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An abundance of cheap credit made it easy for banks to borrow money from America's Federal Treasury. This cheap credit encouraged the creation of significant wealth but created vulnerability in the global financial market.

The Meltdown: Origin of a Problem

1). Before 9/11 financial investors at **Wall Street** favored buying T-bills from the **Federal** Treasury (an investment which was basically like loaning the American Government money (which was a pretty safe loan to be paid off)).

2). Following the financial instability after the World Trade Center attacks (9/11), the Treasury lowered **interest rates** to help grow the economy. The lowering of interest rates helped grow the economy and did two other things: firstly, it lowered the amount of profit Wall Street investors could make by investing in T-bills (this meant investors started looking at other places to invest their money); and secondly, the lower interest rate made it easier for **banks** to borrow money from the Treasury; thirdly, banks had extra money (**credit**) which they in turn lent to investors.

3). The easy availability of credit encouraged banks to "**over leverage**." During the Stock Market Crash of 1929 banks lent more total money they actually had in their vaults. When the market collapsed banks owed money they did not have (and consequently lost all their customers' money). The *Glass-Steagall Act* was passed in 1933 which made it illegal for banks to loan more than 15% of the money they actually possessed in their vaults. This prevented banks (and investors) from taking too large a risk and protected the economy because this act made sure the majority of the nation's money would not be lost if markets collapsed in the future.

4). *Glass-Steagall* was repealed in 1999 to **remove** limitations from both banks and the financial services industry (Wall Street). The repeal of this act led to the creation of new financial products and a return to banks over-leveraging themselves with the hope of earning huge, quick profits.

5). With de-regulation the economic system re-introduced the same vulnerability it faced in 1929. Wall Street took out huge loans from the Federal Treasury. Invested that money in to new financial products like **collateralized debt obligations** (**CDOs**), made a huge profit, and then repaid their loans.

6). Ordinary investors saw how much money was being made by Wall Street. Wall Street used CDOs (defined below) to connect investors with home owners, i.e. banks bought thousands of mortgages, bundled the mortgages together, and then sold these bundled mortgages to investors (and called them CDOs). Investors would profit because they would make money whenever home owners paid their monthly mortgage payments.

WALL STREET: the location of some of the most important investment firms in the world. These firms are not banks but trade in stocks and bonds. These firms connect investors with investments.

FEDERAL TREASURY: established in 1798 the Treasury is responsible for printing money and setting monetary (money) policy like interest rates.

INTEREST RATES: banks like the Federal Treasury loan money at interest. If interest is low people tend to borrow money; when interest is high people tend not to borrow money.

BANKS: a financial institution whose main purpose is to provide a place for people to keep their money or take out loans from. Banks themselves can take out loans from the Treasury.

CREDIT: the ability of a person or company to own something without actually possessing the money to do so.

OVER-LEVERAGE: occurs when either a bank or company takes in more debt than profit.

REMOVE LIMITATIONS: when limitations or laws are removed from the financial industry we are "de-regulating" the economy.

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7). Investment bankers split CDOs (home mortgages bundled with student loans, car loans, etc.) in to three parts, e.g. **safe, okay, and risky**. The safe part included those home loans given to people with high incomes who were the most likely to pay their monthly mortgage. When a home owner belonging to the "safe" category paid their mortgage, people who owned part of the "safe" bundle received some of that money in the form of profit. Likewise when people belonging to the other two categories paid their monthly payments investors received a profit.

8). The system worked well for a number of years until banks ran out of home mortgages to bundle in to new CDOs to sell to investors; they needed more home owners. Therefore, banks reduced their standards for giving out loans so that more people could take money out to become home owners. These new loans carried comparatively more risk then even the "risky" loans posed, e.g. people working insecure and low paying jobs like Wal-Mart greeters were purchasing 400,000 dollar homes on credit (leading to "over leveraging" of the financial system). Normally, a bank does not want to risk money by giving money that is not likely to be paid back. This changed because of the desire for profit.

9). Bankers had two incentives to give out bad loans (called **"sub prime" mortgages**) despite the risk: firstly, people selling mortgages received personal commissions whenever they gave a loan to someone (this meant mortgage officers weren't protecting either the bank or the consumer by avoiding giving bad loans; instead, these mortgage sellers were only worrying about personal profit); secondly, bankers believed the overall risk to be low, i.e. because when "risky loans" were bundled with "safe loans" the danger posed by the risky loans was reduced, i.e. investors were always guaranteed to see some sort of return on their investment.

10). However, the game started to unravel once the ratio of "risky" to "safe" loans became unsupportable (too many risky loans), e.g. people with risky loans defaulted (could not pay) on their loans. These people lost their homes, went bankrupt, and walked away from what they owed. This left all of the debt in the hands of the banks. The banks now overleveraged did not have the means to pay back the money they themselves borrowed from the Federal Treasury. The financial system was no **insolvent**.

11). The global economy ground to a halt because suddenly all the easy credit dried up: banks refused to give out any loans. This meant no student loans, no car loans, no home loans, no small business loans were being given out. The collapse in the housing market led to an overall collapse of the entire global financial system.

12). The world risked going in to a second "great" depression. The financial system was saved when world governments printed hundreds of billions of dollars to give to the banks so that banks would have money to loan again (which would in turn get the economy's wheels turning again).

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COLLATERIZED DEBT OBLIGATIONS (CDOs): a financial product created by Wall Street financial firms to encourage the growth of wealth. CDOs spread the risk of a loan not being paid back by "bundling" three types of loans together in to bundled mortgages, etc.

SAFE, OKAY & RISKY: safe loans were given to wealthy people, risky ones given to people with a lower middle income, and risky loans to people who might or might not pay back what they owe. Investors made the most money by investing in the "risky" category because it was a greater gamble.

SUB-PRIME MORTGAGES: prime mortgages were "prime" or "safe" loans which were virtually guaranteed to be paid back. In order to get more people in to the housing market, banks (who were not prevented by law) created so-called "sub-prime" mortgages, i.e. loans given to people without proof of income or even identity.

INSOLVENT: is defined as the inability to pay ones debts. This happens for the following reason:

1). For whatever reason the bank owes more than it owns or is owed. In accounting terms, this means the banks assets are worth less than its debt (or what it owes).

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Countries around the world continued to struggle with the 2008 recession. Canada remained relatively well-off; however, as of 2015 Canadians were carrying an ever greater personal debt load which could lead to some potential problems for Canada in the future.	**Canada & the Recession: 2011-2012** 1). The global economic meltdown led to a series of protests around the world by the so-called "**Occupy Movement,**" e.g. Calgary, Toronto, Montreal, etc. 2). Countries like **Greece** continued to struggle with the economic meltdown well in to 2015. 3). While Canada emerged from the economic crisis relatively unscathed, finance minister **Jim Flaherty** warned in 2012 that Canadians continued to spend money they didn't have, e.g. Canadian individuals and households were carrying more debt than they'd ever carried before. 4). One of the main reasons Canada did so well despite the crash was China went on a spending spree building malls, office towers, cities, condos, etc. which boosted Canada's **commodities**. 5). Also, Canada did relatively well compared to other countries because of regulations (laws) in this country which prevented banks from over-leveraging themselves, i.e. these laws protecting Canadians and banks from themselves (greed).	**Occupy Movement**: a protest movement which incorporated not just working families and the poor but also former members of the middle-class who lost everything during the meltdown. The movement formed in response to the perceived inequality between the 1% and the 99%. **Greece**: the Greek government was forced to slash spending on public programs, etc. to qualify for a loan from Germany. The result was months of strikes, protests, and rioting. Jim Flaherty: minister of finance for the Harper government in 2012. **Commodities**: raw resources like potash, wheat, oil, etc. which are in turn used in finished products.
On May 2, 2011, Stephen Harper's Conservative Party was given a majority in the House of Commons. This radically changed the face of Canada's politics.	**Harper's Conservatives Win Majority** 1). The Conservatives won 167 of 309 ridings. 2). The NDP won 102 seats making it the official opposition for the first time in its history. 3). The Liberal Party were reduced to the lowest seat count in its history, e.g. 34. 4). The Bloc Quebecois were reduced to only four seats (making them all but cease to exist). 5). Harper's majority government was indicative of a change in the views of Canadians—moving from the **center** or **left** to **center-right**.	**Center/Left/Center-Right**: this designation helps pinpoint roughly whether a political party is liberal or conservative (or *how* liberal or conservative they are). The NDP are described as "leftist" because of their stated aim of redistributing the country's wealth and putting it in to social programs. The Conservatives are considered on the "right" because they stress individuals, and not government, should be taking care or making decisions for themselves.

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*On June 14, 2012 Harper used his parliamentary majority to push through a controversial act which contained dozens of new laws and policy changes for Canadians. The opposition parties criticized the **omnibus bill** as patently "undemocratic" because no consensus building was involved. Harper indicated the bill was necessary to ensure Canada's long term national and economic interests.*	**Harper Uses His Majority** 1). Over a 24 hour session of Parliament, Harper's Conservative government successfully pushed through a series of new laws. 2). Harper indicated the omnibus bill was necessary to make sure Canada could "whether the coming economic storm". He passed a second omnibus bill in October called the **Jobs, Growth and Long-Term Prosperity Act** which had little or nothing to do with economics. 3). For example according to this act, the United States coast guard was given the right to arrest and detain people in Canadian waters. Also, the right to protest while wearing a mask was made illegal. Further, certain limitations were removed from developing environmentally sensitize lands for environmental purposes.	**Omnibus Bill**: is a proposed law covering a number of difference or unrelated topics. Omnibus is derived rom Latin and means "for everything". **Jobs, Growth, Long-Term Prosperity Act**: the bill contained changes to dozens of **statutes** ranging from employment insurance and public pensions to environmental assessments, border security and spy agency oversight. **Statutes**: a law passed by a governing body like a Parliament.
In response to a second Omnibus Bill (called Bill C-45) a movement calling itself Idle-No-More emerged to challenge Harper's and his proposed policy changes.	**Idle No More** 1).In late October, four women in Saskatchewan began exchanging emails about **Bill C-45**. They were concerned indigenous rights were being eroded by Bill C-45. 2). The **Idle No More** movement said it wanted to "stop the Harper government from passing more laws and legislation that will further erode treaty and indigenous rights and the rights of all Canadians."	**Bill C-45**: better known as the second omnibus budget bill. The changes that most concern the Idle No More movement are those related to the Indian Act, Navigation Protection Act, Environmental Assessment Act. In addition to the changes, those involved in the movement were angered by what they call a lack of consultation with indigenous peoples. The movement has also expressed concern about other acts and bills from the Harper government.
*A series of issues cropped up during PM Harper's majority, e.g. **Fraud committed by Conservative senators,** accusations of heavy-handedness, and a growing perception that the Conservative Government had lost touch with the majority of Canadians.*	**Canadian Election 2015** 1). In October 2015 the Liberal Party of Canada, under the leadership of Justin Trudeau, defeated the Conservatives by winning 184 of the available 335 ridings. 2). The Liberals ran on a policy of "real change," e.g. the Cabinet is made up of an equal number of men and women, it has aboriginals sitting on it, and the government is considerably more aggressive in dealing with investing in Canada's infrastructure and the risks posed to the country by climate change.	**SENATE FRAUD SCANDAL**: several Conservative senators were accused of defrauding Canadians, i.e. senators are entitled to claim expenses they incur while doing their job; however, some senators were billing Canadians for things senators were not entitled to, e.g. Senator Mike Duffy.