



**YouTube Title:** “The Crisis of Credit Visualized – Part 2” <http://www.youtube.com/watch?v=iYhDkZjKBEw>

**Video Length:** 3:44 minutes

**Chapter 11:** Aggregate Supply and Demand, p. 228

**Topic:** Macro Failure, p. 236

**Key Terms:** 2008-2009 recession, housing crisis, credit crisis, macro failure, aggregate supply and aggregate demand

**Learning Objective 4:** Tell how macro failure occurs.

### **Economic Application**

This animated video describes the turning point, as well as the final stages of the credit crisis, which lead in large part to the Great Recession of 2008-2009. Concepts such as sub-prime mortgages, collateralized debt obligations, frozen credit markets and credit default swaps are described in a clear and concise fashion such that all viewers come away with a more concrete understanding of the final stages of the crisis of credit. This video identifies the turning point in the crisis where high-risk homeowners received mortgages, housing prices plummeted, CDOs lost significant value, and as a result, the financial system froze. This led to a significant number of bankruptcies, and what we refer to today as the Great Recession of 2008-2009.

### **Multiple-Choice Question**

What is the impact of a dramatic decrease in the demand for new homes on our macro equilibrium?

- a) Aggregate demand decreases causing real output and the price level to both fall.
- b) Aggregate demand increases causing real output and the price level to both rise.
- c) Aggregate supply increases causing real output to rise and the price level to fall.
- d) Aggregate supply decreases causing real output to fall and the price level to rise.

### **Discussion Question**

How will a dramatic decrease in the demand for new homes affect our macro equilibrium?