



Economic Crisis Workshop

## **CPEG's Economic Crisis Workshop: How to do it**

CPEG's Economic Crisis Workshop is designed to teach, in understandable terms, how the U.S. got into our current economic problems and to suggest some policies that we could adopt to reverse the economic downturn. It is a participatory workshop that has activities to enhance understanding and discussion. Participation is a good thing; however, it also means that you will probably need 2-1/2 hrs to do the full workshop.

The workshop describes three causes of the economic crisis: (1) long term growth in inequality; (2) credit, debt and financial deregulation, and (3) the U.S. dollar and the World Economy. There are exercises and/or dialogues that are used in each case.

**I. Growth in Inequality:** The workshop uses two measures to emphasize the extent and the trend. (If you are pressed for time you could choose to use only one.) Before starting the activity you should mark the floor. For the **Average Income Walk** each 1 foot could represent \$10,000; suggestion: for \$0 - \$150,000 mark every \$10,000; then mark \$300,000 and \$870,000. For the **Income Shares Walk** each 1 foot could represent 2% of total income; suggestion: for 0 – 20% mark every 2%, above 20% mark every 5% up to 50%. The important point is that the markings should be proportional to the income levels/shares so that the extent of inequality is visually demonstrated.

In each case you will need 6 participants (you could use the same 6). In the “**Average Income Walk**,” 5 of the 6 participants each represent 20% (a quintile) of U.S. households, ranked by income. The 6<sup>th</sup> participant represents the top 1% of U.S. households by income. Each participant receives 2 packets – one labeled 1979 and one labeled 2005. Inside each packet is that participant's median household income for the two years. Each participant should be asked to open their 1975 packet and walk to the appropriate place on the floor. Start with the lowest quintile and move to the top. Before you ask the last (top 1%) participant to open his/her packet you might announce, “We have a special guest, the top 1% of households” and then have this individual walk to the appropriate line.

The **Income Shares Walk** works similarly, again using 5 individuals to represent the quintiles and the 6<sup>th</sup> individual to represent the top 1%. One visual lesson from comparing the two exercises should be that, even though all quintiles have seen an increase in average income, the bottom four quintiles have actually lost income share. Further, although this may not be completely obvious, the income share gain of the top 20% is almost completely the result of the gain of the top 1%.

**2. Credit, Debt and Financial Deregulation:** This section uses a dialogue that comes in 3 acts, taking place over 4 years. It helps if you can have the participants in the skit go over the dialogue briefly before doing it in front of the group but it can be done by participants simply reading from the script. I suggest that the organizers of the workshop take the role of “mortgage lender” and “authoritative voice” since these two roles keep the skit going. You will need 6 people: 2 mortgage lenders, a couple who are house buyers, an “authoritative voice,” and Goldman Sachs (no speaking role until next section).

The skit should begin before you go to the PowerPoint slides that talk in greater detail about the expansion of credit and the housing bubble. The first 3 slides in this section of the PowerPoint summarize the financial situation at each of the 3 acts in the skit. Be sure to stop and display them after each act.

**3. The U.S. Dollar and the World Economy:** There are 8 parts in the 4 acts for this section. However, there are never more than 3 parts in any of the individual acts. All of the parts can be read cold but it would be useful for the organizers of the workshop to participate in each act to keep the action moving. Note the props that are needed: toys that resemble manufactured goods (cars, TVs, etc.), money (Monopoly money works well), character signs so the audience knows who is who, soup cans labeled “oil,” and bundled mortgages from the housing skit.

Again, I suggest doing the skit to lead off the section and then talking through the PowerPoint slides.

**4. What Can be Done?** There are not skits, etc. here. The PowerPoint slides outline several proposals, several of which have been suggested by a member of Congress and may actually be in bill form (but not enacted) or have been the subject of conferences, policy discussions, etc. The section concludes with a slide that details ways to raise the money necessary to fund some of these proposals without increasing taxes on the vast majority of the population (refer back to the level of income concentration).

If there is time, you could begin this section by asking the group for some policy ideas.

I hope you and your audience enjoy the workshop and also learn from it. If you need additional information about how to do the workshop or just want to talk it through before doing it you can contact the following person:

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More information at [www.cpegonline.org](http://www.cpegonline.org)