

Name: \_\_\_\_\_ Period: \_\_\_\_\_ Date: \_\_\_\_\_

## Inside the Meltdown

1. What happened to make the firm Bear Stearns go out of business?
2. What are credit default swaps? What role did they play in the meltdown? (take notes)
3. What is systemic risk?
4. What role did the Federal Reserve Bank play when Bear Stearns was in financial trouble?
5. What role did the Treasury department play when Bear Stearns was in financial trouble?
6. Free-market capitalism dictates that markets create efficient solutions and businesses that fail should be left to fail. Secretary Paulson was concerned about 'moral hazard' after helping Bear Stearns. What did this mean?

7. The film follows people who took out mortgages they couldn't afford in the hopes that their home values would increase and they would become rich. Why did the banks give these people mortgages in the first place?
  
8. Why did the federal government take over Fannie Mae and Freddie Mac?
  
9. Secretary Paulson decided not to guarantee a government loan for Lehman Brothers as he had for Bear Stearns with the JPMorgan takeover. What happened as a result of that decision?
  
10. What is capital injection and why does Henry Paulson tell the banks that they would have to accept government capital injections?
  
11. Do you agree with Paulson and Bernanke that banks and lending institutions can be "too big to fail"? Why or why not?
  
12. Brainstorm: What reforms would you incorporate so a meltdown does not happen again? List several possible reforms.

<u>REFORM</u>	<u>REASON/OUTCOME</u>
1.	
2.	
3.	