

## **WG “FinancialCrisis”**

### **- Deliverable -**

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#### **1. Short overview of the topics we have been discussing**

Our goal in the Workgroup “FinancialCrisis” was to cover possible reasons and solutions for the current financial turbulences. We approached the topic from different perspectives, thus our key-questions can be summarized as following:

##### As a Kick-off:

UK’s Prime Minister Gordon Browns Initiative to cut VAT taxes: Are governments supposed to spend money and financially support the economy? Is that valid regardless of the national debt?  
How are the procedures in Interest Rate cuts by Central Banks to be understood? What are its effects on capital liquidity?  
Do our governments develop emergency solutions? What are our Governmental Action plans like?

##### Controversy:

Wall Street bonuses have exceeded past year’s amounts although investment bankers have not obviously done a “better” job - is that justified?  
How does the Financial Crisis affect us personally in our daily lives?

##### “Buy American”-Initiative:

Is it reasonable to support merely the national economy? What about the resulting imbalance of the concept of global economy?

##### Controversy:

As excess borrowing caused the current Financial Crisis, how is it justifiable or logic that banks currently practice huge loaning again in order to solve the Crisis?

We tried to implement certain different methods: E-Mail discussions, bi-weekly Skype conferences as well as a joint (together with another WG) Webex-session. As a basis for discussion, we started off with a country-wise collection of statistical (monetary) data (GDP, numbers of imports and exports), whereas our goal was a collection and comparison. In analyzing the data, we came up with the idea of each campus analyzing another countries’ economical data. Also, we had two fellows keeping track of the World Economic Forum in Davos (Switzerland) and informing the WG on a daily basis.

## 2. Learning effects

### a. Content

What did we learn about the Financial Crisis? That it and its impacts are too complex to have them fully discussed in nearly three months. But also that it is important that we, living in a globalized world, have to think globally regarding possible solutions, thus "closing" the economy, protecting it by methods like "Buy-American" definitively isn't the way we have to go.

We also learned that we can't find a final answer and that the discussions can and will go on for ever.

In the following we want to provide you with the statement of two of our WG members about what they learned during this WG period:

*Just like recognizing how small this world is by recognizing how similar we all are the world gets even smaller when recognizing the financial crisis in today's economy. After communicating with my group members on how the Financial Crisis is affecting them as individuals there are somewhat the same responses. Majority of us felt the same about unemployment. Although, we as college students, may not feel the effects in this present day we will be affected in the near future. For example, there are not as many job opportunities available to students graduating from college. I learned that although on the news that they are always talking about how bad the economy is people from China, Germany, and the United States have not slowed down from spending money on entertainment, leisure, bills, and etc. Just like the United States, China and Germany companies have been hit hard by the financial crisis. Many people are getting laid off and companies are not hiring new-graduated students. To rectify the financial crisis in the United States TARP is to encourage banks to resume lending again to consumers and businesses along with the economic stimulus plan. Germany is cutting taxes, employee's health insurance contributions will be lowered, and Germany's governing coalition has agreed on the details of the country's biggest economic stimulus package since WWII. India needs to implement a stimulus package to increase investment and the expectation of growth. The government must take steps to increase confidence.*

JASMI BROWN

*Attempting to understand the current Global Economic Crisis has been a challenging and enlightening experience. Throughout this process I have learned the role played by central banks in setting interest rates and inflation and how those factors affect currency values, markets, banking decisions and actions, and ultimately entire economies. Once that is understood, one can truly understand factors such as sub-prime mortgages and mortgage back securities and why they played such a large role in the instability of the U.S. economy which led to the instability and decline of the Global economy. I learned that in reality, many nations worldwide have both public and private sectors heavily investment in U.S. financial and economic systems. Therefore, when the U.S. struggles financially and economically, the world suffers. Additionally, my*

*knowledge of the MF countries has increased; from the way governments and other institutions are intervening to counter the crisis and find solutions, to the social impact of the crisis on individual citizens. The more I understand the economic structure in place and the inevitable crises it produces, the more confident I am in the suggestion for an overhaul of our entire economic system.*  
CEDRIC BLAIR

### **b. Collaboration**

Making Fellows of one country to analyze the financial crisis situation of another MF country was the most creative idea in our Work Group. Thanks to this brand-new discussion mode, the extent of our collaboration has been dramatically improved. We had to find enough information to support our analyses in the field where almost all of our Work Group members are not familiar with. So there came the help and advice from Fellows of the focused countries. We helped each other to find local news and statistics in English, and exchanged our understandings of the local economy. After all, each campus gained deeper understanding about the financial crisis in at least one MF country.

In addition, to let all campuses have a mutual understanding of the financial crisis in all four MF countries that make up our WG, we held several Skype meetings to share our findings. We even held a Joint WebEx session with the WG Economundo in which each campus presented their findings to all two WGs.

We think this way of WG collaboration is worth popularizing in the future, since it's really an interesting and effective exchange among different cultural backgrounds. We went beyond the routine of merely analyzing our own countries which we are so familiar with, to a stage that we let our curiosity lead us in the exploration of unfamiliar cultures.

### **3. Campuswise analysis of another economy**

As already described earlier we tried a new way of intercultural learning within this WG this period: Each campus analysed another country and presented it to the others in a Webex session (for details please see below under no. 4)

*In the process of analyzing the US economy in crisis we learnt quite a few things .We learnt about the root causes and the policy mistakes that led to the crisis. This crisis showed us how economic problems in one large consumer country can affect the whole world. The importance of the banking and credit system in today's economic scenario also became very evident to us. Thus through this collaboration and research we now have a much clearer view of today's ongoing financial crisis.*

INDRANATH SEN GUPTA and KARTHIK KRISHNAMURTHY

*The analysis of the Chinese economy was very very informative for us. The most interesting thing we found out is that China needs an GDP growth of minimum 8 percent, otherwise the unemployment rate will skyrocket and China will have massive problems. Having this information as a background knowledge it was very interesting to analyse the old economic data and the outlook on the next years as predicted by the Worldbank, the OECD and the IMF. We can now better understand the Chinese economy and its thrive and its need for a steadily growing economy.*

ELISE KLEINSORGEN and FABIAN REISCHAUER

#### **4. Experiment: Joint Webex of two WGs**

The joint WebEx session was an innovative idea that our group came up with, since there were two discussion groups with similar topics of discussion. We felt that both parties could benefit greatly from a different perspective, and our initial idea was that the financial crisis group could perhaps focus on the details of the latest economic downturn, with causes, effects and possible solutions. Our reason behind this was that most of our discussions had revolved around these topics, and when the topic of the Financial Crisis comes up in regular conversation with anyone, these are the first questions to be asked.

Given the fact that we were presenting to another group whose interests were based in economics and finance, we also felt that it would be helpful as well as insightful to go in depth into some of these topics, and that the greater detail would give them a better understanding of the effects of the crisis.

Both groups felt that since the Financial Crisis had been given so much attention in the world media, it was important to try and look at it from independent perspectives. The initial expectation of our group was that we would focus on the details of the crisis, limiting ourselves to the few years leading up to the problem, as well as to the immediate future, while the other group would bring up the larger economic issues and theories based on which the solutions, as well as the problems have been created, and bring up perhaps some different perspectives that economists have on how to fix the world's economic woes. It was felt that this idea would facilitate mutual learning on a topic of joint interest.

"The Financial Crisis" group thought of taking collaboration to the next level, by making one country analyse another, and thus getting further perspectives about each other's economy.

The Joint WebEx session finally took place on Tuesday, 24th February, 2009. The presentation involved on country analyzing another, and this collaboration will be visible in the set of presentations we have compiled. "Economundo" in turn shared their perspective about the crisis through a presentation of their own.

WebEx was an ideal tool to share this presentation, and to make the sharing process easier, each campus created a set of slides that had some of the talking points as well as facts, to serve as a visual aid during the discussion.

Despite the varied discussions during the WG period, the FinancialCrisis group tried to stay with the causes, effects and immediate solutions for the most part. Each of the presentations was followed by spontaneous discussions (questions, opinions, answers etc), which were very productive in nature. These long discussions led us to over-shoot the allotted time; however, the discussions answered many questions and were extremely educative and we could have gone on for a longer time.

The session started off with India analysing the US. The presentation talked about the long term causes for the crisis. This was used as the first presentation, as it described the reasons behind the beginning of the crisis itself, as well as the most talked about issues in the world. Most importantly, it also contained some basics that explain why the crisis has spread all across the world, and also why similar tools are being used to combat it the world over.

China analysed Germany next, the presentation carried a great amount of detail on how the crisis has impacted Germany, and the possible near future impact as well as the plans being made to help ease the situation.

The German analysis of China followed, and this focused on the effects of the crisis for a country that was dependent on the US, as consumers. The focus of this presentation was the possible impact on a boisterous economy, and how despite the difficulty, the Chinese government is trying to salvage the situation. The fellows from the US had created a very efficient presentation of the crisis in India.

Economundo's specific focus of the presentation was the Great Depression- an example we could draw parallels from. They talked of the various preventive measures taken at that time. They also briefly mentioned other instances which we could learn from. They presented general causes for this particular crisis and the ideas behind the solutions being discussed presently.

In retrospect, the WebEx session was wonderfully useful, and was beneficial for both groups. Even working on the presentations proved to be extremely useful in learning more about the crisis, and it also helped us come out with a final presentation that would be easy to relate to, even for those without deep knowledge of the issue. It is hoped that this type of collaboration would be pursued by other WGs in the future, and we look forward to being a part of them.

You can watch the original meeting at: <http://tinyurl.com/bpjqu>

## **5. Conclusion**

Though this WG period was rather short and the fact that the financial crisis currently is THE hot topic in the world and thus can be read about in every

newspaper and magazine, can watch about in nearly every news, it has been very useful and enlightening to discuss the current crisis with fellows around the globe.

Especially in today's globalized world it is vitally important that one not only understands his own country and its economy, but also get a deeper and better understanding of other economies. In our workgroup we managed to get this deeper understanding of the different economies through our discussions and especially the analysis of another country.

It was very interesting to see questions being arisen like whether western countries should change their economic policy, whether the decreasing of interest rates is really helpful for all countries or "Bad Economy, BUT "Happy" Life?" and seeing different people from different cultures giving different answers, but also people from the same culture/country giving different answers.

Of course the discussions will never end about mankind's greediness, different concepts of economy and the best possible way to counter a crisis like this one. Thus our WG didn't come up with THE or even ONE answer - we, however, - and this is even more important than THE answer, managed to widen our horizons and get a better understanding about the crisis.

Especially through the experiment of letting fellows analyse a foreign country, listening to their presentation and the comments of that country's fellows we were able to achieve that goal. We not only learned new things about other countries because of this, but also we got a new perspective on our own countries through listening to the different analysis.

Especially, but not only because of this, our WG was a huge success and we recommend this kind of intercultural learning for the future.

Maybe we can say following in the end: if at all, definitively China and India will benefit most of the crisis and will arise as one of the winners of this crisis.

## **6. Appendix**

We uploaded the presentations which were held during the joint Webex session by the WG members as a \*.pdf on Drupal.

You can find...

... ZU's analysis on Germany here:

[http://drupal.meltonfoundation.org/files/WG\\_deliverable\\_FinanciaCrisis471/Germany\\_in\\_the\\_Financial\\_Crisis.pdf](http://drupal.meltonfoundation.org/files/WG_deliverable_FinanciaCrisis471/Germany_in_the_Financial_Crisis.pdf)

... BMS's analysis on the US here:

[http://drupal.meltonfoundation.org/files/WG\\_deliverable\\_FinanciaCrisis471/BMS\\_on\\_the\\_US.pdf](http://drupal.meltonfoundation.org/files/WG_deliverable_FinanciaCrisis471/BMS_on_the_US.pdf)

... DU's analysis on India here:

[http://drupal.meltonfoundation.org/files/WG\\_deliverable\\_FinanciaCrisis471/  
DU\\_on\\_India.pdf](http://drupal.meltonfoundation.org/files/WG_deliverable_FinanciaCrisis471/ DU_on_India.pdf)

and finally FSU's analysis on China here:

[http://drupal.meltonfoundation.org/files/WG\\_deliverable\\_FinanciaCrisis471/  
FSU\\_on\\_China.pdf](http://drupal.meltonfoundation.org/files/WG_deliverable_FinanciaCrisis471/ FSU_on_China.pdf)

We hope that you enjoy looking at these presentation and might learn a bit, as we did. :-)