, —removed by a bipartisan Congress in 1999—which created a wall between banks that collect deposits and make loans and those institutions that engage in other, more speculative financial endeavors.
- The DREAM Act - the "Development, Relief, and Education for Alien Minors (DREAM) Act" would facilitate access to college for immigrant students in the U.S. by restoring states' rights to offer in-state tuition to immigrant students residing in their state. The "DREAM Act" would also provide a path to citizenship for hardworking immigrant youth who were brought to the U.S. as young children and to pursue higher education or military service, enabling them to contribute fully to our society.



Stages of Movement Development

(from George Lakey, Trainers for Change)

Strategy Questions:

- What are your long-range goals?
- How do you want institutions to look in the new society?
- How will work and trade be organized?
- How will decisions be made?
- How will the next generation be nurtured?

Stage 1: Cultural Preparation

- Who should you work with at first?
- Where will you find initiative takers, who will take responsibility, and accept the job of moving things along?
- How do these people see themselves?
- What changes do people need in the way they look at themselves?
- What ideas about themselves need to change in order to be consciously revolutionary?
- What are the changes they need to make in their view of the world?
- What kind of analysis needs to be developed? (Intellectual backfill)
- How can complexity be clarified? Dogma avoided?
- How detailed does the vision of a new society need to be?
- How are our short-term goals, medium-term goals and the vision related?
- What methods of consciousness raising makes sense for the kind of people you with whom you want to work?
- Especially regarding their cultural and economic background, etc.?
- What kind of strategy approaches will be useful?
- What new information can inform decisions regarding strategy?

Stage 2: Organization Building (creating model alternative institutions)

- Considering people's historical experience with organizational structures, especially people of color, women, and other historically marginalized groups, what forms of organization makes sense?
- Looking ahead to stage five where strong organization is necessary, can the form withstand growth?
- How will the new organization provide the social goods of the institution it seeks to replace?

- What is the role of alternative institutions and building the revolutionary movement?
- What is the role of rank-and-file movements in labor? Of radical caucuses in the professions? Of action groups which develop campaigns? Of support groups?
- How can organizational units link? Informal networks? Hierarchical arrangements? Other?
- Which allies need to be reached out to at this stage?
- How can honest and reliable relationships be built between revolutionist and nonrevolutionary organizations and institutions, so each can help the other?
- How can feedback and room for dissent be built into organizations so as not to become rigid or become dominated by elites?

Stage 3: Propaganda of Deed

- Who is the "audience," the people who, when watching the drama of confrontation, can be won over to the side of revolution?
- What are the central ideas you want the actions to communicate?
- What are the tactics, or methods, of confrontation which will communicate the central messages?
- Who or what is the opponent of these confrontations?
- What support do people need to get through this state successfully, so they will not back down, become intimidated, or get isolated?
- Conflict tends to polarize. How can the side effects be minimized?

Stage 4: Mass Noncooperation

- Whose cooperation is the system dependent on?
- Who can provide the mass space for noncooperation?
- What noncooperation tactics may be appropriate (strike, boycott, tax refusal, slow-downs, etc.)?
- How will noncooperation be coordinated?
- How will the movement's understanding of what is happening be communicated across to people in general, especially when the elite is trying to confuse the issue?
- How can the movement reach out to opponents, and help individuals in the ruling class and bureaucratic command posts cross over to the revolution or at least be supportive in some ways?
- What is the role of the movement in providing services in the middle of economic and social dislocation? For example alternative economic institutions.

Stage 5: Parallel Institutions

- What are the legitimate functions of the old order, the things which have been done which actually need doing even though in different ways? (for example, growing food, and providing transportation).

- How will the movement meet these legitimate functions?
- How can people show their acceptance of new institutions?
- What will happen to the old power-holders?
- What are the actual tactics of power transfer?
- What are the international connections in this process?
- How can we avoid the revolution freezing into new rigidities?
- How can we sow the seeds for continuing flexible growth of the new institutions?
- How can the empowerment of people continue to be deepened and strengthened after the excitement of getting rid of the old order wears off?

The Eight Stages of Successful Social Movements

By Bill Moyer

Stage 1: Normal Times

- A critical social problem exists that violates widely held values.
- The general public is unaware of this problem.
- Only a few people are concerned.

Movement uses official channels, demonstrations are small and rare. The chief goal of powerholders is to keep issue off social and political agenda. The public is generally unaware of the problem and supports the powerholders. Only 10-15% of public support change.

Movement Goals of Stage 1: Build organizations, vision, and strategy; document problems and powerholders' roles; become informed.

Stage 2: Efforts to Change the Problem Demonstrate the Failure of Official Remedies

- A variety of small and scattered opposition groups do research, educate others.
- New wave of grassroots opposition begins.
- Official mechanisms are used to address the problem: hearings, the courts, the legislature; if these work, the problem is resolved. But often, the official approaches don't work. This shows how entrenched the problem is and demonstrates the failure of institutions to solve it.

The movement uses official system to prove it violates widely held values. The chief goal of powerholders is to keep issue off social and political agenda and maintain routine bureaucratic functioning to stifle opposition. The public still unaware of issue and supports status quo. 15-20% of the public support change.

Movement Goals of Stage 2: Prove and document the failure of official institutions and powerholders to uphold public trust and values; begin legal cases to establish legal and moral basis for opposition; build opposition organizations, leadership, expertise.

Stage 3: Ripening Conditions

- Recognition by the public of the problem and its victims slowly grows.
- Pre-existing institutions and networks (churches, peace and justice organizations) lend their support.

- Tensions build. Rising grassroots discontent with conditions, institutions, powerholders, and "professional opposition organizations" (e.g., large lobbying groups).
- Upsetting events occur, including ones which "personify" the problem.
- Perceived or real worsening conditions.

Grassroots groups grow in number and size, small nonviolent actions begin, parts of progressive community won over, pre-existing networks join new cause. Powerholders still favor existing policies and control official decision-making channels. The public still unaware of problems and supports powerholders. 20-30% oppose official policies.

Movement Goals of Stage 3: Educate/win over progressive community; prepare grassroots for new movement; more local nonviolent actions.

Stage 4: Take Off

- A catalytic ("trigger") event occurs that starkly and clearly conveys the problem to the public (e.g., the killing of Matthew Shepard in 2000; 1986 Chernobyl nuclear accident).
- Building on the groundwork of the first three stages, dramatic nonviolent actions and campaigns are launched.
- These activities show how this problem violates widely held values.
- The problem is finally put on "society's agenda."
- A new social movement rapidly takes off.

The movement enacts or responds to trigger event, holds large rallies and demonstrations and many nonviolent actions. A new "movement organization" is created, characterized by informal organizational style, energy, and hope for fast change. "Professional opposition organizations" sometimes oppose "rebel" activities. Powerholders are shocked by new opposition and publicity, fail to keep issue off social agenda, reassert official line, and attempt to discredit opposition. The public becomes highly aware of problem. 40-60% oppose official policies.

Movement Goals of Stage 4: Put issue on social agenda. Create a new grassroots movement. Alert, educate and win public opinion. Legitimize movement by emphasizing and upholding widely held societal values.

Stage 5: Movement Identity Crisis — A Sense of Failure and Powerlessness

- Those who joined the movement when it was growing in Stage 4 expect rapid success. When this doesn't happen there is often hopelessness and burn-out.
- It seems that this is the end of the movement; in fact, it is now that the real work begins.

Numbers down at demonstrations, less media coverage, long-range goals not met. Unrealistic hopes of quick success are unmet. Many activists despair, burn out, and drop out. “Negative rebel” and “naive citizen” activities gain prominence in movement. The powerholders and media claim that movement has failed, discredit movement by highlighting and encouraging “negative rebel” activities, sometimes through agents provocateurs. The public is alienated by negative rebels. There is risk of the movement becoming a subcultural sect that is isolated and ineffective.

Movement Goals of Stage 5: Recognize movement progress and success. Counter “negative rebel” tendencies. Recognize that movement is nearing Stage Six and pursue goals appropriate to that stage.

Stage 6: Winning Majority Public Opinion

- The movement deepens and broadens.
- The movement finds ways to involve citizens and institutions from a broad perspective to address this problem.
- Growing public opposition puts the problem on the political agenda; the political price that some powerholders have to pay to maintain their policies grows to become an untenable liability.
- The consensus of the powerholders on this issue fractures, leading to proposals from the powerholders for change (often these proposals are for cosmetic change).
- The majority of the public is now more concerned about the problem and less concerned about the movement’s proposed change.
- Often there is a new catalytic event (re-enacting Stage 4).

The movement transforms from protest in crisis to long-term struggle with powerholders to win public majority to oppose official policies and consider positive alternatives. The movement broadens analysis, forms coalitions. Many new groups involved in large-scale education and involvement. Official channels used with some success. Nonviolent actions at key times and places. Many sub-goals and movements develop. Movement promotes alternatives, including paradigm shift. Powerholders try to discredit and disrupt movement and create public fear of alternatives and promote bogus reforms and create crises to scare public. Powerholders begin to split. 60-75% of the public oppose official policies, but many fear alternatives. However, support for alternatives is increasing. Backlash can occur and counter-movements may form.

Movement Goals of Stage 6: Keep issue on social agenda; win over and involve majority of the public; activists become committed to the long haul.

Stage 7: Success: Accomplishing Alternatives

- Majority now opposes current policies and no longer fears the alternative.
- Many powerholders split off and change positions.

- Powerholders try to make minimal reforms, while the movement demands real social change.
- The movement finally achieves one or more of its demands.
- The struggle shifts from opposing official policies to choosing alternatives.
- More costly for powerholders to continue old policies than to adopt new ones. More "re-trigger" events occur.

Movement counters powerholders' bogus alternatives. Broad-based opposition demands change Nonviolent action, where appropriate. Some powerholders change and central, inflexible powerholders become increasingly isolated. Central powerholders try last gambits, then have to change policies, have the policies defeated by vote, or lose office. The public demands for change are bigger than its fears of the alternatives. Majority no longer believe powerholders' justifications of old policies and critiques of alternatives.

Movement Goals of Stage 7: Recognize the movement's success and celebrate; follow up on the demands won, raise larger issues; focus on other demands that are in various stages, and propose better alternatives and a true paradigm shift. Create ongoing empowered activists and organizations to achieve other goals.

Stage 8: Continuing the Struggle

- Our struggle to achieve a more humane and democratic society continues indefinitely. This means defending the gains won as well as pursuing new ones.
- Building on this success, we return to Stage 1 and struggle for the next change.
- Key: the long-term impact of the movement surpasses the achievement of its specific demands.

The movement takes on "reform" role to protect and extend successes; attempts to minimize losses due to backlash, and circles back to the sub-goals and issues that emerged in earlier stages. The long-term focus is to achieve a paradigm shift. Powerholders adapt to new policies and conditions, claim the movement's successes as their own, and try to roll back movement successes by not carrying out agreements or continuing old policies in secret. The public adopts new consensus and status quo. New public beliefs and expectations are carried over to future situations.

Movement Goals of Stage 8: Retain and extend successes; continue the struggle by promoting other issues and a paradigm shift; recognize and celebrate success. Build ongoing grassroots organizations and power bases.

Additional Resources

Books, Periodicals, Reports, and Articles

- **Agenda for a New Economy - From Phantom Wealth to Real Wealth** by David Korten, (Berrett-Koehler, 2009). Korten analyzes the deeper sources of the economic failure: the collapse of Wall Street, and provides a radical approach to rebuilding our broken economy.
- **Bad Money: Reckless Finance, Failed Politics, and the Global Crisis of American Capitalism** by Kevin Phillips (Penguin Group, 2008). Phillips examines the "weapons of mass destruction" now detonating all around us: housing prices, credit-bubbles, untested and unstable financial instruments (e.g., derivatives and hedge funds), increasingly inadequate supplies of oil, dynastic politicians in thrall to entrenched interests, and imperial hubris.
- **"The Big Takeover"** by Mike Taibbi (Rolling Stone, April 2, 2009 <www.rollingstne.com/politics/story/26793903/the_big_takeover>. Taibbi argues that the economic meltdown and subsequent bailout "formalized the political takeover of the government by a relatively small class of connected insiders who used money to control elections, buy influence and systematically weaken financial regulations."
- **The Current Crisis: A Socialist Perspective** by Leo Panitch and Sam Gindin (The Bullet, E-Bulletin No. 142, September 20, 2008) <www.socialistproject.ca/bullet/bullet142.html>.
- **Development Redefined - How the Market Met Its Match** by Robin Broad and John Cavanaugh (Paradigm, 2008). Takes readers through the rise and fall of the one-size-fits-all model of development that richer nations began imposing on poorer ones three decades ago. That model—called the "Washington Consensus" by its backers and "neoliberalism" or "market fundamentalism" by its critics—placed enormous power in markets to solve the problems of the poor.
- **Dollars & Sense Magazine** publishes economic news and analysis, reports on economic justice activism, primers on economic topics, and critiques of the mainstream media's coverage of the economy; bi-monthly (29 Winter St, Boston, MA 02108).
- **Economic Meltdown Funnies** by Chuck Collins and Nick Thorkelson, produced by Jobs with Justice and the Institute for Policy Studies (2009) <http://economicmeltdownfunnies.org>.

★ **Foreclosed - State of the Dream 2008** by Amaad Rivera, Brenda Cotto-Escalera, Anisha Desai, Jeannette Huezo, and Dedrick Muhammad. Produced by United for a Fair Economy (1/15/08) <http://faireconomy.org/news/state_of_the_dream_reports>. The report estimates the total loss of wealth for people of color to be between $164 billion and $213 billion for subprime loans taken from 2000-2008—the greatest loss of wealth in modern US history, and maintains that broad racial and economic inequalities need to be addressed for the success of any policy solutions to the subprime crisis.

- **The Great Financial Crisis - Causes and Consequences** by John Bellamy Foster and Fred Magdoff (Monthly Review Press, 2009). Explores "the worst financial crisis since the Great Depression" from the debt explosion and housing bubble to the subprime debacle and federal bailout. Foster and Magdoff argue that this latest financial crash, although greater than any since 1929, is a symptom of deeper problems connected to the stagnation of the "real" or productive economy of mature capitalism.
- **The Green Collar Economy: How One Solution Can Fix Our Two Biggest Problems** by Van Jones (HarperOne 2008). Van Jones introduces his idea of a "green new deal" where the federal government acts as a brokerage state using the green revolution to address massive economic inequalities and jump start industry.
- **High Road or Low Road? Job Quality in the New Green Economy** a report by Good Jobs First (February 2009) <www.greenbiz.com/resources/resource/job-quality>. Looks at pay and labor conditions for existing jobs in eco-friendly business sectors, including the manufacturing of components for wind and solar energy projects, green construction and recycling.
- **Inequality, Power, and Ideology - Getting it Right About the Causes of the Current Economic Crisis** by Arthur MacEwan (Dollars & Sense Magazine, March/April 2009). A 9-page article that describes the "nexus of factors" that lie at the heart of the causes that led to the recession. *Dollars & Sense Magazine* publishes economic news and analysis, reports on economic justice activism, primers on economic topics, and critiques of the mainstream media's coverage of the economy; bi-monthly <www.dollarsandsense.org>.

★ Available from United for a Fair Economy <www.faireconomy.org/dream>

- **Making Change - How Social Movements Work - and How to Support Them** by Manuel Pastor and Rhonda Ortiz, Program for Environmental and Regional Equity, University of Southern California (March 2009) < http://college.usc.edu/geography/ESPE/documents/making_change_executive_summary.pdf>. This 24 page paper details what makes for a successful social movement, what capacities need to be developed, and what funding opportunities might exist.
- **"No Return to Normal - Why the economic crisis, and its solution, are bigger than you think"** by James K. Galbraith (Washington Monthly, March/April 2009). Galbraith offers a critique of the Geithner bailout as a continuation of the financialization of the economy and insufficient to reverse the squeeze on workers, the elderly, and the real economy. Instead, he suggests that we need a much larger recovery that invests in infrastructure, protects the elderly (Social Security and Medicare), and puts the unemployed to work.
- **Plunder and Blunder: The Rise and Fall of the Bubble Economy** by Dean Baker (PoliPointPress, 2009). Through historical analysis of policy change beginning in the 1980s, economist Dean Baker describes how policy makers and the media neglected economists who foresaw the housing bubble collapse. Baker provides a specific policies to avoid such financial disasters in the future.
- **Sold Out: How Wall Street and Washington Betrayed America**, a report issued by Essential Information and the Consumer Education Foundation describing how the financial sector invested more than $5 billion in political influence purchasing in Washington over the past decade, winning deregulation and other policy decisions that led directly to the current financial collapse. Available from Wall Street Watch, along with a video clip of Keith Olbermann's show on MSNBC reporting on the report < http://www.wallstreetwatch.org/soldoutreport.htm>.
- **The Return of Depression Economics and the Crisis of 2008** by Paul Krugman (Norten, 2008). Nobel prize winning economist Paul Krugman describes how the lack of economic regulation set up the U.S, and the world as a whole, for the worst financial crisis since the 1930s. Krugman states the required steps to contain this crisis and put the global economy back on its feet.
- **The Shock Doctrine - The Rise of Disaster Capitalism** by Naomi Klein (New York: Metropolitan Books, 2007). Klein exposes the thinking, the money trail, and the puppet strings behind the world-changing crises and wars of the last four decades. **The Shock Doctrine** is the gripping story of how America's "free market" policies have come to dominate the world-- through the exploitation of disaster-shocked people and countries.

★ **The Silent Depression - State of the Dream 2009** by Amaad Rivera, Jeannette Huezo, Christina Kasica and Dedrick Muhammad. Produced by United for a Fair Economy (1/15/09) <http://faireconomy.org/dream>. While the general population has been in recession for a year, people of color have been in recession for five years. By definition, a long-term recession is a depression. The report shows the current racial economic inequity, including poverty rates, wealth and assets, and economic mobility. While racial barriers did not prevent an African-American from becoming President, they continue to impede many people of color from achieving the same economic success as their white counterparts.

Video

- **Bill Moyers Journal - Interview with Bill Black.** April 3, 2009 <http://www.pbs.org/moyers/journal/04032009/watch.html>. The financial industry brought the economy to its knees, but how did they get away with it? With the nation wondering how to hold the bankers accountable, Bill Moyers sits down with William K. Black, the former senior regulator who cracked down on banks during the savings and loan crisis of the 1980s. Black offers his analysis of what went wrong and his critique of the bailout.

★ Available from United for a Fair Economy <www.faireconomy.org/dream>

- **Capitalism Hits the Fan - Richard Wolff on the Economic Meltdown**, 57 minutes (Media Education Foundation, 2009) <www.mediaed.org>. University of Massachusetts Economics Professor Richard Wolff breaks down the root causes of today's economic crisis, showing how it was decades in the making and in fact reflects seismic failures within the structures of American-style capitalism itself.
- **Heist**. To be released in the summer 2009. <http://www.heist-themovie.com/> Heist tells the story of how Wall Street orchestrated the greatest theft in history: the robbery of Americans' prosperity, savings, and retirement security. Heist exposes how free-market extremists steadily dismantled the regulatory protections that the New Deal had built to prevent a repeat of the 1929 Wall Street crash. The film will show who unleashed financial greed and chicanery, and how they brought us to the edge of a new Depression.
- **Inside the Meltdown.** 60 minutes (Frontline PBS, 2009) <www.pbs.org/wgbh/pages/frontline/meltdown/>. An investigation of the worst financial collapse in 70 years and how the government responded. The film chronicles the inside stories of the Bear Stearns deal, Lehman Brothers collapse, the propping up of insurance giant AIG and the $700 billion bailout. It also examines what Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke didn't see, couldn't stop and haven't been able to fix.
- **The Global Financial Crisis - The Great Depression of the 21st Century.** A lecture by Prof. Michel Chossudovsky. 78 minutes (Center for Research on Globalization, Jan. 14 2009) <www. lobalresearch. ressourcequebec.com/Lecture/January_14-2009.htm> Addresses the causes and consequences of the financial meltdown; the speculative onslaught; financial fraud and the "bank bailouts"; bankruptcy of the real economy; impacts on employment, wages and social services; the economic crisis and its relationship to the Middle East war; the centralization of corporate power; the concentration of wealth, and the globalization of poverty.
- **Silly Money** with British satirists John Bird and John Fortune. 18 minutes (2008) <http://www.ritholtz.com/blog/2009/01/bird-fortune-silly-money-part-1-2/>.

Audio/Pod Casts

- **Giant Pool of Money - This American Life** (PBS) May 9, 2008 <http://www.thisamericanlife.org/Radio_Episode.aspx?sched=355>. A special program about the housing crisis produced in a special collaboration with NPR News. What does the housing crisis have to do with the turmoil on Wall Street? Why did banks make half-million dollar loans to people without jobs or income? And why is everyone talking so much about the 1930s?
- **Another Frightening Show About the Economy - This American Life** (PBS) October 3, 2008 <http://www.thisamericanlife.org/Radio_Episode.aspx?sched=1285>. *Prologue*: host Ira Glass goes to Union Square, a 15-minute subway ride from Wall Street, where it doesn't look like we're on the edge of an economic abyss. (3 minutes). *The Day the Market Died:* Alex Blumberg and Adam Davidson recount the 36-hour period when the credit markets froze. Plus, what it's like now for businesses to get short-term loans, and how the hardship has spread to every sector of the economy. (16 minutes). *Out of the Hedges and Into the Woods:* one more confusing financial product that's bringing down the global economy. And one of way to think about this product is this: if bad mortgages got the financial system sick, credit default swaps helped spread the sickness into an epidemic (19 minutes). *Swap Cops:* Ira talks with Michael Greenberger, a former commodities regulator, who tells the story of when it was decided not to regulate credit default swaps. And how that decision was emblematic of the way we didn't regulate a lot of the toxic financial products we're hearing about now. (8 minutes). What's Next?: Ira and Adam answer the question: was the $700 billion bailout bill a good idea or a bad one? (10 minutes).
- **Bad Bank - This American Life** (PBS) February 27, 2009 <http://www.thisamericanlife.org/Radio_Episode.aspx?sched=1285>. The collapse of the banking system explained, in just 59 minutes. Alex Blumberg and NPR's Adam Davidson help all of us understand the news. For instance, when we talk about an insolvent bank, what does it actually mean, and why are we giving hundreds of billions of dollars to rich bankers who screwed up their own businesses? Also, two guys go to New Jersey to look at a toxic asset.