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Writing a Review of Mark Zandi

Richard J. Salvucci

Trinity University, rsalvucc@trinity.edu

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DRAFT DOCUMENT

Guide to writing a review of Mark Zandi

The first thing you will need to do in preparing this review is get your facts and chronology straight. You will do this by viewing the full timeline of events, 2007-2009 at <http://timeline.stlouisfed.org/index.cfm?p=home>

It is essential to keep this with you as you review what Zandi has written, because, as the rubric states, *a substantial part of your grade will be based on the extent to which you provide a coherent and complete summary of events as they relate to cause and effect.*

With that in mind, please follow this Guide to writing your review.

First, in a clear and concise manner, using standard page reference citation, explain the origins, stages, causes, consequences, and implications of the Financial Crisis of 2007-2009. You must provide a basic answer to the following questions: *Why did the financial collapse occur? To what extent was the collapse caused by deliberate policy changes undertaken by the Federal Reserve and the regulatory authorities? By the political authorities? To what extent was*

the collapse caused by the emergence of a so-called "shadow banking system." To what extent was the crisis a consequence of the globalization of the international financial system? (2 pages)

Second, in a clear and concise manner, using standard page reference citation, explain the transmission of the financial crisis to the real macroeconomy. Be as specific as possible as to the mechanisms by which this transmission occurred. To what extent were the monetary authorities prepared to counter the transmission of the financial shock to the real macroeconomy? What policy instruments did they have at their disposal? To what extent were these instruments adequate or inadequate, and to what extent did instruments have to be improvised to deal with the transmission? You must provide a basic answer to the following question: *What could the monetary authorities do? What should they do? What were the costs and benefits of alternative policies? To what extent was a private (market) solution possible as opposed to a public (government) solution possible? What were (are) the costs and benefits of both? (2 pages)*

Third, please make your own specific recommendation to avoid a repetition of the Financial Crisis of 2007-2009. Be specific as to why you choose to make the recommendations that you do, supporting your recommendations *with specific economic*

principles that you have learned in this course. I am not interested in ideology or doctrinaire thinking. This is not the family dinner table and I am not a parental figure. I want a *cogent economic proposal* to prevent what has happened from happening again, and the more detail based on economic principles, the better. This is not the place for a disquisition on the evils of capitalism, socialism, or any other -ism. If you give me such a discussion, I will consider the last page of the assignment undone and grade accordingly.